



Through consolidation of strength,
resources, experience and expertise,
we move towards a more focused future.

OUR VISION

To be a leading and model multinational construction company.

OUR MISSION

To offer comprehensive and innovative solutions to engineering problems through unequalled professionalism and profound understanding of the needs of the markets.

COVER RATIONALE

At UEM Builders, the driving force behind our success is our people. Loyal, innovative, dedicated and proud of what we have achieved, we will forge ahead through a work environment that is both dynamic and progressive. With excellent corporate governance, a sound corporate structure and the willing commitment from our innovative team, we are aiming for a better tomorrow, always.





CONTENTS

Corporate Profile	2
Notice of Annual General Meeting	6
Statement Accompanying The Notice of Annual General Meeting	8
Notice of Nomination of New Auditors	9
Corporate Information	10
Corporate Structure	11
Board of Directors' Profile	16
Statement on Corporate Governance	20
Report of The Audit Committee	28
Statement on Internal Control	34
Financial Highlights	37
Chairman's Statement	38
Review of Operations	46
Our Commitment to Health, Safety & Environment	59
Investing in Our Human Assets	60
Our Commitment to the Community	62
Share Performance	64
Analysis of Shareholdings	65
30 Largest Shareholders	66
Substantial Shareholders	68
Financial Statements	69
Property List	125
Form of Proxy	

CORPORATE PROFILE

MOVING ON

Intria Berhad has evolved with the times. It was renamed UEM Builders Berhad (UEM Builders) with the completion of the acquisition of UEM Construction Sdn Berhad (formerly known as UE Construction Sdn Bhd) and Projek Penyelenggaraan Lebuhraya Berhad on October 16, 2003. The name change reflects the Company's new corporate identity as the flagship of the UEM Group's engineering and construction business.

The newly restructured UEM Group is one of Malaysia's leading conglomerates with six core businesses: Expressways, Engineering & Construction, Environmental Services, Healthcare, Property and Information, Communication & Technology.

Following the consolidation of the UEM Group's construction and engineering businesses, UEM Builders has been transformed into a formidable force. Its corporate umbrella has been expanded, which now consists of the following subsidiaries and associate company:

- UEM Construction Sdn Bhd
- Projek Penyelenggaraan Lebuhraya Berhad
- PATI Sdn Bhd
- Intria Bina Sdn Bhd
- Penang Bridge Sdn Bhd
- Costain Group PLC



Penang Bridge



North-South Expressway



Kuala Lumpur Light Rail Transit System 2



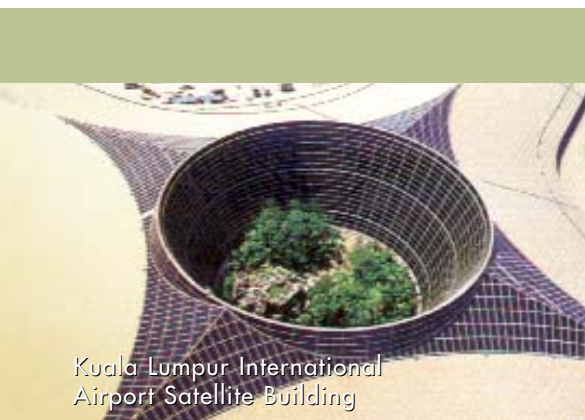
Malaysia-Singapore Second Crossing

UEM Builders Group is committed to give its best. The Group project portfolio speaks for itself. Having constructed more than 1,200 km of highways at home and abroad, bridges, viaducts and stations for LRT system, sports complexes, airport terminal, hospitals and college campus to name a few, the Group has the capability to undertake any infrastructure project. From the largest infrastructure project of national significance to the smallest undertaking, the clients can be assured of the same degree of attention and commitment to meet project and budget schedules.

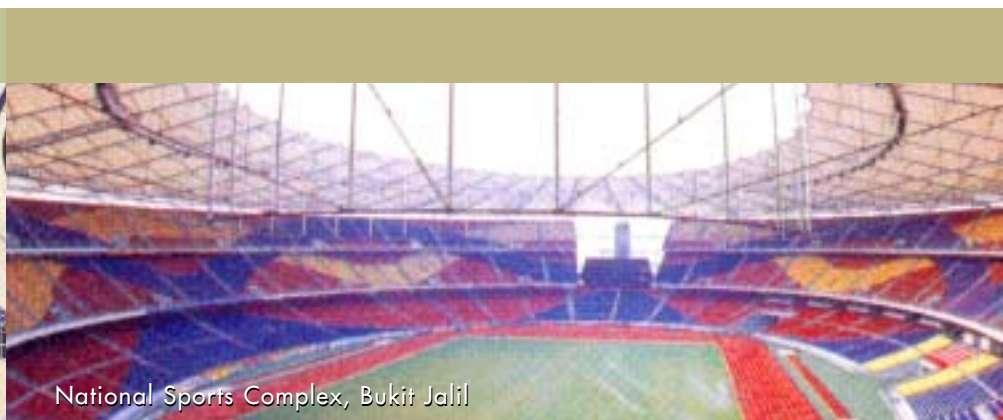
The Group also provides infrastructure maintenance and facilities management services and is responsible for the management and operation of the concession for the Penang Bridge.

UEM Builders is at the threshold of a new expansionary phase. Moving forward, it will capitalise on synergies and the substantial resources and expertise of the combined entities under its wing. The Company plans to increase its presence both at home and abroad in its areas of strength, particularly in the business of infrastructure and engineering works.

With its scope of services, experience, expertise, capabilities, strengths, track record and financial resources, UEM Builders Group is able to deliver the best to its clients, on time.



Kuala Lumpur International
Airport Satellite Building



National Sports Complex, Bukit Jalil



Commonwealth Games Village, Bukit Jalil



Tsing Ma Bridge, Hong Kong



STRATEGIC PLANNING



AT UEM BUILDERS, we strategise to accomplish the best results possible. Through our continuous initiatives, we conceive and strive to ultimately achieve.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Eighth Annual General Meeting of UEM Builders Berhad will be held on Friday, May 14, 2004 at the Nusantara Ballroom, Sheraton Imperial, Jalan Sultan Ismail, 50250 Kuala Lumpur at 10.00 a.m. to transact the following businesses:

AGENDA

As Ordinary Business

- | | |
|---|------------------------------|
| 1. To consider and receive the Audited Financial Statements of the Company for the year ended December 31, 2003 together with the Directors' and Auditors' Reports therein. | Resolution 1 |
| 2. To approve the payment of the Directors' remuneration for the year ended December 31, 2003. | Resolution 2 |
| 3. To re-elect the following Directors retiring in accordance with Article 88 of the Company's Articles of Association, and who, being eligible, offer themselves for re-election :
(i) YBhg. Datuk Abu Hassan bin Kendut
(ii) YBhg. Dato' Abdul Wahid Omar | Resolution 3
Resolution 4 |
| 4. To appoint Messrs Ernst & Young as Auditors of the Company in place of the retiring Auditors, Messrs Shamsir Jasani Grant Thornton, to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be fixed by the Directors. | Resolution 5 |

As Special Business

To consider and, if thought fit, to pass the following resolutions, with or without modifications:

- | | |
|---|--------------|
| 5. <u>Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares</u>
"THAT subject to the approvals of all relevant regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue and allot ordinary shares of the Company at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." | Resolution 6 |
| 6. <u>Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature</u>
"THAT pursuant to paragraph 10.09 of the Listing Requirements of Malaysia Securities Exchange Berhad, a mandate be and is hereby granted to allow recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries provided that such transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public, particulars of which are set out in Part 2.3 of the Circular to Shareholders of the Company dated April 22, 2004;

AND THAT such approval shall continue to be in force until:

a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to section 143(2) of the CA); or
c) revoked or varied by resolution passed by the shareholders in a general meeting, | Resolution 7 |

whichever is the earlier;

AND FURTHER THAT the Directors be and are hereby authorized to complete and do all such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. To transact any other ordinary business of which due notice has been given.

By Order of the Board

CHUAH MEI LIN (LS : 0008370)
SHARIFAH SHAFIQA SALIM (LS : 005777)
Company Secretaries

Kuala Lumpur
April 22, 2004

NOTES

1. PROXY

Every member is entitled to appoint a proxy, or in the case of a corporation, to appoint a representative to attend and vote in his place. A proxy need not be a member of the Company. The Form of Proxy must be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. In the case of joint holdings, the signature of the first named holder is sufficient. If the Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy. The Form of Proxy must be deposited at the office of the Company's Share Registrars, Mega Corporate Services Sdn Bhd, Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, P.O.Box 12337, 50774 Kuala Lumpur not less than forty eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof.

