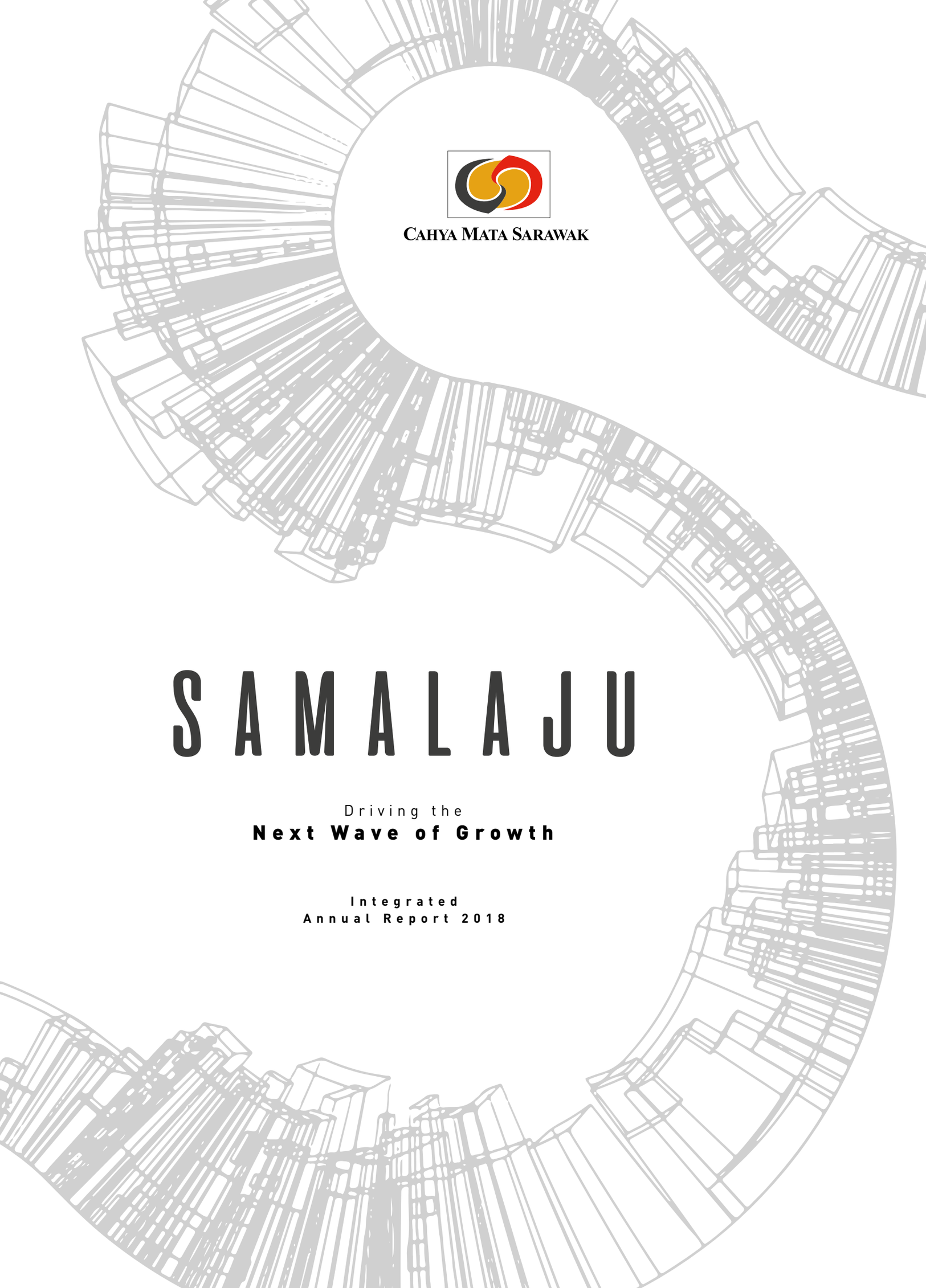


CAHYA MATA SARAWAK

SAMALAJU

Driving the
Next Wave of Growth

Integrated
Annual Report 2018

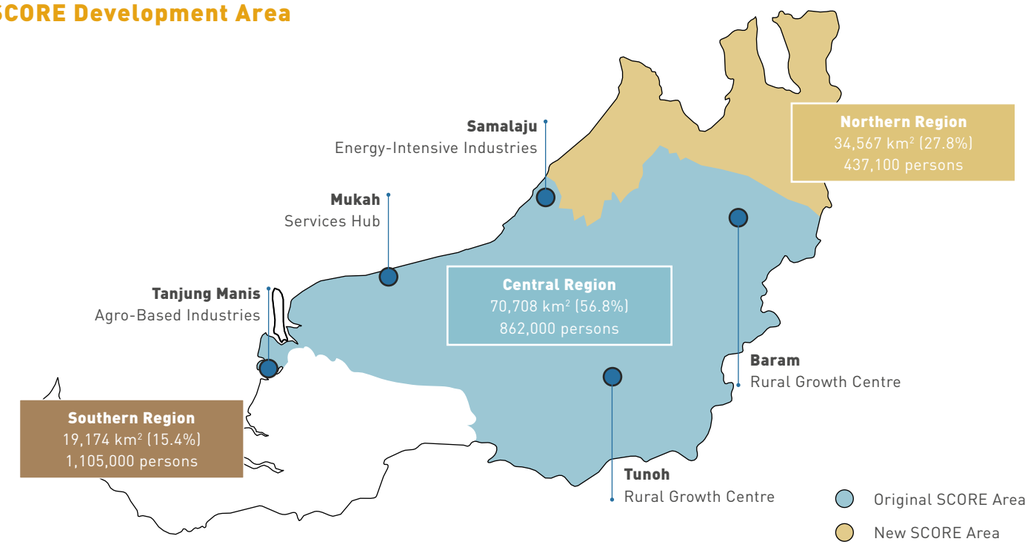
Samalaju – Driving the Next Wave of Growth for CMS

SCORE - Catalyst for Economic Growth

Launched over a decade ago, the Sarawak Corridor of Renewable Energy (SCORE) is one of Malaysia's five economic development corridors aimed at stimulating investment-led growth in traditionally rural areas. Companies looking to expand their operations and geographic reach in Asia have been leveraging on SCORE's competitively-priced renewable hydro energy; its new highways, ports and airports; as well as its unmatched financial incentives, to fast-track business growth and gain a competitive advantage.

The corridor initially only encompassed the Central Region of Sarawak and some 70,709 square kilometres (km²) covering the five growth nodes of Tanjung Manis, Tunoh, Mukah, Baram and Samalaju. However, in January 2018, SCORE's boundaries were extended to the Northern Region and it now encompasses a total area of over 100,000 km². As of August 2018, SCORE had attracted some RM79.30 billion worth of investments from both the private and public sectors, thus attesting to its allure as an investment destination.

SCORE Development Area



Samalaju Industrial Park – Magnet for Energy-Intensive Industries



The Samalaju area is one of SCORE's five growth nodes. Nestled within Samalaju and just 60 km northeast of Bintulu, lies the Samalaju Industrial Park (SIP) which is also SCORE's biggest success story to date. With its offer of plentiful natural resources and solid infrastructure, including an extensive road network and the RM1.80 billion world-class Samalaju Industrial Port, this 7,000-hectare industrial park serves as the ideal location for energy-intensive heavy industries, as well as industries dependent on a deep-sea port. Today, there is a concerted effort underway by the State Government and other parties to improve the SIP's health, education, telecommunication and emergency service offerings so that it will ultimately function as a one-stop-hub catering to the diverse needs of all who live and work within it.

To date, the SIP has already proven to be a magnet for foreign and domestic operations in manganese smelting, aluminium smelting, steel, oil refining, silica-based manufacturing and marine engineering activities among others.

*For more details of CMS' strategic investments within the SIP, kindly refer to the **Property Development Activities within Samalaju Industrial Park** and **Samalaju Development Division** write-ups within the **Operational Review** section of this Integrated Annual Report* 72+

*For more information about **Samalaju Industrial Park**, scan the QR code or log on to **http://www.recoda.com.my***

CMS and the SIP – A Mutually Beneficial Relationship

CMS' relationship with the SIP began in the year 2007. Recognising that the best way forward to establish transformational growth for the CMS Group was to invest in resource-rich Sarawak's energy-intensive heavy industries, we began exploring several options. Seeing that the best fit was to get involved in SCORE, we went on to undertake the development of core components of the SIP. At the same time, we began exploring viable investment options.

Today, via a 51% equity stake in Samalaju Properties Sdn Bhd, we are involved in the SIP by virtue of developing these components within the industrial park – workers' accommodation, hotel and ancillary services, a new township, a commercial/services hub and a light industrial park. Samalaju Properties itself is a joint venture between CMS' wholly-owned subsidiary Samalaju Industries Sdn Bhd (SISB), Naim Holdings Berhad (Naim) and the Bintulu Development Authority (BDA) which hold 51%, 39% and 10% stakes respectively.

To date, CMS has completed the Samalaju Lodges project which provides accommodation for the on-site workforce during construction of the new Samalaju township. We have also completed the 175-room Samalaju Resort Hotel which caters to the business, training and leisure needs of the many employees of companies that have established themselves at the SIP, as well as the sub-contractors and consultants that frequent the SIP. We are also involved in the development of the Samalaju Eco Park township, SCORE's first green township, as well as Samalaju Central which serves as the SIP's stylish commercial/services hub. We are also exploring the viability of setting up a light industrial park within the SIP.

*For more details of CMS' activities within the SIP, kindly refer to the **Property Development Division** write-up within the **Operational Review** section of this Integrated Annual Report* 68+

CMS is also a strategic investor in the SIP via our 25% equity stake in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd to develop a smelter with a 170,000 metric tonnes per annum (MTpa) - 210,000 MTpa ferrosilicon alloys capacity and 250,000 MTpa - 300,000 MTpa manganese alloys capacity. We also currently have a 60% stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) which is currently developing Southeast Asia's first integrated phosphate complex in Samalaju in two phases. Under Phase 1, three plants at a cost of RM1 billion are targeted for completion by end 2020. These plants, which are currently undergoing construction, are expected to have an annual production capacity of 48,000 MTpa of Yellow Phosphorous, 75,000 MTpa of Technical Grade Phosphoric Acid, and 60,000 MTpa of Food Grade Phosphoric Acid. Our involvement in these energy-intensive industries within the SIP is set to drive the next wave of growth for CMS.







CMS in the SIP - Key Milestones

Launched in

2008

Samalaju is an entirely greenfield site



2010

DEC 2010 – Development of the new SIP township gets underway

CMS signed a joint venture agreement with Naim Holdings Bhd and the Bintulu Development Authority to undertake the development of the new Samalaju township, as well as the construction and management of temporary camp facilities for workers and executives of industries locating to Samalaju. The parties had previously signed a Memorandum of Understanding (MoU) in May 2010.

2011



JUN-JUL 2011 – The first phases of SIP accommodation are rolled out

Racing against time to meet its project timelines, CMS successfully delivered on the temporary camps for workers and executives in June and July 2011 respectively. Constructed to international standards, the camps sought to make the transition of global companies to the SIP easier. The first occupants of the camps were workers attached to the Japanese entities, Tokuyama Corporation and Chiyoda Corporation.

JUL 2011 – CMS signs MoU to explore manganese smelting business

CMS announced that its wholly-owned subsidiary, Samalaju Industries Sdn Bhd (SISB), had signed a MoU with OM Materials Singapore Pte Ltd (OMS), a wholly-owned subsidiary of ASX-listed OM Holdings Ltd., to enter into exclusive negotiations related to the development of a 600,000 MTpa capacity manganese and ferrosilicon smelting plant at the SIP. The manganese smelter would come under the ambit of OM Materials (Sarawak) Sdn Bhd in which CMS has 20% equity and OMS, 80% equity.

2013



APR 2013 – OM Materials (Sarawak) successfully completes its EPC contract

OM Materials (Sarawak) announced its success in executing the lump-sum Turnkey Engineering, Procurement and Construction (EPC) contract for the ferroalloy smelting project at the SIP. Upon the signing of the EPC contract, full-scale construction commenced immediately.



DEC 2013 – The beginnings of SEA's first integrated phosphate complex

SISB joined forces 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) which would be tasked with constructing Southeast Asia's first integrated phosphate complex at a projected cost of RM1.55 billion. Under the (then) shareholders' agreement, SISB and MPV held a 40% equity stake each in MPAS with the remaining 20% held by AESB.

2014

SEPT 2014 – OM Materials (Sarawak) achieves first production phase

The first phase of commercial production for OM Materials (Sarawak) was achieved upon the ferroalloys being successfully tapped at the ferrosilicon and manganese alloys smelting plant. By the year's end, four furnaces were in operation.

2015



MAR 2015 – CMS enlarges stake in ferrosilicon and manganese alloys smelting project

SISB entered into a share sale agreement with OMS for the purchase of an additional 5% equity stake in the ferrosilicon and manganese alloys smelting project. This brought CMS' stake in the smelting project to 25% reflecting the Group's confidence in the venture.

2016

OCT 2016 – Samalaju Resort Hotel officially opens

The Samalaju Resort Hotel, which achieved full operations in March 2015, was officially launched in October 2016.

END 2016 – Completion of Samalaju Centrals' first phase

CMS' property arm completed the construction of 34 units of three-storey shophouses within Samalaju Central's first phase which included a transport hub, a food emporium, commercial properties and 129 retail shops. The commercial hub's occupational permit was granted in 2017.



2017



SEPT 2017 – Samalaju Eco Park township receives occupation permit

The Samalaju Eco Park township was awarded the occupation permit for its first phase comprising 16 blocks of four-storey apartments with 256 furnished units. Construction works on another 96 units apartments are currently in progress and scheduled for completion by the first quarter of 2020.

2018



SEPT 2018 – Commencement of EPC contract for MPAS' Integrated Phosphate Complex

EPC works on the MPAS Integrated Phosphate Complex began on 1 September 2018, for both the main phosphate complex and connection assets. Construction is scheduled for completion within a 24-month timeframe with commissioning scheduled to begin by late 2020.

2019



JAN 2019 – CMS increases equity stake in MPAS thereby gaining management control

In January 2019, SISB increased its equity stake in MPAS from 49.94% to 60%. This strategic move, which accords CMS Board and Management control of MPAS not only strengthens our footprint within SCORE, it is expected to bolster the Group's earnings once the first phase of production commences.

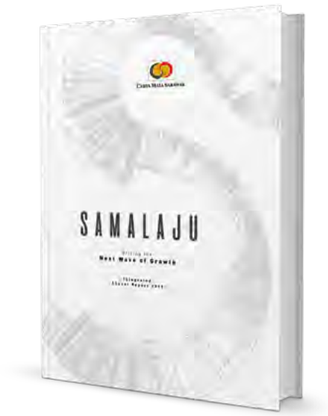
Our Commitment to the SIP

Moving forward, CMS is committed to strengthening its role within the SIP. We believe that our strong record of accomplishment in developing specific components of the SIP and our diverse strategic investments will benefit us for the long-term.

Our efforts in the SIP continue to gather momentum and bear fruit. Last year, the ferrosilicon and manganese alloys smelter operations under OM (Materials) Sarawak turned around and became the Group's biggest profit after tax and non-controlling interests (PATNCI) contributor after the Cement business. Come late 2020, the integrated phosphate complex under MPAS will come online and begin making significant contributions to the Group. In fact, we have set our sight on ensuring that our businesses within the SIP and our other strategic investments generate some 50% of our profits within the next five years. Together with the balance 50% of profits from our traditional core businesses, we can look forward to CMS experiencing the next wave of growth.

For more information about ***Samalaju Industrial Park,*** *scan the QR code or log on to* ***http://www.recoda.com.my***

Inside this Report



SAMALAJU – Driving the Next Wave of Growth

The cover of our Integrated Annual Report 2018 pays tribute to the Samalaju area, one of five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative. Samalaju is also home to the Samalaju Industrial Park (SIP), the nation's single largest industrial park and SCORE's biggest success story to date. Cahya Mata Sarawak Berhad (CMS or the Group) is proud to be playing a key role in the development of various components within the SIP. These are of immense strategic value to our business and are primed to drive the next wave of growth for the Group.

Today, given the increasingly ambiguous environment that we operate in, CMS has embarked on a two-pronged strategy to ensure that the Group continues to deliver a robust performance. The first prong of this strategy calls for us to reposition and fortify our traditional core businesses, as well as our strategic investments; the second prong mandates that we work to reposition and strengthen the CMS Brand.

In line with the first prong of our strategy, we continue to strengthen our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance, as well as Property Development businesses, and make them more efficient. We also continue to ramp up our efforts on the strategic investment front even as some of these businesses begin to bear fruit. In 2018, the ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak) Sdn Bhd turned around and became the biggest profit after tax and non-controlling interests (PATNCI) contributor to the CMS Group after the Cement Division. Come the end of 2020, the integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd is expected to come onstream and begin making significant contributions to the Group. In fact, the Group is working towards ensuring that these businesses and our other strategic investments generate some 50% of our profits within the next five years. Coupled with the other 50% of profits from our traditional core businesses, we look forward to experiencing the next wave of growth for CMS. The finer details of our two-pronged strategy are spelt out in this Integrated Annual Report.

Moving forward, the CMS Group is well positioned to benefit from the key economic growth drivers within Sarawak. These include the energy-intensive industries under SCORE; impactful infrastructure development projects; upcoming water and electricity grid projects; as well as the rollout of Sarawak's digital economy initiative. Through leveraging on our strategy, continuously reinvesting into our core competencies, and capitalising on the State's key economic growth drivers, we will continue to create good value for our stakeholders, as well as establish a long-term, sustainable growth pathway for CMS and Sarawak.

This interactive PDF allows you to access information easily, search for a specific item or navigate between pages, sections and links.

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About This Report

REPORTING PHILOSOPHY – OUR FIRST INTEGRATED ANNUAL REPORT

Welcome to Cahya Mata Sarawak's inaugural Integrated Annual Report. For Financial Year 2018 (FY 2018), we aim to provide our stakeholders with a concise yet comprehensive account of our business and strategies, as well as demonstrate how value is created and shared.

Applying global best practices and guided by the International Integrated Reporting Council or IIRC's International <IR> Framework, we are moving towards concise and focused business reporting which offers a complete strategic vision of the Company. The adoption of integrated reporting remains modest in Malaysia, with five companies having published an integrated report in 2016, compared to none in 2015. Since then, there has been an uptrend in the adoption of integrated reporting with over 3,000 companies globally having published their integrated reports. As investors, customers, business partners, NGOs and employees converge to demand greater readability, clarity, coherence, materiality and connectivity of information, integrated reporting is fast becoming the de facto reporting standard.

The CMS Group's Integrated Annual Report 2018 is a major milestone for us as it underscores our commitment to sustainable and long-term value creation, as well as demonstrates the relationship between our resources, actions and the value we create. It also illustrates the links between our financial and non-financial risks and opportunities.

REPORT BOUNDARY AND SCOPE

CMS' Integrated Annual Report 2018 extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to or associated with our key stakeholders which have a significant influence on our ability to create value.

Our Integrated Annual Report 2018 covers the period 1 January to 31 December 2018 and builds upon our previous publications.

It covers the primary activities of the CMS Group, namely the activities our six main business divisions. These encompass the Group's Cement, Construction Materials & Trading, Construction & Road Maintenance, Property Development, Samalaju Development, and Strategic Investments Divisions. We also provide an overview of the performance of our Unlisted and Listed Associates under our Strategic Investments portfolio.

REPORTING FRAMEWORKS

This Report complies with prevailing listing regulations and is in accordance with the IIRC's International <IR> Framework. We apply and take into account the amendments to the Listing Requirements relating to corporate governance requirements announced on 29 November 2017 pursuant to the implementation of the Companies Act 2016 (CA 2016) and the new Malaysian Code on Corporate Governance (MCCG) released by the Securities Commission on 26 April 2017.

The financial position of the Group and of the Company as of 31 December 2018 is prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the CA 2016.

Meanwhile our non-financial information is reported against the new Global Reporting Initiative Sustainability Reporting Standards (GRI Standards).

MATERIALITY & FORWARD-LOOKING STATEMENT

Materiality

Back in 2015, we undertook a materiality analysis of our business to gain a better understanding of topics that were of importance both to CMS and to its stakeholders. More recently, in November 2018, we conducted a new materiality analysis in line with listing requirements and are currently in the midst of finetuning our sustainability efforts to align with the findings of 2018's analysis. As we revisit our material matters, we are also exploring the best way to link them to our six capitals, namely:

- Financial Capital
- Human Capital
- Intellectual Capital
- Social And Relationship Capital
- Manufactured Capital
- Natural Capital

This underlines the relationship between our ability to create impact and the areas in which we impact.

Forward-looking Statement

This report contains forward-looking statements characterised by the use of words and phrases such as "might", "forecast", "anticipate", "project", "may", "believe", "predict", "expect", "continue", "will", "estimate", "target", and other similar expressions. As our business operates in a changing environment, it is subject to uncertainties that could cause actual results to differ from those reflected in any forward-looking statements.

REPORTING SUITE FOR 2018 NAVIGATION & ICONS

For the 2018 reporting cycle, the Group's value creation process will be encapsulated within a coherent framework (in terms of content and graphics) in the following reporting suite:



REPORTING SUITE	INTEGRATED ANNUAL REPORT 2018	SUSTAINABILITY REPORT 2018	CORPORATE GOVERNANCE REPORT 2018	AUDITED FINANCIAL STATEMENTS 2018
REPORTING FRAMEWORK	• MCCG 2017 • Bursa Malaysia Securities Berhad (Bursa Securities) Listing Requirements • IIRC Framework • CA 2016	• Bursa Securities Listing Requirements • GRI Standards • FTSE4Good Bursa Malaysia Index • MSCI ESG Indices/DJSI	• MCCG 2017 • Bursa Securities Listing Requirements • CA 2016	• IFRS/MFRS • Bursa Securities Listing Requirements • CA 2016

APPROVAL BY THE BOARD

The Board has applied its collective mind in preparing and presenting CMS' Integrated Annual Report 2018 in line with the IIRC's International <IR> Framework. Acknowledging its responsibility for ensuring the integrity of this report through good governance practices and internal reporting procedures, the Board has approved the publication of CMS' Integrated Annual Report 2018.

For our other reports, please scan the QR code or log on to ***http://www.cmsb.com.my/investor-relations/reports/***

Navigation Icons

The following icons are used in this report to indicate where additional information can be found.

PG+ This icon tells you where you can find related information in this report.

This icon tells you where you can scan or go through more information online.

Section 1: Who We Are

Who We Are

Cahya Mata Sarawak Berhad (CMS) is Sarawak's leading infrastructure facilitator and a prime mover in the State's growth story. Our roots go back to 1974 when we began supporting the State's rapid growth as its first cement manufacturer.

As the State moves into a new era of growth with SCORE, CMS' expansion path too is moving into a new trajectory to take advantage of the business investment opportunities in energy-intensive industries and their infrastructure and related needs. Given the vast business potential within SCORE and throughout the State, we continue to leverage on our healthy balance sheet, local knowledge, an experienced management team, proven strategies, and a synergised portfolio of Sarawak-based businesses, to maximise our participation in the Sarawak growth story.

Business Overview

CMS' solid progress over the last 44 years is very much a reflection of Sarawak's own dynamic progress. Today, our operations encompass more than 35 companies across 6 business divisions, and a workforce of over 2,750 people in 40 offices throughout the State.

Cement

Construction Materials & Trading

Construction & Road Maintenance

Property Development

Information & Communication Technology

Strategic Investments

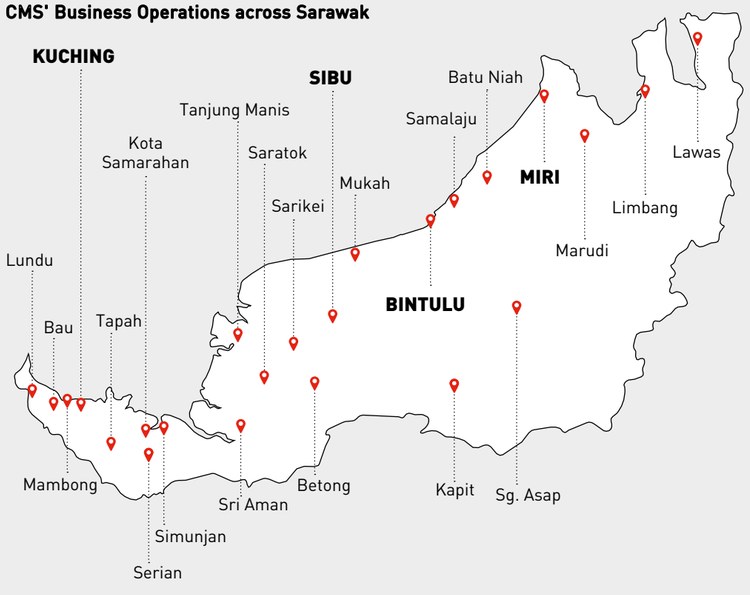
Investments in Unlisted Associates
- Ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak) Sdn Bhd
- Integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Information and Communication business under SACOFA Sdn Bhd

Investments in Listed Associates
- Kenanga Investment Bank Berhad
- KKB Engineering Berhad

Other Investments
- COPE Private Equity Sdn Bhd
- CMS Education Sdn Bhd

Having steadily grown from strength to strength, we are today a listed entity on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities) with an enlarged and diversified portfolio. Our portfolio encompasses our Core Businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance, Property Development and Samalaju Development businesses; as well as our Strategic Investments which centre on export-oriented industries within the Sarawak Corridor of Renewable Energy (SCORE).

CMS' Business Operations across Sarawak



Vision

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

Stakeholders

Our Shareholders, Staff, Customers & Community

Mission

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

Our Performance

We turned in a stellar performance in FY 2018 posting a 9% and 16% increase in revenue and pre-tax profit respectively. The Group's profit after tax and non-controlling interests (PATNCI) for FY 2018 rose by 26%, eclipsing the previous high achieved in FY 2015. This led to a higher return on shareholders' equity and earnings per share.

16+ *For more information, refer to the **Chairman's Message** section*
20+ *For more information, refer to the **Strategic Review by the GCEO – Corporate** section*
42+ *For more information, refer to the **Financial Overview** section*

Our Strategy

We have developed a two-pronged strategic response to the increasingly challenging political and business landscape. This calls for us to:
- Reposition and fortify our businesses; and
- Reposition and strengthen the CMS Brand.

20+ *For more information, refer to the **Strategic Review by the GCEO – Corporate** section*

Our Targets

We aspire to achieve the following targets within a five-year timeframe:
- To double PATNCI to RM500 million; and
- To be the most admired public-listed company in Sarawak.

20+ *For more information refer to the **Strategic Review by the GCEO – Corporate** section*

Our Commitment to Growing Our Diverse Businesses

We are very clear about our plans for our core and strategic businesses. We intend to continue extracting value from our traditional core businesses by bolstering their overall operations and optimising efficiencies. We are looking into re-focusing and growing our strategic businesses by expanding the market base of our strategic businesses beyond Sarawak, among other things.

28+ *For more information refer to the **Operational Overview by the GCEO – Operations** section*
56+ *For more information refer to the **Operational Review** section*

Our Commitment to Responsible Operations

Our four-stakeholder group model guides us in the running of our business. We measure performance by using financial and non-financial performance indicators related to our strategic objectives. We leverage on good governance practices and stringent risk control measures to ensure our operations at the Group, divisional and subsidiary levels are run in a responsible and transparent manner.

28+ *For more information refer to the **Operational Overview by the GCEO – Operations** section*
90+ *For more information refer to the **Top Risks** section*
94+ *For more information refer to the **Governance & Risk Management** section*

Our Commitment to Sustainability

We are embedding a stronger sustainability culture in all our businesses. Our aim is to create a vibrant performance-driven workplace, be a leader in good environmental practices, and serve as a model for giving back to the community. We have made some solid progress by way of managing scheduled wastes at Samalaju.

32+ *For more information refer to the **Nurturing People, Sustaining Communities** section*
39+ *For more information refer to the **Tapping Innovation to Preserve Our Environment** section*

Section 1: Who We Are

Corporate Information

DIRECTORS

Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf

Y Bhg Dato Sri Mahmud Abu Bekir Taib

Y Bhg Datuk Syed Ahmad Alwee Alsree

Y Bhg Datuk Seri Yam Kong Choy

Y Bhg Datu Hubert Thian Chong Hui

Mr Chin Mui Khiong

Mdm Umang Nangku Jabu

COMPANY NAME
Cahya Mata Sarawak Berhad

COMPANY NUMBER
21076-T

GROUP COMPANY SECRETARY
Denise Koo Swee Pheng

REGISTERED OFFICE
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Jalan Sungai Sarawak
93100 Kuching
Sarawak

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f +60 82 333 828
w www.cmsb.com.my

SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

t +60 3 7849 0777
f +60 3 7841 8151 / 8152

AUDITORS
Ernst & Young

PRINCIPAL BANKERS
Bank Muamalat Malaysia Berhad
CIMB Islamic Bank Berhad
Hong Leong Bank Berhad
Kenanga Investment Bank Berhad
Maybank Islamic Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING
Main Market
Bursa Malaysia Securities Berhad
Sector: Industrial Products & Services Sector
Sub-sector: Building Materials

Stock Code: CMSB
Stock Number: 2852

Section 1: Who We Are

Corporate Structure

As at 13 March 2019

CAHYA MATA SARAWAK

CORE BUSINESS DIVISIONS

Cement Division
- CMS Cement Sdn Bhd 100%
- CMS Cement Industries Sdn Bhd 100%
- CMS Concrete Products Sdn Bhd 100%

Property Development Division
- Projek Bandar Samariang Sdn Bhd 100%
- CMS Property Development Sdn Bhd 100%
- CMS Property Management Sdn Bhd 51%
- CMS Land Sdn Bhd 51%
- CMS Hotels Sdn Bhd 100%
- Samalaju Properties Sdn Bhd 51%
  - Samalaju Hotel Management Sdn Bhd 100%
  - Samalaju Management Services Sdn Bhd 100%

Samalaju Development Division
- Samalaju Industries Sdn Bhd 100%

Information & Communication Technology Division

Construction Materials & Trading Division
- CMS Infra Trading Sdn Bhd 51%
- CMS Wires Sdn Bhd 69%
- CMS Resources Sdn Bhd 51%
  - PPES Concrete Product Sdn Bhd 100%
  - CMS Quarries Sdn Bhd 100%
  - CMS Premix (Miri) Sdn Bhd 60% / 20%
  - CMS Premix Sdn Bhd 60% / 40%
    - 40%
      - CMS Penkuari Sdn Bhd 60%
      - Betong Premix Sdn Bhd 80%
      - Borneo Granite Sdn Bhd 56%

Construction & Road Maintenance Division
- CMS Works Sdn Bhd 100%
  - CMS Roads Sdn Bhd 100%
  - CMS Pavement Tech Sdn Bhd 100%
  - PPES Works (Sarawak) Sdn Bhd 51%
    - PPESW BPSB JV Sdn Bhd 70%
    - PPES Works CCCC JV Sdn Bhd 70%

STRATEGIC INVESTMENTS
- CMS Capital Sdn Bhd 95%
- Kenanga Investment Bank Berhad* 21.95% / 4.30%
- COPE Private Equity Sdn Bhd 51%
- KKB Engineering Bhd* 20%
- CMS Education Sdn Bhd 100%
- HELP IBRACO CMS Sdn Bhd 30%

- OM Materials (Sarawak) Sdn Bhd 25%
- OM Materials (Samalaju) Sdn Bhd 25%
- Malaysian Phosphate Additives (Sarawak) Sdn Bhd 60%

- SACOFA Sdn Bhd 50%

SERVICES / DORMANT / INACTIVE COMPANIES
- Cahya Mata Sarawak Management Services Sdn Bhd 100%
- CMS I-Systems Bhd 100%
  - CMS I-Systems (India) Pte Ltd 100%

* *Listed on Main Market of Bursa Securities*
-- *The dotted line above represents the Management reporting lines*

Section 1: Who We Are

How We Determine Materiality

> We acknowledge that we are just only at the onset of our integrated reporting journey. While Cahya Mata Sarawak Berhad (CMS) still has some ways to go, we continue to put in place the building blocks that are helping to strengthen our value creation efforts.

Value Creation Over Time

The primary purpose of an integrated report is to explain how an organisation creates value over time. As such, it should endeavour to incorporate material information, both financial and non-financial, that is of significance to stakeholders and which impacts long-term value creation. However, for companies just beginning the integrated reporting journey, striking an effective balance between these concerns and establishing a comfortable reporting routine may take several iterations across multiple reporting cycles.

This being our inaugural integrated annual report, we acknowledge that we are just only at the onset of our integrated reporting journey. While Cahya Mata Sarawak Berhad (CMS) still has some ways to go, we continue to put in place the building blocks that are helping to strengthen our value creation efforts. This includes conducting a second materiality analysis to discover what are the latest topics that are of significance to the Group and our stakeholders amidst the fast-changing operating landscape.

Our Latest Materiality Assessment

In November 2018, we engaged an independent consultant to perform a materiality assessment exercise with the aim of prioritising the most important areas of sustainability. This was the second assessment of its kind following the first undertaken in 2015. This assessment involved engagement with internal and external stakeholders to solicit feedback and gain better insights into the topics that were important or material to both CMS and our stakeholders. Material topics were defined as those which had a direct or indirect impact on our ability to create, preserve or erode Economic, Environmental and Societal values for CMS, our stakeholders and the community.

This exercise also involved a review of our materiality matrix to identify the elements which influenced our delivery of value. All in all, this exercise provided independent insights to help us validate the issues identified, whilst uncovering new matters of significance to our stakeholders and our business.

Methodology

The independent consultant developed an online materiality survey which was made available to groups of internal and external stakeholders that included employees, local communities, suppliers and vendors, as well as customers, investors and analysts. Our Board of Directors and members of our Senior Management team also took part in the survey with their responses representing the views of CMS.

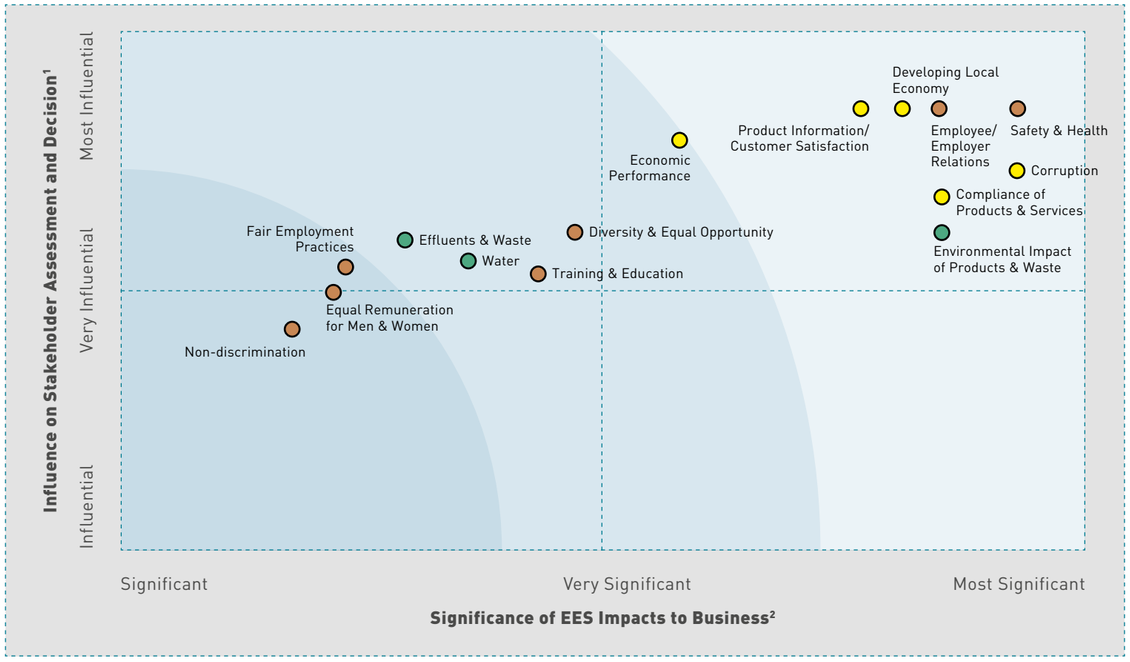
Respondents were requested to indicate how important each criterion was to them on a scale of 1 (least important) to 5 (most important). A 5-point Likert Symmetric Scale was chosen so respondents could specify their level of agreement with 3 being neutral.

MATERIALITY ASSESSMENT CRITERION

Materiality Findings

Our stakeholder scores ranged from 4.41 to 4.58. As all issues were important to some degree, scales from 'Influential' to 'Most Influential' and 'Significant' to 'Most Significant' were adopted and a materiality matrix developed.

The issues that could impact our ability to create value are presented in the following diagram. As per the diagram, the topics that are most relevant to our stakeholders are plotted towards the top of the matrix; with those towards the right being the most important to CMS. The issues in the top right quadrant are material to both stakeholders and CMS and will be prioritised moving forward. These issues have also been mapped to the Economic, Environmental and Social (EES) pillars in line with the holistic approach we have adopted in formulating our business strategies.



Economic **Environmental** **Social**

Axes Definitions

[1] ***"Influence on Stakeholder Assessment and Decision"*** *is defined as the importance of a sustainability matter to a stakeholder*

[2] ***"Significance of EES Impacts to Business"*** *is defined as the importance of a sustainability matter to CMS*

As per the matrix, the top five material matters for the 2018/2019 period are:

1. Product Information/Customer Satisfaction
2. Developing Local Economy
3. Safety & Health
4. Employee/Employer Relations
5. Economic Performance

Applying the findings

Moving forward, the Group will be finetuning its sustainability efforts based on the findings of our latest materiality assessment. We will take proactive steps to ensure that future integrated reports provide a more balanced, accurate and comprehensive assessment of our strategy, performance and prospects in response to material matters. Our aim is to present a holistic and clear-cut view of our strategic thinking and responses to the issues that are most significant to our stakeholders and which have the most influence on our long-term value creation efforts.

For more details of CMS' determination of materiality, refer to, ***CMS' Sustainability Report 2018*** *at* ***http://www.cmsb.com.my/investor-relations/reports/sustainability-reports/***

Section 2: At a Glance

CMS at a Glance

Cahya Mata Sarawak Berhad (CMS) is Sarawak's leading infrastructure facilitator and a prime mover in Sarawak's growth story.

