

*Annual report*  
*2003*



**CAHYA MATA SARAWAK BERHAD**



# vision & mission

## Vision

**To be the Financial Services & Infrastructure Development Conglomerate of Sarawak and Beyond.**

## Mission

**To be the Premier Partner in Financial Services & Infrastructure Development of Sarawak and Malaysia.**

## Financials 2003 At A Glance

Revenue	RM1.08 billion
Profit before tax	RM82.3 million
Profit after tax and minority interests	RM23.7 million
Shareholders' Funds	RM973.7 million
Total Assets	RM3.45 billion

# contents

<b>Group Chairman's Welcome</b>	1 - 3
<b>CMS Heritage</b>	
Introduction	6 - 7
Corporate Information	8
Corporate History	9 - 11
Awards & Recognition	12 - 13
<b>CMS Today</b>	
Group Structure - Corporate & Organisation	16 - 17
Board of Directors	18 - 22
Senior Management Team	23 - 27
Group Corporate Governance	28 - 31
Statement of Directors' Responsibility	32
Statement on Internal Controls	32 - 33
Group Audit Committee	34 - 35
Additional Compliance Information	36 - 37
<b>CMS Achievements 2003</b>	
Financial Calendar 2003	40
Group Financial Highlights	40 - 41
Operating Performance	42
Operations Review	44 - 59
Building Synergy	60
Technology Development	61
Human Resource Management	62
Corporate Highlights 2003	63 - 69
Employee Activities 2003	70 - 73
Corporate Social Responsibility	74 - 77
<b>Financial Statements</b>	80 - 137
<b>Analysis of Shareholdings</b>	138 - 141
<b>List of Properties</b>	142 - 145
<b>Group Directory</b>	146 - 147
<b>Notice of Annual General Meeting</b>	148 - 151
<b>Form of Proxy</b>	153

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## group chairman's welcome

### *My Fellow Shareholders and Friends,*

Ten years from now, when you look back at 2003 and think about what was achieved during that year, I hope you will remember it as being another eventful year for our company, Cahya Mata Sarawak Berhad and its group of companies. In 2003, CMS Group made bigger and bolder steps to spread its wings further beyond the boundaries of Sarawak; going nationwide with its business investments, and in the process, become a stronger and more resilient organization. As a group of companies with origins as a single product manufacturer 30 years ago, CMS Group has grown so much, and is today well-positioned to build itself as the premier global partner in financial services and infrastructure development. And as I said to shareholders in my letter in last year's Annual Report, this is just the beginning.

A quick glance at some of the major achievements of 2003 around the Group include:

- profits from operations, excluding Utama Banking Group Berhad (UBG) and RHB, were up from RM45.7 million to RM86.2 million, an 89% increase in 2003 from the previous year;
- CMS went from being a market leader in financial services in Sarawak to become a leading player in Malaysia's financial services sector through the RHB Group.
- CMS Group's infrastructure development businesses did extremely well, responding positively to the economic growth of the Nation;
- record sales in manufacturing and construction materials;
- excellent progress in our civil infrastructure projects; and
- great efforts made to build and secure a continuous income stream for the years ahead.

Revenue for the Group in 2003 was RM1.08 billion. This enabled CMS Group to register a profit before tax of RM82.3 million for the twelve months ended 31 December 2003, with manufacturing, construction and construction materials as the main contributors to operating profit. Although profit for 2003 was lower than that achieved in 2002, a closer look and understanding of the performance will show that the two sets of results are not directly comparable. In 2002, the Group's profit included the consolidated profit of Bank Utama, which was sold towards the end of that year as part of the merger with RHB, Malaysia's third largest financial services group. The consequential investment in RHB is now accounted for as an associate company.

The Group's commendable financial performance was achieved against the backdrop of an improving national economy which grew by 5.2% in 2003, exceeding earlier estimates of 4.5%. The pace of growth was even greater in Sarawak, estimated to be at 6%. A large part of the Group's markets are located here, translating into some record sales and high profits.

