

CHAIRMAN'S STATEMENT



YBhg. Datuk Abu Hassan bin Kendut **CHAIRMAN**

DEAR SHAREHOLDERS,

The year 2003 marked the beginning of a new era for your Company as it completed the acquisition of UEM Construction Sdn Bhd and Projek Penyelenggaraan Lebuhraya Berhad (PROPEL). Following the completion of corporate restructuring exercise of the UEM Group, your Company assumed a new identity with the name changed from Intria Berhad to UEM Builders Berhad with effect from October 23, 2003.

The exercise has also put your Company on an expanded and stronger footing for future growth and profitability. With the acquisition of UEM Construction and PROPEL as part of the corporate exercise, your Company is now a formidable engineering and construction group.

The challenge for your Company will be to live up to the promise and expectations of the restructuring exercise. As we stand now, your Company has a stable revenue stream and an order book that will keep it busy for the next few years. Given the combined expertise and experience of the expanded Group, backed by its impressive portfolio of completed projects, I have no doubt that your Company's future is indeed promising.

It is my pleasure to present this Annual Report and Audited Accounts of UEM Builders Berhad for the year ended December 31, 2003.

FINANCIAL PERFORMANCE

On the strength of its financial performance in 2003, your Company has already fulfilled the promise of its earnings forecast outlined in the circular to shareholders dated August 9, 2003. The Group achieved a profit after tax (PAT) of RM39.9 million for the year ended December 31, 2003, which is slightly above the PAT of RM39.3 million projected in the circular.

Except for revenue accrued from toll collection, there is no basis for comparison with previous year's performance owing to the acquisitions that took place during the year.

The Group earned total revenue of RM325.0 million in 2003, of which the construction sector was the biggest contributor, at 46.2 percent or RM150.3 million. Toll collection from the operations of the Penang Bridge was the second largest contributor, amounting to 36.4 percent or RM118.5 million of total Group revenue. Infrastructure maintenance contributed another RM56.2 million or 17.3 percent of total Group revenue.

DIVIDENDS

As stated in the circular to shareholders, the payment of dividends will depend on the financial position of the Group taking into account its cash availability, debt servicing and financing commitments, the availability of tax credits and future expansion plans.

Having taken all these factors into consideration and considering that the acquisitions were only completed in the last quarter of 2003, the Board of Directors does not recommend any dividend to be declared for the year ending December 31, 2003. The Board, however, is hopeful that it will be able to recommend a portion of its profit after tax in respect of year ended December 31, 2003 subject always to the factors mentioned in the previous paragraph.



1 An exterior view of the newly completed Keningau Hospital in Sabah.

2 The Meteorological Office in Exeter, United Kingdom.

3 A panoramic view of Penang Bridge.

CORPORATE DEVELOPMENTS

Your Company's most significant development of 2003 was the series of corporate exercises that led to the transformation of Intria into UEM Builders. The sequence of events that unfolded during the year began with UEM Construction completing the acquisition of the 50 percent equity interest in PATI Sdn Bhd (PATI) that was not owned by the UEM Group from Road Builder (M) Sdn Bhd on January 27, 2003. This acquisition made PATI a wholly owned subsidiary of the UEM Group.

Subsequently, under the Proposed Acquisition of Kualiti Alam Holdings Sdn Bhd (KAH) by United Engineers (Malaysia) Berhad (UEM) and the Proposed Acquisition of PATI by UEM Construction, the entire stake in KAH owned by UEM Construction was acquired by UEM. UEM Construction then acquired UEM's 50 percent equity in PATI. With the completion of this exercise, PATI became a wholly owned subsidiary of UEM Construction. This scheme was aimed at streamlining and consolidating the construction and engineering business of the UEM Group.

In another scheme of arrangement, the then Intria acquired 100 percent equity interests in two companies; PROPEL and UEM Construction. With the acquisition of PROPEL and UEM Construction under its corporate umbrella, Intria was effectively marked to spearhead the UEM Group's engineering and construction business.

On September 2, 2003, Intria obtained the approval of its shareholders at an Extraordinary General Meeting to proceed with the acquisition of PROPEL and UEM Construction. Consent was also obtained for UEM to be exempted from making a mandatory offer of the remaining shares of Intria not already owned by UEM to facilitate the implementation of the acquisitions. The acquisitions of UEM Construction and PROPEL were completed on October 16, 2003, making the two companies wholly owned subsidiaries of the Group. With the completion of the restructuring exercise, Intria Berhad was renamed UEM Builders Berhad.

The UEM Group corporate restructuring exercise also involved the creation of a new listed entity, UEM World Berhad (UEM World) which has six core business, one of which being the engineering and construction business. With the corporate exercise of UEM Builders, UEM Construction and PROPEL put in place, UEM World then acquired a 51.7 percent stake in UEM Builders from UEM.

At this juncture, I would like to thank our shareholders for their support and understanding of what was at stake and what we were trying to do to increase shareholder value over the longer term. What was presented to us was an unprecedented window of opportunity to broaden our horizons and expand our earnings base through the inclusion of construction and expressway maintenance businesses of UEM Construction and PROPEL.

As the flagship of the UEM Group's engineering and construction business, our standing in the industry has increased manifold. Your Company is better positioned now than ever to bid for projects on the drawing board at home and overseas. Meanwhile, the integration of the management and operations of the newly acquired companies, UEM Construction, PATI and PROPEL, under UEM Builders corporate umbrella has progressed well without any significant hitches.