Performance Highlights

Group Revenue
RM1.71 billion
in 2018

Profit Before Tax
RM372.32 million
in 2018

Profit After Tax and Non-Controlling Interests
RM262.14 million
in 2018

Employee Volunteerism
50,241
man-hours for CSR activities

Sustainability
Maintained inclusion in
FTSE4Good
Bursa Malaysia Index

Strong Governance
Qualified under
Green Lane Policy

Our Business Performance by Division and Key Associates

Cement



Revenue
RM557.85 million
2017: RM514.94 million

Profit Before Tax
RM90.14 million
2017: RM101.34 million

56+ For more information about *Cement Division*

Property Development



Revenue
RM132.22 million
2017: RM170.05 million

Profit Before Tax
RM33.59 million
2017: RM32.86 million

68+ For more information about *Property Development Division*

Construction Materials & Trading

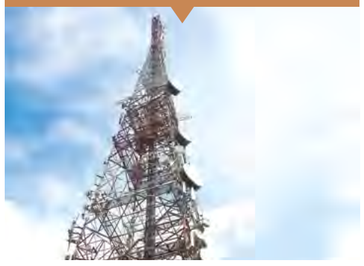


Revenue
RM559.27 million
2017: RM491.99 million

Profit Before Tax
RM71.29 million
2017: RM59.71 million

60+ For more information about *Construction Materials & Trading Division*

SACOFA Sdn Bhd



Revenue
RM232.64 million
2017: RM205.00 million

Profit Before Tax
RM104.97 million
2017: RM105.82 million

82+ For more information about *Information & Communication Technology*

Construction & Road Maintenance

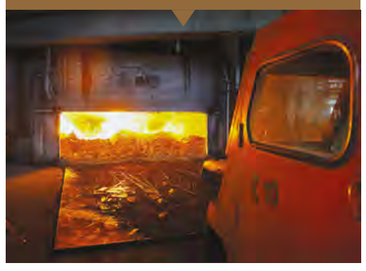


Revenue
RM554.21 million
2017: RM458.81 million

Profit Before Tax
RM88.96 million
2017: RM93.35 million

64+ For more information about *Construction & Road Maintenance Division*

OM Materials (Sarawak) Sdn Bhd



Revenue
RM2.38 billion
2017: RM1.63 billion

Profit/(Loss) Before Tax
RM254.30 million
2017: (RM18.33 million)

80+ For more information about *Strategic Investments*

Section 3: Strategic Report

How We Create Value

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.

Our Capitals

Financial Capital

The financial resources required to support the business as a going concern. The 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 use 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	Business Activities to Sustain Value	Outcomes
Financial capital - CAPEX - Market capitalisation - Shareholders' equity - Cash reserves	- Cost optimisation activities - Credit facilities under subsidiaries - Sukuk - Share buy-back programme	• Revenue of RM1.71 billion • Profit before tax of RM372.32 million • Pay dividends • Long-term funding and stable rate • Strengthen investors' confidence • Increase in Earnings Per Share • Increase in Net Assets Per Share
Human capital - Over 2,750 employees - Development in people - More opportunities for communities	- 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 5% • Employee retention rate at 95% • Low Lost-time Injury Rate • More engaged work force • Increased Employment Satisfaction Survey score
Intellectual capital - Investment in research & development laboratories - Investment in software development for road maintenance and management information systems - A proactive stance on waste advocacy	- 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
Social and relationship capital - Engagement through Investor Relation Communications - Our sustainability strategy - Our corporate social investment strategy	- Quarterly financial briefing - Non-deal roadshow - 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 the year: 50,241 man-hours
Manufactured capital - 2 cement grinding plants, 1 integrated cement plant, 2 bulk terminals - 10 premix plants - 6 quarries (1 new quarry in 2018) - IBS plant - Road maintenance equipment (including a fleet of specialised machinery)	- Regular repairs and maintenance of all existing plants and machinery in 2018 - 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
Natural capital - Energy consumption - Water consumption	- Divisional 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

Section 3: Strategic Report

Chairman's Message

Interview with the Chairman

Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf



This year's Integrated Annual Report introduces our new Group Chairman, Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf, who joined Cahya Mata Sarawak Berhad (CMS or the Group) on 1 October 2018. He brings to the table his perspectives on the Group's performance, governance matters and overall direction, among other things.

Total Revenue

RM1.71 billion
an increase of 9%

Profit Before Tax

RM372.32 million
an increase of 16%

Profit After Tax and Non-Controlling Interests

RM262.14 million
an increase of 26%

Earnings Per Share

24.45 sen
FY 2017: 19.36 sen

Quick Links

20+ *For more information about **Strategic Review***
42+ *For more information about **Financial Review***
56+ *For more information about **Operational Review***
94+ *For more information about **Governance***

Q Tan Sri, what would you like to say about your time on board as our new Group Chairman?

Firstly, it is my pleasure and privilege to present CMS' inaugural Integrated Annual Report as your new Chairman. I am grateful to CMS' Board of Directors and employees for welcoming me with open arms and getting me up to speed on the workings of the Group. In the short time I have been on board, I have come to know, appreciate and respect the efforts of Team CMS. The team continues to prove their mettle amidst a highly challenging operating environment and deliver on their promises. We can certainly look forward to exciting times as we all work together to take CMS up to new levels of success.

Q Why has CMS embarked on this integrated reporting journey?

Our stakeholders are more discerning and there is a need to approach business in ways that truly preserve and create stakeholder value. I am pleased to see that CMS has been doing just that by remaining agile amidst an increasingly challenging playing field, as well as by rolling out relevant and focused business strategies. The efforts to date have led to a decade of unprecedented growth for the Group.

Our move towards integrated reporting serves to capture in a more formal and transparent manner, the way in which the Group has been aligning strategy with value creation and performance. This has been happening for some time now across our various operating and functional units, as well as the capitals or resources that we utilise. By formally demonstrating how we are creating real value for our stakeholders over the short, medium and long-terms, we aim to strengthen stakeholder confidence and bolster our position as a preferred company on Bursa Malaysia Securities Berhad (Bursa Securities). While we are just only kicking off our formal integrated reporting journey, we have set in place solid foundations that will see both our reporting and value creation efforts strengthen over time.

Q How did the Group fare in financial year 2018 and what was this attributable to?

FY 2018 was the most challenging period for us. Nevertheless, CMS stood its ground against tough market and operational conditions to turn in a record performance. I am pleased to report that the Group posted revenue of RM1.71 billion and a pre-tax profit (PBT) of RM372.32 million for FY 2018, an increase of 9% and 16% respectively, in comparison to the preceding year's revenue and PBT. We also registered a commendable 26% hike in profit after tax and non-controlling interests (PATNCI) to touch RM262.14 million which is a record PATNCI performance for CMS.

The significant improvement in the Group's financial performance was mainly due to the increase in the share of results of our associates namely, OM Materials (Sarawak) Sdn Bhd, SACOFA Sdn Bhd (Sacofa), KKB Engineering Berhad (KKB) and Kenanga Investment Bank Berhad (Kenanga). Collectively, their PATNCI contribution to CMS shot up by 159% to RM105.34 million in FY 2018 in comparison to FY 2017's contribution of RM40.64 million. The main contributor to this admirable performance was OM Materials (Sarawak) which achieved a strong turnaround in 2018. Our traditional core businesses too, turned in satisfactory performances despite the year's operational challenges.

These results underscore the fact that our growth strategy for our strategic investments to drive the next wave of growth is beginning to come to fruition. Under this growth strategy, our traditional core businesses and our strategic investments are expected to equally contribute to double the Group's earnings in the next five years. The finer details of CMS' performance and our strategy are spelt out in the Strategic Review, Operational Overview and Financial Review sections of this Integrated Annual Report.

Section 3: Strategic Report

Chairman's Message

Chairman's Message

Q What value does CMS continue to create for its stakeholders?

As a passionate, people-led organisation, CMS makes every effort to exceed stakeholders' expectations and uphold the responsibilities we are entrusted with. We endeavour to do this by taking a lead on the big issues while maintaining our legacy of financial success and sustainable growth.

For FY 2018, we continued to deliver value to shareholders by way of our strong results. As at end FY 2018, CMS' earnings per share (EPS) stood at 24.45 sen in comparison to EPS of 19.36 sen for FY 2017. Meanwhile, the Group turned in a Return on Equity (ROE) of 10.70% as compared to a ROE of 9.12% in the preceding year.

On 4 February 2019, CMS announced that it had adjusted its dividend policy to provide for a minimum of 30% (previously 40%) of its annual consolidated PATNCI to shareholders subject to a minimum of 2.0 sen per share. This is subject to the level of available cash and cash equivalents, return on equity and retained earnings, projected levels of capital expenditure (CAPEX) and other investment plans.

While we have lowered the dividend payment to a minimum of 30% of consolidated PATNCI, at the same time, we are maintaining the level of the absolute sum or quantum that is to be disbursed. In respect of FY 2018, your Board is proposing a first and final tax exempt (single-tier) dividend of 7.40 sen per share (FY 2017: 8.0 sen per share) subject to shareholders' approval at the forthcoming Annual General Meeting. This represents a payout ratio of 30% and amounts to a dividend payable of RM79.18 million, comparable to the total dividend payout of RM85.95 million for FY 2017.

There are several reasons as to why the Group is adopting this approach in spite of the higher PATNCI generated in FY 2018.

Firstly, the Group is at a growth phase and needs to preserve its cash. For 2019 and 2020, we expect to incur a considerable sum to finance our 60% stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd's RM1 billion integrated phosphate complex. At the same time, we require cash to fund Phase 2 and subsequent phases involving the expansion of OM Materials (Sarawak).

Moreover, in line with the State's growing infrastructure needs, we are continually seeking opportunities to strengthen, improve and expand our businesses. Take for instance our acquisition of a 56% equity stake in Borneo Granite Sdn Bhd in November 2018 and the commencement of operations of a second production line at the Sibanyis quarry in March 2019. These initiatives will go a long way in strengthening our ability to meet growing market demand throughout the State. To fund similar initiatives like this, the Group will need considerable cash in its war chest moving forward. Your Board and Management strongly believe that we are doing the right thing by prudently conserving our level of cash at this point in time. Rest assured that this is by no means a reflection of a lack of confidence in CMS' cash-generating abilities, nor do we feel that we are unable to address any operational issues.

On another note, although the Group announced record PATNCI in FY 2018, a large sum of this PATNCI was attributable to the Group's associates, namely OM Materials (Sarawak) and Sacofa. While these associates contributed to our bottom line, they did not contribute to our cash flows. Taking this into consideration, the Group would have been stretched to meet a higher (cash-intensive) dividend payment at 40%.

Our focus moving forward will be on preserving an adequate level of cash to maintain the Group's growth trajectory and achieve our next phase of growth. In the meanwhile, we will continue with our dividend policy to provide for a minimum of 30% of consolidated PATNCI to shareholders and will review this as and when the Board deems fit.

Q How is CMS playing its part in undertaking responsible corporate practices?

Today, CMS remains Sarawak's leading infrastructure facilitator and a prime mover in the State's growth story. We continue to leverage on our healthy balance sheet, local knowledge, an experienced management team, proven strategies and a synergised portfolio of Sarawak-based businesses, to maximise our participation in the State. At the same time, through our involvement in export-oriented industries via our strategic investments in Samalaju, we are opening up opportunities for ourselves and Sarawakians to prosper. Moving forward, as a leading proponent of the Sarawak growth story, CMS will continue to identify strategies that will help build and strengthen linkages between markets, businesses and communities, as well as create real value for our diverse stakeholders.



We are continually on the lookout for ways to strengthen our ties with Sarawak's diverse communities by Doing Good and Building Sustainable Communities. In 2018, CMS employees clocked a total of 50,241 man-hours (2017: 48,420 man-hours) rolling out various Corporate Social Responsibility (CSR) activities, as well as raised a total of RM105,065 (2017: RM103,560) in funds that was distributed among communities. These efforts continue to elevate the livelihood of the many communities that we operate in and reinforce our position as a friend of the State's communities.

Q What is the Group's commitment towards upholding good governance and risk practices?

Your Board remains committed to upholding and implementing strong standards of corporate governance, as well as robust risk management and internal control measures. These fundamental components of our business are helping ensure the sustainable, long-term growth of our businesses, strengthening investor confidence, safeguarding our corporate reputation, and ensuring continued shareholder value creation.

In November 2018, we received word from Bursa Securities that we had been selected as one of the Qualifying Companies under their Green Lane Policy (GLP). Under the GLP, qualifying companies are accorded specific privileges by Bursa Securities. These privileges include the ability to issue circulars without having to seek Bursa Securities' approval, while the more complex circulars will be fast-tracked. This recognition underscores the high standards of corporate governance conduct and the good disclosure practices that we have been upholding.

Today, CMS continues to maintain its stance as an independent, profitable business on several levels. With some 60% of the Group's equity being held by institutional and foreign shareholders investors and the remainder by scores of individual shareholders, we are answerable especially to the larger investing community. In line with the enhanced Malaysian Code of Corporate Governance 2017 (MCCG 2017), more than 50% of our Board members comprise independent directors reflecting our commitment towards balanced decision making and equitable outcomes. We also continue to work towards implementing the MCCG 2017 criteria concerning gender diversity and the tenure of independent directors.

Q What are the Group's perspectives on long-term, sustainable business growth?

We recognise the importance that business sustainability plays in creating sustainable stakeholder value and ensuring the Group's long-term success. As a conscientious corporate citizen, we are genuinely committed to balancing out our strong economic performance with responsible environmental and social considerations to ensure we deliver a sustainable performance.

This year, we are publishing our fourth standalone Sustainability Report which is expected to reduce our perceived non-financial risk profile by positioning CMS as a company that is upholding a sustainability-based (and thus safer) business model which will ultimately draw more investors in. Our inclusion in the FTSE4Good Bursa Malaysia Index for the third consecutive year too, attests to the fact that we continue to gain good ground as we implement tangible CSR practices and entrench ourselves as a progressive and ethical company.

Q Briefly, what is the outlook for CMS?

Despite the expected continuing headwinds, we are confident that CMS will continue to maintain its strong growth potential and remain resilient. With our healthy balance sheet and diverse portfolio of businesses, the Group is well positioned to benefit from all key growth areas in Sarawak and to explore new opportunities elsewhere. The key economic growth drivers in the State today include the energy-intensive industries under the Sarawak Corridor of Renewable Energy (SCORE); impactful infrastructure development projects such as the Pan Borneo Highway, Coastal Road, Second Trunk Road, Baleh Dam, as well as a host of upcoming water and electricity projects; plus, the rollout of the State's digital economy initiative.

The Board is confident that as CMS focuses its efforts on implementing its specific strategies, maintaining its independence, as well as upholding the rule of law and strong governance practices, we will deliver another satisfactory performance in this new financial year.

Q Are there any parties that you would like to acknowledge for CMS' performance to date?

Certainly. Several stakeholders have played a part in our continuing success and we owe them a debt of gratitude. On behalf of the Board of CMS, I would like to express my sincere appreciation to our valued shareholders for their unwavering trust and confidence in CMS. My deep gratitude goes to all our direct employees, as well as the Management teams and the Boards of all our Group's companies, for their diligence, dedication and commitment to excellence. The Board's dual leadership strategy has proven fruitful and I wish to convey my sincere thanks to Dato Isaac Lugun and Mr Goh Chii Bing, who as Group Chief Executive Officer – Corporate and Group Chief Executive Officer – Operations respectively, have done an excellent job helming Team CMS. Our people can be rest assured that they will all be well rewarded as they work hard to deliver a sound performance and maximise shareholder value.

At this time, I would like to acknowledge the worthy contributions of my predecessor and former Group Chairman, Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail, as well as that of our former Group Managing Director, Dato' Richard Curtis. Together they led CMS for a good many years and helped lay some solid groundwork for the next phase of our transformational growth. We sincerely thank them for taking CMS from strength to strength and wish them every success in their future endeavours.

My utmost gratitude goes to the many external partners that continue to work alongside us and whose cooperation and professionalism have been critical to our success. My heartfelt appreciation also goes to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others who have accorded us their steadfast support. Last but not least, a note of appreciation to the Sarawak State Government and its agencies for continuing to develop the State. Not forgetting our joint venture partners, the Sarawak Economic Development Corporation (SEDC) and our co-shareholders in our strategic investments – thank you so much for your worthy support and efforts.

As we venture forth, I trust that all parties will continue working together to take CMS from strength to strength so that we can deliver another fine performance. Exciting times lie ahead for CMS.

Section 3: Strategic Report

Strategic Review by the Group Chief Executive Officer - Corporate

Strategic Review by the
Group Chief Executive Officer - Corporate

Interview with the Group Chief Executive Officer – Corporate

Y Bhg Dato Isaac Lugun



In 2018, Cahya Mata Sarawak Berhad (CMS or the Group) regained its growth momentum amidst sluggish market conditions to turn in a stronger performance.

Click on the button to play video.

> The Group's solid performance for the year in review is apt testament that our robust business model, prudent and professional management approach, as well as our steadfast focus on delivering long-term sustainable growth, are all working together for CMS' good.

Quick Links

For more information about **Financial Review** 42+

For more information about **Operational Review** 56+

Q Please touch upon some of the key challenges that CMS faced in financial year 2018.

FY 2018 was without doubt the most challenging year for CMS. Following the result of Malaysia's 14th General Election (GE14) in May 2018, Malaysia experienced its first regime change. CMS was amongst a dozen other companies on Bursa Securities perceived to have linkages to the previous Federal Government and was adversely impacted on multiple fronts. Our stock price collapsed to a low of RM1.74 from RM4.13 wiping out RM2 billion in market capitalisation and we encountered challenges relating to the renewal of our State Road Maintenance Contract and our fund raising exercises. CMS' dominant cement position in Sarawak was also questioned. These were compounded by the unfettered role given to several non-governmental organisations (NGOs) including the Bruno Manser Fund and The Sarawak Report to renew their allegations of political patronage against CMS.

Q What was CMS' immediate response to these challenges?

We immediately engaged with local and foreign institutional shareholders and research houses to emphasise that while there had been a dramatic change in the political landscape, the Group's fundamentals remained strong. This led to four independent research houses responding with a 'buy' call for CMS even as our share price was plummeting. We also convened two special meetings of the Board – firstly, to approve a share buy-back programme; and secondly, to approve a plan to counter the attacks by NGOs and other hostile parties. This included approving a strategy to strengthen our corporate communications focus so as to safeguard our brand reputation and image.

On 12 June 2018, we held a special investor relations briefing with some 60 analysts and fund managers in Kuala Lumpur followed by numerous other briefings and teleconferences with local and overseas audiences. As a result of these tactical initiatives, CMS' share price quickly recovered to touch the RM3.50 level on 10 August 2018, an improvement of 101% in comparison to the low post-GE14 price. The CMS share price made the best recovery amongst a dozen counters adversely affected by the change in Federal Government. This quick recovery served as an affirmation of the market's confidence in CMS, as well as underscored our strong business fundamentals and clear growth potential. By the year's end, our share price stood at RM2.69 and at the time of writing, it is averaging RM3.30.

For interview video of GCEO - Corporate, please scan the QR code or log on to ***http://www.cmsb.com.my/investor-relations/reports/***

Section 3: Strategic Report

Strategic Review by the Group Chief Executive Officer - Corporate

Q How did CMS fare amidst this trying backdrop?

I am pleased to report that despite the highly challenging year, CMS turned in a stellar performance. FY 2018 was in fact a record year for us as we posted a total revenue of RM1.71 billion and a pre-tax profit (PBT) of RM372.32 million, a 9% and 16% increase respectively in comparison to the preceding year's revenue of RM1.57 billion and PBT of RM321.29 million. The Group turned in profit after tax and non-controlling interests (PATNCI) of RM262.14 million, some 26% higher than FY 2017's PATNCI of RM208.03 million. Earnings per share (EPS) for FY 2018 stood higher at 24.45 sen versus EPS of 19.36 sen previously.

The significant improvement in CMS' financial performance was mainly due to the increase in the share of results of associates, namely OM Materials (Sarawak) Sdn Bhd, SACOFA Sdn Bhd (Sacofa), KKB Engineering Berhad (KKB) and Kenanga Investment Bank Berhad (Kenanga). Collectively, our share of their PATNCI catapulted by 159% to RM105.34 million in FY 2018 in comparison to FY 2017's PBT of RM40.64 million. The main contributor to the commendable result was OM Materials (Sarawak) which delivered a strong turnaround performance from the previous year on the back its plant achieving full production and improved commodity prices.

The Group's solid performance for the year in review is apt testament that our robust business model, prudent and professional management approach, as well as our steadfast focus on delivering long-term sustainable growth, are all working together for CMS' good. It also reflects the growing maturity of the Group and the fact that the focused strategies we have been implementing are coming to fruition.

42+ *For the finer details of CMS' financial performance, refer to the **Financial Review** section*

56+ *For the finer details of CMS' operational performance, refer to the **Operational Review** section*

Q What strategies will CMS adopt over the mid to long-term to navigate the fast-changing marketplace?

CMS is operating in an increasingly changing political and business landscape for which we have developed a two-pronged strategic response:

- **Reposition and fortify our businesses; and**
- **Reposition and strengthen the CMS Brand.**

The key foundation stones for the two-pronged strategy above are as follows:

- **A clear business strategy to strengthen and fortify the traditional core businesses and fully implement the strategic businesses;**
- **A dynamic, cohesive and engaging top leadership;**
- **Increased efficiency in all businesses by doing business faster, better and cheaper as well as via completing the rollout of the digital transformation programme; and**
- **A strong sustainability culture embedded in all businesses.**

By leveraging on these strategies to reposition and strengthen our businesses and brand respectively, we aspire to achieve the following targets within a five-year timeframe:

- **To double our annual PATNCI to RM500 million; and**
- **To be the most admired public-listed company in Sarawak.**



Q Please elaborate on how CMS intends to reposition and fortify its diverse businesses.

One of the key foundation stones in our growth strategy is a very clear strategy for our traditional core and strategic businesses respectively. We will continue to extract value from our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development businesses, and will work on strengthening and making them more efficient.

At the same time, we will ramp up our efforts to fully implement our strategic businesses, namely our ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak); the integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS); the provision and operation of telco infrastructure under Sacofa; as well as our investments in listed associates Kenanga and KKB.

28+ *For details of the operational measures CMS is undertaking with regard to strengthening its diverse businesses, refer to the **Interview with the GCEO – Operations** and the **Operational Review** sections*

56+

Strategic Review by the Group Chief Executive Officer - Corporate

Q Where does the CMS brand stand today and what are you doing to bolster the brand?

Today, CMS has to some extent corrected the negative perception of political patronage amongst the investing community (reflected in the strong recovery of our share price post-GE14). However, misperceptions among the non-investing community continue to be stoked by the unrestrained role of the NGOs and other parties to discredit CMS. To this end, we continue with various initiatives to reposition and bolster our brand.

Thankfully, we do not have to begin from ground zero as the CMS Brand has made significant inroads these past few years. CMS' inclusion as a Constituent of the FTSE4Good Bursa Malaysia Index speaks volumes of our efforts to develop a sustainable business model. CMS is today one of 58 Companies on this Index and the only Sarawak listed entity there. We continue to gain good ground as we implement tangible corporate practices on the Economic, Environmental and Social (EES) fronts, as well as entrench ourselves as a responsible and ethical company.

More recently, our inclusion as a Qualifying Company under Bursa Securities' Green Lane Policy (GLP) underlines the high standards of corporate governance conduct and the good disclosure practices that we continue to uphold. Our efforts to uphold good reporting standards also saw our 2016 Annual Report being awarded the Silver Award at the 2018 Australasian Reporting Awards, Australia, marking the first time that our annual report has gained recognition in the international arena.

CMS is also a clear leader in Sarawak on the corporate social responsibility (CSR) front given the many on-the-ground activities and the strong goodwill that we continue to foster with numerous communities across the State. The following spells out our CSR efforts to date.

Year	Corporate Donations	Funds Raised by Employees for CSR	Employee Volunteerism /Man-hours
2016	RM1,716,893	RM 117,121	45,534
2017	RM1,830,157	RM103,560	48,420
2018	**RM1,767,027**	**RM105,065**	**50,241**

The CMS Tribal Run is another CSR initiative that continues to prove popular among Sarawakians. Our fourth consecutive run, the 2018 CMS Tribal Run, saw participation ballooning to 3,288 participants with RM136,000 raised for 11 charities. Initiated in 2015, the annual CMS Tribal Run has to date garnered a total sum of RM492,104 in entry fees from participants, all of which has been donated to charitable causes.



Following the Board's endorsement of a strategic plan to strengthen the CMS Brand, brand building activities are being ramped up. Our in-house Corporate Communications unit has been renamed the Corporate Reputation and Communications Unit, while a new experienced head has been brought in to drive reputation-building efforts. At the same time, the role of the current corporate communication consultant has been expanded. By way of corporate donations, efforts are being redirected to ensure all initiatives truly impact beneficiaries for the better while enhancing the reputation of CMS. Engagement efforts are also underway on a Group-wide basis to foster employee volunteerism in a manner in which our people take strong ownership of projects that are relevant to their communities. We are also revisiting our Sustainability Blueprint and bringing it to the next level and incorporating stronger Board oversight. While good strides have been made in the Governance area, we believe that there is room to strengthen our efforts in the EES areas, and will be working on this moving forward.

Section 3: Strategic Report

Strategic Review by the Group Chief Executive Officer - Corporate



Q How will you support your strategic mandate?

To intensify business growth, we have brought several supporting initiatives into play. These include the extensive leadership changes we have made across the Group. To maintain the momentum that we want to achieve, it is very important to have a very stable team in place for the long-term. The history of CMS has shown that growth can only happen if there is a sustained, dynamic, cohesive and engaging leadership in place. To this end, we have pulled together a new team comprising leaders at the very top and throughout the management team. From our new Chairman, to the Group Chief Executive Officers (GCEOs), to several new core and strategic business heads, as well as the heads across our technology and communications functions, there have never been such massive across-the-board leadership changes in the history of the Group. This new blood bodes well for CMS as we embrace a new era of business.

We are also strengthening our Achilles heels or the weakest links within our organisation by reducing over-reliance on government contracts especially in the fast changing political landscape. To strengthen our project implementation and management capability which has been one of our weaker links in the past, a new Project Management Office (PMO) has been set up to oversee all major projects implementation and management. We also continue to ensure that we are in strict compliance with all laws and regulations.

Another key initiative and one that is set to make waves across our organisation, is the completion of the rollout of the CMS digital transformation programme. The road map serves to increase the Group's efficiency, agility and communications, in particular within support functions such as our finance, human resources and procurement departments. Our move to embrace innovation and 'all things digital' aligns with the State's own digital economy aspirations and we are confident that this will do much to make our operations even more efficient and cost effective for the long-run. We are also expanding the capabilities of our Research and Development (R&D) laboratories in the cement and premix areas. Innovation will undoubtedly be a game changer for CMS and we are committed to pursuing this wholeheartedly.

The appointment of a dual leadership with two GCEOs has certainly helped. While I bring to the table my corporate and strategic investment expertise, my counterpart, Mr Goh Chii Bing brings to the table his years of operating experience to help extract more value from our traditional core businesses. This approach is unique to CMS.

Strategic Review by the Group Chief Executive Officer - Corporate

Q What is CMS doing by way of its sustainability efforts?

Today, we are focusing our efforts on embedding a stronger sustainability culture in all our businesses. A new Sustainability Blueprint is being developed and will help us build on the impactful sustainability initiatives already in place. We aim to create a vibrant performance-driven workplace, be a leader in good environmental practices, as well as serve as a model for giving back to the community. In terms of work on the ground, we have made some solid progress by way of managing scheduled wastes from industries within the State, especially those located within the Samalaju Industrial Park. In fact, our sustainability leadership efforts in this area are slowly gaining recognition.

I am delighted to report that our Cement Division's Mambong integrated plant garnered the Gold Award under the Large Enterprise (Manufacturing) Category at the 8th Sarawak Chief Minister's Environmental Award (CMEA) 2017/2018 event. Organised biennially by the Natural Resources and Environment Board of Sarawak and the Sarawak Business Federation, the CMEA is a premier State environmental awards event that pays tribute to public and private sector organisations in Sarawak that demonstrate exemplary stewardship in protecting and preserving the environment. Our Mambong integrated plant was recognised for its sustainability efforts in the areas of exploring alternative raw materials and alternative fuels in the clinker and cement manufacturing segment; exemplary 4R (Reduce, Reuse, Recycle and Recover) practices; strict adherence to the Department of Environment's Guided Self-Regulation system; good practices extending beyond ISO 14001 Environmental Management System and ISO 50001 Energy Management System requirements; as well as community engagement initiatives with communities in the vicinity of Mambong. Our achievement is all the more satisfying seeing that this was the first time we participated in a CMEA event.

We also continue to make strong strides forward in our community engagement efforts and are helping elevate the lives of communities across the State. Our efforts in the Mambong and surrounding areas in particular have borne fruit and today we enjoy a very healthy relationship with the communities there. Our senior management team today is travelling throughout Sarawak to engage our people, harness their on-the-ground ideas and inspire them to serve the communities that they are in. CMS currently has 18 Road Maintenance Units (RMUs) across the State and our aspiration is to have our RMU teams serve as ambassadors and first responders in times of need to the communities around them. Sustainability on the EES fronts will continue to be a priority for CMS.

> I am delighted to report that our Cement Division's Mambong integrated plant garnered the Gold Award under the Large Enterprise (Manufacturing) Category at the 8th Sarawak Chief Minister's Environmental Award (CMEA) 2017/2018 event.



*For more details of CMS' Sustainability efforts on the EES fronts, refer to **CMS' Sustainability Report 2018** at **http://www.cmsb.com.my/investor-relations/reports/sustainability-reports/***

Section 3: Strategic Report

Strategic Review by the Group Chief Executive Officer - Corporate

Q What is the outlook for the Group and how will you achieve your targets moving forward?



The CMS Group is well positioned to benefit from 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 upcoming water and electricity grid projects; plus, the rollout of the State's digital economy initiative.

Moving forward, our traditional core Cement, as well as Construction Materials & Trading and Construction & Road Maintenance businesses are expected to deliver steady performances despite the operational challenges they face. They are expected to benefit from the Pan Borneo Highway project which has received full backing from the Federal Government and is expected to drive the State's construction sector over the next two to three years. The State Government has increased its spending on infrastructure, whereby a record budget of RM9.07 billion has been set aside for development projects. This will include part of the funding for the implementation of several major infrastructure projects including the Coastal Road, Second Trunk Road and the State's water and electricity grid projects. With these projects underway, Sarawak is set to be a pocket of increased construction activity, whereas most research houses have lowered their outlook for the construction sector in Peninsular Malaysia.

On the strategic businesses front and through our equity stakes in OM Materials (Sarawak) and MPAS (in which we have increased our stake to 60%), we will leverage on the competitively priced hydro energy at SCORE to strengthen our competitive advantage, while Sacofa is expected to benefit from the State's push to fully embrace the digital economy. Meanwhile PPES Works (Sarawak) Sdn Bhd, a joint venture with the Sarawak Economic Development Corporation (SEDC), and our other construction materials supply companies, will register growth from the rollout of the Pan Borneo Highway project and other major infrastructure projects.

Our vision to double our annual PATNCI to RM500 million within five years and to be the most admired Sarawak public-listed company are realistic targets. We are confident that our traditional core businesses can contribute a PATNCI of RM250 million per year. In fact these businesses contributed RM248 million in FY 2015. With the efficiencies that we are introducing into these businesses and with the slew of major infrastructure projects in the pipeline in Sarawak, a RM250 million PATNCI per year is achievable.

We also expect our strategic businesses to contribute RM250 million per year in five years' time. We envisage that OM Materials (Sarawak) can bring in at least RM100 million upon realising Phase 2 by 2021. The MPAS project is excepted to be able to contribute another RM100 million when both Phase 1 and 2 are completed by 2023. Sacofa is generating about RM50 million in PATNCI, while Kenanga and KKB will provide us with the additional upside potential that we require to touch if not exceed PATNCI of RM250 million per year.

As it is, CMS is the only Sarawak-listed company on the FTSE4Good Bursa Malaysia Index - a testament to its good sustainability practices. We are stepping up our efforts in this area by revisiting our Sustainability Blueprint. This will provide us more focus as we move forward on this very important initiative.

We are confident that CMS will maintain its targeted growth trajectory and will remain resilient in spite of the expected continuing headwinds. We are clear about what our targets are and know the steps that we must take to get there.

Strategic Review by the Group Chief Executive Officer - Corporate

Q Is CMS looking to diversify its business footprint?



Today, CMS remains one of the largest infrastructure companies in Sarawak and is well positioned to take on and deliver State Government projects on spec, on time, and at the right price. This is validated by our good track record. While we want to maintain our stance as a preferred contractor to the State in terms of infrastructure projects, at the same time we see that it just makes good business sense to expand our revenue streams or to diversify our businesses as much as possible. As such, over the years we have made a conscious move to strategically address the concentration of our businesses in Sarawak.

Our strategic play in Samalaju is a result of this move. Today, we are mitigating the concentration of our businesses with the State by focusing our efforts on Samalaju, where despite the power resources and plants being in Sarawak, all products are for overseas markets. We are is essence moving some of our businesses out of the Sarawak market and looking at more export-oriented playing fields to give CMS an international footprint.

Many companies have only one core business from which they endeavour to extract value but there is only so much of a quantum of growth that they can derive from this. What differentiates CMS from others is that apart from our traditional core business focus, we have a completely different set of strategic businesses to drive the next wave of growth. It is this clear growth strategy that keeps attracting investors time and time again. Today, with our strong business fundamentals, we are confident of maintaining our growth trajectory and our competitive advantage.

Q What did CMS learn from 2018?

All through the very challenging year that was 2018, this recurring question was at the back of our minds – "will 2018 prove to be an *annus mirabilis* (a wonderful year) or an *annus horribilis* (a terrible one)?" While we did not have the answer back then simply because we were not able to control our operating environment, it was very clear that the manner in which we responded to the issues at hand would determine our success going forward. The year 2018 gave us the opportunity to take a long hard look at ourselves. Acknowledging the need to reposition our businesses and brand amidst an unpredictable operating environment, we pin-pointed our weaknesses and strengths, and got down to work. The results speak for themselves.

The most important thing in business and in life is to know where you are going. Timing too, is very important. There will always be challenges, but by learning how to remain resilient and turn problems into opportunities at the right time, we can be successful. At the same time, we must learn to capitalise on the opportunities that are in hand as we do not know what is around the corner.

The year in review proved CMS' mettle even as we kept an open mind, worked hard and stayed true to our course. Moving forward, we know where we are heading and will maintain a laser focus on our two-pronged strategy. At the same time, we will remain nimble and adaptable to change. As we work on these fundamentals, I am confident that Team CMS will achieve its ambitions and turn in another solid performance.

Section 3: Strategic Report

Operational Overview by the Group Chief Executive Officer - Operations

Operational Overview by the Group Chief Executive Officer - Operations

Interview with the Group Chief Executive Officer – Operations

Goh Chii Bing



To maintain our competitive advantage, we must be the best in every business that we are involved in – only then will we remain attractive to our customers.

Click on the button to play video.

Four-Stakeholder Group Model

- Employees
- Customers & Suppliers
- Communities
- Shareholders

Quick Links

*For more information about **Strategic Review***
*For more information about **Financial Review***
*For more information about **Operational Review***

Q What is CMS' commitment to operating in a responsible manner?

As a conscientious corporate citizen, we are very aware of our obligation to run our business in a responsible manner. We have a four-stakeholder group model that mandates that we run our business for four primary stakeholders, namely our employees, our customers and suppliers, the communities in which we operate, and last but not least, our shareholders. While our main focus is on meeting the needs of our primary stakeholders, we also acknowledge that there are other stakeholders which are either directly or indirectly impacted by our activities, and so we also engage with them in a responsible manner.

Within the Group, our employees clearly understand that given CMS' pivotal role in Sarawak's economy, we are obliged to adopt a long-term perspective, as well as ensure we remain responsible and accountable in every aspect of our business. Our obligations include delivering quality on spec and on time; treating all stakeholders with respect and integrity (which includes for example, releasing pertinent, transparent information to our shareholders in a timely manner and paying our vendors on a timely basis); and ensuring we embrace innovation so that we do not lag behind others.

For the CMS workforce, this is further manifested internally via the Group's commitment to upholding our employees' wellbeing and through implementing meaningful Corporate Social Responsibility or CSR activities on several levels. Employee volunteers are involved in community projects as they feel a strong affinity with and a sense of obligation to elevate the wellbeing of the communities that they operate in.

Within each of the Group's Divisions, there is a strong focus on maintaining sustainable, ethical and honourable operational performance. As part of our commitment towards upholding good marketplace practices, we implement ethical, transparent and fair customer and procurement practices, as well as insist that our directors, owners, employees and vendors abide by the terms of our Code of Ethics and Business Conduct at all times.

We also acknowledge that we must be a good steward of the resources that we have been entrusted with and are committed to operating in a sustainable manner which mitigates the impact of our operations on the environment. To this end, we apply best practices, innovative operating strategies and technologies to minimise our carbon footprint. We continue to strengthen our efforts by developing more robust and integrated air, materials, waste and water environmental strategies that go beyond meeting basic compliance standards. At the same time, we have in place KPIs, policies and various other initiatives to ensure that the environment is preserved for the enjoyment of future generations. These measures, among countless other effective measures that are being implemented across the Group, are going a long way in ensuring the smooth and responsible running of our operations.

*For interview video of GCEO - Operations, please scan the QR code or log on to **http//www.cmsb.com.my/investor-relations/reports/***

*For more details of CMS' Four-Stakeholder Group Model and its commitment to responsible operations, refer to, **CMS' Sustainability Report 2018** at **http//www.cmsb.com.my/investor-relations/reports/sustainability-reports/***

Section 3: Strategic Report

Operational Overview by the Group Chief Executive Officer - Operations

Q What are the values that guide your overall operational approach?

As we go about our daily operations, we are guided by our Vision to be the **PRIDE** of Sarawak and Beyond, as well as our **P.R.I.D.E** mission statement. This is encapsulated as follows:

P Producing Quality, On Spec & On Time

R Respect & Integrity

I Improving, Innovating & Investing in People

D Delivering Sustainable Growth

E Environmentally Conscious, Safe & Conducive Workplace



Q As CMS prepares to embrace the second wave of business growth, what operational measures are you implementing to reposition and fortify your diverse businesses?

We are very clear about our plans for our traditional core and strategic businesses. We intend to continue extracting value from our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development businesses, by bolstering their overall operations and optimising efficiencies. To this end, we have begun implementing these operational measures:

TRADITIONAL CORE BUSINESSES	ONGOING MEASURES
Cement	- Undertaking a feasibility study on the installation of a new clinker line; - Promoting the development of concrete roads; - Developing high-strength concrete and other new types of cement; - Streamlining units within the division to strengthen performance and efficiency; - Ramping up sustainability efforts and driving innovation by collaborating with universities, as well as public and private sector organisations; and - Exploring joint venture opportunities to grow this business.
Construction Materials & Trading	- Increasing strategic ownership of quarry and premix plants (e.g. the acquisition of Borneo Granite Sdn Bhd in November 2018); and - Strengthening R&D efforts.
Construction & Road Maintenance	- Strengthening civil construction capability; - Participating in open tenders for State development projects; - Realigning operations to strengthen performance and efficiency; - Developing new construction capabilities in power, telecommunication and water infrastructure, as well as concrete roads; - Undertaking R&D on specialised products and construction methods (i.e. surface, base, sub-base and sub-grade); - Entrenching CMS Roads Sdn Bhd as a cost and efficiency leader in road maintenance through the performance-based model; and - Augmenting the CMS Roads Engineering Asset Management System (CREAM) proprietary software for competitive advantage.
Across the CMS Group	- Continual consolidation, streamlining and strengthening of all traditional core businesses.

Operational Overview by the Group Chief Executive Officer - Operations

As for our strategic businesses – OM Materials (Sarawak) Sdn Bhd, Malaysian Phosphate Additives (Sarawak) Sdn Bhd, the Information & Communication Technology (ICT) business under SACOFA Sdn Bhd, as well as our investments in listed associates Kenanga Investment Bank Berhad and KKB Engineering Berhad – we are looking into re-focusing and growing them. We will do this by counter-balancing the concentration of business in the construction sector and expanding the market base of our strategic businesses beyond Sarawak. At the same time, we will continue to leverage on Sarawak's coveted resource – its comparatively cheap renewable hydro energy – for competitive advantage.

