



CAHYA MATA SARAWAK



**CAHYA MATA SARAWAK**

**Welcome to  
Cahaya Mata Sarawak Berhad's  
39<sup>th</sup> Annual General Meeting**





**CAHYA MATA SARAWAK**

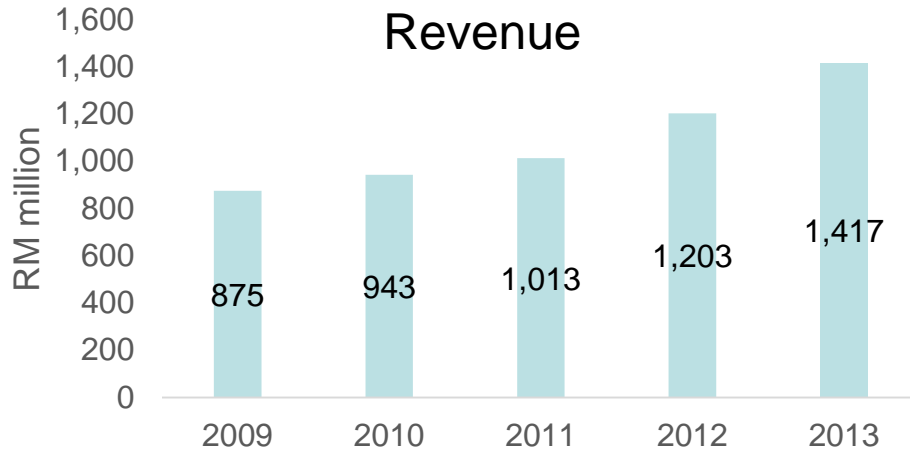
# **CAHYA MATA SARAWAK BERHAD'S 39<sup>th</sup> ANNUAL GENERAL MEETING**