2. EXPLANATORY NOTES

Resolution 5

The Company has received a Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, which appears on page 9 of the Annual Report, for the nomination of Messrs Ernst & Young, who have given their consent to act, for appointment as Auditors of the Company in place of the retiring Auditors.

Resolution 6

The proposed Resolution 6, if passed, will enable the Directors to issue up to a maximum of 10% of the issued share capital of the Company as at the date of this Annual General Meeting for such purposes as the Directors consider would be in the best interests of the Company. This authority, unless revoked or varied by the Company in a General Meeting, will expire at the next Annual General Meeting.

Resolution 7

The proposed Resolution 7, if passed, will empower the Company and its subsidiaries to enter into recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations and transacted in the ordinary course of business with the related parties ("the Proposed Mandate").

Further information on the Proposed Mandate are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's 2003 Annual Report.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

1. NAMES/DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

The Directors standing for re-election at the Twenty-Eighth Annual General Meeting are as follows:

- i) YBhg. Datuk Abu Hassan bin Kendut
- ii) YBhg. Dato' Abdul Wahid Omar

The details of these directors are set out in the Directors' Profile appearing on page 16 of the Annual Report.

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

A total of eight (8) Board Meetings were held during the year ended December 31, 2003. The details of the Directors' attendance are set out on page 21 of the Annual Report.

3. TWENTY-EIGHTH ANNUAL GENERAL MEETING

Venue: Nusantara Ballroom,
Sheraton Imperial,
Jalan Sultan Ismail,
50250 Kuala Lumpur

Date: Friday, May 14, 2004

Time: 10.00 a.m.

NOTICE OF NOMINATION OF NEW AUDITORS



16 February 2004

The Board of Directors
UEM Builders Berhad (formerly known as Intria Berhad)
17 Floor, Menara 2 Faber Towers
Jalan Desa Bahagia, Taman Desa
58100 Kuala Lumpur

Dear Sirs,

NOTICE OF NOMINATION OF NEW AUDITORS

We refer to the recent exercise carried out by the Company to review the engagement of external auditors on a regular basis. We are pleased to advise that we concur with the process undertaken and wish to communicate our intention to nominate the auditors recommended.

Pursuant to Section 172(11) of the Companies Act, 1965, UEM World Berhad (formerly known as Global Converge Sdn Bhd), being a shareholder of the Company, hereby give notice of our intention to nominate Messrs Ernst & Young for appointment as auditors of the Company in place of the retiring auditors, Messrs Shamsir Jasani Grant Thornton and propose that the following resolution be tabled at the next Annual General Meeting:

"That Messrs Ernst & Young be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Shamsir Jasani Grant Thornton, to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be determined by the Directors."

Yours faithfully,

UEM WORLD BERHAD (formerly known as Global Converge Sdn Bhd)

A handwritten signature in black ink, appearing to read "Wahid Omar".

DATO' ABDUL WAHID OMAR
MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

cc. En. Abdul Rauf Rashid
Ernst & Young
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

UEM World Berhad
1808514-J
Formerly known as Global Converge Sdn Bhd
A UEM Group Company

1st Floor, MCOBA Building, 42 Jalan Syed Putra, 50460 Kuala Lumpur, Malaysia.
Tel: 603-2718 9988 Fax: 603-2718 5877 Website: www.uemworld.com

CORPORATE INFORMATION

BOARD OF DIRECTORS

YBhg. Datuk Abu Hassan bin Kendut
Chairman

YBhg. Dato' Mohd. Nor bin Idrus
Managing Director

YBhg. Dato' Abdul Wahid Omar

YBhg. Dato' Anwarrudin bin Ahamad Osman

En. Badrul Feisal bin Abdul Rahim

YBhg. Dato' Fauziah binti Dato' Ismail

Mr. Lim Kok Beng

AUDIT COMMITTEE

Mr. Lim Kok Beng
Chairman

YBhg. Dato' Fauziah binti Dato' Ismail

En. Badrul Feisal bin Abdul Rahim

SECRETARIES

Ms. Chuah Mei Lin

Pn. Sharifah Shafiqah Salim

REGISTERED OFFICE

1st Floor, MCOBA Building,
42, Jalan Syed Putra,
50460 Kuala Lumpur
Tel 603 2718 9988
Fax 603 2718 6826

PRINCIPAL PLACE OF BUSINESS

17th Floor, Menara 2, Faber Towers,
Jalan Desa Bahagia, Taman Desa,
Off Jalan Klang Lama,
58100 Kuala Lumpur
Tel 603 7625 6868
Fax 603 7621 1132
E-mail info@uembuilders.com
[http:// www.uembuilders.com](http://www.uembuilders.com)

AUDITORS

Messrs. Shamsir Jasani Grant Thornton
Level 11-1, Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur
Tel 603 2692 4022
Fax 603 2732 5119
E-mail sgt@gt.com.my

PRINCIPAL BANKERS

Bumiputra Commerce Bank Berhad

Malayan Banking Berhad

Bank Muamalat Malaysia Berhad

Alliance Bank Berhad

Standard Chartered Bank Berhad

HSBC Bank Malaysia Berhad

SOLICITORS

Messrs. Bodipalar Ponnudurai Nathan

Messrs. Abu Talib Shahrom & Zahari

Messrs. Sri Ram & Co.

Messrs. Zul Rafique & Partners

REGISTRAR

Messrs. Mega Corporate Services Sdn. Bhd.
Level 11-2, Faber Imperial Court,
Jalan Sultan Ismail,
50250 Kuala Lumpur
Tel 603 2692 4271
Fax 603 2732 5388

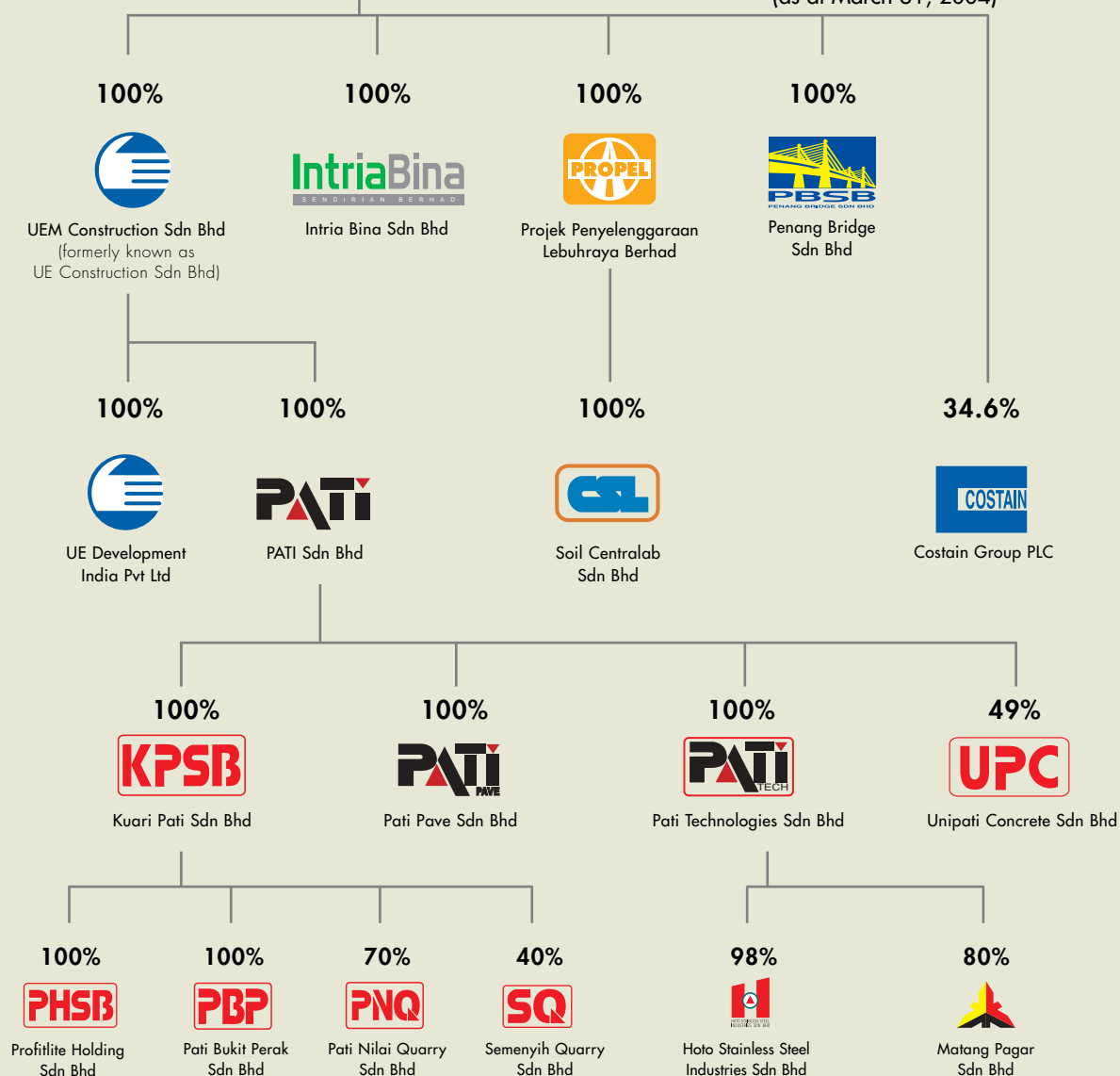
STOCK EXCHANGE LISTING

Malaysia Securities Exchange Berhad
Main Board



UEM BUILDERS BERHAD

(as at March 31, 2004)





DYNAMIC PEOPLE



OUR SUCCESS LIES IN WORKING AS A TEAM.
Backed by strong corporate values and an innovative
workforce, we endure and accept challenges
within and beyond.



