

Annual Report

2002

Laporan Tahunan



PEMBINAAN LIMBONGAN SETIA BERHAD
(Company No. 160032-K)



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NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of the Company will be held at Damai One, Kelab Century Paradise, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan on Thursday 26 September 2002 at 10.00 a.m. for the following purposes :-

AGENDA

1. To receive and consider the Audited Financial Statements for the financial year ended 31 March 2002 together with the Reports of the Directors and the Auditors thereon. [Resolution 1]
2. To approve the payment of Directors' fees for the financial year ended 31 March 2002. [Resolution 2]
3. To elect the following Directors who retire in accordance with Article 82 and Article 89 of the Company's Articles of Association :
 - a) Encik Johar Salim bin Yahaya (Article 82) [Resolution 3]
 - b) Encik Hisham bin Mahmood (Article 82) [Resolution 4]
 - c) Ms Lim Soo San (Article 89) [Resolution 5]
4. To re-appoint Messrs. KPMG as auditors of the Company and to authorise the Directors to fix their remuneration. [Resolution 6]
5. As Special Business, to consider and if thought fit, pass the following as an ordinary resolution :-

Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Kuala Lumpur Stock Exchange and other relevant governmental / regulatory authorities, where such approvals are necessary, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

[Resolution 7]

6. To transact any other business for which due notice have been given in accordance with the Articles of Association of the Company and the Companies Act, 1965.

By Order of the Board

LIM THIAM WAH, ACIS
MAH WAI HAR, ACIS
JOINT SECRETARIES

SELANGOR DARUL EHSAN
4 SEPTEMBER 2002



NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING (cont'd)

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Notes :

1. *A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy/proxies must be deposited at the registered office of the company at 17C, Wisma Limbongan Setia, Jalan SG 3/4 , Taman Seri Gombak, 68100 Batu Caves, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

The Ordinary Resolution 7 if passed, will empower the Directors to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the issued shares capital of the Company for the time being for such purposes as they would consider would be in the best interest of the Company.

This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28 (2) of the Kuala Lumpur Stock Exchange Listing Requirements appended hereunder are :

Directors standing for re-election at the Fifteenth Annual General Meeting of Pembinaan Limbongan Setia Berhad

Encik Johar Salim bin Yahaya
Encik Hisham bin Mahmood
Ms Lim Soo San

Details of attendance of Directors at General Meetings

One (1) Annual General Meeting and one (1) Extraordinary General Meeting were held during the financial year ended 31 March 2002. Details of attendance of Directors at the General Meetings were as follows :-

Name of Directors	No. of Meetings Attended
Dato' Amirullah Abdul Muhi bin Mayudin	2
Dato' Lim Kang Yew	-
Encik Lokman bin Omar	2
Tuan Haji Ibrahim bin Hj Keling	2
Encik Hisham bin Mahmood	2
Encik Johar Salim bin Yahaya	2
Mr Sum Kwai Sang	2
Ms Lim Soo San*	-

* Appointed on 16.11.01

Date, Time and Place of the General Meetings

During the financial year ended 31 March 2002, all the General Meetings were held at Damai One, Kelab Century Paradise, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan. The date and time of the General Meetings held were as follows :-

Date	Time
27 September 2001	10.00 a.m.
27 September 2001	10.30 a.m

Details of Directors who are standing for re-election.

The securities holdings and details of the Directors standing for re-election in the Company are disclosed in the Directors' Profile on Pages 7 to 8 of this Annual Report.



CORPORATE PROFILE

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PEMBINAAN LIMBONGAN SETIA BERHAD was incorporated under the Companies Act, 1965 on March 10, 1987 as a private limited company and was converted to a public limited company on 29 April 1994. The Company was subsequently listed on the Second Board of the Kuala Lumpur Stock Exchange on 28nd February 1995 after satisfying all the stringent flotation requirements.



Over the fourteen years since its establishment, the Company has been successfully involved in civil engineering, with emphasis on roads and highway construction, earthworks for industrial, agricultural, development and related infrastructure works.

Other areas of expertise include the construction of high rise building, schools, factories, hotels, condominiums, weighbridge stations and underwater cable stations.

Led by an experienced and dedicated management team, the Company has benefited from the numerous opportunities offered by the country's aggressive drive towards Vision 2020 and buoyant construction industry. With its ability to undertake a diverse range of civil engineering services and reputation for timely completion of projects, the Company would be in an enviable and advantageous position to secure and undertake major infrastructure and turnkey projects especially from the government sector which is expected to be the largest client of the construction industry given the nation's ambitious infrastructure development plan.



CORPORATE INFORMATION

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REGISTERED OFFICE

17 C, Wisma Limbongan Setia ,
Jalan SG 3/4,
Taman Seri Gombak
68100 Batu Caves,
Selangor Darul Ehsan
Tel: 03-6187 5288 (10 lines)
Fax: 03-6187 5289

AUTHORISED & PAID-UP CAPITAL

Authorised-RM 25.0 million
Paid-up-RM 21.78 million

BANKERS

AmBank Bhd (formerly known as
Arab-Malaysian Bank Bhd)
AmMerchant Bank Bhd (formerly known as
Arab-Malaysian Merchant Bank Bhd)
Bank Utama (M) Bhd
HSBC Bank Malaysia Bhd
Malayan Banking Bhd
Public Bank Bhd
RHB Bank Bhd
Southern Bank Bhd

REGISTRATION

Pusat Khidmat Kontraktor Class A

BOARD OF DIRECTORS

Executive Chairman

Dato' Amirullah Abdul Muhi Bin Mayudin

Managing Director

Dato' Lim Kang Yew

Directors

Lokman Bin Omar
Johar Salim Bin Yahaya
Tuan Haji Ibrahim Bin Haji Keling
(Independent Director)
Encik Hisham bin Mahmood
(Independent Director)
Ms Lim Soo San
(Independent Director, Member of
Malaysian Institute of Accountant)
Mr Sum Kwai Sang

STOCK EXCHANGE

The Kuala Lumpur Stock Exchange
(Second Board)

AUDITORS

KPMG
Public Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights,
50490 Kuala Lumpur
Tel: 03-2095 3388
Fax: 03-2095 0971

COMPANY SECRETARIES

Lim Thiam Wah, ACIS
Mah Wai Har, ACIS

REGISTRAR

Sectrars Services Sdn Bhd
28-1, Jalan Tun Sambanthan 3 Brickfields
50470 Kuala Lumpur
Tel: 03-2274 6133
Fax: 03-2274 1016

AUDIT COMMITTEE

Tuan Haji Ibrahim bin Haji Keling (Chairman)
Dato' Lim Kang Yew
Encik Hisham bin Mahmood
Ms Lim Soo San

NOMINATION COMMITTEE

Tuan Haji Ibrahim bin Haji Keling
Encik Hisham bin Mahmood
Ms Lim Soo San

REMUNERATION COMMITTEE

Tuan Haji Ibrahim bin Haji Keling
Dato' Lim Kang Yew
Encik Hisham bin Mahmood
Ms Lim Soo San



DIRECTORS' PROFILE

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Dato Amirullah Abdul Muhi bin Mayudin, Executive Chairman, Non-Independent Executive Director.

Aged 49 is the Executive Chairman and was appointed to the Board on 4 March 1997. He graduated with a Bachelor of Economics (Hons) from University of Malaya in 1976. He started his career in the Corporate Finance Department of Aseambankers Malaysia Berhad before moving on to Promet Bhd and Idris Hydranlic (M) Bhd. Subsequently he joined United Engineer Malaysia Group and become the first Managing Director of Project Lebuhraya Utara Selatan (PLUS) in 1991. He was conferred Darjah Indera Mahkota Pahang (DIMP) from DYMM Sultan of Pahang in 1992. Currently he is the Chief Executive of Kumpulan Prasarana Rakyat Johor Sdn Bhd, a position he has held since 1995. He is also a director of several other private limited companies. He does not hold any share in the company.

Dato' Lim Kang Yew, Managing Director, Executive Director.

Aged 45 was appointed to the Board on 10 March 1987 and as Managing Director on 12 December 1994. He is also a member of the Board's Audit and Remuneration Committee. He has more than 20 years of experience in the construction industry. He started with his own construction company mainly involved in civil engineering and building works and established good working relationship with some government agencies. His vast experience in this field have proven to be invaluable to the Group. He is currently also a director of several other private limited companies. Dato' Lim hold 4,215,000 fully paid-up ordinary shares of RM1.00 each in the company.

Lokman bin Omar, Executive Director

Aged 34 was appointed to the Board on 4 December 1989. He has more than 10 years of working experience in construction field and plays an active role in the operations of the Company. Thus he has contributed tremendously to the growth of the Company. He is also director of several other private limited companies. He has an indirect interest of 4,988,000 fully paid-up ordinary shares of RM1.00 each in the company.

Tuan Haji Ibrahim bin Haji Keling, Independent Non-Executive Director.

