



Cahya Mata Sarawak Berhad annual report 2004

corporate information

www.cmsb.com.my



Cahaya Mata Sarawak Berhad

(Company No. 21076-T • Incorporated In Malaysia)

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cover rationale

The cover of this year's annual report is a pictorial representation of Cahya Mata Sarawak Berhad. The collage shows the breadth and depth of the Group's involvement in infrastructure development and financial services.

Through this diversity, there is synergy. Represented by the closeness and linkages of the images, the Group has made concrete efforts this year to harness and enhance this through promoting a better understanding of the diverse business units to develop strategic alliances.

The result is reflected in this annual report. A Group that is financially resilient, structurally firm, and managed by a team of professional, committed and qualified personnel under a dynamic Board of Directors.

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.

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Wisma Mahmud, Headquarters of Cahya Mata Sarawak Berhad



financials 2004 at a glance

revenue	RM1.02 billion
profit before tax	RM131.0 million
profit after tax and minority interest	RM28.7 million
shareholders' funds	RM992.0 million
total assets	RM2.71 billion

group chairman's welcome



Dato Sri Sulaiman Abdul Rahman Taib
Group Chairman

Dear Shareholders,

Thank you for your support. I hope that you will be impressed with the progress we have made in 2004 for our company, Cahya Mata Sarawak Berhad. We registered a 59% increase in Group profit from the previous year. We strengthened the Group's capabilities to enhance our competitiveness. We faced up to new challenges. And more importantly, we maintained our commitment to build long-term returns for stakeholders.

As a Group with interests in two main sectors, financial services and infrastructure development, Cahya Mata Sarawak Berhad registered a revenue of RM1.02 billion last year. This enabled the Group to record a pre-tax profit of RM131.0 million for the 12 months ended 31 December 2004, compared to RM82.3 million recorded in 2003.

The main contributors from the infrastructure development side of the business were manufacturing, construction materials, construction and road maintenance. These operations serve the Sarawak market and in tandem with the state's continued growth at a commendable 6% last year, CMS operations in cement, steel, quarrying, concrete products and premix maintained high levels of production and sales. Similarly, our construction division which provides civil engineering and road maintenance and management services continued to support the state's development programmes.

In financial services, it was a successful year for CMS operations in funds and asset management which benefited from improved marketing efforts, the opening of an agency office in Penang and better stock market conditions. Added to this was our share of profit from associate companies, RHB and K&N Kenanga, which contributed more than RM37 million to the Group's bottom-line.

There was also an exceptional gain of RM86.7 million from the sale of Utama Merchant Bank Berhad which was completed at the end of last year.

It is indeed a significant achievement that CMS Group was able to register a much higher pre-tax profit in 2004 compared to 2003. Although the Malaysian economy expanded by 7.1% last year, its highest in 4 years, many construction-related companies had quite the opposite experience. The Government's current development strategy targets more expenditure towards rural communities through the award of smaller projects. This signals a change in the size of projects to be awarded from here on. In addition, the nearing of the end of the 8th Malaysia Plan resulted in fewer construction jobs being awarded by the Government last year.

Generally, this would have had a considerable impact on our Group which counts construction of large projects as an area of expertise. However, because of our operations in financial services and infrastructure development, CMS was still able to provide good returns last year. Our financial services investments

were able to take advantage of the strong domestic demand and increasing business and consumer confidence to produce impressive performance results; enabling CMS to ride with changes in the Government's economic strategy which affected the construction sector.

Ladies and Gentlemen, it is our ultimate aim to provide long-term returns to our shareholders. Indeed, we have been able to keep to that focus as a result of our balanced portfolio of investments. And to reward shareholders, the Board of Directors is recommending a dividend payment of 5 sen per share less 28 percent income tax.

Such is the new business scenario which has had important repercussions on our Group. We take it as a new challenge and remain steadfast in maintaining CMS Group's leadership position. With our teams geared to be more competitive, ready to work with stretched targets and goals, this new challenge has become our key driver to make that quantum leap into the future.

As a Group with origins going back 30 years, our strong foundations allow us to adapt to the changing business environment and to find new opportunities for growth. These foundations include valuable expertise, a good track-record of project delivery, resources, and the most efficient systems and processes to serve our needs. Now, we are able to add group synergy to this list.

Much effort has been directed towards building synergy within CMS Group. Specific committees and working groups have been established to improve inter-group communication and coordination. This has led to better efficiencies, more cost-savings and increased cross-selling within the Group. We have been pleased with the results, and will continue to enhance the effectiveness of group synergy to increase our competitive edge.

Another endeavour to position CMS as a strong and diversified group was the internal reorganisation last May. The exercise, which was aimed to strengthen the business focus of the Group, saw similar businesses re-grouped under the same corporate structure. The result is a simpler corporate structure which enhances efficiency in tax planning and enables more direct access to profits of the subsidiaries. In the process, names of fifteen subsidiary companies were also changed to reflect the strength, identity and values of the CMS brand.

Our teams are very much focused on looking for growth opportunities, both at home and abroad. Last year, we embarked on several road-shows and business development missions outside of our home-state, Sarawak. We have also begun the groundwork to go beyond Malaysian shores. In June, we signed a Memorandum of Understanding with a Vietnamese company to explore opportunities in Vietnam. With dedication and perseverance, we are confident that our efforts will be forthcoming in the near future.

Each year, I am thankful that the fine efforts of our team are recognized by peers and certification bodies. In 2004, PPES Works won the highest construction award in the country, the prestigious Malaysian Construction Industry Excellence Award in the Medium Scale Project category. The award was won for its work in the upgrading of the airport located in Mulu, a United Nations designated 'World Heritage Site', in the mountainous area of northern Sarawak. Awarded by the Construction Industry Development Board (CIDB), this recognition is more special because it was judged by PPES Works' peers in the construction sector.

PPES Works ended 2004 on a high note when it became the first construction company in Sarawak to be accredited with the gold standard for quality, the Integrated Management Systems - QESH certification. This follows the successful integration of three key internationally-recognized management systems, namely ISO 9001:2000 (for quality management systems), ISO 14001:1997 (for environmental care) and OHSAS 18001:1999 (for health and safety of its employees), under a single document.

The public recognition continued with a win by CMS Cement for its commitment towards the health and safety of employees at the Kuching plant. CMS Cement won the Gold Award in the Manufacturing and Chemical sector at the Malaysian Society for Occupational Safety and Health (MSOSH) Awards 2004.



group chairman's welcome

Meanwhile, CMS Trust Management's CMS Premier Fund continued to be recognized as the Number 1 equity growth fund in the country for its returns over a 5 year period at The Edge - Lipper Malaysia Unit Trust Fund Awards 2004. Having won this honour four times previously, the recognition is testimony of the fund's commitment to provide investors with consistent returns. We were pleasantly surprised when another fund, the CMS Balanced Fund, was named Number 1 mixed asset income fund in Malaysia for its returns over a three-year period. This was the first time that CMS Balanced Fund had won in the national unit trust fund awards.