BOARD OF DIRECTORS



FROM LEFT TO RIGHT

- 1** YBhg. Datuk Abu Hassan bin Kendut
CHAIRMAN
- 2** YBhg. Dato' Mohd. Nor bin Idrus
MANAGING DIRECTOR
- 3** YBhg. Dato' Abdul Wahid Omar



4 YBhg. Dato' Anwarrudin bin Ahamad Osman

5 En. Badrul Feisal bin Abdul Rahim

6 YBhg. Dato' Fauziah binti Dato' Ismail

7 Mr. Lim Kok Beng

BOARD OF DIRECTORS' PROFILE

YBHG. DATUK ABU HASSAN BIN KENDUT

Chairman

YBhg. Datuk Abu Hassan bin Kendut, aged 62, is a Non-Independent Non-Executive Director and the Chairman of UEM Builders Berhad. He is also the Chairman of the Board's Remuneration Committee. He was appointed to the Board of UEM Builders Berhad on November 20, 2001. YBhg. Datuk Abu Hassan is a member of the Malaysian Association of Certified Public Accountants (MACPA) and the Malaysian Institute of Accountants. He was a past President of MACPA and the Asean Federation of Accountants and was formerly the Senior Partner of Coopers & Lybrand (currently known as PricewaterhouseCoopers). He had also served as a member of the Corporate Debt Restructuring Committee of Bank Negara Malaysia and the Employees Provident Fund Board. Currently, he is also the Chairman of UEM World Berhad, United Engineers (Malaysia) Berhad, Cement Industries of Malaysia Berhad, Perusahaan Otomobil Nasional Berhad, and Kolej Yayasan UEM and is a Director of Khazanah Nasional Berhad, John Hancock Life Insurance (Malaysia) Berhad, Metrod (Malaysia) Berhad, Rating Agency Malaysia Berhad, and several other private limited companies.

YBHG. DATO' MOHD NOR BIN IDRUS

Managing Director

YBhg. Dato' Mohd. Nor bin Idrus, aged 52, was appointed as Managing Director of UEM Builders Berhad on November 20, 2003. Prior to this appointment, YBhg. Dato' Mohd Nor was the Executive Vice Chairman/Managing Director of UEM Construction Sdn Bhd. He has been a Director of UEM Builders Berhad since December 7, 2001 and is presently the President of the Construction and Engineering Division of the UEM Group. YBhg. Dato' Mohd. Nor is an engineer by profession and holds a Bachelor of Science Civil Engineering Degree from Sunderland Polytechnic, United Kingdom. Upon graduation, he served in the Ministry of Works and the Malaysian Highway Authority for 7 years. He left the public sector to join Shapadu Holdings Sdn Bhd in 1985, and subsequent to that, Pernas Construction Sdn Bhd in 1987. He joined the Renong Group in 1988 as General Manager of Projek Lebuhraya Utara-Selatan Berhad (PLUS) and later held the position of Managing Director in several companies of the group including Cement Industries of Malaysia Berhad (CIMA) and Projek Usahasama Transit Ringan Automatik Sdn Bhd (PUTRA). YBhg. Dato' Mohd Nor was the President of the Renong Transportation Division from 1999 to 2001 and he also concurrently served as the EXCO Chairman of Keretapi Tanah Melayu Berhad under the privatisation proposal of KTMB to the Government by Marak Unggul Sdn Bhd. He is currently also a Director of Park May Berhad, Ho Hup Construction Co. Berhad, Kinta Kellas Plc and a few private limited companies.

YBHG. DATO' ABDUL WAHID OMAR

Director

YBhg. Dato' Abdul Wahid Omar, aged 40, is a Non-Independent Non-Executive Director of UEM Builders Berhad. YBhg. Dato' Abdul Wahid was appointed to the Board of UEM Builders Berhad on November 20, 2001 and is the Chairman of the Board's Nominations Committee and a member of the Remuneration Committee. He is currently the Managing Director/Chief Executive Officer of United Engineers (Malaysia) Berhad and UEM World Berhad and Executive Vice Chairman of PLUS Expressways Berhad. YBhg. Dato' Abdul Wahid is a member of the Association of Chartered Certified Accountants (ACCA), United Kingdom and the Malaysian Institute of Accountants. Prior to joining the UEM Group, he was the Chief Financial Officer of Telekom Malaysia Berhad. He had also served as the Director of Group Corporate Services cum Divisional Director, Capital Market & Securities of Amanah Capital Partners Berhad. Previously, he also concurrently served as the Chairman of Amanah Short Deposits Berhad and the Association of Discount Houses in Malaysia as well as a Director of Amanah Merchant Bank Berhad and several other companies in the financial services sector. YBhg. Dato' Abdul Wahid is currently a member of the Investment Panel of Lembaga Tabung Haji and the Financial Reporting Foundation of Malaysia and also sits on the Boards of Pharmaniaga Berhad, Projek Penyelenggaraan Lebuhraya Berhad, Projek Lebuhraya Utara-Selatan (PLUS) Berhad, Linkedua (Malaysia) Berhad and Costain Group Plc.

YBHG. DATO' ANWARRUDIN BIN AHAMAD OSMAN

Director

YBhg. Dato' Anwarrudin bin Ahamad Osman, aged 61, is a Non-Independent Non-Executive Director of UEM Builders Berhad. He was appointed to the Board of UEM Builders Berhad on November 20, 2001 and is a member of the Board's Remuneration Committee. He is currently the Executive Chairman of Lub Dagangan Sdn Bhd. YBhg. Dato' Anwarrudin served in the Ministry of Defence before joining Petronas in 1975 where he served in various capacities and was appointed Managing Director/Chief Executive Officer of Petronas Dagangan Berhad in 1992 until his retirement in 1998. He has extensive experience in contract negotiations, development of tenders, corporate planning, human resources management and international marketing. YBhg. Dato' Anwarrudin holds a Bachelor of Arts Degree from University Malaya. He is currently also a Director of KKB Engineering Berhad, Malaysia Mining Corporation Engineering Group Berhad and a few private limited companies.

EN. BADRUL FEISAL BIN ABDUL RAHIM

Director

En. Badrul Feisal bin Abdul Rahim, aged 35, is a Non-Independent Non-Executive Director of UEM Builders Berhad. He was appointed to the Board of UEM Builders Berhad on November 20, 2001 and is a member of the Audit Committee. En. Badrul is currently an Assistant General Manager in Khazanah Nasional Berhad. He holds a Diploma in Accountancy from MARA Science College as well as a Bachelor of Science Degree in Accountancy from University of Missouri, Columbia, USA. En. Badrul has years of experience in auditing and banking operations and had previously served Malaysian Technology Development Corporation Sdn Bhd as an Investment Manager and MTDC Private Equity Management Sdn Bhd as an Executive Director. He is currently also a Director of Perusahaan Otomobil Nasional Berhad and a few private limited companies.

YBHG. DATO' FAUZIAH BINTI DATO' ISMAIL

Director

YBhg. Dato' Fauziah bt. Dato' Ismail, aged 61, is an Independent Non-Executive Director of UEM Builders Berhad. She was appointed to the Board of UEM Builders Berhad on December 7, 2001 and is a member of the Board's Audit and Nominations Committees. She obtained a Bachelor of Arts (Honours) Degree from University of Malaya, postgraduate Diploma in Development Administration from the London School of Economics & Political Science, University of London, United Kingdom and a Masters in Public Administration from University of Houston, USA. YBhg. Dato' Fauziah began her career in the public sector in the Malaysian Administrative & Diplomatic Service from 1966 until her retirement in 1997, during which she served in numerous positions within the Government, such as the Public Services Department, the Prime Minister's Department and the Ministry of Rural Development. She also served as Board member of Malaysian International Shipping Corporation Berhad (MISC), Urban Development Authority (UDA), Rubber Industries Smallholder Development Authority (RISDA), Penang Development Corporation and as Deputy Chairman of PERDA and JENGKA. At present, she serves as a member of the National Advisory Council on the Integration of Women in Development (NACIWD). She is currently also a Director of Crest Petroleum Berhad and KAF-Seagroatt and Campbell Berhad.