Aged 64 was appointed to the Board on 15 November 1994. He was appointed as the Chairman of the Audit Committee on 16 Nov 1994 and is a member of the Board's Remuneration and Nomination Committee of the company. He graduated with a Bachelor of Commerce degree and a Diploma in Business Administration in 1969 both from the Victoria University of Wellington, New Zealand. He retired in 1993 where his last position held was a Management Services Department Director, FELDA. He is also sat in the Board of Perbadanan Binaan FELDA. He is currently also a director of several other private limited companies and does not hold any share in the company..

Encik Johar Salim bin Yahaya, Non-Independent Non-Executive Director.

Aged 49 was appointed to the Board on 4 March 1997. He graduated with a Bachelor of Economics (Hons) Degree from University Malaya, Kuala Lumpur. Encik Johar started his career with Bank of America in 1976 and later moved to Malaysian French Bank in 1983. In January 1996, he joined Kumpulan Prasarana Rakyat Johor Sdn Bhd and is currently holding the post as Chief Operating Officer. He does not hold any share in the company.



DIRECTORS' PROFILE (cont'd)

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Encik Hisham bin Mahmood, Independent Non-Executive Director.

Aged 42 was appointed to the Board on 4 March 1997 and is a member of the Board's Audit Committee, Remuneration and Nomination Committee. He graduated with a Bachelor of Arts in Economics from University of Kent, Canterbury, United Kingdom. He started his career in The Corporate Advisory Department of Malaysian International Merchant Bankers Berhad and later ventured into his own family business which deals in the tender of military equipment for the Malaysian Armed Forces as well as the supply of pipelines and Tubular Goods for the Oil and Gas Industry. He is currently also a director of several other private limited companies and does not hold any share in the company.

Mr Sum Kwai Sang, Non-Independent , Non-Executive Director.

Aged 62 was appointed to the Board of PLS on 6th of December 1995. He has contributed significantly to the growth of the Company with his vast business experience in banking and operations fields since his retirement in 1995. He is currently also a director of several other private limited companies and does not hold any shares in the company.

Ms Lim Soo San, Independent Non-Executive Director.

Aged 32, joined the Board as an Independent Non-Executive Director on 16 November 2001 and is a member of the Board's Audit Committee, Remuneration and Nomination Committee. She holds a Bachelor of Accounting Degree from RMIT University, Melbourne, Australia and a Master in Business Administrative majoring in Finance from University of Hull, England. She is a member of CPA Australia and the Malaysian Institute of Accountants. Her career includes a 5 years stay with a leading accounting firm and held a senior managerial position in a medium size construction company. She is currently an Executive Director of a trading company . She does not hold any share in the company.

Conflict of interest

Related party transactions are disclosed in Notes 20 to the Financial Statement.

Conviction for offences

None of the Directors have been convicted of any offence (excluding traffic offences) within the last 10 years.



EXECUTIVE CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of the Company and Group for the financial year ended 31st March 2002.

Industry Trends and Development

During the financial year under review, the Group continued to be challenged by the far-reaching effect of the worldwide economic slowdown after the tragic events of September 11. The domestic economy experienced relatively small growth in the retail and wholesale trade, continued caution in the property market, and only tentative recovery in the plantation sector.

However, towards the end of the year, we begin to see some signs of reversal of trends in the economy and we hope the year ahead would bring better tidings to everyone.

Results

For the financial year ended 31st March 2002, the Group's turnover improved to RM 57.9 million as compared to RM40.4 million recorded in last financial year. The increased in turnover is attributable to commencement of three "Sekolah Menengah Teknik projects", "Projek Pembaikan Sungai Kuyoh" and Infrastructure works at Mukim Pegoh, Daerah Alor Gajah, Melaka. As a result, the Group losses before tax has reduced to RM6 million as compared to RM 16.8 million losses before tax reported in last financial year.

Proposed Corporate Exercise

The private placement of 1,980,000 new ordinary shares of RM1.00 each ("PLS Share(s)"), ("Private Placement") representing 10% of the existing issued and paid-up share capital of the Company was completed on 16 November 2001 and duly listed and quoted on the Kuala Lumpur Stock Exchange on 29 November 2001.

The proceeds raised from the Private Placement of RM7,444,800 have been fully utilised for repayment of bank borrowings, working capital and to defray expenses related to the Private Placement.

The application to the Securities Commission ("SC") for the proposed renounceable rights issue, proposed acquisition and settlement of debt of Danga Bay Sdn Bhd ("DBSB"), proposed increase in authorised share capital of the Company and proposed change of name of the Company (collectively known as the "Proposals") has been withdrawn in view of foreseeable difficulties in completing the Proposals due to changes in economic conditions.



EXECUTIVE CHAIRMAN'S STATEMENT (cont'd)

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Following therefrom, the Company and Credence Resources Sdn Bhd ("CRSB") have agreed to mutually terminate the proposed acquisition and settlement of debt of DBSB. Accordingly, the Board of Directors of the Company has decided to abort the proposed change of name of the Company together with the proposed acquisition and settlement of debt of DBSB and wish to revise the earlier proposed renounceable rights issue and proposed increase in authorised share capital as follows:-

- (i) a proposed renounceable rights issue of up to 43,560,000 new PLS Shares ("Rights Share(s)") on the basis of two (2) Rights Shares for every one (1) existing PLS Share held; and
- (ii) proposed increase in authorised share capital of PLS from RM25,000,000 comprising 25,000,000 PLS Shares to RM100,000,000 comprising 100,000,000 PLS Shares.

Prospects

Barring unforeseen circumstances, the Board expects the Group's performance for the coming financial year to improve with current projects in hand of RM214.9 million in tandem with Malaysia expectation to register a higher GDP growth of between 4 to 5 percent in 2002.

Dividend

No dividend has been recommended for the year ended 31st March 2002.

Appreciation

On behalf of the Board, I would like to welcome Ms Lim Soo San to our Board and extend our sincere thanks to our loyal shareholders, bankers, management and staff for their continued confidence and support to the Group.

DATO' AMIRULLAH ABDUL MUHI BIN MAYUDIN
4 SEPTEMBER 2002





PEMBINAAN LIMBONGAN SETIA BHD
(160032-K)

- Civil Engineering and Building Works -



51%

**LIMBONGAN-EKOVEST
MANAGEMENT
SDN BHD**

(516360-M)

- Investment Holding and Management -

100%

**PLS CONSTRUCTION
SDN BHD**

(formerly known as Perniagaan Limbongan Setia Sdn. Bhd.)
(174357-P)

- Civil Engineering and Building Works -



STATEMENT ON CORPORATE GOVERNANCE

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BOARD OF DIRECTORS

The Board

Experienced and qualified members of the Board with a wide range of business, construction and financial backgrounds, lead Pembinaan Limbongan Setia Bhd (PLS). The wide spectrum of skills and experience of the Directors have brought expertise and perspective to the leadership of PLS. Profile of each of the Directors of the Company is provided from page 7 to 8 of the Annual Report.

The Board of Directors is responsible to ensure that PLS and its Group of Companies are in compliance with the Malaysian Code of Corporate Governance. The Board is also responsible for the policies and general affairs of PLS and retains full and effective control of the Company.

Composition

The Board of Directors of PLS, led by an Executive Chairman, is made up of eight members in total, comprising of 3 executives directors, 5 Non-Executive Directors including 3 Independent Non-Executive Directors.

Board Balance

Affirmative actions have been taken by the Board to ensure that qualified independent individuals are appointed as Directors of the Company. The current composition of the Board is in compliance with the Malaysian Code of Corporate Governance and the KLSE Listing Requirements.

Size of Non Executive Participation

To ensure Board balance, the Directors have given close consideration to the size of the non executive participation in the Board. With the current composition of the Board, no individual or group of individuals is allowed to dominate the Board's decision making. The Directors' composition reflects the representation of the interest of the shareholders interest in the Company.

BOARD MEETINGS

Frequency of Meetings

The Board meets on a scheduled basis at least four times a year. However additional meetings are convened from time to time as and when required.

Attendance

During the financial year ended 31 March 2002, a total of 5 Board meetings were held. Details of attendance of the Directors are as follows:

Members of the Board	Attendance
Dato' Amirullah Abdul Muhi Bin Mayudin	3/5
Dato' Lim Kang Yew	5/5
Tuan Haji Ibrahim Bin Haji Keling	5/5
Lokman Bin Omar	4/5
Johar Salim Bin Yahaya	4/5
Sum Kwai Sang	3/5
Hisham Bin Mahmood	5/5
Lim Soo San (appointed on 16.11.01)	2/5



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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Conduct of Meetings

It has been the practice of the Board that where a potential conflict of interest does arise, it is mandatory for the Director concerned to declare his interests and abstain from decision-making process.

The Board has access to the advice and services of the Company Secretaries who are responsible for ensuring that the Board of Directors' Meetings are conducted in accordance with procedures and that all applicable rules and regulations are adhered to. The Company Secretaries maintain minutes and record all resolutions passed at the Board of Directors Meetings.

Supply of Information

Head of each units, departments, divisions and wholly-owned subsidiaries of the Company is required to submit its report at each scheduled Board Meetings where required.

Access to Information

Prior to the Board Meeting, all directors are sent the Board Papers based on the agenda to be discussed at the meeting. Additional information will be provided as appropriate. Board Papers include information on major financial, operational and corporate matters as well as on the activities and performance of the Group. This is in addition to the schedule of matters specifically reserved for the Board's decision.

