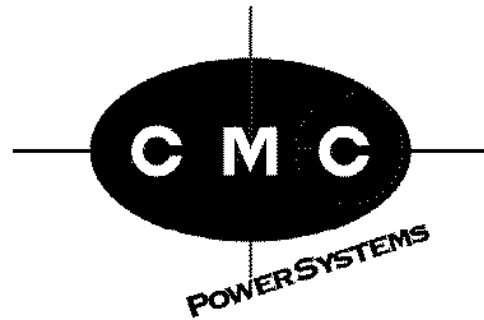


CMC Power Systems Limited ACN 008 924 570
ABN 50 008 924 570



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Sydney, Australia

Level 2
491 Elizabeth Street
Surry Hills NSW 2010 Australia
Telephone: (61 2) 9699 9000
Facsimile: (61 2) 9699 9088
Email: cmc@cmcpower.com

ASX ANNOUNCEMENT

Malaysian Technology Centre to collaborate on CMC's low-friction SYTEC engine

CMC Power Systems Limited (ASX:CSY) announced today that the Business & Advanced Technology Centre (BATC) of the University of Technology Malaysia (UTM) has issued an Expression of Interest in joint development programs based on the Company's low-friction SYTEC engine.

The BATC was established in 1992 at the initiative of former Prime Minister Tun Dr Mahathir Mohamad in collaboration with the Warwick Manufacturing Group of the University of Warwick in the UK. The centre is industry driven to boost Malaysia's engineering and manufacturing knowledge base. Its mission is to support industrial partnerships and be a world class provider of innovative engineer and business solutions. UTM is one of Malaysia's leading universities for science and technology.

CMC Company Secretary Tony Teng said CMC's licensee in Malaysia, Sytec Technologies Sdn Bhd, had received the Expression of Interest from the BATC's Managing Director, Professor Dr Nooh Bin Abu Bakar.

"Professor Nooh has had a number of meetings with one of our Directors in Malaysia, Dato Dr Hj Sallehuddin Kassim, who recently joined the Board of Sytec Technologies Sdn Bhd," Mr Teng said.

"At these meetings, they discussed collaboration on two joint development projects based on the SYTEC two cylinder 500cc engine-generator unit.

"As a result of the meetings, Professor Nooh has endorsed in a letter to Dato Sallehuddin saying BATC looks forward to entering joint-development programs with Sytec Technologies and is interested in working with Sytec and CMC on both projects.

“The projects are a hybrid Gas-Solar-Battery Rural Electrification system to supply power in rural and remote areas of Malaysia, where it is uneconomic to extend grid power, and the development of a petrol-electric hybrid vehicle.”

In his letter, Professor Nooh said the low friction in the SYTEC engine design meant that it could be incorporated into an engine-generator product with longer life and lower maintenance than conventional motor generators.

“These are important factors for rural electrification programs because such units will be in constant use and will need to operate for many thousands of hours with very little attention,” he stated.

“Other users requiring long periods of maintenance-free operation, such as telecommunications tower operators, will be potential customers of this niche product.

“In addition, the engine’s low fuel consumption and emissions, together with its smoothness and compactness, will make it ideal for the development of a small hybrid vehicle or ‘people’s car’. This is a project we are planning to undertake in the national interest.

“We are attracted to the SYTEC engine technology because it can be developed for various applications in industries such as power generation, automotive/transport, marine and telecommunications, with significant benefits to the Malaysian economy and community. We believe that this technology has the potential to build a platform for new industries in Malaysia.”

Mr Teng said BATC’s strong interest in the SYTEC engine and its support for proposed collaboration was “another tick against the list of prerequisites” for the success of CMC’s commercialization strategy in Malaysia.

“Collaboration with BATC will be highly regarded by the potential join-venture partners and investors in Malaysia who are currently considering providing funding to our licensee companies, and will reassure them that CMC will be working to develop products ideally suited to Malaysian requirements,” he said.

“Sytec Directors are continuing discussions with a number of other key institutions, including utility companies, and we are now very close to achieving the desired outcome.”

Authorised by
Tony Teng, Company Secretary

Further information: Tom Gosling +61 2 9699 9000; 0418 294342
Website: www.cmcpower.com
Email: tgosling@cmcpower.com; tteng@cmcpower.com