As part of UEM Group's plans to consolidate, streamline and substantially reduce the duplication of activities, PLUS Expressways Berhad has been appointed to provide operational and support services to Penang Bridge under a three-year operation service agreement commencing January 1, 2004. Nonetheless, Penang Bridge Sdn Bhd (PBSB) would remain the concession holder for the Penang Bridge and would still be responsible for toll collection and finance functions. This operational service has proven to be advantageous to PBSB through improved cash flow resulting from lower operating expenditure. Bigger savings are being projected for the future, when PLUS Expressways begins to reap the benefits of greater economies of scale and through continuous improvements in its efficiency levels. By outsourcing the operational function, the Group will be able to focus its attention on its core engineering and construction activities.

OPERATIONAL HIGHLIGHTS

Amidst the acquisition and merger exercises and flurry of corporate developments, it was business as usual for the operating units. This is reported at length in the review of operations that follows. But it is gratifying to note that, among the many projects we have secured, the Group continues to play a meaningful part in the ongoing development of Putrajaya and Cyberjaya, the twin cities designed for the twenty-first century. Personally, I feel this is testimony to the Group's ability to deliver.

The Group secured a contract for the construction of RM196 million building in Precinct 2 at Putrajaya to house agencies under the Ministry of Finance. Other contracts secured in 2003, include development works at the Cyberjaya Flagship Zone. The works involve the construction of access road to the sewerage treatment plant in the Flagship Village 2 and the D'Cassia Condominium complex. The complex comprises three apartment blocks housing a total of 152 units and 24 penthouses. Another contract secured in 2003 was the construction of the University Technology PETRONAS mosque at Bandar Seri Iskandar

in Perak, which is progressing according to schedule. The Group continues to carry out heavy maintenance works on the North-South Expressway including the removal of rockfall at Km 21 of the North Klang Valley Expressway at Bukit Lanjan.

The year under review saw the southbound lane of the New Pantai Expressway (NPE) from Subang to Jalan Bangsar and to the Kuala Lumpur-Seremban highway was opened to motorists on March 1, 2004. Your Company is also involved in the construction of the pavement works for the NPE.

Among projects completed in 2003 is the 212-bed Keningau Hospital in Sabah. The 268-bed hospital at Lahad Datu was completed in 2002. These are 2 of the planned 10 new hospital projects in Sabah and Sarawak, which the Group are involved in as part of the Government's efforts to improve healthcare services in Malaysia.



- 1 The D'Cassia Condominium Complex under construction.
- 2 An artist's impression of the University Technology PETRONAS mosque.
- 3 The New Pantai Expressway.

The Group is increasingly making its presence felt overseas, particularly in India and the Gulf states, through the many projects completed or currently underway. In Qatar, the Group is involved in the construction of a 81-km, dual 4-lane highway linking the Qatar-Saudi Arabia border at Salwa across the peninsula to Doha.

The contract was secured by the UEM Group. Preliminary construction works have commenced since November 2003 with project completion expected within 30 months. Another on going project in Qatar is the construction of 21 blocks of academic complex for the College of Technology in Doha. The scope of work includes the provision of infrastructure facilities.

In India, your Company has been active for the past several years. Your Company through a subsidiary, was a party to an Indo-Malaysian joint venture and was awarded a road upgrading project covering the SH-41 stretch from Mehsana to Palanpur in the State of Gujarat. The World Bank funded project was completed and handed over to the Government of Gujarat on June 17, 2003. Your Company has secured a total of 6 highway construction projects all over India worth RM973.8 million which are actively progressing at various stages.

Even as your Company continues to grow and consolidate its reputation in the business, there is no complacency in the quest for quality excellence.

UEM Construction upgraded its ISO Quality Management System to meet the requirements of the new ISO 9001:2000 standard awarded by Lloyd's Register Quality Assurance. It has also expanded the scope of its registration to include design management. The year also saw PATI upgraded its ISO 9001:2000 by SIRIM. PBSB also obtained its MS ISO 9001:2000 certification, with the scope of registration covering toll collection services, civil and structure, and mechanical and electrical maintenance services, traffic and safety management. Besides upgrading to the new MS ISO 9001: 2000 standards, PROPEL obtained registration to OHSAS 18001:1999, which is an assurance of excellence in its Occupational Health & Safety Management System.

OUTLOOK & PROSPECTS

The year 2004 will mark UEM Builders Group's first full year of operations, incorporating the full year results of the UEM Construction and PROPEL Group of Companies. Barring any unforeseen circumstances, we are confident that the coming year's group performance will see a major improvement in the earnings of your Company.

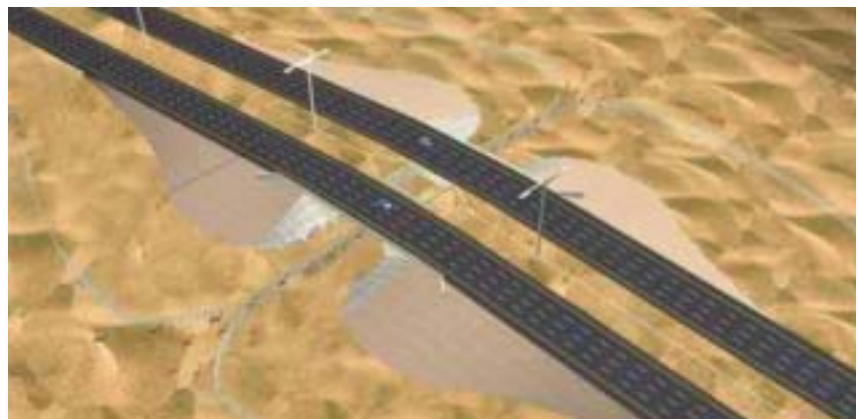
Your Company will continue to participate in future implementation of infrastructure, building construction and maintenance & facilities management projects, locally and abroad. Several feasibility studies and proposals are being carried out to determine their viability. Whilst seeking new

