



# PEMBINAAN LIMBONGAN SETIA BERHAD

(Company No. 160032-K)



Annual Report 2009





## *Content*

Notice of Twenty-Second Annual General Meeting	2 - 3
Statement Accompanying Notice of Annual General Meeting	4
Corporate Information	5
Directors' Profile	6 - 8
Executive Chairman's Statement	9 - 10
Statement on Corporate Governance	11 - 17
Statement on Internal Control	18 - 19
Audit Committee Report	20 - 22
Financial Statements	23 - 71
Analysis of Shareholdings	72 - 74
List of Properties	75 - 76
Proxy Form	



## Notice of Twenty-Second Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of the Company will be held at Function Room, KKlub, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan on Tuesday, 29 September 2009 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 2009 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 2009. [Resolution 2]
3. To re-elect the following Directors who retire in accordance with Article 82 and Article 89 of the Company's Articles of Association :
  - a) Dato' Lim Kang Poh (Article 82) [Resolution 3]
  - b) Encik Johar Salim bin Yahaya (Article 82) [Resolution 4]
  - c) Puan Norliza binti Suleiman (Article 89) [Resolution 5]
4. To re-elect Dato' Haji Ibrahim bin Haji Keling who retires in accordance with Section 129 (6) of the Companies Act, 1965. [Resolution 6]
5. To re-appoint Messrs. KPMG as auditors of the Company and to authorize the Directors to fix their remuneration. [Resolution 7]
6. As Special Business, to consider and if thought fit, to pass the following resolutions with or without modifications :-

### SPECIAL RESOLUTION

THAT the name of the Company be changed from Pembinaan Limbongan Setia Berhad to "PLS PLANTATIONS BERHAD" to be effective from the date the Certificate of Incorporation on Change of Name of the Company is issued by the Companies Commission of Malaysia. [Resolution 8]

### ORDINARY RESOLUTION 1

#### 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 Bursa Malaysia Securities Berhad 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 9]

### ORDINARY RESOLUTION 2

#### Proposed Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a revenue or trading nature with the eleven (11) related parties as per paragraph 3.3 (1-11) of the Circular to Shareholders

"That authority be and is hereby given pursuant to paragraph 10.09 and Practice Note 12 of the Bursa Malaysia Main Market Listing Requirements for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in paragraph 3.4 of the Circular to Shareholders dated 7 September 2009 with the related parties listed in paragraph 3.3 of the Circular to Shareholders which are necessary for the day-to-day operations, in the ordinary course of business, made at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those normally available to the public and are not to the detriment of the minority shareholders;





## *Notice of Twenty-Second Annual General Meeting (Cont'd)*

And that the authority conferred by this Mandate shall commence immediately upon the passing of this resolution and is subject to annual renewal. In this respect the authority shall only continue to be in force until:

- i. the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at that Annual General Meeting;
- ii. the expiration of the period within which the next Annual General Meeting after the date, it is required to be held pursuant to Section 143 (1) of the Companies Act, 1965 (but not extending to such extensions as may be allowed pursuant to Section 143 (2) of the Companies Act, 1965); or
- iii. revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier".

[Resolution 10]

7. 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

7 SEPTEMBER 2009

### Notes :

1. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company, and the provisions of Section 149(1) (b) of the Companies Act, 1965 shall not apply.
3. If the appointor is a corporation, this proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
4. To be valid, this proxy form, duly completed must be deposited at the Registered Office not less than forty eight (48) hours before the time for holding the meeting or any adjournment thereof.

### EXPLANATORY NOTES ON SPECIAL BUSINESS

- i. The Proposed Resolution 8 if passed, will reflect better the core business of the Company which is in the plantation industry.
- ii. The Proposed Resolution 9 if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting. As at the date of this notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 September 2008 and which will lapse at the conclusion of the Twenty-Second Annual General Meeting. The general mandate will provide flexibility to the Company for any possible fund raising activities including but not limited for further placing of shares for purpose of funding future investment (s), working capital and/or acquisitions.
- iii. The Proposed Resolution 10, if passed, will authorize the Group to enter into recurrent related party transactions as specified in the Circular to shareholders dated 7 September 2009, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business made at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.



## Statement Accompanying Notice of Annual General Meeting

Particulars of Directors who are standing for re-election at the Twenty-Second Annual General Meeting

DETAILS	DATO' LIM KANG POH	EN. JOHAR SALIM BIN YAHAYA	DATO' HAJI IBRAHIM BIN HAJI KELING	PN. NORLIZA BINTI SULEIMAN
Directorships	Non-Independent Non-Executive Director	Executive Chairman	Independent Non-Executive Director	Non Independent Non-Executive Director
Age	52	56	71	44
Nationality & Race	Malaysian Chinese	Malaysian Malay	Malaysian Malay	Malaysian Malay
Qualification	Details as disclosed on page 6	Details as disclosed on page 6	Details as disclosed on page 7	Details as disclosed on page 8
Working experience & occupations	Details as disclosed on page 6	Details as disclosed on page 6	Details as disclosed on page 7	Details as disclosed on page 8
Other directorships of public listed companies	Details as disclosed on page 6	Details as disclosed on page 6	None	Details as disclosed on page 8
Attendance at board meetings	3/5	5/5	3/5	-
Securities holdings in the Company	Details as disclosed on page 25	None	None	None
Family relationship with any director and/or major shareholder of the company	Details as disclosed on page 6	None	None	Details as disclosed on page 8
Conflict of interest	Details as disclosed on page 69	None	None	None
Convictions of offences	None	None	None	None

