

Stretching the **LIMITS**





COVER RATIONALE

A name that is synonymous with the nation's infrastructure development, UEM Builders Berhad is an organisation that constantly strives to stretch its limits, as depicted by the energy generated from the continuous motion of the flowing contours. Just like the athlete that outperforms his competitor, UEM Builders Berhad continues to strive to surpass its proven track record of accomplishments towards nation building.

VISION

To be a Leading Globally Competitive Company in Integrated Engineering, Construction and Maintenance Services.

MISSION

Enterprising and competitive whilst exceeding stakeholders' expectations.

OPERATIONAL HIGHLIGHTS

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Notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Second Annual General Meeting of UEM Builders Berhad will be held on Monday, 9 June 2008 at Ballroom 1, 1st Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur at 10.00 a.m. to transact the following businesses:-



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BERHAD

AGENDA

1. To receive the Audited Financial Statements of the Company for the year ended 31 December 2007 together with the Directors' and Auditors' Reports therein.

As Ordinary Business

2. To declare a final tax-exempt dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2007.
3. To approve the payment of the Directors' remuneration for the year ended 31 December 2007.
4. 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) Dato' Anwarudin Ahamad Osman
 - (ii) Mr. Lim Kok Beng
 - (iii) En. Abdul Farid Alias
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

AS SPECIAL BUSINESS

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

6. **Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares**
"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."
7. **Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Mandate for Additional Recurrent Related Party Transactions**
"THAT the mandate granted by the shareholders of the Company on 21 May 2007 pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, authorising the Company and/or its subsidiaries ("the UEM Builders Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the UEM Builders Group as set out in sections 2.3.1.A and 2.3.2.A of the Circular to Shareholders dated 16 May 2008 ("the Circular") be and is hereby renewed and that a mandate be and is hereby granted for the UEM Builders Group to enter into the additional recurrent related party transactions of a revenue or trading nature as set out in sections 2.3.1.B and 2.3.2.B of the Circular 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;

Resolution 7

Resolution 8



32nd ANNUAL GENERAL MEETING

AND THAT the authority conferred by such renewed and granted mandate 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, whichever is the earlier;

AND FURTHER THAT the Directors be and are hereby authorised 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.”

8. **Proposed Amendments to the Company’s Articles of Association**

“**THAT** the proposed amendments to the Articles of Association of the Company as set out in Appendix II of the Circular to Shareholders dated 16 May 2008 be and are hereby approved and adopted **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the proposed amendments to the Company’s Articles of Association.”

Special Resolution 1

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of Members at the Annual General Meeting to be held on 9 June 2008, a final tax-exempt dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2007 will be paid on 9 July 2008 to Depositors whose names appear in the Company’s Register of Members and/or Record of Depositors on 16 June 2008.

A Depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Securities transferred into the Depositor’s securities account before 4.00 p.m. on 16 June 2008 in respect of transfers; and
- b. Securities bought on the Bursa Malaysia Securities Berhad (“Bursa Securities”) on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

SHARIFAH SHAFIQA SALIM (LS: 0008928)

LIM WAI YEE (MAICSA 7001963)

Company Secretaries

Kuala Lumpur
16 May 2008



NOTICE OF ANNUAL GENERAL MEETING

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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 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 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 7

The proposed Resolution 7, if passed, will authorise the Directors to issue and allot shares 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 in their absolute discretion consider to be in the best interests of the Company, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next Annual General Meeting.

Resolution 8

The proposed Resolution 8, 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 is set out in the Circular to Shareholders of the Company dated 16 May 2008 which is despatched together with the Company's 2007 Annual Report.

Special Resolution 1

The proposed Special Resolution 1, if passed, will allow the Company to incorporate the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad to ensure compliance. The details of this proposal are set out in the Circular to Shareholders dated 16 May 2008.

STATEMENT ACCOMPANYING NOTICE OF THE ANNUAL GENERAL MEETING

The details of the three (3) Directors seeking re-election are set out in their respective profiles which appear in the Profiles of the Directors on pages 20 to 24 of this Annual Report. The details of their interest in the securities of the Company are set out in the Analysis of Shareholdings on page 169 of this Annual Report.

BOARD OF DIRECTORS

DIRECTORS

Dato' Ir. Abdul Rahim Abu Bakar

*Independent Non-Executive Director
Chairman*

Dato' Ahmad Pardas Senin

*Deputy Chairman and Non-Independent
Non-Executive Director*

Dato' Ridza Abdoh bin Hj. Salleh

Managing Director

Dato' Anwarudin bin Ahamad Osman

Non-Independent Non-Executive Director

**Dato' Fuziah @ Fauziah
binti Dato' Ismail**

Independent Non-Executive Director

Mr. Lim Kok Beng

*Senior Independent
Non-Executive Director*

En. Abdul Farid bin Alias

Non-Independent Non-Executive Director

En. Abd. Rahim bin Md. Noh

Independent Non-Executive Director

Audit Committee

Mr. Lim Kok Beng

Chairman

Dato' Fuziah @ Fauziah

binti Dato' Ismail

Member

En. Abdul Farid bin Alias

Member

En. Abd. Rahim bin Md. Noh

Member

Nominations Committee

Dato' Ahmad Pardas Senin

Chairman

Dato' Fuziah @ Fauziah

binti Dato' Ismail

Member

Mr. Lim Kok Beng

Member

Remuneration Committee

Dato' Ir. Abdul Rahim Abu Bakar

Chairman

Dato' Ahmad Pardas Senin

Member

Dato' Anwarudin

bin Ahamad Osman

Member

Projects Review Committee

Mr. Lim Kok Beng

Chairman

Dato' Anwarudin

bin Ahamad Osman

Member

En. Abd. Rahim bin Md. Noh

Member

Investment Committee

Dato' Fuziah @ Fauziah

binti Dato' Ismail

Chairman

Mr. Lim Kok Beng

Member

En. Abdul Farid bin Alias

Member

Dato' Ridza Abdoh bin Hj. Salleh

Member

Penang Second Crossing Bridge Committee

En. Abd. Rahim bin Md. Noh

Chairman

Dato' Anwarudin

bin Ahamad Osman

Member

Mr. Lim Kok Beng

Member

Dato' Ridza Abdoh bin Hj. Salleh

Member

Secretaries

Pn. Sharifah Shafiqah Salim

LS 0008928

Ms. Lim Wai Yee

MAICSA 7001963

Registered Office

1st Floor, MCOBA Building

42, Jalan Syed Putra

50460 Kuala Lumpur

Tel : +(603) 2718 6868

Fax : +(603) 2718 6856

Principal Place of Business

17th Floor, Menara 2, Faber Towers

Jalan Desa Bahagia, Taman Desa

Off Jalan Klang Lama

58100 Kuala Lumpur

Tel : +(603) 7623 0888

Fax : +(603) 7623 0710

E-mail: info@uembuilders.com

http://www.uembuilders.com

Auditors

Messrs. Ernst & Young

Level 23A, Menara Milenium

Jalan Damansara

Pusat Bandar Damansara

50490 Kuala Lumpur

Tel : +(603) 7495 8000

Fax : +(603) 2095 9076/78

Principal Bankers

CIMB Bank Berhad

Bank Muamalat Malaysia Berhad

Malayan Banking Berhad

Alliance Bank Berhad

Standard Chartered Bank Berhad

HSBC Bank Malaysia Berhad

AmInvestment Bank Berhad

RHB Bank Berhad

Solicitors

Messrs. Zul Rafique & Partners

Messrs. Bodipalar Ponnudurai Nathan

Messrs. Abu Talib Shahrom

Registrars

Mega Corporate Services Sdn. Bhd.

Level 15-2, Faber Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : +(603) 2692 4271

Fax : +(603) 2732 5388

Stock Exchange Listing

Main Board of

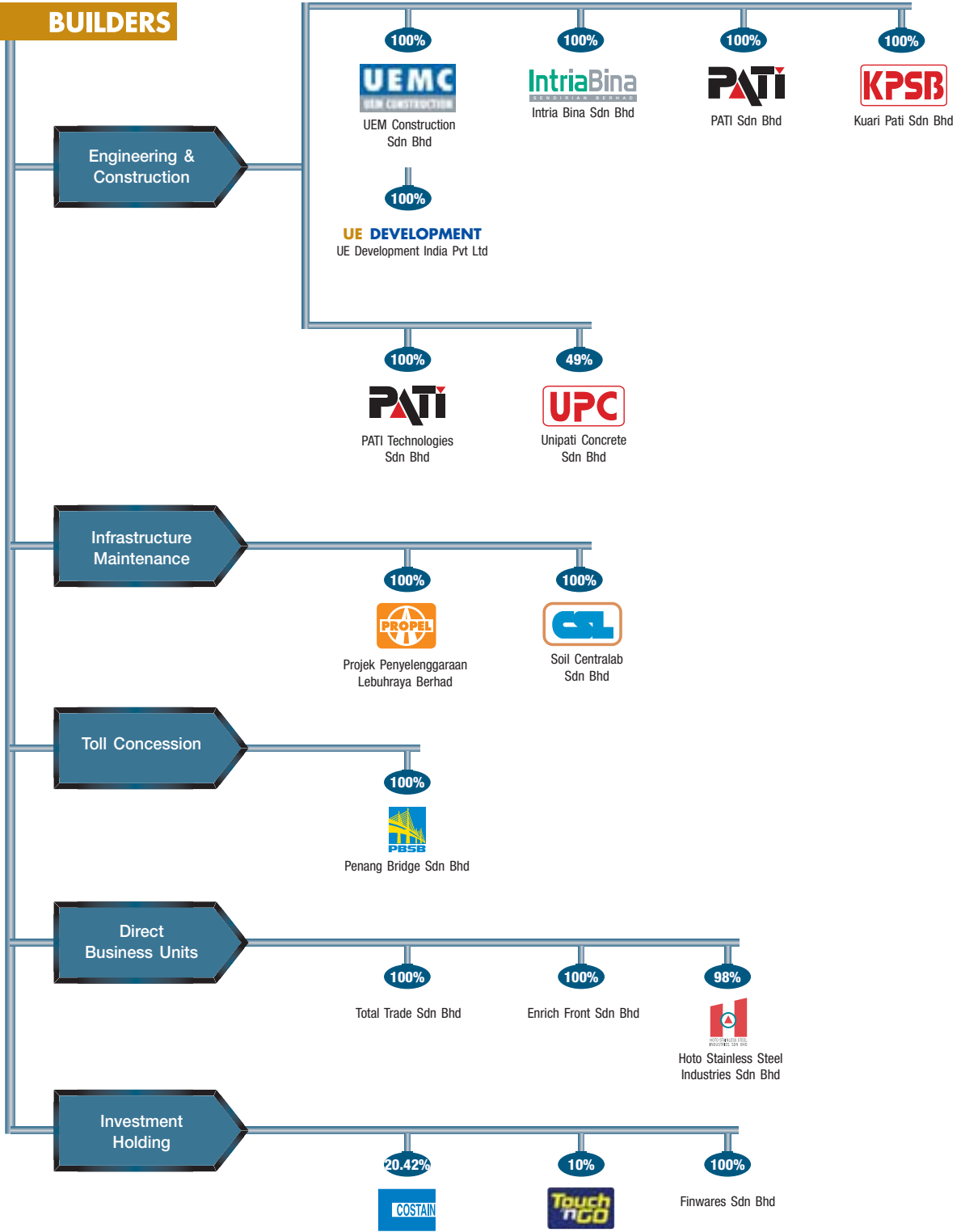
Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE

as at 15 April 2008



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UEM BUILDERS BERHAD



* Listed on the London Stock Exchange

* Costain Group Plc

Touch 'N Go Sdn Bhd
(Formerly known as Rangkaian Segar Sdn Bhd)

CALENDAR OF EVENTS '07

27 January 2007



UEM Builders donated one unit of dialysis machine to the Shah Alam Haemodialysis Centre.

20 February 2007

A dialogue session with Persatuan Kontraktor Melayu Pulau Pinang in Penang on business opportunities to be offered by the Penang Second Crossing Bridge project.

20-21 March 2007



Participated in the Vendor Network Exhibition and Business Matching at the Kuala Lumpur Convention Centre organised by the Ministry of Entrepreneur Development.

13 April 2007



The unveiling of UEM Builders new logo.

21 April 2007

The launching of commuter service from Rawang to Rasa on the southern section of newly completed Electrified Double Track from Rawang to Ipoh.

21 April 2007



Launching of UEM Builders first PINTAR Program in Penang by the Managing Director.

24 April 2007



The Chief Minister of Penang and members of the media visited the Penang Second Crossing Bridge site in Batu Kawan to view the development progress of the project.

May 2007



The unveiling of "UEM Builders Safety Messages" on fixed structures along the PLUS Third Lane Widening project.

20 May 2007



Donated RM30,000 to Project Anak Permata Negara (APN). The APN project provides early childcare and educational services for children aged between one and five years to parents earning less than RM1,500 monthly.

1 June 2007

The launching of "Design a Logo and Name the Tagline" competition for Pearl Bridge Sdn Bhd to all staff of UEM Builders Group.

18-19 June 2007



Participated in the World Economic Islamic Forum at the Putra World Trade Centre. This exhibition provides a business platform with delegates attending the Forum.

24 June 2007



The Penang Bridge Marathon 2007, the premier run along the Penang Bridge. 34 staff participated in the half marathon (22.3km) and fun run (10km) respectively.

17-19 July 2007



Participated at the exhibition of Malaysia Road Conference held at Sunway Pyramid.

26-29 July 2007



Kelab UEM Builders organised an expedition to Mount Kinabalu for the 2nd time. Twenty nine staff participated in the expedition.

31 July 2007

Participated in the launching of the Northern Corridor Economic Region by the Prime Minister.

12 August 2007

The Managing Director handed over 50,000 pieces of car flags to the Prime Minister in Kepala Batas as part of UEM Builders' activities in the 50th Merdeka celebration.