1 Our staff busy at work.

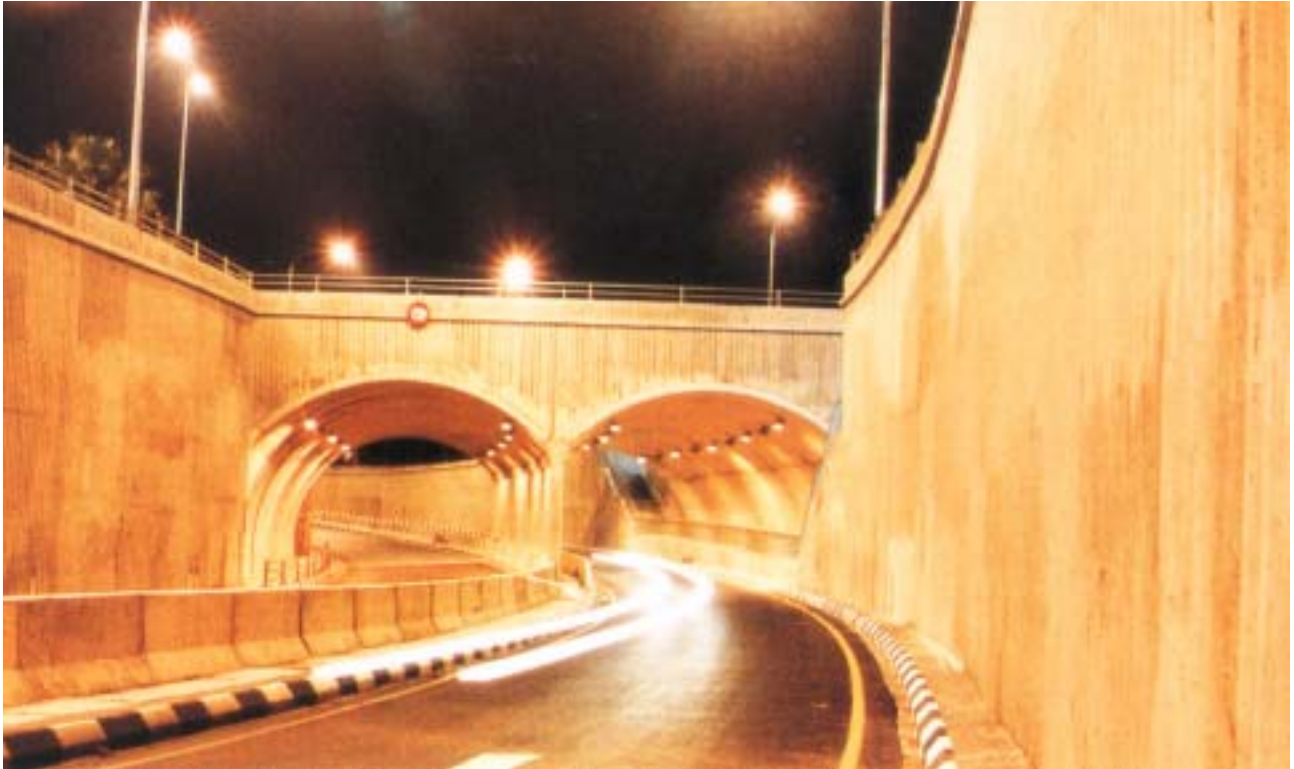
2 SilverPark Apartment, Fraser's Hill.



A view of the electrified double tracking bridge under construction.



An artist's impression of the proposed Camel Crossing in Qatar.



An evening view of the Jalan Gombak-Jalan Pahang Interchange.

business opportunities, we are strengthening the Group from within. Appropriate measures are being put in to improve operational efficiency and provide a conducive environment to strengthen the Group's workforce foundation. Your Company will also be able to capitalise on synergies derived not only from its substantial resources and expertise but also those of its ultimate holding company. By leveraging and tapping the vast experience of the Group, your Company will continue to be at the forefront in bidding for projects and striving to capture a larger market share.

ACKNOWLEDGEMENTS

Organisational changes can often be stressful in the corporate world. The past year has seen sweeping changes throughout the Group. It is a credit to both management and staff that they have embraced the changes without impeding their work commitments and schedules. To all of them, on behalf of the Board, I express my sincere thanks and appreciation.

In recognition of staff's dedication and loyalty, the UEM Group has implemented the Employee Equity Scheme (EES) in conjunction with the listing of UEM World on the Main Board of Malaysia Securities Exchange Berhad. The principal objective of the EES is to enable eligible employees to participate in the ownership of the new company and to align the interests of the employees with those of the shareholders. It also serves as a performance incentive mechanism to enhance the performance of employees, attract quality personnel and to unlock the inherent value of the UEM Group. Our effort is in line with the Government's initiatives to put in place a performance incentive in government-linked entities as an additional measure to enhance Malaysia's capital market.

Our shareholders and customers deserve special mention for their support and loyalty. We could not have come this far without their understanding and co-operation. We are also grateful for the

assistance and cooperation rendered by our business associates, government departments, relevant agencies and authorities, who in many ways, big and small, contributed to the Group's success. To all of you, we say thank you and look forward to your continuing support.

Last but not least, I wish to thank my fellow members of the Board for their support and counsel. The year in review saw the departure of Encik Aminuddin Yusof Lana who has retired while YBhg Dato' Abdul Hamidy Abdul Hafiz resigned from the Board earlier this year. The Board and I thank both gentlemen for their services and wish them every success in their future undertakings.