## **GROUP MANAGING DIRECTOR'S PRESENTATION Dato' Richard Curtis**

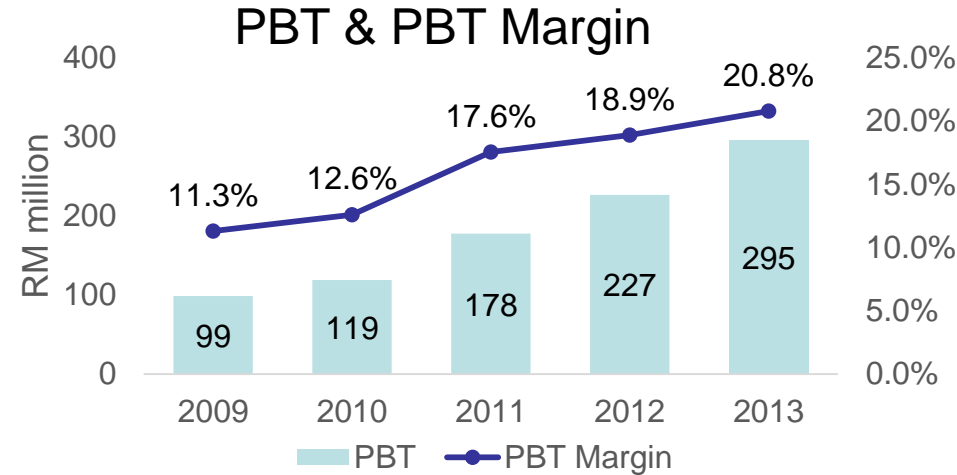


**GROUP PERFORMANCE SNAPSHOT 2013**

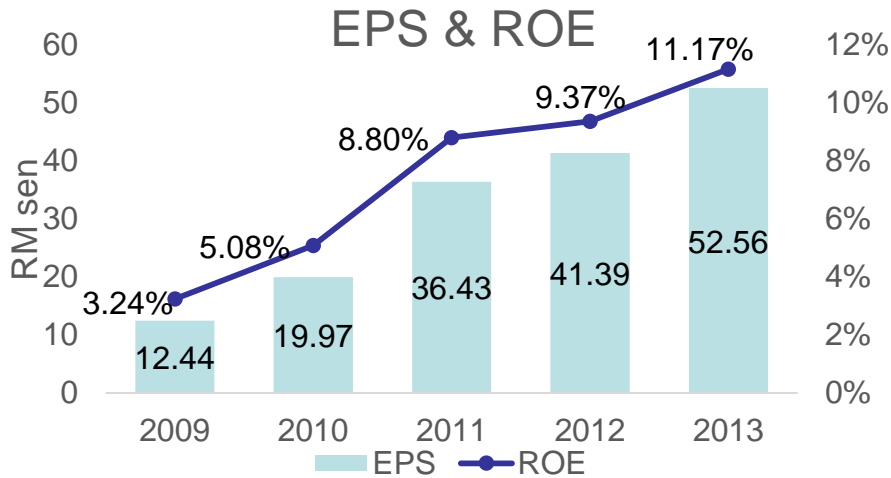
# Group Key Financials 2009 to 2013



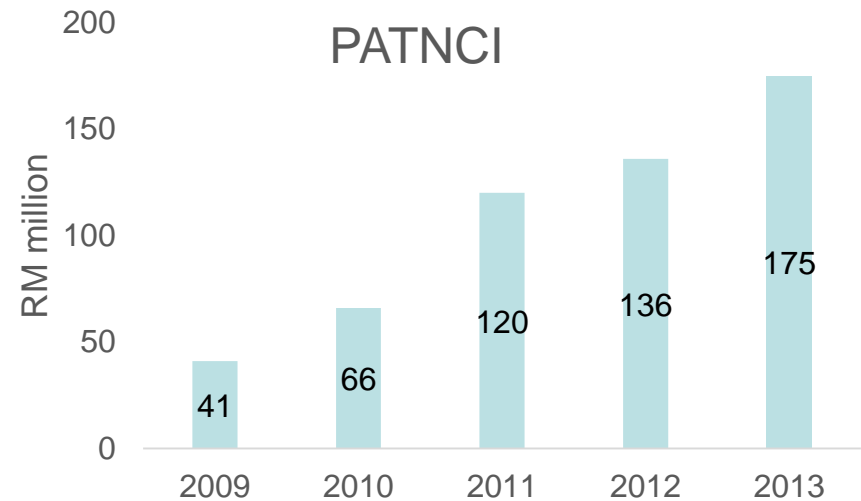
**Revenue '09 - '13 CAGR = 12.8%**



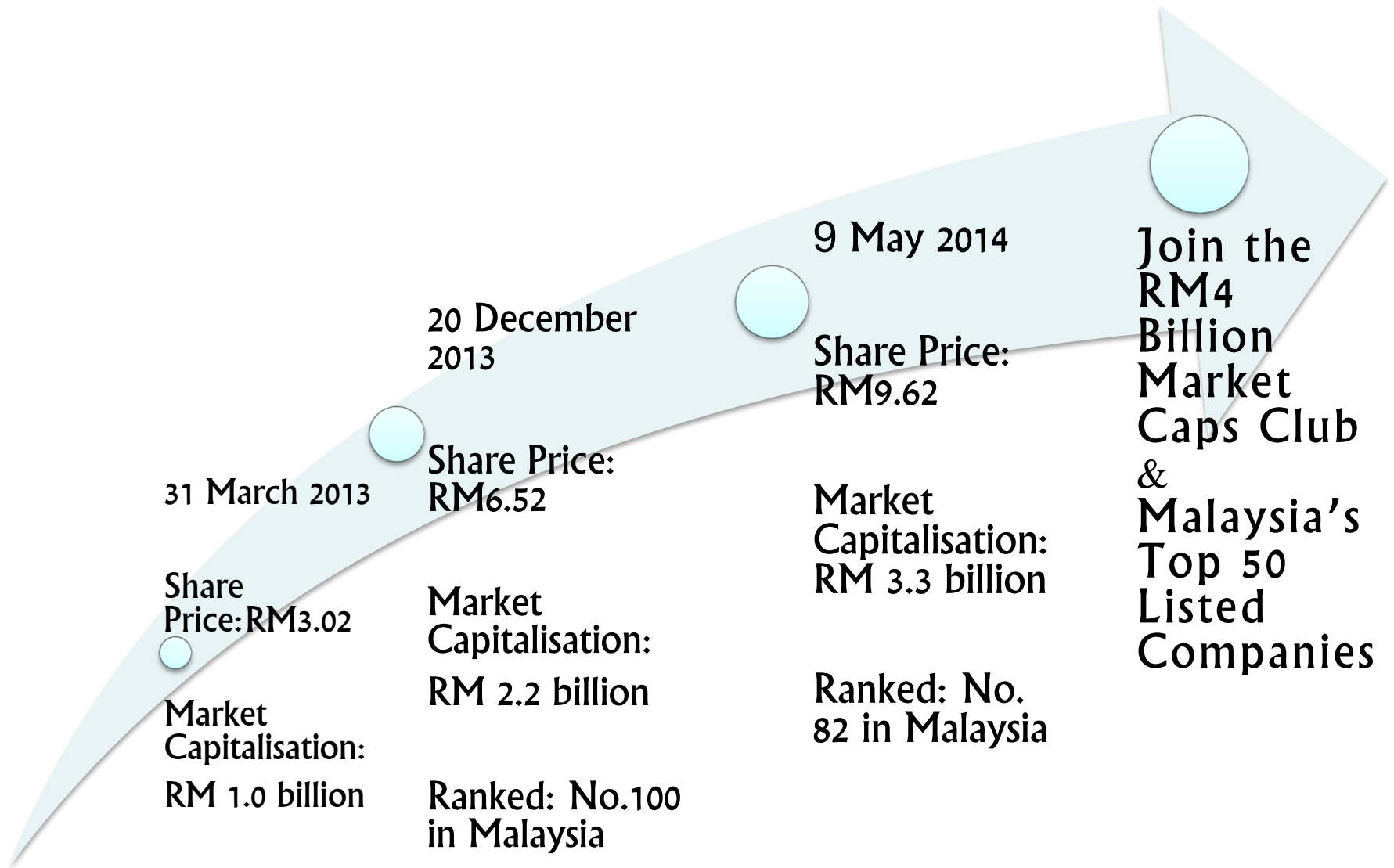