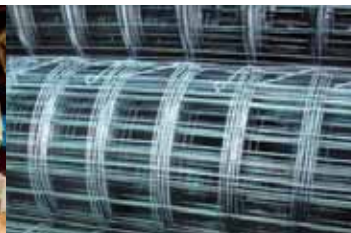
Overall, it has been another eventful year for us. This would not have been possible if not for the efforts of many, many people. Please join me in thanking the whole CMS Team. My appreciation goes to our Board of Directors for their contribution and wise guidance on strategies and policy matters affecting the Group as a whole. Related to this, I would like to record the Group's appreciation to Mr David William Berry, CMS Group's former Group Chief Executive Officer and Executive Director whose contract expired at the end of 2004. We wish him success in his future undertakings. I also wish to thank our Management and employees for their dedication and full commitment to the Group's success. And "Thank You" to you, the shareholders of CMSB, for your continued confidence in our company.

Ladies and Gentlemen, the future success of CMS Group depends on our ability to be the first to bring more innovative products and services on to the market to meet the needs of increasingly discerning customers. Staying ahead requires us to improve efficiency levels, to make technology work for us, and to enhance group synergy.

With these focus areas, CMS Group is today well-placed to strengthen our position as the leading conglomerate in Sarawak. The company's fundamentals are sound. We are fully committed to build long-term returns for our stakeholders. And we will continue to earn our reputation as being Cahya Mata Sarawak - The Pride of Sarawak.

Sincerely,

Dato Sri Sulaiman Abdul Rahman Taib
Group Chairman



corporate information

Directors	Dato Sri Sulaiman Abdul Rahman Taib (Group Chairman) 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
Secretaries	Isaac Lugun Denise Koo Swee Pheng
Auditors	Ernst & Young
Registered office	Level 6, Wisma Mahmud, Jalan Sungai Sarawak 93100 Kuching, Sarawak, Malaysia. Tel: +6 082 238 888 Fax: +6 082 333 828
Website	www.cmsb.com.my
Registrar	Symphony Share Registrars Sdn Bhd Level 26, Menara Multi Purpose, Capital Square No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia. Tel: +6 03 2721 2222 Fax: +6 03 2721 2530
Principal bankers	RHB Bank Berhad Bumiputra-Commerce Bank Berhad Malayan Banking Berhad EON Bank Berhad Citibank Berhad
Stock Exchange Listing	Bursa Malaysia - Main Board Stock Code - CMSB Stock Number - 2852

corporate milestones

1974

The Group begins as Cement Manufacturers Sarawak Sdn Bhd, a joint-venture between the State Economic Development Corporations of Sabah and Sarawak, producing ordinary Portland cement.

1976

Bank Utama (Malaysia) Berhad, Sarawak's first bumiputra-owned bank, is incorporated.

1996

- Cement Manufacturers Sarawak Berhad changes its name to Cahya Mata Sarawak Berhad (CMSB).
- CMS Trust Management's maiden fund, CMS Premier Fund, is launched in Kuching.
- Pavement Technology is Sarawak's first to introduce cement stabilization to rehabilitate and reconstruct roads by recycling existing pavements.
- CMS Cement attains the ISO/IEC Laboratory Accreditation.

1995

- PPES Works completes the Satok Flyover in Kuching, Sarawak's first, valued at RM22.7 million.
- Utama SSSB (later renamed CMS Trust Management Bhd) begins operations as East Malaysia's first commercial unit trust management company.

1994

New shareholders, a reconstituted Board of Directors and business expansion takes place in Cement Manufacturers Sarawak. Operations are re-aligned into 2 core businesses - financial services and infrastructure development.

1992

Sarawak Securities commences operations as Sarawak's first licensed stockbroker.

1989

Cement Manufacturers Sarawak is Sarawak's first company to be listed on the main board of the Malaysian stock exchange.

1997

- Utama Banking Group Berhad (UBG) debuts on the KLSE Main Board.
- Deputy Prime Minister of Malaysia launches Bandar Baru Samariang township development project.
- Tunku Putra International School, Sarawak's first international school, is officially opened.
- PPES Works wins the YB Datuk Dr. George Chan Engineering Excellence Award from the Institute of Engineers Malaysia, Sarawak Branch.
- Setri and PPES Trading attain the ISO 9002:1994 Quality Management System certification.

1998

- Prime Minister of Malaysia officially opens the RM150 million Sarawak River Regulation Scheme project, constructed by PPES Works. The project is the first of its kind in South-East Asia.
- Sarawak Securities acquires Utama Securities Sdn Bhd, Sarawak's second stock-broking house and the first in Miri, to serve clients in the northern region of Sarawak.
- CMS Modular Housing is Sarawak's first to introduce modular construction technology in the State.
- CMS Cement (Kuching Plant), Sebuyau Kuari and PPES Works attain the ISO 9001:2000 Quality Management System certification.

1999

- CMS Premier Fund attains 5-Star ranking by Micropal as one of the top 10% performing funds in its category.
- CMS Premier Fund declares 2 income distributions within one financial year.
- Cahya Mata Sarawak Berhad's annual report wins the Overall Excellence Award at the Sarawak Chamber of Commerce & Industry (SCCI) Annual Corporate Report Awards. CMSB is also finalist in the national-level corporate report awards, NACRA.
- Bank Utama's annual report wins in the non-listed company category of the SCCI Annual Corporate Report Awards.
- CMS Trust Management is announced No.1 Growth Fund for a 1-year period at The Edge-Lipper Malaysia Unit Trust Fund Awards.

1999

- CMS Cement Bintulu Grinding plant is officially opened by Sarawak's Chief Minister.
- CMS Steel's state-of-the-art rolling mill is officially opened at Sejingkat, Kuching.
- Projek Bandar Samariang is awarded a contract by Sarawak Housing Development Commission to construct 2,500 units of 'rumah rakyat'. This is to reduce the State's massive back-log of low-cost housing applications.
- Deputy Prime Minister of Malaysia declares open the RM78 million Kuching Outer Ring Road, constructed by PPES Works.

corporate milestones

2000

- CMS Transportation receives the 3rd International Transport Award (New Millennium Award) from The Editorial Office, in Madrid, Spain.
- Minister of Finance, Malaysia launches the RM125 million Pusa/Beladin/Maludam/Triso road constructed by PPES Works.
- PPES Works completes the RM80 million, 2.2m diameter, water pipeline project for the transfer of raw water over 1.2 km in Miri, Sarawak.

2000

- CMS Concrete Products attains the ISO 9001:2000 Quality Management System certification.
- CMSB is again winner of the Overall Excellence Award at the SCCI Annual Corporate Report Awards competition. Utama Banking Group Berhad (UBG) wins runner-up placing. Bank Utama is again winner in the non-listed company category.
- CMS Trust Management is announced Best Overall Performing Fund for a 3-year period and also No.1 Growth Fund. for a 3-year period at The Edge-Lipper Malaysia Unit Trust Fund Awards

2001

- Bank Utama successfully manages and arranges the largest bond issue in the country - Al-Istisna bonds - valued at RM1.5 billion.
- Bank Utama is the country's first bank to offer the Electronic Bills Presentment & Payment (EBPP) service.
- Sarawak Securities completes the merger with K&N Kenanga. CMSB, through CMS Capital, becomes the single largest shareholder in one of the largest retail-based stock-broking companies in Malaysia.
- CMS Cement attains the MS ISO 14001:1997 Environmental Management System certification.
- CMSB wins the Overall Excellence Award for the third consecutive year at the SCCI Annual Corporate Report Awards. CMSB is also finalist, for the second time, in the national-level corporate report awards, NACRA.