Place, date & hour of General Meeting held during the financial year ended 31 March 2009

Type	Date & Hour	Place
21st Annual General Meeting	25 September 2008 at 10.00 am	Function Room, KKlub, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan



## Corporate Information

### 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 RM200.0 million  
Paid-up RM65.34 million

### PRINCIPAL BANKERS

RHB Bank Bhd  
AmBank Bhd  
Public Bank Bhd  
Maybank Bhd  
EON Bank Bhd

### STOCK EXCHANGE

Bursa Malaysia Securities Berhad  
(Main Market)  
Sector: Plantation  
Stock Name: PLS  
Stock Code: 9695

[www.limbongan.com](http://www.limbongan.com)

### AUDITORS

KPMG (Firm No : AF 0758)  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan.  
Tel : 03-7721 3388  
Fax : 03-7721 3399

### COMPANY SECRETARIES

Mr. Lim Thiam Wah, ACIS  
Madam Mah Wai Har, ACIS

### SHARE REGISTRAR

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

### BOARD OF DIRECTORS

Encik Johar Salim Bin Yahaya (Executive Chairman)  
Tan Sri Dato' Lim Kang Yew (Managing Director)  
Mr Lee Hun Kheng (Executive Director)  
Dato' Lim Kang Hoo (Non-Independent Non-Executive Director)  
Dato' Lim Kang Poh (Non-Independent Non-Executive Director)  
Dato' Haji Ibrahim Bin Haji Keling (Independent Non-Executive Director)  
Encik Hisham Bin Mahmood (Independent Non-Executive Director)  
Miss Kang Hui Ling (Independent Non-Executive Director)  
Puan Norliza Binti Suleiman (Non-Independent Non-Executive Director)  
(Appointed on 28-05-2009)

### AUDIT COMMITTEE

Dato' Haji Ibrahim Bin Haji Keling (Chairman)  
Miss Kang Hui Ling (Member)  
Encik Hisham Bin Mahmood (Member)



## Directors' Profile

### **Encik Johar Salim bin Yahaya, Executive Chairman**

Encik Johar Salim bin Yahaya, a Malaysian and aged 56 was appointed to the Board on 4 March 1997 and as Executive Chairman on 1 August 2003. 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. He joined Kumpulan Prasarana Rakyat Johor Sdn Bhd in 1996 and is a Director of Tebrau Teguh Bhd. He is also a director in several other private limited companies.

Encik Johar Salim bin Yahaya does not have any conflict of interest nor any personal interest in any business arrangement involving the Company. He does not have any family relationship with any of the directors and/or substantial shareholders of the Company. Encik Johar Salim bin Yahaya does not hold any shares in PLS.

### **Tan Sri Dato' Lim Kang Yew, Managing Director**

Tan Sri Dato' Lim Kang Yew, a Malaysian and aged 52 was appointed to the Board on 10 March 1987 and as Managing Director on 12 December 1994. 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 experiences in this field have proven to be invaluable to the Group. He is currently a Non-Executive Director of TSR Capital Bhd and also a director of several other private limited companies.

Tan Sri Dato' Lim Kang Yew is deemed to be interested in the related party transactions disclosed on page 69 of the Annual Report. He is the brother of Dato' Lim Kang Hoo and Dato' Lim Kang Poh. He is an uncle to Mr. Lee Hun Kheng. The interest of Tan Sri Dato' Lim Kang Yew in the Company is disclosed on page 25 of the Annual Report.

### **Dato' Lim Kang Hoo, Non-Independent Non-Executive Director**

Dato' Lim Kang Hoo, a Malaysian and aged 54 was appointed to the Board on 28 May 2004. He is a businessman with over 30 years of experience in the construction and machinery related industry. His dynamism and vision coupled with hard work saw the companies that he lead grow by leaps and bound. Ekovest Bhd and Knusford Bhd which are listed on the main board of Bursa Malaysia are results of his involvement. At present, he is the Executive Vice-Chairman of Ekovest Bhd and an Executive Director of Knusford Bhd and also a director of several other private limited companies.

Dato' Lim Kang Hoo is deemed to be interested in the related party transactions disclosed on page 69 of the Annual Report. He is the brother of Tan Sri Dato' Lim Kang Yew and Dato' Lim Kang Poh. He is an uncle to Mr. Lee Hun Kheng. Dato' Lim Kang Hoo does not hold any shares in PLS.

### **Dato' Lim Kang Poh, Non-Independent Non-Executive Director**

Dato' Lim Kang Poh, a Malaysian and aged 52 was appointed to the Board on 6 October 2005. He started his career in the construction industry in 1976 under Tasja Sdn. Bhd. At present, he is the Deputy Executive Chairman of Astral Asia Bhd and director of several other private limited companies.

