



property
development



operations review

cement &
construction materials



construction
& road
maintenance



steel



services



other
financial
services

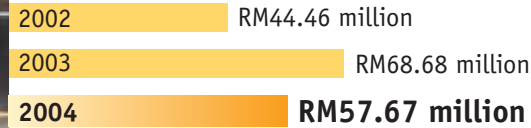


banking

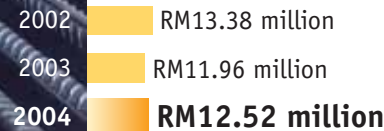


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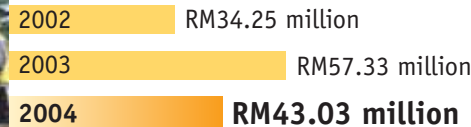
Manufacturing



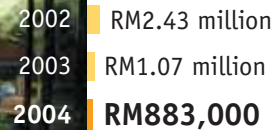
Construction Materials



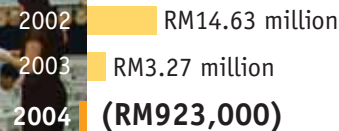
Construction & Road Maintenance



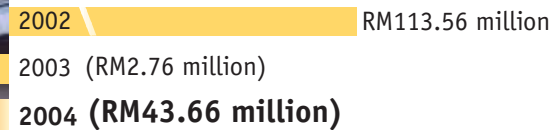
Property



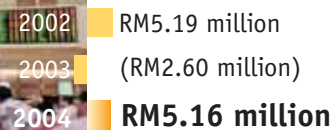
Trading & Services



Banking



Stock-broking & other Financial Services



operations review

cement & construction materials

Cement Manufacturing

Whilst a nationwide slowdown in the construction sector led to a 4.4% decline in cement sale, CMS Cement Sdn Bhd, Sarawak's sole producer of cement, performed well in 2004. The company registered a marginal 0.1% increase in sales volume compared to the previous year. Sales from its two plants at Kuching and Bintulu were 1.156 million MT for the year resulting in a pre-tax profit of RM68.0 million.

Supplying projects in the Bintulu area made up the highest portion of sales increase. These projects included the Tanjong Kidurong-Suai-Bakam coastal road, other road works, residential and commercial developments, construction of an oil palm jetty and supply to the Bakun Hydroelectric Dam project.

CMS Cement is currently gearing its operations to support the higher demand from construction activity in Bintulu especially with the Government's plans to develop the area into a prime industrial hub. Towards this end, the Bintulu Grinding Plant has increased its product line with the installation and commissioning of a new mixing plant to supply Pulverized Flue Ash (PFA) cement, used in the construction of concrete dams and marine works. A new 10,000 MT cement silo has also been completed and was handed-over in early February 2005.

There are plans to increase storage facilities at the Kuching Plant in line with the plant's upgrading to 1 million MT production capacity several years ago. In addition to its current 3 silos, a new 10,000 MT silo will be constructed at the Kuching plant this year.



When completed, the increased storage facilities at both plants will ensure that CMS Cement has sufficient stock at all times to meet demand throughout Sarawak.

Production efficiency at the cement plants is closely monitored. Operating on average three shifts a day, six days a week, the total downtime percentage due to mill, mechanical and electrical breakdown over total mill run-hours for 2004 was at a commendable 6.4%. Efforts are being made to further reduce this level.

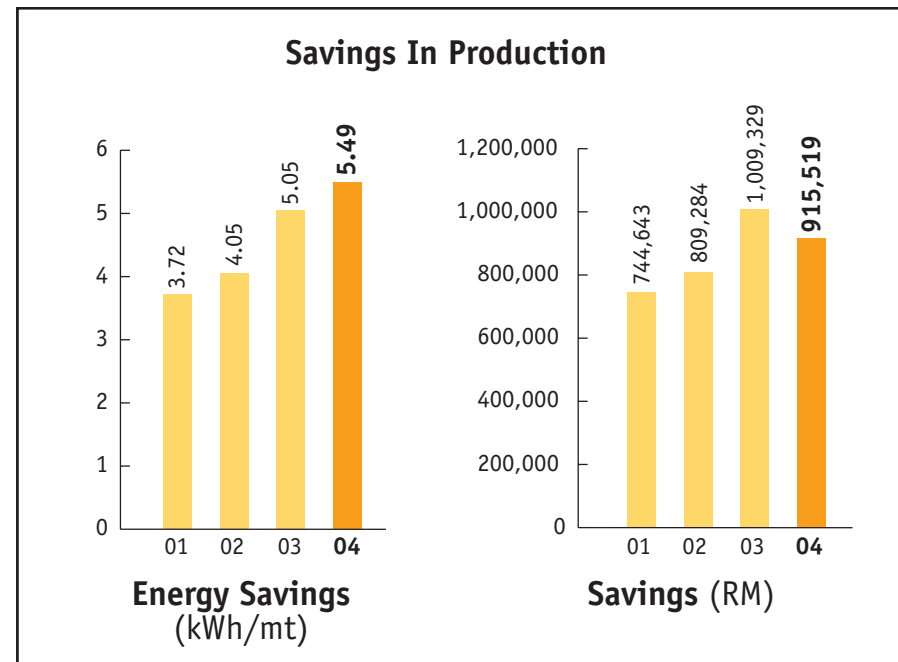
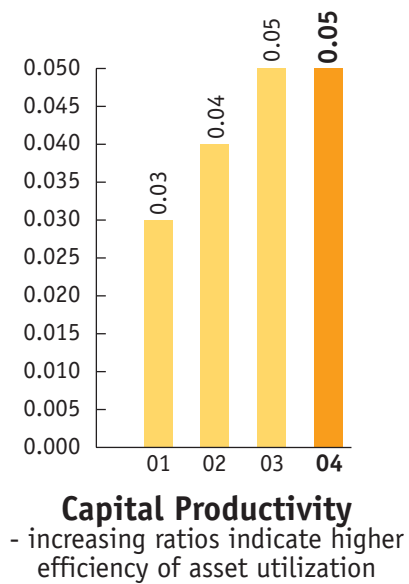
CMS Cement is proud of its strong Quality corporate culture. It was the first company in the Group to obtain all three internationally recognized Quality certifications, namely, ISO 9001, ISO 14001 and OHSAS 18001. Implementation of ideas under the Innovative Creative Circle Programme as part of the overall Total Quality Management (TQM) culture remains an important tool to increase productivity of employees.

cement & construction materials



“ We have to be more efficient and more productive to meet future demands. The key to further success lies in a continuous investment in improving our manufacturing processes and looking after our employees.”

Othman Abdul Rani
Head of Cement, Steel &
Construction Materials SBU





operations review - cement & construction materials



Quarrying

CMS Group's quarry operations, CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd, achieved a combined pre-tax profit of RM9.7 million for the year ended 31 December 2004.