**PBT '09 - '13 CAGR = 31.4%**



**EPS '09 - '13 CAGR = 43.45%**



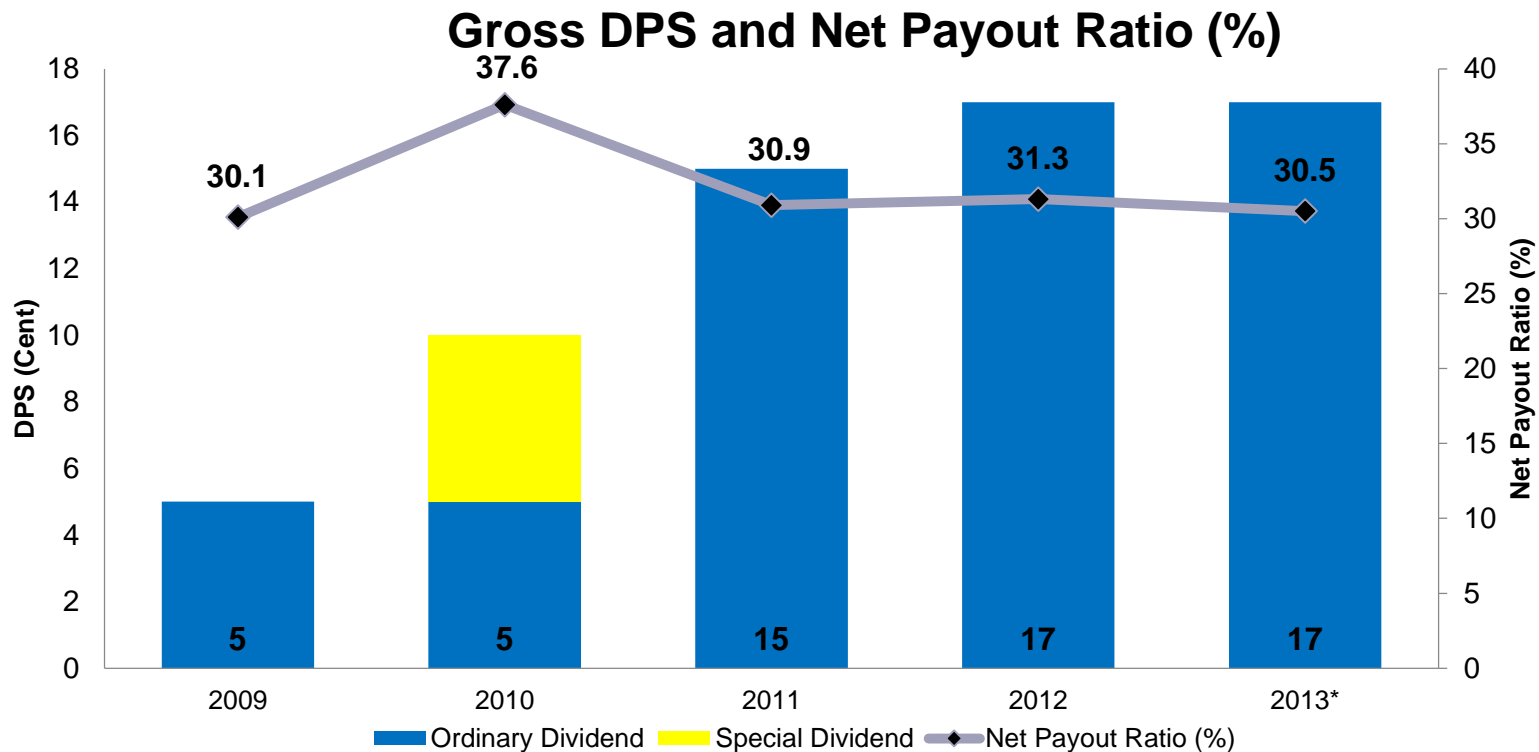
# Our Share Price Performance



# Dividend Policy



Dividend policy since 2011 is a minimum of 30% PATNCl, subject to minimum of 5 sen per share and other considerations.



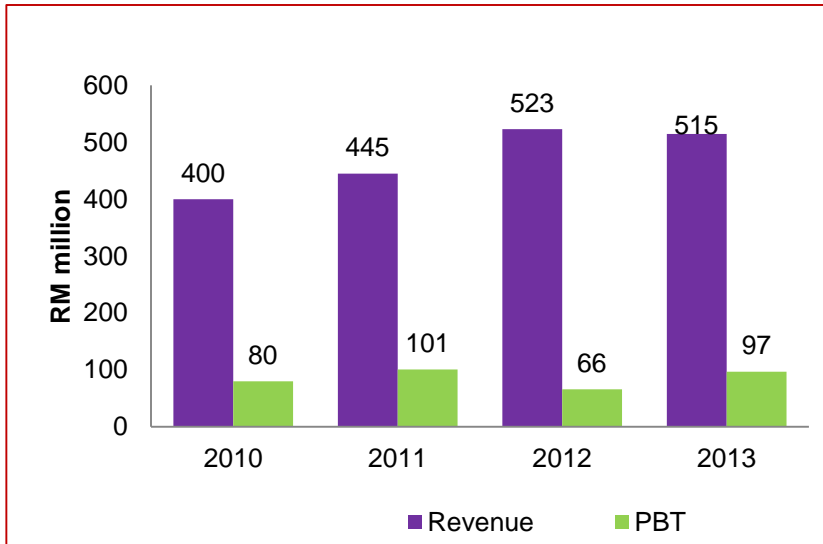
**Net Payout Ratio = Percentage of PATNCl paid out in dividends to shareholders**