Dato' Lim Kang Poh is deemed to be interested in the related party transactions disclosed on page 69 of the Annual Report. He is the brother of Tan Sri Dato' Lim Kang Yew and Dato' Lim Kang Hoo. He is an uncle to Mr. Lee Hun Kheng. The interest of Dato' Lim Kang Poh in the company is disclosed on page 25 of the Annual Report.





## *Directors' Profile (Cont'd)*

### **Dato' Haji Ibrahim bin Haji Keling, *Independent Non-Executive Director***

Dato' Haji Ibrahim bin Haji Keling, a Malaysian and aged 71 was appointed to the Board on 15 November 1994. 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 also attended a senior management course at Cambridge University, England in 1975/1976, and a Senior Managerial Program conducted by the Harvard Business School in 1988. He retired in 1993 where the last position he held was as Director of Management Service Department, FELDA. He also sat on the Board of Perbandanan Binaan Felda. Currently, he is a Director of several other private limited companies.

Dato' Haji Ibrahim bin Haji Keling does not have any conflict of interest nor any personal interest in any business arrangement involving the Company. He does not have any family relationship with any of the directors and / or substantial shareholder of the Company. Dato' Haji Ibrahim bin Haji Keling does not hold any shares in PLS.

### **Encik Hisham bin Mahmood, *Independent Non-Executive Director***

Encik Hisham bin Mahmood, a Malaysian and aged 50 was appointed to the Board on 4 March 1997. He graduated with a Bachelor of Arts Degree 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.

Encik Hisham bin Mahmood does not have any conflict of interest nor any personal interest in any business arrangement involving the Company. He does not have any family relationship with any of the directors and / or substantial shareholders of the Company. Encik Hisham bin Mahmood does not hold any shares in PLS.

### **Miss Kang Hui Ling, *Independent Non-Executive Director***

Miss Kang Hui Ling, a Malaysian and aged 37, joined the Board on 6 April 2005. She holds a Bachelor of Accounting (Hons) Degree from University of Malaya in 1997. She is a member of the Malaysian Institute of Certified Public Accountant and the Malaysian Institute of Accountants. Since her graduation, she acquired 4 years of audit experience in one of the big four audit firm. As audit senior associate, she also gained exposure in field of operation audit and financial due diligence. Subsequently she joined a medium size multinational consultancy firm as the Finance and Admin Manager where she was responsible for establishing and implementing the company's accounting and operating policies and procedures. She is presently a partner of a professional firm registered with Malaysian Institute of Accountants. She is also an independent Non-Executive Director of Ekovest Berhad and Knusford Berhad.

Miss Kang Hui Ling does not have any conflict of interest nor any personal interest in any business arrangement involving the Company. She does not have any family relationship with any of the directors and/or substantial shareholders of the Company. Miss Kang Hui Ling does not hold any shares in PLS.





## Directors' Profile (Cont'd)

### **Mr Lee Hun Kheng, Executive Director**

Mr. Lee Hun Kheng, a Malaysian and aged 32, joined the Board on 1 August 2008. He graduated with a Degree in Mechanical Engineering from University of Monash, Melbourne, Australia in 2000. Upon his return to Malaysia, he commenced his career as a Sales Engineer in a Public Listed company specializing in Rental, Sales and Reconditioning of heavy and light machineries. During his 3 years service with the company, he has learnt commercial knowledge and marketing skills while providing machinery technical support and training to the users. Besides, he is also actively involved in new business development such as machinery product distributorship.

He then joined Aramijaya Sdn. Bhd. in 2003, a subsidiary of Pembinaan Limbongan Setia Berhad as a Marketing Manager, responsible for setting up new accounts of timber products, both domestic and export market. As part of plantation project research and development, he has explored various timber industries to increase product line as well as introducing modern timber processing systems to the company. Subsequently, he was appointed as the Executive Director and Chief Executive Officer of Aramijaya Sdn. Bhd., positions that he currently hold.

He is the nephew of Dato' Lim Kang Hoo, Tan Sri Dato' Lim Kang Yew and Dato' Lim Kang Poh. He has an indirect shareholding in the Company as disclosed on page 74 of the Annual Report. Save for the above, he does not have any family relationship with any other directors of the Company.

### **Puan Norliza Binti Suleiman, Non-Independent Non-Executive Director**

Puan Norliza Binti Suleiman a Malaysian and aged 44, was appointed to the Board on 28 May 2009. She is a member of the Chartered Association of Certified Accountants ("CACA") United Kingdom.

Puan Norliza Binti Suleiman started her career as an Audit Assistant at Ivory Barry & Company, an audit firm in London. Upon her return to Malaysia in 1989, she joined Coopers & Lybrand, Johor Bahru as Audit Assistant until 1993. Subsequently, she joined Tharra Holdings Sdn. Bhd., a company involved in the provision of medical services as Finance Manager.

