



CAHYA MATA SARAWAK

Annual Report 2005

Cahaya Mata Sarawak Berhad Company No. 21076-T

www.cmsb.com.my

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Annual Report 2005



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Corporate Information

DIRECTORS

YBhg Dato Sri Sulaiman Abdul Rahman Taib
Tuan Haji Mahmud Abu Bekir Taib
YBhg Dato Sri Liang Kim Bang
YBhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi
bin Haji Zainuddin
YAM Dato' Seri Syed Anwar Jamalullail
YB Datuk Haji Talib bin Zulpilip
YBhg Datuk Wan Ali Tuanku Yubi
YBhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie
Mr Kevin How Kow

SECRETARIES

Isaac Lugun
Denise Koo Swee Pheng

AUDITORS

Ernst & Young

REGISTERED OFFICE

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PRINCIPAL BANKERS

RHB Bank Berhad
Bumiputra-Commerce Bank Berhad
Malayan Banking Berhad
EON Bank Berhad
Citibank Berhad

STOCK EXCHANGE LISTING

Main Board, Bursa Malaysia Securities Berhad
Stock code: CMSB
Stock number: 2852

The origins of Cahya Mata Sarawak (CMS) date back to 1974 as a single product manufacturer of cement. Today, CMS is a diversified group of companies, mainly involved in Malaysia's infrastructure development and financial services sectors. It is the largest conglomerate in Sarawak, having proudly played a role in the State's economic development. Its extensive portfolio of products, services and investments generate an annual turnover of more than 1 billion Ringgit.

The Group's history is peppered with many firsts for an operation from Sarawak. Among them, the first East Malaysian company to produce cement, the first Bumiputra-owned bank, the first Sarawak-based company to be listed on the Malaysian stock exchange and the first licensed stockbroking operation.

The CMS Journey Thus Far

The year 1994 saw the start of an exciting phase resulting in the conglomerate CMS is today. An aggressive business expansion saw the acquisition of related infrastructure businesses. These strengthened the Group's resources and expertise, making it Sarawak's largest producer of stone aggregates, the largest producer of premix, and one of the largest construction companies in the State. Synergies within the Group further allowed for diversification into new businesses which included financial services, recycling technology for road maintenance, development of new housing materials, property and education.

CMS adopted its current name, Cahya Mata Sarawak (meaning "the pride of Sarawak" when translated into the Malay language), in 1996. To realise and support a Vision and Mission to be THE infrastructure development and financial services conglomerate, first of Sarawak and then beyond, CMS Group's varied businesses have today been consolidated into the Strategic Business Units (SBU) of Cement & Construction Materials, Construction & Road Maintenance, Property Development, Services, Banking, and Stockbroking & Other Financial Services.

Group Corporate Structure



CAHYA MATA SARAWAK

Cahya Mata Sarawak Berhad*

Cement & Construction Materials SBU

CMS Cement Sdn Bhd	100%
CMS Concrete Products Sdn Bhd	100%
CMS Steel Berhad	80%
CMS Wires Sdn Bhd	69%
CMS Modular Housing Sdn Bhd	100%
CMS Resources Sdn Bhd	51%
CMS Quarries Sdn Bhd	100%
CMS Premix Sdn Bhd	60%
CMS Premix (Miri) Sdn Bhd	40%
CMS Premix (Miri) Sdn Bhd	60%
PPES Concrete Product Sdn Bhd	51%

Construction & Road Maintenance SBU

CMS Works Sdn Bhd	100%
CMS Works International Ltd	100%
PPES Works (Sarawak) Sdn Bhd	51%
CMS Roads Sdn Bhd	81%
CMS Pavement Tech Sdn Bhd	100%

Property Development SBU

Projek Bandar Samariang Sdn Bhd	60%
CMS Property Development Sdn Bhd	100%
CMS Property Management Sdn Bhd	51%
CMS Land Sdn Bhd	51%
CMS Hotels Sdn Bhd	100%

Services SBU

CMS Education Sdn Bhd	80%
CMS River Bus Sdn Bhd	100%
CMS Infra Trading Sdn Bhd	51%
CMS Sumber Sdn Bhd	51%
CMS Energy Sdn Bhd	100%
CMS Digital Sdn Bhd	100%
CMS I-Systems Berhad	51%
I-Systems Networks Sdn Bhd	90%
I-Systems (Guangzhou) Co Ltd	100%
Interventure Capital Sdn Bhd	100%
CMS Global (BVI) Ltd	100%

Banking SBU

Concordance Holdings Sdn Bhd	100%
Utama Banking Group Berhad*	52%
UBG Enterprise Berhad	100%
Rashid Hussain Berhad*	32.8%

Stockbroking & Other Financial Services SBU

CMS Capital Sdn Bhd	94%
K&N Kenanga Holdings Berhad*	25%
CMS Dresdner Holdings Sdn Bhd	51%
CMS Trust Management Berhad	51%
CMS Mezzanine Sdn Bhd	100%
CMS Opus Private Equity Sdn Bhd	51%

* Listed on the Main Board of Bursa Malaysia

CMS in 2005

CMS maintained

4,388

km

of roads throughout Sarawak, ensuring better quality roads for users

PPES Works won bids to build **Gerugu Dam** and 2 **rural water projects** in Sarawak

Development of **2 landmark Sarawak projects** began
– Sarawak DUN complex and Kuching Tower

PPES Works ventured into **oil & gas** infrastructure construction with the award of contract to build an independent oil terminal

CMS Trust Management's **CMS Premier Fund** received approval to invest in overseas markets

Total Assets Under Management of CMS Dresdner Asset Management as at 31 December 2005

RM985

million

CMS Cement Sales for 2005:

1.15

million
metric tonnes

Construction Materials operations (quarrying, premix and concrete products) reported a combined profit of **RM12.4**million

CMS signed an MoU with 2 Chinese firms to undertake a feasibility study for the billion-Ringgit **aluminum smelter** project in Sarawak

Going Global

CMS sealed MoUs with companies from China, Mongolia, Saudi Arabia, Vietnam and Indonesia

CMS signed an MoU to construct **2 expressways** in Yunnan Province, China

Bandar Baru Samariang is now home to

19,200 residents

CMS Infra Trading reported

54% increase in turnover compared to previous year

CMS sponsored an international media & environment summit in Sarawak, attended by **300** participants from **40** countries

Another **first for Sarawak** – CMS Opus Private Equity Fund

New to CMS Group:
CMS I-Systems Berhad, an award-winning developer and implementor of innovative, enterprise-level software applications

28/02

The Group reported a profit before tax of RM131.0 million for the financial year ended 31 December 2004.

19/05

The Group declared a first and final dividend of 5 sen per share less 28% income tax for the financial year ended 31 December 2004.

19/05

Notice of CMSB's 30th Annual General Meeting.

30/05

The Group reported a profit before tax of RM10.6 million for the first quarter ended 31 March 2005.

13/06

CMSB's 30th Annual General Meeting.

30/06

Date of entitlement of the first and final dividend of 5 sen less taxation.

2005

Financial Calendar

22/07

Date of payment of the first and final dividend of 5 sen less taxation amounting to RM11.9 million.

30/08

The Group reported a profit before tax of RM7.0 million for the second quarter ended 30 June 2005.

28/11

The Group reported a profit before tax of RM17.3 million for the third quarter of ended 30 September 2005.

2006

28/02

The Group reported a loss before tax of RM69.90 million for the fourth quarter ended 31 December 2005. The consolidated Group loss before tax for the twelve months ended 31 December 2005 was reported at RM35.02 million, mainly due to the recognition of impairment losses related to the closure of the Group's steel operations.

29/04

The Group announced a deviation in the loss before tax for the twelve months ended 31 December 2005 due to impairment of goodwill arising on the consolidation of CMS Steel Berhad which ceased operations subsequent to the financial year end. As a result the audited Group consolidated loss before tax for the twelve months ended 31 December 2005 was RM49.50 million.

5 Year Group Financial Highlights

	2001	2002	2003	2004	2005
Revenue (RM'000)	1,242,771	1,378,990	1,082,662	1,020,344	880,970
Profit/(loss) before taxation (RM'000)	137,451	168,057	82,310	130,955	(49,496)
Profit/(loss) after tax after minority interests (RM'000)	85,772	48,412	23,670	28,749	(117,987)
Basic earnings per share (sen)	26.30	14.77	7.21	8.73	(35.81)
Gross dividends per share (sen)	5	5	5	5	5
Total shareholders' funds (RM'000)	986,539	961,092	973,698	991,970	849,735
Total assets (RM'000)	11,542,931	3,535,466	3,449,086	2,710,384	2,654,871
Net tangible assets per share (RM)	2.29	2.24	2.33	2.42	1.97
Return on equity (%)	9.02	4.97	2.45	2.93	(13.77)
Return on total assets (after tax) (%)	0.74	1.37	0.69	1.06	(4.44)
Current ratio (times)	1.11	1.18	0.98	0.97	0.99
CMSB Share Price Information (RM)					
- Low	1.59	1.71	1.53	1.44	0.88
- High	2.96	2.96	2.36	2.38	1.63
- Closing	2.34	1.74	1.99	1.50	0.93

Group Chairman's Letter to Shareholders



Dear Ladies and Gentlemen,

I am pleased to report on the activities and performance of our company, Cahya Mata Sarawak Berhad, for 2005. It was another busy year for the Group as we embarked on an aggressive expansion to tap new opportunities for growth, widen our client and projects base, and diversify our income streams.

During the year, we commenced development of two landmark projects for Sarawak. Construction began on the new Sarawak State Legislative Assembly (or Dewan Undangan Negeri) complex, which with its unique design and strategic location on the waterfront of Kuching city's central business district, is set to become a new icon for the State. We also began development on the Kuching Isthmus, an exclusive enclave on the fringe of Kuching city which will house the Kuching Tower, a hotel-cum-office complex, and the proposed Sarawak Convention & Exhibition Centre. Both the Dewan Undangan Negeri complex and Kuching Isthmus projects are significant for the Group as they herald CMS' diversification into building construction from a pure civil works construction player in the past.

The year 2005 was also momentous for the Group as we successfully completed our flagship Tanjung Kidurong-Suai-Bakam coastal road project, the single largest road project in Sarawak under the Federal Government. This 178-km road was

completed on time and within budget despite challenging soil conditions and terrain.

CMS won several new construction projects in 2005, including a key contract in the oil and gas sector which we hope will be our entry ticket to tap more businesses in this lucrative industry. We also commenced construction of a new purpose-built campus for Tunku Putra International School, an important step toward making Tunku Putra the school of choice in the state.

The Group also moved to strengthen its foothold in financial services during the year by setting up Sarawak's first private equity initiative. Our new subsidiary, CMS Opus Private Equity Sdn Bhd, aims to provide an alternative financing platform for under-capitalised but potentially profitable companies in Sarawak. We hope that by bridging these entities with potential investors, CMS can help create more value-added industries and companies. At the same time, we acquired another IT company, CMS I-Systems Berhad, to serve as a platform for the expansion of our IT businesses.

Operationally, we continued to enhance improvements in efficiency throughout the Group. We endeavoured to optimise capacity and sought new ways to increase savings. We bolstered group cohesion with improved IT network connectivity, allowing for increased business communication. In addition, group synergy enabled us to leverage on our size to negotiate for more favourable terms in the procurement of products and services for our businesses.

The year under review also marked a turning point for CMS as we undertook an aggressive pursuit to expand beyond Sarawak. The past three decades saw the Group's transformation from a humble beginning as a cement manufacturer into the premier infrastructure development and financial services conglomerate in Sarawak. With a strong foundation and all the building blocks in place, the Group is ready to chart a new chapter as we continue to evolve.

Two subsidiaries, CMS Works International Limited and CMS Global (BVI) Limited, were set up especially for the Group's international ventures. New partnerships and collaborations were established during the year with key players in China, Mongolia, Vietnam, Indonesia and Saudi Arabia.

In September 2005, CMS signed a Memorandum of Understanding (MoU) with a Chinese company to construct two major expressways in the Yunnan Province of China. The contracts to build the 75km Kunming North-West Ring Expressway and the 72km Kunming-Wuding Expressway, both key sections of the Yunnan Provincial Highway Net, are estimated to be worth a total of RM5.12 billion. Under the deal, CMS and our partner, the China Yunnan Highway & Bridge Construction Group Co Ltd, will operate a 30-year concession once construction is completed in three years.

At the same time, CMS inked an MoU to buy a stake in a company which owns rights to coal deposits in Mongolia and another pact to jointly develop property there. We are also actively searching for road and infrastructure projects and property developments in Vietnam, Indonesia and Saudi Arabia.

In Sarawak, another multi-billion-Ringgit project is taking shape. CMS sealed an MoU in May 2005 with two leading, state-owned companies from China, the Shandong Luneng Group Co Ltd and Sinohydro Corporation, to undertake a feasibility study to set-up, own and operate an aluminum smelter plant in Sarawak. Following the feasibility study, CMS and its consortium partners, which includes the State Grid Corporation of China, subsequently submitted a proposal to the Government of Malaysia to set-up and operate the aluminum smelter at a cost of between 9 to 11 billion Ringgit.

We believe our consortium has presented the Government with the best proposal. Among the merits of our bid is the potential for a large and steady annual revenue stream for the Government based on a favourable price for the purchase of power from the Bakun Dam. The aluminium smelter is expected to utilise the bulk of the power to be generated by the 2,400 MW Bakun Dam. In addition, a new port dedicated to the smelter operation will be built and more than 15,000 jobs are expected to be created through various upstream and downstream activities.

Both the aluminium smelter and the Yunnan expressway projects, if successful, are set to commence in 2006. These projects will be new sources of growth for CMS Group and the impending construction activities will benefit our other operations. It will also help spread the Group's risks against future adversities and challenges, which is crucial for a conglomerate like ours as we seek to expand and increase shareholders' value. This is especially important as 2005 has shown us how dependence on a single market or single economic environment can impact our operations.

Despite setting new milestones, the past year has also been a difficult one not just for the Group alone but for many other Malaysian companies as a tough operating environment brought on unprecedented challenges. Like other businesses, our Group's performance was affected as the Malaysian construction sector contracted for a second straight year by 1.6 percent in 2005 amid an economic slowdown. Sarawak registered a growth of 5.7 percent in 2005, down from 7.1 percent in 2004. The Sarawak Government deferred nearly a dozen projects in 2005 with a total value of RM1.4 billion to the 9th Malaysia Plan as part of its efforts to tighten spending and shrink its fiscal deficit.

Competition among construction firms has intensified and the Government's policy to award more projects through open tender put additional pressure on margins. Priority also shifted somewhat to smaller-scale contractors as opposed to larger construction companies such as ours. In addition, the persistently high global oil prices have caused the prices of raw materials to surge, resulting in an increase in operational costs for our subsidiaries. As a result of these factors, the Group's non-banking operations contributed a lower profit of RM34.76 million for the financial year ended 31 December 2005, compared to RM64.15 million the previous year.

The Group's financial services operations were also hurt by a weak bourse and rising interest rates. Bursa Malaysia was the worst performing market in Asia in 2005, leading to lower stockbroking activities and fewer sales in unit trust funds. In November, the Government raised interest rates for the first time in years to rein in inflation.

Group Chairman's Letter to Shareholders

Overall, the Group incurred a loss before taxation of RM49.5 million during the year, after taking into account the provision of impairment losses of RM103 million and an impairment of goodwill of RM14.75 million as we prepare to exit our loss-making steel business.

The challenges faced in 2005 served as a beacon for change in the Group. We look back with pride at our history of success but to forge progress and prosperity in the future requires us to reassess our operations and business strategies. We must speed up our efforts to sharpen our competitive edge, improve efficiency and unlock greater value so that we can succeed in an increasingly competitive market place.

Internally, the process of creating a leaner, more focused and efficient organisation has already begun. We bit the bullet and made tough decisions to remove weak links by closing down two loss-making entities despite heavy investment in the past. CMS Modular Housing ceased operations in 2005, with the machinery sold off and the factory completely shut down in September. In January 2006, the Board also announced plans to exit the steel business by the end of the first quarter of 2006. The move came as CMS Steel recorded its eighth consecutive year of losses in 2005, and its operations no longer deemed feasible in the long-run. Production at the mill ceased in February and its staff were retrenched at the end of March 2006. The Group is currently exploring the possibility of selling the assets to interested third parties.

At the same time, we are also reorganising our domestic construction operations against a backdrop of fewer big-ticket projects and lower profit margins. Other initiatives in the Group include a continued emphasis on building a culture of maximising returns on projects by increased savings through value-added engineering and improved operational efficiency, better debt management and the restructuring of our financing schemes to secure better funding rates.

Looking ahead, the Group believes that the cement, construction and property development businesses hold great potential for future growth. A slew of infrastructure projects under the 9th Malaysia Plan are expected to revive growth in the construction sector to expand by an average 3.5 percent annually over the 2006-2010 period. East Malaysia has been earmarked as one of the five

new growth corridors in the country, and a total of RM15.1 billion has been allocated for Sarawak to boost its infrastructure, develop new growth centres and improve rural utilities. We believe that with our Group's track record of delivery and combined strength in assets, resources, human capital and synergy, CMS can play a role in the State's future economic development.

CMS Cement, the top contributor to Group earnings, is the sole operator in Sarawak but it is still dependent on third parties for the supply of clinker, a key raw material. As we cross into the new year, we are evaluating the possibility of acquiring a clinker manufacturing outfit to complete CMS Cement's transformation into an integrated manufacturer. This will put the company in good stead as we strive to expand our business into new markets beyond the Sarawak region.

Property development will be another key pillar of growth. Apart from further developments at Phase 1 and the opening up of new areas in Phase 2 of Bandar Baru Samarang, we will also focus on developing our vast land bank at the Kuching Isthmus, an integral part of the state capital's new growth area. The proposed Sarawak Convention & Exhibition Centre on the Kuching Isthmus will act as a catalyst for development in the area and enhance Sarawak's attractiveness in the lucrative Meetings, Incentives, Conferences and Exhibitions (MICE) industry.

This year, we will also begin the implementation of an Enterprise Resource Planning (ERP) and Human Resource (HR) computer system for the Group. The investment in technology will further bolster integration in our diverse Group, and benefit our operations in terms of improving efficiency and our bottom-line. The initial implementation will cover integration of key processes at CMS Cement, such as budgeting, production costing, procurement, sales and distribution, bank reconciliation and plant maintenance. The ERP will also assist CMS Group with treasury functions, Group consolidation and reporting, while Central Procurement will implement a system with built-in business intelligence tools, key performance indicator reporting as well as vendor performance indicators. We will also be investing in an enterprise HR system to support the Group's manpower planning and optimisation.

Ladies and Gentlemen, the past year has been trying for the Group but we have been responsive and have adapted well to these challenges. We have made bold and tough

decisions in the process to position the Group for long-term sustainable growth and ensure that we become stronger and more efficient. We are determined and relentless in our aim to make effective and measurable differences in the way we operate.

We are grateful for the strong support and cooperation from the various Government departments and agencies, and the business community at large. Their firm belief and backing for CMS Group has helped us navigate through these challenging times and we look forward to fostering even closer ties in the future.

We thank our employees who have stood firmly behind the Group all this while. Their resourcefulness, hard work, dedication and loyalty have made CMS Group's growth possible. We are also proud of our dynamic management team of experienced and skillful professionals, who are passionate in their work and dedicated in their quest to succeed. They have demonstrated strong teamwork, which has steered the Group to stay ahead in a changing marketplace and to maintain focus in areas where we can excel, while at the same time explore new opportunities for growth. We are confident that our Management team will continue to lead the teams to execute our plans and strategies successfully and help the Group chart new achievements.

We also want to record our gratitude to our Board of Directors, both at the Group-level and at the subsidiaries, whose wise counsel has been instrumental in driving the process of change across the organisation. Our high calibre of Directors, with their vast business knowledge, professionalism and invaluable contributions, has helped nurture the Group's strengths to gain greater momentum for growth. We thank them for their patience and understanding of the challenges faced at the operations-level, and we continue to look to the Board's vision to drive the Group's future, to inspire the teams to excel and strive for the best.

And we express our heartfelt appreciation to you, our shareholders, for your confidence in us and hope that you will continue to stand by us as we make these positive changes. The trials we encountered in 2005 are but temporary, and have sharpened our team's resilience and made us more determined than ever to prosper.

As we stand on the verge of our 32nd anniversary, CMS Group remains anchored to its vision of becoming a premier conglomerate not only in Malaysia but in the global market as well. From our core businesses of infrastructure development and financial services, our Group has today diversified into property development, education and technology applications. The Group's future evolution will extend into other areas that will add value and propel the Group to greater heights. It will take time for these new endeavours to bear fruit and for the results to become evident, but we are confident of what tomorrow will bring. There are exciting developments across all segments of our businesses that signal a bright outlook ahead, in which we will emerge with renewed vigour and will be strategically positioned to stamp our mark in new markets.

As we embrace the future, I am confident that our combined efforts will create a strong foundation for a new and successful Cahya Mata Sarawak, powered to grow and lead the markets in an exciting and sustainable way. We look forward with anticipation to higher growth and a rewarding time ahead.

DATO SRI SULAIMAN ABDUL RAHMAN TAIB
Group Chairman

Operations Review

CEMENT & CONSTRUCTION MATERIALS SBU



CEMENT

- **CMS Cement**, the sole cement manufacturer in Sarawak, registered sales of RM270.82 million in 2005. Its two grinding plants in Kuching and Bintulu have a combined capacity of 1.75 million metric tonnes (MT), and supply the entire market in the State.
- The plants currently manufacture Ordinary Portland cement (OPC) and are looking to expand into the production of Pulverised Flue Ash (PFA) cement, a denser and more durable product suitable for building dams and marine projects. CMS Cement has since received approval from the authorities at the end of 2005 to produce PFA cement.
- A new 10,000 MT cement silo at the Bintulu Plant was completed and handed-over in February 2005. A similar 10,000 MT cement silo is under construction at the Kuching Plant, and is expected to be completed by the middle of 2006. This will add to the Kuching Plant's current 3 silos. Overall, the increased storage facilities at both plants will ensure that CMS Cement has sufficient stock at all times to meet demand throughout Sarawak.
- Inconsistent supply of clinker from its local supplier affected the Company's production capacity last year. As a result, CMS Cement had to import clinker at higher prices to overcome the shortfall, pushing up its raw material costs and suppressing profit margins.



- CMS Cement is proud of its strong Quality culture. The Company has obtained all three internationally recognised Quality certifications, namely, ISO 9001, ISO 14001 and OHSAS 18001. Production efficiency at the cement plants is also closely monitored. Operating on an average three shifts a day, six days a week, the total running time during 2005 was 6,167 running hours, with a downtime percentage of only 6.6% due to mill, mechanical and electrical breakdown.
- Prospects will brighten for the cement industry in 2006, as new projects under the 9th Malaysia Plan are expected to revitalise the country's construction sector. In addition, there is a RM2 billion allocation for Sarawak from the Federal Government in its Budget 2006 for key infrastructure works in the State, such as the Serdeng-Bawang Assam Road, development of the new Federal Administrative Centre and expansion of Universiti Malaysia Sarawak.



QUARRYING

- CMS maintained its position as the largest quarry operator in Sarawak in 2005, accounting for 30 percent market share. The quarries at Stabar, Bukit Akud, Penkuari and Sebuyau produce granite, microtonalite and limestone aggregates for Sarawak's construction sector.
- **CMS Quarries** and **CMS Penkuari** generated a combined sales revenue of RM40.8 million in 2005.
- Overall utilisation capacity achieved at CMS quarrying operations was 86 percent in 2005, sharply higher compared to the average market utilisation capacity of 56 percent.
- With increased competition in the local market, our quarrying operations are constantly challenged to increase efficiency levels to achieve greater economies of scale in production. Optimising capacity and finding more opportunities for savings continue to be the main focus for these operations.
- The current quarrying operations are strategically located in the southern half of the State, near to major developments, wharves and transportation routes. For the future, CMS is looking to expand the operations in northern Sarawak, to be nearer to potential markets in these areas.
- On-going civil works within CMS Group and new projects under the 9th Malaysia Plan are expected to fuel new growth over the next few years.

PREMIX

- CMS premix operations are the largest in Sarawak, supplying high quality asphaltic concrete and bitumen emulsion used in the construction of road pavements and airport runways.
- The operations' seven fixed and mobile plants throughout the State, including the only emulsion factory in Sarawak, captured 55 percent market share in 2005.
- **CMS Premix** and **CMS Premix (Miri)** registered a significantly higher combined revenue of RM94.9 million in 2005.
- Profit margins were, however, affected by increased competition and higher production costs on the back of volatile global oil prices. A sharp surge in prices of bitumen and diesel, two key raw materials, was off-set by a series of measures which resulted in RM980,000 savings for CMS premix operations.



CONCRETE PRODUCTS

- **CMS Concrete Products** registered a revenue of RM11.9 million in 2005 from the manufacture of concrete piles and beams, cement bricks, road kerbs, box culverts and ready mixed concrete for the Sarawak market. Major projects supplied to in 2005 included the Sarawak State Legislative Assembly (DUN) complex, the Kuching International Airport extension, and the Sarawak bridges replacement project.
- In 2006, sales are expected to strengthen on the back of growing demand from on-going projects within CMS Group such as the on-going Sarawak DUN complex, Swinburne University of Technology campus extension, Pusat Islam Complex, Kuching Tower, as well as other external projects.
- In order to remain competitive, the Company aims to boost efficiency through further plant automation, and control of costs. It is also looking to expand into pipe culvert manufacturing which will complete its range of products offered, and strengthen cross-selling opportunities within the Group.



STEEL

- **CMS Steel** produced high-tensile steel round bars, wire rods and mesh for the Sarawak construction sector. As a non-integrated operation, CMS Steel suffered from having purchased billets, its key raw material, at high prices and not being able to pass on these costs to consumers. Poor sales in recent years added to its woes, as this led to low production levels, falling far short of the rolling mill's 300,000 metric tonne capacity and its ability to attain economies of scale.
- CMS Steel sank deeper into the red in 2005 with a loss before tax of RM15.9 million. This marked the eighth consecutive year of losses for CMS Steel since 1998.
- Efforts to control costs and explore joint-ventures with potential partners proved unsuccessful. With no indication that the local steel industry would turn around in the near future, the Group decided to cut the operation's losses and exit the steel business by the first quarter of 2006. A provision of RM103 million for impairment of assets, which includes a RM3 million provision for staff termination benefits, and an impairment of goodwill of RM14.75 million, was made for the financial year ended 31 December 2005.