To date, the following developments have taken place on the strategic businesses front:

STRATEGIC INVESTMENTS	KEY DEVELOPMENTS TO DATE
OM Materials (Sarawak) Sdn Bhd (OM Materials (Sarawak)) (Ferrosilicon and manganese alloys smelter operations)	- The operations of OM Materials (Sarawak) have stabilised after the scaling down of the overall project, with additional cash injection and restructuring; - Where its power commitment was earlier reduced from 500 MW to 300 MW, an additional 150 MW has been re-secured to optimise the current 16 furnaces and prepare for brownfield expansion; and - Following a turnaround in its operations in 2018, OM Materials (Sarawak) has become one of the largest profit contributors to the Group.
Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) (Integrated phosphate complex)	- MPAS continues to leverage on Sarawak's competitively priced renewable hydro energy to optimise its cost efficiencies; - Construction work on the plant is ongoing and the first phase, comprising three plants, is targeted for completion by end 2020; - Upon the commencement of its first phase of production, MPAS is expected to contribute significantly towards the Group's earnings; - MPAS is exploring partnerships with an industry leader to provide access to proprietary technology and ready markets. It will revisit the proposed Phase to ensure competitive product offerings; and - In January 2019, CMS increased its stake in MPAS to 60% from 49.94%, and took Board and Management control of MPAS. This project represents the Group's first major direct investment in the Sarawak Corridor of Renewable Energy (SCORE).
SACOFA Sdn Bhd (Sacofa) (Information & Communication Technology or ICT operations)	- Sacofa has pole-position in the telco-infrastructure business in Sarawak and therefore is well positioned to play a dominant role in the telcospace; and - Sacofa is currently in the process of deploying 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.

56+ *For details of the background, performance and future plans for our core and strategic businesses, refer to the **Operational Review** section*

Q What is CMS doing to strengthen its competitive advantage?

We realise that the market is opening up and that other players are looking to come in. While we are the only cement player in Sarawak currently, we want to make it clear that we do not have a monopoly in cement. Other players are welcome to do business here.

In anticipation of impending competition, we are constantly taking strategic steps to strengthen our market position. For instance, aside from our cement plants in Kuching and Bintulu, we have built terminals in Sibu and Miri, and a cement depot in Lawas to bolster our distribution capability. We have also increased our capacity and built another plant in anticipation of market demand. Our production capacity is now 2.75 million MTpa while market demand is around 1.6 million MTpa. We now have ample headroom to handle spikes in demand such as when a new infrastructure project arises. We are strengthening the supply chain and infrastructure across our businesses so that we are well positioned to take part in the industries we operate in.

To maintain our competitive advantage, we must be the best in every business that we are involved in – only then will we remain attractive to our customers. For instance, we are in the unique position of being the only company in Southeast Asia to have a performance-based model for road maintenance – this is what keeps our customers in this segment coming back to us. As we venture forth, we are determined to continue pursuing our mission of delivering quality, within budget, on spec and on time. At the same time, we will build upon these fundamental building blocks to reinforce our position of strength.

Section 3: Strategic Report

Nurturing People, Sustaining Communities

Nurturing People, Sustaining Communities

As a responsible employer and a conscientious corporate citizen, CMS is committed to caring for people, be they our employees or the communities that we operate in. This care is evident in the many tangible initiatives that we have in place today that are helping us to nurture our workforce and build sustainable communities.

NURTURING THE CMS FAMILY

Here at CMS, our employees are more than just components of our workforce – they are part and parcel of the CMS Family. We are deeply committed to nurturing the wellbeing of our family by according them the warmth and unity of a family environment, coupled with the professionalism of a well-run meritocratic listed company. To this end, the Group is committed to creating a holistic working environment that inspires camaraderie, trust, excellence, initiative and professionalism.

Diversity in Our Workforce

Boasting a variety of ethnic groups and at least 40 sub-ethnic groups, each with its own distinct language, culture and lifestyle, Sarawak is not only tolerant of diversity, but embraces it. Being a home-grown company of the State, we endeavour to embody the same spirit and perspective when it comes to supporting a diversified workforce. We continue to drive a work culture that values the unique perspectives and contributions of every employee, thus ensuring that we attract and retain a talented workforce that contributes to the Group's success.

The following charts highlight the diversified workforce at CMS.

Workforce by Employment Type

	2015	2016	2017	2018
Permanent staff	1,356	1,377	1,436	**1,399**
Non-permanent staff	1,008	1,133	1,228	**1,352**

Workforce by Gender

	2015	2016	2017	2018
Male	1,911	2,023	2,117	**2,192**
Female	453	487	547	**559**

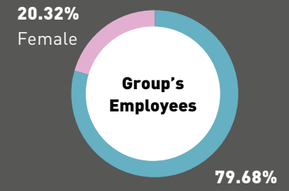
Workforce by Age Group

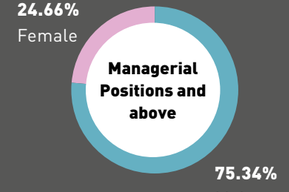
	2015	2016	2017	2018
<30	500	520	577	**602**
30 to 40	617	679	714	**770**
40 to 50	683	695	718	**803**
>50	564	616	655	**576**

Workforce by Ethnicity

	2015	2016	2017	2018
Malay	716	883	775	**808**
Chinese	397	414	427	**452**
Indian	11	12	13	**14**
Others	1,240	1,201	1,149	**1,477**

> We provide equal opportunities for all employees and do not discriminate. We are committed to providing equal employment opportunities and practise merit-based promotion regardless of gender.





Equal Employment Opportunities and Fair Treatment

Our employee-based initiatives have been founded on our goal to provide fair treatment to all our employees while achieving equilibrium between performance, pay and participation. We provide equal opportunities for all employees and make no discrimination based on race, religion, gender, age, sexual orientation, disabilities or nationality. With respect to workforce diversity, the Group is committed to providing equal employment opportunities and practises merit-based promotion regardless of gender. Currently 79.68% of the Group's employees are male while 20.32% are female. For positions of managerial and above, male employees account for 75.34% with female at 24.66%.

The company strictly prohibits forced labour or the employment of children below 18 years old and is in compliance with the Sarawak Labour Ordinance covering the prevention of forced and child labour. Group policy supports and respects the right to undertake collective bargaining and freedom of association in compliance with local laws. We not only comply with the Minimum Wages Order 2019 but commit to exceeding the minimum wage and offering salaries based on the market rate. We have zero tolerance towards physical or verbal discriminatory harassment in the workplace and provide a confidential reporting channel and whistleblowing system. Grievance mechanisms like our whistleblowing policy are also in place for individuals and communities.

Employee Engagement Efforts

Here at CMS, we endeavour to look for the best talent, retain them, nurture them within a creative environment, as well as work together with them to find new and innovative ways to deliver ever-increasing value to our stakeholders. To this end, employee engagement activities continue to be a focal point of our work-based initiatives even as we focus on developing a work environment that fosters unity, positivity and commitment. Our success in fostering strong ties within our family continues to hold us in good stead especially amidst the difficult times.

We strive to realise corporate growth together with a fuller life for all employees through our work-life balance programmes and various other forms of engagement. These include:

- **Board of Directors, Senior Management and Management Strategic Retreats:**
  These diverse annual platforms enable the different levels of leadership to discuss the Group's performance, challenges and opportunities and strategise for the future.

- **The Koffee Talk initiative:**
  This is a biennial platform for our non-executive employees to voice their work-related issues and general concerns directly to Senior Management and Group Human Resources.

- **Town Hall Sessions:**
  This is an annual platform for top management to engage with all employees to provide an update on the Group's annual performance, as well as discuss important issues that affect the organisation and the workforce. In 2018, two Town Hall sessions were held in December 2018 in Miri and in Kuching with 683 and 1,168 employees respectively.

- **Employee Satisfaction Survey (ESS):**
  This is a biennial survey that examines employee-supervisor relationships and gauges employees' satisfaction. The ESS also gauges employees' perception of their career growth, welfare, work environment, as well as the internal and public perception of the Group. Survey results are tabled at Board meetings and action plans are devised to address areas that need improvement.

In comparison to the 2014 and 2016 surveys, 2018's ESS revealed that employees are generally more satisfied today in their jobs across the CMS Group:

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

We also engage with employees through these channels, among others:

- Annual Dinners;
- Annual Baleh Kapit Raft Safari;
- Biennial CMS Inter-Regional Games & CMS Friendly Games; and
- Long Service Awards.

Employee Performance Management

To ensure optimum performance across all our divisions, the Group employs a performance management system which aligns our employees' work targets with the goals, direction and business objectives that directly impact the Group's performance. As incentives for our employees, the system features a rewards system that awards performance contract payments or bonuses when one of the Group's goals is achieved. The system also incorporates Sustainability-related Key Performance Indicators (SKPIs) and (more recently) a KPI aligned to the Group's digital transformation initiative.

Competitive Benefits

The Group makes it a priority to ensure that all employee remuneration and benefit packages are above the enforceable statutory minimum. Our pay rates and benefits are reviewed regularly to ensure that they are in line with the job market. We believe in fair pay and benefits for all workers and monitor all issues regarding income inequality closely.

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

SALARY & ALLOWANCES
Acting responsibility

Relief

Site/Hardship

Others

OVERTIME
Executive

Non-Executive

Others

SALARY DEDUCTIONS
EPF

SOCSO

ANNUAL LEAVE
Executive

Non-Executive

MEDICAL LEAVE
Sick Leave

Prolonged illness

TRAVEL
Accommodation

Subsistence allowance

Mileage

MEDICAL CARE-OUTPATIENT TREATMENT
Married/Single employees with dependent children

Married/Single employees without dependent children

HOSPITALISATION
Executive

Non-Executive

Delivery

Warding

OTHER TYPES OF LEAVE
Compassionate/Calamity

Marriage, Paternity & Maternity

Examination & Study

Pilgrimage

Unpaid

Leave of absence to represent State/ Country

We also have provisions for flexible working times (flexi-time) for full-time employees who cannot commit to normal working hours. Over and above contractual employee benefits, we are proud of our Compassionate Fund which, upon application, steps in to help employees facing challenges beyond their resources such as meeting otherwise unaffordable medical expenses or a family disaster.

Occupational Health and Safety

The Group recognises the importance of protecting the safety, health and wellbeing of employees and others associated with its businesses. We are committed to continuously safeguarding, managing and preventing job-related injuries and illnesses. To this end, we have established 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;
- CMS Safety Month (2018 marked the sixth anniversary of the Group-wide Safety Month Campaign); and
- HSSE performance criteria within employees' KPIs.



Training and Education

We provide each employee with training and career development opportunities which in turn produces a highly-skilled workforce that CMS can retain. Executives, managers and above must attend an average of 24 hours of training per year, while non-executives must undertake an average of 18 hours of training per year. In 2018, a total of 2,007 employees attended training sessions, including teambuilding sessions.

Training	Unit	2015	2016	2017	2018
Average training budget per employee	RM	1,533	1,365	793	**960**
Average number of hours of training per year per employee	Hours	17	15	16	**14**
Average days per employee	Days				**1.75**

Succession Planning

Succession planning is essential to ensure business sustainability and the long-term growth of CMS. In tandem with this, is a Management Trainee Development Programme (MTDP) which serves to attract and develop executive-level talent as part of the Group's succession plans. We provide trainees with 12 months of structured training in core corporate functions and specialised functions at various business divisions. Since the inception of the MTDP, employees have been recruited from every yearly batch. From Batch 1, we recruited 12 employees; from Batch 2, we recruited 10 employees; and from Batch 3, we recruited 17 employees. The next MTDP programme will be held in the 2019/2020 period.

SR **For more details of CMS' employee-related initiatives, please refer to CMS' standalone Sustainability Report 2018.**

Nurturing People, Sustaining Communities

BUILDING SUSTAINABLE COMMUNITIES

As part of our efforts to build sustainable communities, we continue to look for ways to enrich communities throughout Sarawak and strengthen our ties with them. Our efforts to date are certainly going a long way in elevating the livelihood of the many communities that we operate in while helping entrench CMS as a friend to them.

Employee Volunteerism

Employees dedicated a total of

50,241 man-hours
(FY 2017: 48,420 man-hours)

CMS Doing Good

In 2018, our employees raised a total of

RM105,065
(FY 2017: RM103,560)

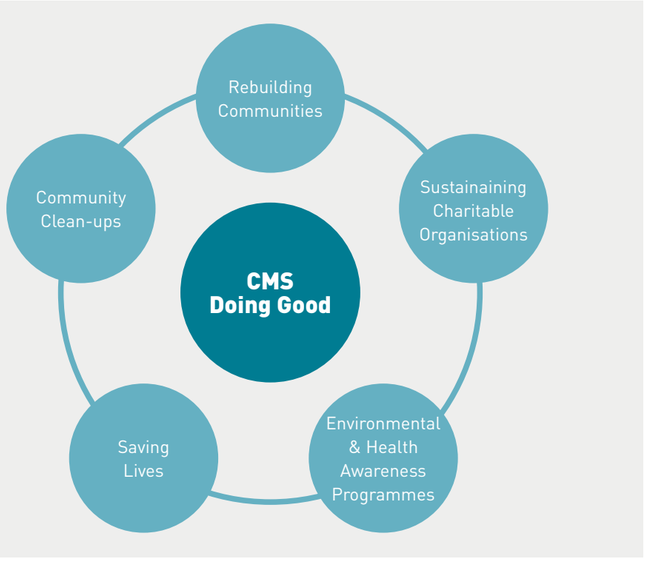
Employee Volunteerism and the CMS Doing Good Culture

CMS introduced its Doing Good culture in the mid-1990s and this Corporate Social Responsibility (CSR) initiative has today evolved into a structured, sustainable programme that is making a positive impact on communities across Sarawak. In 2007, we ramped up direct employee participation in CSR activities by promoting employee volunteerism. This has done much to inculcate a caring attitude and an inclination to serve among our employees.

Today, as a matter of company policy and as part of our employees' annual KPIs, employees at the executive and manager or above positions are required to undertake at least 32 man-hours of CSR activities in a year under the Doing Good initiative, whereas non-executives must undertake at least 24 man-hours of CSR activities annually. By getting employees 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, as well as fostering goodwill with communities and strengthening CMS' reputation among stakeholders.

The CMS Doing Good programme serves as the flagship programme for our community-based CSR efforts and our employees continue to generously step up to the plate time and again to help those in need. In 2018, our employees raised a total of RM105,065 (2017: RM103,560; 2016: RM117,121) 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. In the year under review, employees dedicated a total of 50,241 man-hours (2017: 48,420 man-hours; 2016: 45,434 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more.

The following illustrates the various CMS Doing Good programmes between 2016 and 2018:



Breakdown of Doing Good Activities (% of Concentration)

Area of Focus	2016	2017	2018
	% of Concentration		
Rebuilding Communities	35	38.3	**45.9**
Sustaining Charitable Organisations	26	32.3	**24.6**
Environmental & Health Awareness Programmes	24	18	**19.7**
Saving Lives	10	8.4	**8**
Community Clean-ups *(gotong-royong)*	4	3	**2**

Breakdown of Doing Good Activities (Man-Hours Volunteered)

Area of Focus	2016	2017	2018
	Man-Hours Volunteered		
Rebuilding Communities	16,134	18,524	**23,040**
Sustaining Charitable Organisations	11,992	15,655	**12,372**
Environmental & Health Awareness Programmes	11,090	8,715	**9,904**
Saving Lives	4,644	4,080	**3,920**
Community Clean-ups *(gotong-royong)*	1,674	1,446	**1,005**

Sustaining Communities

Today, we continue to make strong strides forward in our community engagement efforts and are helping make a real difference among communities across the State. Our support of the communities in the vicinity of Mambong in particular (where our CMS Integrated Plant is situated) is proving successful and today we enjoy a very healthy relationship with the communities there. CMS Cement Industries Sdn Bhd (CMSCI) is responsible for our operations in Mambong, as well as for ensuring the wellbeing of the communities in the vicinity through impactful engagement activities. To date, our key community engagement initiatives in Mambong and the surrounding areas include the following activities, among others:

- **Employment:** CMSCI has always given priority to recruiting candidates from the villages nearby the plant, subject to the suitability of their qualifications, job skills and work experience. As of August 2018, more than 60% of the Mambong plant employees were from the villages within a 20-km radius of the plant.

- **English Reading Programme:** CMSCI initiated an English reading programme for students of St. Augustine Primary School in 2016. Since then, there has been an increase in the percentage of passes in English which in turn has contributed to the performance of the school. In 2017, the total passing mark was 61%, the school's best result thus far over a nine-year period.

- **Academic Collaboration:** As part of a continuing partnership between Tunku Putra School and SK St. Augustine School, both schools collaborated once again in 2018 with a renewed approach towards learning together.

- **Annual Grant:** Since 2014, CMSCI has provided a yearly grant to SK St. Augustine to fund the school's activities for the year. On top of that, CMS employees make regular book donations to the school to encourage students to cultivate good reading habits.

- **Ongoing Open Dialogue:** As part of our commitment to maintaining clear lines of communication and fostering good relationships with the communities in the vicinity of Mambong, we continue to engage in open dialogue with them. This includes conducting 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 preceding year's dialogue, organised on 30 August 2018, marked the fifth year that a roundtable between the various parties had been organised since it was first initiated in 2014.

- **First Response Teams:** We also extend our support throughout the year, especially during the rainy season, where our road maintenance crews serve as first responders who are ever ready to lend a helping hand to communities whenever there is a landslide, road collapse or flood in the area.

Section 3: Strategic Report

Nurturing People, Sustaining Communities

As CMS moves forward with its community efforts, we continue to roll out diverse initiatives that are leveraging on employee volunteerism to make a tangible impact on communities across Sarawak. Our aim is to ensure our programmes impact and strengthen communities for the better in a sustainable manner.



Doing Good. Building Sustainable Communities

As CMS moves forward with its community efforts, we continue to roll out diverse initiatives that are leveraging on employee volunteerism to make a tangible impact on communities across Sarawak. Our aim is to ensure our programmes impact and strengthen communities for the better in a sustainable manner. As such, all our CSR initiatives going forward will come under the umbrella theme *Doing Good. Building Sustainable Communities*.

To showcase the good work that is being done and to spur our people and others to serve the communities they work among, we launched our Doing Good. Building Sustainable Communities Facebook page on 16 February 2019. This page not only highlights the good work CMS is doing, but also curates great CSR initiatives from Malaysia and around the world.

Today, we are collaborating with a university to develop projects whereby university students are exposed to the workings of the real world. We are working on strengthening a final year industry-based project with potential commercial value that will help in training the engineers of tomorrow. At the same time, via embarking on our industrial lab partnership initiative whereby we are opening up our laboratories and resources to researchers, we are helping expand these researchers' knowledge on specific subject matter.

To strengthen our employee volunteerism efforts moving forward, CMS' Senior Management team is travelling throughout Sarawak to engage our people, harness their on-the-ground ideas, and persuade them to serve communities in a more impactful manner. Currently, we have 18 Road Maintenance Units or RMUs across the State and our aspiration is to have our RMU teams serve as ambassadors and first responders in times of need to the communities around them.

In August this year, we will organise the ever-popular CMS Tribal Run for the fifth consecutive year. The CMS Tribal Run 5.0 event will see 100% of the entry fees collected being donated to several charitable organisations throughout Sarawak. Through our Adopt-a-Mosque initiative, the Group will continue to support the Muslim communities in Sarawak by contributing RM2,000 to each each of the over 70 mosques and suraus under this programme.

For more details of CMS' community initiatives, please refer to CMS' standalone Sustainability Report 2018.

Section 3: Strategic Report

Tapping Innovation to Preserve Our Environment

CMS is committed to being a good steward of the resources we have been entrusted through our focus on operating in a manner which mitigates our carbon footprint whilst conserving the environment. To this end, we have been applying innovative operating strategies and technologies, as well as best practices to minimise our environmental footprint. Our efforts to date have centred on finetuning 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 implement KPIs, policies and various initiatives to ensure that the environment is preserved for the enjoyment of future generations. In 2018, we took our environmental efforts up several notches by bringing innovation into play in a greater manner.



Ongoing R&D Efforts

For some time now, we have been engaging in research and development (R&D) activities to ensure more sustainable operations and a keener competitive edge. Through CMS Cement Industries Sdn Bhd (CMSCI), we have been making made some solid progress by way of managing scheduled wastes from industries within the State, especially those located within 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. They are also transformed into useful products with added performance attributes.

Currently the R&D efforts within CMSCI focus on three main areas:

1. **Product Development**
   This involves the use of supplementary cementitious materials (SCM) or additives such as slag, silica fume, fly ash, limestone and other materials to replace clinker resulting in new products with enhanced characteristics or which are used in other applications.

2. **Alternative Raw Materials**
   This involves the use of waste/by-products from other industries to replace the typical raw materials used in clinker, cement and concrete operations.

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

These three areas of R&D are going a long way in in helping CMSCI improve cost efficiencies, enhance product quality, increase product selection, and support sustainable development in line with the company's objectives.

Section 3: Strategic Report

Tapping Innovation to Preserve Our Environment

Tapping Innovation to Preserve Our Environment

> Taking almost two years to develop, Portland Limestone Cement (PLC) is an eco-friendly product, manufactured by 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.

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 by the Group's subsidiary companies:

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

In November 2018, we launched our new eco-friendly Portland Limestone Cement (PLC). Taking almost two years to develop, PLC is an eco-friendly product, manufactured by 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.

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. Consisting of spherical particles with an average particle diameter of 150 nm, it is supplied 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 strengthens the performance of the cement 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 by burning small quantities of shredded tyres purchased from a local-based supplier to manufacture clinker. TDF fuel produces the same energy as petrol and approximately 25% more energy than sub-bituminous coal. CMSCI has been given the approval by DOE to proceed with the trial of 300 metric tonnes (MT) of TDF which it hopes will eventually lead to the commercial production of TDF.

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

Furnace slag is one of the by-products from Malaysian Phosphate Additives (Sarawak) Sdn Bhd which can be used to substitute clinker in cement production or be used as Alternative Raw Material (ARM) in clinker production. Laboratory tests on furnace slag are ongoing and more samples are expected to be brought in from China for further testing.

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

Silicon manganese is 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, both of which have the potential to be used as aggregate replacements in concrete. Preliminary tests undertaken by CMS Concrete Products Sdn Bhd (CMSCP) show an increase in concrete strength with a 50% replacement of the coarse aggregate. Further testing is required to ensure the consistency of the quality produced. In this respect, 10 MT of slag was recently delivered to CMSCP.



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. To date, laboratory tests using 30-50% slag replacement of clinker have shown a significant 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

CMS Pavement Tech Sdn Bhd is a specialist provider of pavement works covering construction, rehabilitation and maintenance. The company promotes sustainable engineering and construction using locally-sourced, alternative materials. As the conventional method of pavement rehabilitation tends to be costly, inefficient, slow and environmentally-unfriendly, the company specialises in using cement stabilisation technology to reconstruct and rehabilitate pavements using the Wirtgen WR2500S machine. Under the Cold-in-Place Recycling method, existing pavements are recycled, stabilised with cement and enhanced with a higher strength, new bounded base. The company is also capable of performing stabilisation works using other agents such as lime, emulsion, bitumen and soil stabilisers. Clients that leverage on CMS Pavement Tech's technology can take advantage of cost savings, quicker construction times, as well as improved pavement performance and design life.

Recognised for Our Environmental Preservation Efforts

The Group's sustainability leadership efforts in the area of recycled waste and by-products are slowly gaining recognition. Currently, we are in collaboration with UNIMAS to study the performance of our PLC and also the addition of silica fume in concrete.

The Group's ongoing commitment to ensuring high environmental standards within our operations was rewarded when the Mambong integrated plant bagged the Gold Award under the Large Enterprise (Manufacturing) Category at the 8th Sarawak Chief Minister's Environmental Award (CMEA) 2017/2018 event. The plant was recognised for its sustainability efforts on several fronts. These included exploring alternative raw materials and alternative fuels in the clinker and cement manufacturing segment; exemplary 4R (Reduce, Reuse, Recycle and Recover) practices; strict adherence to the DOE's Guided Self-Regulation system; good practices extending beyond ISO 14001 Environmental Management System and ISO 50001 Energy Management System requirements; as well as community engagement initiatives with communities in the vicinity of Mambong. This recognition is all the more fulfilling seeing that this was the first time that we participated in a CMEA event.

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 operate in.

SR **For more details of CMS' environmental-related initiatives, please refer to CMS' standalone Sustainability Report 2018.**

Section 3: Strategic Report

Financial Overview by the Group Chief Financial Officer

Financial Overview by the Group Chief Financial Officer

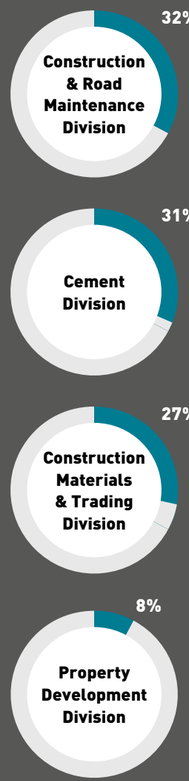
Interview with the Group Chief Financial Officer

Syed Hizam Alsagoff



The Group is confident of not only remaining resilient amidst continuing headwinds but of maintaining its strong growth momentum moving forward. With our healthy balance sheet and diverse portfolio of businesses, the Group is well positioned to benefit in all key growth areas in Sarawak.

Net Revenue Contributors



The Construction & Road Maintenance Division was the highest revenue contributor in Group revenue.

Quick Links

*For more information about **Strategic Review*** 20+

*For more information about **Operational Review*** 56+

*For more information about **Governance*** 94+

Q How did CMS perform in FY 2018?

I am pleased to say that CMS turned in its best performance to date in FY 2018 despite a volatile and difficult operating environment. The Group registered total revenue of RM1.71 billion and a pre-tax profit (PBT) of RM372.32 million for FY 2018, an increase of 9% and 16% respectively, in comparison to the preceding year's revenue of RM1.57 billion and PBT of RM321.29 million.

The Construction & Road Maintenance Division was the highest revenue contributor turning in 32% of Group revenue, followed by the Cement, Construction Materials & Trading and Property Development Divisions at 31%, 27% and 8% respectively. All Divisions except for the Property Development Division and Strategic Investments reported higher revenue.

The Group's segmental revenue contributions are depicted below:

Segmental Revenue – FY 2018 vs FY 2017

	12 months ended	
	31.12.2018	31.12.2017 (Restated)
	RM'000	RM'000
Cement	**557,852**	514,944
Construction Materials & Trading	**559,274**	491,994
Construction & Road Maintenance	**554,212**	458,811
Property Development	**132,217**	170,047
Strategic Investments*	**9,632**	10,410
Others	**71,089**	63,419
Total revenue including inter-segment sales	**1,884,276**	1,709,625
Elimination of inter-segment sales	**(172,032)**	(138,701)
Group Revenue	**1,712,244**	1,570,924

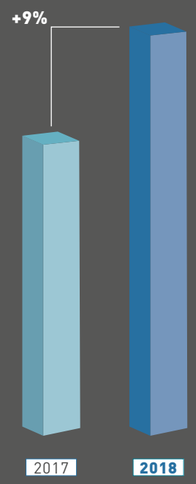
* *(Note: Included in Strategic Investments are CMS Capital Sdn Bhd and CMS Education Sdn Bhd).*

Section 3: Strategic Report

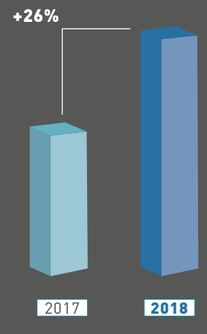
Financial Overview by the Group Chief Financial Officer

Financial Overview by the Group Chief Financial Officer

Group Revenue



PATNCI



Earning per share stood at 24.45 sen in FY 2018

FY 2017: 19.36 sen

	2018 RM'000	2017 (Restated) RM'000
Revenue	**1,712,244**	1,570,924
Cost of Sales	**(1,368,283)**	(1,217,844)
Gross profit	**343,961**	353,080
Other items of income		
Interest income	**3,018**	4,369
Other income	**37,906**	20,544
Other items of expense		
Administrative expenses	**(54,159)**	(53, 576)
Selling expenses	**(17,042)**	(14,460)
Finance costs	**(37,285)**	(24,090)
Other expenses	**(8,869)**	(37,126)
Share of results of associates	**105,340**	40,640
Share of results of joint ventures	**(546)**	31,909
Profit before tax	**372,324**	321,290
Income tax expense	**(75,078)**	(81,609)
Profit net of tax	**297,246**	239,681

Gross profit

Despite the higher revenue, gross profit for FY 2018 decreased slightly on the back of lower gross profit margins from the Cement and Construction Materials & Trading Divisions.

Other income

There was a significant increase in other income in FY 2018 mainly due to the fair value gain on investment in a derivative financial asset.

Finance costs

The increase in finance costs was mainly due to sukuk interest and interest on land premiums.

Share of results of associates

FY 2018's strong performance came on the back of the impressive turnaround of OM Materials (Sarawak) Sdn Bhd as its plant achieved full production and commodity prices improved.

PBT

PBT was higher year-on-year largely due to the increase in share of results of associates. However, this was partially negated by lower contributions from joint ventures, as well as the fair value gain on investment in a derivative financial asset.

Profit after tax and non-controlling interests (PATNCI)

The Group's PATNCI rose by 26% to RM262.14 million in FY 2018 from RM208.03 million in FY 2017. This eclipses the previous high of RM248.15 million achieved in FY 2015. This led to a higher return on shareholders' equity (ROE) of 10.70% in FY 2018 against ROE of 9.12% in FY 2017. Earnings per share (EPS) also stood higher at 24.45 sen versus EPS of 19.36 sen reported for the previous year.



Q Kindly elaborate on the Group's profitability.

As mentioned, the significant improvement in the Group's financial performance was mainly due to the increase in the share of results of associates, namely OM Materials (Sarawak) Sdn Bhd, SACOFA Sdn Bhd (Sacofa), KKB Engineering Berhad (KKB) and Kenanga Investment Bank Berhad (Kenanga). Collectively, their contributions to CMS' PBT catapulted by 159% to RM105.34 million in FY 2018 in comparison to FY 2017's PBT of RM40.64 million. The main contributor to this astounding performance was OM Materials (Sarawak) which exhibited an impressive turnaround as its plant achieved full production and commodity prices improved.

Highlights of Contributions by Key Business Segments (in terms of PBT)

	2018 RM'000	2017 (Restated) RM'000
Segment Results		
Operating profit/(loss):		
Cement	**90,141**	101,338
Construction Materials & Trading	**71,293**	59,705
Construction & Road Maintenance	**90,382**	90,200
Property Development	**33,591**	32,862
Strategic Investments	**(2,059)**	6,084
Others	**11,724**	(7,411)
	295,072	282,778
Unallocated corporate expenses	**(27,542)**	(34,037)
Share of results of associates	**105,340**	40,640
Share of results of joint ventures	**(546)**	31,909
Profit before tax	**372,324**	321,290
Income tax expenses	**(75,078)**	(81,609)
Profit for the year	**297,246**	239,681

Despite a 8% increase in its revenue, the Group's Cement Division saw its PBT drop by 11% to RM90.14 million in FY 2018 from RM101.34 million previously. The lower PBT was mainly due to repair costs from the planned maintenance shutdown at its clinker plant in January, August and December 2018. The division's performance was further impacted by an increase in the price of imported clinker, a major raw material, due to the spike in global demand. This followed the reduction of clinker production in China and continued high global demand for clinker especially from Bangladesh and the Philippines.

The Construction Materials & Trading Division reported PBT of RM71.29 million for FY 2018, some 19% higher than FY 2017's PBT of RM59.71 million. FY 2017's financial results, however, included a one-off provision of RM20 million for soil erosion remedial works, without which the division's PBT for FY 2018 would have been lower than the preceding year's PBT. The lower PBT was attributable to the lower gross profit margins from the premix and quarry operations as a result of an increase in bitumen and diesel prices, as well as lower production stemming from a State-wide shortage of quarry sand. To take advantage of the spike in demand for construction materials in the State, the division is taking measures to position itself (including pursuing strategic investments and expanding its inventory).

The Construction & Road Maintenance Division registered a strong PBT of RM90.38 million (excluding share of results of joint ventures) in FY 2018, comparable to FY 2017's profit of RM90.20 million. This came on the back of a higher percentage of completed works for the Pan Borneo Highway, State Road Rehabilitation and Sarawak Museum projects. However, this division reported share of loss of joint ventures of RM1.43 million for FY 2018 (FY 2017: share of profit of RM3.15 million).

Section 3: Strategic Report

Financial Overview by the Group Chief Financial Officer

The Property Development Division saw its PBT rise by 2% to RM33.59 million in FY 2018 in comparison to PBT of RM32.86 million in FY 2017 (restated). This was attributable to higher gross profit margins from construction activities but partially negated by interest incurred on land premium expensed off.

Our Strategic Investments Division (excluding associates) posted a loss of RM2.06 million in FY 2018 in comparison to a profit of RM6.08 million in FY 2017. The profit in FY 2017 was attributable to the reversal of impairment in investment.

The excellent performance in the Others segment (a profit of RM11.72 million in FY 2018 against a loss of RM7.41 million in FY 2017) was due to a RM10.86 million gain on sale of OM Materials (Sarawak) Irredeemable Convertible Preference Shares. In addition, an unrealised foreign exchange gain of RM0.94 million was recorded in FY 2018 as opposed to unrealised and realised forex loss of RM6.44 million in FY 2017.

In terms of unallocated corporate expenses, CMS recorded a lower loss in FY 2018 mainly due to the fair value gain on investment in a derivative financial asset.

In terms of share of results of associates, the Group's higher share of profit of associates in FY 2018 was contributed by all of its operating associates. Collectively, the share of results jumped by 159% to RM105.34 million in FY 2018 from RM40.64 million in FY 2017. The main contributor to this was OM Materials (Sarawak) which registered a strong turnaround performance in FY 2018.

With regard to the share of results of joint ventures, this segment recorded a share of loss of RM546,000 (FY 2017: profit of RM31.91 million). The excellent performance in FY 2017 was attributable to the performance fees income and profit sharing received by the private equity management company and two private equity funds, which came on the back of gains from the realisation of an investment.



Q What can you tell us about the Group's balance sheet as at end FY 2018?

The Group's ended FY 2018 with a stronger balance sheet portraying a lower gearing ratio of 0.24 times compared to 0.27 times in FY 2017. This gives the Group sufficient debt headroom to fund any future growth plans.

Consolidated Statements of Financial Position as at 31 December 2018

	2018 RM'000	2017 (Restated) RM'000
Non-current assets	**2,162,071**	2,052,750
Other assets excluding cash & bank balances	**1,111,753**	1,013,774
Cash & bank balances	**920,539**	977,835
Total assets	**4,194,363**	4,044,359
Loans and borrowings	**616,533**	636,364
Other liabilities	**661,619**	728,350
Total liabilities	**1,278,152**	1,364,714
Share capital	**867,902**	867,902
Reserves	**1,681,004**	1,482,367
Shareholders' equity	**2,548,906**	2,350,269
Non-controlling interests	**367,305**	329,376
Total equity	**2,916,211**	2,679,645
Total equity and liabilities	**4,194,363**	4,044,359

Financial Overview by the Group Chief Financial Officer

Q Please elaborate on any significant changes in the Group's financial position and liquidity.

The Group's cash balances as at end FY 2018 dropped to RM920.54 million from RM977.84 million as at end FY 2017. At the same time, the Group's borrowings reduced to RM616.53 million in FY 2018 from RM636.36 million in FY 2017 mainly due to the repayment of a term loan by the Cement Division. As at end FY 2018, shareholders' equity had increased to RM2.55 billion from RM2.35 billion as at end FY 2017.

Q What can you tell us about the Group's capital expenditure requirements, capital structure and capital resources?

The Group is proactively maintaining its cash flow/resources by putting in place a 20-year tenure sukuk programme of up to RM2 billion. While the sukuk programme was initiated in May 2017, as at end FY 2018, only RM500 million of the RM2 billion sukuk had been issued.

The Group continues to evaluate its capital expenditure (CAPEX) requirements. For FY 2019, we have approved RM370 million in CAPEX. This CAPEX excludes the project cost for the Malaysian Phosphate Additives (Sarawak) Sdn Bhd project.

Q Were there any changes in the financial reporting landscape that have impacted your reporting?

The Group's financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) and International Financial Reporting Standards. On 1 January 2018, the Group adopted the new and amended standards which are mandatory for financial periods beginning on or after 1 January 2018. These included MRFS 9 pertaining to financial instruments and MFRS 15 pertaining to revenue from contracts with customers. Certain comparative figures for FY 2017 have been restated to reflect the effects of the adoption of MFRS 15.

Q Were there any amendments to the Group's dividend policy?

On 4 February 2019, the Group announced that it had adjusted its dividend policy to provide for a minimum of 30% (previously 40%) of its annual consolidated PATNCI to shareholders subject to a minimum of 2.0 sen per share. This is subject to the level of available cash and cash equivalents, return on equity and retained earnings, projected levels of CAPEX and other investment plans. While we have lowered the dividend payment, at the same time, we are maintaining the level of absolute sum or quantum that is to be dispersed. The total dividend payable for FY 2018 is RM79.18 million, comparable to the total dividend payout of RM85.95 million for FY 2017.

One of the main rationales for this adjustment is that the Group has had to review the feasibility of paying high dividends against the Group's plans to conserve cash to fund future growth and repay our sukuk in the year 2022. The other rationale is that while the existing core businesses are profitable and generating cash, the Group's unlisted associates have so far only contributed to the bottom line but not our cash flows.

16+ *For details of our new dividend policy and dividend payouts, refer to* ***Chairman's Message*** *section*

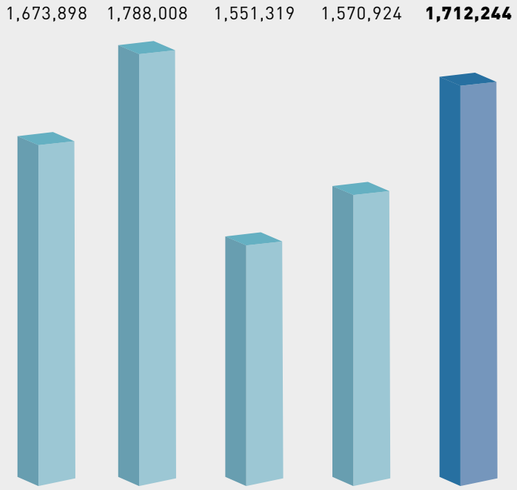
Q What is the outlook for the Group moving forward?

The Group is confident of not only remaining resilient amidst continuing headwinds but of maintaining its strong growth momentum moving forward. With our healthy balance sheet and diverse portfolio of businesses, the Group is well positioned to benefit in all key growth areas in Sarawak. We expect this to be through OM Materials (Sarawak) in the Sarawak Corridor for Renewable Energy (SCORE) initiative, Sacofa in the State's push to fully embrace the digital economy, and PPES Works (Sarawak) Sdn Bhd (a joint venture with the Sarawak Economic Development Corporation), and our other construction materials supply companies in the roll-out of the Pan Borneo Highway project and other major infrastructure projects announced by the State government. All in all, I am confident that CMS will turn in another fine performance in FY 2019.