2001

- PPES Works completes construction of the 75.8 km Tubau-Bakun road for RM176.16 million.
- PPES Works is awarded a RM581.17 million project to construct the 178 km coastal road linking Miri to Bintulu.
- CMS Trust Management launches its second fund, CMS Balanced Fund.

2001

- UBG is again runner-up in the listed company category of the SCCI Annual Corporate Report Awards competition. Bank Utama wins, for the third consecutive year, in the non-listed company category.
- CMS Trust Management's CMS Premier Fund is named the No.1 Equity Growth Fund in the 3 and 5 year period categories at The Edge-Lipper Malaysia Unit Trust Fund Awards.

2002

- PPES Works and CMS Modular build a new longhouse for victims of the Simunjan landslide. Cost of the longhouse, estimated at RM200,000, is borne by CMS Group.
- PPES Works completes the Miri By-Pass road (contract value RM26.4 million), Kuala Lawas-Merapok road (contract value RM15.4 million), and UNIMAS infrastructure works (contract value RM108.9 million).
- CMSB and UBG seal merger talks with RHB and RHB Bank for the disposal of Bank Utama. In creating Malaysia's third largest financial services group, UBG acquires 26.1% of the issued and paid-up capital of RHB together with 8,000,000 RHB Warrants-C, and was issued with RHB Irredeemable Convertable Unsecured Loan Stock, RHB ICULS-A with a total nominal value of RM463.6 million and RHB ICULS-B with a total nominal value of RM403.4 million.

2002

- CMS Trust Management launches 2 new funds – CMS Islamic Fund and CMS Bond Fund.
- PPES Works takes just 5 weeks to construct 28 units of shops for the Mukah fire victims.

2002

- CMS Group acquires an MSC status, IT-related company. The company's name is eventually changed to CMS Digital Sdn Bhd.
- CMS Cement attains the OHSAS 18001:1999 Occupational Health & Safety certification.
- CMSB and UBG win runner-up placing in SCCI's Annual Corporate Report Awards. Bank Utama wins in the non-listed company category.
- CMS Trust Management's CMS Premier Fund is named Best Overall Performing Fund for a 5-year period and No.1 Equity Growth Fund in the 5 year category at The Edge-Lipper Malaysia Unit Trust Fund Awards.

2003

- CMS Cement Bintulu Grinding Plant attains the MS ISO 9001:2000 Quality Management System certification.
- PPES Works' first comprehensive effort at promoting sustainable environmental development wins recognition at the Sarawak's Chief Minister's Environmental Awards 2003/4, Large-Scale enterprise category.
- CMSB and UBG win runner-up placing at SCCI's Annual Corporate Report Awards. Bank Utama wins in the non-listed company category.
- CMS Trust Management's CMS Premier Fund is again the No.1 Equity Growth Fund in the 5 year category at The Edge-Lipper Malaysia Unit Trust Fund Awards. CMS Premier Fund is also winner in the Equity Malaysia sector of the inaugural The Star/Standard & Poor's Investment Fund Awards.
- CMS Dresdner Asset Management wins the Best 1-year Realised Return Equity Fund Manager 2003 award from the Employees Provident Fund.

2003

- CMS Modular Housing secures a 5-year contract to supply CMS Insul Roof systems to Sarawak's Housing Development Commission.
- PPES Works completes Phase 1 of Dalat Hospital (contract value RM42 million) and the Tanjung Manis Airport (contract value RM53 million).
- Sara Road Maintenance secures a 15-year contract to maintain all State roads in Sarawak. The contract is estimated to be valued at RM86 million per year.
- PPES Works secures a 15-year contract to maintain 650 km of Federal roads in Sarawak. The contract is estimated to be valued at RM25 million per year.
- RHB Bank and Bank Utama merge operations, offering customers a wider network of 200 branches nationwide, 470 ATMs and new products and services, such as Internet banking.

corporate milestones

2004

- CMSB's corporate structure re-organisation streamlines operations, enhance efficiencies in tax planning and further strengthens its business focus. Names of 15 subsidiaries are changed in the process.
- CMS Energy, with its joint-venture partners, is awarded a RM130 million contract for the design and execution of the hydraulic steel structure package of the Bakun Hydroelectric Project.
- CMSB enters into a Memorandum of Understanding (MOU) to bid for infrastructure projects in Vietnam.

2004

- PPES Works' upgrading of the Mulu Airport wins the prestigious Malaysian Construction Industry Excellence Award (MCIEA) 2004 in the category of Medium-Scale Projects (Building).
- PPES Works, with its joint-venture partner, enters into an MOU to commence preparation and construction works for the proposed new Dewan Undangan Negeri (DUN) complex in Kuching.
- PPES Works is awarded a RM109.8 million contract for the construction of Jalan Mulukun/Ng. Gaat (Phase 1) in Kapit Division, Sarawak.

2004

- CMS Roads and CMS Pavement Tech attain the ISO 9001:2000 Quality Management System certification.
- CMS Trust Management's CMS Balanced Fund is the No.1 Mixed Asset Income Fund for a 3-year period whilst CMS Premier Fund is again the No.1 Equity Growth Fund in the 5-year category at The Edge-Lipper Malaysia Unit Trust Fund Awards.

2004

- CMS Trust Management launches its fifth fund, CMS Islamic Balanced Fund.
- UBG finalises the sale of its 85.1% equity interest in Utama Merchant Bank Berhad.

2004

- CMS Cement wins the Gold award at the Malaysian Society for Occupational Health & Safety awards.
- PPES Works becomes Sarawak's first construction company to attain the QESH – Integrated Management System (IMS) certification, the gold standard for quality.
- PPES Works attains the ISO 14001:1996 Environmental Management System certification and the OHSAS 18001:1999 Occupational Health & Safety Management System certification.

PPES Works wins Malaysian Construction Industry Excellence Award



The construction industry gave PPES Works the thumbs up when it judged the upgrading of the Mulu Airport winner of the prestigious Malaysian Construction Industry Excellence Award (2004) – Medium Scale Building category. Recognising outstanding players in the industry, the award by the Construction Industry Development Board (CIDB) is the nation's highest honour in the construction sector.

Mulu, the crown jewel of Sarawak's national parks, is an international tourist destination in the heart of our rainforest. As part of Sarawak government's long-term strategic infrastructure plan to develop tourism and economic potential of the area, PPES Works was tasked by the government to upgrade Mulu Airport to provide reliable and direct regional air links.