MR. LIM KOK BENG

Director

Mr. Lim Kok Beng, aged 58, is an Independent Non-Executive Director of UEM Builders Berhad. He was appointed to the Board of UEM Builders Berhad on February 1, 2002 and is the Chairman of the Board's Audit Committee and a member of the Nominations Committee. Mr. Lim is a Chartered Accountant and a senior partner to a firm of Chartered Accountants. He is a member of the Malaysian Institute of Accountants, Malaysian Association of Certified Public Accountants, and of the Institute of Chartered Accountants in England and Wales. He also holds a Bachelor of Laws (Honours) Degree from the University of London. He is currently also a Director on the Board of Mega Pascal Berhad.



CHERISHING TIME



TIME IS OF THE ESSENCE. Thus, we deliberate and plan effectively in order to cherish and respect the need for producing quality work at all times.



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of UEM Builders Berhad is fully committed towards ensuring good corporate governance as set out in the Malaysian Code of Corporate Governance ("the Code") is practised throughout the Group to safeguard and enhance shareholders' investment and values.

Accordingly, the Board is pleased to report on how the Group has applied the principles and best practices as set out in the Code.

Since the last Annual Report, the Board has taken further steps to enhance the Company's corporate governance procedures and processes which include:

- Introduction of a "Framework of Policies for the Board's Nominations Committee" for the purposes of:
 - formulating and implementing an effective process for the appointment of new Directors; and
 - formulating and implementing an evaluation exercise to determine the effectiveness of the Board and Board Committees.
- Enhancing the existing Terms of Reference for the Audit Committee in line with the latest relevant statutory amendments.
- Enhancing the existing procedures and guidelines to better ensure that Recurrent Related Party Transactions are undertaken on an arm's length basis and on normal commercial terms that are not more favourable to the related party than those normally available to the public and are not to the detriment of the minority shareholders.

THE BOARD OF DIRECTORS

The Board

The Board assumes the principal responsibility of guiding the Company towards achieving its short and long-term objectives, setting corporate strategies for growth and new business development while providing advice and direction to Management to enable the Group to achieve its corporate goals. The Board is also responsible for identifying principal risks and ensuring that the Company has appropriate risk management/regulatory compliance policies in place to manage such risks, as well as determining the succession plan of Senior Management.

The Board has a formal list of matters reserved for its decision-making, including overall Group strategy and direction, approval of the annual budget, acquisitions and disposals, major capital expenditure as well as operational and financial matters.

The roles of the Chairman and Managing Director are distinct and separate: the non-Executive Chairman provides overall leadership to the Board without limiting the principle of collective responsibility for Board decisions and serves as an informal link between the Board and the Managing Director. The Managing Director is, in general, responsible for making and implementing operational decisions and is accountable to the Board for the observance of Company policies, which are to be executed within the specific authorities delegated by the Board.

Board Balance

Since the last Annual Report, one (1) Executive Director has retired and one (1) Independent non-Executive Director has resigned from the Board.

The Board currently has seven (7) members comprising one (1) Executive Director and six (6) non-Executive Directors, two (2) of whom are Independent, thus fulfilling the requirement that at least one-third or number nearest to one-third of the Board is Independent.

The Independent non-Executive Directors provide unbiased and independent views, advice and judgment taking into account the interests not only of the Company but also of the shareholders, employees and other stakeholders.

Brief biographies of the Directors appear on pages 16 to 17. The biographies demonstrate that the Company is led by an experienced Board comprising members with a wide and diverse range of experience in fields which are important and relevant to the management of the Company such as accounting, banking, finance, engineering, legal, corporate planning and public service.

Supply of and Access to Information

The Board holds at least four (4) regular scheduled meetings a year, with additional meetings for particular matters convened as and when necessary.

The Board is supplied with full and timely access to written reports and supporting information in advance of the meetings to enable the Directors to review the same and if necessary, to obtain further clarification prior to the meeting for better decision making. Board reports and papers include information on major financial, operational and corporate matters as well as the activities and performance of the Group.

The Board also exercises control over matters that require the Board's approval through the circulation of Directors' resolutions as allowed under the Company's Articles of Association.

In addition, the Board is given unrestricted access to all staff in order to advance the Company's business. All Directors have access to the advice and services of the Company Secretaries, who advise the Board on procedures for the management of its meetings. Where necessary, the Directors, whether as a full Board or in their individual capacities, may engage independent professionals at the Company's expense to advise on issues of concern to facilitate the proper discharge of their statutory and fiduciary duties.

During the year ended December 31, 2003, eight (8) Board Meetings were held. The details of attendance of the Directors at these meetings are as follows:

Name of Director	Number of Meetings Attended
YBhg. Datuk Abu Hassan bin Kendut	8/8
YBhg. Dato' Mohd Nor bin Idrus	8/8
YBhg. Dato' Abdul Wahid Omar	8/8
YBhg. Dato' Anwarrudin bin Ahamad Osman	7/8
En. Badrul Feisal bin Abdul Rahim	8/8
YBhg. Dato' Fauziah binti Dato' Ismail	7/8
Mr. Lim Kok Beng	7/8
En. Aminuddin Yusof Lana <i>(retired on 20.11.03)</i>	8/8
YBhg. Dato' Abdul Hamidy bin Abdul Hafiz <i>(resigned on 31.01.04)</i>	8/8

Re-election of Directors

The Company's Articles of Association require that at each Annual General Meeting, one-third or the number nearest to one-third of the Directors, including Executive Directors, shall retire from office. A Director appointed either to fill a casual vacancy or as an additional Director shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election. Every Director shall retire from office at least once in every three (3) years, but shall be eligible for re-election.

Information on the Directors who are retiring and willing to continue to serve, if re-elected at the forthcoming Annual General Meeting, is disclosed in the Statement Accompanying the Notice of the Annual General Meeting.

YBhg. Datuk Abu Hassan bin Kendut and YBhg. Dato' Abdul Wahid Omar shall retire by rotation at the forthcoming Annual General Meeting and have offered themselves for re-election.

Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme and are actively participating in the seminars accredited by MASEB under the Continuing Education Programme on relevant areas to keep them abreast with the latest changes on rules and regulations as well as the business environment. In-house induction programmes on new businesses of the Group are arranged for Directors to facilitate their understanding of the Group's operations and corporate strategy. New Directors are given essential Board and Company information for their reference and shall also have the benefit of an induction programme designed to help them gain a better understanding of the Company's business operations at the earliest opportunity. Where possible and when the opportunity arises, Board meetings may be held at locations within the Group's operating businesses to enable the Directors to obtain a better perspective of the business and enhance their understanding of the Group's operations.

Board Committees

To effectively and efficiently discharge its duties, the Board is assisted by Board Committees which operate under their respective and clearly defined terms of reference. The Chairman of the respective Committee will report to the Board the outcome of the Committee meetings and such reports are incorporated in Board papers.

(i) Audit Committee

During the year ended December 31, 2003, the Audit Committee was made up of three (3) Independent non-Executive Directors and one (1) Executive Director comprising:

- Mr. Lim Kok Beng - Chairman and MIA member
- YBhg. Dato' Fauziah binti Dato' Ismail
- YBhg. Dato' Abdul Hamidy bin Abdul Hafiz
- En. Aminuddin Yusof Lana (*retired as Managing Director on November 20, 2003*)

En. Badrul Feisal bin Abdul Rahim was subsequently appointed as a member of the Audit Committee on March 23, 2004, following the resignation of YBhg. Dato' Abdul Hamidy bin Abdul Hafiz on January 31, 2004.

The Audit Committee met six (6) times during the year. The Audit Committee Report is set out on pages 28 to 33 of the Annual Report.

(ii) Nominations Committee

During the year ended December 31, 2003, the Nominations Committee was made up of three (3) non-Executive Directors, a majority of whom were Independent Directors. Members of the Nominations Committee were:

- YBhg. Dato' Abdul Hamidy bin Abdul Hafiz - Chairman
- YBhg. Dato' Abdul Wahid Omar
- YBhg. Dato' Fauziah binti Dato' Ismail

Mr. Lim Kok Beng was subsequently appointed as a member of the Nominations Committee on January 28, 2004. Following the resignation of YBhg. Dato' Abdul Hamidy bin Abdul Hafiz on January 31, 2004, YBhg. Dato' Abdul Wahid Omar was appointed as the new Chairman of the Nominations Committee on February 26, 2004.