Access to Advice

Every member of the Board is given unlimited access to all staff of the Company and its Group to obtain any information pertaining to the Company's or the Group's affair. In addition to the advice and services of the Company Secretaries, the Directors may also seek independent advice from external source should the need arise.

Appointment and Re-election of Directors

The KLSE Listing Requirements provides that each Director, including the Managing Director and/or Executive Directors, must retire from office at least once in three years and he/she can offer himself/herself for re-election. Directors who are newly appointed by the Board are subject to re-election by the shareholders at the next immediate Annual General Meeting held following their appointment.

Nomination Committee

Matters concerning nomination of new directors are considered by the Nomination Committee. The Nomination Committee of PLS consists of 3 Independent Non-Executive Directors. The Committee works under clearly defined terms of reference, which has been approved by the Board.

Mandatory Accreditation Training Programme

The Company has made arrangement for all Directors to attend the mandatory Accreditation Training Programme prescribed by the Kuala Lumpur Stock Exchange and all Directors of PLS have since successfully completed the said programme.

Remuneration Committee

Matters concerning the remuneration of the Executive Directors are being considered by the Remuneration Committee. The Remuneration Committee of PLS consists of 3 Independent Non-Executive Directors and 1 Executive Director. The Committee works under clearly defined terms of reference, which has been approved by the Board.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Director's Remuneration

The Board as a whole determines the remuneration of each Director upon recommendation of the Remuneration Committee. Directors do not participate in decisions regarding their own remuneration packages. Directors' fees are approved at the Annual General Meeting by the shareholders.

PLS remuneration policy and procedures are reviewed and approved by the Remuneration Committee.

Details of the remuneration of the Directors of PLS during the financial year ended 31 March 2002 are as follows:

	Fees	Salaries	Bonus	Benefit in kinds	Other emoluments	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Executive Directors	-	527,490	32,670	75,900	-	636,060
Non-Executive Directors	40,000	-	-	-	-	40,000

The number of Directors whose total remuneration falls within the following band:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Up to RM50,000	1	5
RM100,000 to RM150,000	1	-
RM400,000 to RM450,000	1	-

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, investors and regulatory authorities, the Directors aim at presenting a balanced and understandable assessment of the position and prospects of the Group and the Company. The Statement of Directors pursuant to Section 169 (15) of the Companies Act, 1965 is set out at page 27 of this Annual Report.

Relationship with External Auditors

The Group and Company has established a professional relationship with the external auditors. The external auditors attend the Audit Committee Meetings at least once a year and may meet the Committee without the presence of the management. The external auditors are given access to books and records of the Group at all times.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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RELATIONSHIP WITH SHAREHOLDERS

Dialogue between Company and Investors

PLS recognises its responsibility to its shareholders. The timely release of quarterly financial results of the Group and the issue of the Company's Annual Reports provide regular information on the state of affair of the Group and Company. These together with announcements to the Exchange, circular to shareholders and, where appropriate, ad-hoc press statements and interviews are principal channels for dissemination of information to shareholders, investors and the public in general.

Annual General Meeting

Notice of Annual General Meeting and the Annual Report are sent out to the shareholders in accordance with the time period prescribed by law.

The shareholders are encourage to attend the Annual General Meeting as it serves as an important avenue for the shareholders to communicate with the members of the Board. The Chairman includes in his agenda and allocates time for a question and answer session for each item in the agenda, whereby shareholders have the opportunity to raise questions, and seek clarification on business and performance of the Group and Company. The Chairman will respond to any questions raised during the meeting.

Compliance with the Code on Corporate Governance and Kuala Lumpur Stock Exchange Listing Requirements.

The Board of Directors is committed to ensure that Corporate Governance are observed and practised by PLS and its Group of Companies so that the affairs of the Group are conducted with integrity, full transparency and professionalism with the main objective of safeguarding the interest of shareholders'.

The Group and Company was substantially in compliance through out financial year ended 31 March 2002 with the principles and best practices of corporate governance and the Kuala Lumpur Stock Exchange requirements.



STATEMENT ON INTERNAL CONTROL

The Board has overall responsibility for the Group's and Company's system of internal controls and for reviewing its adequacy and integrity. Such a system however can only provide reasonable and not absolute assurance because of limitation inherent in any system of internal controls against material mis-statements or fraud and is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board are in the midst of establishing key activities necessary to ensure that the process for reviewing and reporting on the adequacy and integrity of the system of internal control are defined, appropriately documented, and monitored or reviewed on a regular basis.

The Board has also directed the establishment of a Risk Management Taskforce to formalise a comprehensive Risk Management Framework encapsulating the policies governing the parameters of risk management and procedures to direct the risk management process of the Group and Company.

This formalised assessment takes into account all significant aspects of internal control including risks management, the control environment and control activities, information and communication and monitoring. Key business risks have been categorised to highlight the source of the risk, and scored to reflect both financial and reputational impact of the risk and the likelihood of its occurrence.

Following from the above, the Audit Committee will develop a monitoring and reporting process to continuously evaluate and monitor the significant risks in a formalised manner, which would entail the establishing procedures for reporting and monitoring of risk and controls. Regular reviews will be conducted on a quarterly basis with additional reviews as and when required.

These initiatives would ensure that the Group and Company has in place a formalised ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

The Group and Company's system of internal controls comprises the following key elements which are monitored:

1. Project Budget

Budget is prepared for each project undertaken by the Group and Company to facilitate monitoring of the Group's Company's financial performance. The Management headed by the Managing Director reviews and monitors, the achievements of the Group's and Company's performance and reports to the Board.

2. Financial Limits and Approving Authority

The Management had established Limit of Authorities defining authorization limits for its revenue and capital expenditure to ensure all revenue and capital expenditure are in line with the Group and Company's overall strategies and objectives.

3. Policies, procedures and Guidelines

There exists principal tendering and procurement policies, procedures and guidelines.

4. Information and Communication

Adequate financial and operational information systems are in place to capture and present timely and pertinent internal and external business information. Clear reporting structure ensures financial (monthly management accounts and variance reporting) and operational reports are periodically prepared and presented to Management or Board for discussion and review on a timely basis.



STATEMENT ON INTERNAL CONTROL (cont'd)

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5. Internal Audit

The internal audit function of the Group and Company was outsourced to a professional services provider, which, reports to the Audit Committee the findings, its recommendation and corrective actions taken by Management in the discharge of its duties and responsibilities. The internal audit function is independent of the activities being audited and has the role of providing independent and objective reports on the Group and Company's management, records, accounting policies and internal controls to the Board. Internal audits include the evaluation of the processes by which significant risks are identified, assessed and managed. Such audits also ensure instituted controls are appropriate, effectively applied and are within acceptable risks exposures.

6. Board/Management Committees and Meetings

(i) Audit Committee

The Board has established an Audit Committee comprising of 3 Independent Non-Executive Directors and one Executive Director. Details of composition, terms of reference and report of the Audit Committee are provided at pages 19 to 22 of this Annual Report. The recommendations of the Audit Committee are tabled to the Board for its approval.

(ii) Project and Financial Meetings

Project and Financial Meetings chaired by the Managing Director and attended by senior management are held on a weekly basis. The senior management will present their respective project review, operation performance review and the progress of the project undertaken. The Accountant will also present the overall Group and Company's cashflow position at this meeting.

Area of concern

There was significant delay in completion of two projects in East Malaysia causing cost overruns. The Management is now in the process of reviewing its profit margin policy and is aware that there is a need for improved supplier/subcontractor supervision and effective project management for these projects. In that respect the Group and Company will develop a standard operating policies and procedures to ensure appropriate margins and systematic supplier and subcontractor supervision and effective project management are in place to ensure business objectives of the Group and Company are met.



STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

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

The Directors consider that in preparing the financial statements,

- the Group and the Company have used appropriate accounting policies, which are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

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

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.



REPORT ON AUDIT COMMITTEE

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The Audit Committee was established by the Board of Directors on 16 November 1994. The Audit Committee comprises of the following directors:

Chairman

1. **Tuan Haji Ibrahim Bin Haji Keling**
(Independent Non-Executive Director)

Members

2. **Dato' Lim Kang Yew**
(Non-Independent Executive Director)
3. **Hisham Bin Mahmood**
(Independent Non-Executive Director)
4. **Lim Soo San (MIA member) - appointed on 16.11.01**
(Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference of the Audit Committee are as follows:

1. Size and Composition

The Board shall by resolution appoint members to the Audit Committee, which shall comprise of at least three directors, the majority of whom shall be non-executives and independent.

The Committee shall elect a chairperson from among its members who is not an executive directors or employee of the Company or any related corporation.

2. Meetings

The Committee may invite any person to attend the meetings.

A quorum shall be two and in accordance with paragraph 15.19 of The Kuala Lumpur Stock Exchange (KLSE) Listing Requirements when it become applicable.

The Company Secretary or any person appointed by the Committee for this purpose shall act as secretary of the Committee.

3. Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

4. Access

The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external Auditors, and to senior management of the Company and its subsidiaries. The Committee is also authorized to take such independent professional and legal advice as it considers necessary.