Puan Norliza Binti Suleiman joined Kumpulan Prasarana Rakyat Johor Sdn. Bhd. ("KPRJ") in July 1996. Currently, Puan Norliza Binti Suleiman holds the post of Group General Manager, and Company Secretary of KPRJ and Group Financial Controller for Tebrau Teguh Berhad. She is also a Director of Julung Cipta Sdn. Bhd., a wholly owned subsidiary company of KPRJ, Infra Desa (Johor) Sdn. Bhd. and Iskandar Waterfront Development Sdn. Bhd.

Puan Norliza Binti Suleiman does not have any conflict of interest nor any personal interest in any business arrangement involving the Company. She does not have any family relationship with any of the directors and/ or substantial shareholders of the Company. Puan Norliza Binti Suleiman does not hold any shares in PLS.



## Executive Chairman's Statement

On behalf of the Board of Directors of Pembinaan Limbongan Setia Bhd, I am pleased to present the Annual Report of the Company and the Group for the financial year ended 31 March 2009.

### INDUSTRIAL TRENDS AND DEVELOPMENT

Due to considerable uncertainties regarding the soundness of the global financial system, the global growth continued to contract in the first quarter of 2009 in spite of various stimulus packages implemented by national governments.

In Malaysian economy, real Gross Domestic Product (GDP) contracted 6.2% in the first quarter of 2009 as compared to 0.1% in the previous quarter due to the deepening global economic recession which affected the performance of the domestic economy. Nevertheless, the construction sector registered a positive growth at 0.6% mainly due to an increase in construction activity at residential sub-sector such as high-end property projects and non-residential sub sector. On the supply side, all sectors registered lower output except the construction sector, which rebounded on account of ongoing government developments projects and the First Economic Stimulus Package. The agriculture sector declined 4.3% following lower production of major commodities mainly palm oil, rubber and sawn logs. The forestry and logging sub-sector shrank further as a result of lower production of sawn logs, mainly from Sabah and Sarawak. In contrast, the civil engineering sub-sector fell further due to completion of several Ninth Malaysian Plan (9MP) projects. However, special trade activity in maintenance works for schools and government quarters buoyed by the implementation of First Economic Stimulus Package.

The moderation in inflation was attributed to lower fuel prices, as well as softer consumer demand and price competition.

The overall global growth may still be negative in the face of continued fragility in global financial markets. The synchronised recession across the globe, especially among Malaysia's major trading partners have impact the domestic economy through trade and investment channels. The multiplier effect of the Second Economic Stimulus Package is expected to take effect in second half and the probability of a global economy recovery remains bleak and the export-led recession is expected to continue. The adverse external conditions are expected to result in the Malaysia economy registering a contraction of 4.0% to 5.0% in 2009 which hinges on the degree of deviation of the global economy from its expected growth trajectory.

(Source : Malaysian Economic Report 1st Quarter 2009)

### FINANCIAL RESULTS AND OPERATION REVIEWS

For the financial year ended 31 March 2009, the Group registered a lower revenue of RM19.7 million as compared to RM35.1 million in the previous year. As a result, the Group recorded a pre-tax loss of RM4.5 million as compared to a pre tax loss of RM3.4 million attained in financial year 2008.

Due to slowdown in economy, its 70% owned subsidiary, Aramijaya Sdn. Bhd. achieved a lower revenue of RM 19.7 million as compared to RM33.4 million as a result of lower sales for the woodchip and timber products during the financial year. As for the construction operation, no new contract has been secured during the financial year and the Company continues to maintain its lower operation and administration costs.

The Group reported a marginal net asset per share attributable to equity holders of the holding company from RM0.22 per share in the previous financial year to RM0.21 per share in the current financial year.







## *Executive Chairman's Statement (Cont'd)*

### **CORPORATE DEVELOPMENT**

The Company has not implemented any new corporate proposal during the financial year ended 31 March 2009. Plan for corporate development has been deferred in view of the slow and soft market in overall global economy.

As at todote, the unutilised proceeds raised from previous right issue exercise remained at RM11.1 million. The Board will continue to explore other related business operations and credible investment opportunities to improve the Group's performances by utilising the funds.

### **PROSPECT**

Despite contraction in the domestic front, the Company has managed to secure a project known as 'The Design and Build, Construction, Completion, Equipping, Commissioning and Maintenance of Women & Child Ward Block, Seremban Hospital, Negeri Sembilan', worth RM188.0 million of which the same is expected to contribute to the Group's earnings and book order in the near term. It is expected or anticipated that the Government's recent liberalisation policies and pump-priming through two stimulus packages and other various economic growth corridors such as Iskandar Malaysia (IM), and East Coast Economic Region (ECER) will gear towards hastening the recovery of the economy.

The Group will continue to focus in expanding the plantation business operations especially in oil palm plantation and increase its plantation landbank for the replanting of acacia tree as well as its down stream timber products such as the manufacturing of particle board which utilises wood waste derived from saw mills and forest clearance during the replanting process. The Board is considering the possibility of diversifying into rubber plantation while exploring such expansion program. New strategic alliances with both local and multi-national companies are certainly welcome for future investment and development.