WIRES

- **CMS Wires** produces cold roll cut-to-length steel round bars, hard drawn steel wires and wire mesh for Sarawak's construction industry.
- The Company increased its market share to 19 percent in 2005, from 15 percent in 2004. Sales revenue registered was RM8.9 million in 2005.
- Utilisation of a new wire mesh production line, commissioned in September 2004, stood at 90 percent in 2005.
- Overall average production yield was maintained at 104 percent, as a result of close monitoring of steel wire diameters in the production process.
- The outlook for 2006 is positive amid expectations of a recovery in the construction sector.
- CMS Wires also aims to increase profit margins by sourcing for cheaper raw materials and implementing continuous cost-saving measures. We will also be stepping up efforts to increase market share.



CONSTRUCTION & ROAD MAINTENANCE SBU

- The total order book value of CMS Group's Construction & Road Maintenance SBU remained strong at over RM2 billion as at the end of December 2005.

CONSTRUCTION

- PPES Works** posted a revenue of RM196.08 million in 2005.
- It completed 3 key projects during the year, namely the Tanjung Gelang/Kampung Sg Nai Coastal Road, upgrading of the Mukah Airport, and the Tanjung Kidurong/Suai/Bakam Coastal Road.
- Major on-going projects in 2005 included the Sarawak DUN Complex, and Jalan Mulukun/Ng Gaat road works.



PPES Works, a previous Malaysian Construction Industry Excellence Award winner, is CMS Group's construction and civil engineering arm. Its capabilities are in construction of road and bridges, airports and seaports, water supply systems, hospitals and buildings.



PPES Works and its joint venture partner were awarded the RM296.5 million contract to construct the new Sarawak Dewan Undangan Negeri Complex in Kuching.

PPES Works undertook construction of the 178 km Tanjong Kidurong-Suai-Bakam coastal road, the Federal Government's single largest road project in Sarawak. It was officially opened in March 2006 by the Minister of Works, Malaysia.





The RM120 million contract for Phase 3 and 4 of the Independent Oil Terminal at Senari on the outskirts of Kuching city was awarded to a joint venture between PPES Works and oil and gas firm, Chiyoda Malaysia Sdn Bhd. The contract was won on a competitive tender basis, following site preparation by PPES Works.



PPES Works was awarded the RM60 million contract to expand the Sarawak campus of Australia's Swinburne University of Technology, and an additional contract valued at RM8.5 million to construct student hostels.

- New projects secured in 2005:
 - Bulk Depot and LPG Bottling facilities at the Independent Oil Terminal at Senari, Kuching
 - Construction of the Gerugu Dam and the Tanjung Manis-Pulau Buit rural water supply project
 - Extension of the Swinburne University of Technology campus
 - Pusat Islam Complex
 - Runway pavement works for the Kuching International Airport
- During the year, PPES Works began implementing several organisation-wide measures to reposition itself in order to remain nimble. These include a new emphasis on building construction, after having built up a track record in civil engineering. The Company also aims to be more selective in bidding for new work; by focussing on projects where it can incorporate value-added engineering for the benefit of clients. Operationally, the organisation's structure and processes have also been streamlined to drive increased efficiency, better operational effectiveness, quality project implementation and stricter monitoring of time-lines in delivery. Armed with these changes, PPES Works is confident of improving its portfolio and building its order book with new projects under the 9th Malaysia Plan.



PPES Works is constructing the new Pusat Islam Complex in Kuching, a unique landmark with architectural features comprising cultural elements of Sarawak's various ethnic groups.



CMS Group maintains approximately 4,600 km of State and Federal roads in Sarawak under two 15-year contracts with the Government.

ROAD MAINTENANCE

- **CMS Roads** maintains over 4,000 km of State roads throughout Sarawak with a network of 2 regional offices and 16 Road Maintenance Units located in major towns.
- The Company was awarded the road maintenance contract by the State Government 3 years ago, and has since been able to show an improvement in the quality of roads under its care. Measured annually, the Assessed Carriageway Condition Road Maintenance Index (RMI) improved from 60.54 in 2003 to 67.32 at the end of 2005. The RMI is a universal indicator measuring the quality of paved and non-paved roads.
- CMS Roads achieved the Integrated Management System (IMS) accreditation in early 2006, making it the first road maintenance company in Sarawak to standardise its quality management, environmental and occupational health and safety processes in a single documentation. This gold standard accreditation is particularly important for CMS Roads as it strives to provide standardised high quality services at each of its operations across Sarawak.

PAVEMENT CONSTRUCTION, MAINTENANCE & REHABILITATION

- **CMS Pavement Tech** is a specialist provider of construction, maintenance and rehabilitation technology for road pavements. Its principle processes of cement stabilisation, pavement profiling and recycling of existing pavements are environmentally-friendly and promote sustainable engineering and construction. Such technology also offers cost savings, speed of construction, and improved pavement performance and design life.
- R&D efforts in pavement reconstruction were stepped-up in 2005, allowing CMS Pavement Tech to effectively reduce costs by between 8 to 10 percent without compromising on quality.
- The Company was also successful in providing value-engineering by employing flexibility in the reconstruction of pavements, depending on individual site conditions.
- Going forward, CMS Pavement Tech targets to expand its customer base in addition to getting contracts from CMS Roads and PPES Works. It also aims to boost competitiveness by further improving its technology in cement and bitumen stabilisation techniques.



CMS Pavement Tech offers complete pavement reconstruction services by using cement stabilization techniques.

PROPERTY DEVELOPMENT SBU

- CMS Group's 5,000 acre land bank in Kuching is being developed into a riverine township by **Projek Bandar Samariang**, a joint-venture with the Employees Provident Fund Board. The development began in 1999 and will be spread out in phases over 15 years to create a vibrant and well-planned township of residential units, schools, parks and other amenities. Current developments at Bandar Baru Samariang are part of Phase 1.
- A main road access into the heart of Bandar Baru Samariang opened in September 2005. This new dual-carriageway has shortened the traveling distance by over 2 km, and provided greater ease for the 19,500 residents already living in the area and for its future populace.
- A total of 104 units of terraced and semi-detached houses were handed over in 2005 while construction commenced on 30 units of 3-storey shophouses and more single and double-storey terraced houses.



- **CMS Property Development**, the sales and marketing arm for Bandar Baru Samariang, participated in a number of property road-shows and exhibitions in 2005. Apart from meeting with potential buyers in Kuching, the team also promoted Bandar Baru Samariang properties to prospective buyers in Sibu and Miri. Of keen interest to these non-Kuching residents were the commercial shophouses.
- Several new design houses were launched in 2005. These included the new 1 1/2 storey terraced house, a first for Bandar Baru Samariang, and the double-storey semi-detached house. In all, sales of residential properties at Bandar Baru Samariang generated RM17.6 million in revenue in 2005 and added variety to the range of homes offered.
- Two parcels of land in Bandar Baru Samariang were sold during the year to developers planning to build residential properties including higher-end homes. This will accelerate development in the area and boost its population density.
- Plans for 2006 include the launch of more innovative designed and better quality homes, as well as, a new concept lifestyle shopping mall. Comprising 3-storey shop-lots with double-frontage, covered pedestrian malls and walkways, the new mall is designed to provide shoppers with a comfortable, vibrant, and trendy environment.
- Growth of Bandar Baru Samariang will enter Phase 2 in 2006 with plans to develop a further 200 to 300 acres of land with new residential properties and facilities.



SERVICES SBU



Tunku Putra International School develops future leaders through a holistic approach to education where students are encouraged to excel in both academia and extra-curricular activities. Small classes and a nurturing environment aid students in their learning process.

EDUCATION

- CMS Education owns and operates the **Tunku Putra International School** in Kuching, a co-educational facility providing kindergarten, national and international stream classes for children aged 4-17 years.
- In 2005, Tunku Putra secured approval from the Ministry of Education to provide the national secondary curriculum or Kurikulum Bersepadu Sekolah Menengah (KBSM). The approval has since enabled our School to offer a complete range of national (primary and secondary) and international curriculum. Tunku Putra's first batch of students entered the national secondary Tingkatan 1 in January 2006.
- Efforts to build Tunku Putra's reputation as the school of choice in the State will be enhanced when we move to a larger, modern, purpose-built campus currently under construction on a 22-acre site in the Kasuma suburb of Petra Jaya, Kuching.
- Designed to enhance student learning within a conducive and safe environment, Tunku Putra's new campus will feature classrooms and specialised labs in modular clusters of single-storey buildings. State-of-the-art learning facilities and ample ground for sport activities will further support Tunku Putra's objective to develop future leaders.
- Tunku Putra is expected to operate from its new campus at the start of the academic year in January 2007.



Tunku Putra International School's new campus.





TRADING

- CMS trading operations supply infrastructure and building materials. Among **CMS Trading's** varied inventory are water pipes and treatment chemicals, road signage and road furniture, petroleum products, safety products, and CMS Group's construction materials products such as cement, stone aggregates, premix, concrete products and wires. **CMS Sumer** specialises in the supply of spare parts for heavy goods equipment.
- The combined sales turnover of CMS Infra Trading and CMS Sumer rose 54% to RM77.5 million in 2005.
- The improved performance was partly augmented by sales from the new Bintulu office which marked its first year of operations, providing access to new clients in Sarawak's northern region.
- In July 2005, CMS Infra Trading was awarded a two-year contract to supply steel pipes and mechanical couplings to Jabatan Kerja Raya (JKR) Sarawak, valued at RM61.6 million.
- For the future, CMS Infra Trading looks to further expand its product range by stepping up marketing campaigns and diversifying its customer base further.

BANKING SBU



CMS has a 32% shareholding in RHB Group, one of the largest financial services groups in Malaysia. Its commercial banking arm, RHB Bank, has a network of 200 branches and 500 ATMs throughout Malaysia and a regional presence in Singapore, Thailand and Brunei. RHB Group also has Islamic banking, merchant banking, securities, stockbroking, insurance and fund management operations.

- **Utama Banking Group Berhad (UBG)** achieved a profit before tax of RM54.4 million for the financial year ended 31 December 2005 with its associate, **Rashid Hussain Berhad (RHB)**, contributing RM62.8 million in pre-tax profit. Excluding RHB, UBG reported an operating loss of RM8.4 million due to an unrealised loss of RM14.7 million on fair valuation of its securities held for trading. UBG's shareholders funds stood at RM980.7 million as at 31 December 2005.



- Strong private sector and household consumption, coupled with a resilient banking system, enabled RHB to report a consolidated profit before Irredeemable Non-Cumulative Preference Shares (INCPs) dividends, taxation and zakat of RM564.1 million for the year ended 31 December 2005.
- The improved results were mainly due to the performance of its key subsidiary, RHB Capital Berhad, which turned in a consolidated profit before INCPs dividends, taxation and zakat of RM689.1 million in 2005.
- RHB Capital's financial performance was attributed to a healthy net interest income, steady growth in its loan portfolio and improved asset quality. Gross loans and advances grew 8% to RM51.0 billion in 2005, from RM47.2 billion in 2004.
- Its non-performing loans (NPL) ratio declined to 5.1% at the end of 2005 compared to 6.0% in 2004, despite more stringent NPL classification from six months to three months in line with the banking industry's best practices.
- Income from the Islamic banking business amounted to RM147.7 million in 2005. With the launch of RHB Islamic Bank in March 2005 as the country's first full-fledged Islamic bank which evolved from an Islamic window, this sector will remain one of the key areas of growth on the back of rising demand for Islamic financial services.

STOCKBROKING & OTHER FINANCIAL SERVICES SBU



STOCKBROKING

- CMS has a 25 percent shareholding in **K&N Kenanga Holdings Berhad**. Its subsidiary, K&N Kenanga Berhad is one of the largest stockbroking companies in Malaysia, servicing clients from 13 branches nationwide and with electronic access facilities with permitted activities.
- The CMS Group's share of losses in 2005 from its associate company, K&N Kenanga Holdings Berhad, was RM9.7 million, as a result of provision for doubtful debts and impairment of goodwill on the acquisition and investment in futures trading licences. The losses were partly offset by operational profits, gains on the disposal of shares and write-back in provision for diminution.
- Going forward, prospects will depend on the volume transacted and market sentiment of Bursa Malaysia. On a positive note, the stockbroking arm has applied for an investment banking licence which is expected to be issued in mid-2006.



UNIT TRUST MANAGEMENT

- **CMS Trust Management** is Sarawak's pioneer unit trust management company. It currently has a portfolio of 5 funds which caters to a variety of investor risk profiles.
- In keeping with the Company's aim to provide long-term returns for investors, CMS Trust was still able to declare income distributions in 2005 for unit-holders of CMS Premier Fund, CMS Balanced Fund and CMS Bond Fund, even though Malaysia's stock exchange performed poorly during the year.
- CMS Premier Fund, an equity growth fund that has garnered numerous awards for its rates of return, received approval in 2005 to invest up to 30 percent of its net asset value in overseas markets. This market liberalisation by the authorities is expected to enhance the earnings of CMS Trust, especially with the strong global network provided by its asset manager, CMS Dresdner Asset Management.
- CMS Trust organised a series of road-shows in Kuching, Kota Kinabalu and Penang during 2005. Among the areas highlighted to current and prospective investors was the potential of the CMS Bond Fund.
- Looking ahead, the local unit trust industry is expected to remain challenging due to external economic factors which will impact savings and investment decisions. To counter these challenges, CMS Trust will widen its distribution channel to include financial planning companies. This will complement its current agency force and local offices in Sarawak, Sabah, Kuala Lumpur, Penang and Johor.
- In 2006, CMS Trust will also launch two new funds, and focus on boosting operational efficiency and upgrading its after-sales service.

ASSET MANAGEMENT

- **CMS Dresdner Asset Management** is a joint-venture between CMS Capital (51%) and leading financial services firm Allianz Global Investors Hong Kong Ltd (49%).
- Total assets under management as at 31 December 2005 stood at RM985 million, with gross revenues rising to RM4.38 million following new institutional mandates acquired during the year.
- Moving forward, CMS Dresdner aims to execute its Vision of "Reaching for the Top" armed with its global expertise, integrated global investment platform and ability to develop customised solutions for institutional investors. CMS Dresdner's financial strength and stability, a result of its strong ties to Allianz Global Investors, one of the 5 largest asset managers worldwide, will also be promoted.
- In 2006, the Company aims to increase its client mix with new institutional and corporate clients, and diversify its product range with more innovative and creative solutions. CMS Dresdner also hopes to garner new mandates by offering global products and funds, as well as developing more structured products and cutting-edge unit trust funds in order to remain competitive.

Expanding CMS Group

New Subsidiaries

CMS OPUS PRIVATE EQUITY SDN BHD

Sarawak's economic growth trend and potential, especially in the oil and gas sector, present much room for companies in the State to expand by tapping on the capital markets. In a response to this favourable environment, CMS has set up Sarawak's first private equity initiative with an underlying aim to create more value-added industries and corporations in the State.

A joint-venture between Cahya Mata Sarawak Berhad and Opus Capital Sdn Bhd, an investment advisory firm licensed by the Securities Commission, was formed in April 2005. This led to the incorporation of a new subsidiary called CMS Opus Private Equity Sdn Bhd (COPE). CMS, through CMS Capital, holds a 51% stake in COPE. The Company received approval from the Securities Commission in December 2005 to be a registered venture capital management company.

As Sarawak's first private equity initiative, COPE hopes to provide an alternative financing platform to bridge investors in Peninsular Malaysia with under-capitalised but potentially profitable companies in Sarawak.

COPE may also invest in growing companies in other parts of Malaysia and the ASEAN region. The Company can tap on Opus Capital's extensive experience in Malaysia and regionally through the latter's affiliation with Pan Asia Capital, a private equity management company based in Hong Kong.



Leading the COPE team is Azam Azman as Managing Director. Azam has over 13 years experience in banking and finance, with more than 8 years direct experience in private equity. Azam is the current Vice Chairman of the Malaysian Venture Capital and Private Equity Association (MVCA).

According to Azam Azman, "CMS Group has an unrivalled presence in Sarawak to source for investment and growth opportunities. Opus Capital has the expertise and a proven track record in private equity, both locally and regionally. By combining forces through COPE, we can provide investors with an opportunity to invest in emerging and promising companies in Sarawak, in a structured manner."



Azam Azman



Senior management team of CMS I-Systems Berhad

CMS I-SYSTEMS BERHAD (FORMERLY KNOWN AS I-SYSTEMS GROUP BERHAD)

Attracted by the growth potential of Malaysia's information technology sector, CMS Group acquired a second company following an initial foray with the acquisition of CMS Digital in 2002. In March 2005, CMS initiated the process of buying into I-Systems Group Berhad, a leading Malaysian company offering specialised ICT solutions and services. By the end of July, the acquisition exercise was complete. CMS now owns 50.96% of the enlarged new subsidiary which was renamed CMS I-Systems Berhad in September 2005.

Founded in 1991, CMS I-Systems is a Multimedia Super Corridor (MSC) status company which develops and implements enterprise-level software applications for the financial services, insurance, healthcare and education sectors. Its clients also include government departments of Malaysia, Thailand, Hong Kong and China.

CMS I-Systems boasts strong in-house R&D capabilities. This has enabled the Company to develop and continuously improve its products to provide comprehensive, end-to-end, integrated solutions. The Company attained the Capability Maturity Model Integration (CMMI) for Maturity Level 3 recognition at the end of 2005. CMMI is considered the international standard for software process improvement and software capability evaluation.

The Company has won many local and international awards in the process. Among them, the Microsoft Partners Award 2005 for Customer Experience of the Year, Microsoft Worldwide Customer Experience Award 2004, PIKOM-COMPUTIMES ICT Awards 2005 (Finalist, IT Service Provider of the Year), and many more.

InsureConnect-Life is CMS I-System's flagship and award-winning, web-based insurance services automation solution. It has been deployed by one of the top five insurance groups in the world for their operations in China and Thailand, and has also been used by other large insurance companies in Malaysia.

Future business development efforts of CMS I-Systems include extending its customer base in Sarawak, and regionally in Asia. Apart from more organic growth with its front-end products, the Company is keen to form strategic alliances with partners across Asia Pacific by expanding with complementary and supplementary back-end services in order to provide clients with a full packaged deal.

The team at CMS I-Systems is led by Tan Kin Lee, its Managing Director and Group Chief Executive Officer. Kevin Guy Steer is CMS I-Systems' Executive Director and Group Chief Technology Officer.



Kuching Tower

Changing Kuching's Skyline

The State of Sarawak, known for its mighty rivers, rainforest and multi-ethnic people and culture, will soon have another new icon with the start of construction of the 39-storey Kuching Tower. Set to be the tallest building in Sarawak, the Kuching Tower will change the skyline of the State's capital city with its soaring glass facade, visible from miles around.

"Kuching Tower would give a new identity to the State capital. It will also serve as a symbolic driving force to help realise the city's full economic potential", said the Chief Minister of Sarawak, YAB Pehin Sri Haji Abdul Taib Mahmud, at the Ground-breaking ceremony performed on 2 October 2005.





The RM300 million Kuching Tower will be located on the 240 acre Kuching Isthmus which forms part of the larger Kuching City Expansion Plan, in line with the Government's vision to create a modern downtown to co-exist with the old and historical Kuching city founded by the White Rajahs.

With its distinctive sail design reflecting the importance of river systems and the sea to the people of Sarawak, Kuching Tower will offer breathtaking 360-degree views of the South China Sea, Kuching city, Sungai Sarawak and surrounding areas.

"As the tallest building in Sarawak, Kuching Tower will be a landmark for the people of Kuching and Sarawak, and a reference point for our tourists and visitors", added YAB Pehin Sri Haji Abdul Taib Mahmud.

The lower floors of the 39-storey Kuching Tower will house state-of-the-art office space, whilst a luxury hotel will occupy the upper half floors.

Other developments planned for the Kuching Isthmus include the Sarawak Convention & Exhibition Centre, a park and yachting marina. Current road access to the area will be improved with the addition of a proposed river bus service to shuttle the public and visitors to and from Kuching city centre.

According to CMS Group Deputy Chairman, Haji Mahmud Abu Bekir Taib, the construction of Kuching Tower is to support the State Government's initiative to build a fully-integrated convention centre in Sarawak to tap on the lucrative Meetings, Incentives, Conferences and Exhibitions (MICE) industry.



The world-class, state-of-the-art and multi-purpose Sarawak Convention & Exhibition Centre will address the current "facility gap" in the State for suitable infrastructure and venues to hold events of various capacity audiences and crowds. The purpose-built convention centre will be large enough to accommodate meetings of up to 1,500 delegates.

The Kuching Tower, which will support the needs of delegates and visitors, will be located within walking distance of the Sarawak Convention & Exhibition Centre.

The year 2005 saw an aggressive pursuit by CMS to expand beyond Sarawak's borders as part of its growth strategy. Two subsidiaries were incorporated specially for the Group's international ventures and potential partnerships were established with foreign players in Asia to widen CMS Group's client and project base. CMS Works International Limited, incorporated on 12 January 2005 as an offshore company in Labuan, is the investment vehicle for the Group's overseas ventures in construction and civil works. CMS Global (BVI) Limited, incorporated on 18 August 2005 under the Laws of the British Virgin Islands, will also undertake international business ventures of CMS Group.

Going Global



09/05/2005

**MoU FOR ALUMINIUM SMELTER
PLANT PROJECT**



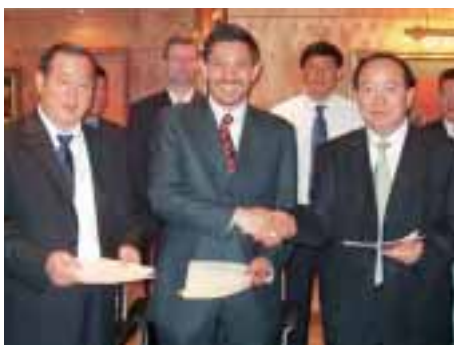
CMS signed a Memorandum of Understanding (MoU) with Luneng Group Co Ltd and Sinohydro Corporation, both of China, to undertake a feasibility study to set-up, own and operate an aluminium smelter plant in Sarawak. The MoU, signed in Jinan, Shandong Province, China, was witnessed by Sarawak's Chief Minister and Malaysia's Minister of Water, Energy & Works.

Sarawak's Chief Minister, Malaysia's Minister of Water, Energy & Works and officials from CMS and Sarawak Government visited one of Luneng's aluminium smelter plants in Jinan. Luneng has strong technical expertise from its ownership and operation of several power plants in China. Total power generation capacity of plants in operation and under construction is 13,000 MW. The Company produces a total of 1.54 million tonnes of aluminium per year.



16/09/2005

**MoU FOR CONSTRUCTION OF 2 EXPRESSWAYS
IN YUNNAN PROVINCE, CHINA**



CMS signed an MoU with Yunnan Provincial Communications Department and China Yunnan Highway & Bridge Construction Group Co Ltd to cooperate in the construction of 2 expressways – the 75 km Kunming North-West Ring Expressway and the 72 km Kunming-Wuding Expressway – key sections of the Yunnan Provincial Highway Net Total contract value: estimated at RM5.12 billion (RMB11 billion).

The expressways are part of the greater ring road connecting 4 cities surrounding the Zhen Che Lake near Kunming, capital city of Yunnan Province. The pace of development in Kunming has increased in recent years with the city's position as a key connecting point for the national road network. Three national trunk highways and three national high-class highways currently run through it, and despite a second inner ring road around Kunming city, traffic has become extremely congested. Construction of the new Yunnan Provincial Highway Net will help alleviate traffic flow and increase connectivity in the area. Phase 1 of the Kunming North-West Ring Expressway is a 4-lane expressway from Anning to Tao Yuen.

20/06/2005

**MoU FOR INFRASTRUCTURE PROJECTS IN
SAUDI ARABIA**



CMS Group Chairman with HRH Prince Abdul Aziz bin Masha'al bin Abdul Aziz Al-Saud, Chairman of First Construction Ltd, a diversified development company, following the signing of an MoU to jointly secure infrastructure projects in the Middle East.

24/08/2005

**MoU FOR MINING CONCESSION & PROPERTY
DEVELOPMENT IN MONGOLIA**

CMS signed an MoU with Tsetsens-Eguun Co Ltd to negotiate the purchase of a stake in a company owning coal deposits in Mongolia. Another MoU was signed with Astec Co Ltd for a property development in Ulaan Batar, the capital city of Mongolia.



Mongolian Central Bank Governor (3rd left) makes a Courtesy Call on Sarawak's Chief Minister during a visit to Kuching in September 2006.

25/08/2005

MoU FOR ROAD CONSTRUCTION IN INDONESIA

CMS signed an MoU with state-owned PT Jasa Marga (Persero) to cooperate and participate in the implementation of toll roads construction and/or developments in Indonesia.

15/11/2005

MoU FOR PROPERTY DEVELOPMENT IN INDONESIA

CMS signed an MoU with state-owned Perusahaan Umum Pembangunan Perumahan Nasional (PERUM PERUMNAS) to pursue housing and related infrastructure projects under PERUM PERUMNAS in Indonesia, including areas located close to the Sarawak-Kalimantan border.

06/2004

**MoU FOR ROAD CONSTRUCTION
& PROPERTY DEVELOPMENT IN VIETNAM**

CMS signed an MoU with a Vietnamese company to jointly participate in road construction and/or maintenance projects, and residential developments in Vietnam.



CMS delegation visited Vietnam's Transport Ministry in April 2005.

Board of Directors' Profiles



Y BHG DATO SRI SULAIMAN ABDUL RAHMAN TAIB

Malaysian, Age 37

Group Chairman, Non-Executive Director

Member of the Remuneration Committee

Member of the Nomination Committee

Dato Sri Sulaiman is Group Chairman of CMS, having been appointed in May 2002. Prior to this, he was appointed as Group Deputy Chairman in January 2002, and had been Acting Group Chief Executive Officer during 2001. He joined the Board as Group Executive Director on 23 January 1995.

