



group corporate governance

Dear Shareholders,

The introduction of the Malaysian Code of Corporate Governance ("the Code") in 2001 aimed to improve the standards of corporate governance amongst public listed companies by requiring subscription with the principles and best practices of the Code and a disclosure in the annual report with regards to the listed entities' application of the principles and compliance with the best practices.

At Cahya Mata Sarawak Berhad ("CMSB"), the Board of Directors subscribe to the principle that corporate governance is a matter of highest importance with an aim that strong governance be an integral part of the Group's culture, business practices and activities.

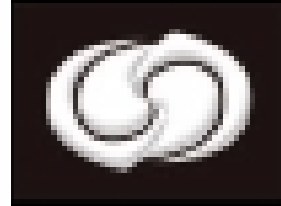
On behalf of the Board of Directors, I wish to assure you that the Board has continued its commitment towards developing the highest possible standards of corporate governance. The Board recognises that good corporate governance is not merely about adopting and implementing the best practice recommendations but more importantly bringing about continuous change in the culture, values and ethics within the group. As part of this effort, the Board commits itself to continuously address opportunities towards improving the Group's corporate governance practices and standards.

The Directors' report, which has been considered and adopted by the Board, explains how CMSB has adopted the Code with respect to the principles and best practices. For the year ended 31 December 2003, the Company complied with the Code, except that:

- i) the Audit Committee did not have a member that complied with the requirements as set out in Paragraph 15.10(1)(c) of Bursa Malaysia Listing Requirements. Throughout the year, the Board took active steps to remedy this situation which was resolved with the appointment of a new Director on 12 March 2004; and
- ii) details pertaining to Directors' remuneration as set out in Note 5(c) to the financial statements have been disclosed in bands of RM50,000. This complies with the disclosure requirements under the 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.

THE BOARD OF DIRECTORS

The Board acknowledges its responsibility and involvement in leading and controlling the Group, including the setting of the Group's overall strategic direction, overseeing the conduct of its businesses, identifying principal risks, ensuring that systems are in place to manage these risks, reviewing the adequacy of the Group's system of internal controls, succession planning and developing an investor relations programme. The Board additionally reviews and approves the annual budget and Business Plan of the Group.



Board Balance

The Board currently has eight members, comprising seven non-executive Directors (including the Chairman) and one Executive Director. Four of the eight Directors are independent non-executive Directors. Together, the Directors have a wide range of business, financial, technical and public service experience. A brief profile of each Director is set out on pages 20 to 22.

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 the Board's effectiveness and conduct, whilst the Group Chief Executive Officer has overall responsibility for the operating units, organizational effectiveness and implementation of objectives and policies approved by the Board.

The independent non-executive Directors play a vital role in providing unbiased and independent views, advice and judgement taking into account 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 is the senior independent non-executive Director. Any concerns relating to the Group may be conveyed to him.

Appointments to the Board

Appointments of new Directors to the Board are based on recommendations of the Nomination Committee. On appointment, new Directors undergo a familiarization programme, which includes detailed information on the corporate and organizational structures, terms of the various Board committees, profiles of the 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.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first Annual General Meeting ("AGM") after their appointment. One-third of the remaining Directors are required to submit themselves for re-election, by rotation, at each AGM. Additionally, Directors must submit themselves for re-election at least once 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 enable it to determine the remuneration for a Director and to ensure that CMSB attracts and retains Directors with the appropriate qualifications, skills and experience needed to run the Group successfully.

The components of the Executive Director's remuneration are salary, bonuses and other benefits deemed as appropriate. Compensation reviews take into account market rates and 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 membership of Board committees and directorships at subsidiary companies.

Fees and an increase thereof payable to the Directors are subject to annual approval by shareholders at the AGM.

Directors Training

The Board firmly believes in the importance of continuous training for all Directors. All members of the Board, save for Kevin How who was appointed on 12 March 2004, 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. All directors of CMSB, save for Kevin How, have taken the necessary action in 2003 to meet with the requirements of Practice Note 15/2003 pertaining to Directors' Continuing Education.

BOARD MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

The Board meets regularly, at least four times a year, with additional meetings convened as necessary. It has a formal schedule of matters reserved to it, which includes approval of corporate plans and budgets, acquisitions and disposals of undertakings and properties, investment and financial decisions, and significant changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

Prior to such Board meetings, all Directors are provided with an agenda and a set of Board papers. These are issued in sufficient time, to enable the Directors to obtain further explanation, where necessary.