\* For 2013, following the payment of an interim dividend of 5 sen per share less 25% taxation, a final dividend of 12 sen per share tax exempt (single-tier) has been proposed, subject to shareholders' approval.



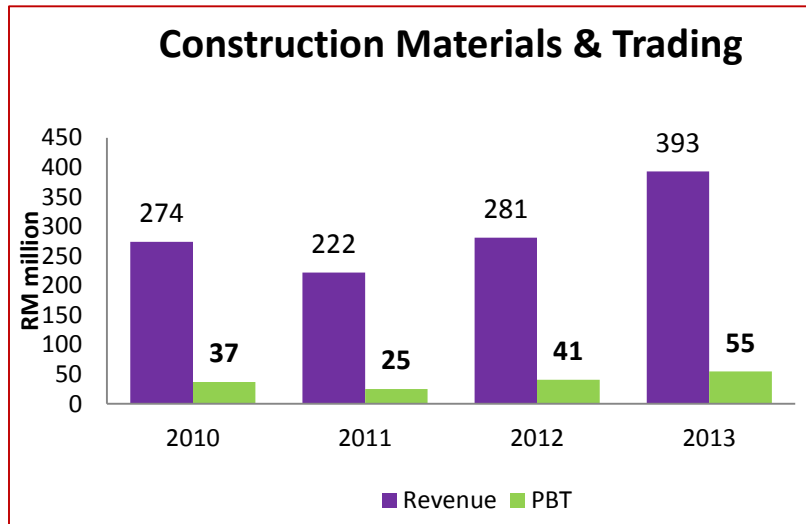
# **DIVISIONAL PERFORMANCE SNAPSHOT 2013**

# 1. Cement Division



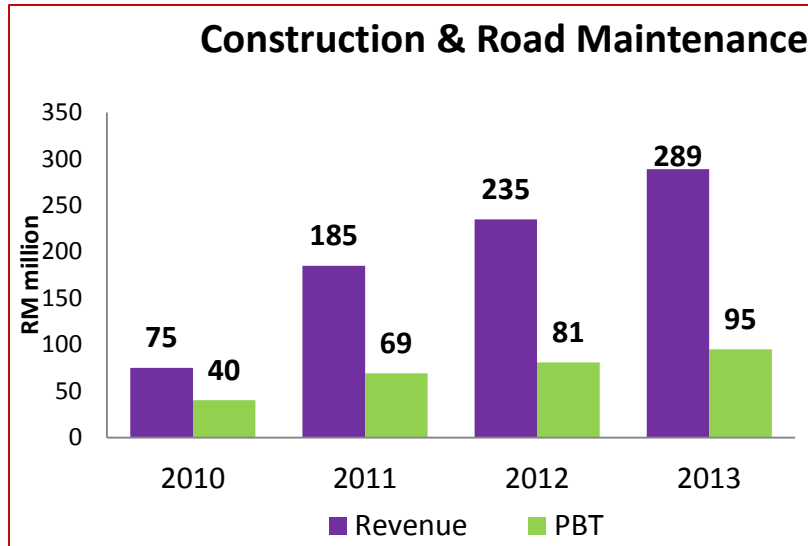
- ❑ PBT FY2013 strongly improved due to continued growth in cement demand in the State and the completion of the clinker upgrading project
- ❑ Revenues down by 2% on FY 2012 due to lower ready-mix concrete sales
- ❑ Set to construct a 1m MT per annum cement grinding capacity at Mambong to increase production capacity by almost 60%
- ❑ In 2014, Division to make additional investments of approximately RM20 million for the construction of an additional 4,000-MT cement silo in Kuching; upgrading works on the main jetty in Kuching; an additional bag cement packer in Bintulu; plus an added cement barge for our terminals

# 2. Construction Materials & Trading Division



- ❑ FY2013 record higher revenues & PBT from increased state & rural road maintenance and improvement works for JKR
- ❑ This is due to Increased supply contracts from federal road maintenance concessionaires and for access roads to the Baram Dam
- ❑ A new 100 MT per hour fully mobile premix plant was purchased and is strategically situated at Sri Aman. A 2<sup>nd</sup> such plant for Samalaju is on order
- ❑ Going forward plans are underway to upgrade our Sibanyis quarry's capacity by 43% in 2014.