The Nominations Committee is responsible for making recommendations on any appointment to the Board and its various Committees in the UEM Builders Group. In making these recommendations, due consideration is given to the required mix of skills and experience that the proposed Directors should bring to the Board. During the year, the Nominations Committee convened one (1) meeting to, amongst others, recommend to the Board the adoption of the Framework of Policies for the Board's Nominations Committee which included the implementation of an effective process for the appointment of new Directors and an annual evaluation exercise to determine the effectiveness of the Board and Board Committees.

(iii) **Remuneration Committee**

During the year ended December 31, 2003, the Remuneration Committee was made up of four (4) non-Executive Directors, comprising:

- YBhg. Dato' Anwarudin bin Ahmad Osman - Chairman
- YBhg. Dato' Abdul Wahid Omar
- En. Badrul Feisal bin Abdul Rahim
- YBhg. Datuk Abu Hassan bin Kendut (*appointed on November 12, 2003*)

Subsequently, on March 23, 2004, YBhg. Datuk Abu Hassan bin Kendut was appointed as the new Chairman of the Remuneration Committee following the resignation of YBhg. Dato' Anwarudin bin Ahmad Osman as the Chairman, and En. Badrul Feisal bin Abdul Rahim resigned as a member of the Remuneration Committee.

The Remuneration Committee is responsible for drawing up the policy framework on all elements of remuneration such as reward structure, fringe benefits and other terms of employment of Executive Directors and other selected top management positions for recommendation to the Board. The remuneration package of non-Executive Directors is decided by the Board as a whole, with the Directors concerned abstaining from the deliberations and voting on decisions in respect of the individual's remuneration. In carrying out its duties and responsibilities, the Remuneration Committee has full, free and unrestricted access to the Company's records, properties and personnel. The Committee may also obtain the advice of external consultants on the appropriateness of the remuneration package and other employment conditions if required. During the year, the Remuneration Committee convened two (2) meetings.

Directors' Remuneration

Other than the Managing Director, all Directors are paid a fixed fee and receive meeting allowance for each Board and Committee Meeting they attend. Directors fees are subject to shareholders' approval. The Chairman is paid a higher fee compared to other Board members in recognition of his additional responsibilities.

The breakdown of the remuneration of the Directors during the year ended December 31, 2003 is as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees and allowances	–	379,333
Salaries and other emoluments	608,867	–
EPF	82,185	–
Benefit-in-kind	11,538	–
Total	702,590	379,333

The number of Directors whose total remuneration fell within the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,000 and below		4
RM50,001 - RM100,000		4
RM100,001 - RM150,000	1	
RM150,001 - RM600,000	1	

The above disclosure includes the remuneration paid to a past Executive Director who retired as Managing Director of the Company during the year and the remuneration received by the current Managing Director during the period in the year when he was a non-Executive Director.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of effective communication with the shareholders and investment community through timely dissemination of information.

The Annual Reports, announcements through the KLSE Link, Circulars to Shareholders and the Company website are the substantial means of communication with the shareholders, institutional and potential investors.

The AGMs and EGMs serve as the principal forum for dialogue with shareholders of the Company. Shareholders are encouraged to participate in the questions and answers session at the general meetings. The Chairman together with the Managing Director, and where appropriate, the other Directors will respond to questions raised during the meeting. It is also a practice for the Board to hold press conferences with journalists after the general meetings.

Whilst the Managing Director has been designated as the Company's principal spokesperson with institutional investors, analysts, press and other interested parties, the Board has identified Mr. Lim Kok Beng as the new senior Independent non-Executive Director to whom shareholders may convey their concerns.

Shareholders, investors and members of the public are invited to access the Company's website at www.uembuilders.com, that is updated from time to time, and MASEB's website at www.klse.com.my for the latest corporate and market information on the Company and the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the Directors is to present a balanced and comprehensible assessment of the Group's position and prospects. The Board Audit Committee assists the Board to ensure accuracy and adequacy of all annual and quarterly financial reports prior to public release.

Directors' Responsibility Statement in respect of the preparation of the Audited Financial Statements

The Board is required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the year and of the results of the Company and of the Group for the year then ended.

The Board considers that, in preparing the financial statements of the Company and of the Group for the year ended December 31, 2003, the Company and the Group have used appropriate accounting policies, consistently applied and supported by prudent and reasonable judgments and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed, subject to any material departures disclosed and explained in the financial statements and confirm that the financial statements have been prepared on a going concern basis.

The Board is responsible for ensuring that the Company and the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Board is also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

Internal Control

The Board acknowledges its responsibility to maintain a sound system of internal controls to safeguard shareholders' investment and the Company's assets. Compliance with the systems of internal control is closely monitored by the Company's Internal Auditors, whose findings are tabled to the Audit Committee.

The Board's Statement on Internal Control appears on page 34 of the Annual Report.

Relationship with Auditors

The Internal Auditors attend all Audit Committee Meetings. The External Auditors were also invited to brief the Audit Committee in respect of each year's audit on statutory financial statements. During the year, the Audit Committee held a meeting with the external auditors without the presence of Management. The Company maintains a transparent relationship with External Auditors in seeking their advice towards ensuring compliance with the accounting standards.

OTHER INFORMATION

None of the Directors have any family relationship with other Directors or major shareholders of the Company. To date there has not been any conflict of interest between any of the Directors and the Company. None of the Directors have been convicted of any offence in the past 10 years. All the Directors are Malaysians.

Details of the Directors' shareholdings in the Company appear on page 65.

Material Contracts

Save as disclosed below, there were no material contracts involving Directors' and major shareholders' interests, entered into during the year or still subsisting as at the end of the year ended December 31, 2003.

1. *Heads of Agreement* dated March 27, 2003 between UEM Builders, United Engineers (Malaysia) Berhad ("UEM"), UEM World Berhad (formerly known as Global Converge Sdn Bhd) and UEM Land Sdn Bhd (formerly known as Renong Berhad) in relation to a group wide restructuring scheme of UEM which includes, inter alia, the consolidation of the UEM group's construction and engineering business under UEM Builders, which involved inter alia, the following:
 - (i) the scheme of arrangement between UEM Builders, UEM, Projek Penyelenggaraan Lebuhraya Berhad ("Propel") and the shareholders of Propel under section 176 of the Companies Act, 1965 for UEM Builders to take Propel private ("the Propel Scheme"); and
 - (ii) the acquisition of UEM Construction Sdn Bhd (formerly known as "UE Construction Sdn Bhd") by UEM Builders ("the Acquisition of UEC").

The consideration and mode of satisfaction for the Propel Scheme and the Acquisition of UEC are respectively described in items 2 and 3 below.

2. *Completion Agreement* dated April 29, 2003 between UEM, UEM Builders and Propel with regard to the settlement of the consideration relating to the Propel Scheme, which subject to confirmation by the High Court of Malaya, comprised inter alia, the following:
 - (a) the cancellation of the entire issued and paid up share capital of Propel comprising 70,000,000 ordinary shares of RM1.00 each owned by UEM and the shareholders of Propel other than UEM ("Other Propel Shareholders") and the subsequent issuance by Propel to UEM Builders of 70,000,000 new ordinary shares of RM1.00 each in Propel credited as fully paid-up, resulting in Propel becoming a wholly owned subsidiary of UEM Builders;
 - (b) the settlement to the Other Propel Shareholders through:
 - (i) a cash payment by UEM Builders of RM1.00 and the issue by UEM Builders of two (2) new ordinary shares of RM1.00 each at an issue price of RM1.00 each which shall be credited as fully paid up to the shareholders of Propel for every one (1) existing Propel share held; or
 - (ii) a cash payment by UEM of RM0.70 and the transfer by UEM of one (1) PLUS Expressways Berhad ordinary share to such Other Propel Shareholders for every one (1) existing Propel share held;

(c) the settlement by UEM Builders to UEM:

(i) in respect of the shares in Propel held by UEM, on the basis set out in paragraph (b)(i) above; and

(ii) in respect of the shares in Propel held by Other Propel Shareholders who have elected to accept settlement in the manner set out in paragraph (b)(ii) above, on the basis set out in paragraph (b)(i) above.

3. *Sale of Shares Agreement* dated April 29, 2003 between UEM Builders and UEM for the acquisition by UEM Builders from UEM of the entire equity interest in UEM Construction Sdn Bhd, formerly known as UE Construction Sdn Bhd, at a purchase consideration of RM156.3 million, to be satisfied in the following manner:

(a) the issue by UEM Builders to UEM of 45.6 million new ordinary shares of RM1.00 each at par; and

(b) the balance in cash through the assumption by UEM Builders of the inter-company debt of RM110.7 million owing by UEM to Propel as at December 31, 2002.