The increase in sales for the year 2004 was the result of more contracts secured for the supply of stone aggregates. This increase raised production levels in all our quarries. Despite higher prices of diesel and cost of spare parts, the operations were able to reduce their average production cost with greater economies of scale. Tight supervision and control of repair and maintenance cost also contributed towards this reduction.

CMS Quarries continues to be the biggest player in the supply of granite, microtonalite and limestone aggregates in Sarawak. Combined, our quarries at Stabar, Bukit Akud, Sebuyau and CMS Penkuari, account for 30% of the total market in the state. These operations are strategically located near growth areas. In addition, a good distribution network supports these operations.

cement & construction materials



Premix manufacturing

With production facilities in Kuching, Sibul, Sarikei, Bintulu, Miri, Limbang and Lawas, CMS Group is the largest premix producer in Sarawak. Its subsidiaries account for more than 50% of the market share of high quality asphaltic concrete and bitumen emulsion. These products are used in the construction of roads, flyovers, and airport runways.

In 2004, CMS Premix Sdn Bhd and CMS Premix (Miri) Sdn Bhd registered a combined pre-tax profit of RM4.06 million compared to a pre-tax profit of RM3.8 million in 2003. Revenue increased 22% to RM71.73 million.

Concrete Products

CMS Group's concrete manufacturing subsidiaries specialize in the manufacture of pre-formed concrete products including I-beams, U-beams, culverts, concrete piles, cement bricks and road kerbs. Major projects which used our products in 2004 were the Sarawak International Medical Centre development at Samarahan and Bandar Baru Samariang.

Overall, the operations recorded sales of 74,417 cubic metres for the year resulting in revenue of RM14.86 million. The operations turned in a pre-tax profit of RM1.6 million for 2004.

Prospects for 2005

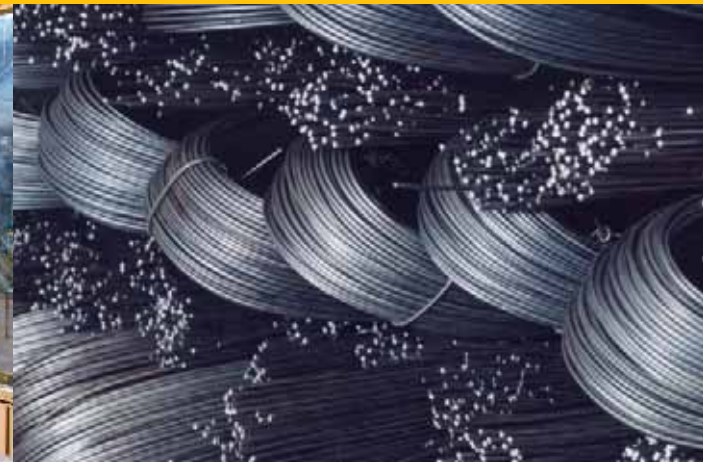
Sarawak's construction sector is forecast to grow at 6% in 2005. As such the outlook for the Cement & Construction Materials SBU remains favourable. All operations are geared to meet the increased demand, with many investing in additional facilities in order to provide consistent supply for the state's development needs.

CMS Group synergy in another initiative that will ensure demand of construction materials. Operations such as the premix plants will benefit from CMS Roads and PPES Works road maintenance contracts which will take up demand for asphaltic concrete throughout Sarawak.

The SBU is also actively exploring new markets, alternative products and increasing its supply avenues. One example is CMS Quarries which is evaluating new sites to add to its proven reserves of 43 million MT.

operations review

steel



Manufacture of Steel Bars

CMS Steel Berhad is the largest player in Sarawak's steel industry. Its 300,000 metric tonne (MT) per annum capacity mill at Sejingkat, Kuching produces steel wire rods, high-tensile deformed and mild steel round bars to meet both current and future demand throughout East Malaysia and Brunei.

Spurred on by China's rapidly expanding economy, the global steel industry saw steel prices reach new record levels in 2004. A shortage of billets to feed this demand led to unsteady prices and supply. Locally, the Government banned the export of billets and bars in February 2004 to counter the shortfall in the Malaysian steel industry and to maintain prices.

For the first half of 2004, increased demand and high steel prices saw CMS Steel improve revenue which stood at RM170.2 million at the end of 2004, up from RM158.8 million in 2003.

However, a decline in the construction sector and narrowing margins in the second half of the year affected overall performance of the company which reported a pre-tax loss of RM8.9 million at the end of 2004. This financial situation is being closely monitored by the Group's management.



Manufacture of Steel Wires & Mesh

CMS Wires Sdn Bhd produces drawn steel wires, steel wire mesh and cold roll cut-to-length steel bars for the construction industry.

In 2004, CMS Wires invested RM1.3 million in an additional production line to double its wire mesh capacity to 4,800 MT per year and increase its product range. Utilization rate on the new production line has reached 88% since installation.

CMS Wires achieved a total sales revenue of RM12.2 million in 2004, an increase of 61.8% compared to the previous year. Strong marketing efforts resulted in a 14% increase in sales volume, enabling CMS Wires to register a pre-tax profit of RM1.6 million for 2004, a significant 136% increase from 2003.

Prospects for 2005

Steel and its related products are highly dependent on the construction industry. With a positive growth forecast for Sarawak, demand for steel products is expected to continue in 2005.

Operationally, efforts will be focused on raw material procurement, improving marketing intelligence, increasing efficiency, and strengthening internal controls to reduce costs and enhance profit margins.

As a commodity in a competitive industry, CMS Steel's relationship with customers and strategic alliances with partners is very important. CMS Group's synergy efforts allow the company to package its products to offer better value for customers.





operations review

construction &
road maintenance



construction & road maintenance



“ The current scenario in the construction sector presents many challenges for our team which we are meeting head-on. With our strong track record and quality services which complements the collective group synergy from CMS Group, we remain focused on being at the forefront of Sarawak's quest for greater infrastructure development. ”

Jamel Ibrahim

Head of Construction & Road Maintenance SBU

The Construction & Road Maintenance SBU is the civil engineering arm of CMS Group. It comprises PPES Works (Sarawak) Sdn Bhd and two subsidiaries - CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd. Combined, the three companies reported a pre-tax profit of RM41.1 million for the year ended 31 December 2004.

Construction and Civil Engineering

It was another eventful year for the Construction and Civil Engineering operations of PPES Works.

In 2004, the company began foundation works for the new Sarawak State Legislative Assembly or Dewan Undangan Negeri (DUN) complex with its joint-venture partner. Situated on a 172-acre site on the banks of Sarawak River, the new DUN, with its distinctive "payung" roof, is set to be a future icon of the State.

PPES Works was awarded a Letter of Intent from the Sarawak Government to undertake development of the Sarawak Exhibition & Convention Centre project on the Kuching Isthmus. Appointed as the sole proponent for the development, PPES Works shall undertake the project on a 'design and build' basis.

The year 2004 also saw PPES Works expand its expertise both geographically and technically. In June, through its holding company CMSB, a Memorandum of Understanding (MoU) was signed with a Vietnamese partner to jointly bid for four road construction projects in Vietnam.