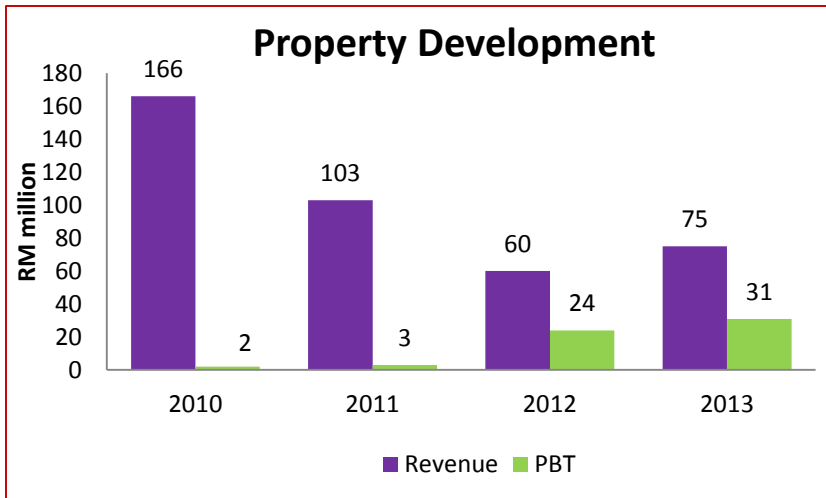
# 3. Construction & Road Maintenance Division



- ❑ In FY 2013, the Division's Revenue and PBT grew by 23% and 18% respectively
- ❑ The increased revenue came from roads, water infrastructure and building works projects, plus higher recurring revenue from the two road maintenance concessions.
- ❑ In 2013, the Division improved its technical capabilities by acquiring new machinery and equipment and also by increasing staff training
- ❑ Customers now readily view the Division as a trusted contractor within the State.



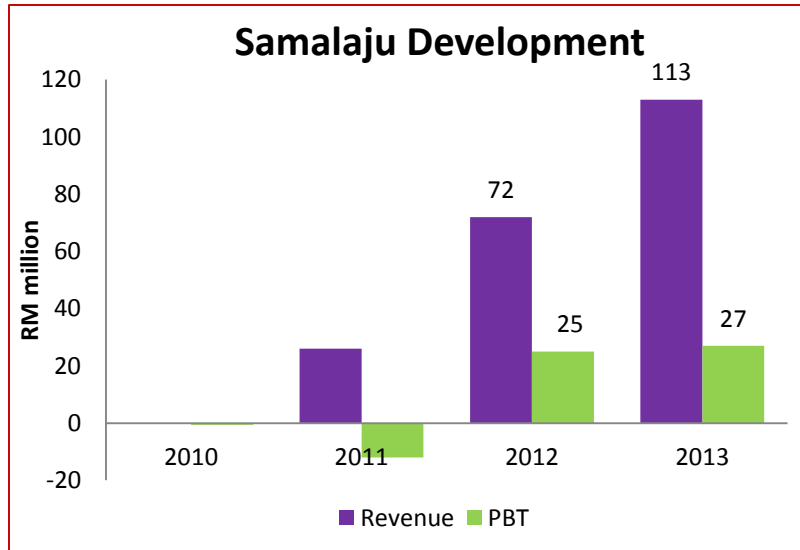
# 4. Property Development Division



- ❑ PBT FY2013 growth attributable to strategic land sales to catalyse development though unit sales also grew
- ❑ Bandar Samariang & Isthmus landbanks are now set for accelerating growth with several catalyst projects being finalised
- ❑ Landbank remains very undervalued & with long term deep value growth potential
- ❑ In 2014, PBT will be underpinned by strategic land sales and increased sales across our developments



# 5. Samalaju Development Division



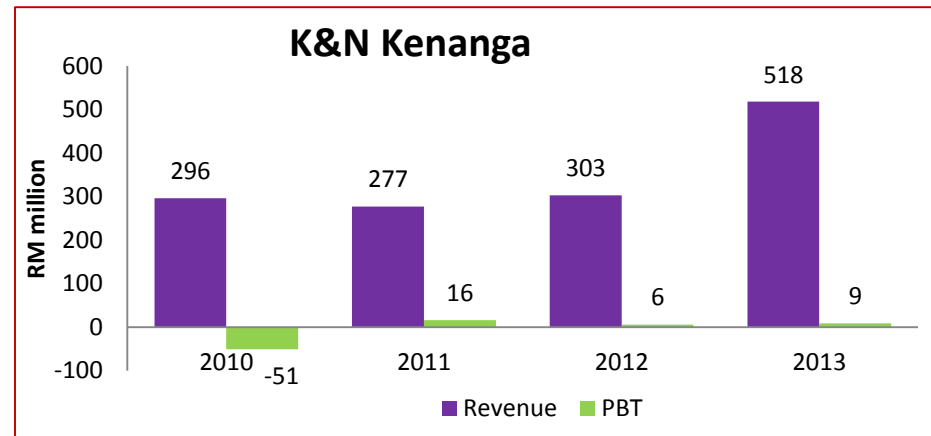
- PBT FY 2012 attributable to accommodation & other services for Samalaju Industrial Park (SIP) construction workers
- Future revenue streams being developed from:
  - Samalaju township & services centre master developer role
  - SIP serviced and hotel accommodation
  - OM Materials (Sarawak) Ferro silicon & manganese alloys smelter
  - Malaysian Phosphate Additives (Sarawak) integrated phosphate complex