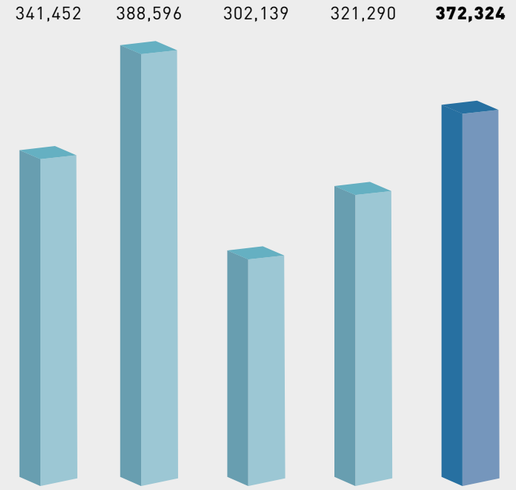
Section 3: Strategic Report

Five-Year Group Financial Highlights

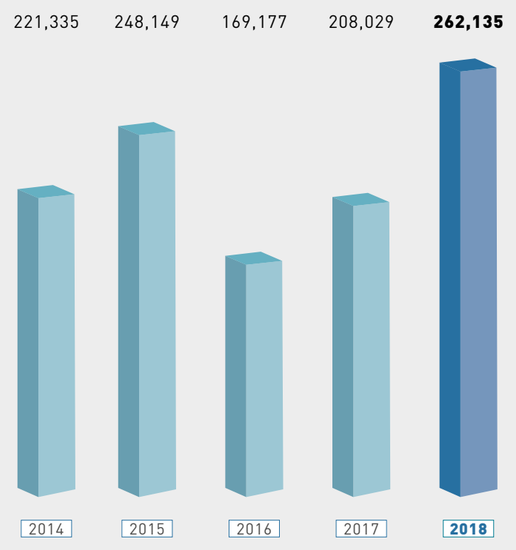
Revenue
(RM'000)



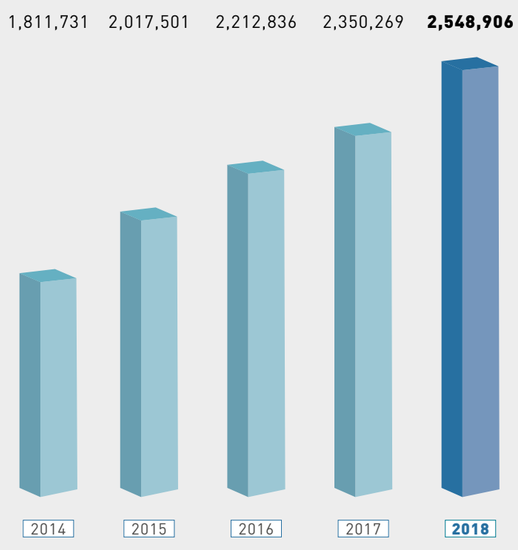
Profit Before Taxation
(RM'000)



Profit Attributable to Owners of the Company
(RM'000)



Total Shareholders' Equity
(RM'000)



Section 3: Strategic Report

Five-Year Group Financial Summary

	2014	2015	2016	2017 (Restated)	2018
Revenue (RM'000)	1,673,898	1,788,008	1,551,319	1,570,924	**1,712,244**
Profit before taxation (RM'000)	341,452	388,596	302,139	321,290	**372,324**
Profit after tax (RM'000)	265,608	304,600	217,311	239,681	**297,246**
EBITDA (RM'000)	342,341	405,533	375,905	386,068	**443,550**
Profit attributable to owners of the Company (RM'000)	221,335	248,149	169,177	208,029	**262,135**
Weighted average number of shares ('000)	1,033,352	1,064,741	1,074,376	1,074,376	**1,071,987**
Basic earnings per share (sen)	21.42	23.31	15.75	19.36	**24.45**
Gross dividends per share (sen)	8.5	4.5	6.3	8.0	**7.4**
Current assets (RM'000)	1,602,401	1,307,756	1,371,984	1,991,609	**2,032,292**
Current liabilities (RM'000)	639,462	611,112	687,867	649,527	**617,718**
Total assets (RM'000)	2,800,131	3,231,079	3,451,337	4,044,359	**4,194,363**
Total borrowings (RM'000)	104,796	163,678	247,956	636,364	**616,533**
Total liabilities (RM'000)	725,598	918,352	916,598	1,364,714	**1,278,152**
Total shareholders' equity (RM'000)	1,811,731	2,017,501	2,212,836	2,350,269	**2,548,906**
Return on average shareholders' equity (%)	12.77	12.96	8.00	9.12	**10.70**
Return on total assets (after tax) (%)	7.90	7.68	4.90	5.14	**6.25**
Current ratio (times)	2.51	2.14	1.99	3.07	**3.29**
Gearings (times)	0.06	0.08	0.11	0.27	**0.24**
Net tangible assets per share (RM)	1.68	1.82	2.00	2.13	**2.32**
Net assets per share (RM)	1.74	1.88	2.06	2.19	**2.38**

Section 3: Strategic Report

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018

	Group		Company	
	2018	2017 (Restated)	2018	2017
	RM'000	RM'000	RM'000	RM'000
Revenue	**1,712,244**	1,570,924	**208,750**	111,505
Cost of sales	**(1,368,283)**	(1,217,844)	**(35,766)**	(33,313)
Gross profit	**343,961**	353,080	**172,984**	78,192
Other items of income				
Interest income	**3,018**	4,369	**-**	-
Other income	**37,906**	20,544	**15,281**	969
Other items of expense				
Administrative expenses	**(54,159)**	(53,576)	**(25,599)**	(23,636)
Selling expenses	**(17,042)**	(14,460)	**-**	-
Finance costs	**(37,285)**	(24,090)	**(24,025)**	(15,944)
Other expenses	**(8,869)**	(37,126)	**(1,722)**	(1,995)
Share of results of associates	**105,340**	40,640	**-**	-
Share of results of joint ventures	**(546)**	31,909	**-**	-
Profit before tax	**372,324**	321,290	**136,919**	37,586
Income tax expense	**(75,078)**	(81,609)	**166**	(3,031)
Profit net of tax	**297,246**	239,681	**137,085**	34,555
Other comprehensive income				
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:				
Foreign currency translation	**(4)**	(3)	**-**	-
Share of other comprehensive income of associates	**4,270**	(8,125)	**-**	-
Share of other comprehensive income of a joint venture	**(32)**	(432)	**-**	-
Other comprehensive income for the year	**4,234**	(8,560)	**-**	-
Total comprehensive income for the year	**301,480**	231,121	**137,085**	34,555
Profit attributable to:				
Owners of the Company	**262,135**	208,029	**137,085**	34,555
Non-controlling interests	**35,111**	31,652	**-**	-
	297,246	239,681	**137,085**	34,555
Total comprehensive income attributable to:				
Owners of the Company	**266,341**	199,517	**137,085**	34,555
Non-controlling interests	**35,139**	31,604	**-**	-
	301,480	231,121	**137,085**	34,555

	2018	2017 (Restated)
Earnings per share attributable to owners of the Company (sen per share):		
Basic/Diluted	**24.45**	19.36

Section 3: Strategic Report

Statements of Financial Position

As at 31 December 2018

	Group			Company	
	31.12.2018	31.12.2017 (Restated)	1.1.2017 (Restated)	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	**746,217**	727,960	721,567	**2,221**	1,743
Prepaid land lease payments	**42,508**	14,448	15,210	**8,435**	8,861
Land held for property development	**227,629**	241,393	234,333	**-**	-
Investment properties	**5,156**	5,274	5,390	**-**	-
Intangible assets	**726**	2,201	3,823	**101**	101
Goodwill	**62,954**	62,954	61,709	**-**	-
Investments in subsidiaries	**-**	-	-	**1,125,351**	1,164,118
Investments in associates	**979,791**	897,565	869,179	**243,853**	243,853
Investments in joint ventures	**23,916**	27,197	46,611	**-**	-
Deferred tax assets	**19,034**	21,376	32,693	**-**	-
Other receivables	**50,182**	52,312	86,242	**38,644**	36,073
Investment securities	**3,958**	70	300	**-**	-
	2,162,071	2,052,750	2,077,057	**1,418,605**	1,454,749
Current assets					
Property development costs	**192,993**	215,933	296,858	**-**	-
Inventories	**334,248**	288,213	184,587	**-**	-
Trade and other receivables	**314,038**	270,737	289,145	**312,875**	266,716
Other current assets	**81,985**	102,927	42,392	**-**	-
Investment securities	**100,201**	96,520	9,662	**100,201**	96,520
Derivative financial asset	**81,271**	35,414	35,414	**81,271**	35,414
Tax recoverable	**7,017**	4,030	3,142	**1,091**	-
Cash and bank balances	**920,539**	977,835	457,070	**860,707**	876,358
	2,032,292	1,991,609	1,318,270	**1,356,145**	1,275,008
TOTAL ASSETS	**4,194,363**	4,044,359	3,395,327	**2,774,750**	2,729,757

Section 3: Strategic Report

Statements of Financial Position

As at 31 December 2018 (Cont'd.)

	Group			Company	
	31.12.2018	31.12.2017 (Restated)	1.1.2017 (Restated)	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable	**18,109**	20,549	23,147	**-**	2,024
Loans and borrowings	**53,905**	51,731	142,880	**-**	-
Trade and other payables	**454,659**	525,372	396,218	**1,162,784**	1,187,170
Other current liabilities	**91,045**	51,875	63,921	**-**	-
	617,718	649,527	626,166	**1,162,784**	1,189,194
Net current assets	**1,414,574**	1,342,082	692,104	**193,361**	85,814
Non-current liabilities					
Deferred tax liabilities	**35,947**	36,835	40,399	**37**	37
Loans and borrowings	**562,628**	584,633	105,076	**500,000**	500,000
Trade and other payables	**61,859**	93,719	84,363	**-**	-
	660,434	715,187	229,838	**500,037**	500,037
TOTAL LIABILITIES	**1,278,152**	1,364,714	856,004	**1,662,821**	1,689,231
Net assets	**2,916,211**	2,679,645	2,539,323	**1,111,929**	1,040,526
Equity attributable to owners of the Company					
Share capital	**867,902**	867,902	537,188	**867,902**	867,902
Treasury shares	**(12,277)**	-	-	**(12,277)**	-
Share premium	**-**	-	330,716	**-**	-
Other reserves	**13,589**	9,092	40,090	**168,000**	168,000
Retained earnings	**1,679,692**	1,473,275	1,310,446	**88,304**	4,624
	2,548,906	2,350,269	2,218,440	**1,111,929**	1,040,526
Non-controlling interests	**367,305**	329,376	320,883	**-**	-
TOTAL EQUITY	**2,916,211**	2,679,645	2,539,323	**1,111,929**	1,040,526
TOTAL EQUITY AND LIABILITIES	**4,194,363**	4,044,359	3,395,327	**2,774,750**	2,729,757

Section 3: Strategic Report

Statements of Cash Flows

For the financial year ended 31 December 2018

	Group	
	2018	2017 (Restated)
	RM'000	RM'000
Operating activities		
Profit before tax	**372,324**	321,290
Adjustments for:		
Amortisation of intangible assets	**1,477**	1,731
Amortisation of prepaid land lease payments	**905**	762
Depreciation of property, plant and equipment	**60,308**	55,374
Depreciation of investment properties	**118**	116
Fair value gain in a derivative financial asset	**(14,130)**	-
Gain on disposal of investment in irredeemable convertible preference shares in an associate	**(10,860)**	-
Gross dividend income	**(4,872)**	(3,427)
Impairment loss on amount due from an associate	**-**	972
Impairment loss on investment securities	**-**	300
Impairment loss on trade and other receivables	**389**	367
Interest expense	**36,771**	23,651
Interest income	**(28,352)**	(24,352)
Inventories written off	**602**	9
Net fair value changes in investment securities	**(405)**	(611)
Net gain on disposal of property, plant and equipment	**(97)**	(550)
Property, plant and equipment written off	**974**	944
Reversal of impairment loss on amount due from an associate	**(607)**	(1,972)
Reversal of impairment loss on trade and other receivables	**(835)**	(486)
Reversal of impairment loss on redeemable preference shares	**-**	(6,973)
Share of results of associates	**(105,340)**	(40,640)
Share of results of joint ventures	**546**	(31,909)
Unrealised foreign exchange (gain)/loss	**(1,045)**	6,743
Total adjustments	**(64,453)**	(19,951)
Operating cash flows before changes in working capital	**307,871**	301,339

Section 3: Strategic Report

Statements of Cash Flows

For the financial year ended 31 December 2018 (Cont'd.)

Statements of Cash Flows
For the financial year ended 31 December 2018 (Cont'd.)

	Group	
	2018	2017 (Restated)
	RM'000	RM'000
Operating activities (cont'd.)		
Changes in working capital		
Decrease in property development costs	**22,940**	81,537
Decrease/(increase) in land held for development	**13,764**	(7,060)
Increase in inventories	**(46,637)**	(103,376)
Decrease/(increase) in other current assets	**21,146**	(58,906)
(Increase)/decrease in receivables	**(40,145)**	18,415
(Decrease)/increase in payables	**(105,741)**	135,532
Increase /(decrease) in other current liabilities	**39,170**	(12,046)
Total changes in working capital	**(95,503)**	54,096
Cash flows from operations	**212,368**	355,435
Interest received	**25,782**	26,166
Interest paid	**(33,023)**	(22,225)
Income taxes paid, net of refund	**(78,204)**	(77,237)
Net cash flows from operating activities	**126,923**	282,139
Investing activities		
Acquisition of property, plant and equipment	**(81,284)**	(59,966)
Acquisition of additional interests in an associate	**(45,542)**	-
Acquisition of prepaid land lease payments	**(28,965)**	-
Additional costs incurred on intangible assets	**(2)**	(109)
Additional investments in investment securities	**(7,164)**	(92,107)
Additional investments in joint ventures	**(3,294)**	(3,320)
Dividends received from associates	**6,536**	4,127
Dividends received from investments	**4,872**	3,427
Distribution of profit from joint ventures	**5,418**	26,065
Net cash outflow from acquisition of a subsidiary	**-**	(1,690)
Proceeds from disposal of property, plant and equipment	**1,638**	1,247
Proceeds from disposal of investment securities	**-**	5,790
Proceeds from disposal of investment in irredeemable convertible preference shares in an associate	**77,170**	-
Proceeds from redemption of investment in redeemable preference shares	**-**	31,821
Proceeds from repayment of loan to an associate	**-**	29,688
Net cash flows used in investing activities	**(70,617)**	(55,027)

	Group	
	2018	2017 (Restated)
	RM'000	RM'000
Financing activities		
Acquisition of treasury shares	**(17,731)**	-
Dividends paid to owners of the Company	**(85,950)**	(67,686)
Dividends paid to non-controlling interests	**(15,574)**	(23,257)
Drawdown of borrowings	**37,600**	133,500
Increase in deposits pledged to licensed banks	**(45)**	(57)
Net proceeds from disposal of treasury shares	**6,272**	-
Proceeds from issuance of Islamic medium term notes	**-**	500,000
Proceeds from issuance of redeemable preference shares to a non-controlling interest	**19,110**	-
Repayment of borrowings	**(57,431)**	(248,296)
Net cash flows (used in)/from financing activities	**(113,749)**	294,204
Net (decrease)/increase in cash and cash equivalents	**(57,443)**	521,316
Cash and cash equivalents at 1 January	**975,781**	455,073
Effect of foreign exchange changes on cash and cash equivalents	**102**	(608)
Cash and cash equivalents at 31 December	**918,440**	975,781

For full Audited Financial Statements, please refer to CMS' standalone Audited Financial Statements 2018.

Section 3: Strategic Report

Operational Review



CEMENT DIVISION

*For more information about the Group's **Cement Division**, scan the QR code or log on to **http://www.cmsb.com.my/business-divisions/cement/***

BUSINESS OVERVIEW

CMS' Cement Division – comprising CMS Cement Sdn Bhd, CMS Cement Industries Sdn Bhd and CMS Concrete Products Sdn Bhd – remains Sarawak's sole cement and clinker manufacturer.

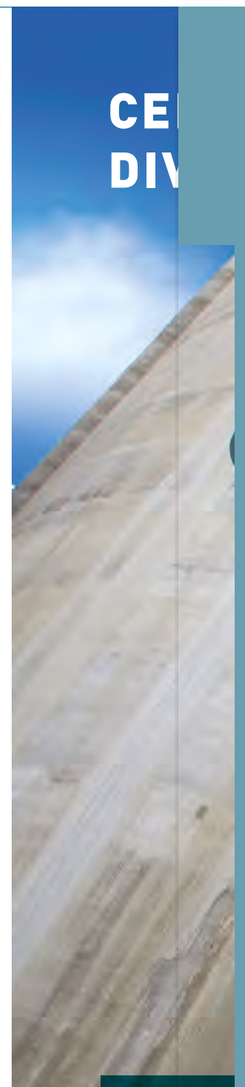
As one of CMS' main PBT contributors, the division continues to deliver resilient growth on the back of continuing government infrastructure projects and private-sector funded construction activities within the State. As Sarawak's leading infrastructure facilitator, as well as a committed supporter of its construction industry, the division has always focused its efforts on providing a sufficient and consistent supply of quality cement at reasonable and stable prices. In FY 2018, the division continued to uphold this commitment by maintaining cement prices for the third consecutive year in spite of higher costs and a weaker Ringgit.

PERFORMANCE HIGHLIGHTS

FY 2018 saw the Cement Division's revenue and cement sales volume stabilising in comparison to the preceding year when demand growth for cement was on the decline. The year's modest demand growth came mainly on the back of steady progress of government infrastructure projects. As such, revenue for the Cement Division increased by 8% to RM557.85 million in FY 2018 (FY 2017: RM514.94 million). However, the division saw its PBT reducing to RM90.14 million, a reduction of 11% compared to FY 2017's PBT of RM101.34 million. The division's PBT performance was affected by increases in the costs of raw materials and coal, as well as higher repair and maintenance costs for its clinker operations. The division's production costs too were affected by the weaker Ringgit.

Section 3: Strategic Report

Operational Review





OPERATIONAL HIGHLIGHTS

Cement Operations

The Group's cement operations are managed by CMS Cement Sdn Bhd (CMSC) and CMS Cement Industries Sdn Bhd (CMSCI) which produce the CEM 1 42.5N grade and 52.5N grade (MS EN 197-1 standard) of Portland Cement. A third product, the Portland Limestone Cement 32.5N, was launched in late 2018. With the introduction of this new product, the division is now able to provide its customers with a broader range of products to suit general and specific project requirements at multiple price points.

The Cement Division operates production and distribution facilities in every major city within Sarawak. These include two plants in Kuching (the Mambong Integrated Plant and the Pending Grinding Plant), one plant in Bintulu (the Bintulu Grinding Plant), as well as bulk terminals in Sibu and Miri. Through its plants and terminals (which are outfitted with packing and bulk distribution capabilities), the division is able to ensure all of Sarawak's main centres of economic activity, namely Kuching, Sibu, Bintulu, Miri, as well as emerging markets such as Samalaju, Mukah and Lawas, and their hinterlands, have a stable and sufficient supply of quality bag and bulk cement to meet their needs.

The Mambong Integrated Plant (Mambong plant), the division's primary and largest facility, has a production capacity of 0.84 million metric tonnes per annum (MTpa) for the production of clinker and a production capacity of 1.0 million MTpa for the production of cement. A key strength of the clinker operation is the raw material quarry located adjacent to the plant which ensures a consistent and sufficient supply of competitively priced raw materials. These raw material reserves are estimated to last for at least the next 50 years. The Mambong plant was awarded ISO 50001 Energy Management System certification in 2016, attesting to the division's continuous efforts to improve efficiencies on the power consumption front, as well as to moderate its carbon footprint by reducing fossil fuel consumption.

The Pending and Bintulu Grinding plants have a cement production capacity of 1.0 million MTpa and 0.75 million MTpa respectively. Both plants are ISO-certified on the Quality, Health, Safety and Environmental fronts, as well as are strategically located with good access to ports and waterways. All of these plants are supported by fully-equipped laboratories which are accredited to ISO/IEC 17025 standard, the international standard by which laboratories must be accredited in order to be deemed technically competent.

With a combined total rated cement production capacity of 2.75 million MTpa, well above current local demand of around 1.6 million MTpa, the Cement Division is more than able to meet cement demand for mega projects such as the Baleh Dam, the Pan Borneo Highway, the Sarawak Coastal Road and the Second Trunk Road, as well as support the State's long-term cement demand. Operating multiple plants also gives the Group multiple benefits on several levels. These include a significant reserve production capacity to materially reduce the risk of supply disruptions, more gateways to nearby export markets, and the ability to produce multiple types of cement.

Concrete Product Operations

CMS Concrete Products Sdn Bhd (CMSCP) is tasked with managing the division's concrete products operations throughout Sarawak. Established in 1995, CMSCP has built a steadfast reputation in the market as a highly reliable producer of Ready-Mix Concrete (RMC) and pre-formed concrete products. Today, CMSCP's product offering ranges from various grades of RMC, reinforced concrete square piles (RCP) and bridge beams, to pipe and box culverts, as well as Industrialised Building System (IBS) components. The bridge beams, which are a product that the company has pioneered, have been used in the construction of a great number of bridges throughout the State.

Via its 70,000 MTpa main facility in Kuching, the company has the capacity to produce a full range of IBS components, including precast wall panels, beams and columns, as well as half slabs and pre-stressed slabs. The company also offers its clients complete solution packages which include design services for IBS projects, supply throughout Sarawak over land or by sea, as well as construction services such as pile driving and wall panel installation. CMSCP also prides itself on producing products that comply with all existing construction standards and safety requirements.

MOVING FORWARD

Moving forward, the companies within the Cement Division continue to look for ways to enhance their efficiencies and product offerings. To bolster operational efficiencies and improve the utilisation of common resources on the cement production front, CMSC and CMSCI undertook an internal reorganisation. As of 1 January 2019, most of the operational employees and cement production assets of CMSC had been transferred to CMSCI, which today serves as the operating unit of the Cement Division.

CMSCP too, continues to strengthen its concrete products operations. Via a new manufacturing plant that it established in Bintulu in 2018, CMSCP now has within its stable another product line producing RMC and precast products such as concrete pipe culverts. This new facility is helping to strengthen the Group's position in northern Sarawak and supporting an RMC plant within the Samalaju Industrial Park (SIP). This places the company in a much stronger position to support and bid for concrete products contracts in the region, particularly within the SIP.

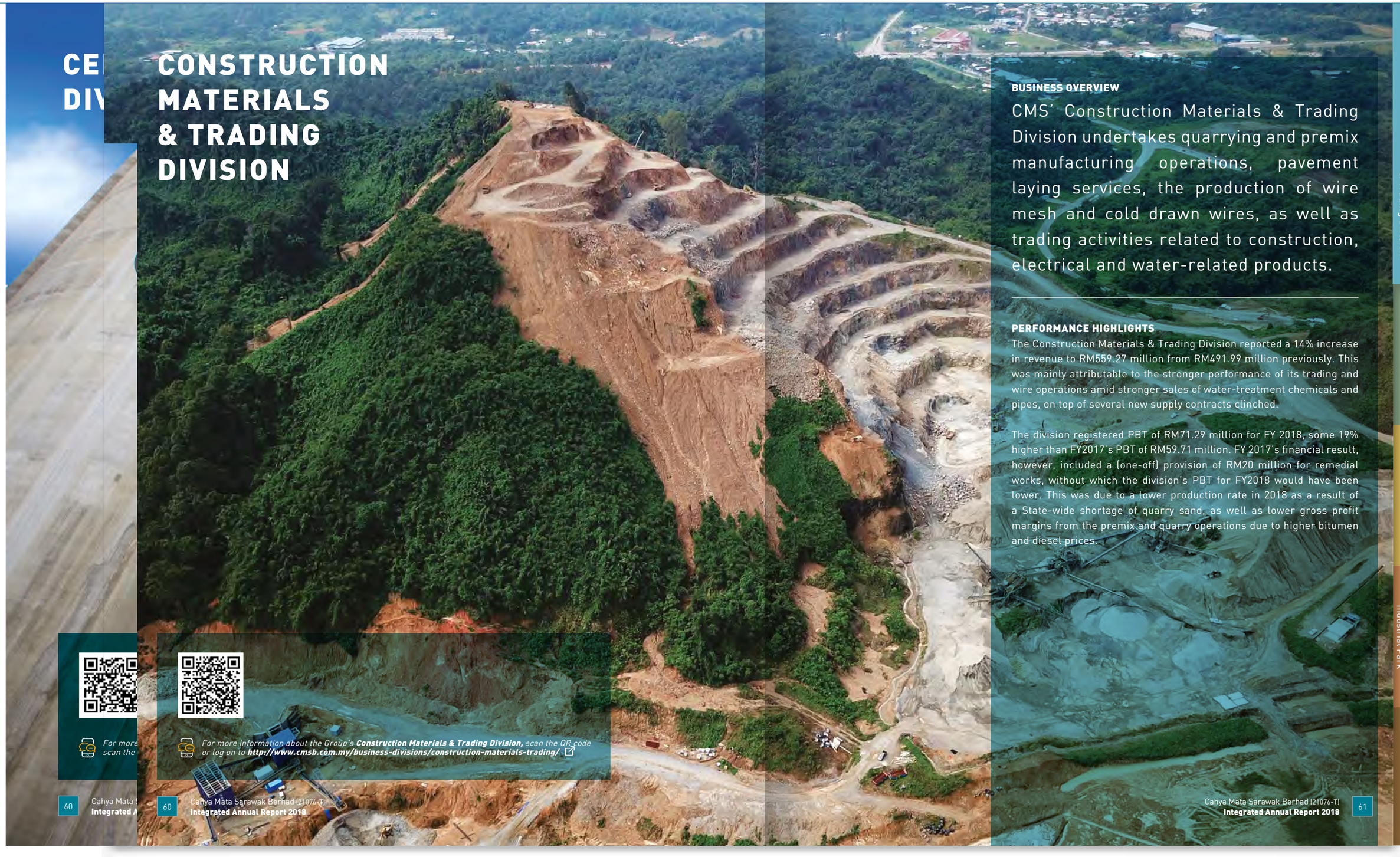
CMSCP is also leveraging on an RMC plant that it operates in Sarikei town in Central Sarawak to supply the nearby packages of the Pan Borneo Highway project. Through leveraging on its existing facilities in various strategic locations, CMSCP has greatly strengthened both its strategic position and its competitive edge in the State's concrete industry.

All in all, the Cement Division is expected to benefit from the rollout of construction packages in Sarawak, namely the Pan Borneo Highway and Coastal Road Network, by virtue of its strong market position as Sarawak's sole cement manufacturer.

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Operational Review

Operational Review



CONSTRUCTION MATERIALS & TRADING DIVISION

*For more information about the Group's **Construction Materials & Trading Division,** scan the QR code or log on to **http://www.cmsb.com.my/business-divisions/construction-materials-trading/***

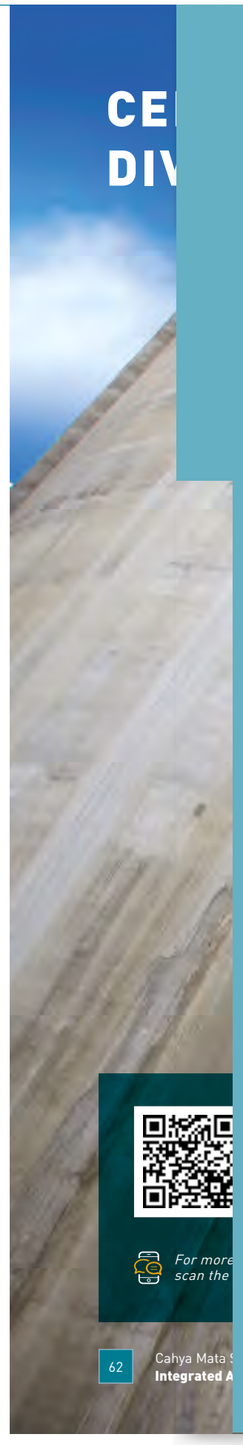
BUSINESS OVERVIEW

CMS' Construction Materials & Trading Division undertakes quarrying and premix manufacturing operations, pavement laying services, the production of wire mesh and cold drawn wires, as well as trading activities related to construction, electrical and water-related products.

PERFORMANCE HIGHLIGHTS

The Construction Materials & Trading Division reported a 14% increase in revenue to RM559.27 million from RM491.99 million previously. This was mainly attributable to the stronger performance of its trading and wire operations amid stronger sales of water-treatment chemicals and pipes, on top of several new supply contracts clinched.

The division registered PBT of RM71.29 million for FY 2018, some 19% higher than FY2017's PBT of RM59.71 million. FY 2017's financial result, however, included a (one-off) provision of RM20 million for remedial works, without which the division's PBT for FY2018 would have been lower. This was due to a lower production rate in 2018 as a result of a State-wide shortage of quarry sand, as well as lower gross profit margins from the premix and quarry operations due to higher bitumen and diesel prices.



Operational Review

OPERATIONAL HIGHLIGHTS

Quarry Operations

CMS' quarry operations are managed by CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd, companies that produce crushed aggregates of granite, microtonalite and limestone types of stone. The Group's quarrying operations today encompass four quarries, namely the Stabar, Sibanyis, Akud and Sebuyau quarries. Together, these quarries (excluding Sibanyis quarry's second production line) have a combined rated capacity of 2.19 million MTpa. The Group had earlier closed its Penkuari quarry plant as a result of soil erosion.

In November 2018, CMS acquired a 56% equity stake in Borneo Granite Sdn Bhd through CMS Resources Sdn Bhd, effectively adding a targeted annual production of 1.0 million MTpa to the division's total production capacity. Meanwhile, the second production line at the Sibanyis quarry, which commenced full operation on March 2019 with an annual production of 1.30 million MTpa, will compensate for the closure of the division's quarry at Penkuari. These planned developments augur well for CMS as they enhance the Group's ability to provide an increased supply of quality crushed aggregates at competitive prices to meet growing market demand throughout the State. This also helps solve the present acute shortage of stones that CMS has been experiencing.

The year also saw the completion of Phase 1 of the construction works on the wharf facility at Samarahan. Meanwhile Phase 2, involving infrastructure works, as well as construction works for a fender and a new telescopic conveyor system, is targeted for completion by end 2019. This will increase the division's loading capacity and speed up deliveries of crushed aggregates by barge to areas outside Kuching.

Premix Operations

The Group's premix operations encompass five fixed drum mix asphalt plants and five mobile drum mix asphalt plants in Kuching, Sarikei, Sibu, Bintulu, Miri and Limbang under the purview of CMS Premix Sdn Bhd, CMS Premix (Miri) Sdn Bhd and Betong Premix Sdn Bhd. New sites in Samalaju, Betong and Kuala Baram have also recently been added to the Group's stable of asphalt plants. With a combined rated capacity of 1,450 MT per hour, as well as a 10 MTpa per hour bitumen emulsion plant in Kuching, CMS' three premix companies serve approximately 60% of the asphaltic concrete (premix) and bitumen emulsion markets in Sarawak.

Back in FY 2017, two mobile premix batching plants with a 150 MT per hour capacity each were purchased for the Pan Borneo Highway Project and installed at Lundu for Package 1 and at Sarikei for Package 6 respectively. As part of the division's expansion plans, the premix business expanded its operations to Betong when CMS Resources acquired 80% of Betong Premix Sdn Bhd.

In the third quarter of 2018, CMS Premix successfully completed the renewal of its ISO 9001:2015 UKAS, ISO 14001:2015 UKAS and OHSAS 18001:2007 certification, thereby attesting to the high standards it upholds.

Wire Operations

CMS Wires Sdn Bhd manufactures steel drawn wires and wire mesh for the local construction industry. In FY 2018, the company's sole 5,500 MTpa plant produced some 5,837 MTpa of steel wires and mesh including inter-mill sales through outsourcing.

Trading Operations

CMS Infra Trading Sdn Bhd is involved in distributing a varied range of products and services relating to water management, as well as mechanical, electrical, construction and telecommunication materials. For FY 2018, the company remained profitable, recording significant sales for its core water management products (namely its water treatment chemicals and water pipes) which contributed more than 80% of CMS Infra Trading's gross profits.

MOVING FORWARD

Moving forward, the division's quarry operations will continue to maximise the production output from its existing five quarries and continue to look for potential new quarry reserve. Given the additional 1.30 million MTpa production capacity from the Sibanyis quarry's second line and the added capacity from Borneo Granite, the division today has an enlarged capacity 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 which holds approximately 25% market share, continues to face stiff competition from eleven other wire mesh manufacturers in Sarawak. Nonetheless, this unit will continue to seek ways to tap into supply opportunities for contractors involved in the Pan Borneo Highway and PRIMA housing projects.

Meanwhile, CMS Infra Trading will continue to explore telco-related opportunities in the market, as well as opportunities on the State Power Grid, State Water Grid and Pan Borneo Highway project fronts.

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CONSTRUCTION & ROAD MAINTENANCE DIVISION

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



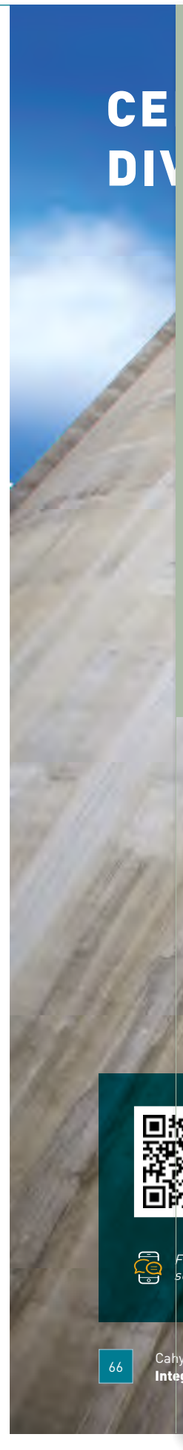
BUSINESS OVERVIEW

The Group's Construction & Road Maintenance Division undertakes a wide range of infrastructure construction projects and road maintenance activities across the State.

Encompassing road maintenance, water infrastructure, buildings and pavement rehabilitation works, these projects are primarily 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 6,260 km of State roads throughout Sarawak.

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PERFORMANCE HIGHLIGHTS

The year under review saw the division garnering revenue of RM554.21 million (FY 2017: RM458.81 million), of which some RM352.03 million (FY 2017: RM253.93 million) was generated by construction, roads, water infrastructure and building works, while approximately RM202.18 million (FY 2017: RM204.88 million) was derived from the road maintenance concession.

FY 2018's construction revenue was 39% higher mainly due to contributions from building works on the Sarawak Museum project, as well as road construction projects related to the Pan Borneo Highway and Miri-Marudi Road Rehabilitation projects. The year's road maintenance revenue was lower due to a reduction in the length of Federal roads maintained arising from the expiry of Federal roads maintenance contracts on 31 August 2018. This was partially offset by an increase in the length of State roads maintained. Nevertheless, the division managed to maintain its PBT, turning in some RM88.96 million in FY 2018 (FY 2017: RM93.35 million).

Revenue

RM554.21 million
(FY 2017: RM458.81 million)

Profit Before Tax

RM88.96 million
(FY 2017: RM93.35 million)

OPERATIONAL HIGHLIGHTS

On 30 June 2018, CMS Roads Sdn Bhd's six-month contract extension for its 15-year road maintenance concession contract with the State Government came to an end. In July 2018, the company was awarded a further 12-month contract extension amounting to RM175.40 million, which will end on 30 June 2019. This is expected to contribute positively to the division's earnings over the tenure of the contract. The Group is hopeful that the extension will give it adequate time to negotiate and finalise the terms for a renewed long-term concession agreement with the State.

The division remains committed to strengthening its technical capabilities via investments in new machinery, as well as Research and Development (R&D) initiatives. To this end, it is embarking on a collaborative R&D programme with several clients and institutions which will enable it to take its services up several notches. Over the course of the year, the division continued to implement employee training activities to enhance operational efficiencies and productivity, as well as division-wide employee teambuilding initiatives to deepen employee engagement and loyalty. By continuing to place an emphasis on the quality of work it undertakes in line with the Group's mission of 'Producing Quality, On Spec & On Time', the division is steadfastly reinforcing its reputation as a trusted contractor within the State.

MOVING FORWARD

Moving forward, the Construction & Road Maintenance Division will make every effort to bolster its competitive edge as it bids for new projects related to Sarawak's Coastal Road Network, and the Second Trunk Road projects to grow its current construction order book.

Apart from roads and bridges, the division will also set its sights on water engineering projects from the Sarawak Rural Water Supply Department (Jabatan Bekalan Air Luar Bandar Sarawak) for the proposed Sarawak Water Supply Grid Programme. This will encompass opportunities to construct water treatment plant, pipeline and booster station elements for stressed areas in the State's Southern, Central and Northern regions. There are also opportunities to play a role in helping develop the State Power Grid and the Group will look into areas related to the construction of transmission towers going forward.

With regard to the road maintenance concession contract, CMS Roads is confident that it will continue to remain an integral part of the State's long-term roads management and maintenance programme based on several key factors that are working in its favour. To date, CMS Roads currently employs more than 800 Sarawakians who have gained invaluable experience in the various road management and maintenance disciplines these last 15 years. Additionally, the Southern, Central and Northern region road maintenance teams have established strong working relationships with their stakeholders. Moreover, the company has invested in over 500 items of equipment, some of which are state-of-the-art ones, with a current value in excess of RM100 million.

CMS Roads also continues to tap technological innovation to enhance its contractual performance and efficiency. To facilitate planning, monitoring, execution and reporting, the company has developed a 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 (GIS) data. Moreover, through its unique position of being the only company in Southeast Asia to have a performance-based model for road maintenance, CMS Roads continues to remain attractive to its customers. The company's proven track record and forward-thinking approach put it in a strong position to continue the good work it has been effectively carrying out.



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PROPERTY DEVELOPMENT DIVISION

BUSINESS OVERVIEW

CMS' Property Development Division is tasked with developing two land banks in Kuching, namely Bandar Samariang, a 3,911-acre township located to the north of Kuching; and The Isthmus, a 246-acre land bank positioned as the new Kuching Central Business District (CBD) extension.

The division also oversees the development of several components within the Samalaju Industrial Park (SIP), Malaysia's largest industrial park and one of the five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative. These components include a new township, commercial/service hub, light industrial park, workers' accommodation, as well as a hotel and ancillary services for the SIP.

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

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Profit before tax

RM33.59 million

(FY 2017: RM32.86 million)

PERFORMANCE HIGHLIGHTS

In FY 2018, the division registered lower revenue of RM132.22 million (FY 2017: RM170.05 million) and a marginally higher PBT of RM33.59 million (FY 2017: RM32.86 million). The higher PBT was attributable to higher gross profit margins from construction activities which were partially negated by interest on land premiums.

OPERATIONAL HIGHLIGHTS

Bandar Samariang

The integrated Bandar Samariang township, which is located approximately 7 km from the Kuching city centre and is home to more than 25,000 residents, offers a variety of residential homes, a commercial centre and schools. From its humble beginnings in 1997, the township has grown steadfastly and now encompasses over 4,400 residential units and 180 shophouses, as well as the first Mydin Hypermarket in Sarawak.