In addition to being Group Chairman of CMS, Dato Sri Sulaiman is currently the Non-Executive Chairman of Rashid Hussain Berhad. He is also a director of Utama Banking Group Berhad, RHB Capital Berhad, K&N Kenanga Holdings Berhad, CMS I-Systems Berhad (formerly known as I-Systems Group Berhad), CMS Global (BVI) Ltd and CMS Works International Ltd.

Dato Sri Sulaiman is a director of the Malaysian Industry-Government Group for High Technology (MIGHT).

Dato Sri Sulaiman holds a Bachelor of Science degree in Business Administration from the University of San Francisco, USA.

He is the brother of Haji Mahmud Abu Bekir Taib, a director and major shareholder of CMS. He is also a son of Lejla Taib, and a major shareholder of Majaharta Sdn Bhd; both major shareholders of CMS.

Dato Sri Sulaiman is deemed interested in recurrent related party transactions announced to Bursa Malaysia Securities Berhad on 27 February 2006.



TUAN HAJI MAHMUD ABU BEKIR TAIB

Malaysian, Age 42

Group Deputy Chairman

Non-Executive Director

Haji Mahmud is Group Deputy Chairman of CMS and was appointed to the Board as Group Executive Director on 23 January 1995. Having pursued his tertiary education in USA and Canada, Haji Mahmud has extensive experience in the stockbroking and corporate sectors. He is a founding member of Sarawak Securities Sdn Bhd, Sarawak's first stockbroking company which is now merged with K&N Kenanga Berhad.

Haji Mahmud plays a pivotal role in overseeing the affairs of the infrastructure development arm of CMS Group. In this role, he sits on the Boards of key subsidiary companies, namely CMS Cement Sdn Bhd, PPES Works (Sarawak) Sdn Bhd and CMS Resources Sdn Bhd.

He is the brother of Dato Sri Sulaiman Abdul Rahman Taib, a director and major shareholder of CMS. He is also a son of Lejla Taib, and a major shareholder of Majaharta Sdn Bhd; both major shareholders of CMS.

Haji Mahmud is deemed interested in recurrent related party transactions announced to Bursa Malaysia Securities Berhad on 27 February 2006.



Y BHG DATO SRI LIANG KIM BANG

Malaysian, Age 69

Senior Independent

Non-Executive Director

Chairman of

the Remuneration Committee

Chairman of the Nomination Committee

Chairman of the Group Audit Committee

Dato Sri Liang Kim Bang was appointed to the Board of CMSB on 26 June 1986. He is currently Non-Executive Chairman of CMS Cement Sdn Bhd, CMS Steel Berhad, CMS Infra Trading Sdn Bhd, CMS Wires Sdn Bhd and WAB-LCDA Sdn Bhd. He is also a Non-Executive Director of MISC, PPB Group Berhad, PPB Oil Palms Berhad, Rashid Hussain Berhad and CMS Trust Management Berhad.

Dato Sri Liang studied at the University of Malaya, Singapore (1957-1961), graduating with BA and BA (Hons) degrees, and at the University of Cambridge (Trinity College), England (1962-1963), graduating in Public Administration. He joined the Sarawak Civil Service in 1971, served in various capacities, and retired in 1994. He was Sarawak's State Financial Secretary from 1984 to 1994.

Dato Sri Liang has no family relationship with any director and/or major shareholder of the Company.



Y BHG GENERAL (RETIRED) TAN SRI DATO' SERI MOHD ZAHIDI BIN HJ ZAINUDDIN

Malaysian, Age 58

Independent Non-Executive Director

General (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin was appointed to the Board of CMSB on 8 July 2005. He was the Chief of Defence Forces Malaysia from January 1999 until his retirement at the end of April 2005. In all, Gen Tan Sri Zahidi has 39 years experience as a professional military officer with vast knowledge in planning and conducting military operations, human resource and asset management, training and education. In his capacity as Chief of Defence Forces Malaysia, Gen Tan Sri Zahidi served as chairman of Syarikat Malaysia Explosive Ordnance Sdn Bhd, and as board member of Lembaga Tabung Angkatan Tentera (LTAT) and Perwira Niaga Malaysia (PERNAMA).

Gen Tan Sri Zahidi is currently Chairman of Affin Holdings Berhad, and director of Asiatic Development Berhad, Resorts World Berhad, Defence Technologies Berhad, Wah Seong Corporation Berhad and Bintulu Port Holdings Berhad.

He holds a Master of Science Degree (Defence and Strategic Studies) from Quaid-i-Azam University, Islamabad, Pakistan.

He has no family relationship with any director and/or major shareholder of the Company.



Y A M DATO' SERI SYED ANWAR JAMALULLAIL

Malaysian, Age 54

Independent Non-Executive Director

Dato' Seri Syed Anwar Jamalullail was appointed to the Board of CMSB on 10 May 2006. He holds a Bachelor of Arts (Accounting) degree from Macquarie University, Australia and is a Chartered Accountant and Certified Practising Accountant of Australia. He began his career as a financial accountant with Malaysia Airlines System Berhad in 1975, and has worked for Price Waterhouse (Australia), D&C Nomura Merchant Bank Berhad, Amanah Merchant Bank Berhad and Amanah Capital Partners Berhad. He also pursued his own business from 1989 until 1998.

Dato' Seri Syed Anwar is currently Chairman of DRB Hicom Berhad, and is a director of Nestle (M) Berhad, Maxis Communications Berhad, Bangkok Bank Berhad and several private companies. He is also Chairman of the Investment Panel of Lembaga Tabung Haji. Dato' Seri Syed Anwar also served as the former Chairman of Malaysian Resources Corporation Berhad and Media Prima Berhad.

Dato' Seri Syed Anwar has no family relationship with any director and/or major shareholder of the Company.



YB DATUK HAJI TALIB BIN ZULPILIP

Malaysian, Age 54

Non-Executive Director

Member of the Group Audit Committee

YB Datuk Haji Talib was appointed to the Board of CMSB on 13 February 1995. He is currently Chairman of the Sarawak Economic Development Corporation and an elected Member of the Sarawak State Legislative Assembly. YB Datuk Haji Talib has held senior positions in both public service (as Permanent Secretary in the Ministry of Infrastructure Development, Sarawak) and the private sector (at Petronas).

He holds a Master of Commerce and Administration degree from Victoria University, New Zealand.

Apart from CMSB, YB Datuk Haji Talib is a director of Sarawak Concrete Industries Berhad.

He has no family relationship with any director and/or major shareholder of the Company.



Y BHG DATUK WAN ALI TUANKU YUBI

Malaysian, Age 56

Independent Non-Executive Director

Member of the Remuneration Committee

Member of the Nomination Committee

Datuk Wan Ali was appointed to the Board of CMSB on 23 June 1995. A former Sarawak State Financial Secretary (1995-2000), Datuk Wan Ali had a long career in public service. This includes serving as Permanent Secretary in the Ministry of Land Development, and as General Manager of Sarawak's Land Custody and Development Authority. Datuk Wan Ali was previously the Director/Chief Executive Officer of Sarawak Enterprise Corporation Berhad.

Datuk Wan Ali holds a Bachelor of Economics degree and graduate Diploma in Education from the University of Malaya. He also holds a Masters of Education from Birmingham University, England.

Datuk Wan Ali is currently a director of Rashid Hussain Berhad.

He has no family relationship with any director and/or major shareholder of the Company.



Y BHG DATU MICHAEL TING KUOK NGIE

Malaysian, Age 65

Independent Non-Executive Director

Member of the Remuneration Committee

Member of the Nomination Committee

Member of the Group Audit Committee

Datu Michael Ting was appointed to the Board of CMSB on 24 March 1999. A civil engineer by profession, Datu Michael served in the Public Works Department (PWD) for 32 years. His last appointment was as Director of PWD prior to retiring in 1998. Datu Michael continued to serve as Technical Advisor to the State Planning Unit for a further 2 years.

Datu Michael holds a Bachelors and a Masters degree in Civil Engineering, both from the Technical University of Nova Scotia, Canada.

Datu Michael's directorships in public companies include CMS Steel Berhad and CMS I-Systems Berhad (formerly known as I-Systems Group Berhad).

Datu Michael has no family relationship with any director and/or major shareholder of the Company.

Datu Michael is deemed interested in recurrent related party transactions announced to Bursa Malaysia Securities Berhad on 27 February 2006.



MR KEVIN HOW KOW

Malaysian, Age 57

Independent Non-Executive Director

Member of the Group Audit Committee

Kevin How Kow was appointed to the Board of CMSB on 12 March 2004. Kevin is a Fellow of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants of Singapore. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He was a partner of Ernst & Young, Malaysia from 1984 and served as partner-in-charge of its offices in Sabah and Sarawak. From 1996 onwards, Kevin was the partner-in-charge of the firm's practice in Sabah and Labuan, until his retirement at the end of 2003.

Kevin's directorships in public companies include Utama Banking Group Berhad, CMS I-Systems Berhad (formerly known as I-Systems Group Berhad), K&N Kenanga Holdings Berhad, K&N Kenanga Berhad, Sabah Development Bank Berhad and Saham Sabah Berhad.

Kevin has no family relationship with any director and/or major shareholder of the Company.

Save as disclosed, none of the Directors have:

- Any conflict of interest with CMSB
- Any conviction for offences within the past 10 years

Senior Management Profiles



IAN SADLER
 Group Chief Financial Officer

Ian, age 41, joined CMS in September 2005. His background includes 12 years experience in various finance related positions in Canada, such as Financial Services

Manager of Export Development Canada (EDC) and EDC's Relationship Manager for Ericsson. Ian has successfully managed finance transactions for foreign companies in Taiwan, Northern Africa, UK, the Caribbean and Jamaica. Ian holds an MBA with specialisation in IT Management from the University of Leicester, England, a Bachelor of Commerce (Honours) degree in Finance from the University of Ottawa and a Bachelor of Arts degree in Economics from Concordia University, Canada. Ian is also a Certified Management Accountant (CMA), awarded by the Society of Management Accountants of Canada, and a Chartered Financial Analyst (CFA), awarded by the Association for Investment Management and Research, USA.



ISAAC LUGUN
 Group General Manager,
 Corporate Affairs /
 Group Secretary

Age 48, Isaac joined CMS in January 1996. His main tasks as Group General Manager – Corporate Affairs are to

oversee legal services, company secretarial, corporate communications, central procurement and the promotion of group synergy for CMS Group. In this role, Isaac is responsible for ensuring that all company policies, procedures and practices comply with laws, regulations and Government policies regarding good corporate governance and business conduct. Isaac holds a LLB from the University of Malaya. Previous engagements include being a corporate legal advisor for Petronas and holding senior management positions at EXXON Company International.



SYED AHMAD ALWEE ALSREE
 Group General Manager,
 Human Resources

Age 40, Syed Ahmad joined CMS in February 2004. As Group General Manager – Human Resources, Syed Ahmad is responsible for the

smooth operations and integration of the various human resource departments within CMS Group. His focus is to continue to harness and manage talents in the diversified CMS Group, as a catalyst for change management to support the Group's business goals and strategies. Syed Ahmad graduated with a LLB degree from the National University of Singapore. He practised law in Singapore for over 10 years prior to joining CMS Group.



HENRY TOYAD
 Group General Manager,
 Business Development

Age 49, Henry joined CMS in March 2000. His main responsibility is to identify potential commercially viable new ventures for the Group.

These include opportunities and initiatives in infrastructure, energy, power and technology. Henry holds a Bachelor of Engineering (Honours) degree in Civil Engineering from the University of Malaya. He is a member of the Institute of Engineers Malaysia and Society of Petroleum Engineers, International. Previous engagements include senior management positions at Sarawak Shell Berhad and Shell Malaysia Trading with assignments at project operation centres in South Korea, Japan and Scotland.



**ABDUL RASHID DALJIT
ABDULLAH**
Head, Group Technology

Age 40, Abdul Rashid joined CMS in July 2004. He is responsible for implementing IT initiatives and infrastructure, as well as IT application

projects within the Group. Abdul Rashid has worked in regional and international companies, where he specialised in media/communication utilisation, Intranet and Internet services, and financial investment services. He has deployed integrated networks across Asia, most notably in India, Indonesia and China. He continues to contribute to regional IT publications including Computertimes, a major publication in Singapore. Abdul Rashid holds a Bachelors degree from the National University of Singapore.



HAJI OTHMAN ABDUL RANI
Head, Cement & Construction
Materials SBU

Age 50, Haji Othman heads CMS Group's operations in manufacturing (cement, wires and concrete products) and construction materials (quarrying,

premix). Haji Othman joined the cement operations as a graduate trainee in 1981, and is today CMS Cement Sdn Bhd's Executive Director/Chief Executive Officer. He is also Executive Director of CMS Wires Sdn Bhd, and director of several subsidiary companies in the Group. Haji Othman is active in associations related to the Malaysian construction materials industry. He is a Council Member of the Cement & Concrete Association of Malaysia and was the Association's immediate past Chairman from November 2002 – June 2005. In the Federation of Malaysian Manufacturers (FMM), Haji Othman is a Council Member, as well as member of the Small & Medium-sized Industries (SMIs) Working Committee. He is also Chairman of the Sarawak Working Committee of FMM. Haji Othman holds a Bachelor of Engineering (Chemical) degree from the University of Malaya.



DR CHEW HAN CHING
Head, Property Development SBU

Age 53, Dr Chew joined CMS in May 2006 as head of the Group's property development businesses which includes development of the riverine township of Bandar Baru

Samariang in Kuching. Dr Chew brings with him vast experience in property development and construction, gained after 27 years in the industry. His background includes serving in senior management positions in the property and construction divisions of several public-listed companies, as well as a previous appointment as Executive Director of Putera Capital Berhad. Dr Chew has a Doctorate of Philosophy in Civil Engineering from Pacific Western University, USA, and a Master of Science in Engineering from Cranfield Institute of Technology, UK.



ROBERT GARDNER
Acting Head, Construction &
Road Maintenance SBU

Age 62, Robert is currently Acting Head of CMS Group's Construction & Road Maintenance SBU, Acting Executive Director of PPES

Works (Sarawak) Sdn Bhd, and director of several subsidiaries in the infrastructure-arm of the Group. Robert joined CMS in 2003 as a General Manager in PPES Works, overseeing construction of several coastal road projects and development of the Kuching Isthmus. His long career in construction and project management began with general contracting work in England, followed by real estate development and construction management in Canada, and then to Sarawak in 1994. Robert's background includes lecturing at the School of Architecture and School of Engineering at Carleton University, Canada. He was also a past member of the Chartered Institute of Building (UK), the Canadian Institute of Quantity Surveyors and the Ontario Institute of Quantity Surveyors.

CMS Employee Activities 2005



24/09

CMS TRACK & FIELD FUN

Employees from across the CMS Group formed 8 houses to compete in 20 track & field events.



13/06

GROUP CHAIRMAN'S ADDRESS

Over 270 management team members and executives attended the annual Group Chairman's Address gathering.



CMS CARES

Group HR was successful in claiming insurance for families of deceased employees.



26-28/08

CMS GOLF

CMS teamed up with a local golf club to organise its annual tournament, which was participated by invited guests and employees.



19/11

CMS GROUP HARI RAYA AIDILFITRI OPEN HOUSE

Sarawak's Head of State and Chief Minister were among thousands of guests at the Group's festive open house celebration.

Group Corporate Giving

Donations & Sponsorships

It has always been the tradition of CMS Group to share and play its part in helping the community around us. The year 2005 was no different. CMS Group continued to give to causes associated with education, sports, religion, and the welfare of less-fortunate children, orphans and widows.

When the Asian Tsunami crisis happened at the end of 2004, CMS Group hurriedly rallied for donations from its subsidiaries, employees and even business partners, to give a sizeable contribution of RM150,543.12 to the Malaysian Tsunami Relief Fund and to Mercy Malaysia Humanitarian Fund in January 2005.

In addition to Sarawak and Malaysian causes, CMS also gave donations overseas – to a mosque built in 1295 in Jinan, China, and to the Mongolia Ministry of Health, for the purchase of a haemodialysis machine.



The "CMS Adopt-a-Mosque" community programme continued into its third year in 2005. Fifty-five mosques and 'surau' in urban and rural areas in Kuching, Samarahan, Bintulu and Miri divisions received monies for monthly utility bills, freeing up their limited funds to allow additional programmes to be organised for the local community. For CMS, the contribution is a small gift. For the community, its worth has meant children can now attend Quran reading classes at the surau, or an 'ustaz' can be employed to give extra lessons on the teachings of Islam.



Apart from donations, CMS corporate sponsorships supported various causes in 2005. These included sponsorship of Sarawak-born Ariez Elyas Deen Heesham, Malaysia's number 1 ranked tennis player for boys under the age of 12. CMS Group's sponsorship of RM20,000 for one year helped Ariez train and participate in several national tournaments, including attending a training stint in Perth, Australia.



Support was also given to improve the communication of environmental issues, its degradation, preservation and conservation. CMS was a corporate sponsor of the International Media & Environment Summit 2005, held in Kuching in September. The event was attended by over 300 media representatives, environmentalists and politicians from 42 nations.

Statement on Corporate Governance

Cahya Mata Sarawak Berhad's ("CMSB") approach to corporate governance is designed to ensure that its businesses and affairs are effectively managed to enhance organisational performance in order to deliver value to all the Company shareholders. It is a system that we have put in place to enhance transparency and accountability, to provide checks and balances throughout the organisational structure, whilst emphasizing increased business efficiency of the Group.

Once again, we would like to assure shareholders of the Board's commitment in maintaining the highest standards of corporate governance and the effective application of principles and best practices throughout the Group, as set out in the Malaysian Code of Corporate Governance ("the Code"). These principles include accurate financial disclosure, an open dialogue between the Board of Directors and Management, accountability to our shareholders, and utmost integrity in all our actions.

CORPORATE GOVERNANCE PRINCIPLES

This report, which has been considered and adopted by the Board, sets out the manner in which the Company has implemented and substantially applied the Code and its principles and best practices. For the year ended 31 December 2005, the Company complied with the Code, except for details pertaining to Directors' remuneration which have been disclosed in bands of RM50,000. This complies with the disclosure requirements under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board is of the view that transparency and accountability with regard to Directors' remuneration have been met by this disclosure method.

BOARD OF DIRECTORS

The Board of Directors is accountable to shareholders for the performance of CMSB. Without intending to limit this general role and statutory duties, the principal functions and responsibilities include the following:

- setting the Group's overall strategic direction and monitoring progress of these strategies
- authorising and monitoring investments and strategic commitments
- approving the business plans and budgets
- overseeing the conduct of the Company's business
- identifying principal risks and ensuring systems are in place to manage these risks
- reviewing the adequacy of the Company's system of internal controls
- succession planning
- developing investor relations
- scrutinizing and reporting to shareholders on, but not limited to, the financial statements of the Company

Board Balance

The Board currently has eight members, all of whom are non-executive Directors (including the Chairman). Five of the eight Directors are independent Directors, which is in excess of the one-third requirement. Together, the Directors have a wide range of business, financial, technical and public service experience. A brief profile of each Director is presented on pages 32 to 35 of this Annual Report.

The independent Directors, based on their breadth of knowledge and experience, provide unbiased and independent views, advice and judgement to take account of the interests of all stakeholders, including shareholders, employees, customers, suppliers and the communities in which the Group conducts its business.

Dato Sri Liang Kim Bang acts as the senior independent non-executive Director. Any concerns relating to the Group may be conveyed to him.

Throughout 2005, the position of Group Chief Executive Officer remained vacant despite extensive/strenuous efforts made to identify a suitable candidate for the position. Until the position is filled, the operations of the Group are being managed by an executive committee comprising members of the senior management team which includes the Group General Managers for Human Resources, Corporate Affairs and the Group Chief Financial Officer.

Appointments to the Board

The Nomination Committee recommends the appointment of new Directors to the Board. Upon appointment, new Directors undergo a familiarisation programme. This includes a detailed information package comprising the corporate and organizational structures, terms of reference of the various board committees, profiles of key personnel and an overview of the Group's operations. Visits to the businesses and

meetings with senior management are arranged, as appropriate, to facilitate a quick and comprehensive understanding of the Group.

Directors of the Company are also provided with corporate governance guidelines which have been approved by the Board. The guidelines set out specific roles, duties, responsibilities and rights of the Directors.

The Board welcomed the appointment of General (Retired) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin as a Director in July 2005. In joining the Board, General Tan Sri Mohd Zahidi brings with him a wealth of strategic and operations experience from his many years of service with the military.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by shareholders at the first Annual General Meeting after their appointment. One-third of the remaining Directors are required to submit themselves for re-election by rotation at each Annual General Meeting. All Directors must submit themselves for re-election at least once in every three years. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors' Remuneration

The Company has adopted the objective recommended by the Code to determine the remuneration for a Director so as to ensure that the Company attracts and retains Directors with the appropriate qualifications, skills and experience needed to run the Group successfully.

For non-executive Directors, the level of remuneration reflects the experience, special responsibilities undertaken by the non-executive director concerned, and, in particular, membership of Board Committees and directorships at subsidiary companies. Fees payable to Directors are subject to annual approval by shareholders at the AGM.

Remuneration paid to Directors of the Company during 2005, analysed into bands of RM50,000, is set out in Note 8 to the Financial Statements. This complies with the disclosure requirements under Bursa Securities Listing Requirements. The Board is of the view that transparency and accountability with regards to Directors' remuneration is met by this disclosure method.

Directors' Training

All Directors have attended the required Mandatory Accreditation Programme ("MAP") within the stipulated timeframe. The Directors also attend training programmes and seminars to keep abreast with relevant developments in the business environment as well as new regulatory requirements on a continuous basis in compliance with Paragraph 15.09 of the Listing Requirements of Bursa Securities. To encourage Directors' continuous training, the Group also conducted a two-day in-house programme

for the Directors during the financial year. Topics presented at the training programmes were wide-ranging and provided the Directors with current updates on various business, management and legal issues appropriate to further enhance their knowledge and skills.

BOARD MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

Our Directors diligently support the work of the Board and its committees. During the year, 7 Board Meetings including 3 Special Meetings were held. This includes a full day spent reviewing the Group's strategy. The attendance of Directors at the Board Meetings in 2005 was as follows:

Name of Director	Total Meetings Attended	% of Attendance
Dato Sri Sulaiman Abdul Rahman Taib	7/7	100
Haji Mahmud Abu Bekir Taib	6/7	86
Dato Sri Liang Kim Bang	6/7	86
YB Datuk Haji Talib bin Zulpilip	7/7	100
Datuk Wan Ali Tuanku Yubi	4/7	57
Datu Michael Ting Kuok Ngie	7/7	100
Kevin How Kow	7/7	100
Gen (Rtd) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	2/2*	100

Appointed 8 July 2005

Directors are provided with an agenda and a set of Board papers prior to each Board meeting. These are issued in sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

Senior Management staff, as well as advisers and professionals appointed to advise on corporate proposals may be invited to attend Board meetings. Their role is to provide the Board with views and explanations on certain agenda items tabled to the Board, and to furnish clarification on issues that may be raised by the Directors.

There is a schedule of matters reserved specifically for the Board's decision, including approval of corporate plans and budgets, acquisition and disposal of undertakings and properties of a substantial value, major investment and financial decisions, as well as significant changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

Board members have access to the Group Secretaries for any further information required. Independent professional advice is available to Directors, as and when required at the Company's expense.

BOARD COMMITTEES

The following Committees have been established to assist the Board in the execution of its responsibilities. The Committees have written terms of reference which had been approved by the Board and set out their authority and duties.

Directors' Membership on Board Committees			
Name of Director	Audit	Remuneration	Nomination
Dato Sri Sulaiman Abdul Rahman Taib (Non-executive)	-	M	M
Haji Mahmud Abu Bekir Taib (Non-executive)	-	-	-
Dato Sri Liang Kim Bang (Senior independent, Non-executive)	C	C	C
YB Datuk Haji Talib bin Zulpilip (Non-executive)	M	-	-
Datuk Wan Ali Tuanku Yubi (Independent, Non-executive)	-	M	M
Datu Michael Ting Kuok Ngie (Independent, Non-executive)	M	M	M
Kevin How Kow (Independent, Non-executive)	M	-	-
Gen (Rtd) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (Non-executive)	-	-	-

Note: C – Chairman of Board Committee M – Member

a) Audit Committee

The Board's Audit Committee has continued to play an important role in reviewing the Group's financial management and reporting, and to assess the integrity of the Group's accounting procedures and financial control. The Committee is also the focal point to oversee risk management processes and reporting and monitoring structures adopted throughout the Group.

The Audit Committee is responsible for the review of accounting policy and presentation of external financial reporting including the Group's interim results and its disclosures, monitoring the work of the internal audit function and ensuring an objective and professional relationship is maintained with the external auditors, and that conflicts of interest, if any, are avoided. The Committee has full access to both internal and external auditors, who in turn, have access at all times, to the Chairman of the Audit Committee.

The Audit Committee is also responsible for approving and reviewing the appointment of external auditors as well as overseeing their relationship with the Group. This includes an annual review of the independence and effectiveness of the external auditors and the recommendation to the Board as to the level of fees to be paid to the external auditors.

The Audit Committee strives to ensure that it keeps abreast of all material developments in regulations and best practices affecting the work within its area of authority.

The members of the Audit Committee, together with their attendance at Committee Meetings, are set out below:

Name of Audit Committee Member	Total Meetings Attended	% of Attendance
Dato Sri Liang Kim Bang (Chairman)	4/4	100
YB Datuk Haji Talib bin Zulpilip	4/4	100
Datu Michael Ting Kuok Ngie	4/4	100
Kevin How Kow	4/4	100

The report on the Audit Committee, including its role in relation to the external auditors, may be found on pages 47 to 49 of this Annual Report.

b) Remuneration Committee

The Remuneration Committee is responsible for developing the Group's remuneration policy in general, and determining the remuneration packages of Executive Directors of CMSB. The Remuneration Committee proposes, subject to the approval of the respective Boards, the remuneration to be paid to each Director for his services as a member of the Board as well as committees of the Board in respect of the Group.