REPORT ON AUDIT COMMITTEE (cont'd)

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FUNCTIONS OF AUDIT COMMITTEE

The functions of the Audit Committee shall be:

1. Review the following and report the same to the board of directors of the company:
 - a. with the external auditor, the audit plan;
 - b. with the external auditor, his evaluation of the system of the internal controls;
 - c. with the external auditor, his audit report;
 - d. the assistance given by the employees of the company to the external auditor;
 - e. the adequacy of the scope, functions and resources of the internal audit functions and the necessary authority to carry out its work;
 - f. the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - g. the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:-
 - i. changes in or implementation of major accounting policy changes;
 - ii. significant and unusual events; and
 - iii. compliance with the accounting standards and other legal requirements;
 - h. any related party transaction and conflict of interest situation that may arise within the company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - i. any letter of resignation from the external auditors of the company; and
 - j. whether there is reason (supported by grounds) to believe that the company's external auditors is not suitable for reappointment; and
2. Recommend the nomination of a person or persons as external auditors.



REPORT ON AUDIT COMMITTEE (cont'd)

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SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE

The Committee meets on quarterly basis with additional meetings held as and when necessary. A total of 5 meetings were held during the financial year ended 31 March 2002. The representatives of External Auditors, Head of Internal Audit, the Company Secretaries and the Head of Group Finance were invited to meetings during deliberations, which required their input and advice.

During the financial year ended 31 March 2002, the activities of the Audit Committee covered, among others, the following:-

1. Reviewed the unaudited quarterly report on the consolidated results of the Group for the financial year ended 31 March 2001.
2. Reviewed the unaudited quarterly report on the consolidated results of the Group for the financial period ended 30 June 2001, 30 September 2001 and 31 December 2001 prior to submission to the Board of Directors for consideration and approval.
3. Reviewed the external auditors' reports in relation to their audit findings and the accounting issues arising from the audit.
4. Review and consider the proposals submitted by external professional internal audit service providers for the provision of internal audit services to the Company and the Group. The initial proposals requires the Committee to review the proposed scope of work in respect of the internal audit cycle for the financial year ended 31 March 2002 and a review of the proposed internal audit fees.
5. Review of audit plan prepared by the external auditors before the audit commences in respect of the audit for the financial year ended 31 March 2002.
6. Review audit fees of the external auditors in respect of the audit for the financial year ended 31 March 2002.
7. Review of audit reports prepared by the internal auditors and the consideration of the major findings and the management's response thereto.
8. Review of the audit plan prepared by the internal auditors for the internal audit cycle for the financial year ending 31 March 2003.



REPORT ON AUDIT COMMITTEE (cont'd)

NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR AND DETAILS OF ATTENDANCE OF EACH AUDIT COMMITTEE MEMBER.

During the year ended 31 March 2002, the Committee met 5 times. The membership in the Committee increased from 3 members to 4 members with the appointment of Ms Lim Soo San. The attendance of the Committee member, past and present at meetings during the financial year under review are as follows:

Name of Committee Member	Attendance
Tuan Haji Ibrahim Bin Haji Keling	5/5
Dato' Lim Kang Yew	5/5
Hisham Bin Mahmood	5/5
Lim Soo San (appointed on 16.11.01)	2/5

INTERNAL AUDIT FUNCTIONS

The internal audit function of the Group and Company was outsourced to a professional services provider with the primary objective of monitoring a sound and systematic method of internal controls over the Group and Company, at a reasonable cost.

The internal auditors carried out the following activities:

- Review the efficiency and effectiveness of the internal control system of key processes of the Group and Company, with the objective of identifying and addressing business risks and controls of key process, testing of controls to access control effectiveness and that these controls are operating as intended, assessing the adequacy, appropriateness of procedures within process identified and review adherence to established authority limit.
- Recommending improvements to the internal control system of key processes that were identified for audit and reporting the findings to the Audit Committee, after obtaining response from management.
- Identify and develop an internal audit programme for the internal audit cycle for the financial year ending 31 March 2003. The internal audit programme was tabled and approved by the Audit Committee.



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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PEMBINAAN LIMBONGAN SETIA BERHAD

(Company No. 160032-K)

Annual Report • Laporan Tahunan • 2002

DIRECTORS' REPORT

for the year ended 31 March 2002
and its subsidiaries

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2002.

Principal activities

The Company is principally engaged in the undertaking of civil engineering and construction works, whilst the principal activity of the subsidiaries are stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM	Company RM
Net loss for the year	(6,056,132)	(6,050,350)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year.

Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

Directors of the Company

Directors who served since the date of the last report are:

Dato' Amirullah Abdul Muhi bin Mayudin
Dato' Lim Kang Yew
Tuan Haji Ibrahim bin Haji Keling
Lokman bin Omar
Johar Salim bin Yahaya
Sum Kwai Sang
Hisham bin Mahmood
Lim Soo San (appointed on 16.11.2001)



DIRECTORS' REPORT (cont'd)

The holdings and deemed holdings of the Directors in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:-

	Number of ordinary shares of RM1 each		
	At 1.4.2001	Bought	Sold
Shareholdings in which a Director has direct interest:			
Interest of Dato' Lim Kang Yew in:			
Company	4,215,000	-	-
Shareholdings in which Directors, Dato' Lim Kang Yew and Encik Lokman bin Omar, have deemed interests:			
Limbongan-Ekoveest Management Sdn. Bhd.	51,000	-	-
Shareholdings in which a Director, Encik Lokman bin Omar, has deemed interest by virtue of shares held by:			
Limbongan Resources Sdn. Bhd.	4,998,000	-	-

Dato' Lim Kang Yew and Lokman bin Omar are deemed to have interest in the shares of the subsidiaries of the Group by virtue of their interest in the Company as disclosed above.

None of the other Directors holding office at 31 March 2002 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 20.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

During the financial year, the Company undertaken its Proposed Private Placement of 1,980,000 new ordinary shares of RM1.00 each at an issue price of RM3.76 per ordinary share for cash for repayment of bank borrowings and working capital purposes. The Proposed Private Placement representing 10% of the existing issued and paid-up share capital of the Company was completed on 29 November 2001 with the listing of the new shares issued on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE") on the same day.

There were no other changes in the issued and paid-up capital of the Company during the year.



DIRECTORS' REPORT (cont'd)

.....

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

.....
Dato' Lim Kang Yew

Kuala Lumpur,
Date: 22 July 2002

.....
Lokman bin Omar



at 31 March 2002

STATEMENT BY DIRECTORS

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965 AND ITS SUBSIDIARIES

In the opinion of the Directors, the financial statements set out on pages 29 to 53, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2002 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....
Dato' Lim Kang Yew

Kuala Lumpur,
Date: 22 July 2002

.....
Lokman bin Omar

at 31 March 2002

STATUTORY DECLARATION

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965 AND ITS SUBSIDIARIES

I, Lokman bin Omar, the Director primarily responsible for the financial management of Pembinaan Limbongan Setia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 29 to 53, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 22 July 2002.

.....
Lokman bin Omar

Before me:
Barathan A/L Sinniah@Chinniah. AMN. PJK
Commissioner for Oaths
No. W202
Kuala Lumpur.



REPORT OF THE AUDITORS TO THE MEMBERS

.....

We have audited the financial statements set out on pages 29 to 53. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 March 2002 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 3 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Lim Hun Soon @ David Lim
Partner
Approval Number: 1514/05/04 (J)

Kuala Lumpur,
Date: 22 July 2002



for the year ended 31 March 2002

CONSOLIDATED BALANCE SHEET

		Group	
	Note	2002 RM	2001 RM
Property, plant and equipment	2	4,127,600	4,555,472
Current assets			
Amount due from contract customers	5	4,601,747	21,876,273
Trade and other receivables	6	17,637,285	18,077,809
Cash and cash equivalents	7	20,149,943	2,022,668
		<u>42,388,975</u>	<u>41,976,750</u>
Current liabilities			
Trade and other payables	8	25,310,944	13,973,923
Borrowings	9	3,025,973	8,245,061
Taxation		857,236	857,236
		<u>29,194,153</u>	<u>23,076,220</u>
Net current assets		<u>13,194,822</u>	<u>18,900,530</u>
		<u>17,322,422</u>	<u>23,456,002</u>
Financed by:			
Capital and reserves			
Share capital	10	21,780,000	19,800,000
Share premium	11	5,512,121	138,161
Accumulated losses		(10,406,989)	(4,350,857)
Shareholders' funds		<u>16,885,132</u>	<u>15,587,304</u>
Minority shareholder's interest	12	45,887	47,174
Long term and deferred liabilities			
Borrowings	9	391,403	7,821,524
		<u>17,322,422</u>	<u>23,456,002</u>

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2002

	Note	Group 2002 RM	2001 RM
Contract revenue		57,937,889	40,433,887
Contract cost		(67,143,702)	(56,083,937)
Gross loss		(9,205,813)	(15,650,050)
Other operating income		5,342,993	926,586
Administration expenses		(1,340,723)	(787,373)
Other operating expenses		-	(2,000)
Operating loss	13	(5,203,543)	(15,512,837)
Interest expense	14	(1,024,823)	(1,365,698)
Interest income		170,947	48,234
Loss before taxation		(6,057,419)	(16,830,301)
Tax expense	16	-	-
Loss after taxation		(6,057,419)	(16,830,301)
Less: Minority interest		1,287	1,826
Net loss for the year		(6,056,132)	(16,828,475)
Basic loss per ordinary share (sen)	17	(29.59)	(84.99)