4. *Sale and Purchase Agreement* dated April 29, 2003 ("the SPA") between UEM Construction Sdn Bhd ("UEMC") and UEM for the acquisition by UEM from UEMC of the entire equity interest in UEM Environment Sdn Bhd (formerly known as Kualiti Alam Holdings Sdn Bhd) for RM39,392,260; and the acquisition by UEMC from UEM of fifty percent (50%) of the entire issued and paid up share capital of PATI Sdn Bhd for RM55,000,000, both considerations to be satisfied by the setting off of the amount due by either party under the SPA against the amount due from the other party under the SPA, and the balance outstanding in cash.

Sanctions

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors, or management by the relevant regulatory authorities.

Non-Audit Fees

During the year under review, non-audit fees paid to External Auditors of the Group amounted to RM491,795.00.

Revaluation Policy

Landed properties of the Group are stated at cost less accumulated impairment losses as described in significant accounting policies in Notes 4(e) and 4(s) on pages 87 and 92 of the Annual Report. These properties have not been revalued.

Recurrent Related-Party Transactions

The Group had entered into the following Recurrent Related Party Transactions during the year ended December 31, 2003 pursuant to the mandate approved by the shareholders of the Company at the Extraordinary General Meeting on May 30, 2003, the aggregate values of which are as follows:

Nature of Transaction	Related Party	Interested Related Party	Relationship	Amount RM ('000)
Provision of services on maintenance, rental and repair of civil, mechanical and electrical and related works for the Penang Bridge Concession by Projek Penyelenggaraan Lebuhraya Berhad ("PROPEL") to Penang Bridge Sdn Bhd ("PBSB")	PROPEL*	United Engineers (Malaysia) Berhad ("UEM"), Serayin Sdn Bhd ("Serayin"), Mekar Idaman Sdn Bhd ("Mekar")	PBSB is a wholly-owned subsidiary of UEM Builders Berhad ("UEM Builders"). PROPEL was previously a subsidiary of UEM. UEM was a major shareholder of UEM Builders by virtue of its past 44.6% equity interest in UEM Builders held in its own name, through Serayin, its wholly-owned subsidiary and through Mekar, in which it has 45% equity interest.	4,830

Nature of Transaction	Related Party	Interested Related Party	Relationship	Amount RM ('000)
Provision of services on Touch N' Go card system for the Penang Bridge Concession by Rangkaian Segar Sdn Bhd ("RSSB") to PBSB	RSSB	UEM, Serayin, Mekar	UEM's effective interest in RSSB is 37.8%. PBSB is a wholly-owned subsidiary of UEM Builders which in turn is a 51.7% subsidiary of UEM World Berhad which in turn is a 50.81% subsidiary of UEM.	2,237
Provision of corporate and administrative support services and training by UEM Group Management Sdn Bhd ("UEMGM") to UEM Builders Group	UEMGM	UEM, Serayin, Mekar	UEMGM is a wholly-owned subsidiary of UEM. UEM Builders is a 51.7% subsidiary of UEM World which in turn is a 50.81% subsidiary of UEM."	649 [^]
Provision of services for vehicle maintenance and repair by United Services and Automotive Industries Sdn Bhd ("USAI") to UEM Builders Group	USAI	UEM, Serayin, Mekar	USAI is a wholly-owned subsidiary of UEM. UEM Builders is a 51.7% subsidiary of UEM World which in turn is a 50.81% subsidiary of UEM.	66 [^]

* *PROPEL is currently a wholly-owned subsidiary of UEM Builders Berhad.*

[^] *These figures include the amounts transacted by the new subsidiaries, UEM Construction Sdn Bhd and PROPEL, pursuant to the acquisition of the new subsidiaries on October 16, 2003.*

This Statement is made in accordance with a resolution of the Board of Directors dated March 31, 2004.

REPORT OF THE AUDIT COMMITTEE

The members of the Committee during the year ended December 31, 2003 are:

- Mr. Lim Kok Beng (Chairman)
 - Independent non-Executive Director
 - Member of the Malaysian Institute of Accountants
- YBhg. Dato' Fauziah binti Dato' Ismail
 - Independent non-Executive Director
- YBhg. Dato' Abdul Hamidy bin Abdul Hafiz
 - Independent non-Executive Director (*resigned on January 31, 2004*)
- En. Aminuddin Yusof Lana
 - Non-Independent Executive Director (*retired on November 20, 2003*)

Throughout the year ended December 31, 2003, the Company complied with the requirement that the majority of the Audit Committee consist of Independent Directors.

Following the resignation of YBhg. Dato' Abdul Hamidy bin Abdul Hafiz, En. Badrul Feisal bin Abdul Rahim was subsequently appointed as a member of the Audit Committee on March 23, 2004.

The Committee held six (6) meetings during the year ended December 31, 2003, with all members of the Committee in attendance at all the meetings.

Since the last Annual Report, the Board has enhanced the existing Terms of Reference for the Audit Committee in line with the latest relevant statutory amendments. The new Terms of Reference are set out on pages 30 to 33 of the Annual Report.

SUMMARY OF THE AUDIT COMMITTEE'S ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2003

- Reviewed and sought management explanations and recommended actions on the quarterly and annual financial results and performance of the Company and the Group prior to submission to the Board for consideration and approval.
- Reviewed and sought management explanations on related party transactions entered into by the Company and the Group, and reported the same to the Board.
- Reviewed the process of nomination and recommended to the Board on the appointment of Messrs. Ernst & Young as the new external auditor of UEM Builders Berhad for the year 2004.
- Reviewed and discussed with the external auditor (Messrs. Shamsir Jasani Grant Thornton) on the nature and scope of their audits before the audits commenced.
- Reviewed, discussed and sought management explanations on the internal audit reports before reporting the same to the Board.
- Reviewed and sought management explanations on the management letters from the external auditor (Messrs. Shamsir Jasani Grant Thornton).
- Held discussions with the external auditor (Messrs. Shamsir Jasani Grant Thornton), in the absence of the executive member and management, in relation to statutory audits.
- Reviewed Internal Audit's significant activities and the internal audit plan for the current and forthcoming year for the Group.
- Conducted the 2003 annual appraisal of the Head of the Internal Audit Department.

SUMMARY OF INTERNAL AUDIT ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2003

During the year ended December 31, 2003, the internal audit function was carried out by an Internal Audit Department whose primary responsibility is to conduct regular and systematic reviews of the systems, operations and internal controls processes of the Company, its subsidiaries and business units. The reviews are performed in order to provide reasonable assurances that the systems, operations and procedures continue to operate satisfactorily and effectively in the Company, its subsidiaries and business units.

The significant activities conducted by the Internal Audit Department for the year ended December 31, 2003 for the Company are as follows:

- Conducted regular/quarterly risk profiling of the Company, its subsidiaries and business units, which partly formed the basis of preparing the annual audit plan for the Company that was presented for the Audit Committee's review and approval.
- Performed eighteen (18) audits as specified in the annual and revised audit plan 2003, evaluated and assessed the internal controls and efficiency of processes, and provided appropriate recommendations to management to address the issues highlighted in the internal audit reports.
- Sought management explanations and action plans on issues highlighted in the internal audit reports, and conducted subsequent follow-up reviews.
- Issued the internal audit reports to the Audit Committee and presented the summary of the reports to the Audit Committee during the Audit Committee meetings for discussion and deliberation.
- Attended the Audit Committee meetings and tabled summary of the internal audit reports, significant activities of the Internal Audit Department for the period, progress of audits and investigations being conducted, follow-up audits, audits planned for the next period, management letters from the external auditor and management's response, and other related internal control issues.
- Compiled and reviewed the current risk profiles of the Company, subsidiaries and business units, and prepared the risk management reports of the Company and tabled to the Audit Committee and Board for deliberation and approval.
- Reviewed and provided recommendations on the adequacy and effectiveness of policies and procedures manuals and standards relating to the subsidiaries and business units of the Company.
- Attended meetings and provided recommendations relating to business and administrative operations/processes of the Company, subsidiaries and business units.
- Reviewed and provided suggestions on management papers, related party transactions and authority limits relating to the Company, subsidiaries and business units.
- Reviewed business development projects and provided recommendations.
- Attended openings of tenders of the Company.
- Prepared succession planning for the Internal Audit Department.
- Performed other additional tasks as directed by the Audit Committee and Management such as conducting investigations, site visits of current projects, review of current projects' status, facilitating risk management processes, review of related party transactions, review of business development projects, etc.

Effective January 1, 2004, the Company has outsourced its internal audit function to UEM Group Management Sdn Bhd ("UEMGM"), which is adequately resourced and has appropriate standing within UEM Builders Berhad and its subsidiaries to undertake its activities independently and objectively and to assist the Audit Committee to discharge its duties and responsibilities more effectively.