Within the township is the Borneo Samariang Resort City (BSRC) development, a project which is being undertaken by Sentoria Group Berhad. This follows the strategic sale of land by Projek Bandar Samariang Sdn Bhd (PBS), a company within the Property Development Division, to the Sentoria Group to co-develop and enhance the township. In March 2018, the water theme park component of the BSRC was opened, according residents and visitors alike the township newest attraction.

The Isthmus

The Isthmus is home to several iconic offices, namely the Sarawak Energy Berhad (SEB) headquarters (completed in January 2012), the Land Custody & Development Authority (LCDA) headquarters (completed in July 2017), and the Sarawak Economic Development Corporation (SEDC) headquarters (completed in January 2018). These Green Building Index or GBI rated offices were developed by CMS Land Sdn Bhd, a company of the Property Development Division tasked with developing The Isthmus. To date, the headquarters of the SEDC and LCDA boast GBI certification, while the SEB headquarters has a GBI Silver rating.

Together with the Borneo Convention Centre Kuching (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 within The Isthmus is the Raintree Square commercial project, which saw 54 of its three-storey commercial shop units obtaining their occupancy permits (OPs) in September 2018. The encouraging 70% take-up rate for these units to date bears testament to the appeal of The Isthmus as Kuching's new CBD extension.





Other Developments

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.

Back in 2017, the Rivervale Residences received a Commendation Award in the Landed Residential Development category at the SHEDA Excellence Awards 2017, underscoring not only its quality features but its commitment to providing a green environment and establishing a sense of community for residents.

The Rivervale Condominium too has received accolades for its quality features including its landscape deck complete with residents' pool, a jacuzzi, and a natural meandering stream with koi fish. As at end 2018, all units of the Rivervale Residences had been sold, whilst 193 units of the condominium development had been sold.

MOVING FORWARD

The immediate future will see PBS constructing 596 units of affordable housing under Phase 2 of the Bandar Samariang development, in line with the Government's call for more housing for the *rakyat*. All in all, the estimated gross development value (GDV) for the Bandar Samariang developments under PBS is estimated to be in the region of RM362 million for developments between 2019 and 2021.

Currently under construction within Bandar Samariang is the Ataria Resort complete with MICE facilities. A component of the BSRC, it will undoubtedly enhance the township's overall vibrancy. In the offing, are plans to construct a safari park, marina, waterfront housing and other commercial developments within the BSRC.

Within The Isthmus, the division is actively pursuing complementary developments and looking at the possible expansion of the existing facilities to bring a greater vitality to Kuching's CBD. It will also explore other opportunities to reinforce Kuching's positioning as a MICE tourism destination.

CMS' 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. Whilst not discounting possible joint venture and collaboration arrangements with other parties, the division is mindful of the challenges of a softening market in 2019 and will tread carefully.

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PROPERTY DEVELOPMENT ACTIVITIES WITHIN THE SAMALAJU INDUSTRIAL PARK

CMS' Property Development Division also oversees property development activities in the Samalaju Industrial Park or the SIP through Samalaju Properties Sdn Bhd. Samalaju Properties itself 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 in the SIP centres on the development of the new, approximately 2,000-acre Samalaju Eco Park township. It is also responsible for developing the adjoining services and light industrial areas to create an attractive township that will enhance the SIP's appeal among investors, potential employees and support industries. The first phase of the township was launched in FY 2015 and completed in FY 2017.

Today, the eco-park-styled township is meeting its objective of providing a balanced, healthy and sustainable lifestyle to the thousands working within the SIP. Designed to preserve as much of the land's natural landforms and gentle water bodies, as well as 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 will provide attractive living spaces for the community when it is fully completed. Construction of the first residential and commercial phases were completed back in 3Q 2016 and 1Q 2017 respectively, and their OPs issued in 3Q 2017. Construction works on another 96 units of apartments commenced in the third quarter 2018 and are expected to be completed by fourth quarter 2019.

*For more
scan the*

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Samalaju Central

At the heart of the SIP lies Samalaju Central, a visually attractive, well-planned and strategically located commercial/service hub. Situated within the radius of the hub are large heavy industry manufacturing plants in 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.

Encompassing an 81.4-acre area, Samalaju Central comprises 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 2016 and the OP granted in the fourth quarter 2017. Subsequent developments are expected to roll out in phases in tandem with market demand.



Samalaju Light Industrial Park

Located adjacent to the Samalaju township is the 206-acre Samalaju Light Industrial Park. Spread over extremely undulating terrain, it has been deemed difficult to develop given current low market demand. The management has been pursuing a land swap deal with the State authorities on land that is almost similar in size and which is strategically located at the entrance to the SIP. The proposed development will offer various types of light industrial units upon its completion and 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. On 7 November 2018, the land swap deal was approved and a sales purchase agreement was signed.

Samalaju Lodges and Samalaju Resort Hotel

The Group is also involved in another core area of the SIP, namely the provision of workers' accommodation and a hotel for industries setting up within the SIP. To this end, we have developed Samalaju Lodges and the Samalaju Resort Hotel which 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.

For the year in review, the occupancy rate at Samalaju Lodges showed a slight improvement as compared to the previous year. There were minimal construction activities at the SIP while most plants were at the commercial production stage. New projects such as the Malaysian Phosphate Additives (Sarawak) Sdn Bhd and Cosmos Petroleum and Mining Sdn Bhd too had not fully commenced their onsite construction activities. Nonetheless, Samalaju Lodges remains the preferred accommodation for operation and maintenance operations from the plants in the immediate vicinity of SIP given its accessibility and wide-ranging facilities.

Samalaju Properties will continue to enhance its hospitality offering and sustain the service standards at Samalaju Lodges. It will also focus on maintaining the current pricing structure despite rising operational and material costs. In the meanwhile, the marketing team continues to proactively identify and engage prospective tenants looking for short to medium-term accommodation at the SIP by looking at possible ways to reconfigure the accommodation at Samalaju Lodges in line with clients' needs.





The 175-room Samalaju Resort Hotel development, which is nestled on a 23-acre site along Tanjung Similajau, offers picturesque views of both the South China Sea and the Similajau National Park. Designed as an oasis of calm amidst the bustle of the fast-growing SIP, the hotel boasts 148 rooms and suites, as well as nine chalets (housing three rooms each). The hotel is equipped with amenities for both business travellers and those looking for a comfortable getaway. These 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 caters for corporate events, training sessions, meetings, and team building exercises making it an excellent training venue for both the private and public sectors. Located 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.

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SAMALAJU DEVELOPMENT DIVISION

The Group's Samalaju Development Division – working through several associate companies – continues to leverage on the developments under the Sarawak Corridor of Renewable Energy or SCORE initiative to maintain its growth momentum.

Samalaju Industrial Park

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

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

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Private Investments in SCORE

As of August 2018, there were 22 projects involving various industries amounting to

RM33.60 billion

Within the SIP alone, the spinoff from SCORE projects is injecting approximately RM500 million a month into the local economy and benefitting small and medium enterprises (SMEs).

As of August 2018, SCORE, which is into its 10th year and second phase of development, had attracted some RM79.30 billion worth of investments from both the private and public sectors. This included approved private investments in 22 projects involving various industries amounting to RM33.60 billion. Of these approved projects, 10 of them, mostly energy-intensive and heavy industries, are already in operation. These include pioneer SCORE investors involved in aluminium smelter operations, ferrosilicon and manganese smelter operations, as well as polycrystalline silicon manufacturing, among others. Of the remaining 12 approved projects, two are at the site preparation or construction stage, while the remaining eight are still in negotiations.

Mandated and backed extensively by the State, the SIP remains an attractive draw to investors, especially heavy and energy-intensive industries that are keen to tap into the competitive edge afforded by Sarawak. Participants of the SIP have access to a host of benefits including the State's competitive long-term renewable energy costs, its quality infrastructure, its business-friendly government and its strategic proximity to fast growing East Asian markets. The State Government continues to reiterate its stance of financially supporting the growth of SCORE 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.

Within the SIP alone, the spinoff from SCORE projects 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 envisaged 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 amplified in 2017, when its Samalaju Industrial Port component opened its doors to existing and growing energy-intensive industries within Samalaju. Strategically located within the SIP, this RM1.80 billion world-class port covers 393 hectares and is fully equipped with leading edge systems and equipment. The 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. It 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 continues to capitalise on several opportunities to be a major local participant within SCORE. Our 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 highlighted in the aforementioned Property Development Division write-up, our 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 are also participating in the SIP via our 25% equity stake in OM Materials (Sarawak) Sdn Bhd and in OM Materials (Samalaju) Sdn Bhd. This involves the development of a smelter with a 170,000 MT - 210,000 MT ferrosilicon alloys capacity and 250,000 MT - 300,000 MT manganese alloys capacity. The smelter began production in FY 2017.

Another investment in the SIP involves 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 on stream by end 2020. In January 2019, CMS increased its stake in MPAS to 60% from 49.94%, and took 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.

80+ *For more information about **Strategic Investments** section*

Strategic Investments - Unlisted Associates

FERROSILICON AND MANGANESE ALLOYS SMELTING PLANT



BUSINESS OVERVIEW

The Group is involved in the development and operation of a ferrosilicon and manganese alloy smelter in the SIP by virtue of a 25% equity stake in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd. The remainder 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 centres on the development of a production facility with a 170,000 to 210,000 MTpa ferrosilicon capacity and a 250,000 MTpa - 300,000 MTpa manganese alloy capacity (silicomanganese and high carbon ferromanganese).

While physical construction of Phase 1 of the ferrosilicon production facility was completed back in 2015, excessive global production and inventory of ferroalloys at that time led to a significant market slowdown. In order to diversify the product mix and reduce the impact of unfavourable market conditions on any one product type, the company shut down several furnaces within its plant in 2016 and proceeded to undertake a reconfiguration of the product mix, adding manganese alloys to its production capability. Having realigned its business, diversified its product offerings, 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. At the same time, it explored opportunities to fill the regional manganese alloy supply gap. Today, against the backdrop of Sarawak's competitive power pricing and its logistical advantages, the reconfiguration of the company's product mix is enabling it to package different types and grades of alloys for end-users and distributors in markets such as Japan, Taiwan and Southeast Asia.

According to the World Steel Association (worldsteel), world crude steel production reached 1.8 billion tonnes for the year 2018, up by 4.6% compared to 2017. This pushed up the demand for ferroalloys in 2018 and resulted in high volume of ferrosilicon and manganese alloys sold during the year.

PERFORMANCE HIGHLIGHTS

Against this backdrop, OM Materials (Sarawak) turned in a record performance registering a 46% and 1,487% rise in revenue and PBT to touch RM2.38 billion and RM254.30 million, respectively in FY 2018. The year's strong performance was underpinned by the robust profit generated in 1H FY 2018 that came on the back of the higher tonnage of ferroalloys traded and robust alloy prices. However, the overall performance for FY 2018 would have been stronger if not for a mid-year rise in the price of manganese ore (the raw material used in smelter production) which affected profit margins for 2H FY 2018. Nevertheless, OM Materials (Sarawak) today remains the biggest profit contributor to the CMS Group after the Cement Division.

OPERATIONAL HIGHLIGHTS

In FY 2018, the company's operations finally stabilised after the overall project was scaled down, further cash injected and a restructuring undertaken. Where its power commitment has been moderated to 300 MW from 500 MW previously, an additional 50 MW was re-secured to optimise the current 16 furnaces. For Phase 2's brownfield expansion, the company has secured a commitment from Sarawak Energy Berhad for an additional 100 MW of power. This is expected to come onstream by mid-2020.

By the year's end, a total of 10 ferrosilicon furnaces and six manganese alloy furnaces were in operation. The plant's ferrosilicon production output achieved a total production of 220,515 MTpa for the entire year with an average daily production of 64 tonnes per furnace per day. 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 prowess and the depth of their technical knowledge. Over the course of the year, total manganese alloy production touched some 242,341 MTpa, a 39% increase over the preceding year's output.

MOVING FORWARD

Barring unforeseen circumstances, given that 16 furnaces are now in operation and the US-China trade war is potentially easing, management expects the company to be profitable in FY 2019, even after allowing for currency exchange fluctuations. Notwithstanding market conditions, management will implement several measures, including introducing a sintering plant and leveraging on strong technical teams with a good track record to optimise the smelter's production efficiencies. At the same time, it will review the sales mix to ensure it correlates with market requirements.

Over 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. On top of this, the binding market price-linked offtake arrangements with leading industry players for over 60% of production, the changes in industry dynamics – largely driven by rising power prices and labour costs, rising Asian demand for non-China sourced ferrosilicon, higher environmental standards affecting older plants, and the Chinese Government's disincentives to export lower value energy-intensive products such as alloys, all bode well for the smelter's future growth. The Group is optimistic about the prospects for OM Materials (Sarawak) moving forward.

INTEGRATED PHOSPHATE COMPLEX

BUSINESS OVERVIEW

Back in 2013, CMS collaborated with several parties to construct Southeast Asia's first integrated phosphate complex in Samalaju. 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. Effective 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, which accords the CMS Board and Management control of MPAS and strengthens our footprint within SCORE, is also expected to bolster the Group's earnings once the first phase of production commences.

OPERATIONAL HIGHLIGHTS

In 2018, the project was split into two overlapping phases. Under Phase 1, three plants are targeted for completion by end 2020. These plants, which are currently undergoing construction, are expected to have an annual production capacity of 48,000 metric tonnes (MT) of Yellow Phosphorous, 75,000 MT of Technical Grade Phosphoric Acid, and 60,000 MT of Food Grade Phosphoric Acid.

The project, which is estimated to cost some RM1 billion, will be constructed on 350 acres of land near the Samalaju deep-water port. Leveraging on Sarawak's competitive power rates, Phase 1 of the project will open up employment opportunities for approximately 400 skilled and unskilled workers. 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.

Strategic Investments - Unlisted Associates

MOVING FORWARD

The integrated phosphate complex project is an important one for a number of reasons. It is the first high-impact industrial project within the Samalaju Industrial Park (SIP) by a wholly Malaysian-owned company. It involves direct domestic investment of up to RM1 billion and promotes the development of local intellectual property and the sharing of technology through a mutually beneficial joint venture. As the first non-metal or alloy-based plant within the SIP, it will propel SCORE and CMS into a dynamic new industrial sector that offers long-term sustainable growth. It also offers opportunities for investment in downstream manufacturing in the animal feed, fertiliser, cleaning and detergent sectors. It is envisioned that businesses in these sectors will be drawn to the SIP themselves so they can locate adjacent to their feedstock supplier.

The project is also set to thrust Malaysia forward as a leader in the production of halal certified animal feed for poultry, fisheries, cattle and other ruminant livestock as it eliminates the use of meat and bone meal (ex-bones of pigs and cattle) that contain phosphorous in animal feed. Phosphorus is an essential base nutrient for animal and plant growth with no substitute and is widely used in food, feed and fertiliser products. Demand continues to grow on the back of population growth, changing dietary preferences and the increased use of fertilisers. As the first large scale producer of soluble phosphates in Malaysia, the project will also contribute significantly towards the government's effort to increase food security and the palm oil industry's competitiveness.

INFORMATION & COMMUNICATION TECHNOLOGY BUSINESS



Revenue

RM232.64 million

(FY 2017: RM205.00 million)

Profit Before Tax

RM104.97 million

(FY 2017: RM105.82 million)

BUSINESS OVERVIEW

The Group's Information & Communication Technology (ICT) Division is tasked with growing CMS' ICT-related businesses. The division's efforts currently centre on looking after the Group's interests in our associate company, SACOFA Sdn Bhd (Sacofa), in which CMS has a 50% non-controlling equity stake.

Today, Sacofa is Sarawak's leading ICT infrastructure company and the key driver behind Sarawak's state-of-the-art telecommunications and information technologies development. Back in March 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

In FY 2018, Sacofa maintained its strong earnings with revenue totalling RM232.64 million (FY 2017: RM205.00 million) and PBT amounting to RM104.97 (FY 2017: RM105.82 million).

OPERATIONAL HIGHLIGHTS

The year in review saw Sacofa continuing to make strong inroads on several fronts. Sacofa kicked off 2018 by rolling out an initiative that is significantly raising the benchmark for high-quality broadband services across the State. January 2018 saw the Chief Minister of Sarawak, YAB Datuk Patinggi (Dr) Abang Haji Abdul Rahman Zohari Bin Tun Datuk Abang Haji Openg, officially launch the 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 will expedite the rollout of a more pervasive broadband infrastructure throughout Sarawak which is integral to the State's digital economy ambitions. Aside from enabling existing service providers to offer broadband services throughout the State, SOFIA is also expected to attract reputable international players who will bring in more competitive and affordable services for the benefit of Sarawakians.

In February 2018, Sacofa organised a product briefing and luncheon session to promote SOFIA among representatives from the Sarawak Housing and Real Estate Developers' Association (SHEDA) and over 70 companies based in Kuching. At the session, Sacofa emphasised how important it was for property developers, service providers and other stakeholders to work together to incorporate fibre optic broadband connections within new residential and commercial buildings as part of a comprehensive utilities offering.

In support of Sacofa's SOFIA project, key telco player Maxis, entered into a partnership with Sacofa in December 2018. This partnership provides Maxis full access to Sacofa's High Speed Broadband Network Services throughout Sarawak, as well as the SOFIA platform. This effectively enables Maxis to offer its already available fibre plans to even more homes and businesses, as well as further expand its affordable broadband packages throughout Sarawak.

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. To date three RSPs, namely Celcom, Maxis and ReachTen, are providing their services via the SOFIA platform.

In 2018, the Federal Government implemented the Mandatory Standard on Access Pricing (MSAP) for broadband packages which has to date resulted in more than a 30% reduction on broadband prices. This is in line with the Federal Government's efforts to provide world-class high-quality services at affordable prices to the *rakyat*. With its range of offerings, particularly SOFIA, Sacofa is well positioned to support the government's mandate, as well as assist RSPs who are obliged to follow the mandate.

Today, Sacofa continues to grow its asset portfolio through strong organic growth by expanding and fiberizing its network. In FY 2018, it constructed more than 205 towers bringing the total number of telecommunication towers it now operates throughout Sarawak to more than 1,350 with more than 10,500 km of fibre optic cabling in place.

The company was also awarded nine clusters (89 sites) by the Malaysian Communications and Multimedia Corporation (MCMC) under the T3E Phase 3 project, demonstrating Sacofa's strength in delivering world-class infrastructure in the State, on time and within budget. The project will take 24 months to complete commencing January 2018. As of December 2018, a total of six clusters had been completed. The remaining clusters which are pending the second part of the award, are expected to be completed by December 2019.

The year also saw Sacofa holding several workshops to educate the public on the misconceptions surrounding the dangers and hazards of electromagnetic field (EMF) and radio frequency (RF) emissions on people living close to telecommunication towers. This is helping the public to understand that these towers pose no threat to their health and safety but rather that they are essential elements for the State's development. Sacofa also continues to engage the Malaysian Nuclear Agency to conduct RF emissions tests and audits at several locations throughout Sarawak. As of August 2018, approximately 41 locations had been audited. The RF radiation at all these locations were found to be well below the exposure limits and in full compliance with the World Health Organisation standards that have also been adopted by the Ministry of Health Malaysia and the MCMC.

Sacofa continues to roll out 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. Following the provision of free high-speed Wi-Fi services to 10 locations, May 2018 saw the SACOFA4U initiative being extended to Kampung Pulau Salak near Kuching through Fixed Wireless Access (FWA) using e-LTE technology, putting it on par with other connected urban areas in Malaysia.

Strategic Investments - Unlisted Associates

MOVING FORWARD

As per the Sarawak Digital Economy Strategy 2018-2022, the State Government has committed RM2 billion to strengthen its 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 National Fiberization and Connectivity Plan (NFCP) which aims to provide high-speed and quality broadband services to all people across Malaysia at affordable prices. 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 the Internet of Things (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 is currently in the process of deploying 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.

As Sarawak's leading infrastructure provider with an extensive fibre footprint, Sacofa remains committed to working closely with service providers to enable them to expand their coverage throughout the State. By providing a conducive platform like SOFIA for service providers to leverage on, they can offer higher broadband speeds at competitive prices.

Today, 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 MCMC, Sarawak Multimedia Authority, as well as the State and Federal Governments to support the Sarawak Rural Transformation Programme and improve connectivity in the hinterland and rural communities.

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

Strategic Investments - Listed Associates

KENANGA INVESTMENT BANK BERHAD

BUSINESS OVERVIEW

CMS is today the single largest shareholder of Kenanga Investment Bank Berhad and its Group of Companies (Kenanga) by virtue of a 26.24% equity stake in Kenanga. Formed more than four decades ago, Kenanga which is listed on the Main Market of Bursa Securities, is today hailed as one of Malaysia's largest independent investment banks. Kenanga brings to the table its extensive experience in equity broking, investment banking, listed derivatives, treasury, corporate advisory, Islamic banking, wealth management and investment management.

Revenue

RM669.37 million

(FY 2017: RM648.24 million)

Profit Before Tax

RM28.85 million

(FY 2017: RM188.67 million)

PERFORMANCE HIGHLIGHTS

For FY 2018, the Kenanga Group registered a marginal increase in revenue of RM669.37 million on the back of higher trading and investment income for the year. Kenanga, however, posted a lower PBT of RM28.85 million in comparison to the previous year as its performance was affected by the impairment of high margin accounts rising from the decline in share price towards the end of the financial year.

OPERATIONAL HIGHLIGHTS

As part of its efforts to digitalise and diversify its offerings, as well as to extend its market share of the millennial segment, Kenanga 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. Last year, Rakuten Trade's efforts to change and simplify the equity broking landscape were recognised when it was named Malaysia's FinTech Company of the Year 2018. It closed 2018 with 24,000 clients of which 45% were first-timers to the equity broking market in Malaysia. As at end 2018, Rakuten Trade had successfully garnered over RM3 billion in trade value on the local bourse, a remarkable feat for a start-up less than two years old and a clear testament of the strength of its first-to-market FinTech business model.

FY 2018 saw Kenanga continuing to garner a host of awards and accolades reflecting 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).

The Group also clinched the title Deal of the Year 2018 under the Perpetual Sukuk category at the Islamic Finance News Awards 2018 event, and the Best Dividend Yield at the Best Under Billion Awards 2018 event organised by *Focus Malaysia*.

Operational Review

Strategic Investments - Listed Associates

Kenanga's asset management subsidiary, Kenanga Investors Group (KIG), which consists of Kenanga Investors Berhad (KIB), and Kenanga Islamic Investors Berhad (KIIB), too continued to receive its fair share of accolades. Since becoming a signatory to the Malaysian Code of Institutional Investors (Code) in early 2018, KIG has worked to incorporate principles of the Code in the pursuit of sustainable and consistent returns. 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. Subsequently, KIG was also accorded the Transparency Award 2017 at MARC's 2017 Lead Managers League Table Awards, a first for the local fund management industry.

KIG also bagged a group award and two individual awards at The Edge-Thomson Reuters Lipper Fund Awards 2018. It won the awards for Best Equity Group (Islamic), Best Equity Malaysia (Provident) in the three-year category and Best Equity Malaysia (Islamic) in the 10-year category. KIG also clinched two awards at the prestigious Fundsupermart.com Recommended Unit Trusts Awards 2018/2019 event. Its flagship fund Kenanga Growth Fund was named the recommended fund under the Core Equity – Malaysia category, while its Kenanga Balanced Fund won an award under the Balanced – Malaysia category. At the inaugural External Fund Manager Awards 2017 event hosted by the Retirement Fund Incorporated (better known as Kumpulan Wang Persaraan (Diperbadankan) or KWAP), KIG was awarded the Best Domestic Conventional Equity title.

At the Asia Asset Management (AAM) 2018 Best of the Best Awards event in Hong Kong, Mr Ismitz Matthew De Alwis, KIG's Executive Director and Chief Executive Officer was hailed CEO of the Year, while Ms Lee Sook Yee, KIG's Chief Investment Officer was awarded the title CIO of the Year. In addition, KIG also clinched the title 2018 Malaysia Best Pension Fund Manager at the 2018 AAM event. At the AAM's recent 2019 Best of the Best Awards event, KIG was announced the winner of three awards, namely the Best Equity Manager, Best Wealth Management Platform and Best Investor Education under the country awards (Malaysia) category. At the Morningstar Awards 2019 event, the Kenanga Blue Chip Fund was hailed as being the Best Malaysia Large-Cap Equity Fund.

In FY 2018, Kenanga's listed derivatives subsidiary, Kenanga Futures Sdn Bhd (KF) was awarded the title 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 2018, an award endorsed by the Ministry of Women Affairs and Family Planning. In addition to this, Kenanga received two gold awards for Best Event (Games/Contest) and Best Event (Internal) at the regional Marketing Events Award 2018 for the KenTrade Trading Challenge initiative, as well as #GreenAtWork campaign respectively.

MOVING FORWARD

Global economic growth is expected to slow further in 2019 due to a worsening set of factors ranging from trade tensions to financial market instability and currency challenges in the emerging markets, as well as a decline in commodity prices, in particular on the oil and gas fronts. On the domestic front, Malaysia's economic growth too is expected to moderate in 2019.

In terms of monetary policy outlook, the US Federal Reserve's less hawkish stance and suspension of further rate hikes would provide more room for Bank Negara Malaysia (BNM) to maintain its accommodative monetary policy stance in 2019. Meanwhile, loans growth is expected to ease further to 4.2% in 2019 from 5.6% in 2018 along with a subdued inflationary trend (1.0%-1.5%). Given these developments, coupled with the prospect of moderating global growth, it is anticipated that BNM will maintain its overnight policy rate at 3.25% for the short-term, in support of growth and price stability.

Against this backdrop, the Group envisages that FY 2019 will be a challenging financial year for Kenanga. To weather the expected headwinds, Kenanga is expected to maintain a continual focus on innovation, digitalisation and productivity, as well as leverage on the commitment of its people to turn in a steadfast performance.

Strategic Investments - Listed Associates

Revenue

RM412.48 million

(FY 2017: RM209.30 million)

Profit Before Tax

RM29.49 million

(FY 2017: RM6.37 million)

KKB ENGINEERING BERHAD

BUSINESS OVERVIEW

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

KKB continues to set its sights on expanding its steel fabrication activities so that it can take on larger and more complex projects, including projects from oil and gas sector customers. 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, are proving to be an attractive draw to potential customers. Today, KKB is ready to undertake expansion to ensure capacity readiness as it keeps working on strengthening its order book.

PERFORMANCE HIGHLIGHTS

KKB registered a record revenue of RM412.48 million for FY 2018 in comparison to RM209.30 million reported for FY 2017. Accordingly, its FY 2018's PBT of RM29.49 million improved by 363% in comparison to FY 2017's PBT of RM6.37 million. The improved margin along side the higher revenue registered by the KKB Group's engineering sector has been a key contributor towards the improved results.

OPERATIONAL HIGHLIGHTS

Back in 2013, KKB's associate, OceanMight Sdn Bhd (OMSB) was licensed by PETRONAS to undertake major onshore fabrication for offshore facilities and related works as an Approved Service Provider. In January 2018, KKB increased its shareholding in OMSB, resulting in OMSB being a 60.81%-owned subsidiary of the company.

Between 2014 and 2018, OMSB successfully completed five oil and gas sector contracts. These 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; as well as an Engineering, Procurement, Construction, Installation & Commissioning (EPCIC) contract for PETRONAS Carigali Sdn Bhd. The latter super fast-tracked D28 EPCIC contract, which was secured in 2018, was completed in a record nine months from the date of the award. This attests to OMSB's prowess as a reliable and skilled oil and gas services provider.

MOVING FORWARD

The volatility of crude oil prices globally continues to affect oil and gas producing countries including Malaysia. With the capital expenditure plans of oil majors reduced and most field development activities deferred, OMSB continues to undertake several measures to remain resilient amidst the challenges befalling the oil and gas sector. These include optimising cost management, enhancing operational efficiencies, as well as investing in technology and automation.

Despite a challenging operating environment, the KKB Group continues to leverage on its sound track record, experienced and prudent management team, as well as strong cash position, to strengthen itself and explore new opportunities. Moving forward, the KKB Group will focus its efforts on increasing its order book, as well as securing oil and gas fabrication orders despite the highly competitive market environment. We remain confident and supportive of KKB's future long-term potential.

Strategic Investments - Others

COPE PRIVATE EQUITY SDN BHD

BUSINESS OVERVIEW

COPE Private Equity Sdn Bhd (COPE) is a private equity firm that is focused on delivering long-term capital gains through investments in unlisted emerging growth companies in Malaysia. Established in 2005, COPE has grown steadfastly over the years and is today one of the leading private equity firms in the country with Funds under Management (FUM) exceeding RM560 million. COPE is also known for being one of the few private equity firms within ASEAN that has adopted Shariah-compliant investment principles for some of its funds.

PERFORMANCE HIGHLIGHTS

In FY 2018, COPE, via funds under its management, returned a total of RM8.40 million to investors. The year in review also marked the full exit of COPE from Serba Dinamik Holdings Berhad (Serba Dinamik), a successful investment generating an internal rate of return (IRR) of 79.2% and a money multiple of 8.9 times the capital invested. This exit was shortlisted by Private Equity International as the Best Exit in the Asia Pacific region for 2018.

The year also saw COPE receiving accolades for its commitment to investment excellence in other areas. At the Malaysian Venture Capital & Private Equity Association's Dinner & Awards Night event on 31 July 2018, the firm was honoured with four awards for its efforts over 2017. Its investee companies, STX Precision Corporation Sdn Bhd and Serba Dinamik won an Outstanding Investee Company of the Year award each for returning a three-year net profit CAGR of 42.8% and 40.2% respectively. COPE also won the award for Best Exit in 2017 for Serba Dinamik, and the Best Funds Raised in 2017 for its COPE Opportunities IV fund.

In 2Q 2018, Preqin, the leading private equity publication, identified COPE 2, a fund managed by COPE, as being among the Top 5 Performing Growth Funds in the world.

OPERATIONAL HIGHLIGHTS

The year in review also saw COPE making inroads on the operational front. On 1 October 2018, COPE announced the final close of its COPE Opportunities IV fund with total capital commitment of RM275 million. FY 2018 also marked the year where the firm highlighted its commitment to implementing an Environmental, Social and Governance (ESG) policy across all its investments, thus raising the bar for responsible investing in the country.

MOVING FORWARD

As COPE ventures forth, it will continue to expand its FUM and add value to its investee companies by helping Malaysian companies to expand regionally while identifying appropriate high growth investments and retaining its talent pool. To date, COPE is an indirect employer of approximately 1,300 employees via its investee companies. Given the geopolitical and economic uncertainties on the horizon and the expected tightening of credit, COPE expects a challenging but busy and fruitful 2019.

Strategic Investments - Others

CMS EDUCATION SDN BHD

BUSINESS OVERVIEW

The CMS Group is involved in the nurturing of Malaysia's future leaders through subsidiary CMS Education Sdn Bhd, the owner and operator of the Tunku Putra School. Located on an 18.51-acre campus in Kuching's Petra Jaya, the school first opened its doors to students in January 1997 and today provides kindergarten, primary and secondary-level classes for the national and international streams.

All classes at Tunku Putra School are purposefully kept small to ensure students are accorded quality attention. At the same time, a high standard of teaching by specialist expatriate and Malaysian teachers, coupled with a wide range of sporting and extracurricular activities, ensure students get the most out of a holistic education. Those who would benefit from additional English tuition are offered English as a Second Language. The school's National Public Examination results (UPSR and SPM) match the best Malaysia has to offer and its Cambridge IGCSE results are in the top echelon worldwide.

PERFORMANCE HIGHLIGHTS

In FY 2018, CMS Education reported a revenue of RM9.63 million and loss before tax (LBT) of RM4.19 million. In comparison, the company reported revenue of RM10.41 million and LBT of RM3.09 million in FY 2017. The higher loss incurred in FY 2018 was mainly due to lower number of students registered during the year. The company's expenses also increased due to the management fee paid to HELP Education Services and higher marketing fees incurred.

OPERATIONAL HIGHLIGHTS

Tunku Putra School continues to explore ways and means to accord top-notch education to its students. In late 2017, CMS Education partnered with HELP Education Services to take the school up to the next level. With HELP providing academic direction for the school, students are today being 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 are ensuring 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 first intake for this new international school is set to take place in January 2020 at a new purpose-built campus. The partners aim to set new benchmarks in quality education for Malaysia and beyond via the 1,500-student capacity campus. In August 2018, a new principal was appointed to steer academic and administrative excellence at the school.

MOVING FORWARD

Today, Tunku Putra School continues to 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.

Academically, the school continues to review all its practices so as to offer the best education to both local and international students. There is also a strong focus on upskilling local teachers to ensure they are on par with teachers at the best international schools. By enabling the personal development of local teachers, the school is doing its part to give something back to the local community.

Following the rollout of a dynamic new brand building campaign for the school in 2018, we anticipate an influx in the number of students at Tunku Putra School.

Section 3: Strategic Report

Top Risks

As CMS ventures forth amidst challenging market and operating conditions, there are major risks and uncertainties that we may be exposed to which could impact our operational and financial performance if not attended to and managed properly. Our risk management process and controls seek to identify and ensure that the appropriate risk mitigation measures and monitoring processes are in place to address not only these major risks but also all other risks identified in the risk management process. We outline the top risks and their respective risk mitigation strategies below.

RISK #1: EXTERNAL RISK

Risk Description	Key Controls and Risk Mitigation Strategies
Adverse changes in the political landscape and government policies Our world today is facing increasing destabilisation and uncertainty. Where there was once an increasingly stable world with trans-border collaboration and trade leading towards a globally integrated economy, today, destabilisation has 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 change of government. Together with the leadership changes at the Federal level, have come shifts in policy on several fronts. Given the recent developments in political and regulatory conditions, the Group needs to factor into its strategies the factors that may affect the growth and sustainability of the Group over the short to long-term. *(Previously at #3, the risk is now the top-most risk on the Top Risks list)*	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, following the GE14 where we were (inaccurately) perceived to have political linkages to the previous Federal Government and were negatively impacted on multiple fronts, we have had to rethink this positioning. 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 our 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 CMS 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 regulatory authorities and government ministries to monitor new plans, strategies and pertinent political changes through regular multi-tiered engagement with all relevant political, governmental, private sector and community leaders. In addition, 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.

RISK #2: MARKET RISK

Risk Description	Key Controls and Risk Mitigation Strategies
Potential threat of new / current competitors Sarawak's growth story continues to create many business opportunities. At the same time, it is also inevitably attracting potential new entrants to the market who are intensifying the competition for existing market players. In line with this, CMS faces the threat of competition from existing and new players, as well as from substitute products. *(This is a new risk that has taken on more prominence)*	The Group remains quietly confident about our competitive edge due to our vast experience in the industries 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. Nevertheless, we recognise that we must focus on improving our competitiveness to ensure that we stay ahead of our competitors 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 R&D of new products and services; • Constantly looking for new technologies to improve our businesses; and • Embarking on a digital transformation programme to improve efficiencies in our existing processes.

RISK #3: INVESTMENT RISK

Risk Description	Key Controls and Risk Mitigation Strategies
Over-reliance on joint venture partners Being one of the major corporations in a fast-developing State, there is a lot of untapped potential in Sarawak from which the Group could benefit. Having said that, we also recognise our limitations in terms of the financial resources, technical expertise, human resources and so on to undertake these kinds of projects on our own. As such, 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 must constantly remind ourselves that we must not be overly complacent to rely too heavily on our joint venture partners to drive these projects. *(Previously the top-most risk at #1, this risk has been lowered)*	To manage this risk, we have identified several mitigation actions. These include setting up of joint venture/partnership working committees, as well as an in-house project management team to ensure sufficient internal project ownership and control. We also conduct 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.

RISK #4: EXTERNAL RISK

Risk Description	Key Controls and Risk Mitigation Strategies
Adverse economic and market conditions affecting the main markets of energy-intensive industries in Sarawak We recognise that our operations remain vulnerable to volatile economic and market conditions including fluctuating global commodity prices, as well as overall market supply and demand. *(Previously at #2, this risk has dropped to #4)*	Acknowledging that very limited mitigation actions can be undertaken to materially downgrade this risk, the Group aims to reduce this risk by putting in place initiatives relating to its two industrial plants – that is to carefully evaluate and limit CAPEX to only critical items. At the same time, the Group is taking measures to improve the overall efficiency and productivity of the plants to minimise their operating costs and improve their profit margins. This risk is further mitigated by competitive power prices which is a major cost of production and which ensure these two plants are in the first quartile of production costs when measured against their competitors.

RISK #5: STRATEGIC RISK

Risk Description	Key Controls and Risk Mitigation Strategies
Flawed strategic business development/investment strategies and execution Even as CMS considers participating in investment opportunities within our existing businesses, as well as within our portfolio of strategic investments and beyond, we may be exposed to flawed strategic choices or direction, flawed investment decisions and flawed execution. *(This risk remains at the same level)*	To mitigate these risks, the Group has identified mitigation actions which include seeking external advice and data which is cross verified; carrying out proper feasibility studies with the third-party consultants involved; and working closely with proven joint venture/strategic partners who have industry knowledge and can make the appropriate financial commitment. At the same time, we continue to implement measures such as a multi-tiered approval process, and a Project Risk Scorecard that can be reviewed, approved and periodically updated by the relevant Group's Board, among other things, in every new venture that we embark on.

Section 3: Strategic Report

Market Outlook for 2019 and Beyond

Market Outlook for 2019 and Beyond

Sarawak Budget Allocation 2019

RM9.07 billion
for Development Expenditure

RM2.84 billion
for Operating Expenditure

Global growth for 2019 is moderating

According to the International Monetary Fund's World Economic Outlook (WEO) Update, January 2019, the global expansion that began in 2016 is expected to moderate with the global economy forecast to grow at only 3.5% in 2019 and 3.6% in 2020 (2018: estimated at 3.7%).

In its latest Interim Economic Outlook (March 2019), the Organisation for Economic Co-operation & Development (OECD) once again cut its forecasts for global growth, after downgrades in November 2018 – this time to 3.3% in 2019 and 3.4% in 2020, representing cuts of 0.2 and 0.1 percentage points respectively. According to the OECD, the global economy is slowing and major risks persist. Growth is weakening much more than expected in Europe, while prospects are now weaker in nearly all G20 countries than previously anticipated.

As per the WEO update, the sluggish pace of growth for 2019 is expected to come on the back of the negative effects of tariff increases enacted in the United States and China in 2018, as well as the softer global growth momentum registered in the second half of 2018 due to several factors that weighed heavily on the large economies. Global growth is also expected to be undermined by continuing factors such as deteriorating financial market sentiment, mounting trade tensions, Brexit woes and concerns about China's outlook. With risks to global growth tilting to the downside, it is thus of the utmost importance that nations work together to quickly resolve their trade disagreements and the resulting policy uncertainty. At the same time, nations need to prioritise measures to enhance potential output growth, foster inclusiveness, and fortify fiscal and financial buffers amidst an environment of high debt burdens and tighter financial conditions.