30 August 2007

Signing of Supplemental Concession Agreement for Penang Bridge.

13 September 2007



PROPEL announced its entry into the oil and gas industry through a Memorandum of Understanding (MoU) signed with SPIE Oil & Gas Services Limited to offer Integrated Facilities Management in the oil and gas industry in Malaysia.

15-21 September 2007



23rd World Road Congress, Paris, France
UEM Builders was invited to portray Penang Second Crossing Bridge and PROPEL on the highway maintenance.

28 September 2007



The signing ceremony of UEM Builders-Ansal API MoU in Delhi, India. UEM Builders, holding a 60% stake, will provide construction expertise to develop Ansal API's real estate projects in India.

27-28 September 2007

UEM Builders participated in an exhibition with a theme "Celebrating Golden Jubilee of Nationhood and Diplomatic Relations with India" organised by the Malaysian High Commission in Delhi in conjunction with Malaysia's 50th Anniversary celebration.

5 November 2007



Hari Raya Aidilfitri Dinner with the media personnel in Penang. Members of the media were briefed on the various aspects of construction of the Penang Second Crossing Bridge project.

5 November 2007



Briefing with Fishermen Associations, Jabatan Laut and Lembaga Kemajuan Perikanan Malaysia to communicate the benefits of Penang Second Crossing Bridge.



UEM
BUILDERS

Delivering **Winning Performances**

We continuously build on our performance
to ensure superior results.



GROUP FINANCIAL HIGHLIGHTS

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UEM
BUILDERS
BERHAD

REVENUE (RM Million)

'07	2,440.50
'06	1,796.59
'05	1,364.79
'04	1,637.86
'03	326.71

PROFIT/(LOSS) FROM OPERATIONS (RM Million)

'07	178.15
'06	109.18
'05	(193.29)
'04	107.28
'03	118.65

PROFIT/(LOSS) BEFORE TAXATION (RM Million)

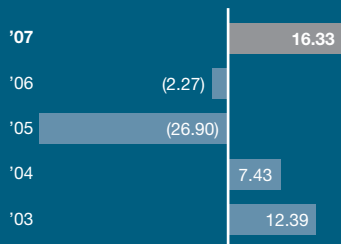
'07	182.85
'06	9.02
'05	(211.29)
'04	122.23
'03	127.19

FIVE-YEAR GROUP FINANCIAL SUMMARY

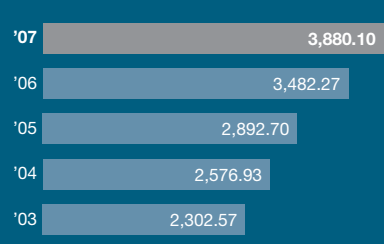
	2007 RM'Mil	2006 RM'Mil	2005 RM'Mil	2004 RM'Mil	2003 RM'Mil
Revenue	2,440.50	1,796.59	1,364.79	1,637.86	326.71
Cost of sales	(2,184.38)	(1,561.88)	(1,431.79)	(1,432.60)	(237.09)
Gross profit/(loss)	256.12	234.71	(67.00)	205.26	89.62
Other Income	119.65	29.03	32.76	26.17	64.37
Administrative Expenses	(82.88)	(58.73)	(59.30)	(56.94)	(43.82)
Other Expenses	(16.13)	(7.11)	(31.40)	(7.66)	(4.22)
Write back of provision for impairment loss	—	—	—	—	71.40
Operating profit/(loss)	276.76	197.90	(124.94)	166.83	177.35
Finance costs	(98.61)	(88.72)	(68.35)	(59.55)	(58.70)
Profit/(loss) from operations	178.15	109.18	(193.29)	107.28	118.65
Share of results of associates	(2.36)	(99.38)	(8.37)	25.19	15.30
Share of results of jointly controlled entities	7.06	(0.78)	(9.63)	(10.23)	(6.76)
Profit/(loss) before taxation	182.85	9.02	(211.29)	122.23	127.19
Income tax expense	(25.03)	(30.47)	(47.47)	(50.16)	(25.61)
Net profit/(loss) after tax	157.82	(21.45)	(258.75)	72.07	101.58
Attributable to:					
Equity holders of the Company	157.38	(21.90)	(259.26)	71.65	100.32
Minority interests	0.44	0.45	0.51	0.42	1.26
	157.82	(21.45)	(258.75)	72.07	101.58
Basic earnings/(loss) per share (sen)	16.33	(2.27)	(26.90)	7.43	12.39

REVENUE RM2.44 Billion

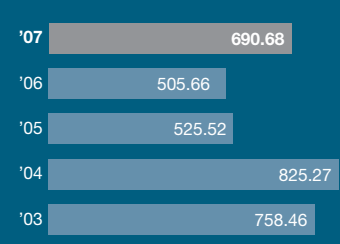
BASIC EARNINGS/(LOSS) PER SHARE (Sen)



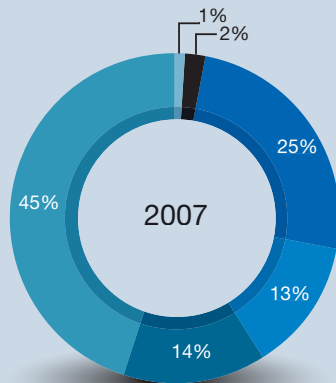
TOTAL ASSETS (RM Million)



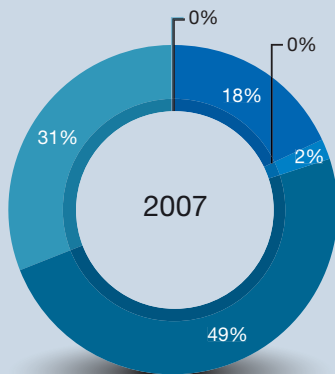
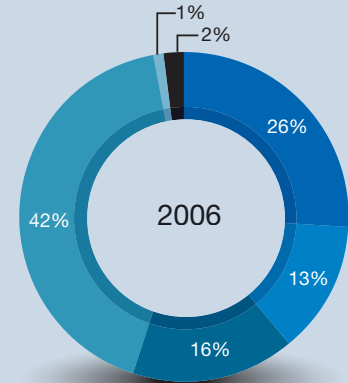
SHAREHOLDERS' EQUITY (RM Million)



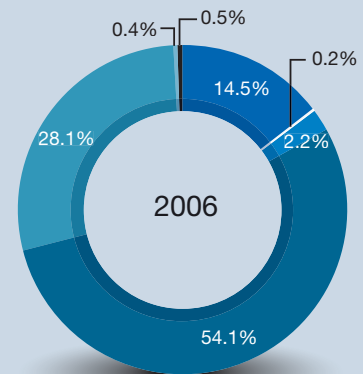
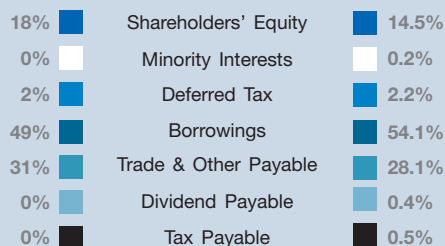
GROUP BALANCE SHEETS



TOTAL ASSETS



EQUITY AND LIABILITIES



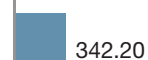
GROUP QUARTERLY PERFORMANCE 2007

	First Quarter RM'Mil	Second Quarter RM'Mil	Third Quarter RM'Mil	Fourth Quarter RM'Mil	Total RM'Mil
REVENUE					
Engineering & Construction	585.56	523.24	526.89	289.03	1,924.72
Infrastructure Maintenance	112.78	111.20	110.55	127.37	461.90
Toll Concession	36.82	37.15	37.87	38.12	149.96
Investment Holding	—	—	—	—	—
Elimination	(20.58)	(19.07)	(22.56)	(33.87)	(96.08)
	714.58	652.52	652.75	420.65	2,440.50
PROFIT/(LOSS) BEFORE TAX					
Engineering & Construction	14.70	1.57	0.01	(6.27)	10.01
Infrastructure Maintenance	13.89	16.10	5.85	17.50	53.34
Toll Concession	13.74	11.61	13.34	13.53	52.22
Investment Holding	(12.69)	(2.42)	9.12	106.09	100.10
Elimination	—	0.20	(0.92)	(32.10)	(32.82)
	29.64	27.06	27.40	98.75	182.85

GROUP SEGMENTAL ANALYSIS

REVENUE (RM Million)

Malaysia



Overseas

PROFIT BEFORE TAXATION (RM Million)

Malaysia



Overseas

PRODUCTIVITY

REVENUE PER EMPLOYEE (RM'000)

2007



2006

REVENUE PER EMPLOYEE COST (RM)

2007



2006

VALUE ADDED PER EMPLOYEE (RM'000)

2007



2006

VALUE ADDED PER EMPLOYEE COST (RM)

2007



2006

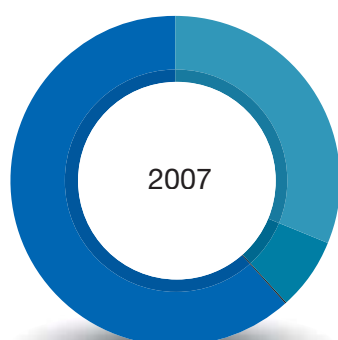
STATEMENT OF VALUE ADDED

	2007 RM'000	2006 RM'000
VALUE ADDED:		
Revenue	2,440,498	1,796,589
Purchase of goods and services	(2,111,938)	(1,495,965)
Value added by the Group	328,560	300,624
Other operating income	103,156	12,423
Finance income	16,499	16,608
Finance expense	(98,615)	(88,723)
Share of results of associates/jointly controlled entities	4,704	(100,160)
Value added available for distribution	354,304	140,772
DISTRIBUTION		
To employees		
Employees cost	110,452	74,385
To Government		
Taxation	25,035	30,473
To Shareholders		
Dividends	0	14,458
Minority interests	439	446
Retained for reinvestment and future growth		
Depreciation and amortisation	61,000	57,370
Retained profit	157,378	(36,360)
	354,304	140,772

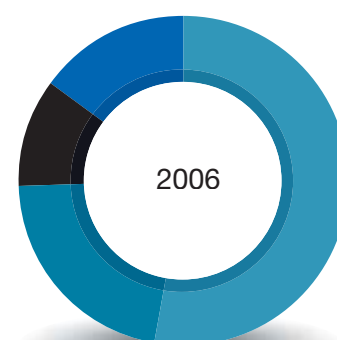
Value added is a measure of wealth created. The above statement shows the Group's value added for 2007 and 2006 and its distribution by way of payments to employees, governments and capital providers, with the balance retained in the Group for future reinvestment and growth.

	2007 RM'000	2006 RM'000
RECONCILIATION		
Profit for the year	157,378	(21,902)
Add: Depreciation	61,000	57,370
Employees cost	110,452	74,385
Taxation	25,035	30,473
Minority Interests	439	446
Total Value Added	354,304	140,772

DISTRIBUTION OF VALUE ADDED (RM'000)



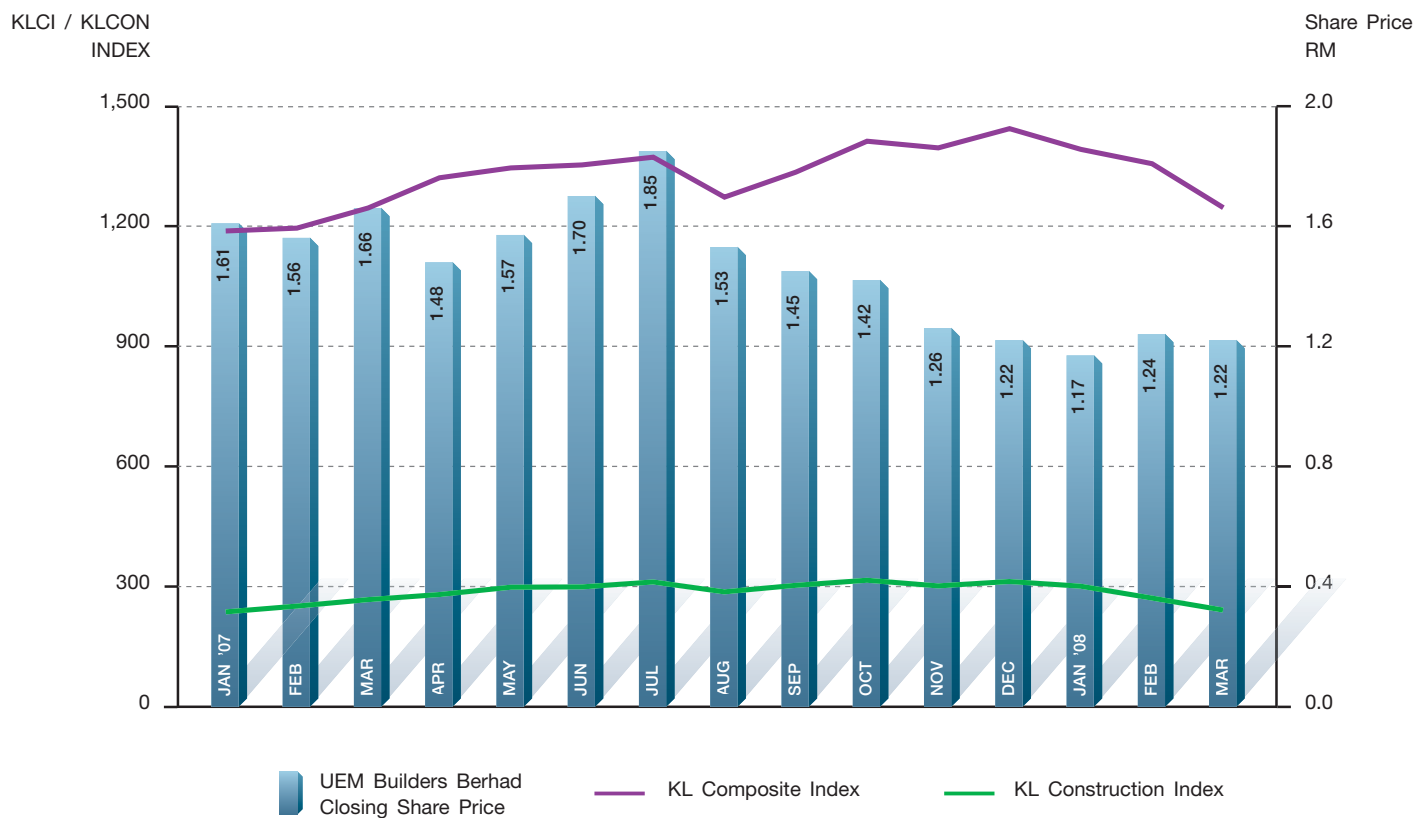
110,452	■ To Employee – Employment Cost	74,385
25,035	■ To Government – Taxation	30,473
439	■ To Shareholders – Dividends & Minority Interests	14,904
218,378	■ Retained for Investment and Future Growth	21,010
	■ Depreciation and Retained Profit	