With all your continued support, your Company looks to the future with confidence.

Thank you.

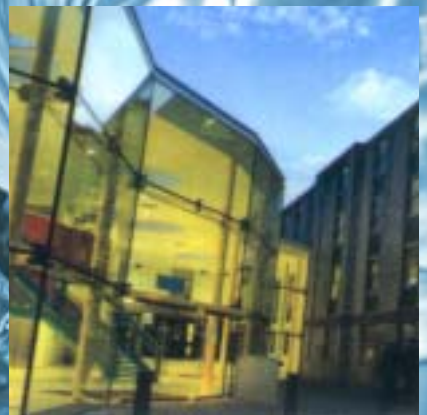
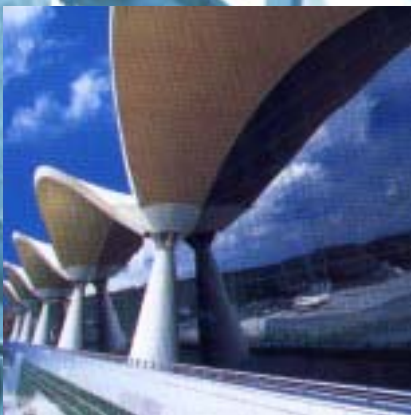
Datuk Abu Hassan bin Kendut



QUALITY PROJECTS



WHAT WE DEVELOP OVER THE YEARS
is a true testament of how we do business
- with strength of will and the determination to succeed.



ENGINEERING & CONSTRUCTION



LOCAL OPERATIONS

Spearheading Engineering and Construction

UEM Construction Sdn Bhd

(UEM Construction) was acquired by UEM Builders Berhad (UEM Builders) on October 16, 2003 to spearhead its engineering and construction activities. Its wholly-owned subsidiary, PATI Sdn Bhd (PATI) complements UEM Construction's strength in the engineering and construction business.

UEM Construction brings technological and manpower expertise to infrastructure development projects, as well as the construction and heavy repairs maintenance of expressways.

Among the biggest projects underway in UEM Construction's portfolio is the construction of 94 bridges for the electrified double tracking project between Rawang and Ipoh. Since commencement in June 2001, the project has achieved 75 percent overall completion. When completed, it would have involved the construction of 41 dual track rail bridges, 39 road overhead bridges (18 over road and 21 over level crossings), 13 motorcycle/pedestrian bridges and 1 vehicle box culvert (VBC). It will then serve as part of a vital link in the Southern Thailand to Malaysia land-bridge project. To date, the Company has completed all of the 41 rail bridges on the new trackside, whereas on the rehab trackside, 15 rail bridges have been completed.

The Company is now waiting for the handing over of 14 rehab rail bridges from the client after their track diversion. For this project the Company has also completed 20 bridges (4 overhead, 7 level crossings, 8 motorcycle/pedestrian bridges and 1 VBC).

UEM Construction continued to fulfill its contractual obligations to plan, design, construct, equip, commission and maintain 10 hospitals in Sabah and Sarawak. To this end, UEM Construction has formed joint-ventures with both Sabah Economic Development Corporation and Sarawak Economic Development Corporation. A certificate of completion has been issued for the 268-bed hospital at Lahad Datu and 212-bed hospital at Keningau, which were handed over to the Ministry of Health. Another four hospitals, at Kunak, Pitas, Kuala Penyu and Sarikei, are at varying stages of construction, with targeted handing over in the third quarter of 2004. Soil investigation works have been completed for the Nabawan and Belaga hospitals. The Group is preparing proposals to the Government based on the 'Public Private Partnership' arrangement for the four remaining hospitals in Sabah and Sarawak.

Through Setia Haruman Sdn Bhd, UEM Construction secured two contracts during 2003 in the ongoing development of Cyberjaya, one of two intelligent cities in Malaysia's multimedia super corridor. The contracts are the construction of the access road to the sewerage treatment plant in the

Flagship Village 2 and the construction of the D'Cassia Condominium complex on Lot 12182 in the Cyberjaya Flagship Zone. Construction of the access road is in progress and is scheduled for completion by end of June 2004. The condominium project comprises the construction of 152 apartment units and 24 penthouses housed in two 10-storey blocks and another 8-storey block, along with two sub-stations, ancillary facilities and landscaping works.

UEM Construction is also participating in the ongoing development of Putrajaya as Malaysia's new administrative capital. Since December 2002, UEM Construction has been carrying out the design, construction and completion of 2 blocks of office buildings with total floor area of 67,108 square metres and interior design works in Precinct 2 (Phase 2) at the Federal Government Administrative Centre. The office buildings, which will house agencies of the Ministry of Finance, is scheduled to be completed in May 2005.

During the year under review, UEM Construction was also awarded the contract for the construction of the University Technology PETRONAS mosque at Bandar Seri Iskandar, Perak. The scope of work involves the construction of a new 4,000-capacity uniquely designed mosque based on a 'floating' concept, as well as renovation works on the existing mosque. Work has commenced on both scopes, with a targeted completion date of October 2005.



A model of the soon to be completed D'Cassia Condominium.



The residential blocks of the completed Keningau Hospital in Sabah.

Under a long-term arrangement, the Company continued to carry out all heavy repair maintenance works on the North-South Expressway. The job scope principally involved pavement structural overlay as well as rehabilitation and slope stabilisation works. In December 2003, UEM Construction was assigned the task to clear the rockfall at Km21 of the North Klang Valley Expressway at Bukit Lanjan.