Completed on time and within budget, judges pointed to PPES Works' demonstration of sustainable project management as one of its winning strengths. The original design for the 300m extension of runway required the removal of two obstructing limestone hills. PPES Works worked closely with the client and proposed an alternative design which required only the trimming of vegetation on one hill and slight lowering of another, minimising disruption to the sensitive environment.

The use of local materials and ethnic design in the airport upgrading project also appealed to the judges. Intricate hand-carved wood panels by local craftsmen featuring Sarawak motifs and designs adorn walls of the airport terminal, creating a unique identity for the gateway to this World Heritage Site.

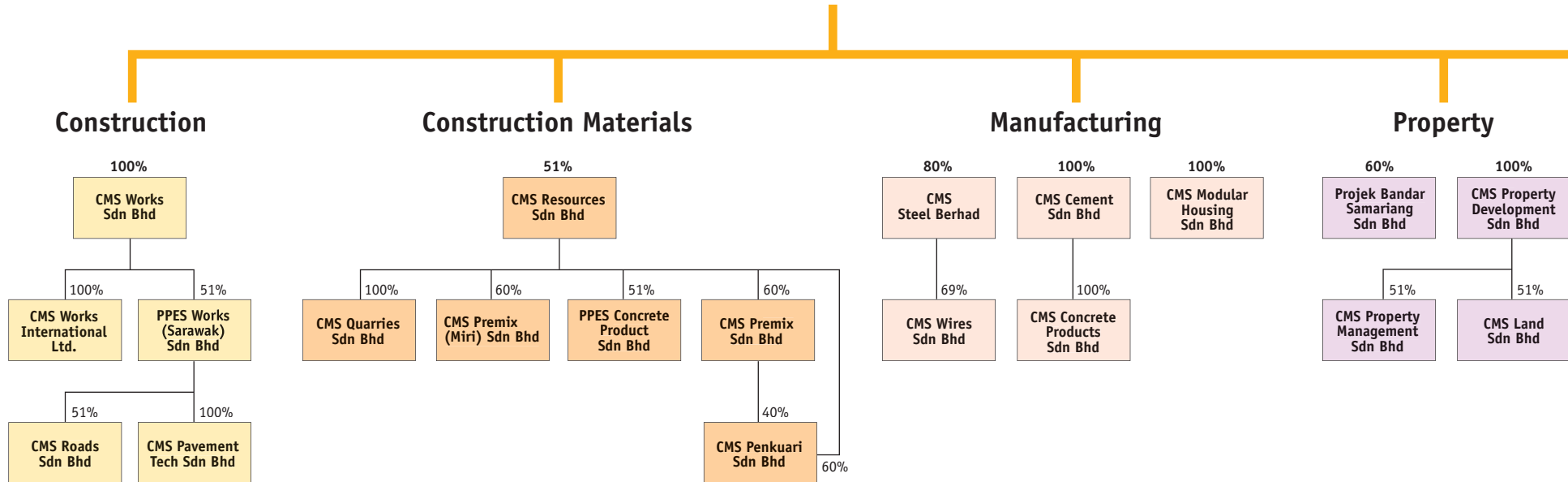
PPES Works' involvement in the upgrading project could have ended with the arrival of the first scheduled flight. However, PPES Works took it upon themselves and went one step further by initiating the Mulu Ecological Preservation Society (MEPS) as part of its corporate social responsibility commitments. One of MEPS' initial projects was to work hand-in-hand with the local Penan and Berawan communities and related government agencies to begin planting low vegetation and creepers to rehabilitate the two limestone hills affected in the extension of runway.

For PPES Works, the award is a reflection of the company's commitment not only to deliver on a promise to its client, but to go the extra step in environmental preservation and community enhancement.



CAHYA MATA SARAWAK

group corporate structure



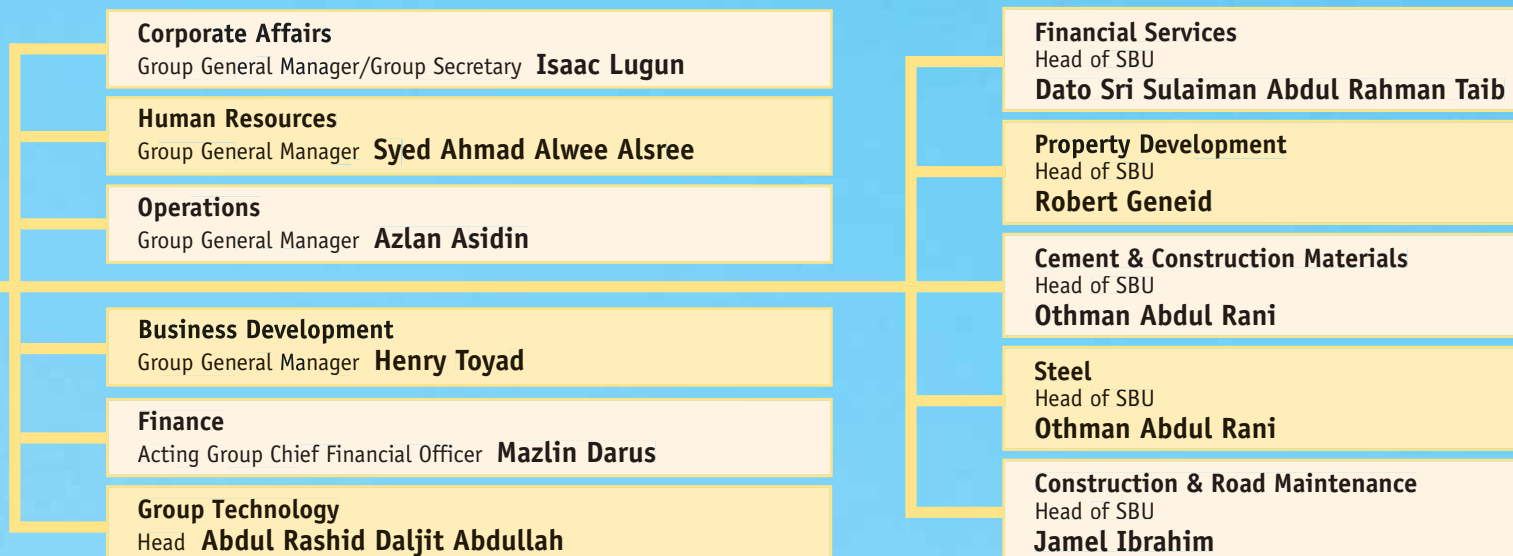
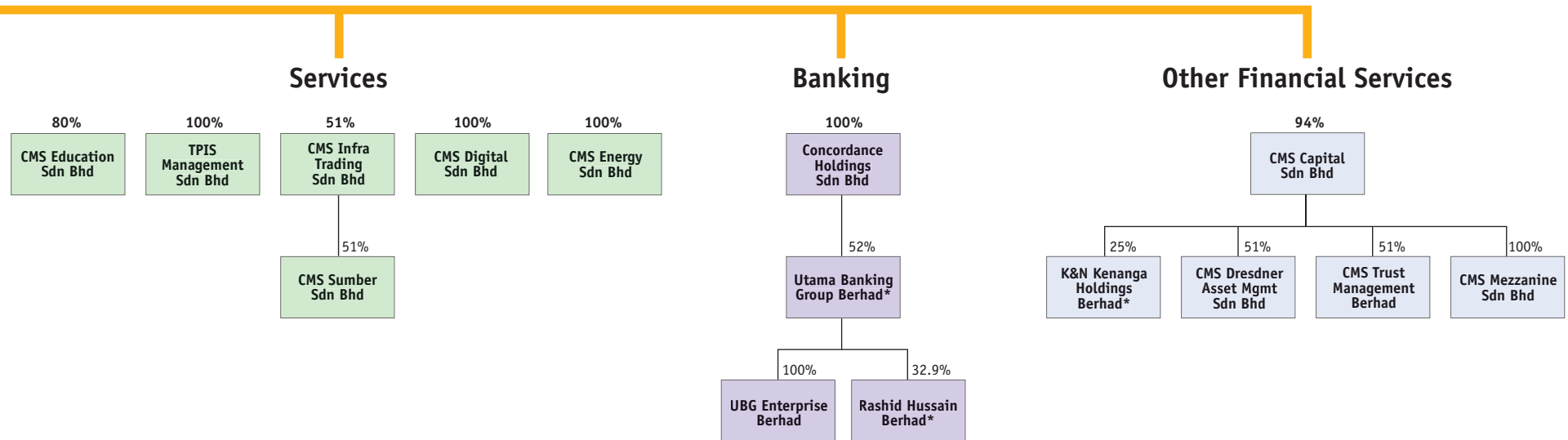
CAHYA MATA SARAWAK