The members of the Remuneration Committee together with their attendance at Committee Meetings, are set out below:

Name of Remuneration Committee Member	Total Meetings Attended	% of Attendance
Dato Sri Liang Kim Bang (Chairman)	1/1	100
Dato Sri Sulaiman Abdul Rahman Taib	1/1	100
Datuk Wan Ali Tuanku Yubi	1/1	100
Datu Michael Ting Kuok Ngie	1/1	100

The Committee meets at least once a year to consider matters relating to directors' remuneration.

c) Nomination Committee

The Nomination Committee meets at least once a year to consider and make recommendations to the Board on the composition of the Board, potential candidates for appointment to the Board and committees of the Board of the CMS Group. With regards to appointments to the companies within the Group, all decisions on such appointments rest with the respective Boards after considering the recommendations of the Nomination Committee. The Nomination Committee will review the required mix of skills, experience and other qualities including core competencies, which non-executive Directors should bring to the Board.

The members of the Nomination Committee together with their record of attendance at committee meetings are set out below:

Name of Nomination Committee Member	Total Meetings Attended	% of Attendance
Dato Sri Liang Kim Bang (Chairman)	2/2	100
Dato Sri Sulaiman Abdul Rahman Taib	2/2	100
Datuk Wan Ali Tuanku Yubi	1/2	50
Datu Michael Ting Kuok Ngie	2/2	100

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATIONS

The Company seeks to develop and maintain regular informative communications with its shareholders totaling over 7,400. In addition to the various public announcements made during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

The Annual General Meeting of the Company remains the principal forum for dialogue with shareholders. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board as well as external auditors of the Company are present to answer questions raised at the meeting. A press conference is also held after the Annual General Meeting to meet with the press and to answer any queries.

A full copy of the Annual Report and Accounts is sent to all shareholders each year. In addition, shareholders can obtain up-to-date information on the Group's various activities by accessing its website at www.cmsb.com.my. Press releases and all announcements to Bursa Securities, including the consolidated financial results of the Group, are posted on this site for all shareholders to keep up-to-date with the activities and progress of the Group.

Any queries or concerns regarding the CMS Group may be conveyed to the following persons:

- i) **Dato Sri Liang Kim Bang** Senior Independent Non-Executive Director
Tel: +6 082 332 111 Fax: +6 082 484 057
- ii) **Isaac Lugun**, Group General Manager
Corporate Affairs/Group Company Secretary
Tel: +6 082 238 888 Fax: +6 082 338 611

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The Directors consider that, in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. All accounting standards which the Board considers applicable have been followed. Additional notes and data which go beyond minimum requirements are published whenever the Board considers amplification is required to give shareholders a proper understanding of the Group and its activities.

Internal Controls

The Group's Statement on Internal Control is set out on page 45 to 46 of this Annual Report.

Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets. Under Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, directors of listed companies must include a statement in their annual report on the state of the Company's internal controls.

RESPONSIBILITY

The Board of Directors recognises its responsibilities for and the importance of sound internal controls and risk management practices, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate risk. In addition, any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board does not regularly review the risk management and internal control systems of the publicly listed subsidiary, Utama Banking Group Berhad, or those of its associated companies. The Group's interests are served through representation on the Boards of those respective companies and the receipt and review of management reports thereon.

During the year, the Board built upon the previously established procedures to progressively implement, in full, the recommendations of Bursa Securities Listing Requirements' "Statement on Internal Control: Guidance for Directors of Public Listed Companies". These procedures, which are subject to regular review, are intended to provide an on-going process for identifying, evaluating and managing the significant risks faced by the Group.

RISK MANAGEMENT

Risk management is regarded as an integral part of business operations and management of the Company and, under the guidance and control of the Company, each SBU and/or subsidiary is responsible for creating a risk aware culture and for managing the risks associated with its respective business activities.

The management of the significant operating subsidiaries have put in place a risk management framework, and key business risks have been identified and prioritised to highlight the types of risks, and reflect both the financial and reputation impact of the risk and the likelihood of its occurrence.

As part of this on-going effort to imbed risk management procedures throughout the Group, a monitoring and reporting process has been developed to continuously evaluate and monitor the significant risks in a formalised manner. Risk coordinators has been appointed in each subsidiary unit to update the quarterly risk reports and the major risks are consolidated and reviewed by Operations Management prior to submission to the Group Audit Committee. Efforts are on-going to improve the rigor of risk management processes in 2006 by cascading risk identification and prioritisation procedures to the individual functions and/or business process levels with a view to fully align this to the existing performance monitoring

systems and to strengthen accountability controls. In addition, each SBU is required to reassess all risks facing each subsidiary in developing its annual management/strategic plan and these risks shall be reviewed by the Executive Management Committee during the annual strategic review meetings.

The on-going initiatives to modify the risk management procedures to better align them to the operational performance monitoring systems, when fully implemented, will ensure that the Company has in place a formalised ongoing process for identifying, evaluating, monitoring and managing the significant risks that can impact the achievement of its business objectives.

KEY ELEMENTS OF THE 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 the 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 for their continuing 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 establishment of a Central Tender Committee which has responsibility for all high value procurement in the Group.
- **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 approved by the Board.
- **regular and comprehensive information provided to Management**, covering financial performance, key business indicators which are reviewed by the Executive Management Committee during the monthly operational review meetings.
- **monitoring of results against budget**, 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.
- **regular internal audit** activities to assess adequacy of internal controls, monitor compliance with procedures and assess the integrity of financial information provided.
- **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 in place provide reasonable assurance to the Board that the structure of controls are appropriate to the Group's operations and that risks are at 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 other parties, or the occurrence of unforeseeable events.

This statement is made in accordance with a resolution of the Board of Directors dated 27 February 2006.

Group Audit Committee Report

This report provides details of the composition of the Group Audit Committee ("the Committee"), its terms of reference and a summary of activities of the Committee and the Internal Audit function during the year ended 31 December 2005.

COMPOSITION

The Group Audit Committee comprises the following Board members:

Dato Sri Liang Kim Bang – Chairman
(Senior independent Non-executive Director)

YB Datuk Haji Talib bin Zulpilip
(Non-executive Director)

Datu Michael Ting Kuok Ngie
(Independent Non-executive Director)

Kevin How Kow
(Independent Non-executive Director)

TERMS OF REFERENCE OF THE GROUP AUDIT COMMITTEE

1) Constitution

- i) The Group Audit Committee ("the Committee") was established by a resolution of the Board on 27 March 1995.
- ii) The functions of the Committee shall extend to CMS Group of Companies collectively referred to as the "Group".
- iii) The Board shall ensure that the composition and functions of the Committee comply as far as possible with both Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements as well as other regulatory requirements.

2) Membership

- i) The members of the Committee shall be appointed by the Board from among their number. They shall consist of not more than five members and not fewer than three members, of whom a majority shall be independent non-executive directors.
- ii) In the event of any vacancy resulting in the non-compliance of para 2(i) above, the Board shall, within three months of that event, appoint such number of new members required to fulfill the minimum requirement.
- iii) The Chairman of the Committee shall be an independent director appointed by the Board.
- iv) All members of the Committee, including the Chairman, shall hold office only so long as they serve as Directors of the Group.

3) Objectives

- i) To assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices for the Group.
- ii) To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
- iii) To avail to the external and internal auditors a private and confidential audience at any time they desire and to request such audience through the Chairman of the Committee, with or without the prior knowledge of Management.
- iv) To act upon the Board of Directors' request to investigate and report on any issue or concern with regard to the management of the Group.

4) Duties

- i) To review with the external auditors the audit plan and their evaluation of the system of internal controls.
- ii) To consider and recommend for approval of the Board the appointment or dismissal of the external auditors and the audit fees.
- iii) To review the assistance given by the Company's and the Group's officers to the auditors.
- iv) To approve the appointment or termination of the Group Internal Auditor and ensure that the Group Internal Audit Division is adequately resourced and has an independent status within the Group.
- v) To review any appraisal or assessment of the performance of staff of the internal audit function.
- vi) To review the adequacy of the internal audit plans, scope of examination of the internal auditors and ensure that appropriate action is taken by Management in respect of the audit observations and the Committee's recommendations.
- vii) To review the quarterly financial statements to Bursa Malaysia and the annual audited accounts before submission to the Board. The review should focus primarily on compliance with accounting standards as well as other regulatory requirements and the adequacy of information disclosure for a fair and full presentation of the financial affairs of the Group.
- viii) To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or conduct that raises questions of management integrity.

- ix) To direct any special investigations on the Group's operations to be carried out by the Group Internal Audit Division or any other appropriate agencies.
- x) To discuss problems and reservations arising out of external or internal audits and any matters which the auditors wish to bring up in the absence of Management or the Executive Directors of the Group where necessary.
- xi) To perform other related duties as may be agreed by the Committee and the Board.

5) Authority

- i) The Committee is authorised to investigate any matter within its terms of reference and shall have unrestricted access to obtain any information it requires from any employee of the Group.
- ii) The Committee is authorised to direct any employee of the Group to appear before it to give information or clarification as required.
- iii) The Committee is also authorised by the Board to obtain outside legal or any other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise.
- iv) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities Listing Requirements, the Committee is also required to promptly report such matter to the Exchange.

6) Meetings and Minutes

- i) The Committee shall meet not less than three times a year although additional meetings may be called at any time at the Chairman's discretion. The quorum of each meeting shall be two independent non-executive directors.
- ii) In addition to the Committee members, the meeting will normally be attended by representatives of the external auditors, the Group Chief Financial Officer, the Group Internal Auditor and any appropriate persons as determined by the Chairman.
- iii) The Company Secretary shall be the Secretary to the Committee. Prior to the meeting, he shall send an agenda to all members of the Committee. Minutes of each meeting shall be kept and distributed to each member of the Committee and the Board.

MEETINGS IN 2005

During the year ended 31 December 2005, the Group Audit Committee held four meetings which were attended by the members as follows:

	Total Meetings Attended
Dato Sri Liang Kim Bang	4/4
YB Datuk Haji Talib bin Zulpilip	4/4
Datu Michael Ting Kuok Ngie	4/4
Kevin How Kow	4/4

ACTIVITIES OF THE GROUP AUDIT COMMITTEE IN THE YEAR 2005

- Reviewed the adequacy of the internal audit plans, scope of examination and internal audit reports and ensure that appropriate action is taken by management in respect of the audit findings and the Committee's recommendations;
- Reviewed the quarterly financial statements of the Company and the Group to Bursa Malaysia and the annual audited Group accounts prior to submission to the Board for consideration and approval;
- Reviewed the adequacy of the disclosure of related party transactions entered into by the Company and the Group and also the adequacy of the policies and procedures in respect of related party transactions in ensuring that these transactions are in the best interest of the Company;
- Considered and recommended to the Board the reappointment of the external auditors of the Group and the audit fees and
- Reviewed the appraisal of the performance of the internal audit staff.

INTERNAL AUDIT FUNCTION

The Company has an Internal Audit Division whose primary responsibility is to conduct regular and systematic audits of the significant operations of the Group based on assessed risks so as to provide reasonable assurance to the Committee of the adequacy of the systems of internal control within the Group.

The annual group internal audit plan is approved by the Committee at the beginning of each year. The Internal Audit function which is independent of the activities they audit has carried out planned audits and special ad-hoc reviews or investigations during the year and provided regular 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 control and operational effectiveness have also been communicated to both operations management and the Group Audit Committee.

Additional Compliance Report

The following information is presented in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad:

UTILISATION OF PROCEEDS

The status of utilisation of proceeds from the CMS Income Securities as at 31 March 2006 is as follows:

Description	Actual utilised RM'000
Repayment of borrowings	162,425
Expenses of issuance of CMS Income Securities	1,898
Working capital	40,957
Total	205,280

SHARE BUY-BACKS

CMSB did not enter into any share buy-back transactions during the financial year ended 31 December 2005.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

CMSB did not issue any options, warrants or convertible securities during the financial year ended 31 December 2005.

AMERICAN DEPOSITORY RECEIPT (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)

During the financial year, CMSB did not sponsor any ADR or GDR programme.

SANCTIONS AND/OR PENALTIES

There were no sanctions or penalties imposed on CMSB and its subsidiary companies, directors, or management by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

Non-audit fees paid to the external auditors of CMSB and its subsidiaries for the financial year ended 31 December 2005 were as follows:

Name of Auditors	Purpose	Amount (RM)
Ernst & Young	Evaluating accounting treatment for the issue of CMS Income Securities	60,000
Ernst & Young	Due diligence review	53,000
Ernst & Young	General corporate advisory	5,000
Ernst & Young	Review of the Statement on Internal Control	3,000
Ernst & Young	Audit of Employees Share Option Scheme	2,500
Ernst & Young	Certification of bank balances	5,565
	Total	129,065

PROFIT ESTIMATE, FORECAST OR PROJECTION

There were no profit estimates, forecasts or projections announced for the financial year. On 30 April 2006, CMSB announced a deviation of more than 10% between the audited consolidated net loss after tax and minority interests (LATMI) and unaudited consolidated net LATMI for the financial year ended 31 December 2005. The deviation is mainly due to the impairment of the carrying amount of goodwill arising on consolidation of CMS Steel Berhad, a subsidiary which has ceased operations subsequent to the financial year end. The variation is summarized as follows:

Audited consolidated net LATMI RM'000	Unaudited consolidated net LATMI RM'000	Variance RM'000	Variance %
RM117,987	RM103,454	RM14,533	14

PROFIT GUARANTEE

During the year, there was no profit guarantee by CMSB and its subsidiary companies.

MATERIAL CONTRACTS

There were no material contracts entered during the financial year ended 31 December 2005 by CMSB and its subsidiary companies involving Directors and major shareholders except as disclosed in Note 40 to the Financial Statements.

REVALUATION POLICY

The Group does not adopt a policy of regular revaluation on landed properties.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

On 29 April 2005, CMSB announced the recurrent related party transactions of a revenue or trading nature which it expected to enter into with persons who are considered to be "Related Party" as defined in Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad. A breakdown of the aggregate value of transactions conducted during the financial year under review is set out below:

	RM'000	Relationship
Motor vehicles repair and maintenance paid to: - Automobili Sdn Bhd	15	A company controlled by Dato Sri Sulaiman Abdul Rahman Taib (a major shareholder of CMSB) and his spouse
Telecommunication equipment and services paid to: - Achi Jaya Communications Sdn Bhd (formerly known as Hager Elektronik Sdn Bhd)	57	A company controlled by Haji Mahmud Abu Bekir Taib (a major shareholder of CMSB)
Office upkeep paid to: - Centigrade Resources Sdn Bhd	685	Subsidiary company of Satria Realty Sdn Bhd
Office rental paid to: - Satria Realty Sdn Bhd	956	Majaharta (a major shareholder of CMSB) has direct interest of 60% in Satria Realty Sdn Bhd. Majaharta is a company controlled by Dato Sri Sulaiman Abdul Rahman Taib and Haji Mahmud Abu Bekir Taib
Professional fees paid to: - KTA (Sarawak) Sdn Bhd	1,488	A person connected to Datu Michael Ting has direct interest of 20%
Purchase of site materials and reinforced concrete products from: - SCIB Concrete Manufacturing Sdn Bhd	549	Haji Zaidi bin Haji Ahmad is deemed interested in SCIB Concrete Manufacturing Sdn Bhd by virtue of his and his family's direct and indirect interests of over 15% in Sarawak Concrete Industries Berhad, the ultimate holding company of SCIB Concrete Manufacturing Sdn Bhd

Statement on Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the profit or loss of the Group and the Company for the financial year. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the year ended 31 December 2005 set out on pages 54 to 124, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements 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. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. It also provides centralised treasury and administrative services to the Group.

The Group is principally engaged in cement and steel manufacturing, construction and quarry operations, road maintenance, banking, stockbroking and related financial services, property development and trading.

The principal activities of the subsidiaries are more particularly set out in Note 13 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss after taxation	117,458	91,398
Minority interests	529	-
Net loss for the year	117,987	91,398

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the current financial year other than as disclosed in the Statements of Changes in Equity.

DIVIDENDS

During the year, the Company paid a first and final dividend of 5%, less taxation, amounting to RM11,860,050 in respect of the previous financial year.

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2005 of 5% less 28% taxation, amounting to a dividend payable of RM11,860,050, will be proposed for shareholders' approval.

ISSUE OF SHARES

During the financial year, the Company increased its:

- Authorised share capital from RM1,000,000,000 to RM1,000,000,400 through the creation of 400 Non-Convertible Redeemable Preference Shares ('NCRPS') of RM1 each; and
- Issued and paid-up preference share capital of RM400 by way of the issuance of 400 NCRPS of RM1 each at an issue price of RM1,000 per NCRPS through the issue of CMS Income Securities.

Directors' Report (cont'd)

SIGNIFICANT EVENTS

- a) On 5 May 2005, a subsidiary, PPES Works (Sarawak) Sdn Bhd ('PPES Works'), completed the acquisition of 300,000 ordinary shares of RM1 each representing 30% of the equity interest in CMS Roads Sdn Bhd ('CMS Roads') for a total consideration of RM19,500,000. The acquisition increased PPES Works' equity interest in CMS Roads from 51% to 81%.
- b) On 29 July 2005, the Company acquired 6,349,074 ordinary shares of RM1 each in CMS I-Systems Berhad ('CMSISB') at RM2.85 per share for a total consideration of RM18,094,861. In addition, the Company subscribed for an additional 1,600,000 new ordinary shares in CMSISB at an issue price of RM2.85 per share at a consideration of RM4,560,000. Following the acquisition, the Company holds a total of 7,949,074 ordinary shares, representing 50.96% of the enlarged share capital in CMSISB.
- c) On 29 December 2005, the Company undertook to issue RM400 million CMS Income Securities for the purposes of refinancing existing group borrowings and for working capital requirements. The CMS Income Securities consist of the following:
 - i) 400 fixed rate coupon-bearing serial bonds ('Bonds') at a nominal sum of RM999,000 each. The Bonds comprise the bond principal and the bond coupon; and
 - ii) 400 Non-Convertible Redeemable Preference Shares ('NCRPS') of RM1 each at an issue price of RM1,000 each.

The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS. The salient terms are disclosed in Note 35 and 36 to the financial statements, respectively.

SUBSEQUENT EVENT

On 5 January 2006, the Board of Directors of the Company approved and announced the proposed closure of the operations of a subsidiary, CMS Steel Berhad ('CMS Steel'), due to the continuous losses incurred and given that there is no indication that the steel industry will turn around in the near future. The Group intends to exit from its steel operations from the first quarter of 2006 onwards. Further details are disclosed in Note 11 to the financial Statements.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Dato Sri Sulaiman Abdul Rahman Taib	Group Chairman
Tuan Haji Mahmud Abu Bekir Taib	Group Deputy Chairman
Dato Sri Liang Kim Bang	
YB Datuk Haji Talib Bin Zulpilip	
Datuk Wan Ali Tuanku Yubi	
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	
Kevin How Kow	
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin	Appointed on 8 July 2005

In accordance with Article 110 of the Company's Articles of Association, Tuan Haji Mahmud Abu Bekir Taib and YB Datuk Haji Talib Bin Zulpilip retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Company's Article of Association, General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Directors' Report (cont'd)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 40 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company and a related company during the financial year were as follows:

Number of Ordinary Shares of RM1 Each At 1 January 2005 and 31 December 2005

Cahaya Mata Sarawak Berhad

Direct interest in shares:

Dato Sri Sulaiman Abdul Rahman Taib	29,465,085
Tuan Haji Mahmud Abu Bekir Taib	29,400,085

Indirect interest in shares:

Dato Sri Sulaiman Abdul Rahman Taib	44,925,102
Tuan Haji Mahmud Abu Bekir Taib	44,925,102

Utama Banking Group Berhad

Direct interest in shares:

Dato Sri Liang Kim Bang	504,000
YB Datuk Haji Talib bin Zulpilip	13,333

There were no other movements in shares of the Company during the financial year other than as disclosed.

By virtue of their interests in shares of Cahya Mata Sarawak Berhad and Section 6A of the Companies Act, 1965, Dato Sri Sulaiman Abdul Rahman Taib and Tuan Haji Mahmud Abu Bekir Taib are also deemed interested in the shares of the subsidiaries of Cahya Mata Sarawak Berhad to the extent that Cahya Mata Sarawak Berhad has an interest.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' Report (cont'd)

OTHER STATUTORY INFORMATION

- a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and
 - ii) to ensure that any current assets, which were unlikely to realise their value as shown in the accounting records in the ordinary course of business, had been written-down to an amount which they might be expected so to realise.
- b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - i) the amount written-off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e) As at the date of this report, there does not exist:
 - i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- f) In the opinion of the Directors:
 - i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report, which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Report (cont'd)

OTHER INFORMATION

The Company operates a centralised treasury management system, which entails the pooling of funds from and to subsidiaries to ensure that returns on surplus funds are optimised throughout the Group.

There is no element of provision of financial assistance from and to subsidiaries, which are also related parties, in the present operation of this centralised treasury management system. However, in the future, should the Company provide or be provided with financial assistance from and to subsidiaries, which are also related parties, approval from shareholders will be sought.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

Dato Sri Sulaiman Abdul Rahman Taib

Tuan Haji Mahmud Abu Bekir Taib

Kuching, Malaysia
Date: 29 April 2006

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, **Dato Sri Sulaiman Abdul Rahman Taib** and **Tuan Haji Mahmud Abu Bekir Taib**, being two of the Directors of **Cahaya Mata Sarawak Berhad**, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 061 to 124 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

Dato Sri Sulaiman Abdul Rahman Taib

Tuan Haji Mahmud Abu Bekir Taib

Kuching, Malaysia
Date: 29 April 2006

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Ian Graham Sadler**, being the officer primarily responsible for the financial management of **Cahaya Mata Sarawak Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 061 to 124 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Ian Graham Sadler
Chief Financial Officer

Subscribed and solemnly declared by the
abovenamed **Ian Graham Sadler**
at Kuching in the State of Sarawak
on 29 April 2006

Before me,

Lee Heng Cheong
Commissioner for Oaths (No. Q 039)
Kuching

Report of the Auditors

to the Members of Cahya Mata Sarawak Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 061 to 124. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - ii) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements; and
- b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the Auditors' Reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements which are included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The Auditors' Reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

YONG VOON KAR
1769/04/08 (J/PH)
Partner

Kuching, Malaysia
Date: 29 April 2006

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Revenue	3	880,970	1,020,344	65,355	91,275
Cost of sales		(747,004)	(855,120)	(12,466)	(9,867)
Gross profit		133,966	165,224	52,889	81,408
Other operating income		10,131	10,876	490	375
Selling and distribution costs		(7,855)	(8,367)	-	-
Administrative expenses		(51,504)	(53,095)	(16,845)	(17,597)
Other operating expenses		(36,563)	(58,671)	-	-
Provision against advances to a subsidiary		-	-	-	(21,300)
Impairment of assets	11	(100,000)	-	-	-
Impairment of goodwill	11	(14,753)	-	-	-
Impairment in value of investment in					
- an associate		-	(2,000)	-	-
- a subsidiary	11	-	-	(102,520)	-
Provision for termination benefits	11	(3,000)	-	-	-
(Loss)/profit from operations		(69,578)	53,967	(65,986)	42,886
Finance costs	4	(37,451)	(46,975)	(14,213)	(19,386)
Gain on disposal of subsidiaries		-	86,714	-	-
Share of profit of associates		53,125	37,249	-	-
Share of profit of jointly controlled entities		4,408	-	-	-
(Loss)/profit before taxation	5	(49,496)	130,955	(80,199)	23,500
Taxation	8	(67,962)	(64,617)	(11,199)	(19,630)
(Loss)/profit after taxation		(117,458)	66,338	(91,398)	3,870
Minority interests		(529)	(37,589)	-	-
Net (loss)/profit for the year	11	(117,987)	28,749	(91,398)	3,870

		Group 2005 sen	Group 2004 sen	Company 2005 sen	Company 2004 sen
(Loss)/earnings per share	9	(35.81)	8.73		
Dividend per share	10				
- Gross dividend		5.00	5.00	5.00	5.00
- Net of tax		3.60	3.60	3.60	3.60

The accompanying notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	249,206	364,196	4,043	4,277
Subsidiaries	13	-	-	1,054,898	1,133,642
Associates	14	754,122	1,359,264	-	-
Jointly controlled entities	15	5,583	-	-	-
Securities available-for-sale	16	585,081	-	-	-
Land held for property development	17	39,269	39,080	-	-
Development costs	18	8,034	-	-	-
Goodwill on consolidation	19	193,313	196,243	-	-
CURRENT ASSETS					
Inventories	20	90,078	72,060	-	-
Property development costs	21	146,537	141,313	-	-
Amount due from customers on contracts	22	16,920	21,834	-	-
Securities held-for-trading	23	20,097	-	-	-
Short term investments	24	343	1,451	-	-
Trade receivables	25	246,284	247,159	-	-
Amount due from subsidiaries	26	-	-	441,365	414,960
Other receivables	27	62,687	51,620	20,183	21,096
Cash and bank balances	28	237,317	216,164	142,086	14,710
		820,263	751,601	603,634	450,766
CURRENT LIABILITIES					
Short term borrowings	29	572,420	537,087	77,576	22,513
Trade payables	30	165,424	150,704	6	6
Amount due to customers on contracts	22	10,775	21,951	-	-
Amount due to subsidiaries	26	-	-	308,267	279,194
Other payables	31	77,608	52,448	2,426	3,669
Current tax liabilities		2,272	9,875	-	-
		828,499	772,065	388,275	305,382
Net current (liabilities)/assets		(8,236)	(20,464)	215,359	145,384
		1,826,372	1,938,319	1,274,300	1,283,303

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Financed by:					
Share capital	32	329,446	329,446	329,446	329,446
Reserves	33	520,289	662,524	685,868	789,126
Shareholders' funds		849,735	991,970	1,015,314	1,118,572
Minority interests		666,693	676,746	–	–
		1,516,428	1,668,716	1,015,314	1,118,572
LONG-TERM AND DEFERRED LIABILITIES					
Amount due to subsidiaries	26	–	–	–	35,000
Long term liabilities	34	286,861	245,131	258,986	129,731
Deferred tax liabilities	37	23,083	24,472	–	–
		309,944	269,603	258,986	164,731
		1,826,372	1,938,319	1,274,300	1,283,303