SHARE PRICE AND VOLUME TRADED

STATISTICS 2007/2008

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
UEM Builders Berhad															
Closing Share price (RM)	1.61	1.56	1.66	1.48	1.57	1.70	1.85	1.53	1.45	1.42	1.26	1.22	1.17	1.24	1.22
Volume (Million)	118.05	338.35	202.50	74.25	71.15	101.70	146.6	153.6	46.94	28.30	25.95	25.48	51.92	44.12	72.63
KL Composite Index	1,189.35	1,196.45	1,246.87	1,322.25	1,346.89	1,354.38	1,373.71	1,273.93	1,336.3	1,413.65	1,396.98	1,445.03	1,393.25	1,357.40	1,247.52
KL Construction Index	237.53	252.00	268.20	280.92	299.17	299.95	312.27	287.57	303.87	316.59	302.48	313.04	301.79	272.13	242.13



Penang project boost for UEM Builders

[BY NADIA INDRAM]
The commencement of the second Penang bridge project is expected to provide much-needed experience for UEM Builders Bhd. The company's share price has been flat over the past two months, hovering around RM1.60 to increase slightly above the five-year average of RM1.54, which would translate to a 10% gain.

Although it has been more than two years since UEM Builders was awarded the contract to build, manage, operate and maintain Penang's second bridge, construction has yet to take off fully. The government only recently set up a steering committee to fast-track the

construction of the bridge, which was one of the four projects announced for the northern Corridor Transport Study.

According to sources, full-fledged construction of the second bridge is due to begin shortly. In the meantime, associated work for the bridge has also gone up from the original estimate of RM1 billion to over RM1 billion due to rising raw material costs.

Up till now, UEM Builders has done some preliminary work on the bridge, clearing land, conducting soil tests and installing piers. Its managing director Datuk Azhar Abdul Subhan has said the physical structure will only start to appear after March next year, with an ongoing completion date of 2016.

UEM Builders could be missing the sale



bridge exceeded an additional seven months until Dec 31, 2011.

"The projects in Penang are big for a growth return for UEM Builders."

Aside from the projects in Penang, UEM Builders' other current projects apart from building Penang's second bridge include building a Sultan and Sultani.

UEM Builders has also been working on other North Malaya projects such as the light rail line as well as infrastructure projects, hence that its work portfolio is vast.

UEM Builders' relationship with the government is also strong.

Building a Bigger Future

Construction bigwig UEM Builders surges ahead in its overseas expansion plans despite recent setbacks. **By Dalila Abu Bakar**

THE REFINANCED construction contract UEM Builders (Berhad) has secured in the Middle East is a big step forward for the company. The company is currently planning to acquire the rights to build, which offers huge opportunities, especially in the infrastructure business.

UEM Builders is using its large infrastructure portfolio in Abu Dhabi, UAE, as a base to expand its office in Dubai, UAE. Apart from this, the company has also been getting involved in infrastructure projects in South Africa and Oman. However, the company has also been



All systems go for RM3b bridge

[BY NADIA INDRAM]
The government has awarded a contract worth RM3 billion to UEM Builders Bhd to build Penang's second bridge. The contract includes the design, construction and maintenance of the bridge, which is expected to be completed by 2016.



UEM Builders to boost margins

KUALA LUMPUR: UEM Builders Bhd is confident of a bright future with its target of higher margins through improved cost efficiency amid the availability of jobs in the construction industry locally and overseas.

The group is looking to improve margins to more than 10% from the current 7% to 8%, its managing director Datuk Rizda Abdul Subhan said.

"If we can get to 15% margin, we will be very happy but we are aiming for more than that," he said in a recent interview.

Rizda acknowledged that UEM Builders' cost of operations at present was high but said the group was trying to find ways to reduce it.

"If we can institute all the activities that we have planned, I think we should be able to



achieve a margin of 15%," he said.

UEM Builders has also been working on other North Malaya projects such as the light rail line as well as infrastructure projects, hence that its work portfolio is vast.

UEM Builders' relationship with the government is also strong.

Propel partners SPIE to manage O&G facilities

KUALA LUMPUR: Propel Proprietary Strategies Bhd (Propel) has signed a partnership with SPIE to manage O&G facilities. The partnership is expected to strengthen Propel's foothold in the sector.

SMS for bridge info, operator appeals

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UEM Builders aims to boost margins, seeks jobs overseas

Group is looking to improve margins by more than 10% through enhanced cost efficiency

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Tie-up to strengthen foothold in the sector

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SMS for bridge info, operator appeals



UEM Builders ratings reflect solid track record

French-based UEM Builders

UEM Builders Bhd has received a strong track record from its investors, reflecting its solid performance in the construction industry. The company's share price has been stable over the past few months, indicating investor confidence.

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UEM's Propel seeks O&G

French-based UEM Builders

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Foreign boost for UEM Builders

However, it may still UEM Builders to secure more projects

UEM Builders Bhd has received a strong track record from its investors, reflecting its solid performance in the construction industry. The company's share price has been stable over the past few months, indicating investor confidence.

UEM Builders seeks more local projects

UEM Builders Bhd is looking to secure more local projects to boost its revenue and maintain its market presence. The company's strong track record and solid financial performance are expected to attract more local clients.

BOARD OF DIRECTORS

18

UEM
BUILDERS
BERHAD

From Left to Right:

- EN. ABD. RAHIM BIN MD. NOH – *Independent Non-Executive Director*
- DATO' ANWARRUDIN BIN AHAMAD OSMAN – *Non-Independent Non-Executive Director*
- DATO' IR. ABDUL RAHIM ABU BAKAR – *Chairman, Independent Non-Executive Director*
- DATO' RIDZA ABDOH BIN HJ. SALLEH – *Managing Director*



From Left to Right:

- DATO' AHMAD PARDAS SENIN – *Deputy Chairman, Non-Independent Non-Executive Director*
 - EN. ABDUL FARID BIN ALIAS – *Non-Independent Non-Executive Director*
 - DATO' FAUZIAH BT. DATO' ISMAIL – *Independent Non-Executive Director*
 - MR. LIM KOK BENG – *Senior Independent Non-Executive Director*



PROFILE OF BOARD OF DIRECTORS

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UEM
BUILDERS
BERHAD



DATO' IR. ABDUL RAHIM ABU BAKAR

Independent Non-Executive
Chairman

Dato' Ir. Abdul Rahim Abu Bakar, aged 62, is the Chairman of UEM Builders Berhad. He was appointed to the Board on 1 April 2007 and is also the Chairman of the Remuneration Committee. Dato' Ir. Abdul Rahim graduated from the Brighton College of Technology, United Kingdom with B.Sc. (Hons) Electrical Engineering in 1969. He was a Chartered Engineer (C.Eng), UK and is currently a member of the Institution of Engineers, Malaysia and a Professional Engineer, Malaysia (P.Eng). He also holds the Electrical Engineer Certificate of Competency Grade 1. Dato' Ir. Abdul Rahim began his career in 1969 with the then National Electricity Board. He was attached to the organisation for 10 years in various technical and engineering positions before he moved on to the private sector. From 1979 to 1983, he served with Pernas Charter Management Sdn Bhd, a management company for the tin

mining industry. Then, from late 1983 to 1991, he was attached to Malaysia Mining Corporation Berhad (MMC) in various senior positions. Later from 1991 to 1995, he moved on to MMC Engineering Services Sdn Bhd and subsequently to MMC Engineering Group Berhad as the Managing Director. In May 1995, he joined Petronas to assume the position of Managing Director of Petronas Gas Berhad and subsequently moved on to Petronas as its Vice President in charge of Petrochemical Business in 1999. He retired from Petronas on 31 August 2002. He also sits on the Board of UEM World Berhad, Opus Group Berhad, Bank Pembangunan Malaysia Berhad, Scomi Engineering Berhad, Global Maritime Ventures Berhad, BI Credit & Leasing Berhad and Telekom Malaysia Berhad apart from a few private limited companies.

**DATO' AHMAD PARDAS SENIN**

Non-Independent Non-Executive Director
Deputy Chairman

Dato' Ahmad Pardas Senin, aged 55, is a Non-Independent Non-Executive Director and the Deputy Chairman of UEM Builders Berhad. He was appointed to the Board of UEM Builders Berhad on 1 July 2004 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 UEM World Berhad, the Managing Director & Chief Executive Officer of UEM Group Berhad and Deputy Chairman of PLUS Expressways Berhad and Projek Lebuhraya Utara-Selatan Berhad. He currently holds directorships in Pharmaniaga Berhad, Opus Group Berhad, UEM Land Berhad (*formerly known as UEM Land Sdn Bhd*) and UEM Environment Sdn Bhd and is also the Chairman of Expressway Lingkaran Tengah Sdn Bhd (ELITE) and Linkedua (Malaysia) Berhad. He is also a director of Universiti Teknologi Mara (UiTM). Dato' Ahmad Pardas is a Fellow of the Chartered Institute of Management Accountants

(FCMA), a Chartered Member of the Malaysian Institute of Accountants (MIA) and a Member of the Institute of Internal Auditors, Inc. He is a member of the Financial Reporting Foundation (FRF). He has been with the UEM Group for more than sixteen years, since 1992. During this period, he has served in various positions in the UEM Group including as the Managing Director of TIME Engineering Berhad, Executive Director/CEO of TIME dotCom Berhad, Group Managing Director of Renong Berhad and Managing Director of Time Telekom Sdn Bhd. He was also the Chief Operating Officer and Managing Director of EPE Power Corporation Berhad (now renamed Ranhill Power Berhad). He has also served on the boards of Faber Group Berhad, The Malaysian Industry-Government Group for High Technology (MIGHT) and Costain Group Plc. Prior to joining the UEM Group, Dato' Ahmad Pardas had more than 17 years service with the British-American Tobacco Group.



**DATO' RIDZA ABDOH
BIN HJ. SALLEH**
Managing Director

Dato' Ridza Abdoh bin Hj. Salleh, aged 53, was appointed to the Board of UEM Builders Berhad on 1 December 2005 as an Executive Director and subsequently, as Managing Director on 1 January 2006. Dato' Ridza Abdoh holds a BSc (Hons) in Civil Engineering from Queen Mary College, University of London and is a member of the Institution of Engineers and the Board of Engineers, Malaysia. He was previously the Chief Operating Officer – (Rail) for Rangkaian Pengangkutan Integrasi Deras Sdn Bhd. Prior to that he was Chief Executive Officer of Syarikat Prasarana Negara Berhad and earlier, the Managing Director of Projek Usahasama Transit Ringan Automatik Sdn Bhd (PUTRA) and Pengurusan LRT Sdn Bhd, the project management company for the development and construction of the PUTRA LRT project. He has previously served as the Managing Director and Chief Operating Officer of Linkedua (Malaysia) Berhad and as Deputy Director for the Public Works Department of Penang. He is currently also a Director of a few private limited companies.

**DATO' ANWARRUDIN
BIN AHAMAD OSMAN**
Non-Independent
Non-Executive Director

Dato' Anwarrudin bin Ahamad Osman, aged 65, was appointed to the Board of UEM Builders Berhad on 20 November 2001 and is a member of the Board's Remuneration Committee, Projects Review Committee and P2X Committee. He is currently the Executive Chairman of Technic Dataworks (M) Sdn Bhd. Dato' Anwarrudin served in the Ministry of Defence for 10 years 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 and contract matters, corporate planning, human resource management and international marketing. Dato' Anwarrudin holds a Bachelor of Arts Degree from University of Malaya. He is currently also a Director of KKB Engineering Berhad, Fraser and Neave Holdings Berhad and a few private limited companies.



**DATO' FAUZIAH
BT. DATO' ISMAIL**
Independent
Non-Executive Director

Dato' Fauziah bt. Dato' Ismail, aged 65, was appointed to the Board of UEM Builders Berhad on 7 December 2001. She is Chairman of the Board's Investment Committee and is a member of the Audit Committee and Nominations Committee. 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. 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, in the Public Services Department, the Prime Minister's Department and the Ministry of Rural Development among others. Whilst in government service she also served as Board member on several government companies and statutory bodies namely the Malaysian International Shipping Corporation Berhad (MISC), Urban Development Authority (UDA), Rubber Industries Smallholder Development Authority (RISDA), Penang Development Corporation and as Deputy Chairman of regional bodies PERDA and JENGKA. She is currently also a Director of SapuraCrest Petroleum Berhad, KAF-Seagroatt and Campbell Berhad and CCK Consolidated Holdings Berhad.