On the technical front, the RM120 million joint-venture contract awarded to construct Packages 3 & 4 of Independent Oil Terminal (IOT) at Senari Port in Kuching in early 2005 signified PPES Works' maiden venture into the oil and gas industry. The contract includes engineering, procurement, construction and commissioning of the bulk depot and Liquid Petroleum Gas (LPG) bottling facilities. This follows from having successfully completed site preparation under Package 1 of the contract which was worth RM20.76 million.

The construction of roads is a major area of expertise for PPES Works. The company added another road to its portfolio with the award of construction of Jalan Mulukun/Ng. Gaat (Phase 1) in the Kapit Division of Sarawak. The project, valued at RM109.8 million, is expected to take 36 months to complete.

PPES Works' construction of the Tanjung Kidurong-Suai-Bakam coastal road, the single largest road project ever awarded in Sarawak, will be completed in 2005. Valued at RM581 million, sections of the 176 km road in the vicinity of Miri and Bintulu will be handed-over to the client by mid-2005, with the middle section scheduled for completion by the end of 2005.

In constructing the road, the inhospitable terrain and remoteness of the site tested PPES Works' ingenuity in engineering and logistic planning. Sustainable development and ecological considerations also led PPES Works to re-align a section of the road to avoid an environmentally sensitive birds' nest cave. Such challenges were overcome through teamwork and cooperation of all parties involved.

In addition to the Tg. Kidurong-Suai-Bakam coastal road, PPES Works is also undertaking construction of three other roads valued at a total of RM211 million. When completed, these roads will form part of the coastal road network which will improve transportation links throughout Sarawak, supporting the Government's development plans for rural communities and improve transportation links.



operations review - construction & road maintenance

PPES Works continues to lead the local construction sector in quality. PPES Works is the first construction company in Sarawak to attain the Integrated Management System (IMS-QESH), which combines the ISO 9001:2000, ISO 14001:1996, and OHSAS 18001:1999 into one document. The IMS-QESH is the new gold standard in quality control.

PPES Works has been recognised for its sustainable project ethos in construction sector among its peers nationwide. The upgrading of Mulu Airport by the company was awarded the prestigious Malaysian Construction Industry Excellence Award (2004) - Medium Scale Building category by the Construction Industry Development Board.

PPES Works registered a pre tax profit of RM21.7 million in 2004.

Road Maintenance

Road maintenance is a core activity of the SBU following the award of two 15-year contracts from the Sarawak and Federal governments in 2003 to manage and maintain approximately 4,600 km of roads throughout Sarawak.

By January 2004, the full inventory of 3,973 km of State roads had been transferred to CMS Roads Sdn Bhd. This completed a three-phase privatization exercise of the Road Maintenance Section of Sarawak Public Works Department (JKR), which began on 1 January 2003 following a two and half year trial. With the absorption of 550 staff, CMS Roads immediately embarked on manpower retraining to ensure compatibility of systems and standardisation of processes across its 16 road maintenance units (RMUs) located strategically throughout the state.

In addition to works covered under the scope of the long-term maintenance contract, CMS Roads completed several major projects in 2004. These include the upgrading of the 16 km Mongkos Road in Samarahan Division and 16 km of the Padawan Road in Kuching Division. CMS Roads was also involved in salvaging works of the collapsed heritage Satok Suspension Bridge in Kuching.

With work taking CMS Roads into smaller and more remote communities, the company invested in two mobile Astencook asphalt recycler machines last year. The new environmentally friendly technology not only enables the recycling and reusing of asphalt concrete waste, but also allows for material and cost saving benefits.

Quality in the processes at CMS Roads' operations was further enhanced when the company successfully attained the ISO 9001:2000 Quality Management System certification for management and maintenance of infrastructure works in late 2004.

Apart from CMS Roads, PPES Works maintains approximately 650 km of Federal roads in the Kuching, Samarahan, Sri Aman, Betong and Sarikei divisions of Sarawak. The company provides routine, periodic, and emergency maintenance work, as well as gives added value to the client with the provision of a statewide "Hotline Jeraya" toll-free telephone and e-mail service. The only one of its kind in Sarawak, "Hotline Jeraya" obtains up-to-date feedback on the quality of roads direct from the road users. The services also complements road maintenance carried out by other road agencies with feedback outside of the SBU's jurisdiction being redirected to the respective agencies.

As part of its aim to be at the forefront of the road maintenance industry, the SBU is continuously sourcing new and more efficient technology and machines to maintain its competitive edge. CMS Roads and PPES Works are in the process of upgrading their Road Maintenance Management System to incorporate Geographical Information System (GIS). The incorporation of GIS will give CMS Roads and PPES Works a sophisticated hi-tech tool for managing its road inventory data and road networks.

CMS Roads reported a pre-tax profit of RM17.2 million in 2004.

Pavement Reconstruction

CMS Pavement Tech Sdn Bhd offers complete pavement reconstruction services; from preliminary investigation and design services, to exploring options for pavement reconstruction by way of profiling, cold milling or pavement rehabilitation using state-of-the-art cement stabilization techniques.

During the year, CMS Pavement Tech completed 22 upgrading works valued at RM24.7 million. Major completed projects include upgrading of the Muara - Mongkos Road, Lubok Antu to Betong Road, and Padawan Road.

In 2004, CMS Pavement Tech reasserted its position in pavement reconstruction through ensuring Quality in its product and service. The company was successfully accredited with the ISO 9001:2000 Quality Management System for the design and construction of pavements.

construction & road maintenance

CMS Pavement Tech continues to invest in new technologies to offer clients the latest options in designs and materials. In 2004, it invested RM2.8 million in a new Wirtgen WR2500S machine to increase overall capacity and increase efficiency. This next generation asphalt recycler is capable of emulsion and foam bitumen stabilization with significant cost savings and performance improvements.

CMS Pavement Tech reported a pre-tax profit of RM2.12 million in 2004.