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

CMSB's senior management, as well as advisers and professionals appointed to advise on corporate proposals, may be invited to attend the Board meetings. Their role is to provide the Board with views and explanations on relevant agenda items tabled, and to furnish clarification on issues that may be raised by the Directors.

During the year ended 31 December 2003, five (5) Board meetings were held. The attendance of the Directors at the Board meetings were as follows:

	No. of meetings attended
Dato Sri Sulaiman Abdul Rahman Taib (Group Chairman, Non-Executive Director)	5 out of 5
Haji Mahmud Abu Bekir Taib (Group Deputy Chairman, Non-executive Director)	4 out of 5
David William Berry (Group Chief Executive Officer/Executive Director)	5 out of 5
Dato Sri Liang Kim Bang (Senior Independent, Non-Executive Director)	5 out of 5
YB Datuk Haji Talib bin Zulpilip (Non-Executive Director)	3 out of 5
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive Director)	5 out of 5
Datu Michael Ting Kuok Ngie (Independent, Non-Executive Director)	5 out of 5
Kevin How Kow (Independent, Non-Executive Director) (appointed on 12 March 2004)	N/A

BOARD COMMITTEES

The Board of Directors has established the following committees with specific responsibilities and written terms of reference setting out their authority and duties. Dato Sri Liang Kim Bang, the senior independent non-executive Director, is the Chairman of all three of these committees.

Audit Committee

The main role of the Audit Committee is to provide the Board with the means to appraise the Company's financial management and reporting systems, and to assess the integrity of the Group's accounting procedures and financial controls. The Audit Committee is additionally the focal point for the oversight of the risk management processes, reporting and monitoring structures, adopted throughout the Group.

The Audit Committee remit includes the review of accounting policies and presentation for external financial reporting, monitoring the work of the internal audit function and ensuring an objective and professional relationship is maintained with the external auditors, and the

avoidance of conflicts of interest. The Committee has full access to auditors, both internal and external, who in turn have access at all times, to the Chairman of the Committee.

The members of the Audit Committee, the majority of whom are independent non-executive Directors, are:

Dato Sri Liang Kim Bang (Senior Independent, Non-Executive Director) - *Chairman*
Datu Michael Ting Kuok Ngie (Independent, Non-Executive Director)
YB Datuk Haji Talib bin Zulpilip (Non-Executive Director)
Kevin How Kow (Independent, Non-Executive Director)

The Committee meets several days in advance of each regularly scheduled meeting of the CMSB Board. This provides sufficient time for issues to be examined and addressed. A considered report is presented to the Board at its subsequent meeting. In 2003, the Audit Committee met five times. The report of the Audit Committee, including its role in relation to the external auditors, is set out in pages 34 to 35 of this Annual Report.

As stated, during 2003, the Audit Committee did not have a member who complied with the criteria set out in Paragraph 15.10(1)(C) of Bursa Malaysia Listing Requirements. This was resolved with the appointment of a new Director on 12 March 2004.

Nomination Committee

The Nomination Committee considers and makes recommendations to the Board on the composition of the Board. Potential candidates for appointment to the Board, as well as committees of the Board of CMSB and appointments to the Boards of other Group companies are recommended by this Committee. With regards to appointments to the companies within the group, all decisions on such appointments rest with their respective Boards after considering the recommendations of the Committee.

The Committee reviews 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, all of whom are non-executive Directors and a majority of whom are independent, are:

Dato Sri Liang Kim Bang (Senior Independent, Non-Executive Director) - *Chairman*
Dato Sri Sulaiman Abdul Rahman Taib (Group Chairman, Non-Executive Director)
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive Director)
Datu Michael Ting Kuok Ngie (Independent, Non-Executive Director)



The Nomination Committee met twice in 2003. Deliberations focused primarily on the need to find an appropriate candidate who complies with the requirements of Paragraph 15.10 (1) (c) of Bursa Malaysia Listing Requirements. After due search and deliberations the Committee recommended the appointment of Kevin How Kow, who joined the CMSB Board on 12 March 2004.

Remuneration Committee

The Remuneration Committee is responsible for developing the Group's remuneration policy in general, and determining the remuneration package of Executive Directors of CMSB. This Committee additionally 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 and as a member of the various committees of the Board in CMSB and its subsidiaries.