During the year under review, UEM Construction was also involved in the renovation and extension works to an existing 2-storey office-cum-laboratory belonging to Pharmaniaga Manufacturing Berhad. It is also designing and building a small volume injectables manufacturing facility for Pharmaniaga Berhad, for targeted completion in June 2005.

A Proven Entity

As a wholly owned subsidiary of UEM Construction, **PATI Sdn Bhd** (PATI) brings to the UEM Builders stable vast expertise and experience in civil engineering works relating to infrastructure development and building construction.

Projects completed by PATI during 2003 included the construction and completion of light rail transit (LRT) infrastructure and boulevard works at Precincts 3 and 4 of the Putrajaya Core Island Development. The major components of the multi-million Ringgit works ranged from soil investigation, structural works, tunneling, drainage and sewerage to the

construction of the substructure LRT stations. PATI is also involved in the construction of the pavement works for the New Pantai Expressway (NPE), which starts at the Jalan Tujuan/Jalan Subang Utama intersection and traverses Subang Jaya, Bandar Sunway, Kampung Medan and Jalan Klang Lama. The southbound lane of the NPE from Subang to Jalan Bangsar to the Kuala Lumpur-Seremban highway was opened to motorists on March 1, 2004.

Complementing the Group's Strengths

Intria Bina Sdn Bhd (Intria Bina) construction portfolio ranges from low-cost projects to a variety of building and infrastructure works. During the year under review, Intria Bina successfully completed the construction of 170 units of double storey terraced houses Phase J3 for Guthrie Property Development Sdn Bhd at Shah Alam. At Sungai Kapar, Klang, the Company also completed another 184 units of single storey terraced houses under Phase 2C1 and 247 units of one and a half storey terraced houses under Phase 2C2. As these projects are still in the Defects Liability Period, rectification works are presently being carried out, bearing testimony to Intria Bina's commitment to quality excellence. Meanwhile, the RM41.5 million project for extension works at the Sultanah Aminah Hospital in Johor Bahru is at an advanced stage of completion.

The Group's success in delivering projects on time is also due to the fact that it owns and operates quarries and premix plants,



A final detailed inspection to ensure that quality standards are maintained.



An artist's impression of the Pacwlo Interchange in Qatar.

which ensure immediate and consistent supply of materials. These operations are undertaken by two of PATI's subsidiaries; **Kuari PATI Sdn Bhd** and **PATI Technologies Sdn Bhd**. PATI has come a long way since 1989 when it developed its first quarry plant in Selangor. The Group now operates six quarries and five premix plants at Sungai Buluh and Semenyih in Selangor; Nilai and Jelai in Negeri Sembilan; Kulai in Johor and Pendang in Kedah. The average monthly production from quarries and premix are 480,000 tonnes and 75,000 tonnes respectively. PATI's quarries supply aggregates and premix not only for in-house use but also market the related products to external parties.

OVERSEAS OPERATIONS

Spreading Our Wings

UEM Builders is making headway in its overseas operations, exporting its expertise and experience to the burgeoning economies of India and the Gulf states. Among contracts secured by the Group in India include two Annuity Scheme projects with the GMR consortium. The National Highways Authority of India has also awarded UEM Construction with several highway construction contracts. These comprise three construction contracts with the ESSAR Group; four other contracts being undertaken by PATI; two of which with Bhagheeratha Engineering Limited; one each with Hindustan Construction and Road Builder (Malaysia).



A spectacular view of the Hungerford Bridge across the Thames in London, United Kingdom.

Works on the three packages of the Tumkur-Haveri NH4 highway construction projects jointly undertaken with the GMR and ESSAR consortium began in March 2002. The same consortium began construction works on the Tuni-Anakapalli, NH 5-59 km and Tambaran-Tindivanam highway projects in May 2002, which are scheduled to be completed over a period of 27 months. The projects by UEM Construction in India are at various stages of construction. The Group is confident of meeting key project targets in terms of deadline, budget as well as quality.

In Qatar, the Group is involved in the upgrading works of an 81-km dual 4-lane highway from the Qatar-Saudi Arabia border at Salwa across the Qatar peninsula to Doha. This contract was secured by the UEM Group. Construction works covering a duration of 30 months, started with

foundation and preparation works toward the end of 2003. UEM Construction is also proving its capabilities in the construction of buildings and related infrastructure facilities as it is involved in the construction of a-21 block of academic complex for the Qatar College of Technology. The construction works began in June 2003 and is scheduled for completion in September 2004.

Making Inroads

No stranger to the Indian highway construction business, PATI has established a working relationship with the National Highways Authority of India since 1996.

The year under review saw PATI in a joint venture with Hindustan Construction Company completing the 65-km highway project (SH-41) from Mehsana to Palanpur



Our experienced engineers going over the details of their construction project.



A perspective view of the MOF2 Building under construction.

in the State of Gujarat. The scope of work comprised the strengthening and paving of shoulders of the two-lane highway, widening of two-lanes to four-lanes, improvement of the existing four-lane, construction of two culverts and rehabilitation bridges. This is a project funded by the World Bank.

PATI is presently engaged in 3 major highway improvement projects, one of which is the widening of the existing NH-6 road to 4-lane highway from Dankuni to Kolaghat near Kolkata in the State of West Bengal, a distance covering 54.4 km. Completion date has been targeted by end of 2004 for handing over to the Ministry of Road, Transport and Highways. Another highway project funded by the World Bank is from Etawah to Sikandra in Uttar Pradesh, which covers a distance of 72 km that includes the construction of 5 bypasses. When completed in 2005, the existing Km 321 to Km 393 stretch of the NH-2 highway would be upgraded to four lanes and strengthened to handle the increased traffic flow.