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



for the year ended 31 March 2002

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Group

	Note	Share capital RM	Non- distributable Share premium RM	Accumulated losses RM	Total RM
At 1 April 2000		19,800,000	138,161	12,477,618	32,415,779
Net loss for the year		-	-	(16,828,475)	(16,828,475)
At 31 March 2001/ 1 April 2001		19,800,000	138,161	(4,350,857)	15,587,304
Net loss for the year		-	-	(6,056,132)	(6,056,132)
Issue of shares	10	1,980,000	5,464,800	-	7,444,800
Private placement exercise expenses		-	(90,840)	-	(90,840)
At 31 March 2002		21,780,000	5,512,121	(10,406,989)	16,885,132
	Note 10		Note 11		

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



CONSOLIDATED CASH FLOW STATEMENTS

for the year ended 31 March 2002

	Group	
	2002 RM	2001 RM
Cash flows from operating activities		
Loss before taxation	(6,057,419)	(16,830,301)
Adjustments for:		
Depreciation	1,312,403	3,347,800
Gain on disposal of property, plant and equipment	(4,535,030)	(803,290)
Interest expenses	1,024,823	1,365,698
Interest income	(170,947)	(48,234)
Impairment loss on goodwill	2,000	-
Operating loss before working capital changes	(8,424,170)	(12,968,327)
(Increase)/Decrease in working capital		
Amount due from contract customers	17,274,526	16,069,336
Trade and other receivables	440,524	4,886,363
Trade and other payables	11,233,185	(5,989,896)
Cash generated from operations	20,524,065	1,997,476
Income taxes paid	-	(762,178)
Interest paid	(922,987)	(1,133,086)
Interest received	170,947	48,234
Net cash generated from operating activities	19,772,025	150,446
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired (Note 21)	-	49,000
Proceeds from disposal of property, plant and equipment	4,571,899	960,525
Purchase of property, plant and equipment	(ii) (213,259)	(682,887)
Net cash generated from investing activities	4,358,640	326,638

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



for the year ended 31 March 2002

CONSOLIDATED CASH FLOW STATEMENTS (cont'd)

	Group	
	2002 RM	2001 RM
Cash flows from financing activities		
Increase in deposits pledged with financial institutions	(3,388,152)	-
Proceeds from issuance of ordinary shares net of private placement exercise expenses	7,353,960	-
Proceeds from term loan	-	10,000,000
Repayment of hire purchase liabilities	(613,575)	(587,934)
Repayment of revolving credit	(3,500,000)	(11,875,000)
Repayment of term loan	(7,500,000)	-
Net cash used in financing activities	(7,647,767)	(2,462,934)
Net increase/(decrease) in cash and cash equivalents	16,482,898	(1,985,850)
Cash and cash equivalents at beginning of year	(i) (721,107)	1,264,743
Cash and cash equivalents at end of year	(i) 15,761,791	(721,107)

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group	
	2002 RM	2001 RM
Cash and bank balances	5,344,022	1,020,280
Deposits (excluding deposits pledged)	10,417,769	2,388
Bank overdrafts (Note 9)	-	(1,743,775)
	15,761,791	(721,107)

ii) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM921,400 of which RM708,141 were acquired by means of hire purchases.

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



BALANCE SHEET

for the year ended 31 March 2002

	Note	Company	
		2002 RM	2001 RM
Property, plant and equipment	2	4,117,661	4,555,472
Investments in subsidiaries	3	51,002	51,000
Current assets			
Amount due from contract customers	5	4,601,747	21,876,273
Trade and other receivables	6	17,733,061	17,900,817
Cash and cash equivalents	7	19,832,557	1,901,364
		<u>42,167,365</u>	<u>41,678,454</u>
Current liabilities			
Trade and other payables	8	25,168,601	13,771,900
Borrowings	9	3,025,973	8,245,061
Taxation		857,236	857,236
		<u>29,051,810</u>	<u>22,874,197</u>
Net current assets		<u>13,115,555</u>	<u>18,804,257</u>
Financed by:-			
Capital and reserves			
Share capital	10	21,780,000	19,800,000
Share premium	11	5,512,121	138,161
Accumulated losses		(10,399,306)	(4,348,956)
Shareholders' funds		<u>16,892,815</u>	<u>15,589,205</u>
Long term and deferred liabilities			
Borrowings	9	391,403	7,821,524
		<u>17,284,218</u>	<u>23,410,729</u>

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



for the year ended 31 March 2002

INCOME STATEMENT

		Company	
	Note	2002 RM	2001 RM
Contract revenue		57,937,889	40,433,887
Contract cost		(67,143,702)	(56,083,937)
Gross loss		(9,205,813)	(15,650,050)
Other operating income		5,345,613	926,586
Administration expenses		(1,336,324)	(785,646)
Operating loss	13	(5,196,474)	(15,509,110)
Interest expense	14	(1,024,823)	(1,365,698)
Interest income		170,947	48,234
Loss before taxation		(6,050,350)	(16,826,574)
Tax expense	16	-	-
Net loss for the year		(6,050,350)	(16,826,574)

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2002

Company

	Note	Share capital RM	Non- distributable Share premium RM	Accumulated losses RM	Total RM
At 1 April 2000		19,800,000	138,161	12,477,618	32,415,779
Net loss for the year		-	-	(16,826,574)	(16,826,574)
At 31 March 2001/ 1 April 2001		19,800,000	138,161	(4,348,956)	15,589,205
Net loss for the year		-	-	(6,050,350)	(6,050,350)
Issue of shares	10	1,980,000	5,464,800	-	7,444,800
Private placement exercise expenses		-	(90,840)	-	(90,840)
At 31 March 2002		21,780,000	5,512,121	(10,399,306)	16,892,815
		Note 10	Note 11		

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



for the year ended 31 March 2002

CASH FLOW STATEMENTS

	Company	
	2002 RM	2001 RM
Cash flows from operating activities		
Loss before taxation	(6,050,350)	(16,826,574)
Adjustments for:		
Depreciation	1,311,992	3,347,800
Gain on disposal of property, plant and equipment	(4,535,030)	(803,290)
Interest expenses	1,024,823	1,365,698
Interest income	(170,947)	(48,234)
Operating loss before working capital changes	(8,419,512)	(12,964,600)
(Increase)/Decrease in working capital		
Amount due from contract customers	17,274,526	16,069,336
Trade and other receivables	167,756	5,063,355
Trade and other payables	11,294,865	(6,191,919)
Cash generated from operations	20,317,635	1,976,172
Income taxes paid	-	(762,178)
Interest paid	(922,987)	(1,133,086)
Interest received	170,947	48,234
Net cash generated from operating activities	19,565,595	129,142
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(2)	51,000
Purchase of property, plant and equipment	(202,909)	(682,887)
Proceeds from disposal of property, plant and equipment	4,571,899	960,525
Net cash generated from investing activities	4,368,988	226,638

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



CASH FLOW STATEMENTS (cont'd)

for year ended
31 March 2002

	Company	
	2002 RM	2001 RM
Cash flows from financing activities		
Increase in deposits pledged with financial institutions	(3,388,152)	-
Proceeds from issuance of ordinary shares net of private placement exercise expenses	7,353,960	-
Repayment of term loan	-	10,000,000
Repayment of hire purchase liabilities	(613,575)	(587,934)
Repayment of revolving credit	(3,500,000)	(11,875,000)
Proceeds from term loan	(7,500,000)	-
Net cash used in financing activities	(7,647,767)	(2,462,934)
Net increase/(decrease) in cash and cash equivalents	16,282,816	(2,107,154)
Cash and cash equivalents at beginning of year	(i) (842,411)	1,264,743
Cash and cash equivalents at end of year	(i) 15,444,405	(842,411)

i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Company	
	2002 RM	2001 RM
Cash and bank balances	5,030,436	898,976
Deposits (excluding deposits pledged)	10,413,969	2,388
Bank overdrafts (Note 9)	-	(1,743,775)
	15,444,405	(842,411)

ii) *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM911,050 of which RM708,141 were acquired by means of hire purchases.

The notes set out on pages 39 to 53 form an integral part of, and should be read in conjunction with, these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

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1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of property, plant and equipment, expected future cash flows are not discounted to their present values. The impairment loss is charged to the income statement, unless if it reverses a previous revaluation in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement, unless if it reverses an impairment loss on a revalued asset, in which case it is taken to equity.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(d) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years. An impairment loss is also recognised when the Directors are of the view that there is a diminution in its value which is other than temporary.

(e) Hire purchase

Property, plant and equipment acquired under hire purchase agreements are capitalised at their purchase cost and depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements is included as hire purchase liabilities. The interest element of the rental obligations is charged to the income statement over the period of the hire purchase and accounted for based on the sum of digits method.