group organisation structure

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

Group Deputy Chairman
Haji Mahmud Abu Bekir Taib

Group Chief Executive Officer/
Executive Director
(Vacant)





board of directors

left to right:

YB Datuk Haji Talib bin Zulpilip Director

Datu Michael Ting Kuok Ngie Director

Dato Sri Liang Kim Bang Director

Dato Sri Sulaiman Abdul Rahman Taib Group Chairman

Haji Mahmud Abu Bekir Taib Group Deputy Chairman

Datuk Wan Ali Tuanku Yubi Director

Kevin How Kow Director

directors' profile

Y Bhg. Dato Sri Sulaiman Abdul Rahman Taib

(Malaysian, age 36)
Group Chairman, Non-Executive Director
Member of the Remuneration Committee
Member of the Nomination Committee



Dato Sri Sulaiman is Group Chairman of CMSB, having been appointed in May 2002. Prior to this, he was appointed 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 CMSB, Dato Sri Sulaiman is currently Executive Chairman of Rashid Hussain Berhad and RHB Capital Berhad. He is also a director of Utama Banking Group Berhad, RHB Sakura Merchant Bankers Berhad, RHB Bank Berhad, RHB Islamic Bank Berhad, K&N Kenanga Holdings Berhad and CMS Works International Ltd.

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 CMSB. He is also a son of Lejla Taib, and a major shareholder of Majaharta Sdn Bhd; both major shareholders of CMSB.

Dato Sri Sulaiman is deemed interested in recurrent related party transactions of which a shareholders' mandate was obtained on 22 June 2004.

Haji Mahmud Abu Bekir Taib

(Malaysian, age 41)
Group Deputy Chairman, Non-Executive Director



Haji Mahmud is Group Deputy Chairman of CMSB 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 stock-broking and corporate sectors. He is founding member of Sarawak Securities Sdn Bhd, Sarawak's first stock-broking 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, CMS Steel Berhad, 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 CMSB. He is also a son of Lejla Taib, and a major shareholder of Majaharta Sdn Bhd; both major shareholders of CMSB.

Haji Mahmud is deemed interested in recurrent related party transactions of which a shareholders' mandate was obtained on 22 June 2004.

Y Bhg. Dato Sri Liang Kim Bang

(Malaysian, age 68)
Senior Independent Non-Executive Director
Chairman of the Remuneration Committee
Chairman of the Nomination Committee
Chairman of 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 Malaysian International Shipping Corporation Berhad, 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 B.A. and B.A. (Hons) degrees and at the University of Cambridge (Trinity College), England (1962 – 1963) 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 (1984 – 1994).

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

**YB Datuk Haji
Talib bin Zulpilip**
(Malaysian, age 53)
Non-Executive Director
Member of the Group Audit Committee



YB Datuk Haji Talib was appointed to the Board 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 in 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 55)
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. He served as Permanent Secretary in the Ministry of Land Development, and as General Manager of Sarawak's Land Custody and Development Authority. He 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 Chief Executive Officer / Director of Sarawak Enterprise Corporation Berhad and is 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 64)
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 has no family relationship with any director and/or major shareholder of the Company. Datu Michael Ting is deemed interested in recurrent related party transactions of which a shareholders' mandate was obtained on 22 June 2004.

Kevin How Kow
(Malaysian, age 56)
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 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, 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 team

seated (left to right):

Syed Ahmad Alwee Alsree Group General Manager - Human Resources

Dato Sri Sulaiman Abdul Rahman Taib Group Chairman

Haji Mahmud Abu Bekir Taib Group Deputy Chairman

Isaac Lugun Group General Manager - Corporate Affairs / Group Secretary

standing (left to right):

Jamel Ibrahim Head of Construction & Road Maintenance SBU

Mazlin Darus Acting Group Chief Financial Officer

Henry Toyad Group General Manager - Business Development

Robert Geneid Head of Property Development SBU

Abdul Rashid Daljit Abdullah Head - Group Technology

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

Azlan Asidin Group General Manager - Operations

senior managements' profile



■ Isaac Lugun

Group General Manager
– Corporate Affairs/Group Secretary

Isaac, age 47, joined CMSB 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

Syed Ahmad, age 39, joined CMSB in February 2004. As Group General Manager – Human Resources, Syed Ahmad is responsible for the smooth operations and integration of various human resource departments within CMS Group. His focus is to continue to harness and manage talents in our diversified group, as a catalyst for change management to support CMS Group's business goals and strategies. Syed Ahmad graduated with a LLB degree from the National University of Singapore. He practiced law in Singapore for over 10 years prior to joining CMS Group.

■ Azlan Asidin

Group General Manager – Operations

Azlan, age 40, joined CMSB in February 2005 as Group General Manager - Operations. In this role, Azlan's task is to oversee the enhancement of efficiencies in current CMSB operations. His experience includes positions in Petronas - as Non Hydrocarbon Trader, Upstream Manager and later as Country Manager – Vietnam for Malaysian International Trading Corporation (MITCO) where he took charge of all petrochemicals, fertilisers and general commodities import/export to and from Vietnam for the Petronas Group. Azlan also held senior management positions at Golden Hope Plantations Berhad and was Group Managing Director for Trenergy (Malaysia) Berhad prior to joining CMS Group. Azlan graduated with a Bachelors degree in Engineering from the University of Hertfordshire, and has an MBA from the London Business School.