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2005

		Non-Distributable					Distributable			
		Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Merger Deficit RM'000	Statutory Reserve RM'000	Available-For-sale Reserve RM'000	Retained Profit/ (Accumulated Loss) RM'000	Total RM'000	
GROUP		Note								
At 1 January 2005			329,446	427,513	85,776	(12,000)	16,141	-	145,094	991,970
- as previously stated		2.1	-	-	-	-	442	(30,731)	(7,538)	(37,827)
- transitional adjustment										
As restated			329,446	427,513	85,776	(12,000)	16,583	(30,731)	137,556	954,143
Net loss for the year			-	-	-	-	-	-	(117,987)	(117,987)
Dividend for the year ended 2004		10	-	-	-	-	-	-	(11,860)	(11,860)
Transfer between reserves			-	-	-	-	13,285	-	(13,285)	-
- associate										
Share of movement in reserve			-	-	-	-	-	616	-	616
- associate										
Unrealised gain on fair valuation of available-for-sale securities			-	-	-	-	-	25,966	-	25,966
Net loss not recognised in the income statement - associate (translation differences)			-	-	-	-	-	-	(1,143)	(1,143)
At 31 December 2005			329,446	427,513	85,776	(12,000)	29,868	(4,149)	(6,719)	849,735

Statements of Changes in Equity

for the year ended 31 December 2005 (cont'd)

GROUP	Note	Non-Distributable					Distributable	
		Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Merger Deficit RM'000	Statutory Reserve RM'000	Retained Profit/ (Accumulated Loss) RM'000	Total RM'000
At 1 January 2004		328,916	427,118	85,776	(12,000)	11,113	132,775	973,698
Arising from disposal of a subsidiary		-	-	-	-	(1,976)	1,976	-
Net profit for the year		-	-	-	-	-	28,749	28,749
Dividend for the year ended 2003		-	-	-	-	-	(11,843)	(11,843)
Issue of shares	32	530	395	-	-	-	-	925
Transfer between reserves - associate		-	-	-	-	7,004	(7,004)	-
Net gain not recognised in the income statement - associate (translation differences)		-	-	-	-	-	441	441
At 31 December 2004		329,446	427,513	85,776	(12,000)	16,141	145,094	991,970

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity for the year ended 31 December 2005 (cont'd)

	Note	Non-Distributable				Distributable	
		Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Merger Reserve RM'000	Retained Profit RM'000	Total RM'000
COMPANY							
At 1 January 2005		329,446	427,513	13,037	168,000	180,576	1,118,572
Net loss for the year		-	-	-	-	(91,398)	(91,398)
Dividend for the year ended 2004	10	-	-	-	-	(11,860)	(11,860)
At 31 December 2005		329,446	427,513	13,037	168,000	77,318	1,015,314
At 1 January 2004		328,916	427,118	13,037	168,000	188,549	1,125,620
Net profit for the year		-	-	-	-	3,870	3,870
Dividend for year ended 2003		-	-	-	-	(11,843)	(11,843)
Issue of shares	32	530	395	-	-	-	925
At 31 December 2004		329,446	427,513	13,037	168,000	180,576	1,118,572

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(49,496)	130,955
Adjustments for:			
Amortisation of development costs		653	-
Amortisation of goodwill on consolidation		12,570	12,063
Bad debts written-off net of recoveries		868	208
Depreciation		34,734	38,815
Gain on disposal of property, plant and equipment		(3,430)	(1,335)
Gain on disposal of quoted investments		-	(3,460)
Gain on disposal of subsidiaries		-	(86,714)
Gross dividend income		-	(98)
Impairment of assets		100,000	-
Impairment of goodwill		14,753	-
Impairment in value of investment in an associate		-	2,000
Impairment in value of investment		78	448
Interest expense		36,412	58,416
Interest income		(16,421)	(34,227)
Non-loan provision		-	37,489
Property, plant and equipment written-off		201	36
Provision for termination benefits		3,000	-
Provision for bad and doubtful debts net of recoveries		278	15,529
Share of profit of associates		(53,125)	(37,249)
Share of profit of jointly controlled entities		(4,408)	-
Unrealised loss on valuation of securities available-for-sale		14,676	-
Operating profit before working capital changes		91,343	132,876
(Increase)/decrease in receivables		(3,946)	23,865
Increase in inventories		(18,018)	(24,536)
Increase/(decrease) in payables		34,506	(30,827)
Increase in property development costs		(5,224)	(5,371)
(Increase)/decrease in amount due from customers on contracts		(4,539)	4,219
Decrease in loans and advances		-	36,301
Decrease in statutory deposits with Bank Negara Malaysia		-	10,297
Decrease in deposits from customers		-	(7,382)
Decrease in deposits and placements of banks and other financial institutions		-	(357,800)
Cash generated from/(utilised in) operations		94,122	(218,358)
Net proceeds from disposal of foreclosed property		3,200	54,400
Interest received		16,421	34,227
Interest paid		(36,412)	(58,416)
Taxation paid net of refund		(33,940)	(49,925)
Net cash generated from/(used in) operating activities		43,391	(238,072)

Consolidated Cash Flow Statement

for the year ended 31 December 2005 (cont'd)

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases net of proceeds from disposal of short term investments		1,030	180,253
Dividends received from investments		–	98
Distribution of profit from a jointly controlled entity		1,280	–
Purchase of property, plant and equipment		(21,198)	(34,033)
Purchase of securities		(33,853)	–
Proceeds from disposal of property, plant and equipment		3,929	11,436
Net cash inflow arising from disposal of a subsidiary	38(a)(ii)	–	138,407
Net cash outflow arising from acquisition of a subsidiary	38(b)	(16,216)	–
Net cash outflow arising from acquisition of additional interest in a subsidiary		(19,500)	(29)
Dividend received from an associate		3,312	2,208
Expenses incurred on development costs		(944)	–
Expenditure incurred on land held for property development		(189)	(395)
Investment in jointly controlled entities		(2,455)	–
Net cash (used in)/generated from investing activities		(84,804)	297,945
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of term loans		(61,556)	(114,078)
Net proceeds from bankers' acceptances and revolving credits		(30,074)	5,567
Dividends paid to shareholders of the Company		(11,860)	(11,843)
Dividends paid to minority interests in subsidiaries		(2,686)	(2,328)
Proceeds from issuance of CMS Income Securities		168,986	–
Proceeds from issuance of shares		–	925
Proceeds from issuance of shares to minority interests		49	–
Net cash generated from/(used in) financing activities		62,859	(121,757)
Net increase/(decrease) in cash and cash equivalents		21,446	(61,884)
Cash and cash equivalents at the beginning of the year		209,237	271,121
Cash and cash equivalents at the end of the year	39	230,683	209,237

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement

for the year ended 31 December 2005

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		(80,199)	23,500
Adjustments for:			
Depreciation		1,272	1,155
Gross dividend income		(61,914)	(87,954)
Gain on disposal of property, plant and equipment		(50)	(32)
Impairment in value of investment in a subsidiary		102,520	-
Interest expense		25,967	27,123
Interest income		(3,431)	(3,228)
Provision against advances to a subsidiary		-	21,300
Operating loss before working capital changes		(15,835)	(18,136)
Increase in receivables		(1,308)	(421)
Decrease in payables		(1,243)	(79)
(Increase)/decrease in amount due from subsidiaries		(32,332)	18,725
Cash (used in)/generated from operations		(50,718)	89
Interest received		3,431	3,228
Interest paid		(25,967)	(27,123)
Taxation refunded		8,322	1,256
Net cash used in operating activities		(64,932)	(22,550)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		44,614	63,327
Purchase of property, plant and equipment		(1,043)	(1,723)
Proceeds from disposal of property, plant and equipment		55	59
Investment in subsidiaries		(23,776)	(1,757)
Net cash generated from investing activities		19,850	59,906
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of CMS Income Securities		168,986	-
Proceeds from issuance of shares		-	925
Proceeds from term loan and revolving credits		35,269	109,731
Repayment of term loans		(20,000)	(170,940)
Dividends paid to shareholders of the Company		(11,860)	(11,843)
Net cash generated from/(used in) financing activities		172,395	(72,127)
Net increase/(decrease) in cash and cash equivalents		127,313	(34,771)
Cash and cash equivalents at the beginning of the year		12,197	46,968
Cash and cash equivalents at the end of the year	39	139,510	12,197

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2005

1) CORPORATE INFORMATION

The Company is principally an investment holding company. It also provides centralised treasury and administrative services to the Group. The principal activities of the Group are set out in Note 13 of the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office is located at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak.

The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2006.

2) SIGNIFICANT ACCOUNTING POLICIES

2.1) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings and unless otherwise indicated in the significant accounting policies, comply with the provisions of the Companies Act, 1965, and applicable MASB Approved Accounting Standards in Malaysia and Bank Negara Malaysia's guidelines including its revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) which became effective for the current financial year.

The accounting policies of the Group and the Company are consistent with the policies adopted in the previous financial year except for the adoption of the changes in accounting policies in line with those adopted by an associate, Rashid Hussain Berhad ('RHB') in compliance with the revised BNM/GP8 that is applicable to its banking subsidiaries effective from 1 January 2005.

The adoption of the revised BNM/GP8 has resulted in a change in the accounting policy for the following financial instruments and is further explained in the respective accounting policy notes below:

Securities
Recognition of interest income
Derivative financial instruments

The Group has not made any retrospective application of the accounting policies to prior periods as the prior period results included that of its merchant banking subsidiary, Utama Merchant Bank Berhad, which was disposed of in 2004. In view of the changes in the Group composition and circumstances, the restatement of the comparative information is impracticable.

As such, any adjustment for the previous carrying amounts has been recognised as an adjustment of the balance of retained earnings or reserves at the beginning of the current financial year.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965, applicable MASB approved accounting standards in Malaysia and BNM's guidelines requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from estimates.

Notes to the Financial Statements

31 December 2005

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2) Basis of Consolidation (cont'd)

a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Where the subsidiaries are consolidated using the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then. Minority interests are separately disclosed in the financial statements.

b) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless costs cannot be recovered.

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2) Basis of Consolidation (cont'd)

c) Jointly Controlled Entities (cont'd)

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the jointly controlled entities. Under the equity method of accounting, the Group's share of profits less losses of jointly controlled entities during the financial year is included in the consolidated income statement. The Group's interest in jointly controlled entities is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are eliminated unless costs cannot be recovered.

2.3) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investment in associates.

Goodwill arising on consolidation in respect of subsidiaries is amortised in the Group income statement over its estimated useful life of 25 years.

2.4) Investments in Subsidiaries, Associates and Jointly Controlled Entities

The Company's investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

2.5) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14.

Freehold and leasehold land and buildings are stated at cost or valuation less accumulated depreciation. The leasehold land and buildings of the Group were revalued in 1996 based on an independent professional valuation using open market values on an existing use basis. As permitted by the MASB, where such revaluation was a one-off isolated event prior to the adoption of the applicable Approved Accounting Standard by the MASB (FRS 116²⁰⁰⁴ 'Property, Plant & Equipment', and International Accounting Standard 16, the predecessor standard), and provided no further revaluations have been adopted in the preparation of the financial statements, these assets have continued to be stated on the basis of their previous revalued amount (subject to continuity in depreciation policy and the requirement to write the asset down to its recoverable amount).

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5) Property, Plant and Equipment and Depreciation (cont'd)

Freehold land is not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 60 years to 999 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost or valuation of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings, jetty, roads and drainage	2% or over the period of lease whichever is shorter
Plant and machinery	5% to 20%
Office equipment and motor vehicles	5% to 33 $\frac{1}{3}$ %

Capital work-in-progress is not depreciated until the property, plant and equipment are fully completed and brought into use.

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profit.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

2.6) Interest Capitalisation

a) Property, Plant and Equipment

Interest incurred on borrowings related to property, plant and equipment under construction is capitalised until the assets are ready for their intended use.

b) Property Development and Construction Contracts

Interest on property development and work-in-progress on construction contracts is recognised as an expense in the income statement in the period incurred.

2.7) Land Held for Property Development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billing to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

2.9) Research and Development Costs

Expenditure on research activity is recognised as an expense in the period in which it is incurred. Development costs are also recognised as an expense in the year in which they are incurred except when the costs incurred on development projects are recognised as development assets to the extent that such expenditure is expected to generate future economic benefits. The development costs capitalised includes cost of materials, direct labour and appropriate proportion of overheads.

Capitalised development costs are stated at cost less accumulated amortisation and impairment loss. Capitalised development costs are amortised over their expected useful lives of five years upon generating income. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14.

2.10) Construction and Service Contracts

Where the outcome of a construction or service contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction or service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When costs incurred on construction or service contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts.

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11) Inventories

Inventories are stated at the lower of cost and net realisable value and are valued on a weighted average or first-in-first-out basis, as appropriate. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

Cost of finished goods and work-in-progress include cost of raw materials, direct labour and attributable production overheads. Cost of raw materials and factory supplies include expenses incurred in bringing them to their present location and condition.

2.12) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.13) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical costs are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined. All exchange rate differences are taken to the income statement.

2.14) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably.

a) Property Development

Profit from property development is recognised using the percentage of completion method on all units that have been sold. When foreseeable losses on property development projects are anticipated, full provision for those losses is made in the financial statements.

b) Construction and Service Contracts

Revenue from construction and service contracts is accounted for by the percentage of completion method as described in Note 2.10.

c) Road Maintenance Contract

Revenue from routine maintenance work is based on fixed rates and recognised upon performance of work in accordance with the terms as stipulated in the Road Maintenance Agreement. Revenue from work orders is based on the schedule of rates approved by client.

d) Sale of Goods and Services

Sales are recognised upon delivery of products and customer acceptance or performance of services, net of discounts.

e) Dividend Income

Dividend income is recognised when the right to receive payment is established.

f) Interest Income

Interest is recognised on a time proportion basis.

2.16) Cash and Cash Equivalents

Cash and cash equivalents in the Cash Flow Statement represent cash and bank balances and short-term, highly liquid investments that are readily convertible to cash with an insignificant risk of changes in value less short-term borrowings repayable on demand.

2.17) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

a) Other Non-current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

b) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

c) Payables

Payables are stated at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17) Financial Instruments (cont'd)

d) Interest-bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

e) Income Securities

The Income Securities, which are recognised as financial liabilities are measured initially at its fair value, which is the amount of proceeds received.

In subsequent periods, the Income Securities are measured at amortised cost using the effective interest method.

The amortised cost of the Income Securities is the amount at which the Income Securities are measured at the initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

The effective interest method is the rate that exactly discounts estimated future cash payments through the expected life of the Income Securities. When calculating the effective interest method, the Company has estimated cash flows considering all contractual terms of the Income Securities. The calculation includes all fees and points paid between the parties to the contract, transaction costs and all other premiums or discounts.

The amortised expense of the Income Securities, applying the effective interest method, is recognised in the income statement as finance costs in the period in which they are incurred.

The Non-Convertible Redeemable Preference Shares are recorded at the amount of proceeds received and classified as long-term and deferred liabilities in the balance sheet. The preferential dividends are recognised in the income statement as finance costs in the period in which they are incurred.

f) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.18) Employee Benefits

a) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

b) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the income statement as incurred.

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19) Securities

The Group classified its securities portfolio into securities held-for-trading, securities held-to-maturity or securities available-for-sale. Classification of securities is determined at initial recognition.

a) Securities Held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing them in the near term or they are part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Such securities are stated at fair value. Any gain or loss arising from the change in the fair value or arising from derecognition of such securities is recognised in the income statement.

b) Securities Held-to-maturity

Held-to-maturity securities are securities with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Such securities are measured at amortised cost using the effective interest method. Amortisation of premium or accretion of discount and impairment as well as gain or loss arising from derecognition of such securities are recognised in the income statement.

c) Available-for-sale Securities

Available-for-sale securities are securities that are not classified as held-for-trading or held-to-maturity. Such securities are measured at fair value. Investment in equity instruments that does not have a quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity whilst impairment losses and foreign exchange gains and losses are recognised in the income statement. Upon derecognition, the cumulative gain or loss previously recognised directly in equity shall be transferred to the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Previously, securities held by the Group were classified as either "Dealing" or "Investment" securities. Under "Dealing Securities" classification, the securities were stated at the lower of cost and market value on portfolio basis. Under "Investment Securities" classification, the securities according to type were either stated at cost adjusted for amortisation of premium or accretion of discount or at the lower of cost and market value determined on a portfolio basis with provision made for any permanent impairment in value.

2.20) Additional Accounting Policies Relating to the Merchant Banking Subsidiary

a) Recognition of Income

- i) Interest income is recognised on an accrual basis. Under the revised BNM/GP8, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and credited into the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously. Customer's accounts are now classified as non-performing where repayments are in arrears for three months or more.

Notes to the Financial Statements

31 December 2005 (cont'd)

2) SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20) Additional Accounting Policies Relating to the Merchant Banking Subsidiary (cont'd)

a) Recognition of Income (cont'd)

- i) Previously where an account is classified as a non-performing, recognition of interest income was suspended and clawed back to day one until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for six months or more.

Where an account is classified as non-performing, recognition of interest income is suspended and clawed back to day one until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for six months and more.

- ii) Corporate advisory, project feasibility study, participation and underwriting fees are recognised as income on full completion of assignments or, where progress payments are agreed, by reference to the stage of completion.
- iii) Portfolio management, commitment, guarantee and agency fees and commissions are recognised as income on a time apportionment basis.
- iv) Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.
- v) Dividends from available-for-sale securities are recognised when received.

b) Provision for Non-performing Loans

Specific provisions are made for debts and financing which have been individually reviewed and specifically identified as non-performing.

A general provision for banking operations based on a percentage of the loan portfolio is made to cover possible losses which are not specifically identified. General provision for securities operations is made based on a percentage of the total amount due from clients after deducting the amount of interest-in-suspense and specific provision for bad and doubtful debts. These percentages are reviewed annually in the light of past experience and prevailing circumstances and adjustment is made on the overall general provision, if necessary.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The merchant banking subsidiary's provision for non-performing debts and financing is in conformity with the minimum requirements of BNM/GP3, which is deemed as in conformity with the requirement on the provision for loan impairment under revised BNM/GP8.

c) Derivative Financial Instruments

Interest income or interest expenses associated with interest rate swaps that qualify as hedges are recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current financial period using the mark-to-market method, and included in the income statement.

Notes to the Financial Statements

31 December 2005 (cont'd)

3) REVENUE

Revenue of the Group comprises sales of goods and services net of discounts, income from property development and construction contracts and interest and other income from the banking business after eliminating transactions within the Group.

Revenue of the Company comprises dividend income from subsidiaries and interest income from central cash management accounts.

The significant categories of revenue recognised during the year are as follows:

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
CONTINUING OPERATIONS				
Sales of goods	391,517	385,814	-	-
Contract revenue	283,844	362,562	-	-
Banking services	15,131	32,998	-	-
Stockbroking services	12,447	20,647	-	-
Sales of properties	38,752	24,646	-	-
Trading and services	52,040	38,922	10	93
Dividend income	-	-	61,914	87,954
Interest income	252	696	3,431	3,228
	793,983	866,285	65,355	91,275
DISCONTINUING OPERATIONS				
Sales of goods	86,987	154,059	-	-
	880,970	1,020,344	65,355	91,275

4) FINANCE COSTS

Interest expense on:

Bank overdrafts	222	230	80	26
Bankers' acceptances	1,676	2,492	-	-
Central cash management accounts	-	-	9,253	6,885
Revolving credits	12,043	15,161	1,109	-
Term loans	19,027	38,010	15,525	20,212
Trust receipts	598	-	-	-
Others	2,846	2,523	-	-
Total interest expense (Note 5)	36,412	58,416	25,967	27,123

Notes to the Financial Statements

31 December 2005 (cont'd)

4) FINANCE COSTS (CONT'D)

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Add: Other charges				
Bank charges and commitment fee	412	241	85	53
Bank commission	50	470	50	470
Facility fee	451	992	451	992
Stamp duty	126	615	126	615
	1,039	2,318	712	2,130
	37,451	60,734	26,679	29,253
Less: Amounts charged to cost of sales				
Interest expense	-	13,759	12,381	9,444
Other charges	-	-	85	423
	-	13,759	12,466	9,867
	37,451	46,975	14,213	19,386

5) (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated
after charging/(crediting):

Amortisation of development costs (Note 18)	653	-	-	-
Amortisation of goodwill on consolidation (Note 19)	12,570	12,063	-	-
Auditors' remuneration				
Statutory audit				
- current year	272	297	25	25
- (over)/underprovision in prior year	-	(14)	-	5
Other services	69	167	11	32
Bad debts written-off net of recoveries	868	208	-	-
Depreciation (Note 12)	34,734	38,815	1,272	1,155
Equipment rental income	(287)	(97)	-	-
Gain on disposal of property, plant and equipment	(3,430)	(1,335)	(50)	(32)
Gain on disposal of quoted investments	-	(3,460)	-	-
Gross dividend income from				
- subsidiaries	-	-	(61,914)	(87,954)
- investments quoted in Malaysia	-	(98)	-	-
Non-Executive Directors' remuneration (Note 7)	3,550	4,040	1,945	2,412
Hire of plant and machinery	6,492	1,244	-	-

Notes to the Financial Statements

31 December 2005 (cont'd)

5) (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Impairment in value of investment	78	448	-	-
Interest expense (Note 4)	36,412	58,416	25,967	27,123
Interest income	(16,421)	(34,227)	(3,431)	(3,228)
Non-loan provision *	-	37,489	-	-
Property, plant and equipment written-off	201	36	-	-
Provision for bad and doubtful debts net of recoveries	278	15,529	-	-
Unrealised loss on valuation of securities available-for-sale	14,676	-	-	-
Rental expense				
- land and buildings	3,791	4,522	877	885
- wharf	2,603	2,603	-	-
Rental income	(1,072)	(1,276)	-	-
Staff costs (Note 6)	76,242	77,896	8,432	7,945

* The above provision was made (subsequent to the disposal of Utama Merchant Bank Berhad ('UMBB')) by the new management of UMBB based on their view that the charges granted by third parties for certain sundry receivables may not be enforceable.

6) STAFF COSTS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Salaries, wages and bonus	66,391	69,956	7,533	7,116
Provident fund contributions	7,048	7,432	870	806
Social security organisation contributions	504	508	29	23
Termination benefits	3,000	-	-	-
Total staff costs	76,943	77,896	8,432	7,945
Less: Amount capitalised in development costs (Note 18)	(701)	-	-	-
Total staff costs	76,242	77,896	8,432	7,945
Number of employees at the end of the year	1,987	1,937	98	93

Included in staff costs of the Group and of the Company are Executive Directors' remuneration amounting to RM1,320,564 (2004: RM2,691,000) and Nil (2004: RM756,000) respectively, as further disclosed in Note 7.

Notes to the Financial Statements

31 December 2005 (cont'd)

7) DIRECTORS' REMUNERATION

DIRECTORS OF THE COMPANY

Executive:

Salaries, bonus and other emoluments:

– current year

– underprovision in prior year

Benefits-in-kind

Non-Executive:

Fees:

– current year

– underprovision in prior year

Salaries, bonus and other emoluments:

– current year

– underprovision in prior year

Benefits-in-kind

DIRECTORS OF SUBSIDIARIES

Executive:

Salaries, bonus and other emoluments

Benefits-in-kind

Non-Executive:

Fees

Other emoluments

Benefits-in-kind

Total

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
DIRECTORS OF THE COMPANY				
Executive:				
Salaries, bonus and other emoluments:				
– current year	–	672	–	672
– underprovision in prior year	–	84	–	84
Benefits-in-kind	–	102	–	102
	–	858	–	858
Non-Executive:				
Fees:				
– current year	806	697	462	424
– underprovision in prior year	–	252	–	252
Salaries, bonus and other emoluments:				
– current year	1,510	1,446	1,483	1,438
– underprovision in prior year	–	298	–	298
Benefits-in-kind	91	95	70	70
	2,407	2,788	2,015	2,482
	2,407	3,646	2,015	3,340
DIRECTORS OF SUBSIDIARIES				
Executive:				
Salaries, bonus and other emoluments	1,321	1,935	–	–
Benefits-in-kind	35	51	–	–
	1,356	1,986	–	–
Non-Executive:				
Fees	666	746	–	–
Other emoluments	568	601	–	–
Benefits-in-kind	30	–	–	–
	1,264	1,347	–	–
	2,620	3,333	–	–
Total	5,027	6,979	2,015	3,340

Notes to the Financial Statements

31 December 2005 (cont'd)

7) DIRECTORS' REMUNERATION (CONT'D)

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
ANALYSIS EXCLUDING BENEFITS-IN-KIND:				
Total Executive Directors' remuneration excluding benefits-in-kind (Note 6)	1,321	2,691	–	756
Total Non-Executive Directors' remuneration (Note 5)	3,550	4,040	1,945	2,412
Total Directors' remuneration excluding benefits-in-kind	4,871	6,731	1,945	3,168

The remuneration paid to the Directors of the Company, analysed into bands of RM50,000 are as follows:

Range of remuneration	Number of Directors			
	Executive		Non-Executive	
	2005	2004	2005	2004
Below RM50,000	–	–	1	1
RM50,001 to RM100,000	–	–	1	1
RM100,001 to RM150,000	–	–	2	2
RM150,001 to RM200,000	–	–	2	1
RM200,001 to RM300,000	–	–	–	1
RM300,001 to RM400,000	–	–	1	–
RM400,001 to RM500,000	–	1	–	–
RM500,001 to RM600,000	–	–	1	–
RM600,001 to RM700,000	–	–	–	2

8) TAXATION

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Income tax:				
Based on results for the year	24,440	39,244	11,000	19,000
(Over)/underprovided in prior years	(143)	(292)	199	630
	24,297	38,952	11,199	19,630
Deferred tax (Note 37):				
Relating to origination and reversal of temporary differences	(991)	(249)	–	–
Overprovided in prior years	(398)	(489)	–	–
	(1,389)	(738)	–	–
Share of taxation of associates	45,054	26,403	–	–
	67,962	64,617	11,199	19,630

Notes to the Financial Statements

31 December 2005 (cont'd)

8) TAXATION (CONT'D)

Income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2005 RM'000	Group 2004 RM'000
(Loss)/profit before taxation	(49,496)	130,955
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	(13,859)	36,667
Effect of income subject to tax rate of 20% (2004: 20%)	(326)	(333)
Effect of differences of tax rates in Labuan/other countries	(5,507)	(1,306)
Effect of expenses not deductible for tax purposes	86,194	48,938
Effect of income not subject to tax	(19,402)	(21,673)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,098)	(2,406)
Utilisation of reinvestment allowance	(2,767)	(216)
Deferred tax assets not recognised during the year	34,170	7,832
Deferred tax recognised on utilised capital allowances	(3)	-
Overprovision of income tax in prior years		
- company and subsidiaries	(143)	(292)
- associates	(5,208)	(2,179)
Overprovision of deferred tax in prior years	(398)	(489)
Others	(3,691)	74
Tax expense for the year	67,962	64,617

	Company 2005 RM'000	Company 2004 RM'000
(Loss)/profit before taxation	(80,199)	23,500
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	(22,456)	6,580
Effect of expenses not deductible for tax purposes	33,245	12,132
Effect of income not subject to tax	(36)	-
Deferred tax assets not recognised in respect of current year's unabsorbed capital allowances	195	210
Underprovision of income tax in prior years	199	630
Others	52	78
Tax expense for the year	11,199	19,630

Notes to the Financial Statements

31 December 2005 (cont'd)

8) TAXATION (CONT'D)

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
i) Tax losses are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of current year tax losses	6,370	5,751	6,370	5,709
Utilisation of tax losses brought forward from previous years	962	2,350	-	-
Unutilised tax losses carried forward	109,724	65,485	-	-
ii) Unabsorbed capital allowances are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of unabsorbed capital allowances brought forward from previous years	136	56	-	-
Unabsorbed capital allowances carried forward	181,945	70,023	4,796	3,764
iii) Unutilised reinvestment allowances carried forward	107,970	107,770	-	-
iv) Unutilised investment tax allowances carried forward	36,000	36,000	-	-

As at 31 December 2005, the deferred tax assets are not recognised as it is not probable that future taxable profit will be available against which the unabsorbed capital allowances and unutilised tax losses, reinvestment and investment tax allowances can be utilised. The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the Group and of the Company are subject to the provisions of the Income Tax Act, 1967.