EXTERNAL AUDIT

The Audit Committee continuously engages with and monitors the services of the external auditors to ensure independence, objectivity and effectiveness of the existing auditors.

In line with the Company's corporate governance practices, the Audit Committee undertook an exercise in 2003 as part of the group-wide initiative to completely review and re-evaluate the engagement of its incumbent auditors. The objective of the group-wide exercise was to promote better transparency and efficacy and it was targeted at audits commencing with the financial year ending 2004. This exercise will be carried out periodically.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1.0 OBJECTIVES OF THE AUDIT COMMITTEE

The objective of the Audit Committee ("the Committee") is to assist the Board of Directors ("the Board") to discharge its responsibilities by reviewing the integrity and adequacy of the Company's and Group's internal controls and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Furthermore, the Committee is to reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit process and to provide, by way of regular meetings, a line of communication between the Board and the external auditors.

The Committee shall also provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is independent of the management. The quality of the audits conducted by the internal and external auditors of the Company shall also be subject to review by the Committee.

In addition, the Committee needs to encourage high standards of corporate disclosure and transparency. The Committee will endeavour to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to the Company's shareholders.

2.0 COMPOSITION OF THE AUDIT COMMITTEE

2.1 Members

The Audit Committee shall be appointed by the Board of Directors from amongst their numbers, which fulfils the following requirements:

- i. The Committee must comprise at least three (3) directors.
- ii. A majority of the Committee must be Independent Directors.
- iii. At least one member of the Committee must be a member of the Malaysian Institute of Accountants (MIA) or have any other equivalent qualifications recognised by the MIA or fulfils such other requisite qualifications as may be prescribed by Malaysia Securities Exchange Berhad.
- iv. No alternate director shall be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director. All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of UEM Builders Berhad. The Board of Directors must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether the Committee has carried out its duties in accordance with its terms of reference.

Members of the Committee may relinquish their membership with prior written notice to the Company Secretary and may continue to serve as Director of the Company. In the event of any vacancy in the Committee, the vacancy must be filled within 3 months, and the Nominations Committee shall review and recommend for the Board's approval another appropriate director to fill the vacancy.

2.2 Secretary

The Company Secretaries of UEM Builders Berhad and/or their representative shall be the Secretaries of the Committee.

3.0 DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The following are the main duties and responsibilities of the Committee collectively:

- i. Oversee the Company's internal control structure to assure operational effectiveness and efficiency, reduce the risk of unreliable financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance.
- ii. Assist the Board of Directors in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks.
- iii. Recommend to the Board on the appointment and annual reappointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit.
- iv. Discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.
- v. Review the quarterly interim results, half-year and annual financial statements of the Company and the Group prior to approval by the Board, focusing particularly on:
 - Any changes in accounting policies and practices.
 - Significant adjustments arising from the audit.
 - The going concern assumption.
 - Compliance with accounting standards and other legal requirements.
- vi. Discuss problems and reservations arising from the interim and final audits and any matter the auditors may wish to discuss in the absence of the management where necessary.
- vii. Review the external auditor's management letter and management's response.
- viii. Review with the external auditors the draft statement to be made by the Board with regard to the state of internal control of the UEM Builders Group, and report the results thereof to the Board.
- ix. Review the assistance and co-operation given by UEM Builders Berhad and its Group's officers to the external and internal auditors.
- x. Review any letter of resignation from the external auditors and any questions of resignation or dismissal.
- xi. Review and ensure that the Internal Audit function, which is outsourced to UEM Group Management Sdn Bhd, is adequately resourced and has appropriate standing within UEM Builders Berhad and its subsidiary companies to undertake its activities independently and objectively, including but not limited to the following:
 - Reviewing and approving the Annual Internal Audit Plan and ensuring adequate risk and governance coverage; and
 - Reviewing the results of the internal audit process and where necessary ensuring that appropriate actions are taken on the recommendations of the internal auditors.
- xii. Consider the major findings of internal investigations and management's response.
- xiii. Review any related party transactions and conflict of interest situations that may arise within UEM Builders Berhad or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
- xiv. Consider other matters as defined by the Board.

4.0 POWERS OF THE AUDIT COMMITTEE

In carrying out its duties and responsibilities, the Committee will have the following rights:

- i. Have explicit authority to investigate any matter within its terms of reference.
- ii. Have the resources that are required to perform its duties.
- iii. Have full, free and unrestricted access to any information, records, properties and personnel of UEM Builders Berhad and of any other company within the UEM Builders Group.
- iv. Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- v. Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the Committee's meetings (if required) and to brief the Committee.
- vi. The attendance of any particular Audit Committee meeting by other Directors and employees of UEM Builders Berhad shall be at the Committee's invitation and discretion, and must be specific to the relevant meeting.
- vii. Be able to convene meetings with external auditors, without the presence of the executive board members at least once a year, and whenever deemed necessary.
- viii. 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 MASEB's Listing Requirements, the Committee must promptly report such matter to the MASEB.

5.0 AUDIT COMMITTEE MEETINGS

- i. The Committee will meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Audit Committee Chairman.
- ii. The quorum for each meeting shall consist of at least two (2) members, both of whom shall be Independent Directors.
- iii. Recommendations of the Committee are submitted to the Board for approval.
- iv. The Company Secretaries shall be in attendance at each Audit Committee meeting and record the proceedings of the meeting thereat.
- v. Minutes of each meeting shall be kept as part of the statutory record of UEM Builders Berhad upon adoption by the Board and a copy shall be distributed to each member of the Committee.
- vi. The Managing Director and/or the Chief Executive Officer and/or other appropriate officer may be invited to attend where their presence are considered appropriate as determined by the Committee Chairman.
- vii. The internal and/or external auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend each Committee meeting.
- viii. Upon the request of the auditor(s), the Committee Chairman shall also convene a meeting of the Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.

POSITION DESCRIPTIONS

6.0 CHAIRMAN OF THE AUDIT COMMITTEE

The following are the main duties and responsibilities of the Committee Chairman:

- i. Helps the Committee fulfil the goals it sets by assigning specific tasks to members of the Committee and identifies guidelines for the conduct of the members and ensures that each member is making a significant contribution.
- ii. Looks to the Company Secretaries for guidance to the Committee on what their responsibilities are under the rules and regulations to which they are subject and how those responsibilities should be discharged. The compliance advice should extend to embrace all laws and regulations and not merely the routine filing requirements and other administrative requirements of the Companies Act.
- iii. Provides a reasonable time for discussion at the meeting. Organises and presents the agenda for regular or special Committee meetings based on input from members and ensures that all relevant issues are on the agenda. In addition, the Chairman should encourage debate on the issue before the Committee.
- iv. Provides leadership to the Committee and ensures proper flow of information to the Committee, reviewing the adequacy and timing of documentation.
- v. Secures good corporate governance and ensures that members look beyond their Committee function and accept their full share of responsibilities of governance materials in support of management's proposals.
- vi. Manages the processes and workings of the Committee and ensures that the Committee discharges its responsibilities in accordance with the Terms of Reference. Appropriate procedures may involve the Committee meeting on a regular basis without the presence of Executive Board members or management.
- vii. Ensures that every Committee resolution is put to a vote to ensure that it is the will of the majority that prevails.

7.0 AUDIT COMMITTEE MEMBERS

Each Committee member will be expected to:

- i. Provide individual external independent opinions to the fact-finding, analysis and decision making process of the Committee, based on their experience and knowledge.
- ii. Consider viewpoints from the other Committee members; make decisions and recommendations for the best interest of the Board collectively.
- iii. Keep abreast of the latest corporate governance guidelines and best practices in relation to the Audit Committee and the Board as a whole.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance ('Code') stipulates that the board of a listed company should "maintain a sound system of internal control to safeguard shareholders' investment and the company's assets". Pursuant to paragraph 15.27(b) of the Listing Requirements of Malaysia Securities Exchange Berhad ('MSEB'), the Board of Directors ('Board') is pleased to provide the following statement, which outlines the nature, scope and status of the Group's internal control for the year ended December 31, 2003.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's systems of internal control and risk management and for ensuring their adequacy and integrity through the process of constant review and monitoring.

It should be noted however, that such systems are designed to manage, rather than eliminate the risk of failure to achieve the Group's business objectives. In addition, such systems can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT FRAMEWORK

In ensuring the proper review and management of major risks affecting the Group, the Board had approved a Risk Management Framework ('Framework') for the Group. The Framework outlines the overall risk policy and objectives, processes, limits and reporting responsibilities.

The Framework is in addition to policies, procedures, authority limits and ISO certification that have been developed and are being constantly reviewed for consistencies and appropriateness with the Group's operations.

To assist the Audit Committee and Board in the risk management process, the Company had in the year 2002 established a Risk Management Steering Committee, as well as individual operating units' Risk Management Working Committees.