■ Henry Toyad

Group General Manager – Business Development

Henry, age 48, joined CMSB in March 2000. His main responsibility is to identify potential commercially viable new ventures for the Group. These include opportunities and initiatives in infrastructure as well as in the energy, power and technology sectors. 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 operations centres in South Korea, Japan and Scotland, United Kingdom.

■ Mazlin Darus

Acting Group Chief Financial Officer

Mazlin, age 51, is currently Acting Group Chief Financial Officer of CMSB. Apart from overseeing the Group's finance function, she is also General Manager - Finance at PPES Works (Sarawak) Sdn Bhd, the Group's civil engineering and construction arm. She has 26 years experience in the banking sector, beginning with her first appointment at Bank Negara Malaysia. She joined Bank Utama (M) Berhad in 1988, where she held various senior management positions in Group Financial Services and in Finance & Control until the bank's merger with RHB Bank Berhad in 2003. Her last appointment was as Senior Vice President of Finance & Control Division covering asset-liability management and accounts for the bank's operations. Mazlin holds a Bachelors degree in Economics majoring in Business Management from Universiti Kebangsaan Malaysia.

■ Abdul Rashid Daljit Abdullah

Head - Group Technology

Abdul Rashid, age 39, joined CMSB in July 2004. He is responsible for implementing IT initiatives and infrastructure as well as application projects within the Group. Prior to joining CMSB, Abdul Rashid worked for Asiawerks Global Investment Group, Singapore as Head of Business Development (IT & Television Services). His experience includes specializing in media/communication utilisation, intranet, internet services and financial investment services, having worked for regional and international companies. He has also deployed integrated networks across Asia, most notably in India, Indonesia and China. He also contributes to regional IT publications including Computertimes, a major publication in Singapore. Abdul Rashid holds a Bachelors degree from the National University of Singapore.

■ Robert Geneid

Head of Property Development SBU

Robert, age 50, heads CMS Group's Property Development SBU which is responsible for development and commercialisation of CMS Group's landbank. The largest asset is the riverine township of Bandar Samariang in Kuching. Robert is Managing Director of CMS Property Development Sdn Bhd which provides a full range of project management services from construction through to sales, marketing and financing. He is also a director of Projek Bandar Samariang Sdn Bhd, the land owner of Bandar Samariang. Robert holds degrees in Civil Engineering and Law and has extensive experience in property development.

■ Othman Abdul Rani

Head of Cement & Construction Materials and Steel SBUs

Othman, age 48, heads CMS Group's operations in manufacturing (cement, steel, wires and concrete products) and construction materials (quarrying, premix). Othman is currently Executive Director/Chief Executive Officer of CMS Cement Sdn Bhd, having joined the company as a graduate trainee in 1981. He is also Executive Director of CMS Steel Berhad and CMS Wires Sdn Bhd, and director of several subsidiary companies in the Group. Othman is active in associations related to the Malaysian construction materials industry. He is the current Chairman of the Cement & Concrete Association of Malaysia, a Council Member of the Federation of Malaysian Manufacturers (FMM), and Chairman of the Sarawak Working Committee of FMM. Othman holds a Bachelor of Engineering (Chemical) degree from the University of Malaya.

■ Jamel Ibrahim

Head of Construction & Road Maintenance SBU

Jamel, age 51, joined CMS Group in June 2001. He is currently Executive Director of PPES Works (Sarawak) Sdn Bhd, CMS Roads Sdn Bhd, CMS Pavement Tech Sdn Bhd, and director of several subsidiary companies in the Group. Jamel hails from Lutong and was amongst the first Bumiputra selected to study pure sciences under the Government's pioneer education programme, before gaining a scholarship to pursue his 'A' levels in the United Kingdom and Bachelor of Science degree in Civil Engineering at the University of London. He is a chartered engineer, and had previously served with Sarawak Shell Berhad for 23 years in various technical and managerial positions, including postings overseas for Shell International Operating Companies in South Korea, United Kingdom and Nigeria.



group corporate governance

Cahya Mata Sarawak Berhad's ("CMSB") approach to corporate governance has been designed to ensure that its businesses and affairs are effectively managed to enhance organizational 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, providing checks and balances throughout the organizational structure.

Once again, we would like to assure you 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.

In this context and taking into account the growing importance of corporate governance, in 2004, the Board continued to review of the Group's structure, emphasizing increased business efficiency and transparency. Among the proactive approaches taken during the year was the Group's internal restructuring exercise which centred on streamlining operations and strengthening the business focus.

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 2004, 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 regards 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
- authorizing 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 seven members, all of whom are non-executive Directors (including the Chairman). Four of the seven 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 16 to 17.

To ensure that there is a balance of power and authority, the roles of the Chairman and the Group Chief Executive Officer are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Group Chief Executive Officer has overall responsibility for operating units, organizational effectiveness and implementation of objectives and policies approved by the Board.

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.

Appointments to the Board

The Nomination Committee recommends the appointment of new Directors to the Board. Upon appointment, new Directors undergo a familiarization 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.

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.

The Executive Director's remuneration comprises a salary, bonuses and other customary benefits as appropriate. Salary reviews take into account market rates as well as individual and corporate performance. 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 2004, analysed into bands of RM50,000, is set out in Note 8 to the Financial Statements. This complies with the disclosure requirements under Bursa Malaysia Listing Requirements. The Board is of the view that transparency and accountability with regards to Directors' remuneration is met by this disclosure method.



group corporate governance

Directors' Training

The Board firmly believes in the importance of continuous training for all Directors. All members of the Board have attended the Mandatory Accreditation Programme.

In addition, seminars and conferences organized by the Securities Commission, Bursa Malaysia, relevant regulatory authorities, and professional bodies on areas concerning Directors' responsibilities and corporate governance are notified to Directors, for their participation.

BOARD MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

Our Directors diligently support the work of the Board and its committees. During the year, 5 Board Meetings were held including a full day spent reviewing the Group's strategy. The attendance of Directors at the Board Meetings in 2004 was as follows:

Name of Director	Total Meetings attended	% of attendance
Dato Sri Sulaiman Abdul Rahman Taib	5/5	100
Haji Mahmud Abu Bekir Taib	3/5	60
David William Berry	4/5 [#]	80
Dato Sri Liang Kim Bang	4/5	80
YB Datuk Haji Talib bin Zulpilip	4/5	80
Datuk Wan Ali Tuanku Yubi	4/5	80
Datu Michael Ting Kuok Ngie	5/5	100
Kevin How Kow	3/3 [*]	100

[#] Resigned 31 December 2004

^{*} Appointed 12 March 2004

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)	-	-	-
David William Berry (resigned 31 December 2004)	-	M	-
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	-	-

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.

group corporate governance

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	2/4	50
Datu Michael Ting Kuok Ngie	4/4	100
Kevin How Kow	3/3*	100

* Appointed 12 March 2004

The report on the Audit Committee, including its role in relation to the external auditors, may be found on pages 31 to 33 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
Datu Michael Ting Kuok Ngie	1/1	100
Datuk Wan Ali Tuanku Yubi	1/1	100
David William Berry	0/1#	0

Resigned 31 December 2004

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)	1/1	100
Dato Sri Sulaiman Abdul Rahman Taib	1/1	100
Datu Michael Ting Kuok Ngie	1/1	100
Datuk Wan Ali Tuanku Yubi	1/1	100

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATIONS

The Company seeks to develop and maintain regular informative communications with its shareholders totaling over 7,500. 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 Chairman also meets with investors and investor bodies to discuss the Group's progress, future growth prospects and strategies. A major event was CMSB's participation in the 'Look East Malaysia Forum' held in July 2004, organised by a KL-based stockbroking company.