The members of the Remuneration Committee, the majority of whom are independent non-executive Directors, are:

Dato Sri Liang Kim Bang (Senior Independent, Non-Executive Director) - *Chairman*
Dato Sri Sulaiman Abdul Rahman Taib (Group Chairman, Non-Executive Director)
David William Berry (Group Chief Executive Officer/Executive Director)
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive Director)
Datu Michael Ting Kuok Ngie (Independent, Non-Executive Director)

During the year 2003, the Remuneration Committee met twice. The issue of Directors remuneration was reviewed at length and, after taking appropriate advice, the recommendations contained in Agenda Item 5 at the forthcoming AGM were developed for shareholders to consider and approve.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATIONS

CMSB has over 7,500 institutional and private shareholders, and seeks to develop and maintain regular informative communications with them. In addition to the various 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 Company uses the Annual General Meeting (AGM) as the primary means of communicating with shareholders. Those who are unable to be present at the AGM are allowed to appoint proxies to attend and vote on their behalf. Whenever possible, all members of the Board, as well as auditors of the Company, are present at the AGM to answer questions raised by

shareholders. A press conference is held after the AGM to ensure that the media is kept informed and to address particular matters of interest.

A copy of the CMSB's Annual Report and Accounts is sent to all shareholders each year. In addition, shareholders can obtain up-to-date information and follow the activities and progress of the Group by accessing our website: www.cmsb.com.my. Press releases and all announcements to Bursa Malaysia, including consolidated quarterly results of the Group, are posted on this site.

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 : 082 332 111 Fax : 082 484 057
- ii) Isaac Lugun, Group General Manager - Corporate Affairs / Group Secretary
Tel : 082 238 888 Fax : 082 338 611

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting and publishing the annual financial statements and quarterly announcements of the Group, the Directors aim to provide an informative, balanced and understandable assessment of the Group's position and prospects to shareholders as well as other stakeholders in the Group.

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

Internal Controls

The Group's Statement on Internal Controls is set out on page 32 to 33 of this Annual Report.

Dato Sri Sulaiman Abdul Rahman Taib
Group Chairman

statement of directors responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the profit or loss of the Group and the Company for the financial year. As required by the Act and the Listing Requirements of Bursa Malaysia, 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 2003 set out on pages 87 to 137, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company 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 controls to safeguard shareholders' investments and the Company's assets. Under Bursa Malaysia 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. Any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

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

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

RISK MANAGEMENT

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



During the 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 on-going effort to embed risk management procedures throughout the Group, a monitoring and reporting process has been developed to continuously evaluate and monitor the significant risks in a formalised manner.

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 senior management team. In addition, annually each SBU is required to reassess all risks facing each subsidiary in developing its annual management/strategic plan and these risks are reviewed by the senior management team during the annual strategic review meetings. The senior management team is responsible for reporting a summary of the major risks to the Group Audit Committee and the Board on a quarterly basis and also to alert the Board of any emerging risks which warrant immediate management attention.

The above initiatives, in particular, the newly established risk reporting procedures, when fully implemented, will ensure that the Group has in place a formalised ongoing process for identifying, evaluating, monitoring and managing the significant risks that can impact the achievement of its business objectives.

KEY ELEMENTS OF THE INTERNAL CONTROLS SYSTEM

The key elements of the Group's internal controls 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 and the award of tenders and contractual work by 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 plus major risks and the status of risk mitigation measures 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 the internal controls, monitor compliance with procedures and assess the integrity of financial information provided.
- **an emphasis on developing the quality and ability of employees** with continuing education and training is 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 is 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 unforeseen events.



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 2003.

Composition

The Group Audit Committee comprises the following Board members :

Dato Sri Liang Kim Bang (Senior Independent Non-executive Director)

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

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

Haji Mahmud Abu Bekir Taib (Group Deputy Chairman/Non-executive Director)
Resigned on 26 June 2003

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 the CMS Group of Companies collectively referred to as the "Group".
- iii) The Board shall ensure that the composition and functions of the Committee comply as far as possible with both Bursa Malaysia Listing Requirements as well as other regulatory requirements.