In the South Indian State of Kerala, PATI has also embarked on construction of another highway project under the Public Works Department (PWD) of Kerala State Government. The project scope calls for the widening, realignment and strengthening of 127.1 km of existing main central road from Chenganoor to Trivandrum and link roads from Allapuzha to Changanassary. This is another World Bank funded project and scheduled to complete by end of 2005.

An International Powerhouse

UEM Builders has a 34.6 percent stake in the **Costain Group PLC** (Costain), an international engineering and construction group listed on the London Stock Exchange. Costain is at the very forefront of construction and asset management, with a premium on high-calibre skills and service excellence.

For the year under review, Costain's portfolio of activities encompassed projects in the health, transport, construction, oil and gas sectors and the asset management market for water utilities. Outside the United Kingdom, Costain has established a significant international presence in Europe, Africa and Hong Kong.

Health Portfolio

By capitalizing on the UK Government's commitment to improve the National Health Service (NHS), the health portfolio has become one of Costain's strongest assets. A key ingredient of Costain's health strategy has been to secure the NHS pilot Procure 21 framework initiative in the North West and Midlands, thus providing a service to the NHS through the principle of supply chain partnership. In terms of ongoing work, Costain is building new maternity and pediatrics units at Southport & Ormskirk for the NHS Trust, a mental health unit for Cheshire and Wirral Partnership, an operating theatre and offices for Southport & Ormskirk NHS Trust and a diagnostic and treatment centre at Good

Hope Hospital in Birmingham and a treatment center and two storey ward building at The Royal Shrewsbury Hospital.

Civil Engineering

With regard to the UK rail project, Costain is involved in an approximately GBP 700 million of joint venture at the Channel Tunnel Rail Link (CTRL) and the King's Cross Station development. At the CTRL Stratford project, Costain in joint venture has completed both massive tunnel drives. Costain is also involved in major road schemes in the UK. Work on the junction 13 M4 motorway scheme is progressing and the target for completion is autumn 2004. Costain is also part of the Private Finance Initiative consortium, which has been awarded the GBP 38 million scheme to build and improve roads in the heart of Wales. The project called Sirhowy Enterprise Way, covers the design, build, finance and operation of improvements to the local road network, which will help to create new business investment in the area.

Construction

In general building, Costain completed three contracts worth GBP 12 million for the Tesco Group, further cementing a long-term relationship. The initial phase in the construction of the Diamond Synchrotron Light Source Building is progressing as planned. When completed, this will be the largest scientific facility to be built in the UK in 30 years. Costain has been appointed contractor for the new London Metropolitan



Upon completion, the Diamond Synchrotron Light Source Building will be the largest scientific facility to be built in the United Kingdom.



A top view of the Gas Compression and Treatment Plant in Barrow-in-Furness, United Kingdom.

University Graduate Centre. As party to another joint-venture, Costain was also responsible for the design and construction of the GBP 79 million new Meteorological Office in Exeter.

Costain Oil, Gas & Process (COGAP) The year 2003 saw COGAP serving major clients while pursuing its strategic goal of addressing markets beyond the oil and gas industry. COGAP continued to support the Galliford Costain joint-venture with the supply of project and construction services for United Utilities. During the year, COGAP was also awarded additional shutdown work in Abu Dhabi for two companies, ZADCO and ADMA. In mid-September, the Company commenced the annual LNG outage for ADGAS. August 2003 saw the successful on-time delivery of Costain's Syngas Purifier Cold Box for Snamprogetti's petrochemical complex in Iran.

International Activities

Costain's strategy to increase its international portfolio through partnerships with local major shareholders has proven successful. In Botswana, for instance, Costain has teamed up with Kharafi to commence work on the GBP 20 million Palapye sewerage contract. Costain is bullish about its business prospects in Africa. In Zimbabwe, Costain continues to operate successfully in both its contracting and property activities despite the political uncertainties.

Costain is also making considerable progress in Southern Spain, where it has a 50 percent interest in Alcaidesa Holding S.A., a residential and leisure company with over 2,000 acres of development land. Some 65 units were completed under the 2003 housing programme and a new club/hotel complex with 700 beds was opened in September. Preliminary works for the second golf course have started, together with a large infrastructure project to service the ongoing development. These works, which include roads, drainage, water supply, electricity and a water treatment plant, are expected to be completed by mid-2004. This will produce a sustainable profit stream for the future.

Asset Management

The business of managing the capital programme for major infrastructure providers has steadily gained prominence in Costain's order book. Costain's client list includes Thames Water, Yorkshire Water, United Utilities, Wessex Water and Southern Water. Each of these companies is heavily involved in the AMP 3 capital programme, which is expected to generate turnover in excess of GBP 580 million over the programme framework. Costain is working

alongside its clients in providing delivery information to support the next round of the five-year capital programme, AMP4.

Costain's asset management operations have national significance. One of the Company's single largest contract is facilitating progress on the new waste water facilities treatment near the Heathrow Terminal 5 project. The project is expected to cost GBP 106 million, with a contract period running through to September 2005, followed by a 6-month commissioning and testing period. Works are underway at all locations and are currently ahead of schedule.

PROSPECTS

Going forward, the prospects for continuing growth and profitability in UEM Builders' engineering and construction business look promising. The combination of UEM Construction, PATI, Intria Bina and Costain under UEM Builders corporate umbrella should place the Group in a stronger position to pursue new and profitable projects.

The Group will continue to enhance its position in infrastructure and building construction and highway and building



Tunnel drilling works at the Channel Tunnel Rail Link.



The new headquarters for the Meteorological Office in Exeter, United Kingdom.

maintenance. It will continue to enhance its position in Malaysia to secure more notable projects so as to be "the construction company" to be reckoned with.