Growth prospects

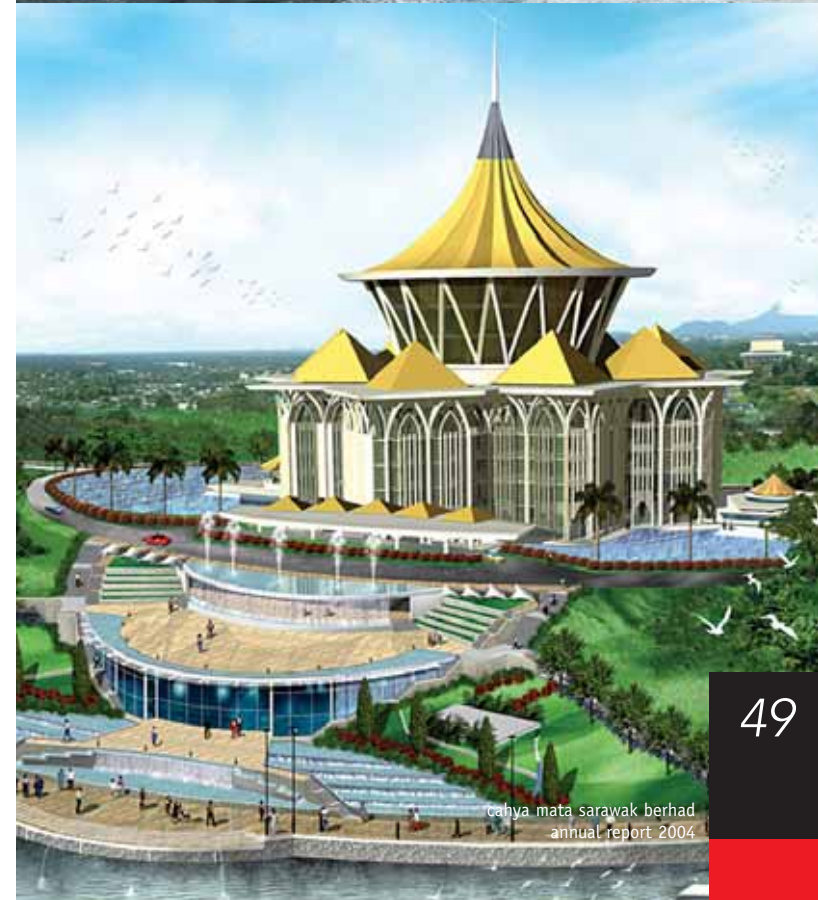
With fourteen major new and on-going projects amounting to almost RM2 billion, the Construction & Road Maintenance SBU will remain a significant contributor to the Group's performance in 2005.

The SBU's core activities will continue to contribute to the State's infrastructure development agenda, such as enhancing public utilities and improving transportation links in the State. Further opportunities will present itself with the release of the five-year 9th Malaysia Plan in late 2005.

In light of changes in Government policy on the award of future development contracts, the Construction & Road Maintenance SBU has taken proactive steps to reposition itself. Efforts include exploring alternative funding avenues, such as Private Public Partnerships (PPP), as well as venturing into emerging regional markets to widen its client base. Having actively engaged with regional governments and business partners in 2004, the SBU will persist on building and developing these relationships to establish its presence in the region.

New & On-going projects 2004/2005

- 1) Federal Roads maintenance
- 2) State Roads maintenance
- 3) Tg. Gelang-Kpg. Sg. Nai Coastal Road, Sarikei
- 4) Dewan Undangan Negeri Sarawak Complex, Petra Jaya
- 5) Shophouse Development, Bandar Baru Samariang, Kuching
- 6) Independent Oil Terminal Packages 3 & 4, Senari Port, Kuching
- 7) Kpg. Sebuloh-Sebuyau Coastal Road, Samarahan Division
- 8) Triso-Melebu-Pusa Coastal Road, Sri Aman Division
- 9) Sarikei Regional Water Supply
- 10) Upgrading of Mukah Airport, Phase 1
- 11) Gerugu Dam, Sarikei Division
- 12) Jalan Mulukun/Ng. Gaat (Phase 1), Kapit Division
- 13) Jalan Ng. Bangkit/Muara Lebaan, Bintangor, Sarikei Division
- 14) Tanjung Kidurong-Suai-Bakam Coastal Road



operations review

property development



property development



“ People seldom realize the beauty of an uncut jewel until it begins to shine. Bandar Samariang Baru township is just like that – the vision of an affordable and exciting lifestyle is becoming a reality at your doorstep. ”

Robert Geneid

Head of Property Development SBU

Property owner & Developer

Two new developments were launched in 2004 at Bandar Baru Samariang, the riverine township in Kuching that is being developed by Projek Bandar Samaraing Sdn Bhd. Combined, the developments at Taman Puteri and Lakeside totaled 269 double storey terrace, single storey terrace and single semi-detached houses. In addition, 56 units of three-storey commercial units were launched for sale.

During the year, 76 units of single storey terrace and 38 units of double storey terrace houses at Taman Puteri were completed. Of these, families have moved into 107 units. Construction of the first double storey semi-detached homes at Lakeside has also started.

Construction on two state-of-the-art schools was completed during the year. The primary school, SRK Bandar Samariang, with 30 classrooms capacity and the secondary school, SMK Bandar Samariang, with 36 classrooms capacity are now fully operational.

Work commenced on two significant projects to enhance the quality of life at Bandar Baru Samariang. When completed, the new 50 metre wide access road will provide a shorter route into the heart of the township and to the proposed 100-acre INTI purpose-built campus. Development has also started at the 16-acre park featuring a lake, jogging path and playground.

Projek Bandar Samariang registered a pre-tax loss of RM507,000 for 2004. As at March 2005, Bandar Samariang is home to 18,000 residents. Upon completion, this number is expected to swell to 200,000 residents. A total of 39,000 residential units, commercial and industrial developments are planned for the 5,000 acre site which is located 7 km from Kuching City Centre.





operations review - property development



Two other subsidiaries of CMS Group are also involved in niche property development.

CMS Property Management Sdn Bhd specializes in property management and development, including redevelopment and renovation of existing properties for rental and sale. One such project is a 30-acre development at Lot 1945 Bintawa, Kuching.

CMS Property Management is currently developing residential properties at the exclusive Fairway Villa residential estate in Petra Jaya, Kuching.

The management of facilities is an emerging business and has vast potential in this region. This portfolio-enhancing service will encompass everything from operations to intelligent building technologies that will improve the environment for the user, as well as preserve their property to its highest attainable value. The company has formulated a business strategy to position itself in this potentially lucrative market.

CMS Land Sdn Bhd specializes in the development of commercial, industrial, institutional and residential properties.



property development



A major focus for the next 10 years is development of the 250-acre prime land bank known as The Isthmus, an integral part of the new Kuching City Extension Development. Plans are underway to create a vibrant city development comprising commercial and residential units, leisure amenities, Marina Park, 5-star international hotel and a world-class convention centre.

Marketing of landbank

CMS Property Development Sdn Bhd capitalized on the better property market sentiments to sell some of its landbank during the year. The company is also the project and marketing manager for Bandar Baru Samariang. An effective marketing strategy through trade exhibitions and media advertising resulted in sales of 255 residential units and 29 commercial units in 2004.

The company reported a pre-tax profit of RM4.4 million in 2004, out of which RM3.6 million were gained from sale of land to a fellow subsidiary in 2004.

Prospects for 2005

The housing and property sector continues to deliver good returns given the economic growth, low interest rates and capital appreciation. With Kuching's population set to double its present size to 1 million by the year 2020, demand for housing will continue into the future.

At Bandar Baru Samariang, an aggressive marketing plan has been mapped out to launch new residential and commercial units. Construction of Phase 1 of the proposed INTI College Campus will begin in the third quarter of 2005. Once completed the college will have a capacity to cater for 5,000 students. Construction of a first-of-its-kind in Sarawak, three-storey double-frontage covered shopping mall is expected to begin towards the end of 2005. Other plans include a water theme park, sports complex, hypermarket, and an entertainment complex to cater for banquets, conventions and exhibitions.



operations review

services



Education

CMS Education Sdn Bhd, owns and operates Tunku Putra International School in Kuching which offers kindergarten, primary (national and international streams) and secondary (international) level classes.