Malaysia to remain on a steady growth path

On the domestic front, the Malaysian economy is envisaged to remain on a steady growth path in 2019 amidst challenging market conditions. Despite domestic and external headwinds, the nation's macroeconomic fundamentals continue to remain strong. Malaysia is expected to register GDP growth of 4.7% in 2019, at a rate comparable to gross domestic product (GDP) growth of 4.7% in 2018. Looking ahead, Bank Negara Malaysia expects growth to be sustained in 2019 with continued support from private sector spending. Stable labour market conditions and capacity expansion in key sectors are expected to continue driving household and capital spending. However, in tandem with moderating global growth, support from the external sector is expected to soften. The emergence of downside risks from unresolved trade tensions, heightened uncertainties in the global and domestic environment, and prolonged weakness in the commodity-related sectors could further weigh on growth.

Sarawak to maintain its good economic performance

In November 2018, Sarawak's 2019 Budget was announced. At RM11.91 billion, this, the biggest budget in the history of the State, will have a development based and rural-focused outlook to further stimulate economic progress. Out of the total budget, an allocation of RM9.07 billion (including a Federal fund of RM0.26 billion) has been proposed for development expenditure, while RM2.84 billion will go towards operating expenditure (2018: RM5.75 billion allocated for development expenditure and RM2.48 billion for operating expenditure). The development expenditure takes into account high-impact and people-centric projects, particularly in the rural areas, plus a commitment to complete the implementation of ongoing projects, among other things. The RM9.07 billion development expenditure will include various programmes and projects under the Eleventh Malaysia Plan (11MP), including socio-economic and rural transformation initiatives, walkabout projects, and initiatives under Sarawak's digital economy mandate. In line with the Sarawak Digital Economy Strategy 2018-2022, the State Government has committed RM2 billion to strengthen the State's digital economy infrastructure in support of the digital industries, commerce and investment that it intends to draw in.

Against this backdrop, Sarawak's economy is projected to grow at 5% in 2019. This is in line with the positive growth trend exhibited by the State's critical economic sectors in 2018. These include the services sector (which registered 6.4% growth), as well as the construction (5.1%), manufacturing (3.5%), mining (2.6%), and agriculture (1.8%) sectors. This trend is expected to extend into 2019 with the top performing services sector continuing to get the support of the wholesale and retail trade sub-sector. Meanwhile growth of the construction sector, the State's second-best performer, is expected to remain strong on the back of the ongoing implementation of projects under the 11MP, particularly the many infrastructure projects throughout the State, as well as Sarawak's rural transformation, rural electricity supply and rural water supply projects, plus the host of ongoing property development activities.

CMS remains well positioned for growth

Being Sarawak's leading infrastructure facilitator, the CMS Group is well positioned to benefit from many of the 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, the Group is quietly confident of its prospects moving forward.

Section 4: Governance & Risk Management

Chairman's Letter to Shareholders



LETTER FROM THE CHAIRMAN

Y BHG TAN SRI ABDUL RASHID BIN ABDUL MANAF
Group Chairman
Independent, Non-Executive Director

OUR GOVERNANCE PRACTICES CONTINUE TO EVOLVE

On behalf of the Board, I am pleased to introduce CMS (the Group) inaugural Corporate Governance Overview Statement for the year 2018. My appointment to this Company was made official on 1 October 2018. Governance matters remain of the utmost importance to the Board and myself. Our governance best practices continue to evolve and in this year's Report, we describe the Group's compliance with the Malaysian Code on Corporate Governance (the "Code") and explain how the Board and its Committees have operated during the year.

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

116+ *For more information about* ***Leadership***

118+ *For more information about* ***Effectiveness***

122+ *For more information about* ***Accountability***

131+ *For more information about* ***Relations with Shareholders and Other Stakeholders***

The Board is committed to maintaining the highest standards of corporate governance, which are fundamental to discharging our responsibilities. As Chairman, it is my responsibility to ensure that the highest standards of governance are promoted by the Board and to ensure that the Group is governed and managed in the best interests of shareholders and wider stakeholders. This includes encouraging open discussion and constructive challenge. In this Report, we set out our governance framework and explain how robust and effective corporate governance practices enable the Group to deliver its strategy and create long-term shareholder value.

A testament to our commitment to corporate governance is our selection by Bursa Malaysia Securities Berhad ("Bursa Securities"), as one of the companies qualified under the Green Lane Policy ("GLP"). The GLP is issued to qualified companies which have been assessed to have good standards of corporate governance conduct and disclosure practices. With this, Bursa Securities have waived the need to pre-vet our circulars and additionally enabled us to fast track circulars or documents for more complex proposals.

We continue to work hard to maintain a culture where 'doing the right thing' is at the core of how we do business. As custodian of the Group's culture, the Board demands openness and transparency to maintain an environment in which honesty, integrity and fairness are valued and practised by our people every day. The Board's behaviour and the values it demonstrates set the tone to guide our people's behaviour and ensure that we live by and demonstrate the right values which in turn enable entrepreneurial and prudent management to deliver long-term success for the Group and its stakeholders.

It is important in my role as Chairman to ensure that the Board has the right blend of skills and experience. At least half of the Board members throughout the year were Independent Non-Executive Directors (including me, as Chairman).

During the year, the Nomination & Remuneration Committee assessed and recommended the following Directors for re-election/retention to the Board:

Dato' Richard Alexander John Curtis ("Dato' Richard")

Dato' Richard was retained for one (1) year following his retirement as Group Managing Director on 31 December 2017. The NRC and Board took cognisance that the Boards of both CMSB and Kenanga Investment Bank Berhad ("KIBB") remain skeletal and that the retention of Dato' Richard as a Non-Independent, Non-Executive Director for a one (1) year period would ensure much needed continuity.

Datuk Seri Yam Kong Choy ("Datuk Seri Yam")

This was Datuk Seri Yam's first retirement by rotation under Article 110. He was appointed on 5 May 2015.

Madam Umang Nangku Jabu

Madam Umang Nangku Jabu was appointed to the Board on 21 September 2017. Pursuant to Article 112, she was required to submit herself for re-election at her first AGM in 2018.

> In line with the requirements of the Code, we continue to test the Board's effectiveness and performance annually through a formal evaluation.

The Board's assessment and evaluation process for 2018 was carried out by way of in house survey questionnaires and facilitated by the Group Company Secretary. The process, key conclusions and areas of focus for 2018 are set out on page 121. Following this review, the Board was satisfied that the Board continues to perform effectively and in particular, that the Board has the right balance of skills, experience and diversity of personality to continue to encourage open, transparent debate and challenge.

We believe that engaging with our Shareholders and encouraging an open, meaningful dialogue between Shareholders and the Company is vital to ensuring mutual understanding. We are in regular contact with our major Shareholders and investing community through a regular, scheduled programme of meetings as part of our continuing commitment to this open and transparent dialogue.

Overall, I am happy with the Board's activity across our governance agenda. We will continue to challenge ourselves as we grow our business and to consider and to learn from our decisions to ensure that we build upon the existing strength of our governance structure.

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

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

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

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

RELATIONS WITH STAKEHOLDERS
- Dialogue with Shareholders
- Investor Relations Calendar

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.com.my****.*

The Board Charter was last reviewed and approved on 26 February 2019. The Board Charter is available online through our website at ***www.cmsb.com.my****.*

Section 4: Governance & Risk Management

Analysis of Shareholdings

As at 1 March 2019

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	11,428,155	1.06	4,480,000[1]	0.42
2.	Datuk Syed Ahmad Alwee Alsree	1,000,000	0.09	137,555,806[1]	12.81
3.	Datuk Seri Yam Kong Choy	60,000	0.01	-	-
4.	Chin Mui Khiong	60,000	0.01	-	-
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	-	-

Shareholdings of Chief Executive Officers

In Cahya Mata Sarawak Berhad

	Name of Chief Executive Officers	Direct Shareholding	% of Issued Capital*	Indirect Shareholding	% of Issued Capital*
1.	Dato Isaac Lugun	250,000	0.02	-	-
2.	Goh Chii Bing	249,000	0.02	-	-

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	44	0.87	1,692	0.00#
100 to 1,000 shares	782	15.45	586,004	0.05
1,001 to 10,000 shares	2,781	54.94	12,615,084	1.17
10,001 to 100,000 shares	1,154	22.79	35,367,351	3.29
100,001 to less than 5% of issued shares	296	5.85	491,069,276	45.72
5% and above of issued shares	5	0.10	534,555,913	49.77
Total	5,062	100.00	1,074,195,320	100.00

Analysis of Shareholdings
As at 1 March 2019

Analysis of Equity Structure

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held*	% of Issued Capital*
Individual	3,598	71.08	196,787,711	18.32
Body Corporate				
Banks/Finance Companies	23	0.45	161,418,100	15.03
Investment Trusts/Foundation/Charities	-	-	-	-
Other Type of Companies	76	1.50	141,459,909	13.17
Government Agencies/Institutions	2	0.04	60,966,580	5.67
Nominees	1,363	26.93	513,563,020	47.81
Total	5,062	100.00	1,074,195,320	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	12.55
2.	Lejla Taib	111,000,000	10.33
3.	Lembaga Tabung Haji	101,072,300	9.41
4.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	100,544,627	9.36
5.	Sarawak Economic Development Corporation	60,896,080	5.67
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Bank Julius Baer & Co Ltd (Singapore BCH)*	37,667,800	3.51
7.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt AN for Deutsche Bank AG Singapore (Asing WM CLT)*	35,457,300	3.30
8.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Sulaiman Abdul Rahman B Abdul Taib (MY3098)*	30,727,700	2.86
9.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sulaiman Abdul Rahman B Abdul Taib (Margin)*	27,899,400	2.60
10.	Dato Sri Sulaiman Abdul Rahman B Abdul Taib	27,395,255	2.55
11.	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sulaiman Abdul Rahman B Abdul Taib*	22,005,400	2.05
12.	Kumpulan Wang Persaraan (Diperbadankan)	15,778,500	1.47
13.	Pertubuhan Keselamatan Sosial	11,827,300	1.10
14.	AmanahRaya Trustees Berhad *Public Ittikal Sequel Fund*	11,559,500	1.08
15.	Valuecap Sdn Bhd	9,402,200	0.88

Section 4: Governance & Risk Management

Analysis of Shareholdings

As at 1 March 2019

Analysis of Shareholdings
As at 1 March 2019

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

	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital*
16.	Maybank Nominees (Tempatan) Sdn Bhd	9,214,500	0.86
	MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI) (419455)		
17.	Malaysia Nominees (Tempatan) Sendirian Berhad	9,106,000	0.85
	Great Eastern Life Assurance (Malaysia) Berhad (LPF)		
18.	Malaysia Nominees (Tempatan) Sendirian Berhad	8,247,100	0.77
	Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)		
19.	HSBC Nominees (Asing) Sdn Bhd	7,501,300	0.70
	JPMCB NA for Vanguard Total International Stock Index Fund		
20.	Citigroup Nominees (Tempatan) Sdn Bhd	7,381,200	0.69
	Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)		
21.	Citigroup Nominees (Tempatan) Sdn Bhd	7,060,900	0.66
	Employees Provident Fund Board (CIMB PRIN)		
22.	HSBC Nominees (Asing) Sdn Bhd	6,876,900	0.64
	JPMCB NA for Vanguard Emerging Markets Stock Index Fund		
23.	Cartaban Nominees (Asing) Sdn Bhd	6,862,800	0.64
	Exempt AN for State Street Bank & Trust Company (West CLT OD67)		
24.	AmanahRaya Trustees Berhad	6,568,400	0.61
	Public Islamic Select Treasures Fund		
25.	DB (Malaysia) Nominee (Asing) Sdn Bhd	5,838,718	0.54
	SSBT Fund LL0A for Legato Capital Management Investments, LLC		
26.	Cartaban Nominees (Tempatan) Sdn Bhd	5,766,600	0.54
	PAMB for Prulink Equity Fund		
27.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd	5,700,000	0.53
	Pledged securities account for Dato Sri Mahmud Abu Bekir Taib (MGN-DSU0001M)		
28.	Citigroup Nominees (Asing) Sdn Bhd	5,377,735	0.50
	Exempt AN for Citibank New York (Norges Bank 1)		

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

	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital*
29.	Citigroup Nominees (Asing) Sdn Bhd	4,978,000	0.46
	CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc		
30.	Citigroup Nominees (Tempatan) Sdn Bhd	4,875,800	0.45
	Employees Provident Fund Board (PHEIM)		
	Total	839,364,621	78.16

Substantial Shareholders as per Register of Substantial Shareholders

	Name of Substantial Shareholders	Direct Shareholding	Indirect Shareholding	% of Issued Capital*
1.	YB Dato Hajjah Hanifah Hajar Taib-Alsree	2,780,500	135,775,306[2]	12.90
2.	Datuk Syed Ahmad Alwee Alsree	1,000,000	137,555,806[1]	12.90
3.	Majaharta Sdn Bhd	134,775,306	-	12.55
4.	Jamilah Hamidah Taib	-	134,775,306[2]	12.55
5.	Employees Provident Fund Board	123,495,027	-	11.50
6.	Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased)	111,000,000	-	10.33
7.	Dato Sri Sulaiman Abdul Rahman Taib	109,796,955	-	10.22
8.	Lembaga Tabung Haji	103,830,800	-	9.67
9.	Sarawak Economic Development Corporation	60,896,080	-	5.67

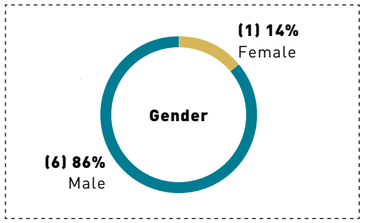
* Excludes 180,400 ordinary shares retained as Treasury Shares
\# Negligible
[1] Deem interest pursuant to Section 59 (11) (c) of the Companies Act 2016
[2] Deem interest pursuant to Section 8 of the Companies Act 2016

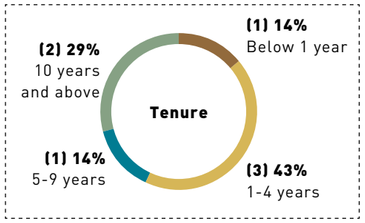
Section 4: Governance & Risk Management

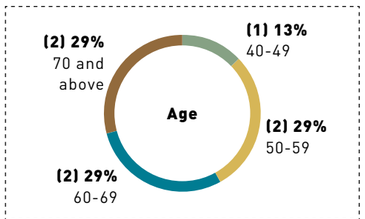
Board of Directors' Profile

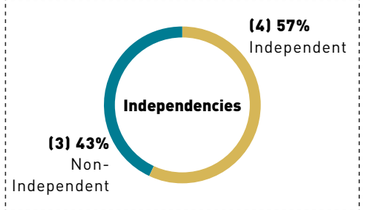
Board of Directors' Profile

HIGH STANDARDS OF GOVERNANCE









Key Committees

- (A) Group Audit Committee Member
- (A) Group Audit Committee Chair
- (R) Group Risk Committee Member
- (R) Group Risk Committee Chair
- (NR) Nomination & Remuneration Committee Member
- (NR) Nomination & Remuneration Committee Chair



Y BHG TAN SRI ABDUL RASHID BIN ABDUL MANAF (NR)

Group Chairman
Independent, Non-Executive Director

Gender: Male
Age: 72
Nationality: Malaysian
Date Joined: 1 October 2018
No. of Board Meetings Attended: 1/1

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.

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.

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

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.



Y BHG DATO SRI MAHMUD ABU BEKIR TAIB (NR)

Deputy Group Chairman
Non-Independent, Non-Executive Director

Gender: Male
Age: 55
Nationality: Malaysian
Date Joined: 23 January 1995
No. of Board Meetings Attended: 7/7

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

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. On 10 May 2018, Dato Sri Mahmud was appointed Interim Group Chairman as the Board undertook the recruitment and selection of a new Independent Chairman and reverted back to his current position as Deputy Group Chairman on 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.

Other Current Appointments
- Chairman of Sarawak Cable Berhad
- Chairman of CMS Property Development Sdn Bhd
- Director of several CMS subsidiary companies in cement, construction and road maintenance, construction materials and trading, strategic investments divisions and several other private companies

Dato Sri Mahmud is the brother of Dato Sri Sulaiman Abdul Rahman Taib, YB Dato Hajjah Hanifah Hajar Taib-Alsree and Jamilah Hamidah Taib (major shareholders of CMS) and brother-in-law of Datuk Syed Ahmad Alwee Alsree (Group Executive Director 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).



Y BHG DATUK SYED AHMAD ALWEE ALSREE (R)

Group Executive Director

Gender: Male
Age: 53
Nationality: Singaporean (Permanent Resident of Malaysia)
Date Joined: 4 September 2006
No. of Board Meetings Attended: 6/7

Academic/Professional Qualifications
Datuk Syed Ahmad Alwee Alsree graduated with a Bachelor of Law (LL.B.) degree from the National University of Singapore. He completed the Advanced Management Program at Harvard Business School in 2012.

Skills & Experience
Datuk Syed Ahmad joined the CMS Group in February 2004 as Group General Manager – Human Resources, was appointed as Deputy Group Managing Director in September 2006, and was subsequently re-designated as Group Executive Director in August 2008. He practised law in Singapore for over ten (10) years prior to joining CMS.

Other Current Appointments
- Deputy Chairman of Kenanga Investment Bank Berhad
- Deputy Chairman of SACOFA Sdn Bhd
- Non-Independent Non-Executive Director of KKB Engineering Berhad
- Director of SIG Gases Berhad
- Non-Independent Non-Executive Director of Kenanga Islamic Investors Berhad
- Chairman of Kenanga Investors Berhad
- Chairman and Director of several CMS subsidiary companies

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

Section 4: Governance & Risk Management

Board of Directors' Profile

Board of Directors' Profile



Y BHG DATU HUBERT THIAN CHONG HUI

(R) (A) (NR)

Independent, Non-Executive Director

Gender: Male
Age: 71

Nationality: Malaysian
Date Joined: 6 June 2012
No. of Board Meetings Attended: 7/7

Academic/Professional Qualifications

Datu Hubert Thian Chong Hui graduated with a Bachelor of Civil Engineering degree from Monash University, Melbourne, Australia.

Skills & Experience

Datu Hubert was the former Chairman of LAKU Management Sdn Bhd, a wholly-owned company of the State Government of Sarawak. Prior to this, he served in the Sarawak State's Public Works Department (PWD) for 39 years with the last nine (9) years as the Director of PWD.

Other Current Appointments

- Chairman of CMS Works Sdn Bhd
- Chairman of PPESW BPSB JV Sdn Bhd
- Chairman of Betong Premix Sdn Bhd
- Director of several CMS subsidiary companies

Datu Hubert 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.



Y BHG DATUK SERI YAM KONG CHOY

(NR) (R)

Independent, Non-Executive Director

Gender: Male
Age: 65

Nationality: Malaysian
Date Joined: 5 May 2015
No. of Board Meetings Attended: 7/7

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.

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.

Other Current Appointments

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

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.



CHIN MUI KHIONG

(A)

Independent, Non-Executive Director

Gender: Male
Age: 64

Nationality: Malaysian
Date Joined: 3 August 2015
No. of Board Meetings Attended: 7/7

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.

Skills & Experience

Mr Chin started his career with Hanafiah Raslan & Mohamad, Kuching which subsequently merged with Arthur Andersen which in turn merged with Ernst & Young. He was a Partner of Ernst & Young from 1997 until his retirement in June 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.

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

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.



UMANG NANGKU JABU

(A)

Non-Independent, Non-Executive Director

Gender: Female
Age: 42

Nationality: Malaysian
Date Joined: 21 September 2017
No. of Board Meetings Attended: 7/7

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.

Skills and Experience

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

Other Current Appointments

- Independent Non-Executive Director of Sarawak Plantation Berhad
- Member of the Board of Trustees of The Iban Women Charitable Trust

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).

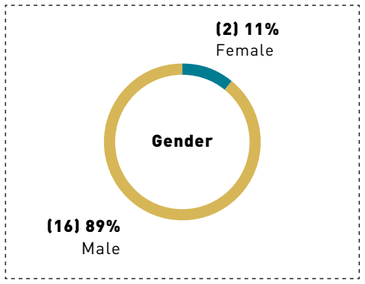
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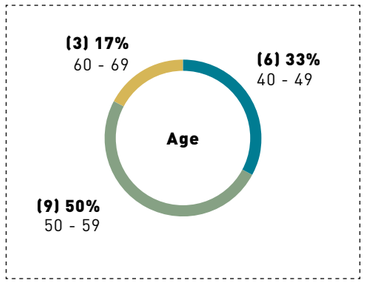
1. *None of the Directors has been convicted of any offence (other than traffic offences) within the past 5 years and any public sanction/penalty imposed by the relevant regulatory bodies during the financial year.*
2. *Details of the Directors' shareholdings are outlined on page 96 of this Integrated Annual Report.*

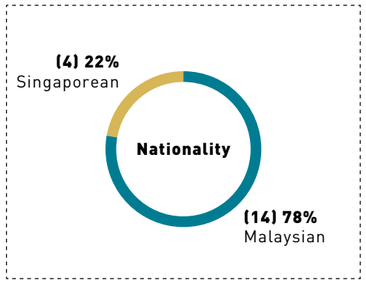
Section 4: Governance & Risk Management

Committed Leadership

Committed Leadership









Y BHG DATUK SYED AHMAD ALWEE ALSREE

Group Executive Director

Gender: Male
Age: 53
Nationality: Singaporean (Permanent Resident of Malaysia)
Date Joined: 17 February 2004

Responsibilities
- Developing strong partnerships with CMS' Board of Directors and its corresponding committees
- Formulating and driving critical Board agendas
- Managing shareholders' returns and long-term sustainable growth and profitability of CMS

Skill & Experience
- Practised law in Singapore for over ten (10) years
- He assumed his current position on 19 August 2008

Academic/Professional Qualifications
- Bachelor of Law (LL.B.) Degree, National University of Singapore
- Advanced Management Program, Harvard Business School

Other Current Appointments
- Deputy Chairman of Kenanga Investment Bank Berhad
- Deputy Chairman of SACOFA Sdn Bhd
- Director of KKB Engineering Berhad
- Director of SIG Gases Berhad
- Director of Kenanga Islamic Investors Berhad
- Chairman of Kenanga Investors Berhad
- Chairman of CMS Cement Sdn Bhd
- Chairman of CMS Cement Industries Sdn Bhd
- Chairman of CMS Education Sdn Bhd
- Chairman of CMS Land Sdn Bhd
- Chairman of CMS Roads Sdn Bhd
- Chairman of CMS Pavement Tech Sdn Bhd
- Chairman of HELP Ibraco CMS Sdn Bhd
- Director of several CMS subsidiary companies



Y BHG DATO ISAAC LUGUN

Group Chief Executive Officer - Corporate

Gender: Male
Age: 61
Nationality: Malaysian
Date Joined: 8 January 1996

Responsibilities
- Responsible for Group Strategy, Corporate Communications, Investor Relations, Risk, Legal, Internal Audit and Secretarial Services of the CMS Group
- Overseeing the Group's strategic investments in energy-intensive industries at Samalaju Industrial Park, namely OM Materials (Sarawak) Sdn Bhd and Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Overseeing the Group's strategic investment in SACOFA Sdn Bhd

Skills & Experiences
- 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 Samalaju and helped to convert CMS' first-mover advantage into a strategic business advantage that the CMS Group has at Samalaju 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 assumed his current position on 1 January 2018

Academic/Professional Qualification
- Bachelor of Law (LL.B) (Honours) Degree, University of Malaya

Other Current Appointments
- Director and Chief Executive Officer of Samalaju Industries Sdn Bhd
- Director of Samalaju Properties Sdn Bhd
- Director of Samalaju Hotel Management Sdn Bhd
- Director of Samalaju Management Services Sdn Bhd
- Director of Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Director of SACOFA Sdn Bhd



GOH CHII BING

Group Chief Executive Officer - Operations

Gender: Male
Age: 57
Nationality: Malaysian
Date Joined: 26 October 1992

Responsibilities
- Responsible for Group's business/operations, Human Resources, Procurement and Safety & Health

Skills & Experiences
- Started his career in the bitumen and asphalt concrete industry in New Zealand
- He has also more than 20 years of experience in CMS' Construction Materials Division, which comprises quarrying, premix and wire mesh manufacturing
- His career at various production of cement, clinker, ready-mix and range of precast concrete products including Industrialised Building System (IBS) products and solutions as Head of Cement Division in CMS
- He assumed his current position on 1 January 2018

Academic/Professional Qualifications
- Bachelor of Minerals Technology (Hons) Degree, University of Otago, New Zealand
- Fellow of the Institute of Quarrying Malaysia, Treasurer of Sarawak Quarries Association
- Committee Member of The Federation of Malaysian Manufacturers Sarawak Branch
- Council Member of The Cement and Concrete Association of Malaysia

Other Current Appointments
- Executive Director of CMS Cement Sdn Bhd
- Executive Director of CMS Works Sdn Bhd
- Director of several CMS subsidiary companies
- Director of Malaysian Phosphate Additives (Sarawak) Sdn Bhd



SYED HIZAM ALSAGOFF
Chief Financial Officer

Gender: Male
Age: 51
Nationality: Singaporean
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 15 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 Qualification
- 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 CMS I-Systems Berhad
- Director of Al Wasatah Al Maliah Company
- Director of several CMS subsidiary companies and associates
- Alternate Director of KKB Engineering Berhad



DAVID LING KOAH WI
Group General Counsel

Gender: Male
Age: 49
Nationality: Malaysian
Date Joined: 1 August 2007

Responsibilities
- Responsible for CMS' Legal Services Department
- Overseeing the risk management functions of the 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 Qualification
- Double Degree in Bachelor of Laws (Honours), University of Sydney
- Double 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 of SACOFA Sdn Bhd
- Director of CMS I-Systems Berhad



FRANCIS LOU CHEE NGEE
Group Internal Auditor

Gender: Male
Age: 51
Nationality: Malaysian
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 26 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
- Certification in Risk Management Assurance (CRMA)
- Chartered Member of the Institute of Internal Auditors Malaysia (IIAM)
- Committee Member of the IIAM Sarawak District Society



KARL VINK
Chief Information Officer

Gender: Male
Age: 42
Nationality: Malaysian
Date Joined: 1 June 2018

Responsibilities
- Responsible for the overall management and operations of the Group Technology Systems Department
- Overseeing a team of IT employees, systems, networks/servers, applications and support services throughout the Group
- He joined CMS on 1 June 2018 as Chief Information Officer

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 CEO of Silver Lining Systems (SLS) Sdn Bhd/Silver Lining Software Pvt Ltd, which provides cloud solutions in the Asia region

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



ABDUL NASSER BIN MOHD SANUSI
Senior General Manager, Special Projects

Gender: Male
Age: 62
Nationality: Singaporean (Permanent Resident of Malaysia)
Date Joined: 16 February 2004

Responsibilities
- Overseeing the various group projects involving insurance negotiations, project viability studies, special inquiries and investigations, community engagement issues, cost saving initiatives and investigations into new business ventures

Skills & Experiences
- He has more than 30 years of experience in human resources, procurement, sales, administration, accounts, aeronautics, property and real estate industries in various sectors
- Prior to joining CMS, he was the Administrative Manager at Rice World Pte Ltd and the Sales & Procurement Manager at Mal-Euro Sdn Bhd
- He assumed his current position on 16 February 2015

Other Current Appointment
- Alternate Director of PPESW BPSB JV Sdn Bhd



WENDY YONG SAN SAN
Senior General Manager, Group Human Resources

Gender: Female
Age: 48
Nationality: Malaysian
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 School
- She assumed her current position on 1 January 2014

Skills & Experience
- She had held various human resources roles at RHB Bank Berhad in Kuching and Kuala Lumpur

Academic/Professional Qualification
- 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



DANNY SIM WEI MIN
Senior General Manager, Group Procurement

Gender: Male
Age: 53
Nationality: Malaysian
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 & Experiences
- 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 Qualification
- Bachelor Degree in Building, University of New South Wales, Australia



TAN MEI FUNG
General Manager, Group Finance

Gender: Female
Age: 59
Nationality: Malaysian
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 & Experiences
- 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

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

Section 4: Governance & Risk Management

Committed Leadership

Committed Leadership



JASON LEE KHENG SWEE

Head, Corporate Reputation & Communications

Gender: Male
Age: 40
Nationality: Malaysian
Date Joined: 7 August 2006

Responsibilities
- Overseeing the Group Corporate Reputation & Communications Department
- Handling corporate reputational issues for the CMS Group, as well as corporate communications and engagement

Skills & Experiences
- He joined Ernst & Young in 2001 as an Audit Associate (Assurance & Advisory Business Services) and was last designated as Senior Audit Associate (Business Risk & Specialty Services)
- He then joined CMS as a Senior Audit Executive on 7 August 2006 and was promoted to Senior Audit Manager in 2010, before being transferred to CMS Wires Sdn Bhd as Manager in 2011
- In March 2017, he was transferred to CMSB Head Office to assume the role of Senior Corporate Manager under the Group Executive Director's office. In this role, he assisted the Group Executive Director in various capacities which included reviewing corporate proposals, undertaking researches and project feasibility studies, assisting the CMS Group in business ventures and investments in associate companies
- He assumed his current position on 1 September 2018

Academic/Professional Qualification
- Bachelor of Commerce, University of Otago, New Zealand
- Certified Internal Auditor
- Member of the Malaysian Institute of Accountants
- Chartered Accountant of New Zealand



VINCENT KUEH HOI CHUANG

Head, Property Development Division

Gender: Male
Age: 62
Nationality: Malaysian
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 Qualification
- Bachelor of Arts Degree, University of Guelph, Canada

Other Current Appointments
- Executive Director/Chief Executive Officer of CMS Property Development Sdn Bhd
- Director of Projek Bandar Samariang Sdn Bhd
- Director of Laguna Avenue Sdn Bhd
- Director of Samalaju Properties Sdn Bhd
- Director of Samalaju Hotel Management Sdn Bhd
- Director of Samalaju Management Services Sdn Bhd
- Director of several CMS subsidiary companies



CHONG SWEE SIN

Head, Construction Materials & Trading Division

Gender: Male
Age: 55
Nationality: Malaysian
Date Joined: 6 June 1991

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

Skills & Experience
- He has more than 25 years of experience in the quarry and asphaltic concrete (premix) industries in Sarawak
- He has held various positions in accounts and business development in the CMS Group
- He served as Premix Manager in 2003 before being promoted to General Manager, Marketing for the Construction Materials Division in 2011
- He assumed his current position on 1 September 2013

Academic/Professional Qualifications
- Chartered Management Accountant
- Associate Member of The Chartered Management Accountants (ACMA), U.K

Other Current Appointments
- Director of several CMS subsidiary companies



MOHAMED ZAID ZAINI

Head, Information & Communication Technology Division

Gender: Male
Age: 45
Nationality: Singaporean
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 Qualification
- Bachelor of Commerce, Finance and Accounting Degree, University of New South Wales, Australia

Other Current Appointments
- Managing Director of SACOFA Sdn Bhd
- Director of Pinnacle Tower Sdn Bhd
- Director of Sacofa Services Sdn Bhd
- Director of Sarawak Gateway Sdn Bhd



KARIM REDUAN
Head, Construction & Road Maintenance Division

Gender: Male | **Nationality:** Malaysian
Age: 57 | **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, Construction & Road Maintenance Division on 1 July 2018

Academic/Professional Qualification
- Diploma in Public Administration, Institut Teknologi Mara



SUHADI SULAIMAN
Head, Cement Division

Gender: Male | **Nationality:** Malaysian
Age: 49 | **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 Qualification
- 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



GOH CHII YEW
Chief Executive Officer,
Malaysian Phosphate Additives (Sarawak) Sdn Bhd

Gender: Male | **Nationality:** Malaysian
Age: 50 | **Date Joined:** 1 July 1995

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 MPAS integrated phosphate complex in Samalaju Industrial Park, Bintulu

Skills & Experiences
- He was an Engineer in PJT Sdn Bhd (Rimbunan Hijau Group) in 1993
- He served as Prime Coordinator during the project stage in CMS Steel Bhd and was promoted to Plant Manager after the commissioning of the steel plant
- He was appointed Chief Executive Officer of Samalaju Properties Sdn Bhd on 1 January 2016
- He assumed his current position on 20 February 2019

Academic/Professional Qualifications
- Bachelor of Engineering (Mechanical) (Honours), University of Sydney, Australia
- Professional Engineer of The Board of Engineers Malaysia

Note:

Mohamed Zaid Zaini is the brother-in-law of Y Bhg Datuk Syed Ahmad Alwee Alsree, Group Executive Director of CMS. Save as disclosed, 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.

Section 4: Governance & Risk Management

Corporate Governance Overview Statement

Our Governance Framework

CMS SHAREHOLDERS

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.

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

- **Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf**
- **Y Bhg Dato Sri Mahmud Abu Bekir Taib**
- **Y Bhg Datuk Syed Ahmad Alwee Alsree**
- **Y Bhg Datu Hubert Thian Chong Hui**
- **Y Bhg Datuk Seri Yam Kong Choy**
- **Chin Mui Khiong**
- **Umang Nangku Jabu**

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

Mr Chin Mui Khiong (Chairman)
Y Bhg Datu Hubert Thian Chong Hui

Non-Independent Non-Executive Director

Madam Umang Nangku Jabu

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 Datu Hubert Thian Chong Hui
Y Bhg Datuk Seri Yam Kong Choy

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

Executive Director

Y Bhg Datuk Syed Ahmad Alwee Alsree

GROUP CHIEF EXECUTIVE OFFICER - CORPORATE

GROUP CHIEF EXECUTIVE OFFICER - OPERATIONS

- Has day-to-day responsibility for managing the Group's operations
- Makes decisions on matters affecting the 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
- Promotes the Company's culture and standards

RISK/ OPPORTUNITY → CONTROL/ ASSURANCE

DISCLOSURES

STAKEHOLDERS

COMPOSITION OF THE BOARD

1 CHAIRMAN (INDEPENDENT NON-EXECUTIVE DIRECTOR)

1 EXECUTIVE DIRECTOR

2 NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

3 INDEPENDENT NON-EXECUTIVE DIRECTORS

218 BOARD HOURS

99% 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 OF MEMBERS OF THE BOARD

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 EXECUTIVE DIRECTOR

- Implementation of broad policies and strategic investments approved by the Board
- Acts as a conduit between the Board and Senior Management
- Formulates and oversee 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:

Name of Board Members	Attendance			
	Board	Committees		
		GAC	NRC	GRC
Chairman, Independent Non-Executive Director				
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail *(Stepped down on 9 May 2018)*	2/2	2/2	1/1	-
Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf *(Appointed on 1 October 2018)*	1/1	-	-	-
Independent Non-Executive Directors				
Y Bhg Datu Hubert Thian Chong Hui	7/7	5/5	4/4	4/4
Y Bhg Datuk Seri Yam Kong Choy	7/7	-	4/4	4/4
Mr Chin Mui Khiong	7/7	5/5	-	-
Non-Independent Non-Executive Directors				
Y Bhg Dato Sri Mahmud Abu Bekir Taib	7/7	-	4/4	-
Madam Umang Nangku Jabu	7/7	3/3	-	-
Y D H Dato' Richard Alexander John Curtis *(Stepped down on 31 December 2018)*	7/7	-	-	-
Executive Director				
Y Bhg Datuk Syed Ahmad Alwee Alsree	6/7	-	-	4/4

How the Board Operates

The Board has formally adopted a schedule of matters reserved to it for decision. A full schedule of matters reserved for the Board's decision along with the Terms of Reference of the Board's Committees can be found on our website at **www.cmsb.com.my**. The Board and Committee meetings are structured to allow open discussion. To enable the Board to discharge its duties, each Director receives appropriate and timely information. Board papers are circulated on a timely basis with a structured agenda, giving Directors ample time to consider and digest their contents.

The Group Company Secretary is responsible for assisting the Chairman in all matters relating to corporate governance, including the Board evaluation process. Directors are able to seek independent professional advice, when necessary, at the Company's expense. From time-to-time, other members of the Senior Management team attend Board and Board Committee meetings to present annual budgets, updates and proposals relating to their areas of responsibility and reporting on regulatory compliance, risk management and internal controls.

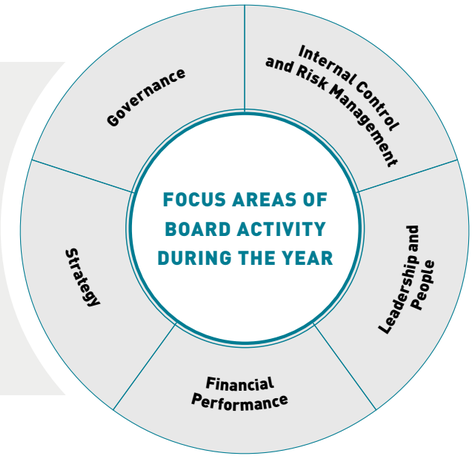
Corporate Governance Overview Statement

LEADERSHIP

Board Activities in 2018

The Nomination & Remuneration Committee ("NRC") has an important role to play in ensuring that the Board and its principal Committees have the right mix of skills, experience and diversity to deliver Group strategy and to create value.

The NRC keeps under review and evaluates the composition of the Board and its Committees to maintain the appropriate balance of skills, knowledge and independence to be able to function effectively.



Leadership and People
- Board and Senior Management Succession Planning
- Recruitment and appointment of new Independent Chairman
- Appointment of new Head, Construction & Road Maintenance Division
- Remuneration policy and guidelines for Board, Senior Management and employees
- Employee volunteerism
- Roll out of the digital transformation programme

Strategy
- Review of core businesses and Strategic Investments
- Brand reputation and image and repositioning post 14th General Election
- Acquisition of strategic stake in Borneo Granite Sdn Bhd
- Share Buy-Back Programme
- Sustainability agenda

Internal Control and Risk Management
- Set up of new Project Management Office
- 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 roll 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
- New Constitution of the Company
- 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

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)

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 Communittees
- reviewing and progressing 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

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.com.my***

Chairman and Chief Executive Officers

The roles of Chairman and Chief Executive Officers 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. During the year, Independent Non-Executive Directors held a private session on 8 August 2018 without the presence of Executive Directors and Management.

The Chief Executive Officers have responsibility for all Group businesses and acts in accordance with the authority delegated by the Board. There are a number of areas where the Board has delegated specific responsibility to management, including responsibility for the operational management of the Group's businesses, as well as reviewing strategic issues and risk matters in advance of these being considered by the Board and/or its Committees.

EFFECTIVENESS

Nomination and Recruitment

The NRC plays a key role in the Board recruitment process. The NRC and Board had taken early cognizance of the need to refresh the Board with two (2) directors stepping down in 2018, namely Tan Sri Syed Anwar Jamalullail and Dato' Richard Curtis. As such the NRC had actively carried out the Board recruitment exercise and was mindful of the urgency to appoint an independent board chairman, as well as the need to achieve diversity in the aspects of gender. To facilitate an orderly succession planning for the position of Board Chairman, the NRC recommended the appointment of Deputy Group Chairman, Dato Sri Mahmud Abu Bekir Taib, as interim Board chairman pending the recruitment of a permanent independent chairman which was effected on 1 October 2018 with the appointment of Tan Sri Abdul Rashid Bin Abdul Manaf.

The NRC also considered and recommended the appointment of a local Sarawakian lady director which was approved by the Board. However, this did not transpire as the incumbent had declined the appointment. The NRC continued to take steps towards the recruitment of a lady director through external independent sources namely, the Institute of Corporate Directors Malaysia ("ICDM") and 30% Club Malaysia. The NRC shortlisted three (3) lady candidates from the list provided by ICDM and agreed to continue to pursue this as a priority of the Board in 2019.