**Dato Sri Sulaiman Abdul Rahman Taib**  
Group Chairman



## group chairman's welcome

Last year was another robust year for the construction sector in Sarawak. This pushed annual demand for cement to an historical high, in fact the highest in all the 25 years of CMS Cement's production. Sales reached 1.155 million metric tonnes, whilst profit in 2003 was RM74.4 million, 37% higher than the profit of RM54.2 million achieved in 2002.

The Group's steel operations showed a marked improvement in 2003. The industry experienced a shortage of and an increase in the cost of billets. Due to strong demand for steel bars and rods, the operation saw a 226% jump in performance, reducing its loss to RM2.6 million for the year as compared to a loss of RM8.6 million in 2002.

CMS Group's construction materials business of quarrying, pre-mix and concrete products earned a profit of RM11.96 million in 2003. Of this, quarrying alone reported a profit of RM8.7 million, yet again a 23% increase versus the previous year's profit.

Our construction division, which provides construction and civil engineering services, road maintenance and property development, had much to cheer about in 2003. Operating profit surged 67% from the previous year to RM57.3 million, the highest ever for the division. Profits were mainly from PPES Works, which is currently undertaking construction of a 178km coastal road from Bintulu to Miri, valued at RM581 million, in addition to implementing a number of other projects. Our construction division was awarded 2 contracts in road maintenance in 2003 – a 15-year contract to maintain 650km of Federal roads in Sarawak, and another 15-year contract to maintain all State roads in Sarawak, estimated to be 4,000km in length. Overall, the Group's construction and road maintenance contracts are valued at slightly above RM3 billion.

CMS Group's property division continued to post a profit in 2003. Projek Bandar Samariang registered a profit of RM2.7 million, compared to the previous year's RM874,000, from developments at the Bandar Baru Samariang township, 7km from the centre of Kuching City.

Our education subsidiary which operates Tunku Putra International School in Kuching, was recognized by the Ministry of Education for its students' excellent results in the 2003 UPSR examinations – a good indicator that we are succeeding in building a reputation as a centre for academic excellence. We still believe in our quest to nurture students in becoming our pride as future leaders. The School has begun preparatory works on the construction of a modern state-of-the-art campus at a site known as "the Isthmus". The area as a whole will eventually become an integral part of the future Kuching City Centre.

The financial services arm of CMS Group, which comprises commercial and investment banking, insurance, funds management, unit trust management and stock-broking, gained from the improving economic conditions of last year. We are confident of seeing even better performance in the near future from these operations, which have strong business fundamentals and well-established branding. Take the recent awards for two of these operations as an indicators. CMS Trust Management's CMS Premier Fund was, for the third consecutive year, voted the Number 1 Equity Growth Fund after registering an impressive 130.64% return for unit-holders over a 5-year period as at the end of 2003. The other award, "Best One-year Realised Return Equity Fund Manager" from the Employees Provident Fund (EPF), was won by CMS Dresdner Asset Management. Yet another indication of better times ahead is the turnaround in profits that we have already seen in the last 18 months in the RHB Group. This augurs well for its largest shareholder, CMS subsidiary, Utama Banking Group Berhad.

Based on the overall performance of the Group in 2003, the Board of Directors is recommending to reward shareholders with the payment of a first and final dividend of 5 sen per share less taxation.

Ladies and gentlemen, the achievements of CMS Group to-date are the fine efforts of a capable team of people, who have taken on the task of turning the Vision and Mission of CMS Group into reality. They are the CMS Team – all 1,600 direct employees of the Group and the thousands more who work in our associate companies and investment partnerships. I am particularly proud of our teams of professional, experienced and talented people, who thrive in an up-beat corporate culture focused on adding value in everything that they do. Their efforts are an inspiration to me, demonstrating what can be achieved by devoting our hearts and minds to a goal.

A living example occurred this past year at one of our in-house employee events – a talent competition we call the CMS Star Search. In 2002, when closing the event, I issued a challenge to our CMS ladies in what was a male-dominated event, "Come up with an all-ladies band". To my amazement, and the delight of the audience, five young women from our construction arm answered the challenge. The ladies, some of whom had never before played a musical instrument, spent 2 months of their own time, learning to play as a team, preparing and practising and in the end gave a truly enjoyable performance, sweeping all before them in the competition.