In addition, the Group will expand into new engineering and maintenance sectors and new geographical areas for business expansion to enhance its position. The lucrative water and sewerage, power generation and infrastructure and the oil & gas shutdown maintenance would be the areas of interest for the new engineering and maintenance sectors.

For long-term revenue sustainability, the Group will look beyond its involvement in construction packages only. It hopes to secure viable privatization projects to add to the present Penang Bridge concession. These expansion programmes will provide the challenge to the Group to be the leading diversified engineering outfit.

Apart from enhancing its position in Malaysia, India and Qatar, the Group is exploring business opportunities in other Middle Eastern countries such as Bahrain, United Arab Emirates and Saudi Arabia. Other countries are being explored as opportunities arise but these international pursuits under the UEM banner will be carried in a focused manner to ensure sustainability.

Meanwhile, world growth and trade are expected to improve with most economic activities returning to normalcy. UEM Construction and PATI have demonstrated their capabilities operating in an international environment and are poised to benefit further from the ongoing global economic recovery as more engineering and construction projects are revived and new ones appear on the market.

Having secured significant positions in the health, transport and asset management market, Costain has a stable platform for future growth. The company will continue to enjoy the benefits of the UK Government's commitment to improving the national infrastructure. Costain will also strengthen its presence in the retail sector, whilst taking advantage of the Government's plans to increase education expenditure. Its international operations are also growing, capitalising on the excellent relationships established with shareholders. Costain remains confident of delivering profitable growth for the next several years. Its investment in key resources and a dominant position in the market place will help sustain an increase in shareholder value.



A bird's eye view of the A2/M2 Widening Project in Kent, United Kingdom.



The Group will continue to be at the forefront in bidding for projects.



An exterior view of the King's College Hospital, United Kingdom.

INFRASTRUCTURE MAINTENANCE



A Recent Acquisition

Projek Penyelenggaraan Lebuhraya Berhad (PROPEL) was listed on the Main Board of the Malaysia Securities Exchange Berhad on November 9, 1993. During the year, under the UEM Group's scheme of arrangement, PROPEL was taken private and became UEM Builders's wholly owned subsidiary.

Maintenance Operations

PROPEL's core business is providing maintenance services for expressways and buildings. The scope of activities of expressway maintenance embrace the maintenance of the mainline, structures, landscape, drainage and the mechanical, electrical and electronics (MEE) systems. For greater efficiency, PROPEL has embarked into the Total Comprehensive Maintenance (TCM) for MEE in year 2003. This would ensure that preventive maintenance works of the MEE systems along the North-South Expressway (NSE) are carried out on a scheduled basis besides achieving maximum uptime targets.

PROPEL has also implemented a Computerised Maintenance Management System (CMMS) to keep track of all maintenance works and condition of inventories along the expressways. Apart from the NSE, PROPEL is also responsible for routine maintenance works at the Penang Bridge and for other expressway concessionaires, namely LINKEDUA, ELITE, Metramac and Prolintas.

Not limiting to maintaining the expressways, PROPEL has ventured into facilities maintenance for building and facilities management with a client base that includes Cyber Century Square Cyberjaya, PUTRA LRT stations, Bumiputra-Commerce Bank in Jalan Tun Perak, Kuala Lumpur and Kualiti Alam plant in Bukit Nenas, Port Dickson.

Pavement Rehabilitation Specialist

PROPEL is one of the leaders in the pavement rehabilitation business. This position of strength has been earned through innovative and cutting-edge technology. By adopting the Cement-Bound Material technology with the proven Cold-In-Place Recycling (CIPR) method, PROPEL had been able to resolve the problems which occurred along the Skudai-Kempas Expressway.



Signboard cleaning works in progress.

- 1 PROPEL's Computerised Maintenance Management System (CMMS) Call Centre.
- 2 Mechanical and electrical maintenance works at the Menora Tunnel.



Maintenance works at one of the sewerage treatment plants.

Some minor civil repair works underway.



A look at our routine landscape maintenance works.

Complementing its core activities, PROPEL's wholly owned subsidiary, Soil Centralab Sdn Bhd (CSL) specializes in the geotechnical works focusing on environmental studies, soil investigation and instrumentation, material testing, pavement condition assessment and structural inspection. CSL is well equipped with state-of-the-art testing facilities that are on par with the international testing requirement.

New Business Areas

PROPEL will venture into new areas of business for local and international market. The Company is planning to provide industrial cleaning and waste management services for the readily available markets. This new area of service and expertise will include providing high-level cleaning services, equipped with the ultra high

pressure water jetting and vacuuming system. Another new business venture will be the Shutdown Maintenance services which involves overhaul of plant and installations largely in the oil and gas sector. PROPEL is also planning to work with a few companies in United Arab Emirates for the maintenance of commercial buildings and highways in Abu Dhabi and Dubai.



Pavement work.



Staff operates the milling machine.



Milling work.

TOLL COLLECTION



A Key Performing Asset

Penang Bridge Sdn Bhd (PBSB) is an important performing asset and a major revenue earner for UEM Builders. Under a 25-year Concession Agreement from August 15, 1993 and ending May 31, 2018, PBSB is responsible for managing, operating, maintaining, upgrading and collecting toll from the 13.5 km Bridge. On January 1, 2004, the operational activities of PBSB have been integrated under PLUS Expressways Berhad. The integration exercise will enable PBSB to focus on the more strategic area of business development and expansion.