9) (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share has been calculated based on the Group's net loss for the year of RM117,987,000 (2004: net profit for the year of RM28,749,000) and the weighted average number of ordinary shares in issue during the year of 329,445,840 (2004: 329,306,423).

Notes to the Financial Statements

31 December 2005 (cont'd)

10) DIVIDENDS

	Amount		Net Dividend Per Ordinary Share	
	2005 RM	2004 RM	2005 Sen	2004 Sen
FIRST AND FINAL				
5% less 28% taxation, on 329,445,840 ordinary shares, declared on 13 June 2005 and paid on 22 July 2005	-	11,860,050	-	3.60

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2005 of 5% less 28% taxation, amounting to a dividend payable of RM11,860,050 (3.60 sen net per share), will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profit in the financial year ending 31 December 2006.

11) DISCONTINUING OPERATIONS

On 5 January 2006, the Board of Directors of the Company approved and announced the proposed closure of the operations of a subsidiary, CMS Steel Berhad, ('CMS Steel') due to the continuous losses incurred and given that there is no indication that the steel industry will turn around in the near future. The Group intends to exit from its steel operations from the first quarter of 2006 onwards. This proposal had led to the recognition of RM100 million provision for the impairment of assets and the provision for termination benefits of RM3 million in the financial statements of CMS Steel during the financial year under review. The operations relating to this Company are disclosed as discontinuing operations.

An impairment in value of investment in CMS Steel of RM102.52 million was recognised by the Company. In addition an impairment of the carrying amount of goodwill amounting to RM14.753 million arising on consolidation of CMS Steel was made by the Group during the year.

Income Statement for Year Ended 31 December 2005

	Continuing Operations RM'000	Discontinuing Operations RM'000	Group RM'000
Revenue	793,983	86,987	880,970
Expenses excluding finance cost and tax	(742,720)	(100,206)	(842,926)
Impairment of assets	-	(100,000)	(100,000)
Impairment of goodwill	-	(14,753)	(14,753)
Provision for termination benefits	-	(3,000)	(3,000)
Other operating income	8,647	1,484	10,131
Profit/(loss) From Operations	59,910	(129,488)	(69,578)
Finance costs	(32,514)	(4,937)	(37,451)
Share of profit of associates	53,125	-	53,125
Share of profit of jointly controlled entities	4,408	-	4,408
Profit/(Loss) Before Taxation	84,929	(134,425)	(49,496)
Taxation	(67,962)	-	(67,962)
Profit/(Loss) After Taxation	16,967	(134,425)	(117,458)
Minority interests	(529)	-	(529)
Net Profit/(Loss) for The Year	16,438	(134,425)	(117,987)

Notes to the Financial Statements

31 December 2005 (cont'd)

11) DISCONTINUING OPERATIONS (CONT'D)

Income Statement for Year Ended 31 December 2004

	Continuing Operations RM'000	Discontinuing Operations RM'000	Group RM'000
Revenue	866,285	154,059	1,020,344
Expenses excluding finance cost and tax	(816,058)	(159,162)	(975,220)
Impairment of value of investment in an associate	(2,000)	-	(2,000)
Other operating income	8,872	1,971	10,843
Profit/(Loss) from Operations	57,099	(3,132)	53,967
Finance costs	(40,370)	(6,605)	(46,975)
Gain on disposal of subsidiaries	86,714	-	86,714
Share of profit of associates	37,249	-	37,249
Profit/(Loss) Before Taxation	140,692	(9,737)	130,955
Taxation	(64,489)	(128)	(64,617)
Profit/(Loss) After Taxation	76,203	(9,865)	66,338
Minority interests	(37,589)	-	(37,589)
Net Profit/(Loss) for The Year	38,614	(9,865)	28,749

As at 31 December 2005, the carrying amounts of the total assets and the total liabilities of CMS Steel are as follows:

	Company 2005 RM'000	Company 2004 RM'000
Property, plant and equipment	53,929	162,843
Investment in subsidiary	1,527	1,527
Inventories	46,544	34,769
Trade receivables	9,703	6,394
Other receivables	187	230
Current tax asset	128	-
Amount due from related companies	39	20
Cash and bank balances	1,232	1,029
Total assets	113,289	206,812
Provision for liabilities	3,000	-
Short term borrowings	83,210	68,751
Trade payables	1,021	522
Other payables	2,510	2,947
Amount due to holding company	38,721	11,318
Amount due to related companies	6,315	7,462
Term loans	14,000	32,900
Total liabilities	148,777	123,900
Net (liabilities)/assets	(35,488)	82,912

Notes to the Financial Statements

31 December 2005 (cont'd)

11) DISCONTINUING OPERATIONS (CONT'D)

Cash Flows for Year Ended 31 December 2005

	Continuing Operations RM'000	Discontinuing Operations RM'000	Group RM'000
Cash flows from operating activities	66,118	(22,727)	43,391
Cash flows from investing activities	(84,797)	(7)	(84,804)
Cash flows from financing activities	67,023	(4,164)	62,859
	48,344	(26,898)	21,446

Cash Flows for Year Ended 31 December 2004

Cash flows from operating activities	(229,290)	(8,782)	(238,072)
Cash flows from investing activities	292,418	5,527	297,945
Cash flows from financing activities	(107,056)	(14,701)	(121,757)
	(43,928)	(17,956)	(61,884)

Notes to the Financial Statements

31 December 2005 (cont'd)

12) PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RM'000	Plant and Machinery RM'000	Office Equipment and Motor Vehicles RM'000	Capital Work-in- Progress RM'000	Total RM'000
GROUP					
COST/VALUATION					
At 1 January 2005	153,982	441,846	78,736	13,496	688,060
Arising from acquisition of a subsidiary	-	-	2,743	-	2,743
Additions	154	6,173	6,365	8,506	21,198
Disposals	-	(45,014)	(2,303)	(139)	(47,456)
Reclassification	12	13,326	-	(13,338)	-
At 31 December 2005	154,148	416,331	85,541	8,525	664,545
ACCUMULATED DEPRECIATION					
Charged to income statement (Note 5)	4,191	28,307	6,317	-	38,815
Capitalised in construction costs (Note 22)	-	666	1,149	-	1,815
Depreciation charge for 2004	4,191	28,973	7,466	-	40,630
At 1 January 2005	25,633	247,139	51,092	-	323,864
Arising from acquisition of a subsidiary	-	-	1,774	-	1,774
Depreciation charge for the year	4,055	24,065	8,337	-	36,457
Charged to income statement (Note 5)	4,055	23,320	7,359	-	34,734
Capitalised in construction costs (Note 22)	-	745	978	-	1,723
Disposals	-	(45,010)	(1,746)	-	(46,756)
Impairment loss	30,000	70,000	-	-	100,000
At 31 December 2005	59,688	296,194	59,457	-	415,339
NET BOOK VALUE					
At 31 December 2005	94,460	120,137	26,084	8,525	249,206
At 31 December 2004	128,349	194,707	27,644	13,496	364,196
DETAILS AT 1 JANUARY 2004					
Cost	124,722	429,887	76,523	1,968	633,100
Valuation	40,317	-	-	-	40,317
Accumulated depreciation	23,288	218,335	50,808	-	292,431

Notes to the Financial Statements

31 December 2005 (cont'd)

12) PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Land and buildings comprise:

GROUP	Freehold Land RM'000	Long-term Leasehold Land RM'000	Short-term Leasehold Land RM'000	Buildings, Jetty, Roads and Drainage RM'000	Total RM'000
COST/VALUATION					
At 1 January 2005	255	31,995	15,558	106,174	153,982
Additions	-	-	-	154	154
Reclassification	-	(876)	876	12	12
At 31 December 2005	255	31,119	16,434	106,340	154,148
ACCUMULATED DEPRECIATION					
Depreciation charge for 2004	-	511	458	3,222	4,191
At 1 January 2005	-	2,405	2,927	20,301	25,633
Depreciation charge for the year	-	577	389	3,089	4,055
Reclassification	-	(102)	102	-	-
Impairment loss	-	-	-	30,000	30,000
At 31 December 2005	-	2,880	3,418	53,390	59,688
NET BOOK VALUE					
At 31 December 2005	255	28,239	13,016	52,950	94,460
At 31 December 2004	255	29,590	12,631	85,873	128,349
DETAILS AT 1 JANUARY 2004					
Cost	255	36,780	859	86,828	124,722
Valuation	-	-	19,295	21,022	40,317
Accumulated depreciation	-	2,201	3,198	17,889	23,288
Analysis of cost/valuation:					
2005					
At valuation in 1996	-	-	14,700	14,018	28,718
At cost	255	31,119	1,734	92,322	125,430
At 31 December 2005	255	31,119	16,434	106,340	154,148
2004					
At valuation in 1996	-	-	14,700	14,018	28,718
At cost	255	31,995	858	92,156	125,264
At 31 December 2004	255	31,995	15,558	106,174	153,982

Notes to the Financial Statements

31 December 2005 (cont'd)

12) PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Motor Vehicles RM'000	Office Equipment RM'000	Total RM'000
COMPANY			
COST			
At 1 January 2005	4,145	5,919	10,064
Additions	902	141	1,043
Disposals/written-off	(168)	(11)	(179)
At 31 December 2005	4,879	6,049	10,928
ACCUMULATED DEPRECIATION			
Depreciation charge for 2004 (Note 5)	441	714	1,155
At 1 January 2005	2,034	3,753	5,787
Depreciation charge for the year (Note 5)	757	515	1,272
Disposals/written-off	(168)	(6)	(174)
At 31 December 2005	2,623	4,262	6,885
NET BOOK VALUE			
At 31 December 2005	2,256	1,787	4,043
At 31 December 2004	2,111	2,166	4,277
DETAILS AT 1 JANUARY 2004			
Cost	2,722	6,565	9,287
Accumulated depreciation	1,617	3,934	5,551

The Directors' valuation of leasehold land and buildings was based on professional appraisals provided by independent valuers on the open market basis in 1996. The resultant revaluation surplus was credited to the capital reserve.

The net book value of land and buildings stated at valuation of RM23,273,290 (2004: RM24,057,856) would have been RM6,795,778 (2004: RM7,193,280) had they been stated at cost.

13) SUBSIDIARIES

	Company 2005 RM'000	Company 2004 RM'000
Unquoted shares at cost	1,182,418	1,158,642
Impairment in value of investment	(127,520)	(25,000)
	1,054,898	1,133,642

Notes to the Financial Statements

31 December 2005 (cont'd)

13) SUBSIDIARIES (CONT'D)

Details of subsidiaries as at 31 December 2005 and their principal activities are shown below:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest Held	
			2005 %	2004 %
DIRECT SUBSIDIARIES OF THE COMPANY				
CMS Capital Sdn Bhd	Malaysia	Investment holding	93.5	93.5
CMS Cement Sdn Bhd	Malaysia	Manufacture and sale of cement	100.0	100.0
CMS Digital Sdn Bhd	Malaysia	Software development, IT solutions and ICT related services	100.0	100.0
CMS Energy Sdn Bhd	Malaysia	Provision of engineering services to the oil and gas industry	100.0	100.0
CMS Modular Housing Sdn Bhd	Malaysia	Manufacture and sale of composite roof and wall panel systems	100.0	100.0
CMS Property Development Sdn Bhd	Malaysia	Property holding, property development and project management	100.0	100.0
CMS Steel Berhad	Malaysia	Manufacture and sale of steel bars and wire rods	80.0	80.0
Concordance Holdings Sdn Bhd	Malaysia	Investment holding	100.0	100.0
Projek Bandar Samariang Sdn Bhd	Malaysia	Property development and related construction works	60.0	60.0
CMS Resources Sdn Bhd	Malaysia	Investment and property holding	51.0	51.0
CMS River Bus Sdn Bhd (formerly known as TPIS Management Sdn Bhd)	Malaysia	Investment holding	100.0	100.0
CMS Works Sdn Bhd	Malaysia	Investment holding	100.0	100.0
CMS Infra Trading Sdn Bhd	Malaysia	General trading	51.0	51.0
CMS Education Sdn Bhd	Malaysia	Education	80.0	80.0
CMS Global (BVI) Ltd	British Virgin Islands	Dormant	100.0	–
CMS I-Systems Bhd * (formerly known as I-Systems Group Berhad)	Malaysia	Software research and development, provision of software related services and trading of computer software	51.0	–

Notes to the Financial Statements

31 December 2005 (cont'd)

13) SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest Held	
			2005 %	2004 %
SUBSIDIARIES OF CMS CAPITAL SDN BHD				
CMS Dresdner Asset Management Sdn Bhd	Malaysia	Asset management	51.0	51.0
CMS Mezzanine Sdn Bhd	Malaysia	Corporate financing	100.0	100.0
CMS Trust Management Berhad	Malaysia	Management of unit trust funds	51.0	51.0
CMS Opus Private Equity Sdn Bhd	Malaysia	Management of private equity investments	51.0	–
SUBSIDIARY OF CMS CEMENT SDN BHD				
CMS Concrete Products Sdn Bhd	Malaysia	Manufacture and sale of concrete products	100.0	100.0
SUBSIDIARIES OF CMS PROPERTY DEVELOPMENT SDN BHD				
CMS Property Management Sdn Bhd	Malaysia	Project management and consultancy	51.0	51.0
CMS Land Sdn Bhd	Malaysia	Property holding, property development and construction	51.0	51.0
CMS Hotels Sdn Bhd	Malaysia	Dormant	100.0	–
SUBSIDIARY OF CMS STEEL BERHAD				
CMS Wires Sdn Bhd	Malaysia	Manufacture and sale of wire mesh and related products	69.0	69.0
SUBSIDIARY OF CONCORDANCE HOLDINGS SDN BHD				
Utama Banking Group Berhad *	Malaysia	Investment holding	51.8	51.8
SUBSIDIARIES OF CMS RESOURCES SDN BHD				
PPES Concrete Product Sdn Bhd	Malaysia	Manufacture and sale of concrete products	51.0	51.0
CMS Penkuari Sdn Bhd (i)	Malaysia	Quarry operations	60.0	60.0
CMS Premix (Miri) Sdn Bhd.	Malaysia	Production and sale of premix	60.0	60.0
CMS Premix Sdn Bhd	Malaysia	Production and sale of premix	60.0	60.0
CMS Quarries Sdn Bhd	Malaysia	Quarry operations	100.0	100.0
SUBSIDIARIES OF CMS WORKS SDN BHD				
PPES Works (Sarawak) Sdn Bhd	Malaysia	Civil engineering contractor	51.0	51.0
CMS Works International Ltd	Malaysia	Investment holding	100.0	–

Notes to the Financial Statements

31 December 2005 (cont'd)

13) SUBSIDIARIES (CONT'D)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Equity Interest Held	
			2005 %	2004 %
SUBSIDIARY OF CMS INFRA TRADING SDN BHD				
CMS Sumber Sdn Bhd	Malaysia	General trading	51.0	51.0
SUBSIDIARIES OF CMS I-SYSTEMS BERHAD				
I-Systems Network Sdn Bhd *	Malaysia	Software development and internet related services	90.0	–
I-Systems (Guangzhou) Co Ltd *	People's Republic of China	Software development and provision of e-business solutions	100.00	–
Interventure Capital Sdn Bhd *	Malaysia	Provision of management and consulting services	100.0	–
SUBSIDIARY OF UTAMA BANKING GROUP BERHAD				
UBG Enterprise Berhad *	Malaysia	Dormant	100.0	100.0
SUBSIDIARIES OF PPES WORKS (SARAWAK) SDN BHD				
CMS Pavement Tech Sdn Bhd	Malaysia	Road construction and maintenance	100.0	100.0
CMS Roads Sdn Bhd	Malaysia	Road assessment, maintenance and management	81.0	51.0

* not audited by Ernst & Young or their associates

(i) The remaining 40% is held by CMS Premix Sdn Bhd

The shares in Utama Banking Group Berhad have been pledged to bankers for banking facilities granted to the Company.

Notes to the Financial Statements

31 December 2005 (cont'd)

14) ASSOCIATES

QUOTED SECURITIES AT COST:

IN MALAYSIA

Ordinary shares

RHB Irredeemable Convertible Unsecured Loan Stocks ("ICULS")

- RHB ICULS-A

- RHB ICULS-B

Warrants

Impairment in value of warrants

Share of post-acquisition reserves

MARKET VALUE:

Ordinary shares

RHB ICULS-A

RHB ICULS-B

Warrants

The Group's interest in the associates is as follows:

Group's share of net liabilities other than goodwill

Group's share of goodwill

Premium on acquisition

RHB ICULS-A

RHB ICULS-B

Warrants

Impairment in value of warrants

Share of capital commitments (Note 42(a))

Share of contingent liabilities and other commitments (Note 42(b)) *

Group 2005 RM'000	Group 2004 RM'000
779,052	779,052
-	329,942
-	262,257
-	6,000
-	(6,000)
-	-
779,052 (24,930)	1,371,251 (11,987)
754,122	1,359,264
228,897	275,165
-	300,968
-	234,014
-	920
(450,876)	(451,515)
789,504	803,086
338,628	351,571
415,494	415,494
754,122	767,065
-	329,942
-	262,257
-	6,000
-	(6,000)
-	-
754,122	1,359,264
26,184	22,709
46,116,957	43,970,851

* The Group's exposure in the associates' contingent liabilities and other commitments is limited to the carrying amount of the investments.

Notes to the Financial Statements

31 December 2005 (cont'd)

14) ASSOCIATES (CONT'D)

The associates, which are incorporated in Malaysia, are:

Name of Associates	Principal Activities	Equity Interest Held	
		2005 %	2004 %
K&N Kenanga Holdings Berhad	Investment holding, stockbroking and financial services business	25.1	25.1
Rashid Hussain Berhad	Investment holding, banking, property management and financial services business	32.8	32.9

Certain of the ordinary shares have been pledged for banking facilities granted to the Group and the Company.

15) JOINTLY CONTROLLED ENTITIES

	Group 2005 RM'000	Group 2004 RM'000
Unquoted shares at cost	2,455	-
Share of post-acquisition reserves	3,128	-
	5,583	-

The Group's aggregate share of the income, expenses, assets and liabilities of the jointly controlled entities is as follows:

	Group 2005 RM'000	Group 2004 RM'000
Revenue	43,528	-
Expenses	39,196	-
Current assets	27,284	-
Non-current assets	215	-
Current liabilities	(21,904)	-
Non-current liabilities	(12)	-
Net assets	5,583	-

Notes to the Financial Statements

31 December 2005 (cont'd)

15) JOINTLY CONTROLLED ENTITIES (CONT'D)

Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities	Principal Activities	Equity Interest Held	
		2005 %	2004 %
PPES Works (Sarawak) Sdn Bhd/ Naim Cendera Sdn Bhd JV	Construction of buildings	55	–
PPES Works (Sarawak) Sdn Bhd/ Advance Praise Sdn Bhd JV	Green waste management and composting	51	–
Chiyoda Malaysia Sdn Bhd/PPES Works (Sarawak) Sdn Bhd JV	Provision of design, construction and engineering services to gas and petrochemical related industry	40	–

16) SECURITIES AVAILABLE-FOR-SALE

	Group 2005 RM'000	Group 2004 RM'000
Quoted securities at fair value		
IN MALAYSIA		
RHB ICULS-A	357,119	–
RHB ICULS-B	227,962	–
	585,081	–

Included in securities available-for-sale are certain units of RHB ICULS-A and RHB ICULS-B, respectively which have been pledged for banking facilities granted to the Group.

17) LAND HELD FOR PROPERTY DEVELOPMENT

	Group 2005 RM'000	Group 2004 RM'000
Long-term leasehold land, at cost	35,121	35,281
Development expenditure	4,148	3,799
	39,269	39,080

The landed properties of the Group have been pledged to secure revolving credit facilities for certain subsidiaries.

Notes to the Financial Statements

31 December 2005 (cont'd)

18) DEVELOPMENT COSTS

COST

At 1 January	-	-
Arising from acquisition of a subsidiary	11,650	-
Additional development expenditure	944	-
At 31 December	12,594	-

ACCUMULATED AMORTISATION

At 1 January	-	-
Arising from acquisition of a subsidiary	3,907	-
Amortisation for the year (Note 5)	653	-
At 31 December	4,560	-

NET BOOK VALUE

Included in development costs are the following expenses incurred and capitalised during the year:

Staff costs (Note 6)	701	-
----------------------	-----	---

Group 2005 RM'000	Group 2004 RM'000
-	-
11,650	-
944	-
12,594	-
-	-
-	-
3,907	-
653	-
4,560	-
8,034	-
701	-

19) GOODWILL ON CONSOLIDATION

COST

At 1 January	300,893	300,864
Arising from acquisition of a subsidiary	11,997	-
Arising from additional interest in a subsidiary	12,430	29
At 31 December	325,320	300,893

ACCUMULATED AMORTISATION

At 1 January	104,650	92,587
Amortisation for the year (Note 5)	12,570	12,063
Arising from acquisition of a subsidiary	34	-
At 31 December	117,254	104,650

ACCUMULATED IMPAIRMENT LOSSES

NET BOOK VALUE

300,893	300,864
11,997	-
12,430	29
325,320	300,893
104,650	92,587
12,570	12,063
34	-
117,254	104,650
14,753	-
193,313	196,243

Notes to the Financial Statements

31 December 2005 (cont'd)

20) INVENTORIES

	Group 2005 RM'000	Group 2004 RM'000
At cost:		
Raw materials	31,959	14,152
Finished goods	33,405	35,335
General stores	24,541	22,109
Work-in-progress	9	24
Goods-in-transit	164	440
	90,078	72,060

21) PROPERTY DEVELOPMENT COSTS

Long term leasehold land	85,640	85,640
Development costs:		
At 1 January	165,776	138,741
Costs incurred during the year	36,812	27,077
	202,588	165,818
Costs recognised in the income statement:		
At 1 January	(110,103)	(88,439)
Recognised during the year	(21,787)	(21,706)
At 31 December	(131,890)	(110,145)
	70,698	55,673
Transfer to income statement on disposal	(9,801)	-
	146,537	141,313

The title to certain landed properties of the Group with a cost of RM1,483,000 (2004: RM1,483,000) is registered in the name of a third party in trust for a subsidiary. The subsidiary concerned, however, retains full beneficial interest and in all respects remains as the proprietor of the said property by virtue of a Power of Attorney granted to the subsidiary to, inter alia, develop, manage, sell and dispose of the subject property.

Notes to the Financial Statements

31 December 2005 (cont'd)

22) AMOUNT DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group 2005 RM'000	Group 2004 RM'000
Aggregate costs incurred to-date	1,088,943	1,052,929
Attributable profits less recognised losses	106,456	111,103
	1,195,399	1,164,032
Progress billings	(1,189,254)	(1,164,149)
	6,145	(117)
Amount due from customers on contracts	16,920	21,834
Amount due to customers on contracts	(10,775)	(21,951)
	6,145	(117)
Included in amount due from/(to) customers on contracts are the following expenses incurred during the year:		
Depreciation (Note 12)	1,723	1,815
Hire of equipment	2,819	1,118
Rental expense	355	260

23) SECURITIES HELD-FOR-TRADING

QUOTED SECURITIES AT FAIR VALUE:

IN MALAYSIA

RHB – warrants (2001/2007)	680	–
RHB – call warrants (2003/2007)	19,417	–
	20,097	–

Included in securities held-for-trading are certain units of call warrants which have been pledged for banking facilities granted to the Group.

Notes to the Financial Statements

31 December 2005 (cont'd)

24) SHORT TERM INVESTMENTS

QUOTED SECURITIES AT COST:

IN MALAYSIA

Ordinary shares
Impairment in value of investment

Unit stocks

MARKET VALUE:

Ordinary shares
Unit trusts

Group 2005 RM'000	Group 2004 RM'000
1,295 (1,110)	1,295 (1,036)
185	259
158	1,192
343	1,451
241	259
168	1,338

25) TRADE RECEIVABLES

Trade receivables
Provision for doubtful debts

Retention sums on contracts

242,021 (12,220)	243,264 (12,092)
229,801 16,483	231,172 15,987
246,284	247,159

The Group's normal trade credit term ranges from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single receivable or to groups of receivables.