(f) Depreciation

Freehold land is not amortised. Leasehold land is amortised in equal instalments over the remaining lease period of ninety years while buildings are depreciated on a straight line basis over the shorter of 50 years or the lease period. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Buildings	2%
Plant and machinery	20%
Office equipment	10%
Motor vehicles	20%
Furniture and fittings	10%
Electrical appliances	10%

(g) Investments

Long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(h) Amount due from contract customers

Amount due from contract customers on construction contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customers.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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(j) **Taxation**

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

(k) **Revenue**

i) **Construction contracts**

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to surveys of work performed.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

ii) **Interest income**

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(l) **Financing costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Property, plant and equipment

Group	Long term leasehold land RM	Freehold land and buildings RM	Buildings RM	Plant and machinery RM	Office equipment RM	Motor vehicles RM	Furniture and fittings RM	Electrical appliances RM	Total RM
Cost									
At 1 April 2001	309,636	988,000	625,860	23,822,807	1,434,750	7,027,771	155,261	-	34,364,085
Additions	-	-	-	-	81,589	829,461	5,670	4,680	921,400
Disposals	-	-	-	(10,864,227)	(37,865)	(659,681)	(11,405)	-	(11,573,178)
At 31 March 2002	309,636	988,000	625,860	12,958,580	1,478,474	7,197,551	149,526	4,680	23,712,307
Accumulated depreciation									
At 1 April 2001	3,403	121,400	7,302	23,197,246	840,161	5,523,042	116,059	-	29,808,613
Charge for the year	3,403	17,800	12,517	440,565	139,124	684,467	14,332	195	1,312,403
Disposals	-	-	-	(10,829,217)	(36,006)	(659,681)	(11,405)	-	(11,536,309)
At 31 March 2002	6,806	139,200	19,819	12,808,594	943,279	5,547,828	118,986	195	19,584,707
Net book value									
At 31 March 2002	302,830	848,800	606,041	149,986	535,195	1,649,723	30,540	4,485	4,127,600
At 31 March 2001	306,233	866,600	618,558	625,561	594,589	1,504,729	39,202	-	4,555,472
Depreciation charge for the year ended 31 March 2001	3,403	17,800	7,302	2,297,712	137,790	868,604	15,189	-	3,347,800

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Company

Cost

At 1 April 2001	Long term leasehold land RM	Freehold land and buildings RM	Buildings RM	Plant and machinery RM	Office equipment RM	Motor vehicles RM	Furniture and fittings RM	Total RM
	309,636	988,000	625,860	23,822,807	1,434,750	7,027,771	155,261	34,364,085
Additions	-	-	-	-	81,589	829,461	-	911,050
Disposals	-	-	-	(10,864,227)	(37,865)	(659,681)	(11,405)	(11,573,178)
At 31 March 2002	309,636	988,000	625,860	12,958,580	1,478,474	7,197,551	143,856	23,701,957

Accumulated depreciation

At 1 April 2001	3,403	121,400	7,302	23,197,246	840,161	5,523,042	116,059	29,808,613
Charge for the year	3,403	17,800	12,517	440,565	139,124	684,467	14,116	1,311,992
Disposals	-	-	-	(10,829,217)	(36,006)	(659,681)	(11,405)	(11,536,309)
At 31 March 2002	6,806	139,200	19,819	12,808,594	943,279	5,547,828	118,770	19,584,296

Net book value

At 31 March 2002	302,830	848,800	606,041	149,986	535,195	1,649,723	25,086	4,117,661
At 31 March 2001	306,233	866,600	618,558	625,561	594,589	1,504,729	39,202	4,555,472

Depreciation charge for the year

ended 31 March 2001	3,403	17,800	7,302	2,297,712	137,790	868,604	15,189	3,347,800
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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Assets under hire purchase

Included in property, plant and equipment of the Group and of the Company are motor vehicles acquired under hire purchase agreements costing RM1,601,699 (2001 - RM1,232,029).

3. Investments in subsidiaries

	Company	
	2002 RM	2001 RM
Unquoted shares, at cost	51,002	51,000

The principal activities of the subsidiaries, their places of incorporation and the interest of Pembinaan Limbongan Setia Berhad are as follows:

Name of company	Principal activity	Country of incorporation	Effective ownership interest	
			2002 %	2001 %
Limbongan-Ekovest Management Sdn. Bhd. *	Investment holding and management	Malaysia	51	51
PLS Construction Sdn. Bhd. * (formerly known as Perniagaan Limbongan Setia Sdn. Bhd)	Civil engineering and building works	Malaysia	100	-

* Not audited by KPMG

4. Goodwill on consolidation

	Group	
	2002 RM	2001 RM
Goodwill arising from consolidation of a subsidiary	2,000	-
Less: Impairment loss for the year	(2,000)	-
At 31 March	-	-

5. Amount due from contract customers

	Group and Company	
	2002 RM	2001 RM
Aggregate costs incurred to date	330,783,934	293,154,401
Add: Attributable profits	24,811,480	19,013,231
Less: Recognised losses	(15,524,623)	(4,771,468)
	340,070,791	307,396,164
Less: Progress billings	(335,469,044)	(285,519,891)
	4,601,747	21,876,273



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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6. Trade and other receivables

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade receivables	12,685,280	7,257,567	12,685,280	13,656,427
Less: Allowance for doubtful debts	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
	10,685,280	5,257,567	10,685,280	11,656,427
Subsidiary	-	-	800,000	-
Retention sum receivable	5,448,917	5,518,716	5,448,917	5,518,716
Other receivables, deposits and prepayments	1,503,088	7,301,526	798,864	725,674
	17,637,285	18,077,809	17,733,061	17,900,817

Included in trade receivables are advances made to sub-contractors amounting to RM182,811 (2001 - RM6,398,860). The advances to sub-contractors are unsecured and interest free. These advances will be recouped by way of setting off against future claims by these sub-contractors except for an amount of Nil (2001 - RM1,065,000) which has no fixed terms of repayment.

7. Cash and cash equivalents

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Deposits placed with licensed banks	14,805,921	1,002,388	14,802,121	1,002,388
Cash and bank balances	5,344,022	1,020,280	5,030,436	898,976
	20,149,943	2,022,668	19,832,557	1,901,364

The deposits with a licensed bank of RM4,388,152 (2001 - RM1,000,000) are held under lien for overdraft facility granted to the Group and the Company.

8. Trade and other payables

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade payables	20,183,994	4,407,343	20,183,994	4,407,343
Retention payables	3,809,653	8,531,258	3,809,653	8,531,258
Other payables and accruals	1,317,297	1,035,322	1,174,954	833,299
	25,310,944	13,973,923	25,168,601	13,771,900

Included in trade payables are interest free advances received from customers amounting to RM15,800,134 (2001 - Nil), which are secured by way of bank guarantees and will be repaid by way of setting off against the Company's progress claims to the customers.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. Borrowings

	Group and Company 2002 RM	2001 RM
Current		
Revolving credit - unsecured	-	3,500,000
Overdrafts - secured	-	878,223
- unsecured	-	865,552
Term loan - unsecured	2,500,000	2,500,000
Hire purchase liabilities	525,973	501,286
	<u>3,025,973</u>	<u>8,245,061</u>
Non-current		
Term loan - unsecured	-	7,500,000
Hire purchase liabilities	391,403	321,524
	<u>391,403</u>	<u>7,821,524</u>

Terms and debts repayment schedule:-

The term loan is subject to interest at rates ranging from 8.4% to 8.8% (2001 – 8.8%) per annum.

The hire purchase is subject to interest at rates ranging from 4.25% to 6.7% (2001 – 5.0% to 6.7%) per annum.

The overdrafts and revolving credit in previous year were subject to interest at rates ranging from 6.0% to 9.7% (2001 – 6.0% to 9.7%) per annum.

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
Group and Company				
Term loan - unsecured	2,500,000	2,500,000	-	-
Hire purchase liabilities	917,376	525,973	391,403	-
	<u>3,417,376</u>	<u>3,025,973</u>	<u>391,403</u>	<u>-</u>

The term loan is guaranteed by way of negative pledge over the Company's present and future assets.

Hire purchase liabilities

Hire purchase liabilities are payable as follows:-

	Payments 2002 RM	Interest 2002 RM	Principal 2002 RM	Payments 2001 RM	Interest 2001 RM	Principal 2001 RM
Group & Company						
Less than one year	610,180	(84,207)	525,973	593,006	(91,720)	501,286
Between one and five years	446,385	(54,982)	391,403	377,144	(55,620)	321,524
	<u>1,056,565</u>	<u>(139,189)</u>	<u>917,376</u>	<u>970,150</u>	<u>(147,340)</u>	<u>822,810</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

10. Share capital

	Group and Company	
	2002	2001
	RM	RM
Ordinary shares of RM1 each:		
Authorised	25,000,000	25,000,000
Issued and fully paid		
Opening balance	19,800,000	19,800,000
Issued during the year	1,980,000	-
Closing balance	21,780,000	19,800,000

During the financial year, the Company completed its Proposed Private Placement of 1,980,000 new ordinary shares of RM1.00 each at an issue price of RM3.76 per ordinary share for cash for repayment of bank borrowings and working capital purposes.