It was inspirational, showing me how determination and effort can overcome obstacles, and how application and the acquisition of new skills can lead to triumphs. It's what I have come to pride about the CMS Team, and why I am confident of their diligence and care in the protection of our investments and the creation of sound, long-term returns for shareholders.



On this note, I'd like to thank the whole CMS Team. "Thank you" to the Board of Directors for your contribution and wise guidance on strategies and policy matters affecting the Group as a whole. And "Thank you" to the Management and all employees for your dedication and full commitment to the Group's success. Combined, you make a force which is certainly one of the strengths and future value drivers of the CMS Group.

Related to this, I would like to record the Group's appreciation to Datuk Wira Haji Onn bin Mahmud, who stepped down from the Board of CMSB in early 2004. Datuk Wira Haji Onn had been CMSB's Group Chairman for seven years, during which the Group recorded momentous growth and scored many firsts. We thank Datuk Wira Haji Onn for his invaluable contributions, wise guidance and able leadership of the Board and the Group. We wish him success in his future undertakings.

I would also like to welcome our new Board member, Kevin How Kow, to the CMS Group family. Kevin was appointed to CMSB's Board of Directors in early March 2004. I am confident that Kevin's wealth of corporate finance experience will add to our Group's strength.

As the Group grows larger, it is easy to lose focus on the fundamental reason for our existence, which is the delivery of long-term, sustainable value to shareholders. So, I remind myself to stay focused on what we do.

CMS Group has quality products and services that customers want to buy. We strive to exceed our customers' demands and expectations through improvements to our products and services, particularly in the areas of quality and innovation. The future will depend on how well we leverage on the Group's extensive customer base of clients and business associates to cross-sell our products and services. I encourage shareholders to read our Operations Review to better understand CMS Group's various businesses, their achievements in 2003 and growth prospects for 2004.

CMS Group has a strong business plan to realize long-term returns on investment for shareholders. All being well, the business plan put forward by the Management team for the consideration and approval of the Board of Directors will result in more profits, bigger market share, stronger branding of products and services, and secure long-term income streams. We look to CMS Group's internal strengths as future Value Drivers. These drivers include the continued focus on quality, innovation, use of technology and improved efficiency. Group synergy is another of our priorities, to create greater competitive advantage and to unlock added value from our full range of infrastructure and financial sector products and services.

Going forward, the Group is positioning itself to benefit from the improving economic environment. The recent 11th General Elections' historic win by Barisan Nasional, with the able leadership of Prime Minister YAB Dato Seri Abdullah Ahmad Badawi, has the whole Nation excited and optimistic about greater development and growth. Add this positive external factor to CMS Group's proven track-record of project delivery, RM3 billion worth of projects-in-hand and a great team of people focused on success, and you can be confident of getting returns for your investment.

As shareholders, you would want to invest in a company which strikes a good balance between maximizing profits and taking into account the needs of all its stakeholders in the Community. CMS Group does that and more. Giving back to Society and caring for the environment is another Group priority. Over the years, the Company has carried out many social and community programmes, and continues to do so. The section on Corporate Social Responsibility in this Annual Report talks about what we did last year.

The practice of checks and balances and the role of governance are very important in protecting shareholders' investments. As Group Chairman, I assure you that good corporate governance and good business ethics are not just buzzwords in the Group, but core values that we uphold. We continuously strive to implement the highest corporate governance practices and ensure that good business ethics are practised throughout our Group.

Ladies and gentlemen, at CMS Group, we believe that if we do all of the above and continuously challenge ourselves to achieve more, the question "Why invest in CMS?" will be met with some very positive responses from shareholders, both current and future.

We believe in working hard to put in place strategies, processes and resources to ensure rewards in the coming years. We strongly believe that we can make CMS Group the premier global partner in financial services and infrastructure development. Most of all, we believe that by keeping focused on succeeding through success, we will be worthy of our name, Cahya Mata Sarawak – the Pride of Sarawak.

**Dato Sri Sulaiman Abdul Rahman Taib**  
Group Chairman



# Sarawak's first

- cement grinding plant
  - bumiputra-owned bank
- public-listed company
  - stock-broking house
- award-winning river barrage

CMS  
heritage