The Board anticipates that the Group's performance remains challenging for the forthcoming financial year in view of softer global market for the timber and timber-related products notwithstanding the contribution from recent procurement of the Seremban Hospital project and favourable prospect for the oil palm products.

### **DIVIDEND**

The Board of Directors does not recommend any dividend payment in respect of the financial year ended 31 March 2009 at the forthcoming Annual General Meeting.

### **APPRECIATION**

On behalf of the Board of Directors and Management, I would like to extend a warm welcome to Puan Norliza binti Suleiman to our Board. My sincere gratitude and appreciation goes out to all our loyal shareholders, bankers, buyers and sellers, consultants and contractors, business associates, staff and management not least relevant government authorities for their continued support, confidence and trust in the Group and the Company. A further note of appreciation to the staff and management as the Company has achieved both BS EN ISO 9001:2008 and MS ISO 9001:2008 certification for the scope of "Project Management, Design & Construction Services for Building, Civil, Mechanical and Electrical Works" on 15 August 2009.

**JOHAR SALIM BIN YAHAYA**  
Executive Chairman



## *Statement on Corporate Governance*

The Board of Directors ("Board") recognises the importance of adopting the principles and best practices of the Malaysian Code of Corporate Governance ("Code") and is fully committed in ensuring that highest standards of corporate governance as set out in the Code is observed and practiced throughout the Group to safeguard and enhance shareholders' value.

The Board is pleased to report to shareholders on the manner the Group has applied the principles, and the extent to which it has complied with the best practices of good governance as set out in the Code.

### **A) BOARD OF DIRECTORS**

#### **The Board**

Pembinaan Limbongan Setia Berhad ("PLSB") is led and managed by an experienced and qualified Board comprising of members with a wide range of experience in business, construction and finance. The wide spectrum of skills and experience of the Directors have brought expertise and perspective to the leadership of PLSB. A brief profile of each Director is set out in pages 6 to 8 of this Annual Report.

The Board is responsible to ensure that PLSB 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 PLSB and retains full and effective control of the Company.

#### **Composition**

The Board is made up of nine (9) members, led by an Executive Chairman, Managing Director, Executive Director, three (3) Non-Independent Non-Executive Directors and three (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 Code and the Bursa Malaysia Securities Berhad ("Bursa Securities") requirements in respect of having at least one-third (1/3) of the membership of the Board comprising independent directors.

#### **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 is allowed to dominate the Board's decision making. The Board is satisfied that the current Board composition reflects the interest of the public shareholders of the Company.

#### **Board Meetings**

The Board meets on a scheduled basis at least four (4) times a year, with additional meetings convened when necessary. Five (5) Board Meetings were held during the financial year ended 31 March 2009. Details of the attendance of the Directors are as follows:





## Statement on Corporate Governance (Cont'd)

Members of the Board	Status	Attendance
1. Encik Johar Salim Bin Yahaya	Executive Chairman	5/5
2. Tan Sri Dato' Lim Kang Yew	Managing Director	5/5
3. Dato' Haji Ibrahim Bin Haji Keling	Independent Non-Executive Director	3/5
4. Encik Hisham Bin Mahmood	Independent Non-Executive Director	5/5
5. Miss Kang Hui Ling	Independent Non-Executive Director	5/5
6. Dato' Lim Kang Hoo	Non-Independent Non-Executive Director	3/5
7. Dato' Lim Kang Poh	Non-Independent Non-Executive Director	3/5
8. Mr. Lee Hun Kheng	Executive Director	3/3
9. Pn. Norliza Binti Suleiman (Appointed on 28.05.2009)	Non-Independent Non-Executive Director	-

Besides Board meetings, the Board also exercises control on matters that require Board's approval through circulation of Directors' Resolutions.

### Conduct of Meetings

It has been the practice of the Board that when a potential conflict of interest arises, it is mandatory for the Director concerned to declare his or her interests and abstain from further discussion and the decision making process.

The Board has access to the advice and services of the Company Secretaries who are responsible for ensuring that the Board 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 meetings.

### Supply of Information

Heads of each departments, divisions and subsidiaries of the Company are required to submit their reports at each scheduled Board meetings where required.

### Access to Information

All Directors are provided with an agenda and board papers prior to every Board meeting to enable the Directors to obtain further information on major financial, operational and corporate matters as well as on the activities and performance of the Group and Company. This is in addition to the schedule of matters specifically reserved for the Board's decision.

### Access to Advice

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

### Appointment and Re-election of Directors

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

## B) BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the discharge of its duties and execution of specific responsibilities.



## Statement on Corporate Governance (Cont'd)

### Audit Committee

The composition, terms of reference and functions of the Audit Committee are discussed in the Audit Committee Report set out on pages 20 to 22 of this Annual Report.

### Nomination Committee

The duties of the Nomination Committee include considering candidates for Board vacancies and recommending all Board appointments to the Board of Directors. The Board will consider such recommended appointments and approve if they are found to be appropriate and suitable. The Nomination Committee works under clearly defined terms of reference, which have been approved by the Board.