The principal roles of the Risk Management Steering Committee, which comprises senior management staff, are to:

- Assist and coordinate with the individual operating units' Risk Management Working Committees on the identification of current risk exposures.
- Review and compile the Group's risk profiles and ensure that relevant internal control systems and necessary measures are in place to address the individual risks.
- Present a bi-annual risk management report to the Board together with recommendations to improve the internal control systems and manage the identified risks.

During the year, the Risk Management Steering Committee and the individual operating units' Risk Management Working Committees, facilitated by UEM Group Management Sdn Bhd ('UEMGM'), had conducted regular reviews of the current risks and updated the Group's risk profiles. Reports of the current risk profiles were tabled to the Audit Committee for review and recommendation, and subsequently reviewed and approved by the Board.

The risk exposures associated with the Group are determined and segregated into 8 categories, i.e. external factors, strategic, financial, customer, product, people, information technology and internal processes.

Each individual risk is assessed in terms of its impact to the organization, which can range from 'insignificant' to 'catastrophic' as well as the likelihood of the risk occurring, which is defined from 'remote' to 'common'. Based on the impact and likelihood ratings, a matrix is used to categorize the resultant main risk rating as low, medium-low, moderate, significant or high. The significant and high risks are given priority and attention. Action plans were drawn up to manage, address and reduce the impact and/or likelihood of the risks identified and subsequently communicated to the operating levels for implementation.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management activities, other key elements of the Group's control structure are:

Policies and Procedures

Detailed policies and procedures were developed to cover various operational areas and regularly updated to provide guidance to all levels of staff.

ISO certification had also been achieved by the Group for its main operations, i.e. construction and engineering for the various construction companies and toll collection on the Penang Bridge.

Authority limits

Authority limits for operating and capital expenditure have been set by the Board for each level of Management within the Group. The Authority Limits are regularly reviewed and revised to ensure their effectiveness.

Board Committees

In addition to the Audit Committee, specific responsibilities have been delegated to two other Committees i.e. the Remuneration and Nominations Committees. These Committees have the authority to examine all matters within their scope of responsibility based on written terms of reference and report to the Board with their recommendation for the Board's decision.

Management

The management of the Group is delegated to the Managing Director whose roles and responsibilities and authority limits are set by the Board. He is assisted by the Chief Financial Officer and Directors of Operations for the various Divisions.

Performance Monitoring, Budgets and Financial Systems

The Group has established a comprehensive Performance Monitoring and Budgetary System for monitoring of performance against the strategic plan approved by the Board that covers all key financial and operating indicators. The system requires a detailed annual budget to be prepared. The budget is reviewed as and when required, particularly when there are significant changes to the operating environment. Corrective follow-up action is taken on significant variances by Management.

The Performance Monitoring and Budgetary System is supported by a fully computerized Financial System that captures every single financial transaction which is then collated and consolidated into the monthly management financial statements. The combination of the above-mentioned systems provides Management with up-to-date information on financial performance that enables Management to quickly respond to changes in the operating environment.

Human Resource System

A standardized Performance Management System is adopted throughout the Group to review and improve the performance of each employee, which adds to their ability to operate and monitor systems of control effectively. This system is supported by a comprehensive employee database that serves as a guide for planning the manpower needs of the Group. The Group has also implemented a succession plan for its management staff.

Continuous education, training and development activities are provided to enhance the employees' knowledge, skills and abilities. The effectiveness of the system is further enhanced by measuring actual results against objectives set for each employee. Annual increments, bonuses and other incentives are provided to employees on the basis of their performance, subject to the Group's financial performance and ability.

In addition to the above, the Group has embarked on a Balanced Scorecard System to measure and evaluate the performance of Management.

Internal Audit Function

During the year ended December 31, 2003, the internal audit function was carried out by an Internal Audit Department ('IAD'), which is independent of the activities audited. The IAD has a direct reporting relationship to the Audit Committee, which ensures the adequacy, objectivity and effectiveness of the internal audit function and resources. Audits are conducted with impartiality, proficiency and due professional care without fear or favor. To ensure the adequacy of coverage, internal audit assignments are prioritised based on the results of the risk management exercise, audit cycle and discussions with senior management. The annual audit plan is tabled to the Audit Committee for discussion and approval.

The audit plan covered the operating units and subsidiaries of the Company [before its acquisition of the new subsidiaries, UEM Construction Sdn Bhd ('UEMC') and Projek Penyelenggaraan Lebuhraya Berhad ('PROPEL')] but did not include the associate company, Costain Group Plc, based in the United Kingdom. Throughout the year, the annual audit plan was regularly revised to reflect current situations and environment, and the appropriate audits conducted accordingly.

For year 2003, the IAD conducted eighteen (18) comprehensive audits that were focused on reinforcing and improving operational, financial and administrative systems and processes. The audits disclosed that satisfactory systems of internal control exist throughout the Company and its operating units.

Weaknesses observed, their impacts to the business and organization, audit's recommendations, Management's action plans to rectify weaknesses and follow-up to actions taken arising from the audits were promptly reported to the Audit Committee. The audit reports were further summarized and tabled at the Audit Committee meetings for deliberation.

In respect of UEMC and PROPEL, internal audits were previously carried out by UEMGM and PROPEL's own Internal Audit Department, respectively. In 2003, a total of six (6) audits were completed on these companies.

With effect from January 1, 2004, the internal audit function for the enlarged Group has been outsourced to UEMGM.

CONCLUSION

The Board is committed in its responsibilities and accountabilities for the Group's systems of internal control. The controls not only cover the areas of financial, operations and administration, but also compliance with statutory requirements and the Group's policies and procedures.

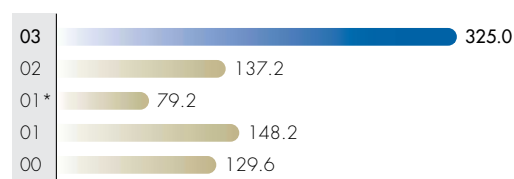
The external auditors have reviewed this Statement of Internal Control and nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated March 31, 2004.

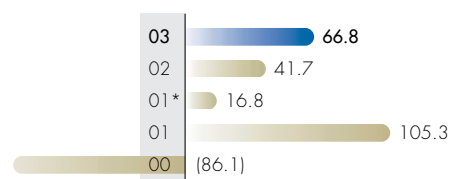
FINANCIAL HIGHLIGHTS

	30.6.2000 12 months (RM' Million)	30.6.2001 12 months (RM' Million)	31.12.2001 6 months (RM' Million)	31.12.2002 12 months (RM' Million)	31.12.2003 12 months (RM' Million)
Revenue	129.6	148.2	79.2	137.2	325.0
Profit/(Loss) Before Tax	(86.1)	105.3	16.8	41.7	66.8
Net Profit/(Loss)	(102.8)	92.9	8.1	30.6	39.9
Shareholders Funds	260.8	352.9	361.0	398.9	638.2
Total Assets Employed	978.8	1,272.3	1,279.1	1,278.1	2,182.3
Earnings/(Loss) Per Share (Sen)	(13.2)	11.9	1.0	3.9	4.9
Net Asset Per Share (RM)	0.34	0.45	0.46	0.51	0.66

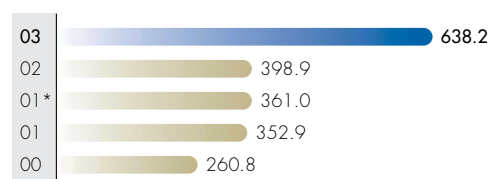
Revenue
RM Million



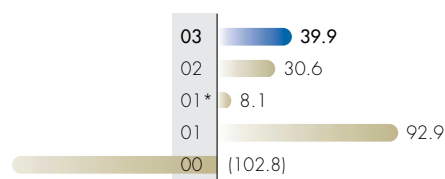
Profit/(Loss) Before Tax
RM Million



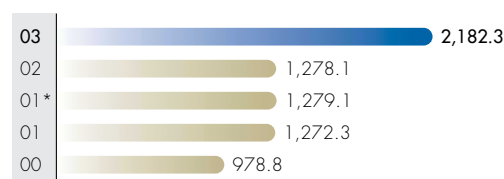
Shareholders Funds
RM Million



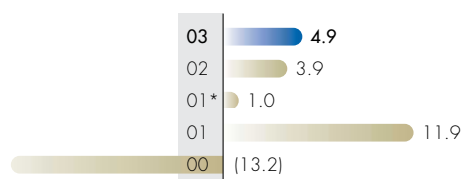
Net Profit/(Loss)
RM Million



Total Assets Employed
RM Million



Earnings/(Loss) Per Share
Sen



Note : * denotes six months ended December 31, 2001.