2. Membership

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

3. Objectives

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

4. Duties

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



5. Authority

- i) The Committee is authorised to investigate any matter within its terms of reference and shall have unrestricted access to obtain any information it requires from any employee of the Group.
- ii) The Committee is authorised to direct any employee of the Group to appear before it to give information or clarification as required.
- iii) The Committee is also authorised by the Board to obtain outside legal or any other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise.
- iv) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa 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 Group Internal Auditor 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 2003

During the year ended 31 December 2003, the Group Audit Committee held five meetings which were attended by the members as follows:

	No. of meetings attended
Dato Sri Liang Kim Bang	5 out of 5
YB Datuk Haji Talib bin Zulpilip	4 out of 5
Datu Michael Ting Kuok Ngie	5 out of 5
Haji Mahmud Abu Bekir Taib (resigned on 26 June 2003)	2 out of 3
Kevin How Kow (appointed on 12 March 2004)	N/A

Activities of the Group Audit Committee in the Year 2003

- 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 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 function 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 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 Malaysia:

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 2003 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 2003 and the preceding financial year other than the granting and exercise of options under the Employee Share Option Scheme as disclosed in the Directors' Report.

American Depository Receipt (ADR) / Global Depository Receipt (GDR)

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

Sanctions and/or Penalties

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

Non-audit Fees

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

Name of auditor	Fees(RM)	Purpose
Ernst & Young	168,000	Due diligence review, share valuation and advisory
PricewaterhouseCoopers	768,000	Limited review on accounts of associate
Total	936,000	

Variation in Results

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

Profit Guarantee

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

Material Contracts

There were no material contracts entered into during the financial year ended 31 December 2003 by CMSB and its subsidiaries involving Directors and major shareholders except as disclosed in Note 36 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 21 May 2003, 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 Bursa Malaysia Listing Requirements. A breakdown of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year under review is set out below:

	RM 000	Relationship
1 Sale of cement and steel bars to: - Duta Bistari Sdn Bhd	79	Persons connected to Datuk Haji Onn bin Mahmud (a former director/major shareholder of CMSB) have direct interests of 80%
2 Sale of steel products to: - Achi Jaya Transportation Sdn Bhd	21,903	60% subsidiary company of Achi Jaya Plantations Sdn Bhd ("AJP"), a company controlled by Datuk Haji Onn bin Mahmud
3 Motor vehicles repair and maintenance paid to: - Automobili Sdn Bhd	173	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



	RM 000	Relationship		RM 000	Relationship
- Lanco Sdn Bhd	250	A company in which a person connected to Datuk Haji Onn bin Mahmud is a director	8 Printing and stationery paid to: - Grogrow Sdn Bhd	45	A wholly-owned subsidiary of Mahligai Shipping Sdn Bhd
4 Telecommunication equipment and services paid to: - Hager Elektronik Sdn Bhd	35	62.6% subsidiary company of Achi Jaya Holdings Sdn Bhd ("AJH"), a company controlled by Datuk Haji Onn bin Mahmud 21.7% associated company of Alpha Bahagia Sdn Bhd. A company in which Haji Mahmud Abu Bekir Taib (a major shareholder of CMSB) has direct interest of 15.7%	- Wisma Printing Sdn Bhd	185	A company in which Alpha Bahagia Sdn Bhd, Mahligai Shipping Sdn Bhd and a person connected to Datuk Haji Onn bin Mahmud have direct interests of 28.3%, 62.3% and 7.8% respectively
5 Insurance brokerage paid to: - Insurepro Sdn Bhd	370	Persons connected to Datuk Haji Onn bin Mahmud have indirect interests of 100%	9 Fuel and lubricants paid to: - Asterix Incorporated Sdn Bhd	2,318	A company in which Dato Sri Sulaiman Abdul Rahman Taib has direct interest of 99.9%
6 Office rental paid to: - Satria Realty Sdn Bhd	861	40% associated company of AJH A company in which Dato Sri Sulaiman Abdul Rahman Taib and Haji Mahmud Abu Bekir Taib have indirect interests of 60%	10 Professional fees paid to: - KTA (Sarawak) Sdn Bhd	1,403	A person connected to Datu Michael Ting has direct interest of 20%
- Achi Jaya Industries Sdn Bhd	600	A wholly-owned subsidiary company of AJH	11 Transportation and handling services paid to : - Achi Jaya Transportation Sdn Bhd	19,061	60% subsidiary company of AJP
7 Office upkeep paid to: - Centigrade Resources Sdn Bhd	460	60% subsidiary company of Satria Realty Sdn Bhd 40% associated company of AJH			