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 2018. 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 Datuk Syed Ahmad Alwee Alsree ("Datuk Syed")

Datuk Syed was appointed on the Board as Group Executive Director on 4 September 2006 and has served for 12+ years as at February 2019.

The recommendation to re-elect Datuk Syed is supported by his role where he has and continues to lead the CMS Group. Datuk Syed plays a pivotal role in all strategic matters concerning the Group. Datuk Syed is a member of the GRC and a nominated representative on all the major operating subsidiaries in the Group as well as all its associated companies including Kenanga Investment Bank Berhad, SACOFA Sdn Bhd and OM Materials (Sarawak) Sdn Bhd.

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Datu Hubert Thian Chong Hui ("Datu Thian")

Datu Thian was appointed on the Board as an Independent Non-Executive Director ("INED") on 6 June 2012 and has served for 6+ years as at February 2019. Datu Thian is a member of the Group Audit Committee ("GAC"), Group Risk Committee and NRC. He is also a nominated representative on all the major operating subsidiaries in the Group.

The recommendation to re-elect Datu Thian is supported by his vast experience and knowledge in the fields of construction, building materials, infrastructure and services. Datu Thian 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 all the 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 strategic matters.

Mr Chin Mui Khiong ("Mr Chin")

Mr Chin was appointed on the Board as an INED on 3 August 2015 and has served for 3+ years as at February 2019. Mr Chin is Chairman of the GAC and a nominated representative on COPE Private Equity Sdn Bhd.

The recommendation to re-elect Mr Chin is supported by his experience as a qualified accountant and auditor. Mr Chin has and continues to provide guidance especially in accounting, tax and finance related matters to the Group Finance team, as well as Group Internal Audit activities.

Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf ("Tan Sri Abdul Rashid")

Tan Sri Abdul Rashid was appointed on the Board as an INED/ Chairman on 1 October 2018. Pursuant to Article 113, he is required to submit himself for election at his first AGM which is the 44th AGM to be held on 30 April 2019.

Board Remuneration Framework

There is no change to the Board remuneration framework in 2018. The disclosure of the remuneration of the Board on named basis and the top 5 Senior Management in bands, is set out in Note 10 of the audited financial statement for the year ended 31 December 2018 and the Corporate Government ("CG") report respectively.

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 2018, the Board approved the BEE for 2018 to be conducted in house and facilitated by the Group Company Secretary. The last BEE assessment conducted by an external consultant i.e. Ernst & Young Advisory Services Sdn Bhd was for 2017. In February 2019, the Board resolved to adopt the BEE 2018 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 2018 assessments form the basis of the NRC's recommendations to the Board for the re-election of Directors at the forthcoming AGM in 2019.

Remuneration

1. Recommended the retirement gratuity for Non-Executive Directors
2. Recommended the Strategic Performance Management ("SPM") for key officers and Key Performance Indicators for Heads of Divisions/ Heads of Department for 2018/2019
3. Carried out a half year review of 2018 SPM/KPI
4. Recommended the guidelines for staff performance contract payment for 2018 and staff annual salary increment proposals for 2019
5. Recommended the extension/offer of contract of employment and remuneration package for members of Senior Management
6. Recommended the remuneration package for new independent chairman
7. Recommended the revision in Guidelines on Directors Remuneration for CMS Group

Nomination

1. Recommended the appointment of interim Board chairman
2. Recommended the recruitment and appointment of new independent Board chairman
3. Recommended the recruitment and appointment of a lady director
4. Recommended the changes in Board Committees composition
5. Recommended the appointment of nominated representatives on the boards of subsidiary and/or associate companies of CMSB
6. Reviewed the outcome of Board effectiveness evaluation exercise for 2018
7. Evaluated and recommended the re-election of retiring directors at the AGM
8. Reviewed the Senior Management Succession Planning Development 2018
9. Engaged with Institute of Corporate Directors Malaysia and 30% Club Malaysia to assist with recruitment of lady director

Others

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

EFFECTIVENESS

Board Effectiveness Evaluation	This Year's Process
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.	The Board evaluation exercise for 2018 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 2018 Review	**Focus for 2019**
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.	• Meeting the expectations of MCCG 2017 - minimum 30% female directors • Strengthen the Board's mix of skills • Whistleblowing policy • Ensures that adequate procedures are put in place pursuant to sub-section 17A under the Malaysian Anti-Corruption Commission (MACC) Act 2009

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 one and a half day induction was conducted for the new Group Chairman, Tan Sri Abdul Rashid Bin Adbul Manaf. 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.

Details of the directors' professional training can be found in our Corporate Governance Report Card, which is available online at ***www.cmsb.com.my***

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Committees of the Board

The Board has three (3) Committees - 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.com.my***

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 140 and the Independent Auditor's Report on **http://www.cmsb.com.my/investor-relations/reports/annual-reports/**.

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.

*More information can be found on the **Audit Committee Report***

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 period ended 31 December 2018, 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 2018, 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.

*More information on the Group's key risks and uncertainties is shown on **Top Risks***

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AUDIT COMMITTEE REPORT

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)

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

Key Objectives

The Committee's objectives are to ensure the integrity of the Group's financial statements, internal controls and the effectiveness of its 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 duties and responsibilities for financial reporting, internal control, the effectiveness of the 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 whistleblowing arrangements as they relate to matters of financial integrity, including ensuring that appropriate arrangements are in place for employees to be able to raise, in confidence, matters of alleged financial improprieties and for ensuring that appropriate follow-up actions are taken.

*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.com.my***

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 Madam Umang Nangku Jabu are the other members of the Committee. Members of the Committee are appointed by the Board following recommendations by the NRC and membership is reviewed annually by the NRC as part of the annual Board performance evaluation. As at 31 December 2018 and up to the date of this Report, 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.

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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 Chair reports on the main discussion points and any actions arising from these to the Board.

Responsibilities	How the Committee discharged its responsibilities
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 Malaysian Financial Reporting Standards 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 on 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.

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Responsibilities	How the Committee discharged its responsibilities
Internal Audit (Cont'd.)	**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 • Reviewed the quality assessment and improvement programme 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 (2) meetings with the Group Internal Auditor on 22 February 2018 and 23 August 2018 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 re-appointment 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)

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Responsibilities	How the Committee discharged its responsibilities
External Audit (Cont'd.)	**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.
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 on Risk Management and Internal Control on pages 133 to 138. **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 2018 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.

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Responsibilities	How the Committee discharged its responsibilities
Related Party Transaction	**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 transaction 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 Main Market Listing Requirements 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 its Nomination & Remuneration Committee. **c.** Reviewed major litigation, claims and/or issues that may have substantial financial impact. **d.** Reviewed disclosure statements on the Statement of Corporate Governance and Group Audit Committee Report for the financial year ended 31 December 2018 for inclusion in the Integrated Annual Report 2018 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 2018.

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Summary of Work of Internal Audit

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 Chief Executive Officer - Corporate.

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 on 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-seven (27) 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 twenty-nine (29) planned audits, six (6) ad-hoc audits and all related audit follow-up activities during the year. Areas reviewed include:

- Group-wide Related Party Transactions Review
- IT Security Review follow-up
- Group-wide ERM Controls Validation Review
- Project Management Audits (4)
- Integrated Plant Maintenance Audit
- Lodge Operations Audit
- Quarry Operations Audit
- Sales and Marketing Audits (2)
- Premix Production Operations Review
- Telecommunications Infrastructure Audits (5 - outsourcing)
- Physical stocktakes – Cement, Quarries and Premix operations
- Occupational permits tracking

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 and presented by the Group Internal Auditor to their respective subsidiary companies' Board of Directors. In 2018, ten (10) such reports were tabled by the Group Internal Auditor.

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

The Group Internal Audit Department is staffed by a team of eight (8) and the cost of maintaining the function in 2018 amounted to RM1,330,745 (2017: RM1,311,594).

The Board is satisfied that the Committee has effectively discharged its roles and responsibilities as set out under its Terms of Reference ("TOR").

*The TOR is available on the Company's website at **www.cmsb.com.my***

Corporate Governance Overview Statement

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GROUP RISK COMMITTEE REPORT

The Board is responsible for the Group's system of risk management and internal control. Risk management is recognised as an integral part of the Group's activities.

Committee Members

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

MEMBERS
Y Bhg Datu Hubert Thian Chong Hui
(Independent, Non-Executive Director)

Y Bhg Datuk Syed Ahmad Alwee Alsree
(Group Executive Director)

Key Objectives

To ensure the effectiveness of the risk management function at the CMS Group level.

Key Responsibilities

- 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 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
- To review the formation, liquidation, merger and/or corporate reorganisation of the Group

*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.com.my***

Identifying and Managing Our Risks

The Board determines the Group's appetite for risk in pursuit of strategic objectives, and the level of risk that can be taken by the Group and its operating companies. CMS' businesses are responsible for executing their activities in accordance with the risk appetite set by the Board, complemented by the Code of Conduct, Group policies and delegated authority limits.

Risk is assessed across the Group using a systematic risk management model covering both external and internal factors and the potential impact and likelihood of those risks occurring. Risk assessments are incorporated into risk registers at Group and business level, which evolve to reflect the reduction/increase in identified risks and the emergence of new risks. Where it is considered that a risk can be mitigated further to the benefit of the business, responsibilities are assigned and action plans are agreed.

The Group Risk Unit ("GRU") facilitates the risk assessment and evaluation process with Group and regional/business unit management on behalf of the Board. Group policies and delegated authority levels set by the Board provide the basis against which risks are reviewed and escalated to the appropriate level within the Group, up to and including the Board, for review and confirmation.

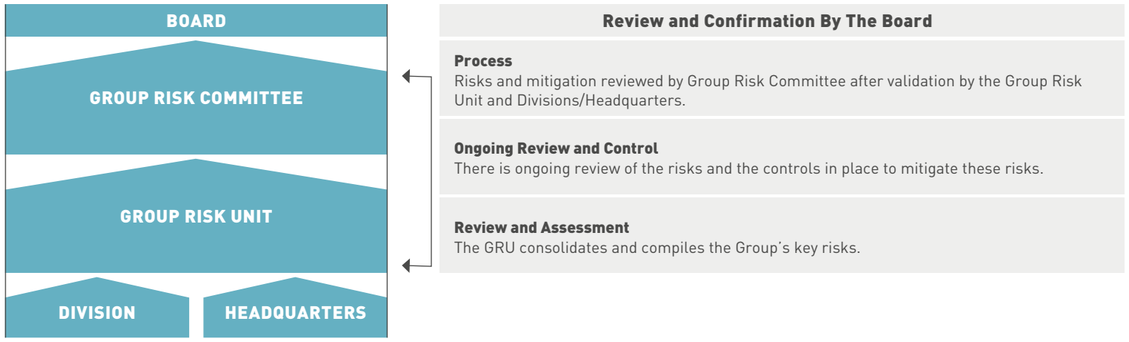
Section 4: Governance & Risk Management

Corporate Governance Overview Statement

Corporate Governance Overview Statement

ACCOUNTABILITY

We have a clear framework for identifying and managing risk, both at an operational and strategic level. Our risk identification and mitigation processes have been designed to be appropriate to the ever-changing environments in which we operate.



Roles and Responsibilities

The Board continuously reviews the Group's key risks and is supported in the discharge of this responsibility by various committees, specifically the Group Risk Committee and the Group Risk Unit.

The risk management roles and responsibilities of the Board, its Committees, and business management are set out below, and all of these responsibilities have been met during the year.

BOARD • Approves the Group's strategy • Determines Group appetite for risk in achieving its strategic objectives • Establishes the Group's systems of risk management and internal control The Group Risk Committee supports the Board by monitoring risk and reviewing the effectiveness of internal controls, including systems to identify, assess, manage and monitor risks.	• Receives regular reports on Internal and External Audit and other assurance activities • Receives regular risk updates from the businesses • Determines the nature and extent of the principal Group risks and assess the effectiveness of mitigating actions • Annually reviews the effectiveness of risk management and internal control systems • Approves the Group risk management policy
GROUP RISK COMMITTEE • Monitors the effectiveness of risk management processes.	• Reviews of risk management and assurance activities and processes
GROUP RISK UNIT • Responsible for risk management and internal control systems within their regions/businesses • Monitoring the discharge of their responsibilities by operating companies	• Reviews key risks and mitigation plans • Escalates key risks to Group Risk Committee
DIVISIONS/HEADQUARTERS • Maintain an effective system of risk management and internal control within their function/operating company	• Regularly review operational, project, functional and strategic risks • Review mitigation plans • CMS regularly reviews and enhances its risk management process and seeks advice from independent advisers where applicable

Summary of Work in 2018

1. Discussed and noted the quarterly Risk Management reports
2. Discussed and deliberated on the risks arising from major/significant projects and business operations
3. Discussed and deliberated the Project Risk Scorecards submitted
4. Reviewed and advised on subsidiary operations risk and provide input on mitigation of key business risks
5. Reviewed the risk reporting process and approved the APEX Risk Reporting Process to expand risk reporting to various Business Divisions' Board
6. Engaged Ernst & Young to conduct Risk Awareness Programme to the Group
7. Reviewed and endorsed the revision to the process of Project Risk Scorecard
8. Reviewed and endorsed the mechanism to follow through on the risk demerit system to ensure all cases which attribute to risk demerit will be reported on a timely basis

RELATIONS WITH SHAREHOLDERS

The Board has in place an IR strategy to ensure an effective communication channel between the Company, its Shareholders and the general public. The IR unit is headed by the Group CEO – Corporate. The IR unit facilitates communication between the Company and the Investment Community.

INVESTOR RELATIONS POLICY

The Board has in place an Investor Relations ("IR") strategy to ensure an effective communication channel between the Company, its Shareholders and the general public. The IR unit is headed by the Group CEO – Corporate. The IR unit facilitates communication between the Company and the Investment Community. Senior Management of the Company actively engages with the Investment Community and the Board is briefed on these interactions and feedback from the Investment Community. The IR unit has an extensive programme that involves the holding of regular meetings, conference calls and site visits, all intended to keep the Investment Community abreast of the Company's strategic developments and financial performance. In addition, investment road shows and conferences are held to engage with shareholders and potential investors both locally and overseas.

Twice a year, the IR unit provides reports to the Board on IR activities, comments by analysts or from the Investment Community, as well as commentary on share price information. The Board also receives a half year report on the shareholding structure, including any change to the holdings of substantial shareholders, of the Company.

The timely release of financial results on a quarterly basis provides the Investment Community with an up-to-date view of the Group's performance and operations. The release of the quarterly financial results to Bursa Securities is accompanied by a press release.

Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity.

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

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

Section 4: Governance & Risk Management

Corporate Governance Overview Statement

RELATIONS WITH SHAREHOLDERS

STAKEHOLDERS ENGAGEMENT AT CMS

Stakeholder	Method(s) of Engagement	Frequency
Shareholders	• AGM presentation (by the Group CEO - Corporate) • Quarterly result briefings • Media statements • Investor presentations • Meetings/telephone calls with (potential) investors • Comprehensive investor relations portal	• Annually • Quarterly • Regularly • Regularly • Regularly • 24/7
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 • *OurCMS* Blog • Family Day • Birthdays • Festive open houses • Employee engagement initiatives • Trainings	• Biennially • Annually • Annually • Biennially • Regularly • Tri-annually • Daily • Regularly • Annually • Biennially • Annually • Regularly • 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	• Regularly • Ad hoc • Regularly • Regularly • Regularly
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	• Regularly • Regularly • Regularly
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

The AGM, scheduled in April of each year, is the principal forum for dialogue with shareholders. At the AGM, the Chairman briefs the members, proxies and corporate representatives present of their right to speak and vote on the resolutions set out in the Notice of AGM and invites them to raise questions on items on the agenda before putting each resolution to vote. Appropriate answers are provided by the Board members or Chairman of the respective Board Committees. A comprehensive review of the Group's operating and performance for the financial year and the Company's responses to queries and/or comments submitted by Shareholders are presented at the AGM. Suggestions which are received from the Shareholders at the Company's AGM are considered for implementation, where appropriate.

The Notice of Meeting for the 44th AGM details all relevant information in regard to shareholders' rights and explanatory notes on resolutions to be tabled as special business. All the resolutions set out in the Notice of Meeting for the 44th AGM will be put to vote by poll as required under the Main Market Listing Requirements.

This Corporate Governance Overview Statement was approved by the Board of CMS on 13 March 2019.

Section 4: Governance & Risk Management

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 ("CMSB") for the financial year ended 31 December 2018.

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").

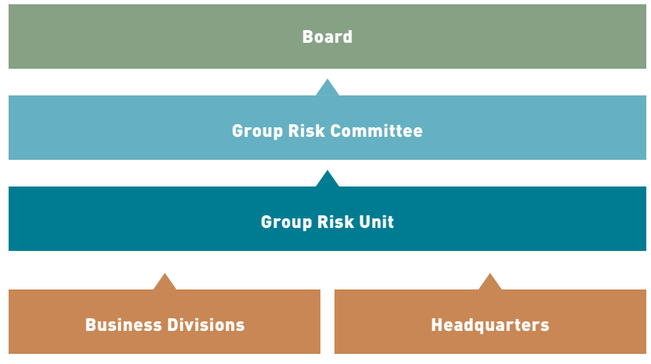
Roles & Responsibilities

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 Executive Director and any two (2) Independent Directors.

Section 4: Governance & Risk Management

Statement on Risk Management and Internal Control

The primary responsibility of the GRC is to ensure the effectiveness of the risk management function at the CMSB 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.

The main underlying principles of the risk policy are:

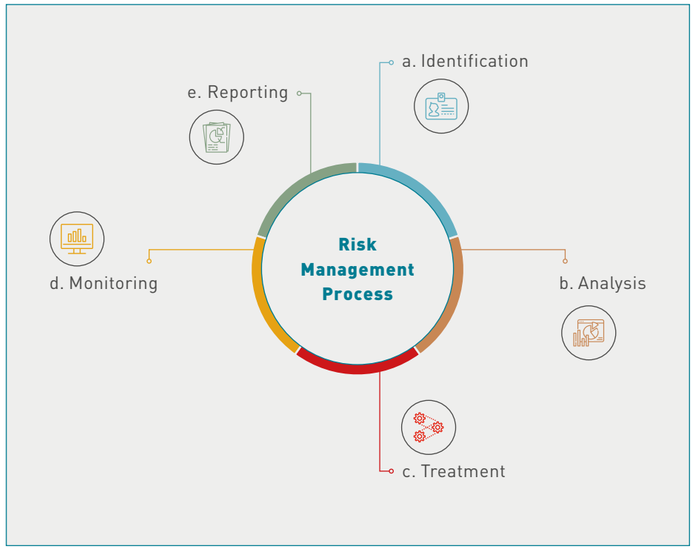
- Risk management is an essential element of a corporate strategy.
- Effective risk management provides greater assurance that the Group's strategy and business objectives will be achieved without major surprises.
- Each Business Division is responsible for managing risks that can impact the achievement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

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.

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:



Statement on Risk Management and Internal Control

Identification

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

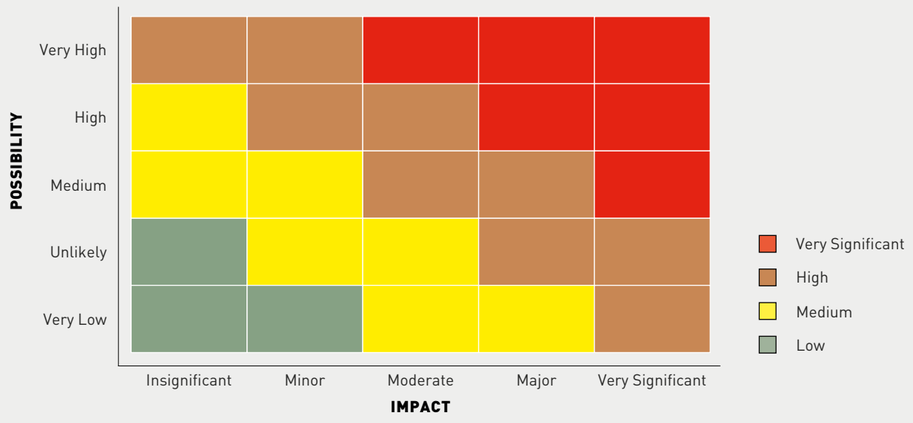
On a quarterly basis, the respective risk owners will review and update their risk profile during their management meeting. The risk owners will also use this platform to review the control and management actions for each of the identified risks.

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.

Analysis

Risk is measured in terms of probability and impact depending on the likelihood 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



Treatment

Risk treatment in CMS entails three types of control namely:

(i) Preventive | (ii) Detective | (iii) Corrective

Under the preventive control, the aim is to prevent and to reduce the chance or possibility of a risk happening through careful evaluation of risks and putting in place preventive control measures.

As for the second type of control (i.e. detective), it involves a two-pronged approach. Firstly, it aims to reduce the chance or possibility of a risk happening through early detection of warning indicators or "red flags". Secondly, early detection also aims to reduce the magnitude of impact or "damage" to the organisation.

The last type of control, correction, aims to reduce the impact of risk on the organisation after it has occurred by taking corrective action.

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.

Section 4: Governance & Risk Management

Statement on Risk Management and Internal Control

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 responses 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.

Reporting

The major risks are consolidated and risk ratings reviewed by the GRU and both Group Chief Executive Officers before presentation to the GRC and the Board. 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.

7. 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.

8. 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.

9. 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.

10. 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.

b) Audit on Adequacy of Risk Management Process

During the financial year, Group Internal Audit has carried out an audit on the adequacy of the Group Risk Management Process. The audit result indicates that the Group Risk Management process as a whole is well-established and operating effectively.

Statement on Risk Management and Internal Control

c) Automation of Risk Management Reporting Process

By leveraging on the current technological advancements, the Group has engaged an external consultant to conduct a review on the current risk management system and to assist in enhancing the current system; one of which is to introduce 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 four (4) of the major Divisions in 2018, and will be gradually rolled out to other Divisions going forward.

d) Bottom-up Risk Management

As part of the aim to make risk management relevant at all levels across the Group, the process of expanding the reporting framework such that risk reporting and risk management will not be confined to only the management level but also all executives and non-executives 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.

11. 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 responsibility to review and endorse all high value purchases in the Group.
- A detailed Group Human Resources ("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 action 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.

Section 4: Governance & Risk Management

Statement on Risk Management and Internal Control

- 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 Group Executive Director, Group Chief Executive Officers and the 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 Integrated 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 Integrated Annual Report* ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Integrated Annual Report of the Group for the year ended 31 December 2018, 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 Integrated 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 2019.

Section 4: Governance & Risk Management

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 for the financial year ended 31 December 2018 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young and its affiliates		
- Statutory Audit	170	941
- Non-audit services including tax services	276	1,081
Total	446	2,022

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 shareholders either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

4. Recurrent Related Party Transactions of a Revenue Nature

At the 43rd Annual General Meeting held on 25 April 2018, 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 2018 pursuant to the Shareholders' Mandate are disclosed in Note 39 to the Audited Financial Statements 2018.

Section 4: Governance & Risk Management

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 2018.

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 2018, 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 2019.

Section 5: Additional Information

List of Properties

As at 31 December 2018

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	38 years (2056)	0.23/ N/A	-	340
Lot 449, Block 15, Salak Land District, Kuching.	2007	Mixed zone land	Land & school	Leasehold	50 years (2068)	7.49/ 5,322	11 years	24,223
Lot 678, Section 66, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	20 years (2038)	3.20/ N/A	-	8,095
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching.	1996	Land & cement mill	Office & factory	Leasehold	18 years (2036)	6.25/ 15,223	41 years	24,366
Lot 766, Block 20, Kemena Land District, Bintulu.	1997	Land & cement mill	Office & factory	Leasehold	44 years (2062)	6.88/ 68,797	22 years	15,779
Lot 1240, Block 20, Kemena Land District, Bintulu.	1997	Mixed zone land	Office & factory	Leasehold	44 years (2062)	7.37/ N/A	-	14,466
Lot 11332-11334, Block 59, Muara Tuang Land District, Samarahan.	2017	Land	Vacant land	Leasehold	59 years (2077)	4.44/ N/A	-	3,725
Lot 571, Block 4, Sentah Segu Land District, Kuching.	1992/2002	Land & clinker mill	Office & factory	Leasehold	24 years (2042)	18.27/ 58,595	21 years	120,305
Lot 528, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	54 years (2072)	0.11/ N/A	-	0
Lot 872, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	53 years (2071)	0.22/ N/A	-	96
Lot 70, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	6 years (2024)	1.30/ N/A	-	153
Lot 73, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	8 years (2026)	0.75/ N/A	-	100
Lot 145, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	95 years (2113)	3.77/ N/A	-	1,125

Section 5: Additional Information

List of Properties

As at 31 December 2018

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 151, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	52 years (2070)	1.66/ N/A	-	477
Lot 71, 74 & 79, Block 9, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	95 years (2113)	6.46/ N/A	-	1,931
Lot727, Sentah Segu Land District, Kuching.	2018	Land	Vacant land	Leasehold	45years (2063)	2.77/ 1.9441/	-	907
Lot 482 Block 4 Miri Concession Land District, Miri.	2018	Land	Vacant land	Leasehold	18 years (2036)	1.9441/ 0	-	27,917
Lot 415, Block 32, Kemena Land District, Bintulu.	1996	Industrial land	Held for rental income	Leasehold	26 years (2044)	2.23/ 712	19 years	2,106
Lot 34 & 35, Section 15, Kuching Town Land District, Kuching.	1994	4-storey shophouse	Held for rental income	Leasehold	797 years (2815)	0.41/ 1,400	22 years	3,550
Lot 1241, Block 20, Kemena Land District, Bintulu.	1997	Industrial land	Vacant land	Leasehold	44 years (2062)	2.76/ N/A	-	1,606
Lot 9882, Section 64, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	80 years (2098)	3.19/ N/A	-	22,374
Lot 4717-4718, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	39 years (2057)	0.80/ N/A	-	1,941
Lot 4719-4720, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Freehold	In perpetuity	0.56/ N/A	-	1,359
Lot 294, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	38 years (2056)	2.75/ N/A	-	381
Lot 302-304, 354-357, 362 & 363, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	806 years (2824)	4.27/ N/A	-	3,414

List of Properties
As at 31 December 2018

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 342-343, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	6 years (2024)	0.74/ N/A	-	69
Lot 358, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	806 years (2824)	0.44/ N/A	-	793
Lot 355, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	806 years (2824)	0.16/ N/A	-	149
Lot 71, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	38 years (2056)	18.94/ N/A	-	1,795
Lot 338, 340-345, Block 10, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	20 years (2038)	3.07/ N/A	-	221
Lot 134, Section 64, Kuching Town Land District, Kuching.	1998	Mixed zone land	Jetty and land	Leasehold	40 years (2058)	0.43/ N/A	-	697
Lot 444, Block 11, 8th Mile Sibu Ulu Oya Road, Seduan Land District, Sibu.	1994	Mixed zone land	Premix operation	Leasehold	37 years (2055)	2.76/ 1,265	26 years	369
Lot 353, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Premix operation	Leasehold	38 years (2056)	2.24/ 1,877	10 years	415
Lot 280, Block 11, KM11, Miri-Bintulu Road, Lambir Land District, Miri.	1994	Mixed zone land	Premix operation	Leasehold	36 years (2054)	2.15/ 650	25 years	45
Lot 212, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Office & factory	Leasehold	38 years (2056)	5.04/ 1,700	21 years	3,423
Lot 970, Block 1, Kuala Balam Land District, Miri.	2016	Industrial land	Premix operation	Leasehold	58 years (2076)	4.07/ N/A	-	2,163

Section 5: Additional Information

List of Properties

As at 31 December 2018

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 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	52 years (2070)	0.04/ 241	11 years	113
Lot 2128, Sublot 2, Kuching Town Land District, Kuching.	1998	3-storey shophouse	Office	Leasehold	42 years (2060)	0.01/ 334	20 years	305
Lot 2116, Sublot 2, Kuching Town Land District, Kuching.	2003	3-storey shophouse	Office	Leasehold	42 years (2060)	0.01/ 328	20 years	388
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	19 years (2037)	0.53/ N/A	-	55
Lot 488, Block 5, Muara Tebas Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	8 years (2026)	2.70/ N/A	-	144
Lot 220-222, Section 63, Kuching Land District, Kuching.	2007	4-storey shophouses	Office	Leasehold	779 years (2797)	0.04/ 1,560	10 years	2,897
Lot 1319, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	78 years (2096)	22.56/ N/A	-	25,128
Lot 3241-3247, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	78 years (2096)	23.67/ N/A	-	24,122
Lot 2839, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	91 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	91 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	91 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	91 years (2109)	13.03/ N/A	-	13,273
Lot 622, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	40 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	55 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	40 years (2058)	11.66/ N/A	-	14,659
Lot 9244, Block 11, Muara Tebas Land District, Kuching.	2014	Mixed zone land	Land held for development	Leasehold	53 years (2071)	7.75/ N/A	-	478
Lot 7450, 8580 & 9613, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	80 years (2098)	238.18/ N/A	-	1,858
Lot 6989 & Lot 7450, Block 14, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	82 years (2100)	7.02/ N/A	-	55
Lot 8582, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	96 years (2114)	858/ N/A	-	6,694
Lot 3712, 3989 & 6059, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	80 years (2098)	31.61/ N/A	-	227
Lot 1, Block 13, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	80 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	80 years (2098)	0.11/ 328	3 years	400
Lot 2082, Section 66, Kuching Town Land District, Kuching.	1996	Land & factory	Office & factory	Leasehold	27 years (2045)	0.85/ 3,936	35 years	2,117
Samalaju Industrial Park, Lot 117, Block 1, Kemena Land District, Bintulu.	2013	Industrial land	Vacant land	Leasehold	55 years (2073)	123.02/ N/A	-	27,054

List of Properties
As at 31 December 2018

Section 5: Additional Information

List of Properties

As at 31 December 2018

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 108 & 109, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	96 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	96 years (2114)	860.60/ N/A	-	132,564
Samalaju Industrial Park, Lot 143, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	96 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	96 years (2114)	83.40/ N/A	-	12,914
Samalaju Industrial Park, Lot 132, Block 1, Kemena Land District, Bintulu.	2014	Mixed zone land	Hotel	Leasehold	95 years (2113)	9.35/ 14,460	4 years	47,760
Lot 9764, Block 59, Muara Tuang Land District, Kota Samarahan.	-	**	Jetty	-	-	N/A	-	1,012
Parcel 42, Block 71, Kuching Central Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 1,262	26 years	0
G.N. No.100 Sebuyau, Kota Semarahan Division, Kuching.	-	**	Jetty	-	-	N/A	-	1,070
Lot 360 & Lot 361, Block 17 Kuching Central Land District, Kuching.	-	**	Temporary sheet pile storage	-	-	N/A	-	0
Lot 246, Block 5, Sentah Segu Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 994	8 years	4,711
Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu.	-	**	Quarters, office, lodge	-	-	N/A/ 49,498	8 years	1,702
Lot 2586, Block 19, Seduan Land District, Sibu.	-	**	Bulk terminal	-	-	N/A/ 6,049	8 years	7,090
Lot 3494 & Lot 3043, Block 5, Miri Concession Land District, Miri.	-	**	Bulk terminal	-	-	N/A/ 5,507	8 years	7,006
Lot 606, Block 91, SLD, JAKAR, Sarikei.	-	**	Office & factory	-	-	N/A	1 year	299

** Land owned by third party

List of Properties
As at 31 December 2018

Section 5: Additional Information

Group Directory

Group Directory

CAHYA MATA SARAWAK BERHAD (21076-T)

Head Office
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
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F +60 82 333 828
E www@hq.cmsb.com.my
W www.cmsb.com.my

KL Office
Level 33 (Suite A), Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
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F +60 3 2072 5511

CEMENT DIVISION

CMS CEMENT SDN BHD (321916-K)

CMS CEMENT INDUSTRIES SDN BHD (49256-V)

Mambong Integrated Plant
Lot 571, Block 4, Sentah Segu Land District
Jalan Mambong, Off Jalan Puncak Borneo
93810 Kuching
P. O. Box A 599
93810 Kuching
T +60 82 610 229
F +60 82 610 227
E clinker@cmsb.com.my
W www.cmsb.com.my

Pending Grinding Plant
Lot 5895, Jalan Simen Raya
Pending Industrial Estate
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93740 Kuching
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F +60 82 332 178
E cement@cmsb.com.my
W www.cmsb.com.my

Bintulu Grinding Plant
Lot 766, Block 20, Kemena Land District
Kidurong Industrial Estate
97000 Bintulu
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97007 Bintulu
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F +60 86 254 753
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W www.cmsb.com.my

Sibu Bulk Terminal
Lot 2586, Block 19 Seduan Land District
Upper Lanang Road
96000 Sibu
T +60 84 216 900 / 216 901
F +60 84 216 902
W www.cmsb.com.my

Miri Bulk Terminal
Lot 3494, Block 5, Shin Yang Wharf
Jalan Mackaya, Krokop Utama
98000 Miri
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F +60 85 434 623
W www.cmsb.com.my

CMS CONCRETE PRODUCTS SDN BHD (366884-X)

PPES CONCRETE PRODUCT SDN BHD (152276-P)

Kuching
Lot 212, Block 17, Kuching Central Land District
Jalan Old Airport
93250 Kuching
P. O. Box A 496, Kenyalang Park
93808 Kuching
T +60 82 614 436 / 618 718
F +60 82 614 406
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Bintulu & Samalaju
Lot 1240, Block 20, Kemena Land District
Kidurong Industrial Estate
97000 Bintulu
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F +60 86 253 339
E concrete@cmsb.com.my
W www.cmsb.com.my

Sarikei
Lot 607, Block 91
Sarikei Land District, Jalan Repok
96100 Sarikei
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E concrete@cmsb.com.my
W www.cmsb.com.my

CONSTRUCTION MATERIALS & TRADING DIVISION

CMS RESOURCES SDN BHD (098773-T)
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93250 Kuching
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93818 Kuching
T +60 82 610 226
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F +60 82 615 598
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CMS PENKUARI SDN BHD (027895-T)
Lot 42, Block 71, Kuching Central Land District
9½ Mile, Kuching-Serian Road
93250 Kuching
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CMS PREMIX SDN BHD (117700-W)
Lot 353, Block 17
7th Mile Penrissen Road
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98000 Miri
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CMS WIRES SDN BHD (023092-U)
Lot 87, Lorong Tenaga II
Off Jalan Tenaga, Bintawa Industrial Estate
Locked Bag 3039
93450 Kuching
T +60 82 334 772 / 484 920
F +60 82 486 085
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CMS INFRA TRADING SDN BHD (196635-M)
No 2128, Sublot 2
Jalan Utama, Pending
93450 Kuching
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93818 Kuching
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SAMALAJU DEVELOPMENT DIVISION

SAMALAJU INDUSTRIES SDN BHD (783430-V)
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93100 Kuching
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E www@hq.cmsb.com.my
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MALAYSIAN PHOSPHATE ADDITIVES (SARAWAK) SDN BHD (1012291-T)
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Jalan Sungai Sarawak
93100 Kuching
T +60 82 337 995
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CONSTRUCTION & ROAD MAINTENANCE DIVISION

CMS WORKS SDN BHD (317052-H)
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PPES WORKS (SARAWAK) SDN BHD (209892-K)
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PROPERTY DEVELOPMENT DIVISION

PROJEK BANDAR SAMARIANG SDN BHD (443828-P)

CMS PROPERTY DEVELOPMENT SDN BHD (321917-U)

CMS PROPERTY MANAGEMENT SDN BHD (326616-U)

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INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

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OTHERS

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COPE PRIVATE EQUITY SDN BHD (694013-H)
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TUNKU PUTRA SCHOOL
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OM MATERIALS (SARAWAK) SDN BHD (915304-H)

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Section 6: Annual General Meeting 2019

Administrative Guide

44th Annual General Meeting ("AGM") of Cahya Mata Sarawak Berhad

Date : Tuesday, 30 April 2019
Time : 10:00 a.m.
Venue : Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak

Parking

1. Parking is free and you are advised to park your vehicle at the Borneo Convention Centre Kuching ("BCCK") car park.

Registration

2. Registration will start at 9:00 a.m. at the foyer of Meeting Room 14 of BCCK.
3. Please read the signage to ascertain where you should register yourself for the AGM and join the queue accordingly.
4. Please produce your original National Registration Identity Card ("MyKad") or passport to the registration clerk for verification. Please make sure you collect your MyKad or passport thereafter.
5. After the verification, you are required to write your name and sign on the Attendance List placed on the registration table.
6. You will also be given a barcoded wristband. No person will be allowed to enter the meeting room (Meeting Room 14) without the barcoded wristband. There will be no replacement in the event that you lose or misplace the barcoded wristband.
7. Once you have collected you barcoded wristband and signed the Attendance List, please proceed to collect your door gift.
8. No person will be allowed to register on behalf of another person even with the original MyKad or passport of that other person.
9. The registration counter will handle only verification of identity and registration. If you have any enquiry, please proceed to the Help Desk. The Help Desk will be located next to the registration counters at the foyer of Meeting Room 14 of BCCK.

Door Gift

10. Each member or proxy who is present at the AGM will be entitled to one (1) door gift upon registration, irrespective of the number of members he/she represents.

General Meeting Record of Depositors

11. For the purpose of determining a member who shall be entitled to attend the 44th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 23 April 2019. Only a depositor whose name appears on the Record of Depositors as at 23 April 2019 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

Proxy

12. A member entitled to attend and vote is entitled to appoint a proxy, to attend and vote instead of him. If you are unable to attend the AGM and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.
13. If you wish to attend the AGM yourself, please do not submit any Form of Proxy for the AGM that you wish to attend. You will not be allowed to attend the AGM together with a proxy appointed by you.
14. If you have submitted your Form of Proxy prior to the AGM and subsequently decided to attend the AGM yourself, please proceed to the Help Desk to revoke the appointment of your proxy.
15. If you wish to submit your Form of Proxy, please ensure that the original Form of Proxy is deposited at the Registered Office of Cahya Mata Sarawak Berhad not less than forty-eight (48) hours before the time set for holding the AGM, i.e. before 10:00 a.m. on 28 April 2019 or at any adjournment thereof. The submission of Form of Proxy via facsimile transmission or email is not acceptable.

Seating Arrangement for the AGM

16. Free seating. All shareholders/proxies/corporate representatives will be allowed to enter the Meeting Room 14 from 9:00 a.m. onwards.
17. All shareholders/proxies/corporate representatives are encouraged to be seated at least ten (10) minutes before the commencement of the AGM.

Mobile Devices

18. Please ensure that all mobile devices, i.e. phones/other sound emitting devices are switched off or put on silent mode during the AGM to ensure smooth and uninterrupted proceedings.

No Smoking Policy

19. A no smoking policy is maintained inside the BCCK building. Your co-operation is much appreciated.

Surau/Prayer Room

20. The Surau is located at Ground Floor of the BCCK, behind the escalator.

Voting Procedure

21. The voting at the AGM will be conducted on a poll. Boardroom Share Registrars Sdn Bhd *(formerly known as Symphony Share Registrars Sdn Bhd)* is appointed as Poll Administrator to conduct the polling process. Malaysian Issuing House Sdn Bhd is appointed as Independent Scrutineers to verify the results of the poll.

Personal Belongings

22. Please take care of your personal belongings. The organiser will not be held responsible for any item that has gone missing.