# 6. Strategic Investments - Listed



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**kenanga** 25.07%



K&N Kenanga

- ❑ Significant exceptional expenses were incurred following the acquisitions of ECM Libra Investment Bank Berhad and ING Funds Berhad in 2012; Excluding merger-related costs, FY2013 PBT would have been RM36.55 million.
- ❑ One of top three largest brokerage houses in Malaysia, KIBB has one of the largest pools of remisiers in the country and an extensive branch network nationwide.
- ❑ In 2013, its Assets under Management (AUM) doubled to RM6 billion, positioning it among the top 10 out of 89 asset managers in terms of AUM
- ❑ 2013 it won the Best Performing Equity Fund award (three years and five years) at the prestigious The Edge-Lipper Malaysian Fund Award, while its Kenanga Syariah Growth Fund won the Best Performing Equity Malaysia Diversified Fund for 10 years.

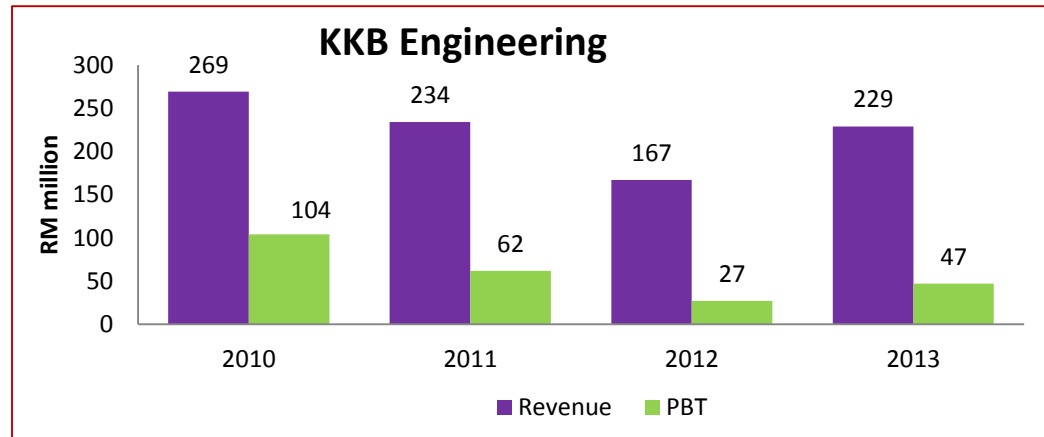
# 7. Strategic Investments - Listed



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20.05%



KKB Engineering

- ❑ Expansion into O&G are likely to create new material growth opportunities.
- ❑ This diversification is expected to contribute positively to the earnings and net assets of KKB commencing 2014.
- ❑ Secured a three-year Petronas-Approved Supplier license for “Offshore facilities Const-Major Onshore Fabrication”

# 8. Strategic Investments - Unlisted



## Education



### TUNKU PUTRA SCHOOL

- Exam results continue to be in the top bands for International schools
- Caliber & numbers of experienced expatriate teachers increased so as to expand range of subjects, extra curricular activities & standards generally
- Student numbers expected to rise going forward

## Financial Services



### CMS OPUS

- Fund under management (FUM) increased to RM291m
- In 2013, the Company successfully established its third fund called COPE Opportunities 3 (COPE 3) through the Ekuinas 2nd Tranche Outsourced Fund Managers (OFM) Programme
- The Fund is expected to pursue minority stakes in growth companies where it will serve as an active shareholder with a clear proposition to add value.

# Key Accolades / Achievements in 2013



- ❑ Won the EDGE Billion Ringgit Club (EDGE BRC) award for the Highest Profit Growth Company 2013 – Industrial Products Sector
- ❑ CMS was crowned one of RHB's 'Top 5 Malaysian Small Cap Companies', an award initiated by RHB Investment Bank
- ❑ Voted the 2<sup>nd</sup> best Mid-Cap (Malaysia) company in FinanceAsia's Best Companies Poll
- ❑ RHB IB, Maybank IB, Alliance Investment and most recently UOB Kay Kian initiated investment coverage reports on CMS Group
- ❑ Listed as Top 100 company in term of Market Capitalisation (est. US \$1 billion); this has brought CMS into the radars of the international investment community
- ❑ 2nd Runner-up for Sarawak Chamber of Commerce & Industry's Annual Corporate Report Award 2013 for Overall Excellence Reporting

## The Macro Picture From CMS Viewpoint

- ❑ SCORE projects are happening
- ❑ Malaysian growth for 2014 expected to be 4.5% - 5.5%
- ❑ Global economic trends unlikely to derail SCORE