MR. LIM KOK BENG
Senior Independent
Non-Executive Director

Mr. Lim Kok Beng, aged 61, was appointed to the Board of UEM Builders Berhad on 1 February 2002 and is the Chairman of the Board's Audit Committee and Projects Review Committee, and a member of the Nominations Committee, Investment Committee and P2X Committee. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants, and was a Council member of the Malaysian Institute of Certified Public Accountants. He has broad experience gained internationally in the fields of investment banking and corporate planning and has held Chief Executive positions in industrial, trading, development and information technology companies. He is a Senior Partner in a Chartered Accountants firm and holds a Bachelor of Laws (Honours) Degree from the University of London. He is currently also a Director on the Board of Mulpha Land Berhad.



EN. ABD. RAHIM BIN MD. NOH

Independent
Non-Executive Director

En. Abd. Rahim bin Md. Noh, aged 58, was appointed to the Board of UEM Builders Berhad on 1 April 2007. He is Chairman of the Board's P2X Committee and is a member of the Audit Committee and Projects Review Committee. En. Abd. Rahim graduated from University of Southampton, Hants, England with B.Sc.(Hons) in Mechanical Engineering in 1974. He has over 30 years' experience in the electricity supply industry. He began his career in the then National Electricity Board/Tenaga Nasional Berhad and served in various positions for more than 20 years before joining the private sector, namely General Electric International where he was the Country Manager in charge of GE Power Systems as well as Energy Services and Oil and Gas businesses. He has also worked in EPE Power Corporation where he spearheaded private power development opportunities for the organisation. He is currently the Chairman of Salwana and Rahim Associates Sdn Bhd, a business advisory. He is a Member of the Institution of Engineers, Malaysia and a Fellow of the Institute of Materials, Malaysia. He is also a Director of Opus Group Berhad and Opus International Consultants Limited.

EN. ABDUL FARID BIN ALIAS

Non-Independent
Non-Executive Director

En. Abdul Farid bin Alias, aged 40, was appointed to the Board of UEM Builders Berhad on 20 October 2005 and is a member of the Board's Audit Committee and Investment Committee. En. Abdul Farid holds a Bachelor of Science degree in Accounting from Pennsylvania State University, University Park and a Masters in Business Administration in Finance from University of Denver, Colorado. He is currently a Director of Investments in Khazanah Nasional Berhad. He had more than 13 years working experience in investment banking in Malaysia and Singapore prior to joining Khazanah Nasional Berhad in March 2005. He has previously worked for Aseambankers Malaysia Berhad, Schroders Malaysia, Malaysia International Merchant Bankers Berhad and JP Morgan. He is also a Director of UEM Group Berhad, UEM World Berhad, PLUS Expressways Berhad and a member of the Board of Commissioners of PT Bank Lippo Tbk and PT Excelcomindo Pratama Tbk, both of which are listed on Jakarta Stock Exchange in Indonesia.

PROFILE OF SENIOR MANAGEMENT



DATO' RIDZA ABDOH BIN HJ. SALLEH
Managing Director



P. THOMAS SIMON
Chief Financial Officer

P. Thomas Simon, is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and The Malaysian Institute of Accountants (MIA). He started his career with Price Waterhouse and his last position was Manager, Audit and Business Advisory Services. He also worked for two years in MTD Capital Berhad as Finance Manager. In 1995, he joined Mekar Idaman Sdn Bhd/Intria Group of Companies as Senior Manager, Finance and later became the General Manager, Finance of the Intria Group and later Head, Finance & Accounting Division of UEM Builders Group. He is currently the Chief Financial Officer of UEM Builders Group.



SH Aidin Bin Salim
Chief Executive Officer UEM Construction Sdn Bhd and Director, Contracts & Procurement

Shaidin bin Salim is currently the Chief Executive Officer of UEM Construction Sdn Bhd and also the Director, Contracts and Procurement and has been with the UEM Group for 19 years. Prior to these appointments, he was the Head of Project Control Division in Pengurusan LRT Sdn Bhd before joining Pengurusan Lebuhraya Berhad as Head of Contracts. He joined the company in 2003 as Head of Contracts and Procurement at Salwa Road Project. He holds a Bachelor of Civil Engineering from the University of Cardiff, United Kingdom.



TAJUL AZWA BANI HASHIM

Chief Executive Officer, Projek Penyelenggaraan Lebuhraya Berhad

Tajul Azwa Bani Hashim was appointed Director of the Infrastructure Maintenance Division effective 1 July 2007. He holds a Bachelor's Degree in Mathematics and Information Science from the University of Tasmania, Australia. He began his career in IT with Hydro-Electric Commission of Tasmania, Australia until his return to Malaysia in 1983. He then worked with Malaysia Mining Corporation Bhd, Automated Technology Sdn Bhd and Progressive Insurance Sdn Bhd until he joined PLUS Bhd in 1989 as Senior Systems Analyst. In PLUS, his career shifted from IT to management of operations, as Senior Manager of Toll Dept from 1994 and then General Manager of PLUS Operations in 1996. He was appointed Chief Operating Officer in Faber Mediserve Sdn Bhd in January 1997 and thereafter became its Managing Director from 2002 until June 2007. Tajul Azwa Bani Hashim is currently the Chief Executive Officer of Projek Penyelenggaraan Lebuhraya Berhad.



JAMES WONG TET FOH

Director, International Projects

James Wong is currently the Director, International Projects, Engineering & Construction Division. Prior to this appointment, he was the Chief Operating Officer of UE Construction Sdn Bhd. He has served UE Construction Sdn Bhd for over 11 years and has vast experience in the field of geotechnical engineering, concrete structures and construction management. He holds a Masters Degree in Science (Concrete Structure) from Imperial College of Science and Technology, University of London, England. He is a member of the Institution of Engineers, Malaysia and Board of Engineers, Malaysia.

SUHAINA BAHARUDIN

Chief Operating Officer, Penang Bridge Sdn Bhd

Suhaina Baharudin, a registered member with the Board of Engineers, Malaysia holds an Advanced Diploma in Civil Engineering from MARA Institute of Technology. She started her career as a Project Engineer with a telecommunications company. In 1988, she joined PLUS Berhad as an engineer in the Maintenance Department and became the Chief Engineer in 1995. She later joined Mekar Idaman Sdn Bhd/Intria Berhad Group of Companies in 1996 as the General Manager for Penang Bridge Sdn Bhd and later became the Senior General Manager. She is currently the Chief Operating Officer of Penang Bridge Sdn Bhd.



**STEVEN LOW KIEN SIONG**

Director, Business & Support Service

Steven Low is the Director, Business and Support Service and has been with the UEM Builders Group since 1996. He began his career in 1974 with Associated Pan Malaysia Cement and subsequently joined UMW Group and Sungai Way Group before taking up an employment with Mekar Idaman/Intria Group of Companies as Senior Manager, Human Resource and Administration. He holds a Diploma in Management and attended the Accelerated Development Programme at London Business School, UK in 1991.

TAN HEE FUNG

Director, Projects (Strategic Planning / Special Projects / IBS)

Tan Hee Fung is a registered member with the Board of Engineers, Malaysia and has been with the UEM Group for the past 17 years. He holds a degree in Civil Engineering from South Bank Polytechnic, London and a Masters in Business Administration from the University of Warwick, UK. Currently he is Director, Projects (Strategic Planning/Special Projects/IBS) and Business Development for Middle East of UEM Builders. Prior to this appointment, Tan was Project General Manager in Opus International Group plc and has vast experience in the field of civil engineering and construction management.





ROSLAN BIN IBRAHIM

Project Director, Penang Second Crossing Bridge

Roslan bin Ibrahim was appointed as Project Director, Penang Second Crossing Bridge project effective 1 November 2006. He holds a degree in Civil Engineering from the University of Wales and an MBA in General Management from Heriot Watt University, UK. Roslan has more than 26 years experience in the construction industry, mostly in landmark projects and has more than 11 years exposure at senior management level. He attended Senior Management Development Programs by Harvard Business School and “The Job of The CEO” by IMD.



PREAMAKANTHAN A/L D KANAPATHY

Projects Director

Preamakanthan a/l D Kanapathy is the Projects Director of UEM Construction Sdn Bhd (UEMC) and has been with the UEM Builders Group since 2002. He has vast exposure in project management of highways and bridges and played a key role in UEMC’s highway construction projects in India. He holds a Bachelor in Applied Engineering Geology from the University of Malaya. He is also a member of the Geological Society of Malaysia.



JAMALIAH WAN CHIK

Senior General Manager, Human Resource

Jamaliah Wan Chik is currently the Senior General Manager of Human Resource of UEM Construction Sdn Bhd and has been with the UEM Builders Group for 10 years. Her experience includes handling the full spectrum of human resource & administration functions. She holds a Post Graduate Diploma in Human Resource Management from the University of Humber, UK and a Master of Science in Human Resource Management from the University of Lincoln, UK. She is a member of Oxford University Leadership Centre (Oxcel).



SHARIFAH SHAFIQA SALIM

Joint Company Secretary

Sharifah Shafiqah Salim has served as Company Secretary of UEM Builders Berhad since 1997. She obtained her law degree from the International Islamic University, Malaysia and is an Affiliate of MAICSA. She has over 13 years of experience in corporate legal and secretarial work. After being called to the Malaysian Bar, she started her career at the Securities Commission and subsequently joined Metacorp Berhad. She is currently Deputy General Manager, Legal and Secretarial Division of UEM Group Management Sdn Bhd. She is also Joint Company Secretary of Opus Group Berhad.



LIM WAI YEE

Joint Company Secretary

Lim Wai Yee was appointed Joint Company Secretary of UEM Builders Berhad on 1 April 2008. She is an Associate Member of MAICSA and has over 17 years of experience in corporate secretarial work. She was Company Secretary of Lim Kim Hai Holdings Berhad prior to joining Pati Sdn Bhd in 1993. In 2004, she was transferred to UEM Group Management Sdn Bhd. She is currently Assistant Manager, Legal and Secretarial Division of UEM Group Management Sdn Bhd.

Synergy in **Motion**

Our synergistic strengths ensure that we continue
accelerating our growth towards success.





CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors and the Management of UEM Builders Berhad ("UEM Builders" or "the Group"), it is my pleasure to present the Annual Report and Accounts for the year ended 31 December 2007.

FINANCIAL PERFORMANCE

For the financial year ("FY") 2007, UEM Builders recorded a commendable 36% increase in revenue of RM2.4 billion against RM1.8 billion for FY 2006.

This revenue growth came from local construction sector projects such as the Electrified Double Track Project from Rawang to Ipoh for Keretapi Tanah Melayu and the PLUS Third Lane Widening Project (from Seremban to Ayer Keroh), both of which were completed during the year. We also benefited from continuing positive revenue and earnings growth from our infrastructure maintenance and toll concession divisions.

The engineering and construction division increased its turnover to RM1,925 million, a 46% increase over the preceding year and accounting for 79% of Group turnover. Infrastructure maintenance division recorded an increase of 14% with revenue of RM462 million, compared with RM406 million in FY 2006 while the toll concession division generated a 3% improvement with revenue of RM150 million, compared with RM146 million in the preceding year.

Group profit before tax rose to RM182.9 million in FY 2007, a significant increase over the RM9.0 million in FY 2006. Included in the results is a gain of RM90.7 million due to a reduction in the equity holding in a foreign associate company as the Company decided not to take up its full rights issue entitlement in that associate.

DIVIDEND

The Board of Directors is recommending a final tax-exempt dividend of two sen per share amounting to RM19.3 million on 963,868,902 ordinary shares in respect of the year ended 31 December 2007.

The financial statements for the year do not reflect this proposed dividend. If approved by the shareholders in the forthcoming Annual General Meeting, such a dividend will be accounted for as an appropriation of retained earnings in the year ending 31 December 2008.

BUSINESS OUTLOOK

Following three consecutive years of decline, the Malaysian construction sector turned around to record a positive growth of 4.6% in 2007. The expansion came from the civil engineering sub-sector, as well as the non-residential and residential sub-sectors. Against this backdrop, we succeeded in securing an order book in excess of RM2.3 billion in FY 2007, with some 80% from local projects and the balance made up of international projects. The Malaysian economy is expected to expand by 5% to 6% in 2008, supported by resilient domestic demand and the construction sector is expected to expand by 5.5%, led mainly by higher activity in the civil engineering sub-sector.

Going forward, we envisage that the Group's current order book will enhance our earnings prospects in 2008 and beyond.

Works on the remaining phases of the PLUS Third Lane Widening project from Rawang to Tanjung Malim are in progress and we expect to complete this project in 2008. The widening works for the Penang Bridge (which commenced in 2005) will also contribute to revenue growth in 2008. In addition, we anticipate a positive contribution from the Penang Second Crossing Bridge Project. Construction works within Iskandar Malaysia in Southern Johor and other projects under the Ninth Malaysia Plan are also expected to further enhance the earnings prospects of the Group.

We also expect the infrastructure maintenance and toll concession divisions to continue to provide a stable and profitable income base for the Group in 2008.

On the international front, UEM Builders will continue to pursue opportunities in India and Middle East on a selective basis and is pursuing new construction and infrastructure projects in Indonesia and Singapore.

In addition to business in existing areas, we are diversifying and broadening our business portfolio both locally and overseas and venturing into strategic alliances with property developers in India and exploring opportunities in maintenance for the oil and gas sector.

FY 2008 will continue to be a challenging year for all of us. We will see continuing volatility in the commodity, energy and financial markets. In the midst of all these uncertainties, we will continue to chart our growth based on our risk framework.

Consequently we are optimistic that FY 2008 will see a better performance in most sectors that we are involved in.



APPRECIATION

On behalf of the Board, I would like to extend my utmost gratitude to our shareholders, customers, business partners, suppliers, sub-contractors, bankers and various government authorities for extending to us their unwavering support throughout 2007. We owe much of our success to our management and employees who continue to exhibit exemplary dedication, professionalism and a great passion for success and excellence in all that they do. My thanks also goes to my esteemed colleagues on the Board for their worthy counsel and insights. I look forward to working with everyone to build upon our successes as UEM Builders prepares to make greater strides forward.