Utilisation of proceeds from Private Placement

Under the private placement of 1,980,000 new ordinary shares of RM1.00 each at an issue price of RM3.76 for each share, the Company has raised gross proceeds amounting to RM7,444,800. The utilisation of proceeds as at 31 March 2002 is as follows:

	Approved RM	Utilised RM	Unutilised RM
Repayment of bank borrowings	5,150,000	5,150,000	-
Working capital purposes	2,144,800	2,203,960	-
Private placement exercise expenses	150,000	90,840	-
	7,444,800	7,444,800	-

11. Share premium

	Group and Company	
	2002	2001
	RM	RM
Non-distributable Share premium	5,512,121	138,161

Share premium arose from issuance of ordinary shares at an issue price higher than its nominal value.

Included in the share premium is an amount of RM5,464,800 arising from the issuance of 1,980,000 new ordinary shares of RM1.00 each at an issue price of RM3.76 for each share during the year.

12. Minority shareholder's interest

This consists of the minority shareholder's proportion of share capital and reserves of a subsidiary.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. Operating loss

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Operating loss is arrived at after crediting:				
Gain on disposal of property, plant and equipment	4,535,030	803,290	4,535,030	803,290
Rental income from hire of plant and machinery	130,000	122,771	130,000	122,771
and after charging:				
Auditors' remuneration	38,650	36,350	38,000	36,000
Depreciation (Note 2)	1,312,403	3,347,800	1,311,992	3,347,800
Company's Directors				
- Remuneration	625,596	670,096	625,596	670,096
- Fees	40,000	15,000	40,000	15,000
Hire of plant and machinery	326,637	332,642	326,637	332,642
Site and office rental	253,490	250,010	253,490	250,010
Impairment loss on goodwill (Note 4)	2,000	-	-	-

The estimated monetary value of Directors' benefits-in-kind is RM75,900 (2001 – Nil).

14. Interest expense

	Group and Company	
	2002 RM	2001 RM
Interest payables:		
Bank overdrafts	47,010	73,630
Term loan	741,925	945,241
Hire purchase liabilities	108,143	107,214
Revolving credit	127,745	239,613
	<u>1,024,823</u>	<u>1,365,698</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. Employees information

	Group and Company	
	2002	2001
	RM	RM
Staff costs	3,252,718	4,404,573

The number of employees of the Group and of the Company (including Directors) at the end of the year was 68 and 68 (2001 - 56 and 56) respectively.

16. Tax expense

There is no income tax expense in the current year as the Group and the Company are in tax loss position.

Subject to agreement by the Inland Revenue Board, the Group and the Company have potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items:

	Group and Company	
	2002	2001
	RM	RM
Unutilised tax losses	(24,740,000)	(16,098,000)
Other timing differences	(2,523,000)	(5,790,000)

17. Loss per ordinary share

Group

Loss per ordinary share

The calculation of loss per ordinary share is based on the net loss for the year of RM6,056,132 (2001 - RM16,828,475) and on weighted average number of ordinary shares outstanding during the year of 20,467,233 (2001 - 19,800,000).

	2002	2001
	RM	RM
Net loss for the year	6,056,132	16,828,475

Weighted average number of ordinary shares

	2002	2001
	RM	RM
Issued ordinary shares at beginning of the year	19,800,000	19,800,000
Effect of Private Placement	667,233	-
Weighted average number of ordinary shares	20,467,233	19,800,000
Loss per ordinary share (sen)	(29.59)	(84.99)



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Contingent liabilities

	Group and Company	
	2002	2001
	RM	RM
Unsecured		
Performance bond given to third parties in respect of projects	17,894,348	7,443,087
Bank guarantee given to third parties in respect of purchasing material for project	506,412	1,856,412
Tender bond given to a third party in respect of tendering for a project	4,000	2,745,000
Advance bond given to a third party in respect of project	-	1,561,165
Design bond given to a third party in respect of a project	218,729	218,729
Secured		
Advance bond given to a third party in respect of project	15,920,134	-
	<u>34,543,623</u>	<u>13,824,393</u>

Litigation

A claim of RM14.6 million was made by an ex-contractor against the Company for losses as a result of a breach of contract, whereas the Company is counter claiming for the sum of RM1.1 million during the financial year ended 31 March 1999.

The matters were set down for arbitration, but the ex-contractor was put on receivership. The solicitors for the ex-contractor had put in a report to the Official Receiver and waiting for instruction as whether to proceed with the claim. The Directors are of the opinion that there is no merit to the claim made by the ex-contractor and the outcome of the arbitration would be in favour of the Company. The Directors do not expect any material losses to arise and therefore no provision is made in the financial statements.

19. Segmental reporting

As the Group is principally engaged in the undertaking of civil engineering and construction works in Malaysia, no segmental analysis is provided.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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20. Related parties

Identity of related parties

Controlling related party relationships are with its subsidiaries as disclosed in Note 3.

Transactions with Directors

Significant transactions and balances with companies in which certain Directors have interests and with close members of their families other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Transactions				
With companies in which Dato' Lim Kang Yew, a Director's close family members have interests:				
Ekovest Berhad				
Progress claims payable	-	128,353	-	128,353
Felda Ekovest Sdn. Bhd.				
Progress claims payable	-	1,852,358	-	1,852,358
Limbongan Setia Corporation Sdn. Bhd.				
Rental of office	218,240	218,240	218,240	218,240

Balances in respect of non-trade transactions

With company in which

Dato' Lim Kang Yew, a Director,
has interest:

LSC Development Sdn. Bhd.				
Advances owing from	-	100,012	-	100,012

With companies in which

Dato' Lim Kang Yew, a Director's close
family members, have interests:

Limbongan Setia Corporation Sdn. Bhd.				
Rental expense payable	-	218,240	-	218,240

Subsidiary

Limbongan-Ekovest Management
Sdn. Bhd.

Advances owing from	-	-	800,000	-
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These transactions have been entered into in the normal course of business and have been established under negotiated terms.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. Acquisition of a subsidiary

On 29 November 2001, the Group acquired all the shares in PLS Construction Sdn. Bhd. for a consideration of RM2 satisfied by cash. The acquisition was accounted for using the acquisition method of accounting. For the four months ended 31 March 2002, the subsidiary contributed a net loss of RM2,442 to the consolidated net loss for the year.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities as at 31 March 2002.

	RM
Current assets	2
Current liabilities	(2,000)
Net liabilities	(1,998)
Goodwill on acquisition	2,000
Total purchase consideration	2
Cash acquired	(2)
Net cash outflow	-

22. Significant events during the year

- i) On 27 August 2001, YPJ Holdings Sdn. Bhd. ("YPJH"), a wholly-owned subsidiary of Yayasan Pelajaran Johor via a letter dated 25 August 2001 stating that the Majlis Mesyuarat Kerajaan of Johor has approved the setting up of a Joint Venture Company between the Company and YPJH on a 70% and 30% equity basis. The purpose of the joint venture company is to manage and operate an acacia forest plantation in the State of Johor. The proposed joint venture is pending finalisation of terms and conditions of the management to be agreed with the State of Johor and YPJH.
- ii) On 29 November 2001, the Company completed its Proposed Private Placement of 1,980,000 new ordinary shares of RM1.00 each at an issue price of RM3.76 per ordinary share for cash for repayment of bank borrowings and working capital purposes. The Proposed Private Placement representing 10% of the existing issued and paid-up share capital of the Company was listed on the Second Board of the Kuala Lumpur Stock Exchange on the same day.
- iii) On 29 November 2001, the Company acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid up share capital of PLS Construction Sdn. Bhd (formerly known as Perniagaan Limbongan Setia Sdn. Bhd.). ("PLSC") for RM2. None of the Directors, substantial shareholders and/or persons connected with a Director or substantial shareholder has any interest, whether direct or indirect in the above transaction except for Dato' Lim Kang Yew and Encik Lokman bin Omar who are Directors and shareholders of PLSC.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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- iv) On 5 May 2000, the Board announced the following proposals, which include:
- a) Proposed renounceable rights issue of 174,240,000 new ordinary shares of RM1.00 each in the Company on the basis of eight (8) new ordinary shares for every one (1) existing ordinary share held after the Proposed Private Placement at an issue price of RM1.00 per share ("Proposed Rights Issue);
 - b) Proposed acquisition of 500,000 ordinary shares of RM1.00 each in Danga Bay Sdn. Bhd. ("DBSB") representing the entire issued and paid up capital of DBSB from Credence Resources Sdn. Bhd. ("CRSB") for a purchase consideration of RM500,000 to be satisfied by the issuance of new ordinary shares of the Company and the proposed settlement of debt by the Company pursuant to an undertaking by the Company to assume and settle a total debts of DBSB of RM237,006,121 ("Proposed Acquisition"). The Directors, Dato' Amirullah Abdul Muhi Bin Mayudin and Johar Salim Bin Yahaya are deemed interested in the Proposed Acquisition; and
 - c) Proposed increase in authorised share capital of the Company from RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each ("Proposed Increase in Authorised Share Capital"); and
 - d) Proposed change of name of the Company from Pembinaan Limbongan Setia Berhad to Danga Berhad ("Proposed Name Change").