In 2004, the School implemented the International General Certificate of Secondary Education (IGCSE) programme, a balanced international curriculum designed to encourage high academic standards through a practical approach to teaching and learning. Accredited in March by the Board Inspector for Cambridge International Centre, Tunku Putra International School received positive feedback on the quality of its facilities and teaching team.

The School was one of only five schools in Sarawak in 2003 to receive the Certificate of Excellence from the Malaysian Examination Board and Federal Ministry of Education for its high passing rate in the national Primary Six examinations, U.P.S.R. In 2004, 50% of our Primary Six students scored all As in the U.P.S.R. exams.

An effective and high quality learning atmosphere is one aspect of an education institution. Tunku Putra International School reflects a holistic approach and encourages students to excel not only academically but in other extra-curricular activities such as drama, sports and good citizenship. This year saw the inaugural swimming carnival and its continued support of a vast array of Community Service programmes. The school has placed a great emphasis on educating children on community and global issues to develop their awareness and commitment to protecting the environment.



CMS Education reported an operating loss of RM608,000 in 2004. At this point, such losses are fully sustainable in the short term, given the enormous social and intellectual contribution the school makes for the children in their care. The school continues to maintain its excellent educational standing, and as the premier International School in Sarawak, its future growth is assured.

Trading

CMS Infra Trading Sdn Bhd is a supplier for infrastructure and building materials. Among its varied inventory, CMS Infra Trading specializes in products related to water treatment chemicals, ductile iron, HDPE pipes and fittings. Its subsidiary, CMS Sumber Sdn Bhd, specializes in the supply of spare parts for heavy goods equipment, such as Komatsu, Bomag, Caterpillar and Hino.

CMS Infra Trading registered a pre-tax profit of RM2.5 million for 2004, while CMS Sumber reported a pre-tax profit of RM97,000.

Going forward, CMS Infra Trading looks to expand its trading base through a newly-opened Bintulu office. Located in the heart of Sarawak's new industrial growth region, this office will service clients in the central and northern parts of Sarawak. New businesses are anticipated from demand of road construction furnishings (signages and traffic signal systems), water works, petroleum and oil-based products and in fire protection equipment and systems.

Added to this is the synergy within CMS Group which will help CMS Infra Trading increase market penetration and widen its market share.



Technology Application Services

CMS Digital Sdn Bhd, an MSC status company, represents CMS Group's initial foray in the Information, Communication & Technology (ICT) sector. In a move to tap the large technology applications market in the country, CMS Digital has embarked on a venture to provide Geospatial Information Systems (GIS) as one of its services. A unit focusing on GIS was established in April 2004.

GIS is the use of spatial geographic information as the core data system to integrate and inter-relate other secondary information. Such systems enhance and aid the development and implementation of e-government and e-business applications.

GIS services include airborne laser terrain mapping, remote area mapping, roads and land information management system, coastal resources management and web-based GIS applications.



CMS Digital's maiden GIS project was the Overhead Line Airborne Laser-Scan Survey for TNB Transmission System Sdn Bhd. The first of its kind in Malaysia, the RM1.5 million survey provided TNB with a 3-dimensional overview of its transmission lines to allow more effective and efficient maintenance of the power transmission system.

Having established strategic business alliances with several leading local and foreign technology providers, CMS Digital aims to offer an increased range of integrated consultancy and technical services within the ICT and GIS sectors.

CMS Digital reported a loss of RM2.3 million for the year ended 31 December 2004, largely due to the high set-up cost in its formative phase, particularly in the development of its technical knowledge base. Going forward, a number of projects and business proposals are being actively pursued.



operations review

banking





“ A new dynamism in RHB exists today, as reflected in our products and services, systems and processes, and in the warmth and sincerity of our people to meet customers’ needs. We have laid a concrete foundation for the Group. Now is the time to raise our benchmark to become synonymous with only the best. ”

Dato Sri Sulaiman Abdul Rahman Taib
Head of Banking SBU

Financial Services

CMS Group’s investment in financial services is represented by its 51.8% share in Utama Banking Group Berhad (UBG). UBG, in turn, holds a 32.9% stake in Rashid Hussain Berhad (RHB), making it the single biggest shareholder in one of Malaysia’s largest financial services groups.

In 2004, UBG completed the sale of its 85.1% equity interest in Utama Merchant Bank Berhad (UMBB) to Malaysian Industrial Development Finance Berhad (MIDF) for a total sum of RM138.9 million. UBG’s share of profit gained from the sale amounted to RM86.7 million.

As at 31 December 2004, UBG’s total assets stood at RM1.3 billion with total shareholders’ funds at RM998.5 million.

Banking, Securities, Financing and Insurance

It has been a rewarding and successful year for RHB Group. Since UBG’s acquisition of RHB, and RHB Bank’s merger with Bank Utama in 2002, efforts to realise RHB’s vision to become Malaysia’s premier financial products and services group have begun to show results.

RHB Group changed its financial year-end from 30 June to 31 December to streamline operational uniformity with its ultimate holding company, UBG.

In the 18 months to December 2004, RHB proved its ability to drive revenue growth to ensure commendable profit levels for shareholders. The new team at RHB wasted no time to strengthen its operations in the face of strong domestic demand, increasing consumer and business confidence, and greater competition in the sector.

Systems were upgraded, group synergies enhanced and efficiencies boosted. Increased cross-selling across the Group leveraged on RHB’s large customer base and wide network throughout Malaysia, including an expanded presence in Sabah and Sarawak.

With a new management team under a revamped corporate structure, and well-supported by its team members, RHB has today emerged stronger and more focused to ensure steady shareholder returns in the future.

Rashid Hussain Berhad registered a profit before Irredeemable Non-Cumulative Convertible Preference Shares (INCPS) dividend, taxation and zakat of RM543.67 million for the 18 months ended 31 December 2004. Its main subsidiary, RHB Capital Berhad, achieved a consolidated profit before INCPS dividend, taxation and zakat of RM903.5 million.

operations review - banking

RHB Bank Berhad remained the top profit contributor with a profit before INCPS dividends, taxation and zakat of RM639.4 million. RHB Securities Sdn Bhd returned to the black with a profit of RM43.2 million. RHB Delta Finance Berhad registered a strong improvement in profit before tax to RM136.3 million while RHB Insurance Berhad made RM34.0 million in profit before tax. The Group's investment banking operation, RHB Sakura Merchant Bankers Berhad, achieved a profit before tax of RM94.4 million.

A renewed focus on consumer and commercial banking has helped to expand gross loans, advances and financing to RM48.5 billion for RHB Capital. With an effective credit framework in place and intensive recovery efforts under way, its asset quality continued to improve. As a result, RHB Capital's net non-performing loans (NPL) ratio declined sharply to 5.95% in December 2004 from 8.51% in June 2003.