steel performance improves
226%

highest cement sales in
25 years

quarrying profits
up 23%

CMS
achievements
2003



CMS Premier Fund -
No. 1 Equity Growth Fund for 3 consecutive years

construction profits up 67%

group profit before tax
RM182.3 million

group revenue
RM1.08 billion

RHB Bank and Bank Utama
merger completed

- financial calendar 2003
- group financial highlights
- operating performance
- operations review
- building synergy
- technology development
- human resource management
- corporate highlights 2003
- employee activities 2003
- corporate social responsibility

financial calendar 2003

28 February 2003

CMSB reports a profit before tax of RM168.1 million for the financial year ended 31 December 2002.

29 April 2003

Notice of 28th Annual General Meeting

21 May 2003

28th Annual General Meeting

30 May 2003

The Group reports a profit before tax of RM16.543 million for the 1st quarter ended 31 March 2003

30 June 2003

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

25 July 2003

Date of payment of first and final dividend of 5 sen less taxation amounting to RM11,820,306

28 August 2003

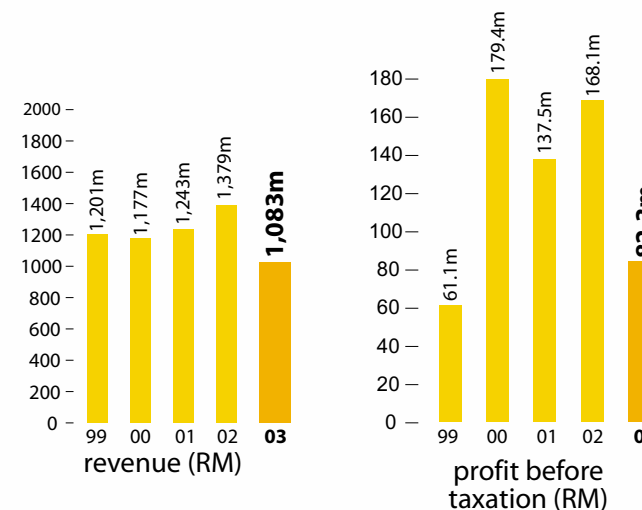
The Group reports a loss before tax of RM5.850 million for the 2nd quarter ended 30 June 2003

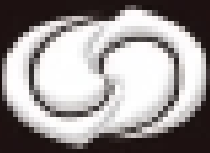
27 November 2003

The Group reports a profit before tax of RM30.963 million for the 3rd quarter ended 30 September 2003