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

ACCOUNTIBILITY 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 Controls is set out on page 29 to 30 of this Annual Report.



statement of directors' responsibility

The Directors are required by the Companies Act 1965 ("the Act") to prepare financial statements of 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 Securities, 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 2004 set out in the Financial Report section of CMSB's Annual Report 2004, 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 and the financial position of the Group and the Company and 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.

statement on internal controls

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard share-holders' 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 its public listed subsidiary, Utama Banking Group Berhad ("UBG"), or those of its associated companies. The Group's interests are served through representation on the Boards of these 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 operations and management of the Company and, under the guidance and control of the Company, each Strategic Business Unit (SBU) and/or subsidiary is responsible for creating a risk aware culture and for managing the risks associated with its respective business activities.

In the previous year, external consultants have assisted the management of significant operating subsidiaries in the development of a formalised 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 ongoing effort to embed risk management procedures throughout the Group, a monitoring and reporting process is being developed to continuously evaluate and monitor the significant risks in a formalised manner. To this end, commencing in early 2004, as part of monthly operational reviews, the management of each SBU is required to categorise major risks and to formally report on the status of on-going risk mitigation measures to the Group's Executive Management Committee. The management is currently evaluating the existing risk reporting procedures with a view to fully align this to the existing performance monitoring systems. In addition, annually 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 above initiatives, in particular, the plan to modify the risk reporting 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.



statement on internal controls

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 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 28 February 2005.

group audit committee

This report provides details of the composition of the Group Audit Committee ("the Committee"), its terms of reference and a summary of the activities of the Committee and the Internal Audit function during the year ended 31 December 2004.

COMPOSITION

The Group Audit Committee comprises the following Board members :

Dato Sri Liang Kim Bang - *Chairman of Group Audit Committee*
(Senior Independent Non-executive Director)

Datuk Haji Talib bin Zulpilip
(Non-executive Director)

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

Kevin How Kow
(Independent Non-executive Director)
Appointed on 12 March 2004

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 the Listing Requirements of Bursa Securities 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.



group audit committee

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 Malaysia 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 2004

During the year ended 31 December 2004, the Group Audit Committee held four meetings which were attended by the members as follows:

	No. of Meetings Attended
Dato Sri Liang Kim Bang	4 out of 4
YB Datuk Haji Talib bin Zulpilip	2 out of 4
Datu Michael Ting Kuok Ngie	4 out of 4
Kevin How Kow (appointed 12 March 2004)	3 out of 3

ACTIVITIES OF THE GROUP AUDIT COMMITTEE IN THE YEAR 2004

- Reviewed the audit plan with the external auditors and their evaluation of the system of internal control;
- Reviewed the assistance given by the Company's and Group's officers to the external auditors;
- Reviewed accounting/audit issues, findings and other reservations arising from the external audit and ensure that appropriate action is taken;
- 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 the 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, 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 information

The following information is presented in compliance with the Listing Requirements of Bursa Securities.

Utilisation of Proceeds

CMSB did not raise any funds from its completed corporate proposals.

Share Buy-backs

CMSB has not purchased any of its own shares during the financial year ended 31 December 2004 and the preceding financial year.

Options, Warrants or Convertible Securities

CMSB has not issued any options, warrants or convertible securities during the financial year ended 31 December 2004 and the preceding financial year other than the granting and exercise of options under the Employee Share Option Scheme as disclosed in Directors' Report.

American Depositary Receipt (ADR) / Global Depositary 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

The non-audit fees payable to the external auditors of CMSB and its subsidiaries for the financial year ended 31 December 2004 were as follows:

Name of Auditor	Fees (RM)	Purpose
Ernst & Young	143,500	Due diligence review, share valuation, review of internal statement control and advisory
Pricewaterhouse Coopers	23,000	Corporate exercise and review of internal statement control
Total	166,500	

Variation in Result

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

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 by CMSB and its subsidiaries involving Directors and major shareholders except as disclosed in Note 38 to the financial statements.

Revaluation Policy

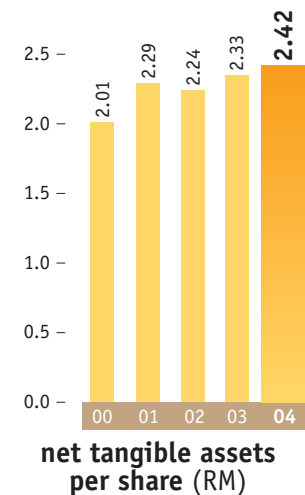
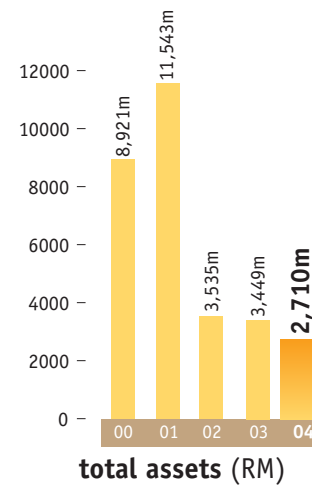
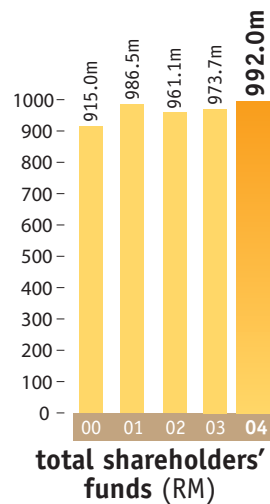
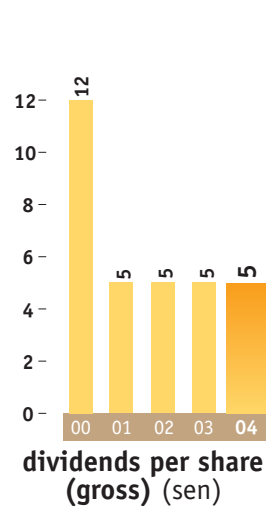
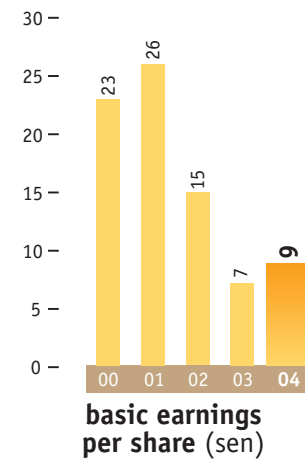
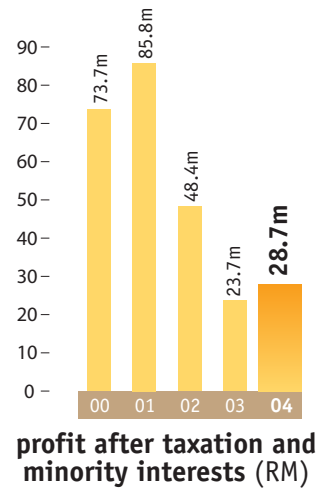
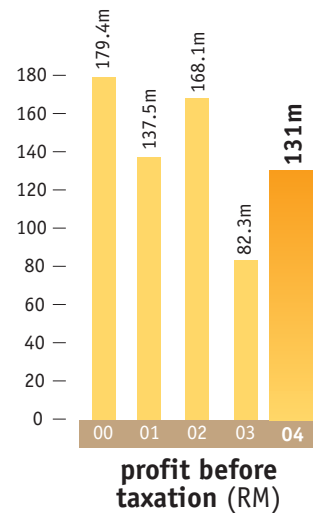
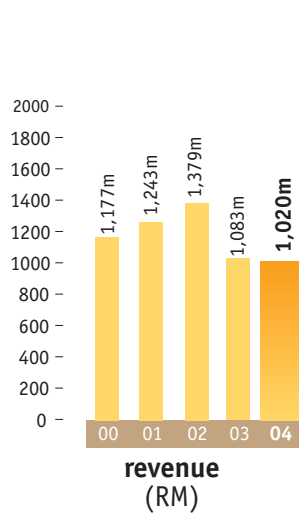
The Group does not adopt a revaluation on landed properties classified as Property and Equipment.