Enquiry

23. If you have any enquiry prior to the AGM, please contact the following persons during office hours:

(a) **Cahya Mata Sarawak Berhad** (21076-T)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching, Sarawak

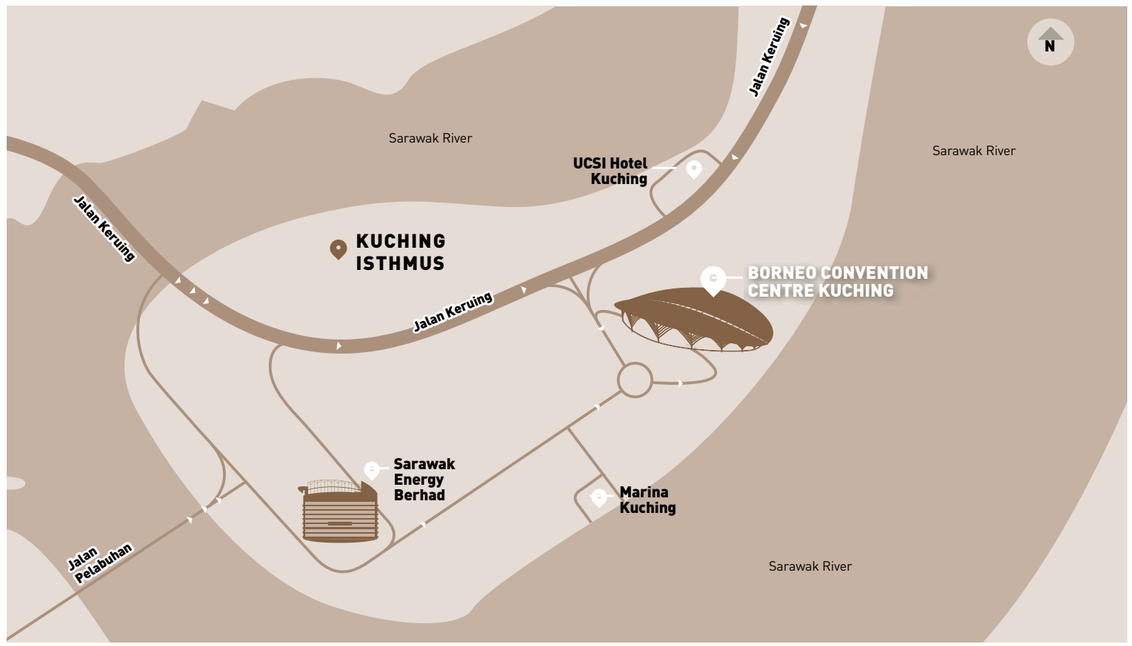
Telephone Number:		082-238 888
(1)	Ms Shirly Ann Clarke	082-257 078
(2)	Ms Denise Koo	082-235 953
Facsimile Number:		082-341 719

(b) **Boardroom Share Registrars Sdn Bhd** (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Telephone Number:		03-7849 0777
(1)	Puan Rozleen Monzali	03-7841 8279
(2)	Encik Zulkernaen Abdul Samad	03-7841 8052
Facsimile Number:		03-7841 8151

Lunch

24. Lunch will be served after the conclusion of the AGM at Concourse 1 of BCCK.



Borneo Convention Centre Kuching 1.5625, 110.405556

Section 6: Annual General Meeting

Notice of 44th Annual General Meeting

Notice of 44th Annual General Meeting

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting ("AGM") of Cahya Mata Sarawak Berhad ("CMS" or "the Company") will be held at **Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak** on **Tuesday, 30 April 2019** at **10:00 a.m.** for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.

2. To declare a first and final tax exempt (single-tier) dividend of 7.40 sen per ordinary share in respect of the financial year ended 31 December 2018. **Ordinary Resolution 1**

3. To re-elect the following Directors who retire pursuant to Article 111 of the Company's Constitution:

   a) Y Bhg Datuk Syed Ahmad Alwee Alsree **Ordinary Resolution 2**

   b) Y Bhg Datu Hubert Thian Chong Hui **Ordinary Resolution 3**

   c) Mr Chin Mui Khiong **Ordinary Resolution 4**

4. To re-elect Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf who retires pursuant to Article 113 of the Company's Constitution. **Ordinary Resolution 5**

5. To approve the payment of Directors' fees amounting to RM150,000 per annum for the Non-Executive Chairman, RM150,000 per annum for the Non-Executive Deputy Chairman and RM100,000 per annum for each of the Non-Executive Directors for the financial year ended 31 December 2018. **Ordinary Resolution 6**

6. To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM2,650,000 from the date of the forthcoming AGM to the next AGM of the Company. **Ordinary Resolution 7**

7. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions:

8. **Authority to Allot and Issue Shares Pursuant to Section 76 of the Companies Act 2016**

   "THAT subject always to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 9**

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate for RRPT")**

   "THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in the Circular to Shareholders dated 1 April 2019 ("Circular") which are necessary for the CMS Group's day-to-day operations subject to the following:

   (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of minority shareholders; and

   (b) disclosure of the aggregate value of recurrent transactions conducted pursuant to the Proposed Shareholders' Mandate for RRPT will be disclosed in the Integrated Annual Report for the said financial year AND that such approval shall continue to be in force until:

      (i) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at a general meeting, the authority is renewed;

      (ii) the expiration of the period within which the next Annual General Meeting of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

      (iii) revoked or varied by resolution passed by the shareholders in a general meeting,

      whichever is the earlier.

   AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate for RRPT.

   AND THAT the estimated value given on the recurrent related party transactions specified in Sections 2.4 and 2.5 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.8 of the Circular." **Ordinary Resolution 10**

10. **Proposed Renewal of Shareholders' Mandate in respect of the Authority for Purchase by the Company of its Own Shares ("Proposed Shareholders' Mandate for Share Buy-Back")**

    "THAT subject to Section 127 of the Companies Act 2016, provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to renew the approval granted by the shareholders of the Company at the Forty-Third Annual General Meeting of the Company held on 25 April 2018, authorising the Directors of the Company to exercise the power of the Company to purchase such amount of ordinary shares in the Company from time to time through Bursa Securities subject further to the following:

Section 6: Annual General Meeting

Notice of 44th Annual General Meeting

(a) the aggregate number of shares purchased does not exceed 10% of the total number of issued shares of the Company ("Purchased Shares") at the point of purchase;

(b) the maximum funds to be allocated by the Company for the purpose of purchasing the Purchased Shares shall not exceed the Company's audited retained profits as at 31 December 2018 amounted to RM88,304,000; and

(c) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within the next Annual General Meeting of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(iii) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever occurs first.

(d) Upon the completion of the purchase(s) of the Purchased Shares, the Directors of the Company be and are hereby authorised to deal with the Purchased Shares in the following manner:

(i) to cancel the Purchased Shares so purchased; or

(ii) to retain the Purchased Shares so purchased as treasury shares for distribution as dividend to the shareholders, resell in accordance with the relevant rules of Bursa Securities, transfer for the purposes of or under an employees' share scheme, transfer as purchase consideration, cancel the shares and/or sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; or

(iii) to retain part of the Purchased Shares so purchased as treasury shares and cancel the remainder; or

(iv) to deal in such other manner as Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary to implement, finalise and give full effect to the Proposed Shareholders' Mandate for Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with fullest power to do all such acts and things thereafter as the Directors may deem fit and expedient in the best interest of the Company.

Ordinary Resolution 11

Notice of 44th Annual General Meeting

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to attend, speak and vote at the 44th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77(2) of the Company's Constitution to issue a General Meeting Record of Depositors ("ROD") as at 23 April 2019. Only a Depositor whose name appears in the Register of Members/ROD as at 23 April 2019 shall be entitled to attend the said meeting or appoint proxy/proxies to attend, speak and vote on his/her behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders at the 44th AGM of the Company to be held on 30 April 2019 for the payment of the first and final dividend under single-tier system in respect of the financial year ended 31 December 2018 ("Dividend") under Ordinary Resolution 1, the Dividend will be paid on 24 May 2019 to Depositors whose names appear in the ROD on 15 May 2019.

Depositors shall be only entitled to the Dividend in respect of:

(a) securities transferred into the Depositor's Securities Account before 4:00 p.m. on 15 May 2019 for ordinary transfers; and

(b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

DENISE KOO SWEE PHENG
Group Company Secretary

Kuching, Sarawak
1 April 2019

Notes:

1. **Audited Financial Statements for financial year ended 31 December 2018**

   Agenda 1 is for discussion at the meeting and no voting is required.

2. **First and final tax exempt (single-tier) dividend**

   Pursuant to Section 131 of the Companies Act 2016 ("Act"), a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 26 February 2019, the Board had considered the amount of dividend and recommended the same for the shareholders' approval.

   The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 24 May 2019 in accordance with the requirements under Section 132(2) and (3) of the Act.

3. **Re-election of Directors who retire by rotation in accordance with Article 111**

   Article 111 of the Company's Constitution provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. Pursuant to Paragraph 7.26(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Main Market Listing Requirements"), all the Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. Y Bhg Datuk Syed Ahmad Alwee Alsree, Y Bhg Datu Hubert Thian Chong Hui and Mr Chin Mui Khiong are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election. Details of the assessment of the directors standing for re-election are on pages 119 to 120 of the Corporate Governance Overview Statement in this Integrated Annual Report 2018.

Section 6: Annual General Meeting 2019

Notice of 44th Annual General Meeting

Notice of 44th Annual General Meeting

4. Re-election of Director who retires in accordance with Article 113

Article 113 of the Company's Constitution provides that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed by the Company's Constitution. Any Director so appointed shall hold office until the next AGM of the Company and when he shall retire, he shall be eligible for re-election. Y Bhg Tan Sri Abdul Rashid bin Abdul Manaf who was appointed as a Director of the Company on 1 October 2018 is standing for re-election as a Director of the Company in accordance with Article 113 of the Company's Constitution and being eligible has offered himself for re-election. Details of the assessment of the director standing for re-election are on page 120 of the Corporate Governance Overview Statement in this Integrated Annual Report 2018.

5. Directors' Remuneration

Section 230(1) of the Act provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this regard, the Board has proposed to seek shareholders' approval for Directors' remuneration in two (2) separate resolutions as follows:

- Ordinary Resolution 6 on payment of Directors' fees for the year ended 31 December 2018
- Ordinary Resolution 7 on payment of Directors' remuneration (excluding Directors' fees) from the date of the forthcoming AGM to the next AGM of the Company

The Directors' remuneration (excluding Directors' fees) comprises the allowances and other emoluments payable to the Non-Executive Chairman, Deputy Chairman, members of the Board, Board Committees and subsidiaries of CMS. The current Non-Executive Director ("NED")s' remuneration policy is as set out below:

Cahya Mata Sarawak Berhad ("CMS")

Description	Chairman	Deputy Chairman	NED who is Chairman of subsidiary company
Monthly Fixed Allowance	RM50,000	RM40,000	Nil
Other Benefits	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol

Board Committee Fees	Chairman	NED/Member
Group Audit Committee	RM24,000	RM16,000
Nomination and Remuneration Committee	RM16,000	RM12,000
Group Risk Committee	RM16,000	RM12,000

Type of Meeting Allowance (per meeting)	Chairman	NED/Member
Board of CMS	RM2,000	RM2,000
General meeting of CMS	RM2,000	RM2,000
Board Committee	RM2,000	RM2,000
Board of Subsidiary	RM3,000	RM2,000

Directors' fees are paid in arrears on a monthly basis to directors of subsidiary companies of CMS.

The Executive Director is not entitled to Directors' fees or meetings allowances for Board and Board Committee meetings that he attends and is a member of. The Executive Director who is appointed as nominated representative on the Boards of subsidiary companies is also not entitled to Directors' fees and/or meetings allowances paid to the Boards of subsidiary companies. However, he is entitled to Directors' fees and/or meetings allowances paid to the Boards of listed and/or selected unlisted associate companies of the Group in view of his duties, responsibilities and time commitment on them.

The current Directors' fee policy for subsidiary companies in the Group is set out in the table below:

Subsidiary Company Directors' fee (per annum)	Chairman	NED/Member
Subsidiary company which achieves an annual turnover of RM90 million and over	RM18,000	RM12,000

The estimated total amount of remuneration (excluding Directors' fees) for the NEDs is based on number of meetings of the Board, Board Committees, subsidiary Boards as well as the number of NEDs involved in these meetings and also includes gratuity to the former Group Chairman, Y A M Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail who stepped down from the Board on 9 May 2018. The estimated amount is derived for the period from the forthcoming AGM up to April 2020 where the next AGM is provisionally scheduled. Payment of the said remuneration (excluding Directors' fees) is made by CMS or its subsidiaries on a monthly basis and/or as and when incurred subject to Ordinary Resolution 7 being passed by shareholders at the 44th AGM. The Board's view is that it is equitable for the NEDs to be paid Directors' remuneration (excluding Directors' fees) after they have rendered their services to the Company and/or its subsidiaries and discharged their duties and responsibilities.

6. Re-appointment of Auditors

The Board at its meeting held on 13 March 2019 approved the recommendation by the Group Audit Committee on the re-appointment of Messrs Ernst & Young ("EY") as Auditors of the Company. The Board and Group Audit Committee had considered and collectively agreed that EY has met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements.

7. Abstention from Voting

All the NEDs who are shareholders of the Company will abstain from voting on Ordinary Resolution 6 and Ordinary Resolution 7 concerning Directors' fees and Directors' remuneration (excluding Directors' fees) at the 44th AGM. Any Director referred to in Ordinary Resolutions 2, 3, 4 and 5 who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election as a Director at the 44th AGM.

8. Renewal of Authority to Allot and Issue Shares Pursuant to Section 76 of the Companies Act 2016

The proposed Ordinary Resolution 9, if passed, will give a renewed mandate to the Directors of the Company, pursuant to Section 76 of the Companies Act 2016 ("Renewed Mandate") for such purposes as the Directors may deem fit and in the interest of the Company. The Renewed Mandate, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next AGM of the Company.

As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the 43rd AGM held on 25 April 2018 and the said mandate will lapse at the conclusion of the forthcoming 44th AGM.

The Company is seeking the approval from the shareholders on the Renewed Mandate for the purpose of a possible fund raising exercise including but not limited to placement of shares for the purpose of funding future investment project(s), working capital and/or acquisitions and to avoid any delay and cost in convening general meetings to specifically approve such an issue of shares.

9. Proposed Shareholders' Mandate for RRPT

The proposed Ordinary Resolution 10, if passed, will allow the CMS Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements. The authority under this resolution will expire at the conclusion of the next AGM or the expiry of the period within which the next AGM is required by law to be held, or the same is revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever occurs first. Further information on the Proposed Shareholders' Mandate for RRPT is set out in the Circular to Shareholders dated 1 April 2019 which is dispatched together with this Company's Integrated Annual Report 2018.

Section 6: Annual General Meeting

Notice of 44th Annual General Meeting

10. Proposed Shareholders' Mandate for Share Buy-Back

The proposed Ordinary Resolution 11, if passed, will empower the Directors of the Company to purchase the Company's shares of an aggregate amount of up to 10% of the total number of issued shares of the Company for the time being. The authority under this resolution will expire at the conclusion of the next AGM or the expiry of the period within which the next AGM is required by law to be held, or the same is revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever occurs first. The Proposed Shareholders' Mandate for Share Buy-Back is set out in the Statement Accompanying Notice of AGM which is dispatched together with this Company's Integrated Annual Report 2018.

11. Proxy and Entitlement of Attendance

i. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to vote in his stead. If the proxy is not a member, he shall be any person and there shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

ii. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint a proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

iii. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

iv. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

v. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof. The instrument appointing a proxy via facsimile transmission or email is not acceptable.

vi. Only members whose names appear in the Record of Depositors as at 23 April 2019 shall be entitled to attend and vote at the meeting.

12. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements, all the Resolutions set out in this Notice will be put to vote by poll.

13. Publication of AGM Notice on the Company's Website

Pursuant to Section 320 of the Companies Act 2016, the Notice of the Company's 44th AGM is also available on the Company's website www.cmsb.com.my throughout the period beginning from the date of notice until the conclusion of the 44th AGM.

Section 6: Annual General Meeting

Statement Accompanying Notice of 44th Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

A. The profiles of the Directors who are standing for re-election as per Agenda 3 and Agenda 4 of the Notice of 44th Annual General Meeting ("AGM") are stated on pages 100 to 103 of this Integrated Annual Report.

B. The profiles of the Directors are stated on pages 100 to 103 of this Integrated Annual Report. Their shareholdings in the Company and subsidiary company are set out on page 96.

C. Details on the authority to allot and issue shares in the Company pursuant to Section 76 of the Companies Act 2016 are set out in Note 8 of the Notice of 44th AGM on page 157 of this Integrated Annual Report.

Section 6: Annual General Meeting 2019

Statement Accompanying Notice of 44th Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Statement Accompanying Notice of 44th Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Share Buy-Back Statement

1. IMPORTANCE

If you are in any doubt as to the course of action to be taken, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other Professional Adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance as it is an exempt Statement. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

2.1 Introduction

At the Forty-Third Annual General Meeting ("AGM") held on 25 April 2018, Cahya Mata Sarawak Berhad ("CMS" or "the Company") obtained shareholders' approval for the purchase of up to a maximum of ten percent (10%) of the total number of issued shares of the Company on Bursa Securities.

This authority conferred by the shareholders will expire at the conclusion of the forthcoming Forty-Fourth AGM of the Company.

On 26 February 2019, the Board of Directors of CMS ("Board") announced to Bursa Securities that CMS proposed to seek shareholders' approval for the renewal of the Shareholders' Mandate at the forthcoming Forty-Fourth AGM to allow the Directors to exercise the power of the Company to purchase its own Shares (referred to the Ordinary Shares of CMS "Share(s)" or "CMS Shares") of up to a maximum of ten percent (10%) of the total number of issued shares of CMS at any point of time through Bursa Securities ("Proposed Shareholders' Mandate for Share Buy-Back" or "Proposed Share Buy-Back").

The purpose of this statement is to provide you with information on the Proposed Share Buy-Back, and to seek your approvals for the ordinary resolution to be tabled under special businesses at the forthcoming Forty-Fourth AGM of the Company.

The Proposed Shareholders' Mandate for Share Buy-Back will take effect immediately after the passing of the ordinary resolution at the forthcoming Forty-Fourth AGM and will continue in force until:-

(a) the conclusion of the next AGM of the Company;

(b) the expiration of the period within the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Malaysian Companies Act 2016 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

(c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever occurs first.

The Shareholders' Mandate for Share Buy-Back, if obtained, would give authority to the Directors to exercise the power of the Company to purchase its own Shares in circumstances which the Directors consider would be in the interest of the Company.

2.2 The maximum number or percentage of share to be acquired

The Board proposes to seek a mandate from the shareholders of CMS to purchase and/or hold in aggregate up to ten percent (10%) of the total number of issued shares of the Company at any point of time through Bursa Securities.

2.3 Funding

The Board proposes to allocate a maximum amount not exceeding the audited retained profits of CMS for the purchase of its own Shares. As at 31 December 2018, the audited retained profits of the Company amounted to RM88,304,000. As at 28 February 2019, the unaudited retained profits of the Company amounted to RM86,637,000.

The funding of the Proposed Share Buy-Back will be sourced from internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of purchase consideration as well as the availability of internally generated funds and borrowings and repayment capabilities of the Company at the time of purchase. In the event that the Proposed Share Buy-Back is to be partly financed by bank borrowings, the Board will ensure that the Company will have sufficient funds to repay such borrowing and that the repayment would not have any material effect on the cash flow of CMS and its subsidiaries companies, collectively ("CMS Group" or "the Group").

3. SHAREHOLDINGS OF DIRECTORS AND MAJOR/SUBSTANTIAL SHAREHOLDERS AND PERSON CONNECTED WITH THE DIRECTORS AND MAJOR SHAREHOLDERS

Based on the Record of Depositors as at 1 March 2019 being the latest practicable date prior to printing of this Statement ("LPD") and assuming that CMS purchases shares of up to ten percent (10%) of its total number of issued shares and that the Purchased Shares are from public shareholders, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Major/Substantial Shareholders and persons connected with the Directors and/or Major Shareholders are as follows:-

	No. of CMS Shares held							
	As at LPD				After Proposed Shareholders' Mandate for Share Buy-Back assuming 10% of the ordinary share capital are bought back and cancelled			
Directors	Direct	%(i)	Indirect	%(i)	Direct	%(ii)	Indirect	%(ii)
Dato Sri Mahmud Abu Bekir Taib	11,428,155	1.06	4,480,000(2)	0.42	11,428,155	1.18	4,480,000(2)	0.46
Datuk Syed Ahmad Alwee Alsree	1,000,000	0.09	137,555,806(2)	12.81	1,000,000	0.10	137,555,806(2)	14.23
Datuk Seri Yam Kong Choy	60,000	0.01	-	-	60,000	0.01	-	-
Chin Mui Khiong	60,000	0.01	-	-	60,000	0.01	-	-
Umang Nangku Jabu	200,000	0.02	-	-	200,000	0.02	-	-

Section 6: Annual General Meeting 2019

Statement Accompanying Notice of 44th Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

	No. of CMS Shares held							
	As at LPD				After Proposed Shareholders' Mandate for Share Buy-Back assuming 10% of the ordinary share capital are bought back and cancelled			
Major/Substantial Shareholders	**Direct**	**%[i]**	**Indirect**	**%[i]**	**Direct**	**%[ii]**	**Indirect**	**%[ii]**
YB Dato Hajjah Hanifah Hajar Taib-Alsree	2,780,500	0.26	135,775,306[1]	12.64	2,780,500	0.29	135,775,306[1]	14.04
Datuk Syed Ahmad Alwee Alsree	1,000,000	0.09	137,555,806[2]	12.81	1,000,000	0.10	137,555,806[2]	14.23
Majaharta Sdn Bhd	134,775,306	12.55	-	-	134,775,306	13.94	-	-
Jamilah Hamidah Taib	-	-	134,775,306[1]	12.55	-	-	134,775,306[1]	13.94
Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased)	111,000,000	10.33	-	-	111,000,000	11.48	-	-
Dato Sri Sulaiman Abdul Rahman Taib	108,027,755	10.06	-	-	108,027,755	11.17	-	-
Sarawak Economic Development Corporation	60,896,080	5.67	-	-	60,896,080	6.30	-	-
Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board	124,053,727	11.55	-	-	124,053,727	12.83	-	-
Lembaga Tabung Haji	103,830,800	9.67	-	-	103,830,800	10.74	-	-
Person Connected with Directors and/or Major Shareholders								
Mohamed Zaid bin Mohamed Zaini	40,000	0.00[#]	-	-	40,000	0.00[#]	-	-

Notes:

[1] Deemed interested pursuant to Section 8(4) of the Act.
[2] Deemed interested pursuant to Section 59(11)(c) of the Act.
[#] Negligible.
[i] Based on the Record of Depositors as at 1 March 2019, the number of issued shares stood at 1,074,195,320 Shares (excluding 180,400 Treasury Shares held by the Company as at LPD).
[ii] Based on the number of issued shares of 966,938,148 Shares, assuming the Company purchases the maximum 107,437,572 Shares, representing ten per centum (10%) of its total number of issued shares of 1,074,375,720 Shares.

Statement Accompanying Notice of 44th Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

4.1 Potential Advantages

The Proposed Share Buy-Back will enable the Company to utilise its surplus financial resources not immediately required for use, to purchase its own Shares. The Proposed Share Buy-Back may enhance the Earnings Per Share ("EPS") and reduce the liquidity level of the Shares of the Company in Bursa Securities, which generally shall have a positive impact on the market price of the Shares of the Company. Other potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

(a) to allow the Company to take preventive measures against speculation particularly when its Share are undervalued which would in turn stabilize the market price of the Shares and hence, enhance investors' confidence;

(b) when the Shares bought back by the Company are cancelled, shareholders of the Company are likely to enjoy an increase in the value of their investment in the Company as the net EPS of the Company and the Group will increase proportionately; and

(c) the Purchased Shares may be held as Treasury Shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain in the Purchased Shares are resold at price(s) higher than their purchase price(s).

4.2 Potential Disadvantages

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

(a) the Proposed Share Buy-Back will reduce the immediate financial resources of the Group;

(b) the Proposed Share Buy-Back will reduce the amount of financial resources available for distribution to shareholders of the Company in the form of cash dividends;

(c) CMS Group foregoing other better investment opportunities which may emerge in the future and/or any income that may be derived from other alternatives uses of such funds as deposit in interest bearing instruments; and

(d) The cash flow of the Company may be affected if the Company decides to utilise bank borrowing to finance the Proposed Share Buy-Back.

Nevertheless, the Board is of the view that the Proposed Share Buy-Back is not expected to have any potential material disadvantages to the shareholders of the Company as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company.

5. FINANCIAL EFFECTS

Based on the assumption that the Proposed Shareholders' Mandate for Share Buy-Back is carried out in full, the effect of the Proposed Share Buy-Back on the share capital, dividend, Net Assets ("NA"), EPS and working capital of CMS are as set out below:-

(a) Share capital

Based on the total number of issued shares of CMS as at LPD of 1,074,375,720 CMS Shares, a maximum of 107,437,572 CMS Shares may be purchased and cancelled pursuant to the Proposed Share Buy-Back.

The Proposed Shareholders' Mandate for Share Buy-Back will not have any effect on the total number of issued share of the Company if all the Shares purchased are retained as Treasury Shares.

Statement Accompanying Notice of 44th Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

The effect of the Proposed Shareholders' Mandate for Share Buy-Back on the total number of issued share of the Company if all the Shares Purchased are cancelled is outlined below:-

	No. of CMS Shares
Existing total number of issued shares as at LPD	**1,074,375,720**
Purchased and held as treasury shares as at LPD	**762,400**
If maximum number of shares are purchased pursuant to the Proposed Share Buy-Back	**(107,437,572)**
Total number of issued share, if 107,437,572 Treasury Shares are cancelled	**966,938,148**

(b) Dividends

Assuming the Proposed Shareholders' Mandate for Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of CMS as a result of the reduction in the issued and paid-up share capital of CMS as described under Section 5 (a) of this Statement.

(c) NA Per Share and EPS

The NA per share of the Company may be increased or decreased, depending on the purchase prices of the Shares to be bought back by the Company. Should the purchase prices exceed the existing NA per share, the NA of the remaining Shares should decrease accordingly. And conversely, should the purchase price be lower than the existing NA per share unit, the resultant NA per share should increase accordingly. The effective reduction in the issued and paid-up share capital of the Company pursuant to the Proposed Share Buy-Back would generally, all else being equal, increase the consolidated EPS of the Company. However, the Proposed Share Buy-Back, if exercised, is not expected to have any material effect on the NA per share and EPS of the Company for the financial year ending 31 December 2019.

(d) Working Capital

The Proposed Share Buy-Back, as and when implemented will reduce the working capital and cash flow of the Group, the quantum being dependent on the number of Purchased Shares, the purchase price of CMS Ordinary Shares and the amount of financial resources to be utilized for the purchase of CMS Ordinary Shares. However, it is not expected to have a material effect on the working capital and cash flow of the Group.

For Purchased Shares which are retained as treasury shares or transfer, upon its resale or transfer, the working capital and cash flow of the Company will increase. Again, the quantum of the increase in the working capital and cash flow will depend on the actual selling price of the Treasury Shares and the number of Treasury Shares resold or transferred.

6. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010, AS AMENDED FROM TIME TO TIME AND ANY RE-ENACTMENT THEREOF ("CODE")

Based on the Company's issued and paid-up share capital and the shareholdings of the substantial shareholders of the Company as at LPD, the Proposed Share Buy-Back is not expected to trigger any obligation by the substantial shareholders of the Company and/or parties acting in concert with them to undertake a mandatory offer under the Code. The effect on the shareholdings of the substantial shareholders of the Company after the implementation of the Proposed Share Buy-Back is shown in Section 5 of this Statement.

Statement Accompanying Notice of 44th Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

7. PURCHASE AND RESALE OF ITS OWN SHARES IN THE PRECEDING TWELVE (12) MONTHS

The following are details of the purchases by CMS of its own Shares in the preceding twelve (12) months prior to the LPD:-

Date of Purchase	No of Shares Purchased (RM)	Lowest Purchase Price (RM)	Highest Purchase Price (RM)	Average Purchase Price (RM)	* Purchase Consideration (RM)
23.05.2018	12,000	1.99	1.99	1.990	24,063.48
24.05.2018	220,000	2.01	2.04	2.025	448,512.34
25.05.2018	160,000	2.05	2.18	2.115	342,392.82
28.05.2018	90,000	2.26	2.29	2.275	205,515.39
30.05.2018	187,700	2.15	2.34	2.245	424,412.92
31.05.2018	110,000	2.28	2.38	2.330	254,787.05
01.06.2018	70,000	2.31	2.35	2.330	164,454.68
04.06.2018	130,000	2.33	2.40	2.365	310,761.89
05.06.2018	160,000	2.38	2.50	2.440	387,713.00
12.06.2018	151,500	2.67	2.80	2.735	416,977.79
13.06.2018	105,000	2.77	2.78	2.775	292,620.82
18.06.2018	240,000	2.50	2.70	2.600	622,245.20
19.06.2018	110,000	2.27	2.50	2.385	255,519.29
20.06.2018	124,000	2.38	2.49	2.435	308,122.73
21.06.2018	91,000	2.36	2.46	2.410	217,183.39
22.06.2018	140,000	2.40	2.42	2.410	339,883.47
25.06.2018	145,000	2.37	2.44	2.405	347,090.58
26.06.2018	150,000	2.38	2.40	2.390	360,173.51
27.06.2018	130,000	2.37	2.41	2.390	311,061.88
28.06.2018	130,000	2.37	2.40	2.385	311,232.74
29.06.2018	122,000	2.31	2.41	2.360	288,859.61
02.07.2018	130,000	2.35	2.38	2.365	308,955.45
03.07.2018	138,300	2.36	2.45	2.405	334,575.16
04.07.2018	130,000	2.42	2.49	2.455	318,223.73
05.07.2018	125,000	2.41	2.44	2.425	304,300.23
06.07.2018	150,000	2.39	2.43	2.410	363,293.27
09.07.2018	150,000	2.37	2.39	2.380	358,779.93
10.07.2018	130,000	2.37	2.41	2.390	313,236.13
11.07.2018	150,000	2.35	2.40	2.375	360,029.04
12.07.2018	120,000	2.36	2.44	2.400	292,053.15
13.07.2018	110,300	2.42	2.70	2.560	290,681.91
16.07.2018	130,000	2.68	2.74	2.710	353,997.80
17.07.2018	100,000	2.71	2.75	2.730	274,763.08
18.07.2018	119,000	2.74	2.91	2.825	338,963.66
19.07.2018	172,000	2.84	2.92	2.880	497,215.40
20.07.2018	157,100	2.84	2.88	2.860	451,549.84
23.07.2018	150,000	2.87	2.93	2.900	438,053.17
25.07.2018	120,000	3.18	3.19	3.185	383,761.19
26.07.2018	205,000	3.03	3.19	3.110	643,957.17

Section 6: Annual General Meeting 2019

Statement Accompanying Notice of 44th Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

Date of Purchase	No of Shares Purchased (RM)	Lowest Purchase Price (RM)	Highest Purchase Price (RM)	Average Purchase Price (RM)	* Purchase Consideration (RM)
27.07.2018	142,200	3.05	3.14	3.095	444,146.79
30.07.2018	122,600	3.10	3.21	3.155	389,355.75
31.07.2018	130,000	3.10	3.19	3.145	408,819.72
02.08.2018	150,000	3.19	3.24	3.215	484,994.06
03.08.2018	100,000	3.10	3.23	3.165	321,185.77
06.08.2018	100,000	3.18	3.20	3.190	320,553.69
07.08.2018	100,000	3.16	3.21	3.185	320,929.94
08.08.2018	100,000	3.16	3.19	3.175	318,286.24
06.09.2018	20,000	3.20	3.20	3.200	64,467.20
12.09.2018	116,000	3.09	3.17	3.130	364,045.23
13.09.2018	100,000	3.09	3.19	3.140	318,883.21
14.09.2018	100,000	3.15	3.20	3.175	318,896.24
18.09.2018	124,700	3.12	3.20	3.160	396,368.10
27.02.2019	406,400	3.04	3.07	3.055	1,249,714.51
28.02.2019	175,600	3.06	3.16	3.110	552,099.84
Total	7,252,400				19,532,720.18

* Note : The Purchase Consideration is including transaction costs.

The cumulative number of Shares held as Treasury Shares as at 1 March 2019, being the LPD prior to the printing of this Statement was 762,400 Shares.

The following Treasury Shares were resold in the preceding twelve (12) months prior to the LPD:-

Date of Resale	No of Shares Sold (RM)	Lowest Selling Price (RM)	Highest Selling Price (RM)	Average Selling Price (RM)	Total Consideration Received (RM)
17.07.2018	1,300,000	2.70	2.75	2.725	3,508,353.66
18.07.2018	330,000	2.70	2.72	2.710	891,184.98
19.07.2018	110,000	2.87	2.87	2.870	314,458.19
20.07.2018	124,000	2.81	2.83	2.820	347,490.57
25.07.2018	376,000	3.23	3.23	3.230	1,210,272.21
11.01.2019	1,000,000	3.20	3.26	3.230	3,211,516.24
22.01.2019	1,250,000	3.16	3.19	3.175	3,956,453.81
13.02.2019	2,000,000	3.01	3.01	3.010	6,000,740.00
Total	6,490,000				19,440,469.66

Statement Accompanying Notice of 44th Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

8. PRICING

(a) CMS shall purchase its own Shares or resell its Treasury shares (if applicable) only on the market of Bursa Securities. The price for the purchase shall not be more than fifteen percent (15%) above the weighted average market price of CMS Shares for the five (5) market days immediately preceding the date of purchase.

(b) If the Purchased Shares are subsequently resold on Bursa Securities, the price for the resale or transfer of Treasury Shares shall:-

(i) not be less than the weighted average market price for CMS Shares for five (5) market days immediately prior to the resale or transfer; or

(ii) not be more than 5% to the weighted average market price for CMS Shares for five (5) market days immediately prior to the resale or transfer provided that:-

(aa) the resale or transfer takes place no earlier than thirty (30) days from the date of the purchase; and

(bb) the resale or transfer price is not less than the cost of purchase of the Purchased Shares being resold or transferred.

9. SHARE PRICES

The following table sets out the monthly highest and lowest transacted prices of the Company's Shares on Bursa Securities for the last twelve (12) months from March 2018 to February 2019:-

Year		Highest RM	Lowest RM
2018 -	March	4.31	3.85
	April	4.40	3.50
	May	4.20	1.74
	June	2.97	2.26
	July	3.32	2.32
	August	3.60	3.08
	September	3.50	2.92
	October	3.00	2.52
	November	3.50	2.83
	December	3.49	2.68
2019 -	January	3.30	2.66
	February	3.22	2.96

(source: investing.com)

The last transacted price per share unit of the Company on 1 March 2019 being the LPD prior to the printing of this Statement, was RM3.15.

Section 6: Annual General Meeting 2019

Statement Accompanying Notice of 44th Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

10. TREATMENT OF SHARES PURCHASED

In accordance with Section 127 of the Act, the Company would be able to deal with any CMS Ordinary Shares so purchased by the Company in the following manner:-

(i) to cancel the Purchased Shares so purchased; or
(ii) to retain the Purchased Shares so purchased as Treasury Shares for distribution as dividend to the shareholders, resell in accordance with the relevant rules of the Bursa Securities, transfer for the purposes of or under an employees' share scheme, transfer as purchase consideration, cancel the shares and/or sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; or
(iii) to retain part of the Purchased Shares so purchased as treasury shares and cancel the remainder; or
(iv) to deal in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

The decision whether to retain the Purchased Shares as treasury shares, or to cancel the Purchased Shares or a combination of both, will be made by the Board at the appropriate time.

11. PUBLIC SHAREHOLDING SPREAD

The Proposed Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread as required under paragraph 8.02 (1) of the Listing Requirements.

As at LPD, the public shareholding spread of the Company was 59.28%. The Board will ensure that the Company complies with the minimum public spread of 25% in implementing the Proposed Share Buy-Back.

12. DIRECTORS' RECOMMENDATION

The Board of Directors, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and therefore recommends for the shareholders to vote in favour of the Ordinary Resolution No. 11 on the Proposed Shareholders' Mandate for Share Buy-Back at the forthcoming Forty-Fourth AGM of the Company.

13. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors of the Company and they collectively and individually accept full responsibility for the accuracy and correctness of the information contained in this Statement and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make this Statement misleading.

14. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak, during the normal office hours from Mondays to Fridays (except public holidays) from the date of this Statement to the time set for the convening of the Forty-Fourth AGM:-

(i) Constitution of the Company; and

(ii) Statutory financial statements of the Company for the past two (2) financial years ended 31 December 2017 and 31 December 2018.

This Statement is dated 1 April 2019.

FORM OF PROXY

CAHYA MATA SARAWAK
CAHYA MATA SARAWAK BERHAD
(Company No. 21076-T)
(Incorporated in Malaysia)

NUMBER OF SHARES HELD:
CDS Account No.:

I/We (full name) _____ NRIC/Co. No. _____
of (full address) _____
being a member/members of Cahya Mata Sarawak Berhad ("the Company") hereby appoint (full name & NRIC No.) _____
_____
of (full address) _____
or, failing him, the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the 44th Annual General Meeting of the Company to be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Tuesday, 30 April 2019 at 10:00 a.m. and at any adjournment thereof and to vote as indicated below:

No.	Ordinary Resolutions	For	Against
1.	Declaration of first and final tax exempt (single-tier) dividend		
2.	Re-election of Y Bhg Datuk Syed Ahmad Alwee Alsree as Director		
3.	Re-election of Y Bhg Datu Hubert Thian Chong Hui as Director		
4.	Re-election of Mr Chin Mui Khiong as Director		
5.	Re-election of Y Bhg Tan Sri Abdul Rashid bin Abdul Manaf as Director		
6.	Approval of Payment of Directors' fees 2018		
7.	Approval of Payment of Directors' remuneration (excluding Directors' fees)		
8.	Re-appointment of Messrs Ernst & Young as Auditors		
9.	Authority to Directors to allot and issue shares		
10.	Proposed Shareholders' Mandate for RRPT		
11.	Proposed Shareholders' Mandate for Share Buy-Back		

Date: ..... 2019 Signature: .....

NOTES:
PROXY AND/OR AUTHORISED REPRESENTATIVES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to vote in his stead. If the proxy is not a member, he shall be any person and there shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint a proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the meeting or at any adjournment thereof. The instrument appointing a proxy via facsimile transmission or email is not acceptable.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in the Notice will be put to vote by poll.

MEMBERS ENTITLED TO ATTEND
For the purpose of determining a member who shall be entitled to attend the 44th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77(2) of the Company's Constitution to issue a General Meeting Record of Depositors ("ROD") as at 23 April 2019. Only a depositor whose name appears in the Register of Members/ROD as at 23 April 2019 shall be entitled to attend the said meeting or appoint proxy/proxies to attend, speak and vote on his/her behalf.

FOLDING LINE

STAMP

The Company Secretary
CAHYA MATA SARAWAK BERHAD (21076-T)
Level 6 Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Sarawak
Malaysia

FOLDING LINE

www.cmsb.com.my



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