26) AMOUNT DUE FROM/(TO) SUBSIDIARIES

Central cash management accounts (i)
Amount due from subsidiaries (ii)

Provision against advances to subsidiaries

Company 2005 RM'000	Company 2004 RM'000
44,185 430,033	15,161 432,652
474,218 (32,853)	447,813 (32,853)
441,365	414,960

Notes to the Financial Statements

31 December 2005 (cont'd)

26) AMOUNT DUE FROM/(TO) SUBSIDIARIES (CONT'D)

	Company 2005 RM'000	Company 2004 RM'000
Central cash management accounts (i)	(225,155)	(186,686)
Amount due to subsidiaries (ii)	(362)	(126)
Loans from subsidiaries (iii)	(82,750)	(127,382)
	(308,267)	(314,194)
Less: Portion repayable within one year	308,267	279,194
	-	(35,000)

(i) All balances deposited with the Company are repayable on demand and earn interest at the rate of 4% (2004: 4%) per annum. All balances due to the Company are also repayable on demand and are charged interest ranging from 7.0% to 7.5% (2004: 7.0% to 7.5%) per annum.

(ii) These amounts are unsecured, interest-free and have no fixed term of repayment.

(iii) The loans from subsidiaries represent the syndicated term loans obtained by the subsidiaries and made available to the Company as provided for in the loan agreements.

The interest and principal repayments to the subsidiaries are in accordance with the terms of the syndicated loans offered by the bankers to the subsidiaries. The loan made available by one of the subsidiaries is repayable on 13 March 2006 as described in Note 34.

27) OTHER RECEIVABLES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Other receivables	19,256	12,198	1,870	136
Provision for doubtful debts	(35)	(39)	-	-
	19,221	12,159	1,870	136
Amount due from joint venture	5,209	3,850	-	-
Other deposits	2,790	1,830	258	280
Prepayments	1,670	2,543	415	819
Interest receivable	7,225	6,706	-	-
Current tax assets	26,572	24,532	17,640	19,861
	62,687	51,620	20,183	21,096

The Group has no significant concentration of credit risk that may arise from exposures to a single receivable or to groups of receivables.

Notes to the Financial Statements

31 December 2005 (cont'd)

28) CASH AND BANK BALANCES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Cash and bank balances	40,992	18,140	11,876	160
Short term deposits with financial institutions	196,325	198,024	130,210	14,550
	237,317	216,164	142,086	14,710

The weighted average effective interest rates at the balance sheet date were as follows:

	Group 2005 %	Group 2004 %	Company 2005 %	Company 2004 %
Licensed banks	2.30 – 3.70	2.00 – 3.00	2.30 – 2.85	2.00 – 2.50
Other financial institutions	2.70 – 3.00	2.70 – 3.00	–	–

The average maturities of deposits as at the end of the financial year were as follows:

	Group 2005 Days	Group 2004 Days	Company 2005 Days	Company 2004 Days
Licensed banks	1 – 362	1 – 90	4 – 42	3 – 11
Other financial institutions	30	30	–	–

29) SHORT TERM BORROWINGS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
SECURED:				
Bank overdrafts (Note 39)	6,530	6,885	2,576	2,513
Revolving credits	251,290	324,540	35,000	–
Bankers' acceptances	22,933	49,565	–	–
Portion of term loans repayable within one year (Note 34)	141,400	81,325	40,000	20,000
	422,153	462,315	77,576	22,513
UNSECURED:				
Bank overdrafts (Note 39)	104	42	–	–
Revolving credit	59,200	59,000	–	–
Bankers' acceptances	29,415	15,730	–	–
Time loan	18,500	–	–	–
Trust receipts	37,423	–	–	–
Portion of term loans repayable within one year (Note 34)	5,625	–	–	–
	572,420	537,087	77,576	22,513

Notes to the Financial Statements

31 December 2005 (cont'd)

29) SHORT TERM BORROWINGS (CONT'D)

The revolving credit facilities, bank overdrafts and omnibus lines of the Group and the Company are secured by debentures over the assets of subsidiaries, certain landed properties of subsidiaries and a pledge against shares and loan stocks of an associate.

The borrowings of the Group bear interest at rates ranging from 2.98% to 7.45% (2004: 3.65% to 7.95%) per annum.

30) TRADE PAYABLES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Trade payables	144,977	127,985	6	6
Retention sums on contracts	20,363	21,054	-	-
Progress billings in respect of property development costs	84	1,665	-	-
	165,424	150,704	6	6

The normal trade credit term granted to the Group ranges from 30 to 120 days.

31) OTHER PAYABLES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Other payables	17,112	18,017	816	1,581
Interest payable	2,617	2,258	1,057	1,572
Land premium payable	-	1,332	-	-
Accruals	32,703	29,389	553	516
Deposits payable	20,113	1,452	-	-
Deferred income	2,063	-	-	-
Provision for liabilities	3,000	-	-	-
	77,608	52,448	2,426	3,669

Provision for liabilities relates to the provision for termination benefits arising from the Group's intention to exit its steel operations from the first quarter 2006 onwards, as disclosed in Note 11 to the financial statements.

Notes to the Financial Statements

31 December 2005 (cont'd)

32) SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares of RM1 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
AUTHORISED				
At 1 January and 31 December	1,000,000	1,000,000	1,000,000	1,000,000
ISSUED AND FULLY PAID				
At 1 January	329,446	328,916	329,446	328,916
Employees' Share Option scheme	-	530	-	530
At 31 December	329,446	329,446	329,446	329,446

33) RESERVES

Movements in reserves are disclosed in the Statements of Changes in Equity.

Capital reserve comprises accretion from shares issued by subsidiaries, retained profit capitalised for bonus issues by subsidiaries as well as surplus arising from revaluation of land and buildings in 1996.

The statutory reserve is maintained by an associate in compliance with Section 36 of the Banking and Financial Institutions Act, 1989.

Available-for-sale ('AFS') reserve comprises any gain or loss arising from a change in fair value recognised from AFS securities.

As at 31 December 2005, the Company has tax exempt profits available for distribution of approximately RM11 million (2004: RM11 million), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained profit as at 31 December 2005.

Notes to the Financial Statements

31 December 2005 (cont'd)

34) LONG TERM LIABILITIES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
SECURED:				
Term loans	245,400	326,456	130,000	149,731
UNSECURED:				
Term loan	19,500	-	-	-
Income Securities (Note 35)	168,986	-	168,986	-
	433,886	326,456	298,986	149,731
Portion of term loans repayable within one year (Note 29)	(147,025)	(81,325)	(40,000)	(20,000)
	286,861	245,131	258,986	129,731

The term loans of the Company are secured by way of a pledge against shares of a subsidiary and an associate.

The term loans of the subsidiaries are secured by fixed and floating charges over assets of certain subsidiaries, a legal charge over landed properties of a subsidiary and assignment of a project account of another subsidiary.

The loans bear interest ranging from 1.00% to 1.50% (2004: 0.75% to 1.50%) per annum above the bankers' base lending rates or cost of funds.

On 29 December 2005, the Group has agreed to repay the entire outstanding amount of one of the term loans amounting to RM47.5 million on 13 March 2006, being the next instalment payment date.

The long term liabilities are repayable over the following periods:

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Within one year	147,055	81,325	40,030	20,000
Between one and two years	66,720	108,150	50,020	40,000
Between two and five years	213,363	136,981	202,188	89,731
	427,138	326,456	292,238	149,731

Notes to the Financial Statements

31 December 2005 (cont'd)

35) INCOME SECURITIES

On 29 December 2005, pursuant to a Trust Deed dated 16 December 2005, the Company undertook to issue RM400 million CMS Income Securities ('CMSIS') to refinance existing group borrowings and for working capital requirements.

The CMSIS consist of the following:

- i) 400 fixed rate coupon-bearing serial bonds ('Bonds') at a nominal sum of RM999,000 each. The Bonds comprise the bond principal and the bond coupon; and
- ii) 400 Non-Convertible Redeemable Preference Shares ('NCRPS') of RM1 each at an issue price of RM1,000 each (Note 36).

The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS.

As at 31 December 2005, all the NCRPS were fully subscribed whilst RM161,838,000 of the bond principal in nominal value terms were on sold to third parties. The said nominal sum of RM161,838,000, together with premium of RM6,747,873, was received up to the year-end. The remaining balance of the bonds is expected to be on sold to third parties in the following year. The Company is only contractually obliged to make payments in respect of such Bonds that are sold.

a) The salient terms of the Bonds are as follows:

- i) The Bonds are issued in series and each series is redeemable from the second to the seventh anniversary from the date of issue:

Serial	Total Nominal Sum Available for Subscription RM'000	Tenor (years)
A	29.970	2
B	49.950	3
C	69.930	4
D	79.920	5
E	84.915	6
F	84.915	7
	<hr/> 399.600 <hr/>	

- ii) The Bonds comprise a principal element ('Bonds Principal') and a coupon element ('Bonds Coupon');
- iii) The Bonds Coupon shall be at the nominal rate of 0.01% per annum unless dividends are not paid on the NCRPS, in which case the Bonds Coupon shall range from 6.67% to 18.8% per annum, to be paid semi-annually.

As at 31 December 2005, the effective interest of the Bonds Principal, which were on sold to third parties, is equivalent to 6.67% per annum;

- iv) Unless previously redeemed or purchased and cancelled, the Bonds Principal shall be redeemed by the Company at par on maturity;

Notes to the Financial Statements

31 December 2005 (cont'd)

35) INCOME SECURITIES (CONT'D)

a) The salient terms of the Bonds are as follows (cont'd.):

- v) A Debt Repayment Reserve Account ('DPRA') is maintained by the Company and charged to the Trustee for the benefit of the Bondholders. 60% of all future cash proceeds, if any, arising from the sale and/or the listing of equity interests in certain subsidiaries of the Company will be deposited in the DPRA. The Company shall be permitted to utilise the funds held in the DPRA to invest in Permitted Investment (as defined in the Trust Deed) pending utilisation of the funds and to utilise any income earned to service the debt payment due under the CMS Income Securities.
- vi) The Bonds are not listed on any boards of Bursa Malaysia Securities Berhad but the Bonds Principal are tradeable and transferable under the Real Time Electronic Transfer of Funds and Securities System (RENTAS) maintained by Bank Negara Malaysia.
- vii) The Bonds bear a rating of A2 by Rating Agency Malaysia Berhad (RAM) at the date of issue.

b) The salient features of the NCRPS are as follows:

- i) The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS;
- ii) The NCRPS do not have a fixed tenor but are redeemable at any time within the last one year of the tenor of the respective series of Bonds to which the NCRPS are linked, at a premium of RM999 per share.

Serial	Total Sum Available for Subscription RM'000	Tenor (years)
A	0.030	1
B	0.050	2
C	0.070	3
D	0.080	4
E	0.085	5
F	0.085	6
	<hr/> 0.400 <hr/>	

- iii) The NCRPS holders have the right to pre-determined dividend rates in relation to the interest payment obligations which would otherwise be paid on the redeemable bonds linked thereto;
- iv) The NCRPS do not carry any rights to participate in the profits or surplus assets of the Company;
- v) The NCRPS shall not be converted to ordinary shares of the Company;
- vi) The NCRPS holders have the right on a winding-up or other return to capital, to payment, prior to all other shares in the Company;

Notes to the Financial Statements

31 December 2005 (cont'd)

35) INCOME SECURITIES (CONT'D)

b) The salient features of the NCRPS are as follows (cont'd.):

vii) The NCRPS holders are not entitled to voting rights at any general meeting of the Company except on resolutions to amend the NCRPS holders' rights, to declare dividends to other classes of shares whilst there remain preference dividends in arrears, or to commence dissolution of the Company; and

viii) The NCRPS are not listed on any boards of Bursa Malaysia Securities Berhad.

The CMSIS are classified as debt instruments and hence are reported as liabilities.

36) NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES ('NCRPS')

	Group and Company			
	Number of NCRPS of RM1 Each		Amount	
	2005	2004	2005 RM	2004 RM
AUTHORISED				
At 1 January	-	-	-	-
Created during the year	400	-	400	-
At 31 December	400	-	400	-

The amount recognised in the balance sheets of the Group and the Company may be analysed as follows:

	Group and Company			
	Number of NCRPS of RM1 Each		Amount	
	2005	2004	2005 RM	2004 RM
NOMINAL VALUE – ISSUED AND FULLY PAID				
At 1 January	-	-	-	-
Issued and fully paid-up during the year	400	-	400	-
At 31 December	400	-	400	-

	Amount	
	2005 RM'000	2004 RM'000
SHARE PREMIUM		
At 1 January	-	-
Increase during the year	400	-
At 31 December	400	-
Amount included within long term borrowings (Note 34)	400	-

Notes to the Financial Statements

31 December 2005 (cont'd)

37) DEFERRED TAX LIABILITIES

	Group 2005 RM'000	Group 2004 RM'000
At 1 January	24,472	25,210
Recognised in the income statement (Note 8)	(1,389)	(738)
At 31 December	23,083	24,472
Presented after appropriate offsetting as follows:		
Deferred tax assets	(244)	-
Deferred tax liabilities	23,327	24,472
At 31 December	23,083	24,472

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

DEFERRED TAX LIABILITIES OF THE GROUP:

	Revaluation of Leasehold Land and Building RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 January 2005	291	24,181	24,472
Recognised in the income statement	(7)	(1,138)	(1,145)
At 31 December 2005	284	23,043	23,327
At 1 January 2004	404	24,806	25,210
Recognised in the income statement	(113)	(625)	(738)
At 31 December 2004	291	24,181	24,472

Notes to the Financial Statements

31 December 2005 (cont'd)

37) DEFERRED TAX LIABILITIES (CONT'D)

DEFERRED TAX ASSETS OF THE GROUP:

	Provision for Liabilities RM'000	Provision for Doubtful Debts RM'000	Others RM'000	Total RM'000
At 1 January 2005	-	-	-	-
Recognised in the income statement	(12)	(167)	(65)	(244)
At 31 December 2005	(12)	(167)	(65)	(244)
At 1 January 2004	-	-	-	-
Recognised in the income statement	-	-	-	-
At 31 December 2004	-	-	-	-

38) SUMMARY OF EFFECTS OF THE DISPOSAL AND ACQUISITION OF SUBSIDIARIES

a) Disposal of A Subsidiary

i) Consolidated Income Statement

The results of the subsidiary disposed in year 2004 were as follows:

	2005 RM'000	2004 RM'000
Interest income	-	16,865
Interest expense	-	(13,759)
Net Interest Income	-	3,106
Loan and financing loss and provision	-	(8,584)
	-	(5,478)
Non interest income	-	4,160
Non loan/provision	-	(37,489)
Net loss	-	(38,807)
Overhead expenses	-	(6,350)
Loss Before Taxation	-	(45,157)
Taxation	-	-
Net loss for the financial year	-	(45,157)

Notes to the Financial Statements

31 December 2005 (cont'd)

38) SUMMARY OF EFFECTS OF THE DISPOSAL AND ACQUISITION OF SUBSIDIARIES (CONT'D)

a) Disposal of A Subsidiary (cont'd)

ii) Consolidated Balance Sheet

The assets and liabilities of the subsidiary disposed in year 2004 were as follows:

	2005 RM'000	2004 RM'000
Cash and short-term funds	-	462
Investment securities	-	156,498
Loans, advances and financing	-	160,217
Other assets	-	9,494
Statutory deposits with Bank Negara Malaysia	-	11,470
Property, plant and equipment	-	56
Deposits from customers	-	(74,620)
Deposits and placements of banks and other financial institutions	-	(201,000)
Other liabilities	-	(1,291)
Net assets	-	61,286
Group's 85.1% share of net assets disposed off	-	52,155
Gain on disposal of a subsidiary	-	86,714
Total consideration satisfied by cash	-	138,869
Net cash inflow arising on disposal:		
Cash consideration	-	138,869
Cash and cash equivalents of a subsidiary disposed	-	(462)
	-	138,407

Notes to the Financial Statements

31 December 2005 (cont'd)

38) SUMMARY OF EFFECTS OF THE DISPOSAL AND ACQUISITION OF SUBSIDIARIES (CONT'D)

b) Acquisition of A Subsidiary

On 29 July 2005, the Group acquired 51% equity interest in CMS I-Systems Berhad, for a total cash consideration of RM22,654,861.

The acquisition had the following effect on the Group's financial results for the year:

	2005 RM'000
Revenue	1,890
Loss from operations	(995)
Net loss for the year	(706)

The acquisition had the following effect on the financial position of the Group as at the end of the year:

	2005 RM'000
Property, plant and equipment	989
Development costs	8,034
Goodwill on consolidation (including goodwill on acquisition of CMS I-Systems Berhad)	11,758
Trade and other receivables	8,283
Cash and bank balances	6,686
Trade and other payables	(3,430)
Current tax liability	(7)
Minority interests	(10,141)
Group's share of net assets	22,172

The fair values of the assets acquired and liabilities assumed from the acquisition of a subsidiary were as follows:

	29.7.2005 RM'000
Goodwill on consolidation (Note 19)	113
Property, plant and equipment (Note 12)	969
Development costs	7,743
Trade and other receivables	8,551
Cash and bank balances	6,660
Trade and other payables	(2,374)
	21,662
Minority interests	(42)
	21,620

Notes to the Financial Statements

31 December 2005 (cont'd)

38) SUMMARY OF EFFECTS OF THE DISPOSAL AND ACQUISITION OF SUBSIDIARIES (CONT'D)

b) Acquisition of A Subsidiary (cont'd)

The fair values of the assets acquired and liabilities assumed from the acquisition of a subsidiary were as follows:

	29.7.2005 RM'000
Group's 51% share of net assets acquired	11,026
Goodwill on acquisition (Note 19)	11,850
Cost of acquisition	22,876
Total purchase consideration in cash	22,655
Costs attributable to the acquisition, paid in cash	221
Total cost of acquisition	22,876
Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash	22,655
Costs attributable to the acquisition, paid in cash	221
Total cash outflow of the Company	22,876
Cash and cash equivalents of a subsidiary acquired	(6,660)
Net cash outflow of the Group	16,216

39) CASH AND CASH EQUIVALENTS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Cash and bank balances (Note 28)	237,317	216,164	142,086	14,710
Bank overdrafts (Note 29)	(6,634)	(6,927)	(2,576)	(2,513)
	230,683	209,237	139,510	12,197

Notes to the Financial Statements

31 December 2005 (cont'd)

40) SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, the Group and the Company had, in the normal course of business transacted on normal commercial terms the following transactions:

a) Transactions with subsidiaries:

INCOME

	Company 2005 RM'000	Company 2004 RM'000
Interest income	3,179	2,532
Internal audit fee	348	239
Secretarial fee	89	80
Management fee	10	93

EXPENDITURE

Interest expense	9,253	6,885
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b) Transactions with companies in which certain Directors of the Company and/or persons connected to them have a substantial financial interest and/or are Directors:

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
EXPENDITURE				
i) Motor vehicles repair and maintenance paid to Automobili Sdn Bhd	15	76	8	25
ii) Telecommunication equipment and services paid to Achi Jaya Communications Sdn Bhd (formerly known as Hager Elektronik Sdn Bhd)	57	42	6	9
iii) Office upkeep and rental paid to: Centigrade Resources Sdn Bhd	685	637	577	531
Satria Realty Sdn Bhd	956	956	824	824
iv) Professional fees paid to KTA (Sarawak) Sdn Bhd	1,488	680	-	-

Notes to the Financial Statements

31 December 2005 (cont'd)

40) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

- c) Transactions with companies in which certain Directors of the subsidiaries and/or persons connected to them have a substantial financial interest and/or are Directors:

	Group 2005 RM'000	Group 2004 RM'000
EXPENDITURE		
i) Purchase of reinforced concrete products from SCIB Concrete Manufacturing Sdn Bhd	549	553
ii) Purchase of steel bars from Amsteel Mills Sdn Bhd	4,781	2,053

- d) Transactions with a company in which a person connected to a key management personnel of the Group has a substantial financial interest:

	Group 2005 RM'000	Group 2004 RM'000
INCOME		
i) Sale of stones, premix and RC piles to Techrich Sdn Bhd	4,320	-
ii) Provision of cement stabilisation works to Techrich Sdn Bhd	1,828	-
EXPENDITURE		
Subcontracting works paid to Techrich Sdn Bhd	205	-

41) FINANCIAL INFORMATION BY SEGMENT

The Group is organised into eight major business segments:

- i) Manufacturing – manufacturing of cement and concrete products;
- ii) Construction – civil engineering, road construction and maintenance;
- iii) Construction materials – quarry operations, production and sale of premix;
- iv) Banking – commercial and merchant banking;
- v) Stockbroking – stockbroking, asset and fund management;
- vi) Property development – property holding and development and project management;
- vii) Trading and services – general trading, education, transportation and other services; and
- viii) Discontinuing operations – manufacturing of steel.

No geographical analysis has been prepared as the Group's business interests are predominantly located in Malaysia.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been transacted on normal commercial terms.

31 December 2005 (cont'd)

Net loss for the year

[illegible]

Notes to the Financial Statements

31 December 2005 (cont'd)

41) FINANCIAL INFORMATION BY SEGMENT (CONT'D)

2005

ASSETS

Segment assets
Investment in associates
Securities available-for-sale
Current tax assets
Unallocated corporate assets

Total assets

LIABILITIES

Segment liabilities
Borrowings
Tax liabilities
Unallocated corporate liabilities

Total liabilities

OTHER INFORMATION

Capital expenditure

Depreciation

Amortisation of goodwill

Impairment of assets

Impairment of goodwill

	Manufacturing RM'000	Construction RM'000	Construction Materials RM'000	Banking RM'000	Stockbroking and Other Financial Services RM'000	Property Development RM'000	Trading and Services RM'000	Discontinuing Operations RM'000	Eliminations RM'000	Group Total RM'000
	319,810	441,735	166,834	193,308	34,932	225,206	81,532	113,926	(450,042)	1,127,241
	-	-	-	486,767	267,355	-	-	-	-	754,122
										585,081
										26,572
										161,855
										2,654,871
	60,376	149,130	36,911	1,912	5,467	139,163	34,910	46,069	(222,563)	251,375
									859,281	25,355
										2,432
										1,138,443
	15,659	1,827	659	450	618	215	1,427	343		21,198
	17,568	4,319	3,030	71	400	297	1,824	8,948		36,457
	35	331	1,749	9,174	-	-	208	1,073		12,570
	-	-	-	-	-	-	-	100,000		100,000
	-	-	-	-	-	-	-	14,753		14,753

31 December 2005 (cont'd)

Net profit for the year

[illegible]

Notes to the Financial Statements

31 December 2005 (cont'd)

41) FINANCIAL INFORMATION BY SEGMENT (CONT'D)

	2004	Manufacturing RM'000	Construction RM'000	Construction Materials RM'000	Banking RM'000	Stockbroking and Other Financial Services RM'000	Property Development RM'000	Trading and Services RM'000	Discontinuing Operations RM'000	Eliminations RM'000	Group Total RM'000
ASSETS											
Segment assets		336,237	420,599	154,059	325,752	37,075	212,116	35,584	220,207	(436,857)	1,304,772
Investment in associates		-	-	-	1,078,120	281,144	-	-	-	-	1,359,264
Current tax assets		-	-	-	-	-	-	-	-	-	24,532
Unallocated corporate assets		-	-	-	-	-	-	-	-	-	21,816
Total assets											<u>2,710,384</u>
LIABILITIES											
Segment liabilities		63,108	139,664	29,976	1,059	6,199	134,759	19,721	15,606	(188,657)	221,435
Borrowings		-	-	-	-	-	-	-	-	-	-
Tax liabilities		-	-	-	-	-	-	-	-	-	-
Unallocated corporate liabilities		-	-	-	-	-	-	-	-	-	34,347
Total liabilities											<u>3,668</u>
OTHER INFORMATION											<u>1,041,668</u>
Capital expenditure		21,191	7,393	2,095	27	449	58	2,075	745	-	34,033
Depreciation		24,607	1,131	3,194	298	309	500	1,382	9,209	-	40,630
Amortisation of goodwill		35	-	1,749	9,174	-	-	32	1,073	-	12,063
Accretion of discounts less amortisation of premium		-	-	-	3,179	-	-	-	-	-	3,179

Notes to the Financial Statements

31 December 2005 (cont'd)

42) COMMITMENTS AND CONTINGENCIES

a) Capital Commitments

Authorised capital expenditure not provided for in the financial statements:

Approved and contracted for
Approved but not contracted for

Share of capital commitments of associates (Note 14)

Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
7,357	3,212	-	400
3,383	-	3,383	-
10,740	3,212	3,383	400
26,184	22,709	-	-

b) Contingent Liabilities

Unsecured guarantees in respect of banking facilities granted to subsidiaries

Share of contingent liabilities of associates (Note 14)

Company 2005 RM'000	Company 2004 RM'000
81,841	101,649
Group 2005 RM'000	Group 2004 RM'000
46,116,957	43,970,851

In 2001, CMS Capital Sdn Bhd, a subsidiary of the Company, had provided an indemnity to the purchaser of Sarawak Securities Sdn Bhd against several legal suits filed by remisiers in the Industrial Court of Malaysia claiming reinstatement of employment, and by clients and remisiers of Sarawak Securities Sdn Bhd. The subsidiary's Directors are of the opinion that these remisiers and clients would not be entitled to such claims. Accordingly no provision has been made in this respect.

A legal suit has been filed by a former employee in the Industrial Court of Malaysia against a subsidiary alleging wrongful dismissal and claiming reinstatement to his former position and/or other relief that the Court deems fit and proper. As the Industrial Court has yet to make a decision/award in this matter, it is not possible to determine the Group's potential liability (if any) at this juncture.

Notes to the Financial Statements

31 December 2005 (cont'd)

42) COMMITMENTS AND CONTINGENCIES (CONT'D)

c) Contingent Asset

Contingent asset arising from the Supplemental Share Sale Agreement entered between Malaysian Industrial Development Finance Berhad and Utama Banking Group Berhad in respect of the disposal of Utama Merchant Bank Berhad

Group 2005 RM'000	Group 2004 RM'000
30,718	30,718

43) FINANCIAL INSTRUMENTS

43.1) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

43.2) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2005. The investments in financial assets are short term in nature and they are not held for speculative purposes.

43.3) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

43.4) Credit Risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk is minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an on-going basis through Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial instruments.