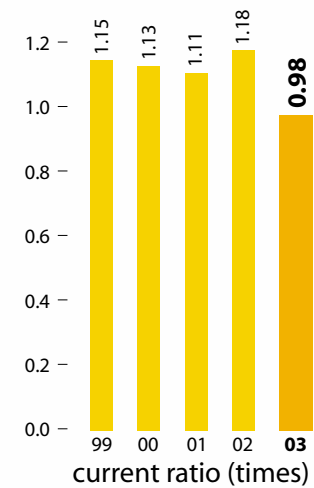
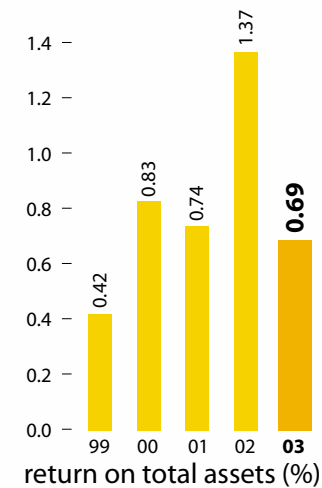
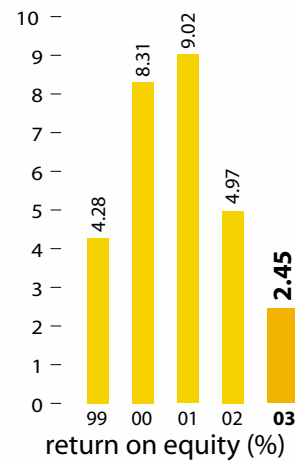
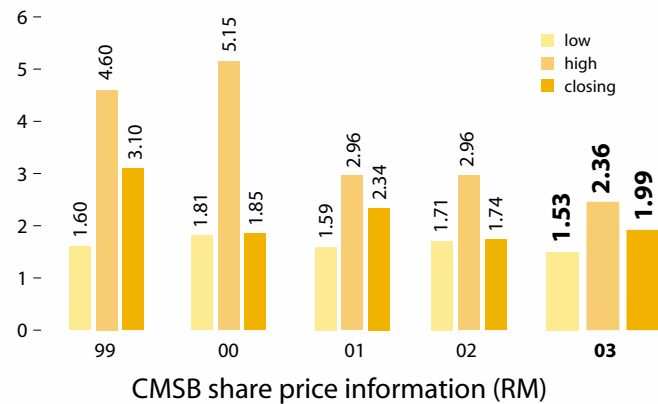
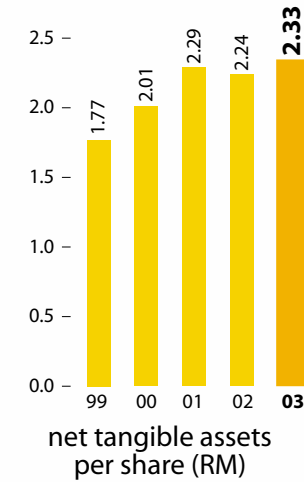
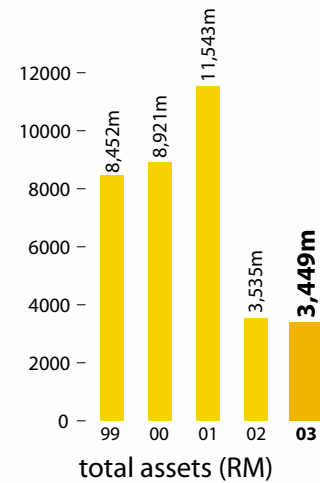
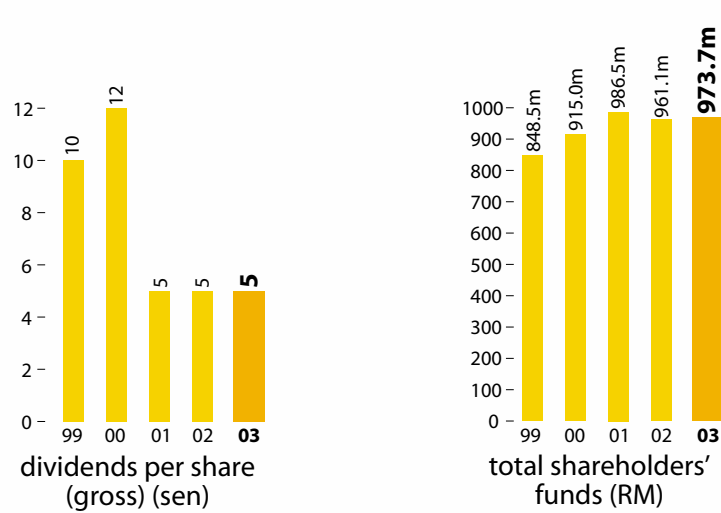
27 February 2004

The Group reports a profit before tax of RM40.654 million for the 4th quarter ended 31 December 2003, and a profit before tax of RM82.3 million for the financial year ended 31 December 2003.

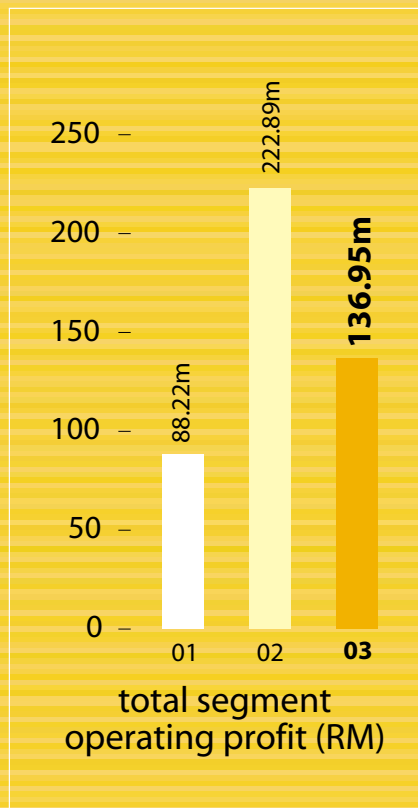




group financial highlights



operating performance



Operating Profit per business segment