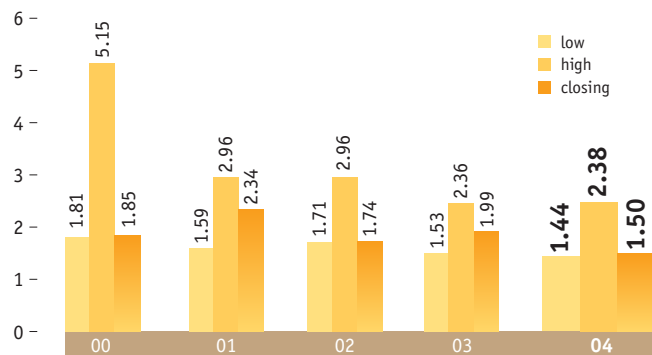
Recurrent Related Party Transactions of a Revenue Nature

On 22 June 2004, CMSB obtained approval from shareholders for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with persons who are considered to be "Related Party" as defined in Chapter 10 of the Listing Requirements of Bursa Securities. A breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year under review is set out in the next page.

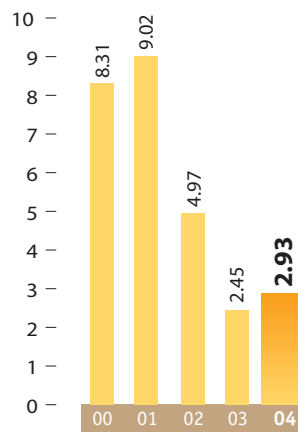
Recurrent Related Party Transactions	RM'000	Relationship
Motor vehicles repair and maintenance paid to Automobili Sdn Bhd	76	A company in which Dato Sri Sulaiman Abdul Rahman Taib (a major shareholder of CMSB) and his spouse have direct interests of 85% and 15% respectively
Telecommunication equipment and services paid to Hager Elektronik Sdn Bhd	42	A company controlled by Haji Mahmud Abu Bekir Taib (a major shareholder of CMSB) and Datuk Wira Haji Onn bin Mahmud (a former director of CMSB)
Office rental paid to Satria Realty Sdn Bhd	956	A company in which Dato Sri Sulaiman Abdul Rahman Taib and Haji Mahmud Abu Bekir Taib have indirect interests of 60%
Professional fees paid to KTA (Sarawak) Sdn Bhd	680	A person connected to Datu Michael Ting has direct interest of 20%
Office rental paid to Achi Jaya Industries Sdn Bhd	600	A company controlled by Datuk Wira Haji Onn bin Mahmud
Office upkeep paid to Centigrade Resources Sdn Bhd	637	60% subsidiary company of Satria Realty Sdn Bhd
Transportation and handling services paid to Achi Jaya Transportation Sdn Bhd	17,303	A company controlled by Datuk Wira Haji Onn bin Mahmud
Sale of cement and steel bars and drawn wire to - Duta Bistari Sdn Bhd - Achi Jaya Transportation Sdn Bhd	2,488 21,769	A company controlled by persons connected to Datuk Wira Haji Onn bin Mahmud A company controlled by Datuk Wira Haji Onn bin Mahmud
Printing and stationery paid to - Grogrow Sdn Bhd - Wisma Printing Sdn Bhd	43 183	A company controlled by Datuk Wira Haji Onn bin Mahmud A company controlled by Datuk Wira Haji Onn bin Mahmud and persons connected to him
Insurance brokerage paid to Insurepro Sdn Bhd	477	A company controlled by persons connected to Datuk Wira Haji Onn bin Mahmud

group financial highlights

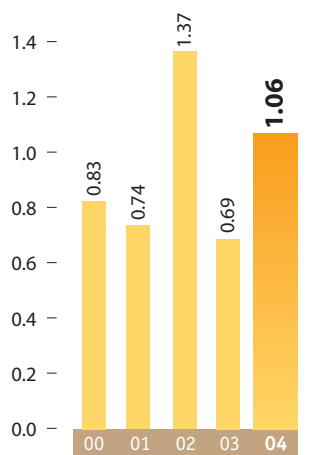




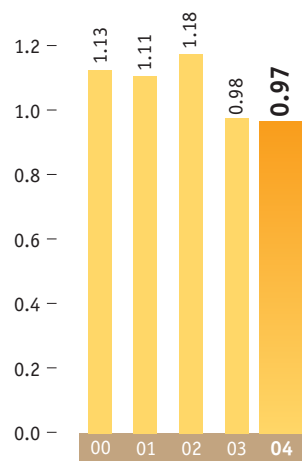
CMSB share price information (RM)



return on equity (%)



return on total assets (%)



current ratio (times)

financial calendar 2004

27 February 2004

The Group reports a profit before tax of RM82.3 million for the financial year ended 31 December 2003

27 May 2004

The Group reports a profit before tax of RM42.7 million for the first quarter

28 May 2004

Notice of 29th Annual General Meeting

22 June 2004

29th Annual General Meeting

30 June 2004

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

23 July 2004

Date of payment of first and final dividend of 5 sen less taxation amounting to RM11,843,166

27 August 2004

The Group reports a profit before tax of RM26.3 million for the second quarter

30 November 2004

The Group reports a profit before tax of RM19.0 million for the third quarter

28 February 2005

The Group reports a profit before tax of RM42.8 million for the fourth quarter ended 31 December 2004 and a profit before tax of RM131.0 million for the financial year ended 31 December 2004