RHB Capital's shareholders funds as at the end of 2004 stood at RM4.2 billion, whilst its asset base grew from RM69.5 billion as at June 2003 to RM82.1 billion at the end of December 2004.

RHB Group currently has a network of over 200 bank branches/service centres/sales kiosks/bureau de change counters, 42 commercial banking business centres, 7 trade centres and 8 trade desks at strategic locations nationwide. In addition, RHB Bank has a regional presence in Singapore, Thailand and Brunei.

The 18 months till December 2004 was a hectic time for the team at RHB. In taking advantage of the strong domestic demand, the Group introduced a continuous



stream of innovative and elegant financial solutions that not only met but also anticipated the needs of clients who are today so much more informed, discerning and selective.

During the period under review, RHB Bank moved away from its traditional corporate segment towards becoming a more retail-oriented and progressive bank. Apart from introducing a wide array of lifestyle products and services, the Bank's delivery channels were also expanded and branches given a facelift to create a new banking experience for customers.

The new products and services include a full suite of credit cards catering to the various market segments, ranging from the EVO Card for the young and young at heart, to the Visa Infinite card, a world-class premium product distinguished by its superior features and outstanding benefits for upscale customers.

Infinity Banking offers privileged services to a niche of individual customers, whilst the RHB BizPower programme provides small and medium-size companies with funding in just 48 hours. RHB Bank holds the



distinction of being the first commercial bank in the country to use a credit scoring approval process for the SMI sector.

While RHB Bank caters to commercial and consumer banking customers, RHB Sakura Merchant Bankers Berhad provides comprehensive integrated financial solutions and advisory services as it guides its clients' interaction with the debt and equity markets. One of the highlights for RHB Sakura was the successful initial public offering of AirAsia Berhad during which the company demonstrated its proven expertise and competitiveness in the capital market. RHB Sakura served as financial advisor and joint book-runner for the institutional offering as well as joint managing underwriter for the retail offering.

RHB has also gained recognition locally and abroad for its expertise. The Group won three awards at the recent Asiamoney Annual Awards 2005 for Best Local Brokerage (won by RHB Securities), Best Overall Macroeconomics (won by RHB Research Institute), and Best Services for All Trade Needs (won by RHB Bank).



RHB is the first domestic banking group in the country to set up a full-fledged Islamic banking subsidiary. RHB Islamic Bank was launched on 1 March 2005 by the Governor of Bank Negara Malaysia, YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz.

operations review - other financial services



“The market is currently jam-packed with new unit trust funds that are not much different in features from the funds launched in the '80s. We need to adopt a more matured outlook in terms of product sophistication, so that the investing public will have more choices in the manner their monies are managed. With further liberalisation in capital controls as announced by Bank Negara Malaysia recently, we expect the industry to be in a much better position now to be more innovative. The market is becoming more competitive. We have to be more innovative in our products and focus on new markets, going forward.”

S. Kumaravelloo Pillai
CEO, CMS Trust Management Berhad

Unit Trust Management

CMS Trust Management Bhd launched the CMS Islamic Balanced Fund in 2004 in response to the increasing significance of Syariah-based financial products among investors. The fund, which invests in a balanced portfolio of Syariah approved equities, equity-related securities and fixed income securities, started with a fund size of 200 million units offered to the public at an initial unit price of RM0.50.

CMS Islamic Balanced Fund is the fifth fund to be launched by CMS Trust, adding breadth to the already comprehensive range of products covering the three basic investment risk profiles. The other funds managed by CMS Trust are CMS Premier, CMS Balanced, CMS Islamic, and CMS Bond Fund.

The company is planning to launch more products in 2005 to satisfy the increasing appetite of investors for sophisticated products different from those currently available in the market.

For 2004, CMS Trust Management Bhd reported a pre-tax profit of RM3.4 million compared to RM2.3 million in the previous year. The 48% improvement in performance was attributed to better stock market conditions, higher equity fund sales and aggressive marketing. Total net asset value (NAV) for funds of CMS Trust as at 31 December 2004 was RM525.61 million, an increase of 27% compared to NAV at the end of 2003. Number of units in circulation as at 31 December 2004 stood at 1,046,219,605 equivalent.

CMS Trust continues to place the needs of its investors and distributors at the forefront of its growth strategy. The company has an aggressive plan to open up more service outlets nationwide, especially in West Malaysia, to complement its existing network of 6 agency offices and 2 regional offices in Kuala Lumpur and Kota Kinabalu.

In early 2005, the company made headway in Johor Bahru where a group of Singaporean agents were recruited to tap the sizeable Singaporean investments volume that have made their way to Johor. These new agents will serve as an effective conduit to Singaporeans looking to invest in Malaysian unit trust funds. Efforts are also being made to open an agency office each in Ipoh and Taiping.

CMS Trust currently has a tied agency force of 300 members. In addition, the company has 5 institutional distributors (IUTAs) with over 300 retail branches nationwide.

Besides adopting a more aggressive plan to launch additional products, CMS Trust will continue to ensure its funds are consistent in giving above-average returns to investors. As a testament to this, CMS Premier and CMS Balanced funds were recently announced as the top funds in their respective categories for the 5-year and 3-year period respectively at The Edge-Lipper Malaysia Unit Trust Fund Awards 2004.

other financial services



“ With Allianz Global Investors as our partner, CMS Dresdner Asset Management aims to be the pre-eminent global asset manager in Malaysia by protecting and enhancing our client's worth. ”

Ian Tham
Executive Director, CMS Dresdner
Asset Management Sdn Bhd



Asset Management

CMS Dresdner Asset Management Sdn Bhd performed well in 2004, reporting a 34% improvement in pre-tax profit to RM2.2 million for the year. Total assets under management increased 73% to RM1.2 billion, significantly surpassing industry growth rates. This increase was attributed to the growth of institutional mandates and unit trust funds which grew by 150% and 25% respectively. Revenue generated from management and performance fees increased 31% and operating profit registered a growth of 16%. CMS Dresdner's cost/income ratio for the year ended 2004 was 48%, representing an improvement of 11% over the performance of 2003.

CMS Dresdner has been largely responsible for the excellent performance of CMS Trust's unit trust funds since inception in 1997. The wins continued in 2004 when CMS Premier Fund and CMS Balanced Fund won as the top funds in their respective categories.

Going forward, the fund market expects increased competition following the Government's announcement in Budget 2005 to allow up to 5 foreign-owned global fund management companies to establish operations in Malaysia and to offer services to the institutional segment. In addition, Bank Negara Malaysia has announced that up to 30% of funds under management may be invested offshore.

As a partner of Allianz Global Investors, one of Europe's largest integrated financial services groups, CMS Dresdner is well-positioned to capitalize on these new opportunities with its institutional and high net worth clients. CMS Dresdner plans to expand its range of investment services offered to include regional and global portfolio management services and innovative structured and customized investment products.