On 26 February 2002, the Board decided to withdraw the above application to the Securities Commission in relation to the above proposals.

- v) On 22 July 2002, the Board announced that the Company and CRSB have agreed to mutually terminate the Proposed Acquisition. Accordingly, the Board decided to abort the Proposed Name Change together with the Proposed Acquisition as disclosed in Note 22 (iv) above and wish to revise the earlier proposed rights issue and proposed increase in authorised share capital as follows:
- a) Proposed renounceable rights issue of up to 43,560,000 new ordinary shares of RM1.00 each on the basis of two (2) new ordinary shares of RM1.00 each for every one (1) existing ordinary share of RM1.00 each held. The Company is proposing to fix its issue price at RM1.00 per rights issue. Upon the completion of the proposed rights issue, the issued and paid-up share capital of the Company shall increase from 21,780,000 ordinary shares of RM1.00 each to 65,340,000 ordinary shares of RM1.00 each. The proposed utilisation of the proceeds of RM43,560,000 is for future project financing and working capital purposes.
 - b) Proposed increase in authorised share capital of the Company from RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

The above proposals are still subject to the approvals from the relevant authorities.



ANALYSIS OF SHAREHOLDING

as at 15 August 2002

Authorised Share Capital : RM25,000,000
Issued and Fully Paid-up Capital : RM21,780,000

Class of Shares : Ordinary shares of RM1.00 each
Voting Rights : One vote per ordinary share

1. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 1000	0	0	0	0
1,001 - 10,000	576	88.62	1,103,000	5.05
10,001 - 100,000	50	7.69	1,977,000	9.08
100,001 - 1,000,000	20	3.08	5,885,000	27.02
Above 1,000,000	4	0.61	12,815,000	58.84
TOTAL	650	100.00	21,780,000	100.00



2. THIRTY (30) LARGEST SHAREHOLDERS

	Name	Shareholdings	%
1	Limbongan Resources Sdn Bhd	4,998,000	22.95
2	Dato' Lim Kang Yew	4,215,000	19.35
3	BBMB Securities Nominees (Tempatan) Sdn Bhd pledged securities account for Kumpulan Prasarana Rakyat Johor Sdn Bhd	3,400,000	15.61
4	OSK Nominees (Tempatan) Sdn Bhd pledged securities account for Kumpulan Prasarana Rakyat Johor Sdn Bhd	1,700,000	7.81
5	Lim Keng Cheng	599,000	2.75
6	Amsec Nominees (Tempatan) Sdn Bhd pledged securities account for Goh Eng Keong	453,000	2.08
7	Tan Lai Leng	354,000	1.63
8	Mohd Saini bin Kariman	350,000	1.61
9	Adlina binti Mohd Adanan	350,000	1.61
10	OSK Nominees (Tempatan) Sdn Bhd pledged securities account for Mohamad Nor bin Hamid	300,000	1.38
11	Hee Foong Ngoh @ Hee Hong Ngoh	280,000	1.29
12	Yap Shing@ Yap Sue Kim	213,000	0.98
13	Mayban Securities Nominees (Tempatan) Sdn Bhd pledged securities account for Naharudin bin Nizam	190,000	0.87
14	Mayban Securities Nominees (Tempatan) Sdn Bhd pledged securities account for Pang Piu Fong	174,000	0.80
15	Wong Chooi Fah	170,000	0.78
16	Khoo Nang Seng @ Khoo Nam Seng	161,000	0.74
17	Wisam bin Hussin	158,000	0.73
18	Mayban Securities Nominees (Tempatan) Sdn Bhd pledged securities account for Cheong Meow Yen	153,000	0.70
19	Amsec Nominees (Tempatan) Sdn Bhd pledged securities account for Tan Leak Goh	138,000	0.63
20	Tan Ming Gaik	129,000	0.59
21	Hambali bin Idris	109,000	0.50
22	Roslee bin Daud	106,000	0.49
23	Patrick Taylor	100,000	0.46
24	Koh Chaw Huah	95,000	0.43
25	Lim Hoe	94,000	0.43
26	BBMB Securities Nominees (Tempatan) Sdn Bhd pledged securities account for Cha Mei Ping	93,000	0.42
27	Loh Yu San	79,000	0.36
28	Lembaga Tabung Haji	75,000	0.34
29	Yap Song Yung	73,000	0.34
30	Ngai Sok Fong	72,000	0.33
	Total	19,381,000	88.99



ANALYSIS OF SHAREHOLDING (cont'd)

as at 15 August 2002

3. SUBSTANTIAL SHAREHOLDERS

Name	Shareholdings as at 15 August 2002			
	Direct Shareholdings	%	Indirect Shareholdings *	%
1. Limbongan Resources Sdn Bhd	4,998,000	22.95	-	-
2. Dato' Lim Kang Yew	4,215,000	19.35	-	-
3. Kumpulan Prasarana Rakyat Johor Sdn Bhd	5,100,000	23.42	-	-
4. En Lokman bin Omar	-	-	4,998,000	22.95
5. Lim Keng Guan	-	-	4,998,000	22.95
TOTAL	14,313,000	65.72		

4. DIRECTORS' SHAREHOLDINGS

Name	Shareholdings as at 15 August 2002			
	Direct Shareholdings	%	Indirect Shareholdings *	%
1. Dato' Amirullah Abdul Muhi bin Mayudin	-	-	-	-
2. Dato' Lim Kang Yew	4,215,000	19.35	-	-
3. Lokman bin Omar	-	-	4,998,000	22.95
4. Tuan Haji Ibrahim bin Haji Keling	-	-	-	-
5. Johar Salim bin Yahaya	-	-	-	-
6. Sum Kwai Sang	-	-	-	-
7. Hisham bin Mahmood	-	-	-	-
8. Lim Soo San	-	-	-	-
TOTAL	4,215,000	19.35		

* Deemed interest by virtue of his shareholdings in Limbongan Resources Sdn Bhd.



at 31 March 2002

LIST OF PROPERTIES

NO	LOCATION	DESCRIPTION / EXISTING USE	AGE OF BUILDING	AREA	LAND TENURE	NET BOOK VALUE
1	H.S.(D) No.9469, PT No.7923, Mukim Batu Caves, Selangor Darul Ehsan	4-Storey Shop / Head Office Building	10 Years	226 sq.m (2,434sq.ft)	Freehold	581,800
2	H.S.(D) No.100241, PT No.62760, Mukim Plentong, Johor Darul Ta'zim	2-Storey Shop / Office Building Rented	14 Years	143.07sq.m (1,540sq.ft)	Freehold	267,000
3	Lot 375, Sector 4, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1,380.1sq.m	Leasehold 99 years expiring on 10 Sep 2092	174,342
4	Lot 378, Sector 4, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	871.8sq.m	Leasehold 99 years expiring on 10 Sep 2092	128,488
5	No.21 Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA , 81200 Johor Bahru, Johor Darul Takzim.	Apartments / Vacant	2 Years	1043sq.ft	Leasehold 99 years expiring on 22 March 2085	152,648
6	No.22 Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA , 81200 Johor Bahru, Johor Darul Takzim.	Apartments / Vacant	2 Years	1043sq.ft	Leasehold 99 years expiring on 22 March 2085	152,648
7	No.21 Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA , 81200 Johor Bahru, Johor Darul Takzim.	Apartments / Vacant	2 Years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	150,372
8	No.22 Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru, Johor Darul Takzim.	Apartments / Vacant	2 Years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	150,372



PEMBINAAN LIMBONGAN SETIA BERHAD

(Incorporated in Malaysia)

Company No. 160032-K

Proxy Form

I/We _____

of _____

being a member/members of the above named Company hereby appoint _____

of _____

or failing whom _____

of _____

or the Chairman of the meeting as my/our proxy on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held on Thursday, 26th day of September 2002 at 10.00 am, at Damai One Kelab Century Paradise, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan or any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X" :

ORDINARY RESOLUTIONS	FOR	AGAINST
1. Adoption of Reports and Audited Financial Statements [Resolution 1]		
2. Approval of Directors' Fees [Resolution 2]		
3. Re-election of directors :-		
a) Encik Johar Salim bin Yahaya [Resolution 3]		
b) Encik Hisham bin Mahmood [Resolution 4]		
c) Ms Lim Soo San [Resolution 5]		
4. Re-appointment of Auditors [Resolution 6]		
5. Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965 [Resolution 7]		

Dated this _____ day of _____ 2002.

Number of shares held

Signature of Shareholder (s)

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints more than one(1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. The instrument appointing a proxy / proxies shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised,
4. The instrument appointing a proxy/proxies must be deposited at the registered office of the company at 17C, Wisma Limbongan Setia, Jalan SG 3/4, Taman Seri Gombak, 68100 Batu Caves, Selangor Darul Ehsan, not less than 48 hours before the time for holding the meeting.

Fold this flap for sealing

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**AFFIX
STAMP**

THE COMPANY SECRETARIES
PEMBINAAN LIMBONGAN SETIA BERHAD
17C, Wisma Limbongan Setia
Jalan SG3/4, Taman Seri Gombak
68100 Batu Caves
Selangor Darul Ehsan

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