# THE “CONFIDENT” COMPANY

FOCUSSING FOR

**TRANSFORMATIONAL  
GROWTH**

# CRITERIA OF A CONFIDENT COMPANY



- Visionaries grounded in reality**
- Able to handle uncertainty**
- Agile in the face of the unexpected**
- Resilient & focussed**
- Hungry, not complacent**
- A Caring Family**

# OUR FOCUSES FOR TRANSFORMATIONAL GROWTH



Focus on  
our core business  
competencies &  
Sarawak / SCORE

Township &  
Property  
development,  
Investment &  
Management

Kenanga as a  
profitable  
'window' into the  
world outside

To be the best  
listed investment  
proxy for  
Sarawak's  
accelerating  
economic growth

B to B manufacturing involving "cooking" and/or "construction"

Provision of B to B (or B to G) maintenance & other services



# OUR ROADMAP FOR TRANSFORMATIONAL GROWTH





# Going Forward

CMS' timelines for the milestones driving us upwards in our next era of dynamic growth



## Our **ROAR V.2** strategy

 **Roar**  
2016+

 **Advance**  
2014-2015

 **Organise**  
2013-2014

 **Restructure**  
2012



## Planning for our Shareholders

- ❑ Adhere to our dividend policy
- ❑ Continue to engage with the Investment Community to build investor interest
- ❑ Protect and grow our ROE & EPS via long term sustainable growth strategies
- ❑ Be Bursa's best proxy investment for Sarawak's long term economic growth

***And continue to realise our vision***

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

***for our 4 stakeholders***



## **OUR APPRECIATION TO ALL WHO CONTRIBUTE TO CMS' PERFORMANCE**

**Our 2,000 engaged employees in the CMS family**

For their dedication and hard work

**Our CMS management teams across the Group**

For their leadership, passion and drive

**All government agencies, consultants, our business partners, vendors & suppliers**

For their support and guidance

**Our Boards of Directors across the Group**

For their guidance and oversight

**Our shareholders**

For their loyalty and support



# Questions from Minority Shareholder Watchdog Group (MSWG)



## Q1: Financial and Strategic

*Given the sustained competitive edge of the Group's cement division in Sarawak, please enlighten shareholders whether and how return on assets could be further improved via price setting exercises as well as productivity growth?*



## Our Answer to Q1

Return on assets (ROA) is likely to decline marginally in the next 3 – 4 years due to the construction, commissioning and production ramp phases of the new 1 million MT cement grinding plant that is being built in Mambong and which will only be commissioned by 1Q 2016.

ROA decline is not projected to translate into a decline in the Division's PBT during the same period due to:

- Steady growth of demand for cement in the State fuelled by the economic transformation spearheaded by SCORE
- Improved operational efficiencies arising from the upgraded clinker plant
- Efforts to optimize the plants' reliability and efficiency



## Our Answer to Q1 (continued)

Cement selling price is not a Government-controlled item. It is our policy to keep our ex-factory prices in line with those in Peninsula Malaysia to ensure long term sustainability of our competitive edge in the market. Our cement prices were most recently increased in February 2014 (by about 9%), the first such increase since 2011.



## Q2: Financial and Strategic

*What are the respective target timelines for OM Materials Sarawak and Integrated Phosphate Complex to start contributing in terms of bottom-line and hence alleviating the expected decline in profit contribution from Samalaju Lodges?*

*What was the reason for depreciation and amortization of Samalaju development segment to increase substantially from the previous financial year?*



# Our Answer to Q2

The current target timelines for:

## **OM Materials Sarawak**

- Commercial production of ferro silicon alloys Q3 2014
- Full production Q2 2015

## **Integrated phosphate complex**

- Commence production 2H 2016
- Full production Q2 2018



# Our Answer to Q2

## **Samalaju Development Division increased depreciation and amortization**

- Due to full write down of cost of workers' accommodation Lodges following expiry of a significant contract for their occupancy. The write down enables the Lodges to be marketed competitively going forward to other potential customers who are seeking similar accommodation at lower prices.



## Q3: Financial and Strategic

*We noted substantial increase in capital commitments disclosed in Note 40 to the Financial Statements.*

*What are the major divisional projects which require capital commitment?*

*Please also list down whether there are expansion plans for existing facilities or new projects*



## Our Answer to Q3

These are mainly from:

### ➤ **Cement Division**

- ✓ Improvement of cement jetties
- ✓ New 1.0 million MT per annum cement grinding plant

### ➤ **Samalaju Development Division**

- ✓ New resort hotel at Samalaju

### ➤ **Property Development Division**

- ✓ Proposed Mydin hypermarket at Bandar Samariang township

### ➤ **Investment in Associates**

- ✓ OM project (Phase II)
- ✓ Malaysian Phosphate Additives project



## Q4: Financial and Strategic

*The Board has engaged a third party to review the Company's risk assessment and business continuity plan processes and practices.*

*Which firm has the Board contracted with and what are the relevant credentials of the firm?*

*Would the Board share some pertinent information in respect of the said assessment?*



## Answer to Q4

- Appointed Tricor Roots Consulting Sdn Bhd.
- Tricor is part of the Bank of East Asia Group and is a global consulting business specialising in Enterprise Governance solutions.
- Selected after detailed discussions with several vendors taking into the perceived suitability of their solutions and their proven track record in Malaysia and the region.
- Review is currently underway. Implementation in selected key business divisions by Q4 2014/Q1 2015.