Stock-broking

CMS Group holds a 25% stake in K&N Kenanga Holdings Berhad (K&N) making CMSB the single largest shareholder of one of Malaysia's leading stockbroking companies with 'universal broker' status. The company has the largest remisier and dealer base in Malaysia with 14 strategically located branches and electronic access facilities with permitted activities (EAF-Pas) in growth areas within the Klang Valley, Johor, Penang and Sarawak.

K&N reported pre-tax profit of RM54 million for 2004 compared to profit of RM7 million for 2003 on the back of better performance by the stock-broking company. This includes an exceptional gain of RM18 million arising from the issue of 9,090,909 Bursa Malaysia Berhad shares resulting from the demutualisation of the Kuala Lumpur Stock Exchange. CMS Group's investment reaped a profit of RM13.4 million.

enhancing synergy

Synergy is a top priority in increasing competitiveness of CMS Group. Much effort, both formal and informal, has been directed towards enhancing synergy within the Group. The results have been encouraging. After only the first full year of implementation in 2004, group synergy initiatives resulted in savings of RM64.6 million.

Of this, a total of RM44.6 million was recorded from cross-selling of products within the Group. Compared with the first quarter, cross-selling of products increased 77% by the end of 2004. Implementation of the competitive tender process for work in subsidiary companies and strategic procurement with the establishment of Group pricing agreements with service providers brought about a further cost savings of RM20 million.

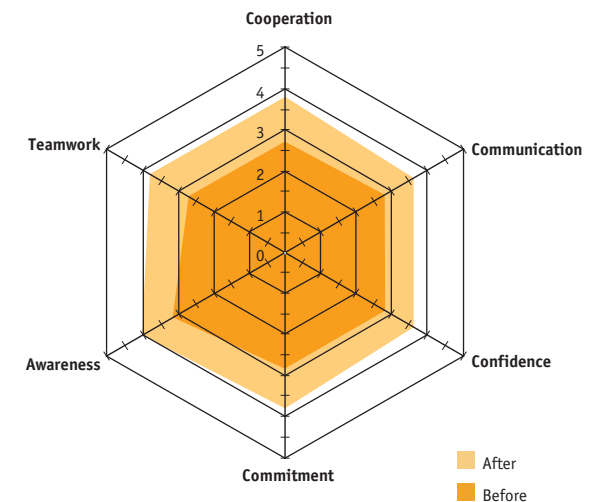
Other realized benefits of group synergy as tracked by the Synergy Working Group (SWG) has been increased networking and interaction, greater information-sharing on products and services, and a strengthening of overall planning of products and materials for Group consumption. Comprising members from across CMS Group's diversified operations, SWG has also proved to be an effective avenue for new ideas and initiatives to be evaluated.

Significant achievements of SWG in 2004 include:

- Development of the Terms of Reference for the SWG.
- Measurement of competitiveness of the Group's products.
- Development of the Group Synergy process flow-chart to guide subsidiaries on the use of Group Synergy.
- Establishment of contractual conditions with contractors to purchase Group products.
- Promotion of Group Synergy within CMS Group.

Apart from the Synergy Working Group which is made up of mostly middle management, another formal initiative is the Group Strategies & Synergy Forum (GSF). Chaired by the Group Chairman, the GSF comprises members of the top management team from operations across the Group. It meets monthly to discuss and formulate strategies. Through the sharing of market intelligence, opportunities are brainstormed to ensure maximum inter-connectivity of CMS Group's numerous products and services to enhance overall Group competitiveness.

The focus to enhance synergy in 2005 will be to ensure compliance with Group Procurement Policies. Key performance indicators and utilization of synergy by contractors and suppliers will also be monitored.



Benefits of group synergy as tracked by the Synergy Working Group (SWG)



In 2004, Central Procurement Department organized a series of education visits to subsidiaries across the CMS Group to enhance group synergy. Visits included Bandar Baru Samariang, CMS Steel, CMS Cement plants in Kuching and Bintulu, PPES Works' Tanjong Kiduring-Suai-Bakam coastal road project, CMS Quarries, CMS Premix and CMS Concrete Products.

technology development

Maintaining a corporate network and ensuring a high level of connectivity is vital in today's business environment, especially so at CMS Group where we have such a heterogeneous environment.

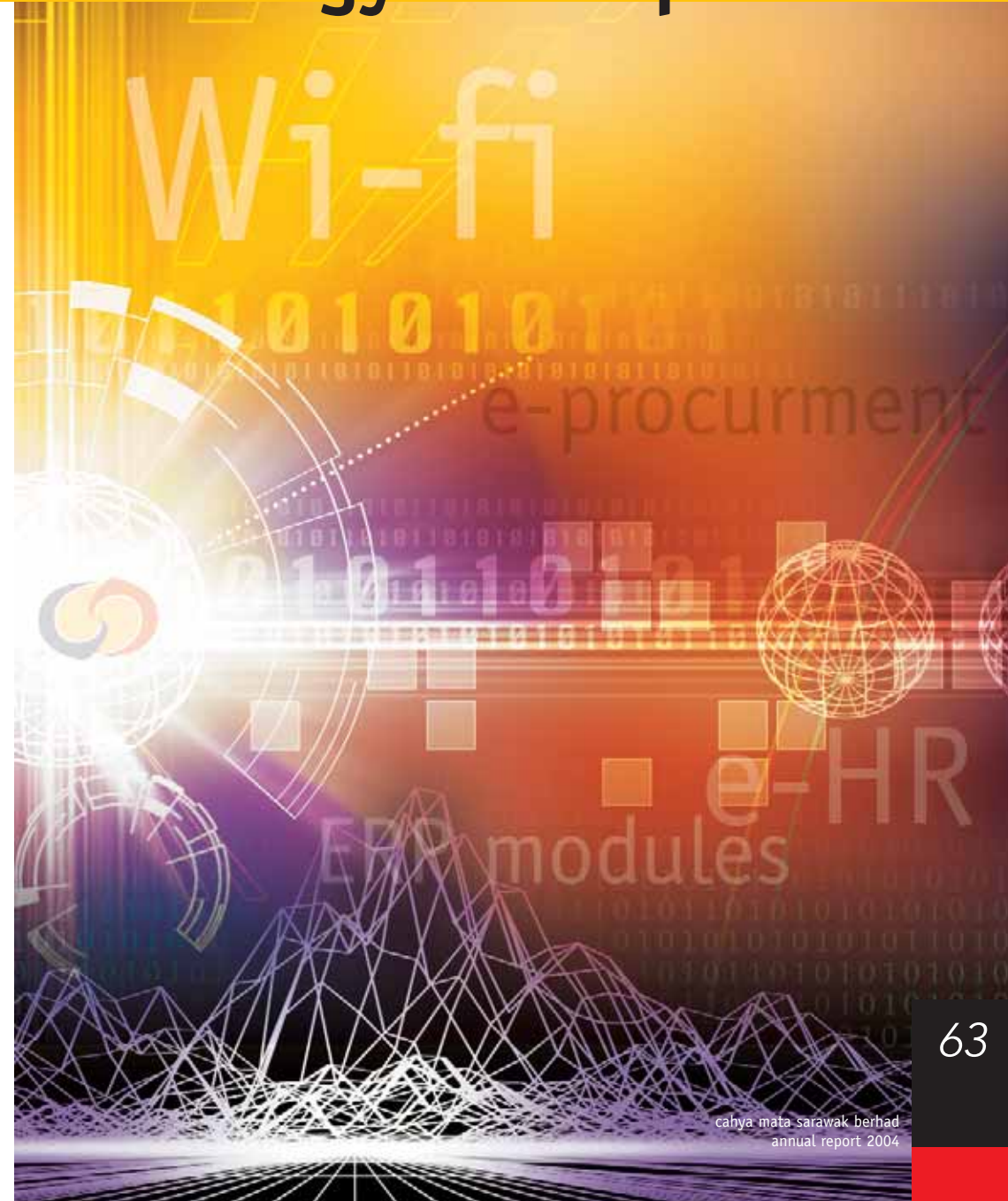
In 2004, Group Technology activities focused on enhancing the integrity of the corporate network environment. A security audit was conducted by an independent party; the results of which allowed us to further improve the status of the corporate network.

Group Technology also formulated a security policy for the company to standardise procedures in order to protect our corporate network environment. Business software solutions have been studied to assess their suitability for use in CMS Group. And to ensure that high levels of electronic communication are maintained across a group as diversely located as ours, levels of connectivity across the Group have been improved.

In 2005, the information technology infrastructure in CMS Group will be further streamlined and updated to fully exploit the benefits of modern technology.

Formulation of a Group purchasing and maintenance policy will allow for potential cost savings from the efficiencies of bulk purchasing.

Group Technology will also collaborate with the operations in the SBUs to explore development of software applications designed to improve efficiencies in their specific work environments. The modernization will be supported by Group HR Division through its continued investment in the upgrading of IT literacy and confidence levels of employees.



human resources management

Activities in 2004

The Group's Human Resources Division had another challenging year in 2004 with activities focused on fulfilling manpower requirements in tandem with business needs and addressing skill gaps with a variety of training and development activities. Other major HR efforts during the year included :

Job evaluation for Non-executive positions

An extensive job evaluation programme for non-executive positions began during the year to ensure matching of existing jobs with current market rates. The evaluation, which involves a long and rigorous process of Job Analysis, Job Interviews, Job Evaluation, Market Studies and Implementation, is spear-headed by the Job Evaluation Committee comprising HR personnel from Centre Management and representatives from the SBUs. The programme is expected to be completed in 2005.

Growing our own talents

Finding, hiring and developing top talent is a priority for Group HR. In 2004, talent spotting was carried out within the current workforce and a select group of employees were identified as 'Hipo' (having high potentials). These talents have been and will continue to undertake special cross-SBU assignments in order to fast-track their learning of the business and organisation. A more structured mentor-protégé programme under the succession planning scheme will be developed in the near future.

Employee relocation

In June, a business decision was made to conclude the Group's modular housing operations. Whilst the move could have resulted in a retrenchment exercise, CMS



Group demonstrated its 'caring employer' philosophy by tasking Group HR to relocate the affected employees to other parts of the CMS Group. A series of job matching, selection processes and interviews followed. Meetings with individual employees were held to understand their needs and constraints. By November, all 38 employees had been relocated and placed into new roles at the various SBUs.

The caring employer

Group HR helped 'make ends meet' for the beneficiaries of deceased employees by administering insurance claims on their behalf. A total of RM211,159.72 was successfully obtained from the insurers, mostly equivalent to 100% of claims, and subsequently paid to the bereaved families.

Activities for 2005

As the Group continues to 'spread its wings' to new regions and inculcate new businesses, it is essential that our human resource pool supports the plans and strategies.

Centralising HR management

A strategic decision has been made to merge all human resources operations under one roof in order to ensure standardisation, uniformity and consistency in

implementation of HR policies. Under this centralised environment, all HR administration, development and needs shall be catered for by the enlarged Group HR Division at Centre Management. This shall bring about a more efficient and effective HR Division, with more focused decision-making, greater cost savings and an improved turn-around time on decisions affecting Group policy. Much planning work was completed in 2004. Full implementation is expected to take 2-3 years. The focus in 2005 will be to rewrite existing HR policies and procedures, retrain HR personnel and access a more powerful HR information system to meet current and future needs of the Group.

e-HR

In line with CMS Group's move to maximise the advantages of information technology at the workplace, Group HR is embarking on identification of a HR information system to support the new centralised HR set-up.

Amendments to the Sarawak Labour Ordinance

With the recent announcement of amendments to the existing Sarawak Labour Ordinance, Group HR will be kept busy implementing such changes within the stipulated time frame. These amendments include improvements in benefits for employees with salaries RM2,500 and below.

corporate citizenship

CMS Group's main corporate social responsibility project is the "CMS Adopt-a-Mosque" community programme in which the Group pays for utility (electricity and water) expenses of selected mosques and surau. In this way, collections of the mosques and surau can be used to organize other religious activities and classes to benefit their local communities.

The "CMS Adopt-a-Mosque" programme began in 2002 following a random survey by the Group which showed payment of utility bills to be the primary concern of most mosques and surau. With few means of financial support, these establishments depend on collections from their congregation or village folk. These collections are often barely sufficient to cover basic expenses.

Our team worked with the local religious officials to identify mosques and surau for the programme. Site visits were made to gather more information. And as a result, CMS Group's community programme began with the 'adoption' of 20 mosques and surau in the Kuching and Samarahan divisions. Today, this total has increased to 55 following the inclusion of 12 surau in Bintulu and 14 surau in Miri in 2004. For the future, we look to expand the programme to more areas throughout Sarawak.

Apart from the "CMS Adopt-a-mosque" programme, each year, the Group gives generously to a number of charities and needy causes, many of which are related to the underprivileged and young children.

Efforts to give back to the community have also been undertaken by member companies of CMS Group. In 2004, these included corporate sponsorships, giving of cement for the construction of homes for leprosy victims, and organizing collections of Christmas gifts for needy children.

Early in 2005, as the world witnessed the devastation and massive loss of life in Asia due to the Tsunamis of 26 December 2004, CMS Group employees were quick to open their hearts and purses. Personal contributions amounting to over RM27,000 were collected from employees. This amount was subsequently tripled with the Group Chairman's personal contribution and another from CMSB.

With operations in the construction industry, CMS Group has the ability to change landscapes and communities with its powerful machinery. As such, deliberate attention is placed in project planning to ensure minimum negative impact is made to the environment at our project sites. CMS Cement and PPES Works are certified with the internationally recognized ISO 14001 certification which addresses systems to manage impacts to the environment. And in our factories, emission standards are constantly monitored, green belts maintained and machinery operated at energy efficient levels.

Being socially responsible begins at our own workplace. As testament to this, CMS Cement and PPES Works have been certified with the internationally recognised occupational health and safety standards prescribed by OHSAS 18001. Such efforts won CMS Cement the Gold Award at a national occupational health and safety competition in 2004.