43.5) Fair Value

The carrying amounts of short-term financial assets and liabilities approximate their fair value due to the relatively short maturity term of these financial instruments.

Notes to the Financial Statements

31 December 2005 (cont'd)

44) SIGNIFICANT EVENTS

- a) On 5 May 2005, a subsidiary, PPES Works (Sarawak) Sdn Bhd ('PPES Works'), completed the acquisition of 300,000 ordinary shares of RM1 each representing 30% of the equity interest in CMS Roads Sdn Bhd ('CMS Roads') for a total consideration of RM19,500,000. The acquisition increased PPES Works' equity interest in CMS Roads from 51% to 81%.
- b) On 29 July 2005, the Company acquired 6,349,074 ordinary shares of RM1 each in CMS I-Systems Berhad ('CMSISB') at RM2.85 per share for a total consideration of RM18,094,861. In addition, the Company subscribed for an additional 1,600,000 new ordinary shares in CMSISB at an issue price of RM2.85 per share at a consideration of RM4,560,000. Following the acquisition, the Company holds a total of 7,949,074 ordinary shares, representing 50.96% of the enlarged share capital in CMSISB.
- c) On 29 December 2005, the Company undertook to issue RM400 million CMS Income Securities for the purposes of refinancing existing group borrowings and for working capital requirements. The CMS Income Securities consist of the following:
 - i) 400 fixed rate coupon-bearing serial bonds ('Bonds') at a nominal sum of RM999,000 each. The Bonds comprise the bond principal and the bond coupon; and
 - ii) 400 Non-Convertible Redeemable Preference Shares ('NCRPS') of RM1 each at an issue price of RM1,000 each.

The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS. The salient terms are disclosed in Note 35 and 36 to the financial statements, respectively.

45) SUBSEQUENT EVENT

On 5 January 2006, the Board of Directors of the Company approved and announced the proposed closure of the operations of a subsidiary, CMS Steel Berhad ('CMS Steel'), due to the continuous losses incurred and given that there is no indication that the steel industry will turn around in the near future. The Group intends to exit from its steel operations from the first quarter of 2006 onwards. Further details are disclosed in Note 11 to the financial statements.

Analysis of Shareholdings

as at 20 April 2006

Authorised Share Capital	:	1,000,000,000 ordinary shares of RM1.00 per share 400 non-cumulative redeemable preference shares of RM1.00 per share
Issued and Paid-up Share Capital	:	329,445,840 ordinary shares of RM1.00 per share 400 non-cumulative redeemable preference shares of RM1.00 per share
Voting Right	:	One voting right for one ordinary share

DIRECTORS' SHAREHOLDINGS

Name of Shareholder	Direct Shareholdings	% of Issued Capital	Indirect Shareholdings	% of Issued Capital
1) Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	8.94	44,925,102 *	13.64
2) Haji Mahmud Abu Bekir Taib	29,400,085	8.92	44,925,102 *	13.64

* Deemed interested by virtue of direct shareholdings of over 15% in Majaharta Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
1 to 99	38	0.51	1,066	0.00
100 to 1,000	2,054	27.57	1,994,575	0.61
1,000 to 10,000	4,326	58.07	18,188,200	5.52
10,001 to 100,000	931	12.50	25,905,405	7.86
100,001 to less than 5% of issued shares	95	1.28	115,600,962	35.09
5% and above of issued shares	5	0.07	167,755,632	50.92
Total	7,449	100.00	329,445,840	100.00

CATEGORY OF SHAREHOLDERS

Category	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
Individuals	6,047	81.18	144,452,063	43.85
Banks/Finance companies	11	0.15	15,602,600	4.74
Investment Trusts/Foundation/Charities	2	0.02	97,000	0.03
Industrial and Commercial Companies	114	1.53	49,035,502	14.88
Government Agencies/Institutions	3	0.04	27,087,665	8.22
Nominee Companies	1,272	17.08	93,171,010	28.28
Total	7,449	100.00	329,445,840	100.00

Analysis of Shareholdings

THIRTY LARGEST SHAREHOLDERS AS PER RECORD OF DEPOSITORS

Name of Shareholder	No. of Ordinary Shares Held	% of Issued Capital
1) Majaharta Sdn Bhd	44,925,102	13.64
2) Lejla Taib	37,000,000	11.23
3) Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	8.94
4) Haji Mahmud Abu Bekir Taib	29,400,085	8.92
5) Sarawak Economic Development Corporation	26,965,360	8.19
6) Employees Provident Fund Board	15,531,000	4.71
7) OSK Nominees (Asing) Sdn Bhd Tisco Securities Hong Kong Limited for Garrison Enterprises Ltd	15,000,000	4.55
8) HSBC Nominees (Asing) Sdn Bhd HSBC Private Bank (Suisse) S.A. (Singapore Tst Accl)	6,033,000	1.83
9) Malaysia Nominees (Asing) Sdn Bhd Pretoria Limited	6,000,000	1.82
10) Malaysia Nominees (Asing) Sdn Bhd Kimber Cove Corporation	6,000,000	1.82
11) UOBM Nominees (Asing) Sdn Bhd Galliano Holdings Limited	6,000,000	1.82
12) UOBM Nominees (Asing) Sdn Bhd Roundsun Assets Limited	5,646,200	1.71
13) UOBM Nominees (Asing) Sdn Bhd Taminga Profits Limited	5,600,000	1.70
14) Malaysia Nominees (Asing) Sdn Bhd Honeywell Assets Limited	5,500,000	1.67
15) Malaysia Nominees (Asing) Sdn Bhd Fullstead Finance Corporation	5,287,695	1.61
16) Pui Cheng Wui	5,150,605	1.56
17) Malaysia Nominees (Asing) Sdn Bhd Bakerville Profits Limited	5,146,200	1.56
18) Malaysia Nominees (Asing) Sdn Bhd Fullearn Assets Inc	4,400,000	1.34
19) Dato' Wira Haji Onn bin Mahmud	2,764,962	0.84
20) HSBC Nominees (Asing) Sdn Bhd Herbert UHL	1,080,000	0.33

Analysis of Shareholdings

Name of Shareholder	No. of Ordinary Shares Held	% of Issued Capital
21) UOBM Nominees (Asing) Sdn Bhd Societe Generale Bank & Trust, Singapore Branch for Warburton Gold Limited	1,030,000	0.31
22) Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	1,008,800	0.31
23) Mayban Nominees (Tempatan) Sdn Bhd Li Cheng Thong @ Lee Chen Thung	1,000,000	0.30
24) Citigroup Nominees (Asing) Sdn Bhd Merrill Lynch Pierce Fenner & Smith Incorporated	968,200	0.29
25) Hanifah Hajar Taib	705,000	0.21
26) RHB Nominees (Asing) Sdn Bhd Tisco Securities Hong Kong Limited for Calshot Properties Ltd	582,000	0.18
27) RHB Nominees (Asing) Sdn Bhd Tisco Securities Hong Kong Limited for Garrison Enterprise Ltd	581,000	0.18
28) Kenanga Nominees (Tempatan) Sdn Bhd Raziah @ Rodiah binti Mahmud	545,000	0.17
29) Ting Pik King	488,700	0.15
30) Profiton Sdn Bhd	477,000	0.14
Total	270,280,994	82.04

Substantial Shareholders As Per Register of Substantial Shareholders, Excluding Nominee Companies

Name of Substantial Shareholders	Direct Shareholding	Indirect Shareholding	% of Issued Capital
1) Majaharta Sdn Bhd	44,925,102	–	13.64
2) Lejla Taib	37,000,000	–	11.23
3) Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	44,925,102 *	22.58
4) Haji Mahmud Abu Bekir Taib	29,400,085	44,925,102 *	22.56
5) Sarawak Economic Development Corporation	26,965,360	–	8.19

* Deemed interested by virtue of direct shareholdings of over 15% in Majaharta Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

List of Properties

as at 31 December 2005

Location	Date of Acquisition/ Revaluation	Description	Usage	Tenure	Remaining Lease Period (Expiry Date)	Land Area/ Built Up Area (Hectare/m ²)	Age of Buildings	Net Book Value RM'000
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching	1996	Land & cement mill	Office & factory	Leasehold	31 years (2036)	6.25/ 15,223	28 years *	20,684,250
* The age of the new office extension and canteen is 9 years								
Lot 766, Block 20, Kemena Land District, Bintulu	1997	Land & cement mill	Office & factory	Leasehold	57 years (2062)	6.88/ 68,797	9 years	19,487,677
Lot 767, Block 20, Kemena Land District, Bintulu	1997	Land	Vacant Land	Leasehold	57 years (2062)	10.125/ N/A	-	7,639,901
Lot 415, Block 32, Kemena Land District, Bintulu	1996	Industrial land	Held for rental income	Leasehold	39 years (2044)	2.228/ N/A	-	2,115,032
Lot 1156, Block 19, Seduan Land District, Upper Lanang Industrial Estate, Sibu	1996	Industrial land	Vacant land	Leasehold	46 years (2051)	0.436/ N/A	-	599,642
Lot 34 & 35, Section 15, Kuching Town Land District, Nanas Road, Kuching	1994	4 storey shophouse	Held for rental income	Leasehold	810 years (2815)	0.41/ 1,400	9 years	4,514,699
Lot 90, Block 11, Lambir Land District, KM17 Miri-Bintulu Road, Miri	1994	Mixed zone land	Premix operation	Leasehold	49 years (2054)	2.73/ N/A	-	57,410
Lot 444, Block 11, Seduan Land District, 8th Mile, Sibu Ulu Oya Road, Sibu	1994	Mixed zone land	Premix operation	Leasehold	50 years (2055)	2.76/ N/A	-	171,112
Lot 71, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	51 years (2056)	18.94/ N/A	-	2,132,183

List of Properties as at 31 December 2005 (cont'd)

Location	Date of Acquisition/ Revaluation	Description	Usage	Tenure	Remaining Lease Period (Expiry Date)	Land Area/ Built Up Area (Hectare/m ²)	Age of Buildings	Net Book Value RM'000
Lot 294, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	51 years (2056)	2.75/ N/A	-	515,191
Lot 212, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Office & factory	Leasehold	51 years (2056)	5.04/ 900	8 years	1,170,401
Lot 353, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Premix operation	Leasehold	51 years (2056)	2.24/ N/A	-	377,051
Lot 338, 340 – 345, Block 10, Sentah-Segu Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	33 years (2038)	3.07/ N/A	-	1,094,810
Lot 302-304, 354-357, 362 and 363 Block 17, Kuching Central Land District, Kuching	1999	Mixed zone land	Quarry operation	Leasehold	819 years (2824)	4.27/ N/A	-	3,469,259
Lot 342-343, Block 17, Kuching Central Land District, Kuching	1999	Mixed zone land	Quarry operation	Leasehold	19 years (2024)	0.74/ N/A	-	309,521
Lot 134, Section 64, Kuching Town Land District, Kuching	1998	Mixed zone land	Jetty and land	Leasehold	53 years (2058)	0.43/ N/A	8 years	1,654,408
Lot 2128, Sublot 2, Kuching Town Land District, Kuching	1998	3-storey shophouse	Office	Leasehold	55 years (2060)	0.012/ 334.45	8 years	437,502
Lot 2116, Sublot 2, Kuching Town Land District, Kuching	2003	3-storey corner shophouse	Office	Leasehold	55 years (2060)	0.012/ 327.6	8 years	533,035
Lot 493, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1996	Mixed zone land	Vacant land	Freehold	In perpetuity	1.223/ N/A	-	254,956

List of Properties as at 31 December 2005 (cont'd)

Location	Date of Acquisition/ Revaluation	Description	Usage	Tenure	Remaining Lease Period (Expiry Date)	Land Area/ Built Up Area (Hectare/m ²)	Age of Buildings	Net Book Value RM'000
Lot 494, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1998	Mixed zone land	Vacant land	Leasehold	32 years (2037)	0.53/ N/A	-	92,369
Lot 488, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1996	Mixed zone land	Vacant land	Leasehold	21 years (2026)	2.70/ N/A	-	386,946
Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	91 years (2096)	26.4/ N/A	-	22,262,020
Lot 1321, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	91 years (2096)	73.4/ N/A	-	61,895,162
Lot 622, Section 66, Kuching Town Land District, Kuching	1998	Mixed zone land	Land held for development	Leasehold	53 years (2058)	3.14/ N/A	-	3,671,118
Lot 744, Section 66, Kuching Town Land District, Kuching	1998	Mixed zone land	Land held for development	Leasehold	53 years (2058)	14.508/ N/A	-	16,863,557
Lot 777, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1998	Land & steel mill	Office & factory	Leasehold	52 years (2057)	27.60/ 39,220	7 years	23,104,412
Lot 2082, Section 66, Kuching Town Land District, Kuching	1996	Land & factory	Office & factory	Leasehold	40 years (2045)	0.85/ 3,936	22 years	2,837,491
Parcel 42, Block 71, Kuching Central Land District, Kuching	-	**	Quarry operation	-	-	N/A / 1,262	13 years	421,620

List of Properties as at 31 December 2005 (cont'd)

Location	Date of Acquisition/ Revaluation	Description	Usage	Tenure	Remaining Lease Period (Expiry Date)	Land Area/ Built Up Area (Hectare/m ²)	Age of Buildings	Net Book Value RM'000
G.N. No.100 Sebuyau, Kota Samarahan Division, Kuching	-	**	Jetty	-	-	N/A	6 years	339,313
Lot 846, Block 9, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	93 years (2098)	1,577/ N/A	-	11,934,605
Lot 1966, 1999, 3114 & 3242, Block 9, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	93 years (2098)	170.818/ N/A	-	1,482,993
Lot 1, Block 13, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	93 years (2098)	349.70/ N/A	-	2,710,680

** Land owned by third party

Revaluation Policy

The Group does not adopt a policy of regular revaluation.

Group Directory

Cahaya Mata Sarawak Berhad (Company No. 21076-T)
Level 6 Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Sarawak
Malaysia

Tel: +6 082 238 888
Fax: +6 082 333 828

CEMENT & CONSTRUCTION MATERIALS SBU

CMS Cement Sdn Bhd
Lot 5895, Jalan Kilang Simen
Pending Industrial Estate
93450 Kuching
Tel: +6 082 332 111
Fax: +6 082 483 600

CMS Concrete Products Sdn Bhd
Lot 212, Block 17
Jalan Old Airport
93250 Kuching
Tel: +6 082 618 718
Fax: +6 082 614 406

CMS Wires Sdn Bhd
Lot 87, Lorong Tenaga 2
Bintawa Industrial Estate
93450 Kuching
Tel: +6 082 334 772
Fax: +6 082 486 085

CMS Resources Sdn Bhd
7th Mile
Kuching-Serian Road
93350 Kuching
Tel: +6 082 610 226
Fax: +6 082 612 434

CMS Quarries Sdn Bhd
7th Mile
Kuching-Serian Road
93350 Kuching
Tel: +6 082 611 987
Fax: +6 082 615 598

CMS Premix Sdn Bhd
Lot 353, Block 17
7th Mile Penrissen Road
93250 Kuching
Tel: +6 082 614 208
Fax: +6 082 614 626

CMS Penkuari Sdn Bhd
9th Mile
Kuching-Serian Road
93350 Kuching
Tel: +6 082 614 913
Fax: +6 082 614 923

CMS Premix (Miri) Sdn Bhd
Mile 11, Miri-Bintulu Road
98000 Miri

Tel: +6 085 491 136
Fax: +6 085 491 136

PPES Concrete Product Sdn Bhd
Lot 212, Block 17
Jalan Old Airport
93250 Kuching
Tel: +6 082 618 718
Fax: +6 082 614 406

CONSTRUCTION & ROAD MAINTENANCE SBU

CMS Works Sdn Bhd
1st – 4th Floor
Lot 619-623 Section 62
Jalan Padungan
93100 Kuching
Tel: +6 082 340 588
Fax: +6 082 340 695

CMS Works International Ltd
1st – 4th Floor
Lot 619-623, Section 62
Jalan Padungan
93100 Kuching
Tel: +6 082 340 588
Fax: +6 082 340 695

PPES Works (S) Sdn Bhd
1st – 4th Floor
Lot 619-623, Section 62
Jalan Padungan
93100 Kuching
Tel: +6 082 340 588
Fax: +6 082 340 695

CMS Roads Sdn Bhd
1st & 2nd Floor
Lot 58-59, Section 63
Jalan Padungan
93100 Kuching
Tel: +6 082 340 840
Fax: +6 082 230 758

CMS Pavement Tech
Sdn Bhd
2nd Floor, Lot 58-59
Section 63
Jalan Padungan
93100 Kuching
Tel: +6 082 340 841
Fax: +6 082 340 842

PROPERTY DEVELOPMENT SBU

Projek Bandar
Samariang Sdn Bhd
Level 5, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 237 777
Fax: +6 082 252 652

CMS Property
Development Sdn Bhd
Level 5, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 237 777
Fax: +6 082 252 652

CMS Property
Management Sdn Bhd
1st – 4th Floor
Lot 619-623, Section 62
Jalan Padungan
93100 Kuching
Tel: +6 082 340 588
Fax: +6 082 340 695

CMS Land Sdn Bhd
1st – 4th Floor
Lot 619-623, Section 62
Jalan Padungan
93100 Kuching
Tel: +6 082 340 588
Fax: +6 082 340 695

CMS Hotels Sdn Bhd
Level 6 Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 238 888
Fax: +6 082 333 828

SERVICES SBU

CMS Education Sdn Bhd
Lot 34 – 35
Jalan Nanas
93450 Kuching
Tel: +6 082 207 166
Fax: +6 082 207 177

CMS River Bus Sdn Bhd
Level 6 Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 238 888
Fax: +6 082 333 828

CMS Infra Trading
Sdn Bhd
No 2128, Sublot 2
Jalan Utama Pending
93450 Kuching
Tel: +6 082 348 950
Fax: +6 082 348 952

CMS Sumber Sdn Bhd
No 2128, Sublot 2
Jalan Utama Pending
93450 Kuching
Tel: +6 082 348 950
Fax: +6 082 348 952

CMS Digital Sdn Bhd
Level 5, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 236 799
Fax: +6 082 341 599

CMS Energy Sdn Bhd
Unit 3A-02, Level 3A
Block E
Pusat Dagangan
Phileo Damansara 1
No. 9, Jalan 16/11
Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
Tel: +6 03 7957 2323
Fax: +6 03 7957 2723

CMS I-Systems Berhad
Level 13
Kelana Brem Tower 1
Jalan SS7/15, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +6 03 7492 2238
Fax: +6 03 7492 2268

BANKING SBU

Concordance Holdings
Sdn Bhd
Level 6, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 238 888
Fax: +6 082 333 828

Utama Banking Group
Berhad
Level 33 Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel: +6 03 2078 9133
Fax: +6 03 2072 5511

UBG Enterprise Berhad
Level 6, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 238 888
Fax: +6 082 333 828

Rashid Hussain Berhad
Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel: +6 03 9285 2233
Fax: +6 03 9285 5522

STOCKBROKING & OTHER FINANCIAL SERVICES SBU

CMS Capital Sdn Bhd
Level 6, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 238 888
Fax: +6 082 333 828

K&N Kenanga Berhad
Level 1, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 333 8000
Fax: +6 082 338 222

CMS Dresdner Asset
Management Sdn Bhd
39th Floor, Menara
Standard Chartered
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: +6 03 2142 6888
Fax: +6 03 2142 6887

CMS Trust Management
Berhad
Level 1, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 343 022
Fax: +6 082 343 066

CMS Mezzanine Sdn Bhd
Level 6, Wisma Mahmud
Jalan Sg Sarawak
93100 Kuching
Tel: +6 082 238 888
Fax: +6 082 333 828

CMS Opus Private Equity
Sdn Bhd
Suite 1308, Level 13
Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
Tel: +6 03 2166 2088
Fax: +6 03 2166 1022

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-first Annual General Meeting of the Company will be held at Ballroom II & III, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Thursday, 22 June 2006 at 11:30 am for the following purposes:

- 1) To receive the Audited Accounts for the year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
- 2) To declare a first and final dividend of 5 sen per share less 28% income tax for the year ended 31 December 2005. **(Resolution 2)**
- 3) To re-elect the following Directors who are retiring in accordance with Article 110 of the Company's Articles of Association and are offering themselves for re-election:
 - a) Tuan Haji Mahmud Abu Bekir Taib **(Resolution 3)**
 - b) YB Datuk Haji Talib bin Zulpilip **(Resolution 4)**
- 4) To elect the following Directors who are retiring in accordance with Article 112 of the Company's Articles of Association and are offering themselves for election:
 - a) General (Retired) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin **(Resolution 5)**
 - b) Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail **(Resolution 6)**
- 5) To approve the payment of Directors' remuneration for the year ended 31 December 2005. **(Resolution 7)**
- 6) To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**
- 7) To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that the first and final dividend of 5 sen per share less 28% income tax for the financial year ended 31 December 2005, if approved at the above Annual General Meeting, will be paid on 15 September 2006 to Depositors whose names appear in the Record of Depositors on 30 August 2006.

A Depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 30 August 2006 in respect of transfers;
- b) Shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

ISAAC LUGUN
DENISE KOO SWEE PHENG
Company Secretaries
Kuching, Sarawak
30 May 2006

NOTES:

- 1) A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A corporation must complete the form of proxy under its common seal or under the hand of a duly authorised officer or attorney. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 2) A Form of Proxy is enclosed herewith and should be completed and deposited at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak not less than 48 hours before the time fixed for the meeting.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Attendance of Directors at Board Meetings Held Huring the Financial Year Ended 31 December 2005

The Board met seven (7) times during the financial year ended 31 December 2005. Details of their attendance are as follows:

Name	Attendance
Dato Sri Sulaiman Abdul Rahman Taib	7/7 (100%)
Tuan Haji Mahmud Abu Bekir Taib	6/7 (86%)
Dato Sri Liang Kim Bang	6/7 (86%)
General (Retired) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	2/2 (100%) *
Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail	NA **
YB Datuk Haji Talib bin Zulpilip	7/7 (100%)
Datuk Wan Ali Tuanku Yubi	4/7 (57%)
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	7/7 (100%)
Kevin How Kow	7/7 (100%)

* Appointed on 8 July 2005

** Appointed on 10 May 2006

Details of General Meetings Held During the Financial Year Ended 31 December 2005

Type of meeting	Date	Time	Venue
30th Annual General Meeting	13 June 2005	11:30 am	Ballroom II & III, Lobby Floor, Hilton Kuching Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak

Further Details of Directors Seeking Re-election at the Annual General Meeting

Name	Tuan Haji Mahmud Abu Bekir Taib	YB Datuk Haji Talib bin Zulpilip	General (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail
Age	42	54	58	54
Nationality	Malaysian	Malaysian	Malaysian	Malaysian
Designation	Group Deputy Chairman, Non- Executive Director	Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Date first appointed on the Board	23 January 1995	13 February 1995	8 July 2005	10 May 2006
Working experience and occupation	As per profile in page 032	As per profile in page 034	As per profile in page 033	As per profile in page 033

Statement Accompanying the Notice of Annual General Meeting (cont'd)

Name	Tuan Haji Mahmud Abu Bekir Taib	YB Datuk Haji Talib bin Zulpilip	General (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail
Directorships in other public listed companies	None	Sarawak Concrete Industries Berhad	Affin Holdings Berhad Asiatic Development Berhad Bintulu Port Holdings Berhad Defence Technologies Berhad Resorts World Berhad Wah Seong Corporation Berhad	DRB-Hicom Berhad Maxis Communications Berhad Nestle (M) Berhad Bangkok Bank Berhad
Securities holdings in the Company and its subsidiaries	29,400,085 shares (direct interest) 44,925,102 shares (indirect interest)	None	None	None
Family relationship with any Director and/ or major shareholder of the Company	He is the brother of Dato Sri Sulaiman Abdul Rahman Taib (director and major shareholder of CMSB) and a son of Lejla Taib (major shareholder of CMSB). He is also a major shareholder of Majaharta Sdn Bhd (major shareholder of CMSB)	None	None	None
Conflict of interest with the Company	None	None	None	None
List of convictions for offences within the past 10 years	None	None	None	None
No of the Company's Board meetings attended in the financial year	6/7 (86%)	7/7 (100%)	2/2 (100%)	NA **

* Appointed on 8 July 2005

** Appointed on 10 May 2006

Form of Proxy



CAHYA MATA SARAWAK

Cahya Mata Sarawak Berhad

Company No. 21076-T

Incorporated in Malaysia

No. of Shares Held

I/We (full name) _____ NRIC/Co No. _____
of (full address) _____

being a member/members of Cahya Mata Sarawak Berhad hereby appoint _____
of _____

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 Thirty-first Annual General Meeting of the Company to be held at Ballroom II & III, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Thursday, 22 June 2006 at 11:30 am and at any adjournment thereof.

No.	Resolutions	For	Against
1)	Receive the Audited Accounts and Reports of the Directors and Auditors thereon		
2)	Declaration of First and Final Dividend		
3)	Re-election of Tuan Haji Mahmud Abu Bekir Taib as Director		
4)	Re-election of YB Datuk Haji Talib bin Zulpilip as Director		
5)	Election of General (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin as Director		
6)	Election of Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail as Director		
7)	Approval of Directors' remuneration for the year ended 31 December 2005		
8)	Re-appointment of Auditors		

Date: _____ 2006

Signature: _____

Notes:

- 1) A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A corporation must complete this form of proxy under its common seal or under the hand of a duly authorised officer or attorney. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 2) This form of proxy, duly signed, must be deposited at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak not less than 48 hours before the time fixed for the meeting.
- 3) Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.

Stamp / Setem

The Company Secretary
CAHYA MATA SARAWAK BERHAD

Level 6, Wisma Mahnud
Jalan Sungai Sarawak
93100 Kuching, Sarawak

1) Fold here

2) Fold here

3) Fold here



CAHYA MATA SARAWAK

Errata: **FORM OF PROXY**

We refer to our CMSB Annual Report 2005 that was duly issued to you on 30 May 2006.

The **Thirty-first**, and not the **Thirtieth** as indicated, Annual General Meeting of the Company to be held at Ballroom II & III, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak will be held on Thursday, **22 June 2006** and not **22 June 2005** as indicated.

We apologise for any inconvenience caused.