## Corporate Governance

*We would also like to encourage the Minutes of the AGM be published on the Company's website to be in line with the spirit of transparency and good Corporate Governance practices based on the ASEAN CG Scorecard which is being used to assess the level of CG standards of PLCs in Malaysia by MSWG.*

## Our Response

This option will be discussed by the Board.



# Questions from Employees Provident Fund (EPF)



**Q1: *What are the Group's KPI Headlines for FY13 and has the Group achieved those KPIs? What are the KPIs for FY14?***

**Our response**

Whilst the Group uses KPIs internally to set targets, we regret we do not disclose these. However, we can confirm that the KPI Headlines for FY13 were exceeded.



**Q2: *What is expected contribution of CMS Cement new 1 million MT grinding plant adjacent to Mambong clinker plant?***

**Our response**

We expect the top and bottom line contributions to be positive underpinned by the State's infrastructure development growth trajectory and therefore the anticipated demand for cement and other construction materials.



**Q3: *What are the main reasons behind the drop in construction revenue (approx. 67%). What are the plans to improve construction revenue going forward?***

**Our response**

This was mainly due to the completion of a major construction project in 2012 and there were no new major projects in 2013. CMS continues to seek new construction projects both through tenders and direct negotiation for niche/specialised works. It is expected that the order book will rise modestly in 2014 going forward.



**Q4: *What was the total amount spent on Corporate Social Responsibility initiatives for FY13?***

**Our response**

RM 473,000 which includes donations and sponsorships as well as cost of materials which are donated for the purpose of home/community building works.



**Q5: *What are the estimated GDV and expected contributions from the planned Samalaju Eco-Park, Samalaju Central, Tanjung Samalaju Resort Hotel and Samalaju Light Industrial Park?***

**Our response**

These are still being finalised but it is expected they would conform to typical industry norms.



***Q6: What is the company's plan for the cash pile (>RM 600 m)? Would there be a possibility of special dividends to make the dividend yield more compelling?***

**Our response**

CMS is committed to its dividend policy of minimum 30% of PATNCl.  
CMS continues to actively look at investment opportunities in Sarawak, especially ones arising either through SCORE or the State's associated infrastructure needs.



**Q7: *How will HSBC's decision to cease its corporate banking business in Sarawak affect CMS's business and operations?***

**Our response**

This will not affect CMS' business and operations.



**Q8: *Apart from the financial risks stated in the annual report, what are other major risks going forward and what is being done to mitigate those risks?***



## Our response

**External risks** - regional and global economic and political risks

➤ Mitigated by:

- ▶ Prudent financial policies
- ▶ Reduced dependency on Government expenditure
- ▶ State's long term nature of its economic growth drivers

**Internal risks** – poor risk management, human capital capacity constraints, insufficient teamwork and complacency

➤ Mitigated by:

- ▶ Group's management team
- ▶ Proper internal processes and controls
- ▶ Preferred local employer



**CAHYA MATA SARAWAK'S  
39<sup>th</sup> ANNUAL GENERAL MEETING  
15 May 2014**

**RESOLUTIONS**



# Ordinary Resolution 1

**Receive Audited Financial Statements  
and Reports for the financial year ended  
31 December 2013**



# Ordinary Resolution 2

**Declaration of final tax exempt  
(single-tier) dividend**



# Ordinary Resolution 3

**Re-election of Y Bhg Dato Sri  
Mahmud Abu Bekir Taib  
as Director**



# Ordinary Resolution 4

**Re-election of**

**Y Bhg General (Retired) Tan Sri Dato'  
Seri Mohd Zahidi Bin Hj Zainuddin  
as Director**



# Ordinary Resolution 5

**Re-appointment of  
Y Bhg Datu Michael Ting Kuok Ngie  
@ Ting Kok Ngie  
as Director**



# Ordinary Resolution 6

**Approval of Increase in  
Directors' fees**



# **Ordinary Resolution 7**

**Approval of Payment of  
Directors' fees 2013**



# Ordinary Resolution 8

## Re-appointment of Auditors



# Ordinary Resolution 9

**Proposed Retention of  
Mr Kevin How Kow  
as Independent Director**



# Ordinary Resolution 10

**Authority to Directors to  
allot and issue shares**



# Ordinary Resolution 11

## Proposed Shareholders' Mandate for RRPT



# Ordinary Resolution 12

## Proposed Share Buy-Back



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**Welcome to  
Cahaya Mata Sarawak Berhad's  
Extraordinary General Meeting**



# Special Resolution 1

## Proposed Amendments



# Ordinary Resolution 1

## Proposed Subdivision



# Ordinary Resolution 2

## Proposed Bonus Issue



# THANK YOU