The members of the Nomination Committee, all of whom are Independent Non-Executive Directors, are as follows:

1. Dato' Haji Ibrahim bin Haji Keling (Chairman)
2. Encik Hisham bin Mahmood
3. Miss Kang Hui Ling

### Remuneration Committee

The duties of the Remuneration Committee are to ensure that the remuneration of the Directors commensurate with the skills, experience and responsibilities of the Directors. The Directors concerned would abstain from discussion pertaining to their own remuneration. The Remuneration Committee works under clearly defined terms of reference, which have been approved by the Board.

The members of the Remuneration Committee, a majority of whom are Independent Non-Executive Directors, are as follows:

1. Dato' Haji Ibrahim Bin Haji Keling (Chairman)
2. Encik Hisham Bin Mahmood
3. Miss Kang Hui Ling
4. Tan Sri Dato' Lim Kang Yew

## C) DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme and the Continuing Education Programme as prescribed by Bursa Securities.

During the financial year, the following training courses were attended by different directors:-

Tan Sri Dato' Lim Kang Yew	Code of Corporate Compliance and Ethical Conduct
Dato' Lim Kang Hoo Miss Kang Hui Ling	Intellectual Property – The Key to Malaysian Industries' Competitive Advantage
Mr Lee Hun Kheng	Mandatory Accreditation Programme

As at todate, Pn. Norliza Binti Suleiman has also attended her Mandatory Accreditation Programme and thus the Board has duly complied with the Bursa's Listing Requirements.

Due to the tight schedule, the rest of the directors were unable to attend the training programme arranged by the Company during the financial year under review.

The Company will continue to arrange further development and training programmes for the Directors in order to update and enhance their skills and knowledge, which are important for carrying out their role effectively as a Director.





## Statement on Corporate Governance (Cont'd)

### D) DIRECTORS' 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 proposed for approval by the shareholders at the Company's Annual General Meeting, based on the recommendation of the Board.

Details of the remuneration of the Directors during the financial year ended 31 March 2009 are as follows:

	<b>Fees (RM)</b>	<b>Salaries (RM)</b>	<b>Bonus (RM)</b>	<b>Benefit in kinds (RM)</b>	<b>Other emoluments (RM)</b>	<b>Total (RM)</b>
Executive Directors	-	535,800	30,000	45,400	-	611,200
Non-Executive Directors	28,300	-	-	-	-	28,300

Number of Directors whose total remuneration falls within the following bands:

<b>Remuneration Bands</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Non-Executive</b>
Up to RM50,000	1	5
RM100,000 to RM150,000	1	-
RM450,000 to RM500,000	1	-

### E) ACCOUNTABILITY AND AUDIT

#### Financial Reporting

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

#### Internal Control

The Board is responsible in ensuring that the system of internal controls is in place and that its effectiveness be constantly reviewed to ensure the adequacy of the system. The review on the system of internal controls is set out under the Statement on Internal Control on pages 18 to 19 of this Annual Report.

#### Relationship with the Auditors

The Board has established and maintains an active, transparent and professional relationship with the auditors, both external and internal, through the Audit Committee.

The External Auditors attend the Audit Committee Meetings at least twice a year and meet the Audit Committee without the presence of the management. The External Auditors are given access to books and records of the Group and Company at all times. The Board, through the Audit Committee, also seeks the External Auditors' professional advice in ensuring compliance with the appropriate accounting standards in Malaysia and the provisions of the Companies Act, 1965.



## *Statement on Corporate Governance (Cont'd)*

### **F) RELATIONSHIP WITH SHAREHOLDERS**

#### **Dialogue between Company and Investors**

PLSB recognises its responsibility to its shareholders. The timely release of quarterly financial results of the Group and Company and the issue of the Group and Company's Annual Reports provide regular information on the state of affairs of the Group and the Company. All of these together with announcements to Bursa Securities, circulars 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 encouraged 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.

### **G) STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS**

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 at end of each financial year and of the results and cash flows for the financial year then ended.

The Directors considers that in preparing the financial statements, the Group has:

- Applied appropriate accounting policies consistently;
- Made reasonable and prudent judgments and estimates; and
- Have considered that all applicable approved accounting standards have been adhered to.

The Directors are responsible for ensuring that the Group and Company maintain accounting records which disclose with reasonable accuracy the financial position of the Group and Company, which enable them to ensure that the financial statements comply with the provisions of 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 Company and to prevent and detect fraud and other irregularities.

### **H) COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE AND BURSA SECURITIES LISTING REQUIREMENTS**

The Board of Directors is committed to ensure that Corporate Governance are observed and practised by PLSB 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 were in compliance throughout the financial year ended 31 March 2009 with the principles and best practices as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance and Bursa Securities requirements except for the following:





## Statement on Corporate Governance (Cont'd)

### H) COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE AND BURSA SECURITIES LISTING REQUIREMENTS (Cont'd)

Ref. to the Code	Details	Reasons
Part 1, BIII	Details of individual Directors' remuneration are not disclosed.	The Board is of the opinion that the existing information on Directors' remuneration is sufficient to cater to the transparency and accountability of the Malaysian Code on Corporate Governance.