Reflecting the more favourable economic conditions, traffic volume on the Bridge rose to 19.82 million vehicles in 2003, an increase of 1.4 percent from the previous year. Passenger cars made up 66 percent of the traffic volume, while motorcycles accounted for another 23 percent, public transport 7 percent and heavy vehicles made up the remaining 4 percent. With traffic volumes steadily increasing, PBSB continued to channel significant efforts and energies on operational activities such as maintenance, safety and improving traffic flow.

Toll System Upgrading

An upgraded toll system was installed during the year. The new system features a mixed payment mode of cash or electronic toll collection (ETC) using Touch 'n Go and SmartTAG. Anticipating future traffic growth

and for the ease and convenience of bridge users, PBSB is proposing the introduction of a Loyalty Programme and Flexi-Pricing (LFP) Toll System.

The LFP will allow bridge users a choice of payment modes during peak and off-peak hours, festive seasons and seasonal promotional periods. It will also include an incentive mechanism that will enable PBSB to keep abreast of any future competition. The new toll system will allow more effective monitoring and control of lane congestion at the optimal level, without breaching the concession agreement on toll fares. The system is undergoing testing for reliability.

In December 2003, repair works began on various bridge structures above the water level as well as the underwater pile cap and bridge columns. The bridge's Traffic Monitoring and Surveillance System (TMSS) has been enhanced with the installation of five digital CCTV cameras at the mainland between Prai and Penang Bridge Interchange. Renovation works were also carried out at the TMSS office, while a video wall system was installed at the new Penang Bridge Communication Centre (PBCC) and commissioned in end November 2003.

The video wall system replaces the conventional CCTV monitors for displaying live videos captured by cameras strategically placed along the bridge concession area.

By far the more advanced system, it offers digital display for Graphical User Interface (GUI), capturing videos from digital CCTV cameras and receiving inputs from PC database or local area network. Magnified, clearer and colorful video displays would also improve monitoring activities and work efficiency. Web browsers can look forward to future enhancement plans linking the system to the Internet, enabling users to surf and watch live traffic on the bridge.

Other improvement works completed during the year include the replacement of all luminaries for existing street lighting poles within the concession area. This is the first time this exercise has been carried out since the bridge was opened to traffic in 1985. Commuters now enjoy better illumination during the night thereby enhancing traffic flow and safety. Another improvement initiative is the installation of a SoundPrint System for continuous acoustic monitoring of the cable stays at the main span of the bridge. Acoustic signals transmitted from sensors installed at the cable stays are continuously analysed via computer software installed in a data acquisition unit at the main span. The data acquisition unit is in turn connected to the server via wireless communication system at the maintenance office for online monitoring. Installation works began in October 2003 and was successfully completed and commissioned in December 2003.



A look at the beautifully maintained landscaping works - PBSB's responsibility towards maintaining the surrounding environment.



Bridge inspections are often done to the structural integrity of the bridge.

Safety

Safety remains a paramount concern and PBSB is justifiably proud of its safety record. PBSB believes in taking a proactive stance, and preventive measures are an integral part of the ongoing effort to prevent accidents on the bridge. The replacement and repainting of guardrails and replacement of Touch 'n Go signboards at the toll plaza were some of the works carried out in 2003 to enhance safety.

PBSB enjoys good rapport and over the years, has built up an excellent working relationship with relevant authorities such as the local traffic police, Fire and Rescue Department, hospitals and Malaysia Highway Authority. Regular meetings and discussions have helped iron out operational issues and problems.

In collaboration with the Penang State's Majlis Keselamatan Jalan Raya, a series of road safety campaigns were jointly organised at the toll plaza to coincide with festive, school and gazetted public holidays.

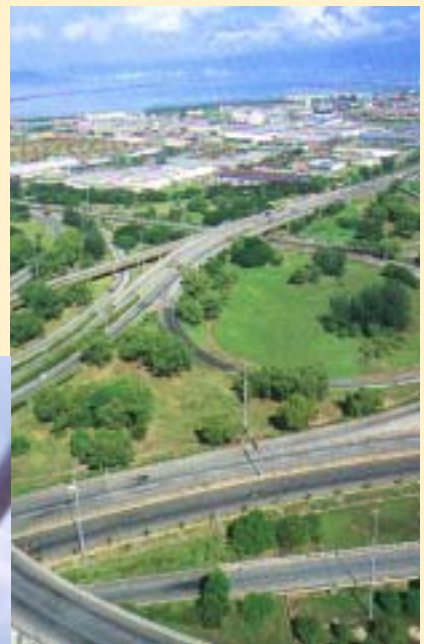
Prospects

Malaysia is firmly back on track in its economic recovery. This will continue to manifest itself by an increase in inter-state travel for business, commercial or tourism. Penang State will receive its share of the traffic growth, particularly with new efforts underway to promote Penang as a popular tourist destination and as a commercial hub. In light of these developments, PBSB has been engaged in talks with the relevant authorities for a proposed lane-widening project. When implemented, this will mean a smoother traffic flow, whilst reducing accident risks.

Against a more favourable economic backdrop, a key emphasis continues to be on improving traffic flow, hence the proposal for loyalty and flexi-pricing on toll fares. Meanwhile, PBSB is set to reap gains from two expressway projects underway. The Jelutong Expressway Project, undertaken by the state Government, will facilitate traffic dispersal along two main feeder roads, namely, Jalan Udini and Jalan Tunku Kudin. Another project is being

undertaken by Lingkaran Luar Butterworth Sdn Bhd. When completed, the Butterworth Outer Ring Road (BORR) will enable a smoother traffic flow at the Prai Interchange, with easy access to the Penang Bridge.

An aerial view of one of our highway interchanges.



A scenic view from Penang Bridge's halfway point.



Daily monitoring ensures smooth traffic flow .