Thank you.

Dato' Ir. Abdul Rahim Abu Bakar
Chairman



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of UEM Builders Berhad is fully committed towards ensuring that good corporate governance as set out in the Malaysian Code on Corporate Governance (“the Code”) is continuously 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 during the year ended 31 December 2007.

A. 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 and 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 Group operating plan and strategic direction, major acquisitions and disposals, major capital expenditure as well as operational and financial matters.

Board Balance

During the year, the Board increased the number of its independent directors to 4 or 50%. 2 new independent non-executive directors were appointed and 1 non-independent non-executive director resigned. This brings the Board to a total of 8 members, comprising 1 Executive Director and 7 non-Executive Directors.

The Independent non-Executive Directors provide unbiased and independent views, advice and judgement, taking into account the interests not only of the Company but also of the shareholders, employees and other stakeholders. The Board has identified Mr. Lim Kok Beng as the Senior Independent non-Executive Director to whom shareholders may convey their concerns.

A brief profile of each Director is presented on pages 20 to 24. The profiles 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, finance, engineering, legal, corporate planning and public service.

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 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.

Supply of and Access to Information

The Board holds at least 4 regular scheduled meetings a year, with additional meetings for particular matters convened as and when necessary. The schedule of Board and Committee meetings for the year is distributed at the end of the preceding year so as to enable the Directors to plan their appointment dates and facilitate attendance at the Company's meetings.

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. Salient issues deliberated at Committee Meetings are discussed and noted through the minutes of the Committees which are tabled to the Board.

During the year, as part of the Group's continuous efforts to enhance the quality of the Board papers and presentations, feedback forms were introduced, distributed after each Meeting to enable the Directors to provide any comments for improvements.

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

In addition, the Board is given unrestricted access to all staff to assist in the discharge of their duties. Senior management officers are invited to attend the Board Meetings to update on their respective portfolios. 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 as well as ensure that accurate and adequate records of the proceedings of Board meetings and decisions made are properly kept.

The Directors, whether as a full Board or in their individual capacities, are at liberty to 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. Professional advisers appointed by the Company to advise on specific issues would be invited to the Board Meetings to present their opinion and clarify any issues that may be raised by the Board.

During the year ended 31 December 2007, a total of 9 Board Meetings were held. The details of attendance of the Directors in office during their respective tenure in the year are as follows:

NAME OF DIRECTOR	STATUS	MEETINGS ATTENDED
Dato' Ir. Abdul Rahim Abu Bakar (appointed w.e.f. 1 April 2007)	Independent Non-Executive Chairman	8/8
Datuk Abu Hassan bin Kendut (resigned on 31 March 2007)	Non-Independent Non-Executive Chairman	1/1
Dato' Ahmad Pardas Senin	Non-Independent Non-Executive Deputy Chairman	8/9
Dato' Anwarrudin bin Ahamad Osman	Non-Independent Non-Executive	8/9
Dato' Fauziah bt. Dato' Ismail	Independent Non-Executive	9/9
Mr. Lim Kok Beng	Independent Non-Executive	9/9
En. Abdul Farid bin Alias	Non-Independent Non-Executive	9/9
En. Abd. Rahim bin Md. Noh (appointed w.e.f. 1 April 2007)	Independent Non-Executive	8/8
Dato' Ridza Abdoh bin Hj. Salleh	Managing Director	9/9

Re-election of Directors

The Articles require that at each Annual General Meeting ("AGM"), one-third or the number nearest to one-third of the Directors, shall retire from office. All retiring Directors can offer themselves for re-election.

Directors who are appointed by the Board during the year are subject to re-election by the shareholders at the next AGM to be held following their appointments.

The Articles also provide that every Director, including the Managing Director, shall retire from office at least once every 3 years, but shall be eligible for re-election.

The names of the Directors who are retiring and willing to continue to serve, if re-elected at the forthcoming AGM are set out in the Notice of the AGM, with their brief profiles appearing in the Annual Report.

Dato' Anwarudin bin Ahamad Osman, Mr. Lim Kok Beng and En. Abdul Farid bin Alias shall retire by rotation at the forthcoming AGM. All 3 Directors have offered themselves and are eligible for re-election.

Directors' Training & Development

The Board acknowledges that continuous education is vital for the Board members to enable them to discharge their duties and responsibilities more effectively. The Board has a policy in place whereby each Director will attend a minimum of 2 corporate directors training courses annually, to cover topics recommended by Bursa Malaysia such as Corporate Governance, Environment, Ethics, Finance, Human Resource as well as other relevant topics such as Change Management, Globalisation, Leadership, Shareholder Value Creation and Strategic Planning.

The following are some of the programmes, seminars and briefings attended by the Directors in 2007:-

- Latest amendments to the Companies Act, 1965 and the Malaysian Code on Corporate Governance
- MINDA Programme for Building High Performance Directors
- Programme for Khazanah Nominee Directors
- MINDA Chairman's Forum
- Improving Board of Directors' Performance, Leadership and Governance
- Directors' Briefing on GLC Transformation Initiatives
- Discovering the Dominant Drivers of Board Work

New Directors are given essential Board and Company information for their reference and a briefing by the senior management to help them gain a better understanding of the Company's business operations. 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 clearer perspective of the operations.

Board Effectiveness Assessment

As part of the improvement programme pursuant to the Green Book on Enhancing Board Effectiveness, developed by Putrajaya Committee on Government Linked High Performance Companies in 2006, the annual survey forms for evaluating the effectiveness of the Board and the Board Committees were revised and distributed. The survey included peer evaluation amongst the directors. Half-year evaluation forms were also issued and completed.

B. 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. These Committees review specific issues delegated by the Board and report to the Board the salient issues with recommendations. Ultimately, the final decisions are made at Board level.

(i) Audit Committee

The Audit Committee Report is set out on pages 41 to 43 of the Annual Report.

(ii) Nominations Committee

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.

The Nominations Committee comprises Non-Executive Directors, with the majority being Independent. During the year ended 31 December 2007, the members were as follows:

	DESIGNATION
1. Dato' Ahmad Pardas Senin	Chairman
2. Dato' Fauziah bt. Dato' Ismail	Member
3. Mr. Lim Kok Beng	Member

During the year, the Nominations Committee deliberated several issues and made its recommendations to the Board through various means of communication including Circular Resolutions.

(iii) Remuneration Committee

The Remuneration Committee's responsibilities include reviewing 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. 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 Remuneration Committee may also obtain the advice of external consultants on the appropriateness of the remuneration package and other employment conditions if required.

The Remuneration Committee consists of Non-Executive Directors. During the year ended 31 December 2007, 4 meetings were held. The members and their attendance during their tenure were as follows:

	DESIGNATION	MEETINGS ATTENDED
1. Dato' Ir. Abdul Rahim Abu Bakar (appointed w.e.f. 1 April 2007)	Chairman	4/4
2. Datuk Abu Hassan bin Kendut (resigned on 31 March 2007)	Chairman	—
3. Dato' Ahmad Pardas Senin	Member	4/4
4. Dato' Anwarrudin bin Ahamad Osman	Member	3/4

(iv) Projects Review Committee

The Projects Review Committee is responsible to assist the Board on the review of projects of substantial value, for overseeing the effectiveness and efficiency of the projects, monitoring the timeliness of the physical and financial progress as well as reviewing the costs and strategies of the projects. The Projects Review Committee is assisted by a Task Force comprising selected members of senior management from the Company and the UEM Group.

The majority of the members of the Projects Review Committee are Non-Executive Directors. During the year ended 31 December 2007, 6 meetings were held. The members and their attendance during their tenure were as follows:

	DESIGNATION	MEETINGS ATTENDED
1. Mr. Lim Kok Beng	Chairman	6/6
2. Dato' Anwarrudin bin Ahamad Osman	Member	6/6
3. En. Abd. Rahim bin Md. Noh (appointed w.e.f. 1 May 2007)	Member	4/4
4. Mr. Chong Yoon Fatt*	Member	5/6

* Not a Board member, resigned on 29 February 2008.

(v) Investment Committee

The Investment Committee was set up to amongst others, review investment policies and strategies and assist the Board to evaluate investment proposals at the initial project assessment stage. This includes acquisition and disposal of assets or investments into new businesses locally and abroad. The Committee will provide appropriate direction to Management and make recommendations to the Board.

The Investment Committee comprises Non-Executive Directors, the majority of whom are Independent, and the Managing Director. During the year ended 31 December 2007, 2 meetings were held. The members and their attendance were as follows:

	DESIGNATION	MEETINGS ATTENDED
1. Dato' Fauziah bt. Dato' Ismail	Chairman	2/2
2. Mr. Lim Kok Beng	Member	2/2
3. En. Abdul Farid bin Alias	Member	2/2
4. Dato' Ridza Abdoh bin Hj. Salleh	Member	2/2

(vi) Penang Second Crossing Bridge ("P2X") Committee

The P2X Committee was set up during the year to closely monitor the planning of the proposed Penang Second Crossing Bridge project and its progress, and to address any issues regarding it. The P2X Committee will provide appropriate direction to Management and make recommendations to the Board.

The P2X Committee comprises Non-Executive Directors and the Managing Director. During the year ended 31 December 2007, 7 meetings were held. The members and their attendance were as follows:

	DESIGNATION	MEETINGS ATTENDED
1. En. Abd. Rahim bin Md. Noh	Chairman	7/7
2. Mr. Lim Kok Beng	Member	7/7
3. Dato' Anwarudin bin Ahamad Osman	Member	7/7
4. Dato' Ridza Abdoh bin Hj. Salleh	Member	4/7

C. DIRECTORS' REMUNERATION

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

The Managing Director is subject to a 3-year service contract with the Company. He is not paid an attendance allowance nor Directors' fees. His remuneration is structured so as to link rewards to corporate and individual performance. Performance is measured against specified targets by reference to the Group's business plan. The reward process also takes into account relevant market comparisons.

The details of the remuneration of the Directors in office, paid and payable, (including benefits in kind) from the Group for the year ended 31 December 2007 are as follows:

	RM
Managing Director	
Dato' Ridza Abdoh bin Hj. Salleh	1,007,599 ¹
Non-Executive Directors	
Dato' Ir. Abdul Rahim bin Abu Bakar (appointed w.e.f. 1 April 2007)	73,500
Datuk Abu Hassan bin Kendut (resigned on 31 March 2007)	25,000
Dato' Ahmad Pardas Senin	45,600 ²
Dato' Anwarudin bin Ahamad Osman	51,600
Dato' Fauziah bt. Dato' Ismail	63,000
Mr. Lim Kok Beng	82,750
En. Abdul Farid bin Alias	62,000 ³
En. Abd. Rahim bin Md. Noh (appointed w.e.f. 1 April 2007)	54,750
	1,465,799

¹ Includes Employer's contribution for EPF, leave passage, ex-gratia and non-cash benefits in respect of fuel, driver and car allowances.

² Paid directly to his employer, UEM Group Berhad.

³ Paid directly to his employer, Khazanah Nasional Berhad.

The number of Directors whose total remuneration from the Group falls within the following bands is set out below:

RANGE OF REMUNERATION	NUMBER OF DIRECTORS	
	EXECUTIVE	NON-EXECUTIVE
RM50,000 and below	—	2
RM50,001 – RM100,000	—	6
RM1,000,000 – RM1,050,000	1	—

D. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of effective communication with the shareholders and investment community through timely dissemination of information. The Board is committed to ensuring that shareholders and other stakeholders are well informed of major developments of the Company and the information is communicated to them through the following channels:

- (i) the Annual Report;
- (ii) the various disclosures and announcements to Bursa Malaysia, including quarterly financial results;
- (iii) briefing and updating by Management to financial analysts and fund managers on the Group's operations, financial performances and other strategic issues periodically;
- (iv) the Company's website at www.uembuilders.com where up-to-date information on the Group's activities is available.

The AGMs and EGMs serve as the principal forum for dialogue with shareholders of the Company. Each item of special business is accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved. Shareholders are encouraged to participate in the question and answer sessions at the general meetings. Members of the Board as well as the external auditors are present to respond to the questions raised. Where appropriate, a press conference is held immediately after the meetings whereat the authorised spokesmen advises members of the media on the resolutions passed, and answers questions on matters relating to the Group in general.

E. 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 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 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 31 December 2007, 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 MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities have been followed 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 Internal Auditors, whose findings are tabled to the Audit Committee.

The Board's Statement on Internal Control appears on pages 48 to 51 of the Annual Report.

Relationship with Auditors

The Company maintains a transparent relationship with the external auditors in seeking their advice towards ensuring compliance with the accounting standards. From time to time, the external auditors highlight to the Audit Committee and the Board matters that require the Board's attention.

During the year, the Audit Committee met up with the external auditors on several occasions including twice without the presence of management. This is in accordance with the latest requirements of the Code.

During the year, the Audit Committee met up with the external auditors on several occasions including twice without the presence of management. This is in accordance with the latest requirements of the Code.

F. COMPLIANCE STATEMENT

The Group has largely complied with all the principles and best practices of the Code.

This Statement of Corporate Governance is made in accordance with a resolution of the Board of Directors dated 22 April 2008.



BURSA SECURITIES LISTING REQUIREMENTS COMPLIANCE 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 169.

MATERIAL CONTRACTS

There were no material contracts involving Directors' and major shareholders' interests, entered into during the year or still subsisting as at 31 December 2007.

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 for services rendered to the Group amounted to RM50,000.

REVALUATION POLICY

Landed properties of the Group are stated at cost less accumulated impairment losses as described in significant accounting policies in Notes 2.4(e) and 2.4(g) on pages 105 to 107 of the Annual Report. These properties have not been revalued.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

At the last AGM held on 21 May 2007, the Company obtained a general mandate from its shareholders on the Recurrent Related Party Transactions ("RRPT") entered into by the Company and/or its subsidiaries. The RRPT mandate is valid until the conclusion of the forthcoming Thirty Second AGM of the Company to be held on 9 June 2008. Details of the RRPTs entered into pursuant to the existing RRPT mandate are set out on pages 164 to 168 of this Annual Report.

REPORT OF THE AUDIT COMMITTEE



I. CONSTITUTION

The Audit Committee ("the Committee") of UEM Builders Berhad was established by the Board in 1994. The terms of reference of the Committee are set out on pages 44 to 47 of this Annual Report.

II. COMPOSITION

The present Committee comprises 4 Non-Executive members of the Board of whom 3 are Independent.

The composition of the Committee complies with the requirements of Paragraph 15.10 of Listing Requirements of Bursa Securities.

The members of the Committee during the year ended 31 December 2007 were:

NO.	AUDIT COMMITTEE MEMBERS	STATUS
1.	Mr. Lim Kok Beng (Chairman) (Member of Malaysian Institute of Accountants)	Independent Non-Executive
2.	Dato' Fauziah bt. Dato' Ismail	Independent Non-Executive
3.	En. Abdul Farid bin Alias	Non-Independent Non-Executive
4.	En. Abd. Rahim bin Md. Noh (appointed w.e.f. 1 May 2007)	Independent Non-Executive

III. ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR**a. Meetings and Attendance**

During the year ended 31 December 2007, the Committee held 7 meetings. The Meetings were attended by the Managing Director and the Chief Financial Officer (by invitation), as well as a representative from the Internal Auditors. Representatives from the external auditors and other officers of the Company were also invited to brief the Audit Committee on specific issues.

The attendance of each Committee member during their respective tenure in the year was as follows:

Name	Number of Meetings Attended
Mr. Lim Kok Beng	7/7
Dato' Fauziah bt. Dato' Ismail	7/7
En. Abdul Farid bin Alias	6/7
En. Abd. Rahim bin Md. Noh	4/4

b. Summary of the Audit Committee's activities

During the year ended 31 December 2007, the following activities were carried out by the Committee in the discharge of its functions:-

- Reviewed the unaudited quarterly financial statements and the audited financial statements of the Company and the Group, and recommended the same for approval by the Board, upon being satisfied that inter alia, the financial reporting and the disclosure requirements of the relevant authorities had been complied with.
- Reviewed the Risk Management status update and Consolidated Risk profile of the Company and the Group. This included reviewing the changes made to the Risk Management framework, risk classifications, risk appetites, Management's action plans and recommendations made by the Risk Management Committee.
- Reviewed the changes to the accounting policies further to the implementation of the Financial Reporting Standards.
- Reviewed the proposal on shareholders' mandate for recurrent related party transactions of a revenue or trading nature.
- Reviewed and deliberated on the statements for disclosure in the Annual Report.
- Reviewed and discussed with the external auditors on statutory audit plan, the nature and scope of the statutory audit, the assistance given by the employees of the Group to the external auditors, and the proposed audit and other audit-related service fees.
- Reviewed and deliberated on the findings of a total of 12 internal audit reports covering selected areas in all major business divisions in the Group, i.e. engineering and construction, toll concessions, infrastructure maintenance. The scope also included selected areas in quarry operations and critical support functions. The audits focused on reinforcing and improving governance, operational, financial, and administrative systems and processes. The Committee reviewed, discussed and sought management explanations on the internal audit reports before reporting the same to the Board.
- Reviewed Internal Audit's work progress and the internal audit plan for the current and forthcoming year for the Group.

All papers for deliberation and detailed audit reports together with Management's responses are circulated to the Committee members and Managing Director in advance prior to the meetings. The papers and audit reports are presented by representatives from Management, Internal Audit and external auditors at the meetings and discussed. At the conclusion of each meeting, recommendations were made, where applicable, for Management's further actions.

The recommendations are presented to the Board for adoption and significant issues are raised and discussed at the Board Meetings. Minutes of the meetings of the Audit Committee were circulated to all members of the Board.

IV. INTERNAL AUDIT FUNCTION

The Company has outsourced its Internal Audit function to UEM Group Management Sdn Bhd ("UEMGM"), which is adequately resourced and has appropriate standing within the Group to undertake its activities independently and objectively to assist the Audit Committee in discharging its duties and responsibilities. The head of the Internal Audit function is from UEMGM, who reports directly to the Committee.

The internal audit activities undertaken by UEMGM are in conformance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

The main role of the Internal Audit function is to undertake systematic and risk-based reviews of the internal control systems so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company and its subsidiaries. The main activities undertaken by the Internal Audit function are primarily driven by the approved risk-based internal audit plan, and involve the following:-

- reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Group at reasonable cost;

- ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- ascertaining the adequacy of controls to ensure that the Group's assets are accounted for and safeguarded from losses;
- recommending improvements to the existing systems of controls;
- carrying out special reviews requested by management and/or the Committee;
- identifying areas for improvement of operations and processes in the Group; and
- assisting in the review of the Group's risk management and governance processes.

The fees incurred for the Internal Audit function during the year was approximately RM273,000.

V. EXTERNAL AUDIT

The Audit Committee continuously engages with and monitors the services of the external auditors to ensure their independence, objectivity and effectiveness. During the year, the Committee met up with the external auditors on several occasions including twice without the presence of Management.

An exercise to completely review and re-evaluate the engagement of the incumbent auditors 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 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. All members of the Committee must be Non-Executive Directors, a majority of whom must be Independent Directors.
- iii. All members of the Committee must be financially literate and at least one member of the Committee must be a member of an accounting association or body as stipulated in Paragraph 15.10(c) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), as detailed in Appendix 1.
- 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.

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 Nomination 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. Review 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 with the external auditors, their audit report.
- vi. Review the quarterly and annual financial statements of the Company and the Group prior to approval by the Board, focusing particularly on:
 - Any changes in or implementation of major accounting policies and practices.
 - Significant adjustments and unusual events arising from the audit.
 - The going concern assumption.
 - Compliance with accounting standards and other legal requirements.
- vii. 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.

- viii. Review the external auditors' management letter and management's response.
- ix. 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.
- x. Review the assistance and co-operation given by UEM Builders Berhad and its Group's officers to the external and internal auditors.
- xi. Review any letter of resignation from the external auditors and any questions of resignation or dismissal.
- xii. Review the adequacy of the scope, functions, competency and resources of the Internal Audit function, and that it has the necessary authority 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;
 - Reviewing the overall performance of the Internal Audit function;
 - Approving any appointment or termination of the party that provides the Internal Audit function; and
 - Taking cognisance of resignations of staff members of the party that provides the Internal Audit function and provide opportunity for the staff member to submit the reasons for resigning.
- xiii. Consider the major findings of internal investigations and management's response.
- xiv. 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.
- xv. 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. Explicit authority to investigate any matter within its terms of reference.
- ii. The resources that are required to perform its duties.

- iii. 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. 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. To convene meetings with external auditors, the internal auditors or both without the presence of the executive board members, other directors and employees at least twice a year, and whenever deemed necessary.

The Head of Finance, a representative from the Internal Audit function and a representative of the external Auditors should normally attend meetings. Other Directors and employees may attend any particular Committee meeting only at the Committee's invitation and discretion, and must be specific to the relevant meeting.

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 Securities Listing Requirements, the Committee must promptly report such matter to Bursa Securities.

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 Committee Chairman.
- ii. The quorum for each meeting shall consist of at least two (2) members, both of whom shall be Independent Directors.
- iii. A meeting of the Committee may be held by means of telephone, videoconferencing or telephone conference or other telecommunication facilities, which permits all persons participating in the meeting to communicate with each other. A person so participating shall be deemed to be present in person at such meeting and unless otherwise provided herein, shall be counted in a quorum and be entitled to vote.
- iv. Recommendations of the Committee are submitted to the Board for approval.
- v. The Company Secretaries shall be in attendance at each Committee meeting and record the proceedings of the meeting thereat.

- vi. 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.
- vii. 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.
- viii. 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.
- ix. 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.
- x. A resolution in writing signed and approved by all the Committee members who may at the time be present in Malaysia and who are sufficient to form a quorum, shall be valid and effective as if it had been passed at a meeting of the Committee duly called and constituted. All such resolutions shall be described as "Audit Committee Members' Circular Resolution" and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form each signed by one or more Committee members.

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.
- viii. Engages on a continuous basis with senior management, such as the Chairman of the Board, Managing Director/Chief Executive Officer, the Head of Finance, Head of the Internal Audit function and the external auditors in order to be kept informed of matters affecting the Company.

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 Committee and the Board as a whole.

8.0 AUDIT COMMITTEE REPORT

The Board is required to prepare an Audit Committee Report at the end of each financial year to be included and published in the annual report of the Company. The said report should include the following:

- i. The composition of the Committee including the name, designation (indicating the Chairman) and directorship of the Members (whether the Directors are non-executive, independent or otherwise) and the details of the relevant training attended by each director.
- ii. The terms of reference of the Committee.
- iii. The number of Committee meetings held during the financial year and details of attendance of each Committee member.
- iv. A summary of the activities carried out by the Committee in the discharge of its functions and duties for that financial year of the Company.
- v. A summary of the activities of the Internal Audit function.

Appendix 1

Paragraph 15.10(1)(c) of Listing Requirements of Bursa Malaysia Securities Berhad

- (a) At least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants: or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - (aa) he must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.



STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance (“the 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 Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board of Directors (“the 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 31 December 2007.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group’s systems of internal control 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

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

This Framework is in addition to policies, procedures, authority limits and ISO procedures through the quality management system that have been developed, and is being constantly reviewed for consistencies and appropriateness with the Group’s operations.

The Risk Management Policy and Objectives

Generally, the risk management policy and objectives of the Group aim to put in place adequate and effective risk management processes to manage risks in order to achieve business objectives and provide reasonable assurance to the Board of Directors & other stakeholders on the state of internal controls of the Group and its ability to increase shareholders’ value and confidence.

The Risk Management Process

Upon determining the risk management policy and objectives, the following steps have been developed:

- **Risk Identification**

It is the process of determining and categorising the internal and external forces that affect the Group.

- **Risk Categories**

Currently, risks within the Group are identified into nine categories namely external, perception, country, business & strategic, financial & funding, customer/product/services, people, internal process and technology.

- **Risk Assessment**

All identified risks are assessed in two stages i.e. at gross and net levels. At gross level, the identified risk is in its purest form without assigning any mitigating factors or controls. At net level, the identified risk is re-rated by taking into account the effectiveness of current mitigating factors and controls in place.

- **Risk Analysis and Measurement**

At both levels, the identified risks are assessed in terms of likelihood and impact. Based on these assessments, the overall rating is tabulated in accordance to the matrix for prioritisation of risks.

- **Risk Prioritisation**

The risks are then ranked in terms of their significance to the Group so that necessary mitigating efforts are being undertaken and channeled towards risks of higher significance.

- **Risk Treatment**

Having prioritised the risks, the types of response/treatment to these risks are either to accept, avoid, transfer or reduce.

- **Risk Review and Monitoring**

Periodic reviews are performed during the year in order to update the overall risk profile of the Group and immediate action will be taken on any significant issues.

In order to assist the Audit Committee and Board in the risk management process, a Risk Management Steering Committee comprising senior management from various areas of responsibilities has been formed. This Committee is chaired and co-chaired by the Managing Director and the Chief Financial Officer respectively.

Amongst others, the roles of the Risk Management Steering Committee are:-

- Reviewing and recommending the risk management policies and procedures for the approval of the Board.
- Acting as primary champion of risk management at strategic and operational levels.
- Reviewing the ongoing adequacy and effectiveness of the risk management process.
- Undertaking regular reviews of the consolidated risk register of major subsidiaries and associates within the Group to identify significant risks and whether these are adequately managed.
- Ensuring that the Board receives adequate and appropriate information (including the periodic Risk Reports) for decision-making and review respectively.
- Commissioning, where required, special projects to investigate, develop or report on specific aspects of the risk management processes of the Company.

In the year 2007, the Risk Management Steering Committee conducted two review meetings, the first being on 22 June 2007 and the second on 29 November 2007. During these review processes, significant risks were deliberated upon by the Committee and mitigating plans were recommended and put in place to address these risks. These significant risks were cascaded from the project and subsidiary risk registers.

During the year, risk review meetings were performed for the following operating subsidiaries and associate companies namely:

- Soil Centralab Sdn Bhd
- Kuari Pati Sdn Bhd
- UNIPATI Concrete Sdn Bhd
- Penang Bridge Sdn Bhd
- Projek Penyelenggaraan Lebuhraya Berhad
- HOTO Stainless Steel Industries Sdn Bhd
- PATI Sdn Bhd
- UEM Construction Sdn Bhd

In each company, the risk management process was spearheaded by their own individual Risk Management Working Group and their Risk Registers were formalised. A total of eighty-seven (87) risks were reviewed and assessed during these review meetings.

These risk review meetings were also extended for major local projects and the overseas projects in Qatar and India, whereby their Risk Registers comprising a total of fifty-four (54) risks were updated accordingly.

A review was also made on the Risk Management Framework so as to ensure that the risk management process is followed through by major operating subsidiaries, associated companies and selected major projects.

Reports of the risk review meetings were tabled to the Audit Committee for review and recommendation, and subsequently reviewed and approved by the Board.

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 including standard operating procedures which are reviewed and updated to provide guidance to all levels of staff.

The Group's three main operations, i.e. Engineering & Construction, Infrastructure Maintenance and Toll Concession, had all achieved ISO 9001:2000 certification, an accreditation for quality management system. Additionally, the Engineering & Construction and Infrastructure Maintenance operations had also achieved the OHSAS 18001:1999 certification, which is an Occupational Health and Safety management system.

The Group has also implemented the Environmental Management Systems ("EMS") aligned with the ISO 14001:2004 standards for its Engineering & Construction operations.

Authority limits

Authority limits for financial and non-financial transactions 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 five other Committees i.e. the Remuneration, Nominations, Projects Review, Investment and Penang Second Crossing 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. The Penang Second Crossing Committee was set-up in 2007 to closely monitor the progress of the project and its planning, and to address any issues relating to it.

Management

The Group has a well-defined structure aligned to the business needs. Its operations are divided into three core activities namely Engineering & Construction, Infrastructure Maintenance and Toll Concession.

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

Performance Monitoring, Budgets and Financial Systems

The Group has established a comprehensive Performance Monitoring and Budgetary System covering all key financial and operating indicators for monitoring of performance against the strategic plan approved by the Board. The system also requires a detailed annual budget to be prepared and approved by the Board. The budget is reviewed as and when necessary, 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 computerised Financial System that captures every 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 standardised 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 in key positions.

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.

The Group has implemented a Balanced Scorecard System to measure and evaluate the performance of Management.

Internal Audit Function

During the year ended 31 December 2007, the internal audit function was carried out by UEM Group Management Sdn Bhd ("UEMGM"), which is independent of the activities audited. UEMGM 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 favour. 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 but did not include the associate company, Costain Group Plc, based in the United Kingdom (which has its own Internal Audit Division and audited projects to assess compliance with and the effectiveness of their risk management process). Throughout the year, the annual audit plan was regularly revised to reflect current situations and environment, and the appropriate audits conducted accordingly.

For year 2007, UEMGM conducted twelve (12) comprehensive audits that were focused on reinforcing and improving governance, operational, financial and administrative systems and processes. The audits disclosed that systems of internal control exist throughout the Company and its operating units. Weaknesses observed, their impacts to the business and organisation, 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 also tabled at the Audit Committee meetings for deliberation.

Management Control Policy

The Board has in place a formal Management Control Policy ("MCP"), which spells out in a single document the internal control responsibilities of the Audit Committee, the Internal Audit function and Operating Management. The MCP has been disseminated to all Heads of Divisions and Departments to ensure that they are at all times fully aware of their internal control responsibilities. The MCP complements the Terms of Reference of the Audit Committee, the Internal Audit Charter and this Statement on Internal Control.

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.

This Statement is made in accordance with the resolution of the Board of Directors dated 22 April 2008.

A full-page background image of a bright blue sky with scattered, wispy white clouds. The clouds are more prominent in the lower half of the image, creating a sense of depth and movement.

Precision in **Execution**

By continuously achieving stellar accomplishments with precise execution of completed projects, we are set to soar to greater heights.





OPERATIONAL HIGHLIGHTS ENGINEERING & CONSTRUCTION DIVISION

54

UEM
BUILDERS
BERHAD

In 2007, Malaysia's construction sector expanded by 4.6% after three consecutive years of decline. The positive growth was driven mainly by the civil engineering sub-sector and backed by expansion in the residential and non-residential sub-sectors. In the civil engineering sub-sector, the positive effects from the increased implementation of Ninth Malaysia Plan ("9MP") projects gradually filtered through the economy during the course of the year. Federal Government development expenditure rose by 13.3% to RM40.6 billion in 2007 (2006: RM35.8 billion) to finance new construction projects and upgrade existing infrastructure facilities.

The civil engineering sub-sector also benefited from increased construction activity in the oil and gas industry while the order books of domestic construction companies were augmented by overseas projects, especially in the Middle East, India and Thailand. The increase in the order books of some construction companies led to the re-rating of construction companies listed on Bursa Malaysia with the Bursa Malaysia Construction Index increasing significantly by 56.5% to 313.04 points by end-2007.

Against this backdrop, UEM Builders' Engineering & Construction division grew its turnover by 46% to RM1.9 billion, contributing 79% of the Group's turnover. Both the Electrified Double Track Project from Rawang to Ipoh and the PLUS Third Lane Widening Project from Seremban to Ayer Keroh which were completed in 2007, contributed some 18% to the division's revenue.





MALAYSIAN OPERATIONS

ELECTRIFIED DOUBLE TRACK PROJECT (“EDTP”)

The EDTP between Rawang and Ipoh was completed in March 2007 and will greatly enhance the efficiency and quality of Malaysia’s rail services. UEM Builders has undertaken the maintenance works for the EDTP for a 24-month period from 1 April 2007 to 31 March 2009.

PLUS THIRD LANE WIDENING PROJECT

Malaysia’s North-South Expressway (“NSE”) is the main arterial expressway for the peninsula and one of the finest expressway systems in the region. As the manager and operator of the NSE tasked with ensuring that the expressway system remains in prime condition, PLUS has embarked on major widening works to certain stretches of the NSE to cater for increased traffic flow and user safety. UEM Builders was appointed to undertake RM972.0 million third lane widening works for PLUS and has to date completed four of seven packages. These include the stretches between Seremban and Senawang (Package 1); between Senawang and Pedas Linggi (Package 2A); between Pedas Linggi and Ayer Keroh (Package 2B) and between Rawang and Bukit Beruntung (Package 3A).

Works on the remaining phases of the PLUS Third Lane Widening project from Bukit Beruntung to Slim River are in progress and are expected to be completed by 2008. Package 3B, an extension of Package 3A, involves widening works between Bukit Beruntung and Tanjung Malim and expected to be completed by end of first quarter of 2008. Package 4 for widening works between Tanjung Malim and Slim River should be completed by second quarter of 2008.

Package 5 involves the modification of a 14.7km section of the PLUS expressway between the existing Jelapang toll barrier and Ipoh South Toll Plaza. A designated two-lane local road will be built on both sides of the expressway for local traffic while the Jelapang and South Ipoh toll plazas will be relocated away from the expressway. Upon completion of the project by July 2008, motorists travelling on the expressway between Kuala Lumpur and Butterworth will no longer have to stop at either toll plaza but will be able to enjoy non-stop thoroughfare.

PENANG BRIDGE WIDENING PROJECT

The widening works for the Penang Bridge (“the Bridge”) valued at RM409.0 million which commenced in 2005 also contributed to the engineering and construction division’s revenue in 2007 and augurs well for the Group’s revenue growth in 2008. The project involves symmetric widening of the existing Bridge by 4.8 metres (inclusive of a one-lane carriageway and shared shoulder) on each side of the existing bridge. The widening project will help to ease traffic congestion on the Bridge and is scheduled for completion by third quarter of 2009.

UEM GROUP HEADQUARTERS

Construction work on the UEM Group’s new corporate headquarters at KL Sentral is ongoing. The RM155.0 million project comprises the design and construction of a 29-storey office tower, a six-level car park and amenities such as a multipurpose hall, gymnasium, the UEM Gallery, a library and cafeteria. The iconic landmark at the KL Sentral development is expected to be completed by the end of second quarter of 2008 and will bring subsidiaries and associate companies of the UEM Group together under one roof.

PLUS HEADQUARTERS

Work on Package 2 of PLUS’ new administrative headquarters near the Subang toll plaza is proceeding smoothly. The RM99.4 million project is divided into two packages comprising Package 1 and Package 2 with a contract value of RM8.2 million and RM91.2 million respectively. Package 1 was completed in February 2007 while Package 2 is expected to be completed by third quarter of 2008.

MALAYSIA AGRO EXPOSITION PARK SERDANG (“MAEPS”) PHASE 2

Excellent progress is being made on Phase 2 of the RM220.0 million MAEPS project and the fast-tracked project should be completed well within client’s expectations in time to support the MAHA 2008 bi-annual national event. The exposition centre, situated on 350 acres of land adjacent to the Kajang-Puchong expressway, comprises three main components – an exhibition area, a recreational park and public facilities.

- 1 Electrified Double Track Project.
- 2 UEM Group Headquarters.
- 3 Third Lane Widening Package 2A.



- 4 Modification for Non-Stop traffic between Ipoh Selatan-Jelapang.
- 5 Penang Bridge Widening Project.

INSTITUT JANTUNG NEGARA (“IJN”)

Renovation and extension works on IJN’s healthcare facilities in Jalan Tun Razak, Kuala Lumpur is being fast-tracked and specific phases of the RM226.2 million project are expected to be completed by the end of 2008. The project calls for the design, construction, equipping, commissioning and maintenance of a new healthcare facility at IJN. Renovation and refurbishment works at the existing main building are being carried out with minimal disruptions to IJN’s ongoing operations.

JOHOR STATE NEW ADMINISTRATION CENTRE (“JSNAC”)

The division continues to make good headway in Bandar Nusajaya in Southern Johor as it undertakes works on the Johor State New Administrative Centre involving the State Assembly Building (RM129.2 million), State Department Complex (RM70.4 million) and Dataran Mahkota (RM16.9 million). To date, both the State Assembly Building and Dataran Mahkota have been completed while work on the State Department Complex is expected to be completed in second quarter of 2008.

NUSAJAYA WATERFRONT PRECINCT DEVELOPMENT – PUTERI HARBOUR

The division was also awarded projects relating to the Nusajaya Waterfront Precinct Development, specifically works for the Puteri Harbour project. The RM42.5 million Package 1 project involving earthworks, the inner lagoon, land-sea interfaces as well as Civil & Structure and Mechanical & Electrical infrastructure works was completed in December 2007, while the RM13.68 million Outer Bund Works project also involving earthworks, the inner lagoon and land-sea interfaces has been completed in the first quarter of 2008.

PENANG SECOND CROSSING BRIDGE

Going forward, the division is finalising design details for the Penang Second Crossing Bridge and is preparing to undertake construction activities in 2008. The proposed project will connect Penang Island to the mainland across the Southern Channel of the Penang Straits. Construction on the Penang Island side will begin at Batu Maung along the Bayan Lepas Expressway. The structure will then traverse the Southern Channel to join Batu Kawan Estate and will continue in an easterly direction to meet the existing North South Expressway.

The marine portion of the bridge is approximately 16.5km long and the landside expressway is approximately 7km long making the total length of the Penang Second Crossing Bridge approximately 24km. The division’s planned scope-of-work will include the construction of the Batu Maung directional ramps; the Batu Kawan Trumpet Interchange; a dual two-lane carriageway expressway; a marine bridge; two toll plazas and two rest and service areas at the landside; a traffic control and surveillance system; as well as a toll collection system.

OTHER LOCAL PROJECTS

The division has also completed the following projects to date:

- The RM196.0 million contract for Ministry of Finance Building located on lot 2M10 & 2M11 Precinct 2, Putrajaya.
- The RM82 million contract for the Casa Desa condominium located on 5.9 acres of freehold land in Taman Desa.
- The RM48.5 million contract to construct and subsequently maintain the Pontian Link at the Linkedua Expressway.

- 1 Institut Jantung Negara (IJN).
- 2 Johor State New Administration Centre (JSNAC).
- 3 Casa Desa condominium, Taman Desa.



- 4 Nusajaya Waterfront Precinct development – Puteri Harbour.
- 5 Malaysia Agro Exposition Park Serdang Phase 2.

INTERNATIONAL OPERATIONS

SALWA INTERNATIONAL HIGHWAY, QATAR

In Qatar, UEM Builders is undertaking upgrading works on Phase 2 of the Salwa International Highway in Doha. Valued at QR441 million, the project involves the construction of a 81km dual four-lane highway linking Doha to Abu Samra at the Qatar-Saudi Arabia border. The scope-of-work will include upgrading the existing road to a dual four-lane carriageway inclusive of 11 Interchanges, 3 camel crossing underpasses and 21 Qatar Petroleum culverts.

INDIAN HIGHWAY PROJECTS

In India, the Group has completed three highway projects including the Western Transport Corridor Tumkur-Haveri and Bhiwandi-Kalyan-Shilphata Road in Mumbai and have resumed work on the Kerala State Transport Projects (KSTP) after signing a Supplementary Agreement with the Government of Kerala in December 2007.

The INR2.53 billion Western Transport Corridor Tumkur-Haveri NH4 Package 2 project saw the Group undertaking highway construction works for the 66.7km-long Sira to Chitradurga stretch of the corridor in a joint-venture with Essar Group of companies. The project involved the rehabilitation of two existing lanes and construction of an additional two lanes; the provision of service roads at grade intersections; drainage and protective works; as well as safety and maintenance works.

For the INR756.0 million 25km Bhiwandi-Kalyan-Shilphata Road project in Mumbai, the Group was involved in major widening works; strengthening and resurfacing works; the construction of one bridge over a river; as well as cross drainage, toll plaza and road furniture activities. The project was completed and handed over to the Concessionaire in a short period of 11 months in spite of a 3-month monsoon period.

UNIVERSAL STUDIOS SHOW & RIDE THEME PARK, SINGAPORE

In February 2008, the Group gained a foothold in the Singapore market, via its maiden project involving the first phase of basement works valued at SGD12 million for the Universal Studios Show & Ride Theme Park at the proposed Integrated Resort Sentosa. The entire theme park is expected to provide potential construction work worth RM1.2 billion as the design development takes shape in 2008.

In addition, UEM Builders will be pursuing infrastructure road works and Games Village for the proposed 2010 Summer Youth Olympics that Singapore will be hosting.

SUSHANT GOLF CITY HI-TECH TOWNSHIP LUCKNOW

Through a smart partnership with a reknown public listed developer Ansal API of India, UEM Builders has made entry into the real estate sector in India, focusing mainly on construction opportunities of new townships. The first maiden project is a 2000 acre development known as the Sushant Golf City Hi-Tech Township located in Lucknow, the capital of Uttar Pradesh, India's most populous state.

With a Gross Development Value exceeding USD1.0 billion over the next 5 years, the project is poised to offer UEM Builders exciting opportunities in the ever booming real estate sector in India.

OTHER OVERSEAS OPPORTUNITIES

Going forward, UEM Builders will continue to explore new opportunities in India, Indonesia, Singapore and Middle East on a selective basis to ensure sustainable growth.



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1 Girder box mould for Penang Second Crossing Bridge.

2 Western Transport Corridor Tumkur-Haveri, Package 4, India.



2



3

3 Bhiwandi-Kalyan-Shilphata Road, Mumbai, India.

4 Milling works at Salwa International Highway.

5 Salwa International Highway (Doha-Abu Samra), Qatar.

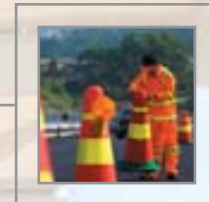


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5





OPERATIONAL HIGHLIGHTS INFRASTRUCTURE MAINTENANCE DIVISION

As the largest highway maintenance company, fully owned subsidiary, Projek Penyelenggaraan Lebuhraya Berhad (“PROPEL”), is at the forefront of the infrastructure maintenance and facilities management market in Malaysia. During the year under review, PROPEL recorded RM462 million in revenue, contributing 19% to the Group’s turnover.

With a track record and more than 20 years experience in highway maintenance, PROPEL has now diversified its market and expanded into other sectors of the maintenance industry such as building maintenance and industrial cleaning. PROPEL’s other services include traffic safety, pavement rehabilitation, geotechnical investigation and pavement condition assessment. With all these services under its belt, PROPEL is now strategically positioned as a provider of value-added and integrated facilities management services to facility owners.



HIGHWAY MAINTENANCE & TRAFFIC MANAGEMENT

PROPEL's core business includes routine maintenance works of the North-South Expressway ("NSE"), the scope of which includes cleaning; maintenance of the mechanical, electrical and electronic systems; repair and replacement work; traffic management; as well as monitoring and investigation of critical slopes and bridges. NSE users can enjoy peace of mind as they travel on the highway, knowing that the critical aspects of highway maintenance is being managed by a specialist.

In addition to the above, PROPEL also undertakes heavy repairs and implements special projects involving slope rehabilitation, pavement rehabilitation, improvement works to the Rest & Service Areas ("RSA") and the upgrading of water reticulation system for several facilities along the NSE. In 2007, PROPEL was entrusted with the role of main contractor for traffic management at the third-lane widening works along the NSE, particularly between the Senawang-Air Keroh, Rawang-Slim River and Ipoh-Jelapang stretches. Most of the works on these stretches have been completed, with the last stretch scheduled for completion by third quarter 2008.

ENGINEERING & PAVEMENT REHABILITATION

Pavement rehabilitation is PROPEL's main area of expertise. The wealth of experience of our personnel, our tested processes and methodologies combined with our use of modern machinery, are the main ingredients that have earned PROPEL a reputation as the specialist and leader in pavement rehabilitation works in the country.

For the year under review, PROPEL was awarded rehabilitation works for the airfield pavement at the Sultan Ismail Petra Airport, Kota Bharu, Kelantan by Malaysia Airports Holdings Berhad ("MAHB"). Having earned the trust and confidence of MAHB by completing the project ahead of schedule, PROPEL was later awarded similar rehabilitation works for the Bayan Lepas International Airport in Penang. Other works undertaken over the course of the year include pavement rehabilitation and Third Lane Widening works along the NSE, Expressway Lingkaran Tengah ("ELITE"), LINKEDUA and the Penang Bridge; as well as works for the Trumpet Interchange for Johor Land.

The year under review also saw PROPEL successfully completing the upgrading of four accident-prone areas along the NSE using Porous Asphalt technology. PROPEL has also invested in new machinery and enhanced its paving techniques as part of its continuous effort to improve the quality of works and shorten project completion time.

INDUSTRIAL CLEANING SERVICES

The establishment of the Industrial Cleaning Services Unit ("ICS") in 2003 is part of PROPEL's strategy to support its new business development activities. Since then, the ICS unit has successfully secured works mainly involving the cleaning of vessels for the Oil & Gas industry, and the cleaning of plants for the Petrochemical and Palm Oil industries.

Through the PROPEL-SPIE alliance, selected PROPEL personnel have gained valuable work experience and exposure in managing and maintaining Oil & Gas facilities, both onshore and offshore. During the year under review, PROPEL successfully undertook small jobs for customers in the Oil & Gas market, gradually enhancing its knowledge about this market whilst simultaneously earning the confidence of its customers and building a track record. PROPEL aims to leverage on these experiences to undertake larger projects in the near future.



- 1 Variable Messaging System (VMS) near Rawang Rest Area along North-South Expressway.
- 2 Tyre roller machine operating at the Third Lane Widening site.
- 3 Rehabilitation of taxi-way at Sultan Ismail Petra Airport, Kota Bharu, Kelantan.



- 4 Robotic flagman – “BOB” in action at Rawang-Bukit Beruntung stretch.
- 5 Landscape maintenance at Cyberjaya.
- 6 Maintenance works in progress at the newly upgraded Sungai Perak Rest & Service Area.

INTEGRATED FACILITIES MANAGEMENT

During the year under review, PROPEL formed a strategic alliance with French-based SPIE Oil & Gas Services to offer Integrated Facilities Management (“IFM”) to the Oil & Gas industry. The alliance brings together the skills and expertise of two well-established companies with a combined experience exceeding 50 years and aims to complement the current activities of Oil & Gas companies by ensuring the availability of their facilities. The IFM offering will also see the PROPEL-SPIE venture managing procurement activities and resources involving sub-contractors, spare parts and human resources, while undertaking the development and implementation of operations and maintenance procedures.

Through the proper implementation of IFM, Oil & Gas companies will enjoy benefits which include a prolonged useful life and delayed deterioration or obsolescence of their facilities and assets, both contributing to positive returns on their capital investment. IFM also improves productivity through ensuring higher uptime and asset functionality, as well as creates a more conducive working environment for personnel to focus on their specialised fields of work.

In addition to enhancing company shareholders value, PROPEL’s venture into the Oil & Gas market places it in a strong position from which it can springboard into new services in this industry as well as expand into new geographical locations, particularly within the South East Asian region.

SOIL CENTRALAB SDN BHD (“CSL”)

Soil Centralab Sdn Bhd (“CSL”) is another wholly owned subsidiary of UEM Builders. CSL provides a complete range of testing services which include pavement condition assessment (“PCA”), soil investigation, geotechnical instrumentation, material testing and structural monitoring. In addition, CSL’s specialised service offering covers areas such as Bridge Maintenance and Management System (“BMMS”), Real Time Monitoring System (“RTMS”), Advance Testing, Deep Sea Samples and a Metallurgy laboratory.

Throughout 2007, CSL was occupied with soil investigation, geotechnical survey and material testing services for the NSE Third Lane Widening and Penang Bridge Widening works, as well as the Penang Second Bridge Crossing.

The combined experience and expertise of Propel and CSL provides the synergy to offer comprehensive Infrastructure and Facilities Management and Maintenance Services to its customers, whilst providing a leading edge over its competitors.



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- 1 Pavement assessment using Multi Laser Profiler (MLP) vehicle.
- 2 Data analysis in MLP vehicle.
- 3 Falling Weight Deflectometer (FWD) machine in operation.



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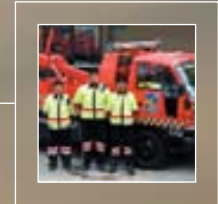
- 4 Filter press machine in operation in a palm waste pond.
- 5 Vacuum truck disposing waste at a scheduled landfill site.
- 6 Soil testing at laboratory.
- 7 Propel is fast gaining a reputation as provider of industrial cleaning services.



7



OPERATIONAL HIGHLIGHTS TOLL CONCESSION DIVISION



The Penang Bridge which was officially opened to traffic on 14 September 1985, has been the most vital transportation link between Penang Island and mainland Malaysia for almost a quarter of century. Its distinctive design and state-of-the-art features have not only become a national landmark but also won many prestigious awards. Penang Bridge is more than a mere component in the Island's highway infrastructure. It is the main access for residents, commuters and visitors to the Penang Island and a vital link to the business center of the northern region.

Against this backdrop of economic prosperity, a total number of 23.31 million vehicles used the bridge last year, compared to 22.49 million vehicles the year before. This represents an increase of 3.66% in traffic volume, which translated to an average of 63,872 vehicles crossing the bridge daily (one-way).

Upgrading works are currently being carried out to improve the existing facilities and its ancillaries; among others are the on-going bridge widening as well as the cable-stay replacement works. These works have so far been carried-out in an efficient manner without any major disruption to traffic flow. Upon completion, travelers can look forward to a safer, smoother and efficient link to their destination.

Our maintenance and upgrading activities are based on two principles, which are to maintain or enhance the level of safety and accessibility of our facilities. Some of our safety enhancement measures include the installation or upgrading of guardrails, the installation or replacement of traffic signs and pavement markings, and the removal or shielding of roadside obstacles.

Whilst PBSB strives to ensure a safe bridge at all times, the maintenance and operational costs continue to escalate. Nevertheless, PBSB has managed to keep its costs at an acceptable level through various cost control measures without compromising the quality of service.

Apart from the above, PBSB is able to preserve the bridge as an efficient mode of transportation through close understanding of commuters' expectations, traffic patterns, emergency response procedures and enhancement of our customer service management. For example, PBSB have launched an "On-line Traffic Information System-OTIM", which is an online SMS service designed to provide travelers with real-time traffic information of Penang Bridge. This one-of-a-kind value-added service is part of our initiatives in providing convenient and excellent service to our customer.

PBSB will continue to raise the level of its service with various measures to ensure an efficient and safe transportation system.



- 1 Replacement of Cable-Stay works in progress.
- 2 Automatic Bridge Control (ABC) machine at work in Penang Bridge.



- 3 Touch 'N Go facility at motorcycle lane.
- 4 Penang Bridge Control Centre (PBCC) monitoring traffic flow.



Scaling **New Heights**

By banking on the strength and tenacity of our human capital,
we continue to empower our employees to emerge as leaders.







QUALITY, HEALTH, SAFETY AND ENVIRONMENT

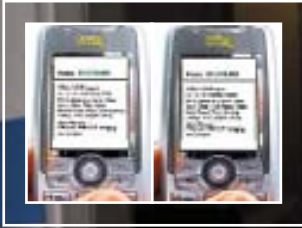
The company's accreditation by the internationally recognised ISO 9001:2000 quality management system (QMS) and the accreditation of major UEM Builders wholly-owned subsidiaries with the latest version of ISO 9001 are the highest testimonials of our uncompromising stance of quality assurance.

In terms of safety and health, UEM Builders continues to maintain an outstanding occupational health and safety record by achieving zero fatality to date for staff under our direct employment. Credit must be given to the Occupational Safety and Health Committees and Safety Officers for their excellent stewardship that contributed to this achievement. The implementation of the Occupational Health and Safety Management System (OHSMS) had assisted greatly in guiding our employees, suppliers and sub-contractors in the conscious compliance to the international standards set under OHSAS 18001:1999. Various programmes such as Site Safety Plan (SSP) and safety drills implemented in 2006 had been extended into 2007.

UEM Builders had also implemented the Environmental Management System (EMS) which is aligned with the ISO 14001:2004 standards for environmental management system as part of our commitment towards environment preservation in the course of our operations.

UEM Builders is continually upholding the standards in its quest for excellence in the QHSE arena. As a responsible corporate citizen, this is a responsibility we owe not only to ourselves but to our employees, vendors, customers and the community at large.





TOWARDS GREATER INNOVATION, RESEARCH AND DEVELOPMENT

Innovation has been variedly defined either as the act of introducing something new or a change that creates a new dimension of performance. UEM Builders did both by leveraging on Information and Communication Technology (ICT) to lift the company's performance, efficiency and productivity to a new level.

The short message service (SMS) which has been taken for granted in today's mobile phone phenomena has been harnessed to provide an efficient and effective mode of communication across the Group. This is particularly crucial when time is of the essence and when timely and accurate information is critical for decision making in a Group which has its operation spanning different time zones and extensive geographical boundaries. Its capacity to reach multiple intended recipients anytime anywhere makes it a versatile, efficient and cost-saving preferred service.

The Any Time Communication (ATC) mode implemented in April 2006 which uses the same operational principles as the SMS had been a boon to management and employees alike. The ATC had enabled the company to send updated messages and information across the organisation instantaneously and accurately. It also enabled employees to mutually communicate with each other by using the mobile phone or the web. Its versatility is further enhanced with the customisation of the system which enabled it to upload and download information pertaining to staff. The ATC has consequently helped to simplify decision-making process, speed up work-related requisitions and approvals, as well as reduce red-tape and bureaucratic encumbrances.

Given the many advantages of ICT, the Group will continue to harness its great potential to drive performance excellence. Concurrently, staff are encouraged to tap into their creativity to come up with innovative ideas or suggestions that may be translated into useful business applications.

Research and development that leads to the creation of new systems, solutions or applications that enhance efficiency and productivity are more than often a crucial factor in the survival of a company. In an industry that is fast changing, UEM Builders must continually revise our work processes and range of services. This is necessary due to rapid and continuous change in technology and strong challenges from competitors as well as higher expectation of more discerning customers.

As a company involved in a diverse range of activities and services, UEM Builders is fully committed to propagate research and development as a means to achieving an edge in the highly competitive engineering and construction industry. It demonstrates its earnestness by setting a Research and Development Department in 2006 to conduct research on physical products, services and organisational and process improvements.

Main focus areas for R&D in 2007 have been on project development proposals and Industrialised Building Systems (IBS). Innovative ideas from our pool of in-house talents were incorporated into project proposals and used as submissions to various project developers. These proposals managed to receive a high degree of acceptance and we envisage some of these proposals to take off within the next 1 or 2 years. On the IBS front, we have been working on some new ideas of IBS systems. We have carried out extensive analysis of various models and will be moving towards a working prototype IBS system by this year.

By inculcating the culture of innovation, research and development, UEM Builders is now able to draw on the pool of creative resources for generation of innovative and breakthrough ideas and solutions to place the company on a competitive edge.