### I) ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Listing Requirements of Bursa Securities, the following are additional information in respect of the financial year ended 31 March 2009 to be disclosed in this Annual Report:

#### 1. Utilisation of Proceeds

The status of utilisation of proceeds from Rights Issue as at 29 July 2009 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date RM'000	Balance RM'000
Construction of Akademi Audit Negara	5,500	5,500	-
Working capital	37,169	26,039	11,130
Expenses related to Rights Issue*	891	891	-
Total	43,560	32,430	11,130

\* Unutilised expenses of RM409,000 related to Rights Issue have been re-allocated to working capital. The utilisation of Rights Issue proceeds has been further extended from 13 February 2009 to 13 February 2010.

#### 2. Share Buy Back

The Company did not carry out any share buy back during the financial year.

#### 3. Options, Warrants or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year.

#### 4. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

The Company did not participate in any ADR or GDR Programme during the financial year.

#### 5. Imposition of Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year under review.

#### 6. Non-Audit Fees

In the financial year under review, the External Auditors were appointed to review the Statement of Internal Control as required by Bursa Securities Listing Requirements. The amount of non-audit fee incurred was RM5,000.

#### 7. Variation in Results

There was no significant variation in the financial results of the Company and the Group as compared to the previously announced unaudited profit.



## *Statement on Corporate Governance (Cont'd)*

### **I) ADDITIONAL COMPLIANCE INFORMATION (Cont'd)**

#### **8. Profit Guarantee**

There was no profit guarantee given by the Company in respect of the financial year ended 31 March 2009.

#### **9. Revaluation policy on landed properties**

The Company did not adopt any revaluation policy on landed properties.

#### **10. Recurrent related party transactions**

At the 21st Annual General Meeting of the Company held on 25 September 2008, the Company had obtained shareholders approval for the renewal of the mandate to enter into recurrent related party transactions of revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business with related parties. The said mandate takes effect on 25 September 2008 until the conclusion of the forthcoming Annual General Meeting of the Company.

The Company is seeking shareholders' approval to renew the existing mandate for recurrent related party transactions of revenue or trading nature at the forthcoming Annual General Meeting to be held on 29 September 2009. The details of the shareholders' mandate to be sought are furnished in the Circular to shareholders dated 7 September 2009, accompanying this Annual Report.

The aggregate values of transactions conducted pursuant to the shareholders' mandate during the financial year ended 31 March 2009 are disclosed on page 69 of this Annual Report.

#### **11. Material Contracts**

There were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders.

#### **12. Material Contracts Relating to Loans**

There were no material contracts relating to loans entered into by the Company and its subsidiaries involving Directors and major shareholders.

#### **13. Corporate Social Responsibility**

The Company only carries out general activities in relation to corporate social responsibility and will only endorse those actions and projects that benefits the society at large.



## *Statement on Internal Control*

Paragraph 15.26(b) of Bursa Malaysia Listing Requirements requires the Board of Directors of a public listed company to include in its annual report a statement about the state of internal control of the listed issuer as a group. The Board is pleased to provide the following statements, which outlines the nature and scope of internal control of the Group during the year.

The Board acknowledges its responsibility for the Group'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 misstatements or fraud and is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has established key activities to ensure 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.

The Board has formalised a comprehensive Risk Management Framework that takes into account all significant aspects of internal control including risks assessment, 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.

The Audit Committee continuously evaluates and monitors the significant risks and controls through a formalised monitoring and reporting process. Reviews are conducted on a quarterly basis, with additional reviews as and when required.

These initiatives would ensure that the Group 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'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 to facilitate monitoring of the Group's financial performance. The Management headed by the Managing Director reviews and monitors the achievements of the Group's performance and reports to the Board.

### **2. Financial Limits and Approving Authority**

The Board 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's overall strategies and objectives.

### **3. Policies, Procedures and Guidelines**

The Board had established principal tendering and procurement policies, procedures and guidelines.





## *Statement on Internal Control (Cont'd)*

### **4. Information and Communication**

Financial and operational information systems are in place to capture and present timely internal and external business information. Clear reporting structure enables the financial and operational reports are periodically prepared and presented to the Board or Management for discussion and review on a timely basis.

### **5. Internal Audit**

The Group has outsourced its internal audit function to Advent Corporate Advisory Sdn. Bhd. with the objective to provide the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management and internal control. The internal audit independently reviews risk identification procedures and control processes implemented by the management, and reports to the Audit Committee on a quarterly basis. The results and any corrective action to address the risk and control issues identified during the audit are reported directly to the Audit Committee. The Audit Committee considers the reports from internal audit, before making recommendations to the Board in strengthening the risk management and internal control.

### **6. Board/Management Committees and Meetings**

#### **(i) Audit Committee**

The Board has established an Audit Committee comprising three (3) Independent Non-Executive Directors. Details of composition, terms of reference and report of the Audit Committee are provided at page 20 of this Annual Report. The recommendations of the Audit Committee are tabled to the Board for its approval.

#### **(ii) Project and Financial Meetings**

The Senior Management presents their respective project reviews, operation performance reviews and the progress of the projects undertaken, to the Board at the Project and Financial meetings which are held on a quarterly basis. The Accountant presents the overall Group's financial performance at the meetings.

### **Conclusion**

No significant control failure or weaknesses that would result in material losses or require disclosure in the Annual Report were identified during the financial year ended 31 March 2009.



## Audit Committee Report

The Audit Committee was established by the Board of Directors on 16 November 1994 with the primary objectives to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of Pembinaan Limbongan Setia Berhad and oversee the compliance with the relevant rules and regulations governing listed companies.

The members of the Audit Committee are as follows:

### **Chairman**

1. Dato' Haji Ibrahim Bin Haji Keling  
(Independent Non-Executive Director)

### **Members**

2. Encik Hisham Bin Mahmood  
(Independent Non-Executive Director)
3. Miss Kang Hui Ling  
(Independent Non-Executive Director/Member of the Malaysian Institute of Accountants)

## **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 (3) members, all of whom must be Non-Executive Directors with a majority of them being Independent Directors.

All members of the Audit Committee are financially literate and at least one is a member of the Malaysian Institute of Accountants.

The Audit Committee shall elect a chairperson from among its members who is an Independent Director.

### *2. Meetings*

The Audit Committee may invite any person to attend the meetings. A quorum shall be two members, both being Independent Directors. The Company Secretary or any person appointed by the Audit Committee for this purpose shall act as secretary of the Audit Committee. However, the Audit Committee should meet with the external auditors without the Executive Board members' present at least twice a year.

### *3. Authority*

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

### *4. Access*

The Audit Committee shall have unlimited access to all information and documents relevant to its activities, to the External and Internal Auditors, and to Senior Management of the Company and its subsidiaries. The Audit Committee is also authorised to take such independent professional and legal advice as it considers necessary.



## *Audit Committee Report (Cont'd)*

### **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:
  - a. with the External Auditors, the scope and audit plan, including any changes on the planned scope of the audit plan;
  - b. with the External Auditors, their audit report;
  - c. the effectiveness and competency of the internal audit functions and the necessary authority to carry out its work;
  - d. 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;
  - e. the assistance given by the employees of the Company to the External and Internal Auditors;
  - f. 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;
  - g. 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;
  - h. any letter of resignation from the External Auditors of the Company; and
  - i. whether there is reason (supported by grounds) to believe that the Company's External Auditors is not suitable for re-appointment.
2. Recommend the nomination of External Auditors.
3. Reviewing the nomination of the Internal Auditors.

### **SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE**

The Audit Committee meets on quarterly basis with additional meetings held as and when necessary. A total of five (5) meetings were held during the financial year ended 31 March 2009. The representatives of External Auditors and Internal Auditors, 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 2009, the activities of the Audit Committee covered, among others, the following:

- a. Reviewed financial statements including quarterly financial announcements to the Bursa Malaysia Securities Berhad and year end financial statements and recommend the same for approval by the Board of Directors, upon being satisfied that, inter alia, the financial reporting and disclosure requirements of the relevant authorities had been complied with.
- b. Reviewed the External Auditors' reports in relation to their audit findings and the accounting issues arising from the audit.
- c. Reviewed audit plan prepared by the External Auditors before the audit commences.
- d. Reviewed audit fees of the External Auditors.





## Audit Committee Report (Cont'd)

### SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

- e. Reviewed the annual internal audit plan including its scope, basis of assessments and risks ratings of the proposed areas of audit.
- f. Reviewed audit reports prepared by the Internal Auditors and the consideration of the major findings and the Management's response thereto.

### ATTENDANCE AT MEETINGS

During the year ended 31 March 2009, the Audit Committee convened five (5) meetings. The attendances of the members of the Committee meetings during the financial year were as follows:

Name of Committee Member	Attendance
Dato' Haji Ibrahim Bin Haji Keling	3/5
Encik Hisham Bin Mahmood	5/5
Miss Kang Hui Ling	5/5

### INTERNAL AUDIT FUNCTION

The internal audit function of the Group and Company is outsourced to Advent Corporate Advisory, an independent professional service provider, with the primary objective of monitoring a sound and systematic method of internal controls over the Group and Company. The costs incurred for the Internal Audit Function in respect of the financial year was RM21,000.00.

During the financial year, the Internal Auditors had carried out audits according to the internal audit plan, which had been approved by the Audit Committee. Internal audits were done on:

- Tender and selection of contractors/suppliers cycle with the objective of ensuring adequate policies and procedures are in place for tendering process and fair selection of suitable sub-contractors/suppliers to support the Group's business objectives.
- Project planning and monitoring cycle with the objective of ensuring adequate policies and procedures are in place for projects to be completed in accordance to contract awarded to support the Group's business objectives.
- Purchasing, Human Resource and Fixed Assets Management of a subsidiary involving in management and operation of forest plantation.
- Other cycles with the objective of ensuring adequate policies and procedures are in place for accounting and cash management to support the Group's business objectives.
- All significant aspects of internal control including risks management, the control environment and control activities, information and communication and monitoring.

The resulting reports from the audits undertaken were forwarded to the Management for attention and necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame.