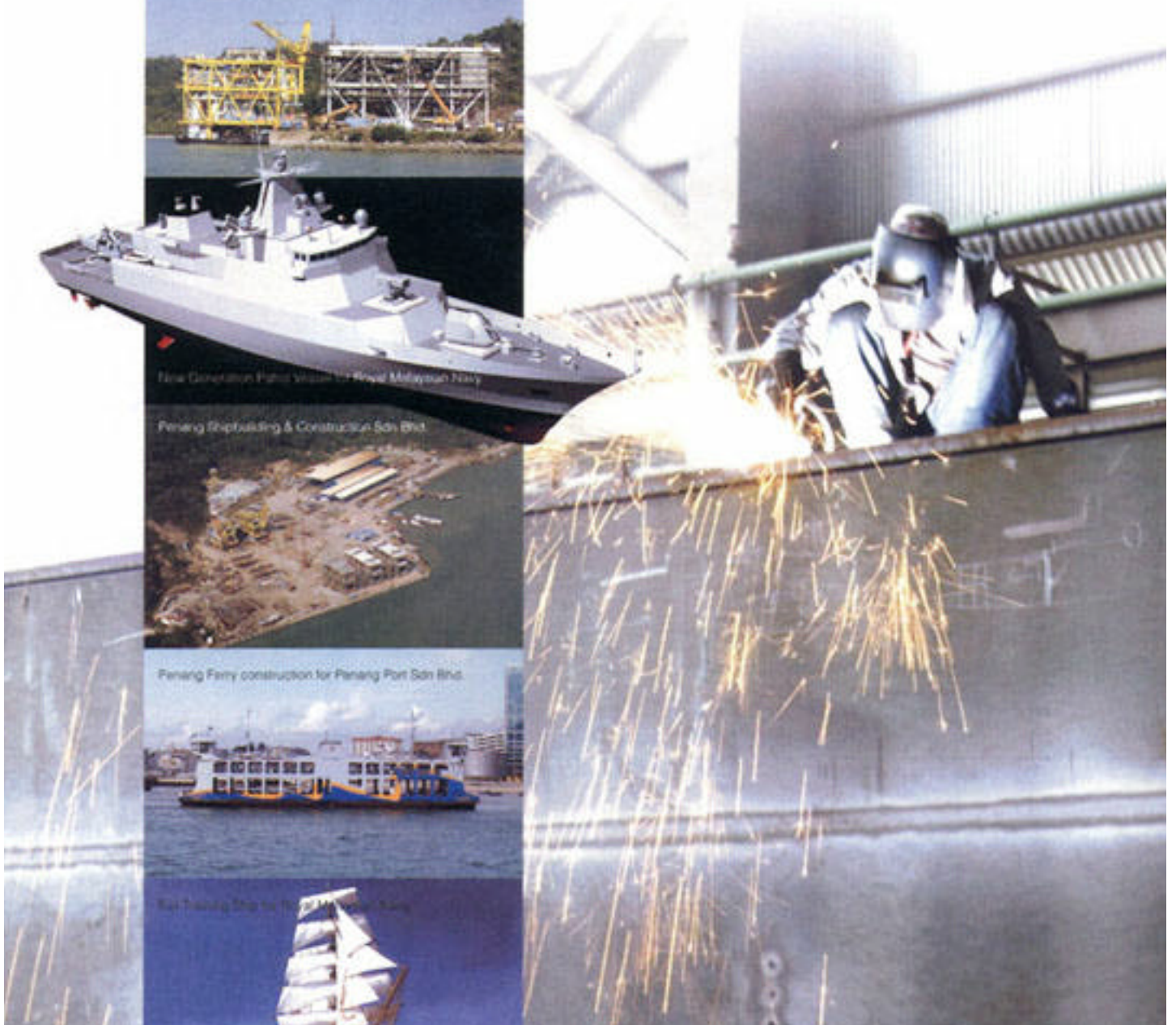




PSC Industries Berhad

(11106 V • Incorporated in Malaysia)

ANNUAL REPORT 2001



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Notice Of Annual General Meeting

PSC INDUSTRIES BERHAD

NOTICE IS HEREBY GIVEN THAT the Thirtieth Annual General Meeting of the Company will be held at the Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 26 June, 2002 at 9:30 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December, 2001 and the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To declare a first and final dividend of 8% less 28% tax for the year ended 31 December, 2001. (Resolution 2)
3. To approve the Directors' fees for the year ended 31 December, 2001. (Resolution 3)
4. To re-elect Encik Mohd Noordin Bin Abdullah who is retiring under Article 94 of the Company's Articles of Association. (Resolution 4)
5. To re-elect Encik Ibrahim Bin Topaiwah who is retiring under Article 94 of the Company's Articles of Association. (Resolution 5)
6. To re-elect Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah who is retiring under Article 103 of the Company's Articles of Association. (Resolution 6)
7. To re-elect Encik Azlan Shah Bin Haji Omar Shah who is retiring under Article 103 of the Company's Articles of Association. (Resolution 7)
8. To re-appoint Messrs. Shamsir Jasani Grant Thornton as Auditors and to authorise the directors to fix their remuneration. (Resolution 8)

AS SPECIAL BUSINESS

9. To consider and if thought fit, to pass the following Ordinary Resolution:-

Ordinary Resolution - Authority To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965

"THAT subject to the provisions of Section 132D of the Companies Act, 1965, and the approval of the relevant authorities, the Directors be and are hereby authorised from time to time to issue and allot ordinary shares in the Company upon such terms and conditions and at such times as may be determined by the Directors to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this resolution shall not exceed ten (10) percent of the issued share capital for the time being of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 9)

10. To transact any other business for which due notice shall have been given.

Notice Of Annual General Meeting (cont'd)

PSC INDUSTRIES BERHAD

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN THAT the Register of Members will be closed from 3 September, 2002 to 4 September, 2002, both dates inclusive to determine shareholders entitlement to the dividend payment. The dividend if approved, will be paid on 25 September, 2002 to shareholders whose names appear in the Record of Depositors on 2 September, 2002.

FURTHER NOTICE IS HEREBY GIVEN THAT a depositor shall qualify for entitlement only in respect of:-

- a) Shares deposited into the Depositor's Securities Account before 12:30 p.m. on 29 August, 2002 (in respect of shares which are exempted from mandatory deposit);
- b) Shares transferred into the Depositor's Securities Account before 12:30 p.m. on 2 September, 2002 in respect of ordinary transfers;
- c) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the rules of the Kuala Lumpur Stock Exchange.

By order of the Board

Company Secretary
R. RAJAKUMARAN A/L M. RAJADURAI
(MAICSA 7003699)

Dated this 3rd day of June, 2002
Kuala Lumpur

Notice Of Annual General Meeting (cont'd)

PSC INDUSTRIES BERHAD

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 3rd Floor, Ming Building, Jalan Bukit Nanas, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

Explanatory Notes on Special Business

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.

The Ordinary Resolution proposed under Agenda 9, if passed, will give powers to the Directors to issue up to a maximum of ten (10) percent of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or at the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

Statement Accompanying Notice Of Annual General Meeting

PSC INDUSTRIES BERHAD

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange

1. Directors who are standing for re-election at the Thirtieth Annual General Meeting of the Company to be held at the Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 26 June, 2002 at 9.30 a.m. are as follows:-

Directors standing for re-election:-

- 1) Mohd Noordin Bin Abdullah (Appointed on 12 December, 2001)
- 2) Ibrahim Bin Topaiwah (Appointed on 12 December, 2001)
- 3) Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah
- 4) Azlan Shah Bin Haji Omar Shah

2. **Details of Directors standing for re-election**

The details of the Directors standing for re-election at the forthcoming Thirtieth Annual General Meeting are set out in the Profile of Directors appearing on pages 7 to 10 of the Annual Report.

3. **Details of attendance of Directors at Board Meetings.**

Seven (7) Board of Directors Meetings were held during the financial year ended 31 December 2001. Details of attendance of Directors at the Board Meetings are as follows:-

Name of Director	Total Meetings Attended	Percentage of Attendance (%)
Tan Sri Dato' Dr. Abdul Khalid Bin Sahan*	3/4	75
Tan Sri Dato' Amin Shah Bin Haji Omar Shah	5/7	71
Datuk Mohamed Saleh Bin Mohd. Ghazali	5/7	71
Azhar Shah Bin Haji Omar Shah**	1/2	50
Azlan Shah Bin Haji Omar Shah	5/7	71
Pang Sow Num	6/7	85
Ishak Bin Osman	6/7	85
Idris Bin Zakaria	7/7	100
Abdul Manap Bin Ali Hasan	6/7	85
Ibrahim Bin Topaiwah#	3/3	100
Mohd Noordin Bin Abdullah#	3/3	100

* Resigned on 12 December, 2001

** Resigned on 15 August, 2001

Appointed on 12 December, 2001

4. **Place, Date and Time of the Board of Directors' Meetings**

All Board Meetings during the financial year ended 31 December 2001 were held at 10th Floor, Ming Building, Jalan Bukit Nanas, 50250 Kuala Lumpur. The date and time of the Board Meetings held were as follows:-

Date of Meetings	Time
23 February 2001	10:30 a.m.
25 May 2001	10:45 a.m.
24 August 2001	11:00 a.m.
27 November 2001	10:30 a.m.
19 December 2001	11:00 a.m.
27 December 2001	08:00 p.m.
29 December 2001	10:00 a.m.

SECRETARY

R. Rajakumaran A/L M. Rajadurai

MAICSA No. 7003699

REGISTERED OFFICE

3rd Floor, Ming Building

Jalan Bukit Nanas

50250 Kuala Lumpur

Tel: 03-20316516

Fax: 03-20726214

AUDITORS

Shamsir Jasani Grant Thornton

(Member Firm of Grant Thornton International)

Public Accountants

Level 11-1, Faber Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

REGISTRARS

Tenaga Koperat Sdn Bhd

20th Floor, Plaza Permata

Jalan Kampar Off Jalan Tun Razak

50400 Kuala Lumpur

Tel : 03-40416522

Fax : 03-40426352

PRINCIPAL BANKERS

Affin Bank Berhad

Bank Islam Malaysia Berhad

Bumiputra-Commerce Bank Berhad

Bank Industri & Teknologi Malaysia Berhad

OCBC Bank (M) Berhad

RHB Bank Berhad

Arab-Malaysian Bank Berhad

Alliance Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange

Main Board

Profile Of Directors

PSC INDUSTRIES BERHAD

Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah **Executive Chairman**

Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah, a Malaysian, aged 48, was appointed to the Board on 4 October, 1993 and assumed the position of Executive Chairman of PSCI on 12 December, 2001.

Y. Bhg. Tan Sri Dato' Amin Shah also holds the position of Executive Chairman/Chief Executive Officer of Setron (Malaysia) Bhd and Chairman of Actacorp Holdings Berhad, both listed companies on the main Board of the KLSE. Y. Bhg. Tan Sri Dato' Amin Shah is a businessman who has been involved in diverse business ventures in Malaysia and overseas, ranging from heavy engineering, construction, shipbuilding and marine engineering, property development to manufacturing for the past twenty (20) years.

Y. Bhg. Tan Sri Dato' Amin Shah is deemed a major shareholder of the Company through Business Focus Sdn Bhd, which holds 36,037,616 shares in the Company and a direct shareholding of 79,000 shares, out of which, 44,000 is deemed held for Business Focus Sdn Bhd. Y. Bhg. Tan Sri Dato' Amin Shah is deemed a major shareholder of the Company and its subsidiaries by virtue of his interest in Business Focus Sdn Bhd.

Y. Bhg. Tan Sri Dato' Amin Shah is the brother of En. Azlan Shah Bin Haji Omar Shah and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Of the seven (7) board meetings of the Company held in the financial year ended 31 December 2001, Y. Bhg. Tan Sri Dato' Amin Shah attended all except for one (1) for which he had extended his apologies.

Y. Bhg. Datuk Mohamad Saleh Bin Mohd. Ghazali **Non-Independent Non-Executive Director**

Y. Bhg. Datuk Mohamad Saleh Bin Mohd Ghazali, a Malaysian, aged 58, was appointed a Director of PSCI on 11 February 2000. He holds a Bachelor Degree in Business Administration, University of Hawaii and a Master Degree in Business Administration, Ohio University, Athens, USA. He has extensive experience in the banking sector, as he was the Group CEO of Bank Industries Malaysia Berhad for the past eighteen (18) years until his retirement on 31 January 1999.

He is currently the Director, Advisor of Penang Shipbuilding & Construction Sdn Bhd and also sits on the boards of PSC-Naval Dockyard Sdn Bhd, Small and Medium Industries Corporation ("SMIDEC"), Majlis Amanah Rakyat ("MARA") and is also the President of The International Association of East-West Alumni Chapter of Malaysia.

He was a director of Export-Import Bank of Malaysia Berhad, Malaysian Export Credit Insurance Berhad, Boustead Holdings Berhad, Wafer Technology Malaysia Sdn Bhd, Malaysia External Trade Development Corporation ("MATRADE"), BI Walden Management Kedua Sdn Bhd, BI Walden Management Ketiga Sdn Bhd and Sibexlink Sdn Bhd.

He is not related to any members of the Board and does not have any conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Of the seven (7) board meetings of the Company held in the financial year ended 31 December 2001, Datuk Mohamad Saleh attended all except for two (2) for which he had extended his apologies.

Profile Of Directors (cont'd)

PSC INDUSTRIES BERHAD

Azlan Shah Bin Haji Omar Shah **Group Managing Director**

Encik Azlan Shah Bin Haji Omar Shah, a Malaysian, aged 38, is the Group Managing Director of PSCI and was appointed to the Board on 20 March, 1996. Encik Azlan's forte is in the field of shipbuilding/marine engineering among other experiences including manufacturing and property development for more than fifteen (15) years. Encik Azlan Shah sits on the Board of Setron (Malaysia) Bhd and Actacorp Holdings Berhad.

Encik Azlan Shah is the brother of Tan Sri Dato' Amin Shah, the Executive Chairman and a major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Of the seven (7) board meetings of the Company held in the financial year ended 31 December 2001, Encik Azlan Shah attended all except for two (2) for which he had extended his apologies.

Pang Sow Num **Executive Director - Finance**

Mr. Pang Sow Num, a Malaysian, aged 49, was appointed to the Board of PSCI on 27 June 1994. He holds a Bachelor of Science in Computer Science from the University of Hawaii, USA and a Master of Business Administration in Finance, from Texas A & M University, USA. From March 1985 to May 1988, he was a consultant for Ernst & Young Management Consultants. He is also a member of the Audit and Remuneration Committee of the Company.

In June 1988 he moved to Arthur Andersen HRM (Management Services) Sdn Bhd where he rose to become Managing Consultant. He has wide experience in consultancy work involving projects in both the private and public sectors. Prior to his appointment to the Board of PSCI, he joined PSC as a Senior Manager in Corporate Planning & Development in April 1992. He manages the overall corporate affairs, finance and administration matters of the PSCI Group.

He is currently the Executive Director - Finance of Penang Shipbuilding & Construction Sdn Bhd and also sits on the boards of PSC-Naval Dockyard Sdn Bhd, PSC Asset Holdings Sdn Bhd and Perstim Industries Sdn Bhd. He is not related to any members of the Board and does not have any conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Of the seven (7) board meetings of the Company held in the financial year ended 31 December 2001, Mr. Pang attended all except for one (1) for which he had extended his apologies.

Ishak Bin Osman **Executive Director - Finance**

Encik Ishak Bin Osman, a Malaysian, aged 55, a graduate in Economics (Hons) majoring in Accountancy from the University of Malaya and a Master of Business Administration in Finance from Leuven University, Belgium. He started his working career in the Ministry of Finance, Malaysia and held various positions in the Ministry during his eleven years with the Government.

Encik Ishak joined Amanah Merchant Bank Berhad as Senior Manager Project Finance in 1982 and was subsequently promoted to be General Manager, Banking & Advisory Service in 1984. In 1987, he moved to Kumpulan Kewangan Berhad (KKB), the holding company of Amanah Merchant Bank as a Senior General Manager - Operation. During his services with KKB, he sat on various boards, namely, Amanah Merchant Bank, Malaysia Discount Bhd, Amanah International Insurance Bhd, Malaysia Credit Finance Bhd and KK Industries Bhd. In 1989, he assumed the Managing Director position in Malaysia Credit Finance Bhd. He was appointed as a Director of PSCI on 22 January 1998.

Profile Of Directors (cont'd)

PSC INDUSTRIES BERHAD

He currently sits on the board of Penang Shipbuilding & Construction Sdn Bhd, PSC-Naval Dockyard Sdn Bhd, PSC Asset Holdings Sdn Bhd and Perstim Industries Sdn Bhd. He is not related to any members of the Board and does not have any conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Of the seven (7) board meetings of the Company held in the financial year ended 31 December 2001, Encik Ishak attended all except for one (1) for which he had extended his apologies.

Ibrahim Bin Topaiwah **Non-Independent Non-Executive Director**

Encik Ibrahim Bin Topaiwah, a Malaysian, aged 43, a graduate in Accountancy from Universiti Kebangsaan Malaysia and is a member of Malaysian Institute of Accountants (MIA). He was appointed as Director and member of the Audit Committee of PSCI on 12 December, 2001.

Prior to his appointment, Encik Ibrahim was the Head of Internal Audit division of Business Focus Group. He has ten (10) years experience in Bank Negara Malaysia and two (2) years with ICI Berhad as an Accountant.

He is not related to any members of the Board and does not have any conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Encik Ibrahim has attended all three (3) board meetings of the Company held in the financial year ended 31 December 2001 since his appointment.

Idris Bin Zakaria **Independent Non-Executive Director**

Encik Idris Bin Zakaria, a Malaysian, aged 57, is an Independent Non-Executive Director of PSCI. He was appointed to the Board on 8 July, 1998 and is a member of the Company's Audit, Remuneration and Nomination Committees. Encik Idris has established himself in the automobile sector for thirty (30) years and has served companies such as UMW Toyota, Malaysia. He holds directorships in Setron (Malaysia) Bhd and Actacorp Holdings Berhad. Encik Idris holds a diploma in Automobile Engineering, Japan.

He sits on the board of Penang Shipbuilding & Construction Sdn Bhd and PSC-Naval Dockyard Sdn Bhd and is also a member of the Kuala Lumpur Dewan Bandaraya Advisory Council. He is not related to any members of the Board and does not have any conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Encik Idris attended all seven (7) board meetings held in the financial year ended December 2001.

Profile Of Directors (cont'd)

PSC INDUSTRIES BERHAD

Abdul Manap Bin Ali Hasan **Independent Non-Executive Director**

Encik Abdul Manap Bin Ali Hasan, a Malaysian, aged 55, was appointed as Director of PSCI on 19 December 2000. He obtained his Degree in Ocean Engineering from University of Glasgow in 1972. He was awarded the Colombo Plan Scholarship – Glasgow University from 1968 to 1972 and IMCO United Nations Fellowship – Japan in 1975. He is a member of the Professional Engineers of Malaysia, Institute of Engineers Malaysia, Institute of Marine Engineers (UK), Royal Institution of Naval Architects (UK) and a Chartered Engineer (UK).

Encik Abdul Manap has 22 years experience in shipbuilding, shiprepair, oil and gas production platform fabrication, crane fabrication and pressure vessel fabrication, tug operations and was responsible for the privatization of PSCND and the Maritime Training Academy ("ALAM"). He is also an Executive Director of Abd. Manap & Associate, a company that provides consultancy services to the marine and maritime field.

Encik Abdul Manap has previous experience with Malaysia Shipyard and Engineering Sdn Bhd from 1978 to 1992, Malaysian International Shipping Corporation from 1974 to 1977, the Ministry of Agriculture & Fisheries in 1973 to 1974 and the White Fish Authority (UK) from 1972 to 1973.

He is not related to any members of the Board and does not have any conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Of the seven (7) board meetings of the Company held in the financial year ended 31 December 2001, Encik Abdul Manap attended all except for one (1) for which he had extended his apologies.

Mohd Noordin Bin Abdullah **Independent Non-Executive Director**

Encik Mohd Noordin Bin Abdullah, a Malaysian, aged 61, holds a Diploma in British Banking from City of London College. He was appointed as a Director of PSCI on 12 December, 2001. He is also the Chairman of the Company's Audit, Remuneration and Nomination Committees.

Encik Mohd Noordin has more than thirty (30) years of experience in the banking sector. During his employment with Bank Bumiputra Malaysia Berhad, he had the privilege to serve as the Head of Credit Recovery and Compliance Division, Retail & Islamic Banking Division, Area Manager of Regional Office in Wilayah Persekutuan/Selangor and Regional Office Johor/Melaka and also as the General Manager of Kuala Lumpur main branch.

He is not related to any members of the Board and does not have any conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years and does not hold any shares in the Company and its subsidiaries.

Encik Mohd Noordin has attended all three (3) board meetings of the Company held in the financial year ended 31 December 2001 since his appointment.



**On behalf of the Board of Directors,
I have great pleasure in presenting
the Annual Report and Audited
Financial Statements of the Company
and the Group for the year ended
31 December, 2001.**

Review of Results

Year 2001 proved to be a challenging and rewarding year for the Company and the Group, whereby the Group's turnover increased from RM755.7 million in 2000 to RM985.9 million in 2001, an increase of 30.5%. As in the previous year, this increase in turnover was mainly attributed to the performance of its subsidiary, PSC-Naval Dockyard Sdn Bhd. The Company's turnover also increased from RM23.1 million in 2000 to RM25.2 million in 2001, an increase of 9.1%. The Group recorded a pre-tax profit increase of 26.1% from RM104.0 million in 2000 to RM131.1 million in 2001.

Dividend

The Board, on reviewing the results is pleased to recommend a first and final dividend of 8% less 28% tax (2000: 8% tax exempt), amounting to RM4.6 million (2000: RM6.3 million) for the financial year ended 31 December, 2001. The dividends are however, subject to the approval from the shareholders at the forthcoming Annual General Meeting of the Company and the consent of the relevant creditor banks.

Industry Trends

The PSCI Group is subject to various risks inherent in the heavy engineering, construction, shipbuilding, shiprepair, oil and gas, property development and food products manufacturing sectors that the Group is involved in. Nevertheless, the Group has taken steps to minimise these risks having secured, inter alia, the rights from the Government of Malaysia to provide maintenance work and services of all Royal Malaysian Navy ("RMN") vessels for fifteen (15) years together with the construction and delivery of twenty seven (27) Offshore Patrol Vessels ("OPVs") for the RMN via PSC-Naval Dockyard Sdn Bhd.

Chairman's Statement (cont'd)

PSC INDUSTRIES BERHAD

PSC-Naval Dockyard Sdn Bhd, in order to mitigate its risks, has focused its efforts and resources towards the success of the OPVs Project signed with the Government of Malaysia on 5 September, 1988 to design, construct and deliver six (6) OPVs, together with integrated logistic support and commercial package programme for the RMN, valued at RM5.35 billion. I am happy to inform that the implementation of the OPVs is progressing well.

Corporate Highlights

On 28 December, 2001, the Company announced that it was no longer under the purview of the Corporate Debt Restructuring Committee ("CDRC") and since then the Group had negotiated directly with the individual creditor banks to restructure its banking facilities. To date, the Group had successfully restructured its banking facilities totaling RM421.2 million which is equivalent to 79% of the total loans previously under the purview of CDRC.

Board Changes

Since the previous Annual General Meeting, there were a number of changes to the membership of the Board. I would like to thank the Board for appointing me as the Executive Chairman of the Company in place of Y. Bhg. Tan Sri Dato' Dr. Abdul Khalid Bin Sahan who had resigned as Chairman of the Board on 12 December, 2001 and Encik Azhar Shah Bin Haji Omar Shah who had resigned on 15 August, 2001.

On behalf of the Board, I would like to welcome Encik Mohd Noordin Bin Abdullah and Encik Ibrahim bin Topaiwah, who were appointed to the Board on 12 December, 2001 and would also like to express our appreciation to Y. Bhg. Tan Sri Dato' Dr. Abdul Khalid Bin Sahan and Encik Azhar Shah Bin Haji Omar Shah for their invaluable contributions to the Company.

Prospects

The Company had been profitable throughout and had maintained a consistent dividend record and, therefore, given the improved market conditions, favourable economic climate and the excellent progress of the OPVs Project, the Board of Directors are confident that, barring any unforeseen circumstances, the results achieved in 2001 would be surpassed in 2002.

Chairman's Statement (cont'd)

PSC INDUSTRIES BERHAD

Corporate Governance

In respect of the Malaysian Code of Corporate Governance, the Company is committed to good corporate governance and will ensure full application and compliance by giving annual statements of the Company's progress towards this end. The details of the compliance are set out in the Statement on Corporate Governance section of the Annual Report.

Acknowledgement

On behalf of the Board, I would like to extend my thanks and appreciation to my fellow members on the Board for their invaluable contributions, and also take this opportunity to record my utmost appreciation to the management and staff for their unfailing commitment, dedication and contribution.

I also wish to extend my gratitude to the shareholders of PSC Industries Berhad, various Government authorities, financial institutions and business associates for their continued support and guidance in making the year a successful one for the Company.

Tan Sri Dato' Amin Shah Bin Haji Omar Shah

Executive Chairman

Audit Committee Report

PSC INDUSTRIES BERHAD

COMPOSITION OF MEMBERS

Chairman

Mohd Noordin Bin Abdullah (Chairman, Independent Non-Executive Director)

Members

Pang Sow Num (Executive Director-Finance)

Idris Bin Zakaria (Independent Non-Executive Director)

Ibrahim Bin Topaiwah (Non-Independent Non-Executive Director)

Abdul Manap Bin Ali Hasan (Independent Non-Executive Director)

MEMBERSHIP

The Audit Committee shall be appointed by the Board from amongst the Directors of the Company which fulfills the following requirements:-

- The Committee must be composed of not less than three members,
- A majority of the Committee including the Chairman must be independent Directors.
- At least one member of the Committee:
 - must be a member of the Malaysian Institute of Accountants (MIA); or
 - if he is not a member of the MIA, he must have at least 3 years working experience and
 - (1) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967;
or
 - (2) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.

The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three (3) years.

AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee shall have direct access to the internal and external auditors and be able to convene meetings with external auditors excluding the attendance of the executive members of the Committee, whenever necessary.

DUTIES AND RESPONSIBILITY

The duties of the Committee shall be:-

- To consider the appointment of external auditors and the audit fee.
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.
- To review the quarterly announcements to the KLSE and year end annual financial statements before submission to the Board, focusing on:-
 - ✓ going concern assumption.
 - ✓ compliance with accounting standards and regulatory requirements.
 - ✓ any changes in accounting policies and practices.
 - ✓ significant issues arising from the audit.
 - ✓ major judgmental areas.
- To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).
- To review the external auditors management letter and management's response.
- To do the following when the internal audit function is established:-
 - ✓ review the adequacy of scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work.
 - ✓ review internal audit programme.
 - ✓ ensure co-ordination of external audit with internal audit.
 - ✓ consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function.
 - ✓ review any appraisal or assessment of the performance of the staff of the internal audit function.
 - ✓ approve any appointment or termination of senior staff member of the internal audit function.
 - ✓ inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation.
- To monitor related party transactions entered into by the Company and the Group, and to ensure that the directors report such transactions annually to the shareholders via the annual report.
- To review the effectiveness of internal control systems.

Audit Committee Report (cont'd)

PSC INDUSTRIES BERHAD

MEETINGS AND MINUTES

Meetings shall be held not less than four times a year, or more frequently when necessary. The presence of external auditors will be requested if required. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The external auditors may request a meeting if they consider it necessary. Written notice of the meeting together with the agenda shall be given to the members of the Committee and where applicable, the external auditors.

The Secretary to the Audit Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board. During the financial year ended 31 December 2001, the Audit Committee held a total of four meetings. The details of attendance of the Committee members are as follows:-

	23.02.2001	25.05.2001	24.08.2001	27.11.2001
Tan Sri Dato' Dr. Abdul Khalid Bin Sahan*	✓	✓	✓	✓
Pang Sow Num	✓	✓	✓	✓
Idris Bin Zakaria	✓	✓	Absent	✓
Mohd Noordin Bin Abdullah #	N/A	N/A	N/A	N/A
Ibrahim Bin Topaiwah#	N/A	N/A	N/A	N/A
Abdul Manap Bin Ali Hasan#	N/A	N/A	N/A	N/A

- Resigned on 12 December, 2001
- # Appointed on 12 December, 2001
- N/A - Not Applicable

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2001, the activities of the Audit Committee included:-

1. Reviewing the quarterly financial statements before announcements to the KLSE.
2. Reviewing the year-end financial statements together with external auditors management letter in relation to the audit and accounting issues arising from the audit and management's response.
3. Discussing and reviewing the external auditors scope of work, audit plan and procedures.
4. Discussing and reviewing the state of internal control in the Company and the set up of the internal control department.

INTERNAL AUDIT FUNCTION

The Internal Audit Division is responsible for providing independent assessments for adequate, efficient and effective internal control systems to anticipate potential risks exposures over key business processes within the Group.

Statement On Corporate Governance

PSC INDUSTRIES BERHAD

The Code

The Board of Directors is committed to ensuring the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of PSCI.

BOARD OF DIRECTORS

Composition of the Board

The Board currently has nine (9) members, comprising five (5) non-executive directors, three (3) of whom are independent and four (4) executive directors. No individual dominates the Board's decision making and the number of Directors reflects fairly the investment of the shareholders.

Y. Bhg Tan Sri Dato' Amin Shah Bin Haji Omar Shah leads the Board as Executive Chairman of the Company. Together, the Directors bring a wide range of business, commercial and financial experience relevant to the direction of the Group. More than one third of the Board comprise non-executive directors who are independent of management.

The Board continues to give close consideration to its size, composition and spread of experience and expertise. This balance enables the Board to provide effective leadership as well as independent judgement on business decisions taking into account long term interests of shareholders, customers, suppliers and other business associates the Group conducts its business.

In accordance to the requirement of the Code, Encik Mohd Noordin Bin Abdullah has been appointed as the Senior Independent Non-Executive Director to be available to deal with concerns of the Company.

The profile of the members of the Board is also provided in this Annual Report.

Board Responsibilities

An effective Board leads and controls the Group. This entails reviewing and adopting strategic plans for the Company, setting direction, overseeing the conduct of the business and managing the Company. Key matters such as approval of annual and quarterly results, acquisitions and disposals, capital expenditures, budgets, material contracts and business engagements, succession planning for top management are reserved for the Board. These reserved matters are set out in a formal statement of the Board's role.

The Board is assisted by various Committees which oversees the day-to-day operations of the Group, including review of monthly performance, budgets, capital investment proposals and many other operating issues arising out of the ordinary course of business.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee, the Nomination Committee and the Remuneration Committee.

Statement On Corporate Governance (cont'd)

PSC INDUSTRIES BERHAD

Board Meetings

The Board meets at least once in three (3) months with additional meetings held as and when required. The Board met for a total of seven (7) times during the year ended 31 December, 2001.

In advance of each Board meeting, the members of the Board are each provided with relevant documents and information to enable them to discharge their duties.

The Directors have access to the advice and services of the company secretary, who is responsible for ensuring the Board Meeting procedures are followed and that applicable rules and regulations are complied with.

The Memorandum and Articles of Association of the Company provides for the Chairman to have the casting vote in the event when an equality of votes arises over an issue in question.

Supply of Information

Prior to the Board Meeting, an agenda and a board report will be issued to all Directors for their review. This is issued in sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting. The board reports contain relevant information on the business of the meeting, which include among others: -

- Performance of the Group
- Operational matters
- Business development issues and market responses
- Capital expenditure proposals
- Acquisitions and disposals proposals
- Appointment of senior executives

The Board has approved a procedure to take independent professional advice in appropriate circumstances at the Company's expense. Before incurring such professional fees, the director concerned must consult with the Chairman of the Board or with two other directors, one of whom is non-executive.

Directors have access to all information within the Company, whether as a full Board or in the individual capacity, in the furtherance of their duties.

Directors also have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed.

Statement On Corporate Governance (cont'd)

PSC INDUSTRIES BERHAD

Appointment and Re-election of Directors

The Board had set up a Nomination Committee during the year, comprising the following members:-

Chairman:	Mohd Noordin Bin Abdullah (Chairman, Independent Non-Executive Director)
Members:	Abdul Manap Bin Ali Hasan (Independent Non-Executive Director) Idris Bin Zakaria (Independent Non-Executive Director)

The terms of reference approved for the Committee are to report its recommendations in respect of the following to the Board for its consideration and implementation:-

- Board's required mix of skills, experience, quality and core competencies which non-executive directors should bring to the Board.
- Assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual director.
- Consider and recommend to the Board candidates for directorships proposed by the Chief Executive Officer, Board members, senior executives of the Company or shareholders.
- Recommend to the Board, directors to fill the seats on Board committees; consider and recommend a policy regarding the period of service of executive and non-executive directors on the various Board's of the Group, its subsidiaries and associate companies.
- Consider and recommend solutions on issues of conflict of interest affecting directors of the Group and its subsidiary and associate companies.
- Consider and recommend any measures to upgrade the effectiveness of directors of the Group and its subsidiary and associate companies.
- To carry out such other assignments as may be delegated by the Board.

The directors have direct access to the advice and services of the Group's Company Secretary who is responsible for ensuring that all appointments are properly made and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act 1965, Listing Requirements of the KLSE and other regulatory requirements.

On appointment, directors will receive information on the Company which include financial, corporate business and regulatory information and their formal statement of the Board's role. Information will regularly be updated through meetings or written circulars. Directors are encouraged to attend training courses at the Company's expense. All directors of the Company have attended the KLSE's Mandatory Accreditation Programme.

In accordance with the Company's Articles of Association, at the first Annual General Meeting of the Company, all the Directors shall retire from office and at the Annual General Meeting in every subsequently year, one-third of the Directors for the time being or if the number is not three or a multiple of three, then the number nearest one-third shall retire from office and be eligible for re-election. All Directors shall retire office once at least in each 3 years.

Statement On Corporate Governance (cont'd)

PSC INDUSTRIES BERHAD

DIRECTORS' REMUNERATION

The Board had set up a Remuneration Committee during the year, comprising the following members:-

Chairman:	Mohd Noordin Bin Abdullah (Chairman, Independent Non-Executive Director)
Members:	Pang Sow Num (Executive Director-Finance)
	Idris Bin Zakaria (Independent Non-Executive Director)

The terms of reference approved for the Committee are to:-

- Review and recommend the general remuneration policy of the Group.
- Recommend to the Board the remuneration of executive directors in all its forms, drawing from outside advice as necessary and to review annually the compensation of directors.
- Remuneration package of non-executive director and non-executive chairman should be a matter for the Board as a whole and the individuals concerned should abstain from discussion of their own remuneration.
- Plan for succession to the position of Chairman of the Board and Chief Executive Officer as well as certain other senior management positions in the Group and the Chief Executive Officer to annually provides the Committee with an assessment of senior managers and their potential.
- Review the performance of Chief Executive Officers and Executive Directors within the Group.
- Recommend the appointment and promotion of top executives (General Managers and above) within the Group, determine their salaries and recommend salary revisions and improvements as are considered necessary together with fringe benefits, perquisites and bonus programmes.
- Recommend suitable short and long terms incentive plans including the setting of appropriate performance targets as well as a programme for management development.
- To carry out such other assignments as may be delegated by the Board.

The policy of the Remuneration Committee is to reward employees competitively, taking into account performance, market comparisons and competitive pressure in the industry. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of executive Directors. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive concerned.

A summary of the remuneration of the Directors for the financial year ended 31 December, 2001, distinguishing between executive and non-executive Directors in aggregate, with categorization into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are as follows: -

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	79,000	50,000	129,000
Salary (RM)	878,000	330,000	1,208,000
EPF (RM)	145,980	0	145,980
Bonus (RM)	108,752	0	108,752
Allowance (RM)	658,800	114,800	773,600
Benefit in kind (RM)	68,650	13,325	81,975
Total (RM)	1,939,182	508,125	2,447,307

Statement On Corporate Governance (cont'd)

PSC INDUSTRIES BERHAD

Directors' Remuneration

	Executive Directors	Non-Executive Directors	Total
0 - RM 50,000	1	4	5
RM100,001 - RM150,000	0	1	1
RM300,001 - RM350,000	2	1	3
RM650,001 - RM700,000	2	0	2
Total	5	6	11

SHAREHOLDERS

Dialogue Between the Company and Investors

The Group recognizes the importance of accountability to its shareholders through proper communication with its shareholders. The Group reaches out to its shareholders through the distribution of the annual reports.

The Executive Chairman, the Group Managing Director and the Executive Directors of the Company are available to meet with investors and shareholders as appropriate to explain the Group's strategy, major development and performance. However, any information that may be regarded as undisclosed material information about the group will not be given to any single shareholder or shareholder group.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with the shareholders. Notice of the Annual General Meeting and annual reports are sent out to shareholders at least twenty one (21) days before the date of the meeting.

At each Annual General Meeting, the Board encourages shareholders to participate in the question and answer session pertaining to the business activities of the Group. Executive Directors and where appropriate, the Chairman of the Audit Committee is available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question, which cannot be readily answered on the spot.

In case of re-election of Directors, the Board will ensure that full information is disclosed through the notice of the meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement on the proposed resolution to facilitate full understanding and evaluation of issues involved.

Statement On Corporate Governance (cont'd)

PSC INDUSTRIES BERHAD

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, investors and regulatory authorities, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 31 of this Annual Report.

Internal Control

The Directors acknowledge their responsibilities for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management.

The instituting of such internal controls are implemented through: -

- Regular visits to operating units by Board members and senior management
- Frequent management meetings to review financial and operational performance and determine the necessary action to be taken in any given business situation.
- The operations manuals, guidelines and procedures issued and updated from time to time
- Pre-programming of internal control requirements into the company's computerised systems
- Defined delegation of responsibilities amongst Board members and operating units.
- Experienced and suitably qualified staff handling various key business functions

The internal control system is designed to meet the Group's particular needs and to manage the risks to which the Group is exposed. The system can only manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against misstatement, loss or fraud.

Additional processes shall be established for identifying, evaluating and managing the significant risks within the company which is in accordance with the guidelines "Statement of Internal Control: Guidance for Directors of Public Listed Companies" issued by the KLSE.

Relationship with the Auditors

The role of the Board re: the Audit Committee in relation to the external auditors is stated in the Audit Committee Report set out on pages 14 to 16. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

Directors' Responsibility Statement

PSC INDUSTRIES BERHAD

This statement is prepared as required by Paragraph 15.27(a) of the Listing Requirements of the KLSE.

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors considered that in preparing the financial statements,

- The Group and the Company have used appropriate accounting policies and 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 Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure 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 to prevent and detect fraud and other irregularities.

Additional Compliance Information

PSC INDUSTRIES BERHAD

Sanctions and /or Penalties

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

Revaluation Policy on Landed Properties

Save and except for investment properties which were appraised once in every five (5) years, the Group does not have a revaluation policy.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group and the Company for the financial year amounted to RM86,395 and RM14,105 respectively.

Share Buy-Backs

The Company did not make any share buy-back during the financial year.

Options and Warrants

No options and warrants were exercised during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year.

Variation in Results

There was no material variation between the audited results for the financial year ended 31 December, 2001 and the unaudited results previously released for the financial quarter ended 31 December, 2001.

Profit Guarantee

The Company did not make any arrangement during the financial year which requires profit guarantee.

Financial Statements

PSC INDUSTRIES BERHAD

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Directors' Report

PSC INDUSTRIES BERHAD

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, property holding and development. The principal activities of the subsidiary companies are as mentioned in Note 13 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

FINANCIAL RESULTS

	The Group RM	The Company RM
Profit after taxation	84,334,459	4,716,586
Minority interests	(40,916,149)	-
Profit after taxation and minority interests	43,418,310	4,716,586
Unappropriated profits brought forward	84,107,980	91,774
Unappropriated profits carried forward	127,526,290	4,808,360

DIVIDENDS

During the financial year, the Company paid a first and final dividend of 8% tax exempt amounting to RM6,330,334 in respect of the previous financial year which was dealt with in the previous year's report.

Subsequent to the financial year end, the Directors recommended the payment of a first and final dividend of 8% less 28% tax for the financial year ended 31 December 2001 amounting to RM4,557,840. This recommendation will be proposed for shareholders' approval at the forthcoming Annual General Meeting and subject to the consent from the relevant creditor banks. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by shareholders and creditor banks will be accounted for in the shareholders' equity as an appropriation of unappropriated profits in the next financial year ending 31 December 2002.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Note to the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued by the Company during the financial year.

INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amount written off as bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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.

No contingent or other liability 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 affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

The Directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of Directors:-

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 42 to the Financial Statements.

SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

Significant event subsequent to Balance Sheet date is disclosed in Note 43 to the Financial Statements.

DIRECTORS

The Directors in office since the date of the last report are:-

Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah (Executive Chairman)
Azlan Shah Bin Haji Omar Shah (Group Managing Director)
Pang Sow Num (Executive Director - Finance)
Ishak Bin Osman (Executive Director - Operations)
Idris Bin Zakaria (Director)
Y. Bhg. Datuk Mohamed Saleh Bin Mohd Ghazali (Director)
Abdul Manap Bin Ali Hasan (Director)
Mohd Noordin Bin Abdullah (Director; appointed on 12.12.2001)
Ibrahim Bin Topaiwah (Director; appointed on 12.12.2001)
Y. Bhg. Tan Sri Dato' Dr. Abdul Khalid Bin Sahan (Chairman; resigned on 12.12.2001)
Azhar Shah Bin Haji Omar Shah (Director; resigned on 15.8.2001)

In accordance with Article 94 of the Articles of Association, Mohd Noordin Bin Abdullah and Ibrahim Bin Topaiwah retire from the board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 103 of the Articles of Association, Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah and Azlan Shah Bin Haji Omar Shah retire from the board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Report (cont'd)

PSC INDUSTRIES BERHAD

According to the Register of Directors' Shareholdings, the Directors' beneficial interest in the share of the Company at the financial year end are as follows:-

The Company	As at 1.1.2001	Ordinary shares of RM1.00 each		
		As at Bought	Sold	31.12.2001
Tan Sri Dato' Amin Shah Bin Haji Omar Shah				
- direct (1)	44,000	-	-	44,000
- indirect (2)	36,249,616	812,000	(785,000)	36,276,616

(1) Held for Business Focus Sdn Bhd.

(2) Deemed interest by virtue of his substantial shareholdings in Business Focus Sdn. Bhd.

By virtue of Tan Sri Dato' Amin Shah Bin Haji Omar Shah's direct and indirect interest in the Company, he is also deemed to have interest in the shares of all the subsidiary companies to the extent the Company has an interest.

No other Directors who are in office at financial year end, held any interest in the shares of the Company and its subsidiary companies during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in the Notes to 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 he is a member, or with a company in which he has a substantial financial interest.

ULTIMATE HOLDING COMPANY

The Company deemed Business Focus Sdn. Bhd., a company incorporated in Malaysia, to be its ultimate holding company.

Directors' Report (cont'd)

PSC INDUSTRIES BERHAD

AUDITORS

Messrs Shamsir Jasani Grant Thornton have expressed their willingness to continue in office.

On behalf of the Board

PANG SOW NUM

Director

ISHAK BIN OSMAN

Director

Kuala Lumpur
26 April 2002

Directors' Report (cont'd)

PSC INDUSTRIES BERHAD

In the opinion of the Directors, the financial statements set out on pages 35 to 80 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 as at 31 December 2001 and of the results and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board

PANG SOW NUM

Director

ISHAK BIN OSMAN

Director

Kuala Lumpur

26 April 2002

Statutory Declaration

PSC INDUSTRIES BERHAD

I, Pang Sow Num, being the Director primarily responsible for the financial management of PSC Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 35 to 80 are 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 at Kuala Lumpur in)
the Federal Territory this day of) **PANG SOW NUM**
26 April 2002)

Before me:

TEE KIAN @ TEE SING PPN (No. W 193)
Commissioner for Oaths
Kuala Lumpur

Report Of The Auditors

To The Members Of PSC INDUSTRIES BERHAD

PSC INDUSTRIES BERHAD

We have audited the financial statements set out on pages 35 to 80. These financial statements are 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 considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit 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 which have been prepared under the historical cost convention, as modified by the revaluation of certain assets 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 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
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2001 and of the results of the operations and cash flows of the Group and of the Company for the financial year ended on that date;

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Report Of The Auditors

To The Members Of PSC INDUSTRIES BERHAD

PSC INDUSTRIES BERHAD

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 13 to the Financial Statements.

We are satisfied that the financial statements of the subsidiary companies 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 auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

We wish to draw your attention to the following claims made by two subsidiary companies against the Government of Malaysia for its entitlement and rights amounting to RM18.6 million and RM36 million which has been accrued in the financial statements respectively. The details of the above are disclosed in Note 21 and 22 to the Financial Statements. Our opinion is not qualified on the above matters.

SHAMSIR JASANI GRANT THORNTON

(NO: AF-737)

CHARTERED ACCOUNTANTS

DATO' N.K. JASANI

CHARTERED ACCOUNTANT

(NO: 708/03/04(J/PH))

PARTNER

Kuala Lumpur

26 April 2002

Balance Sheets

To The Members Of PSC INDUSTRIES BERHAD

PSC INDUSTRIES BERHAD

	NOTE	The Group		The Company	
		2001 RM	2000 RM	2001 RM	2000 RM
SHARE CAPITAL	4	79,129,174	79,129,174	79,129,174	79,129,174
RESERVES	5	213,821,802	206,299,909	86,117,320	81,400,734
Total shareholders' funds		292,950,976	285,429,083	165,246,494	160,529,908
MINORITY INTERESTS		153,977,797	113,204,664	-	-
DEFERRED AND LONG TERM LIABILITIES					
Finance creditors	6	2,697,363	3,068,424	-	13,500
Term loans	7	417,135,549	195,158,971	128,542,766	3,249,994
Deferred taxation	8	49,886,189	56,685,189	7,997,789	6,922,789
		916,647,874	653,546,331	301,787,049	170,716,191
Represented by:-					
FIXED ASSETS	9	282,872,074	216,662,090	376,172	472,540
INTANGIBLE ASSETS	10	1,589,460	2,162,174	-	-
INVESTMENT PROPERTIES	11	70,000,000	117,000,000	-	-
DEFERRED ASSETS	12	79,021,362	82,972,430	-	-
SUBSIDIARY COMPANIES	13	-	-	278,387,887	278,387,887
ASSOCIATED COMPANY	14	-	-	-	-
INVESTMENTS	15	2,980,290	2,986,988	890,000	890,000
GOODWILL ON CONSOLIDATION	16	212,773,805	213,956,444	-	-
DEFERRED EXPENDITURE	17	25,049,827	16,566,254	283,950	283,950
CURRENT ASSETS					
Offshore patrol vessels expenditure	18	997,197,609	1,034,150,864	-	-
Contract sum receivables	19	80,758,431	46,281,403	-	-
Inventories	20	10,894,470	9,596,237	-	-
Trade debtors	21	297,526,997	147,624,620	-	-
Other debtors, deposits and prepayments	22	118,963,284	126,270,078	27,110,192	27,570,251
Amount due from subsidiary companies	23	-	-	135,286,148	119,670,455
Amount due from associated company	24	-	2,887,338	-	2,887,338
Deposits with licensed banks and other corporations	25	602,701,763	951,581,934	-	-
Cash and bank balances		4,625,570	9,479,518	126,595	129,508
Total current assets		2,112,668,124	2,327,871,992	162,522,935	150,257,552

Balance Sheets (cont'd)

To The Members Of PSC INDUSTRIES BERHAD

PSC INDUSTRIES BERHAD

	NOTE	The Group		The Company	
		2001 RM	2000 RM	2001 RM	2000 RM
LESS: CURRENT LIABILITIES					
Trade creditors	26	1,240,466,016	1,620,264,674	-	-
Other creditors and accrued liabilities	27	139,147,500	102,802,712	481,098	1,269,234
Amount due to subsidiary companies	23	-	-	12,298,382	17,176,073
Term loans	7	240,698,051	406,464,047	32,283,910	144,361,693
Other bank borrowings	28	179,325,660	170,977,990	91,736,505	89,825,904
Proposed dividend		-	6,330,334	-	6,330,334
Taxation payable		70,669,841	19,792,284	3,874,000	612,500
Total current liabilities		1,870,307,068	2,326,632,041	140,673,895	259,575,738
NET CURRENT ASSETS/(LIABILITIES)		242,361,056	1,239,951	21,849,040	(109,318,186)
		916,647,874	653,546,331	301,787,049	170,716,191

The accompanying notes form an integral part of the financial statements

Income Statements

for the financial year ended 31 December 2001

PSC INDUSTRIES BERHAD

	NOTE	The Group		The Company	
		2001 RM	2000 RM	2001 RM	2000 RM
Revenue	29	985,877,065	755,735,423	25,189,198	23,064,373
Cost of sales/Direct costs		(795,271,023)	(614,899,980)	-	-
Gross profit		190,606,042	140,835,443	25,189,198	23,064,373
Other operating income		39,777,059	36,432,447	117,795	1,143,778
Distribution cost		(1,250,556)	(1,383,528)	-	-
Administration expenses		(1,644,183)	(2,548,835)	(83,000)	(70,500)
Other operating expenses		(70,708,246)	(58,857,859)	(4,037,761)	(994,708)
Profit from operations		156,780,116	114,477,668	21,186,232	23,142,943
Finance cost		(49,807,757)	(47,035,930)	(11,520,646)	(14,072,765)
Profit before exceptional items	30	106,972,359	67,441,738	9,665,586	9,070,178
Exceptional items	31	24,117,206	36,565,359	-	-
Profit before taxation		131,089,565	104,007,097	9,665,586	9,070,178
Taxation	32	(46,755,106)	(45,883,242)	(4,949,000)	(2,665,000)
Profit after taxation		84,334,459	58,123,855	4,716,586	6,405,178
Minority interests		(40,916,149)	(39,186,777)	-	-
Net profit for the year		43,418,310	18,937,078	4,716,586	6,405,178
Earnings per share (sen)	33	55	24		
Dividends per share (sen)	34	-	8	-	8

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity

for the financial year ended 31 December 2001

PSC INDUSTRIES BERHAD

The Group	Share capital RM	Share premium * RM	Revaluation reserve * RM	Exchange fluctuation reserve * RM	Unappropriated profits RM	Capital reserves * RM	Total RM
Balance at 1 January 2000	79,129,174	81,308,960	39,328,311	1,279,449	71,501,236	6,095,869	278,642,999
Net losses not recognised in the income statements							
- Currency translation differences	-	-	-	(5,820,660)	-	-	(5,820,660)
Net profit for the year	-	-	-	-	18,937,078	-	18,937,078
Proposed dividend (8% tax exempt) (Note 34)	-	-	-	-	(6,330,334)	-	(6,330,334)
Balance at 31 December 2000	79,129,174	81,308,960	39,328,311	(4,541,211)	84,107,980	6,095,869	285,429,083
Net gain/(losses) not recognised in the income statements							
- Realisation of revaluation reserve upon disposal of a subsidiary company	-	-	2,971,040	-	-	-	2,971,040
- Deficit on revaluation of investment property	-	-	(37,877,299)	-	-	-	(37,877,299)
- Currency translation differences	-	-	-	(990,158)	-	-	(990,158)
Net profit for the year	-	-	-	-	43,418,310	-	43,418,310
Balance at 31 December 2001	79,129,174	81,308,960	4,422,052	(5,531,369)	127,526,290	6,095,869	292,950,976
The Company							
Balance at 1 January 2000	79,129,174	81,308,960	-	-	16,930	-	160,455,064
Net profit for the year	-	-	-	-	6,405,178	-	6,405,178
Proposed dividend (8% tax exempt) (Note 34)	-	-	-	-	(6,330,334)	-	(6,330,334)
Balance at 31 December 2000	79,129,174	81,308,960	-	-	91,774	-	160,529,908
Net profit for the year	-	-	-	-	4,716,586	-	4,716,586
Balance at 31 December 2001	79,129,174	81,308,960	-	-	4,808,360	-	165,246,494

* Non-distributable reserves.

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

for the year ended 31 December 2001

PSC INDUSTRIES BERHAD

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	131,089,565	104,007,097	9,665,586	9,070,178
Adjustments for:-				
Interest expenses	49,807,752	47,035,930	11,520,646	14,072,765
Interest income	(32,044,038)	(30,973,249)	(9,349,197)	(8,974,373)
Provision for doubtful debts no longer required	(3,517,008)	(1,236,747)	-	-
Amortisation	4,319,804	4,328,301	-	-
Unrealised gain on foreign exchange arising from offshore patrol vessels contract	(33,133,818)	(36,565,359)	-	-
Gain on disposal of a subsidiary company	(106,089)	-	-	-
Deficit on revaluation of investment property	9,122,701	-	-	-
Provision for obsolete inventories	-	317,015	-	-
Inventories written off	317,015	923,801	-	-
Provision for doubtful debts	16,999,538	14,860,317	-	-
Depreciation	4,611,193	10,353,109	96,368	96,368
Gain on disposal of fixed assets (net)	(14,418)	(75,994)	-	-
Fixed assets written off	244,972	249,676	-	-
Bad debts written off	6,639,343	1,561,077	2,891,169	-
Provision for obsolete inventories no longer required	(317,015)	-	-	-
Expenditure carried forward written off	-	4,792,947	-	-
Dividend income	-	-	(3,840,001)	(14,090,000)
Operating profit before working capital changes	154,019,497	119,577,921	10,984,571	174,938
Changes in working capital:-				
Inventories	(1,491,498)	35,618	-	-
Debtors	(197,805,879)	25,420,628	407,559	23,477,256
Creditors	(273,420,939)	(161,659,185)	3,319,639	(1,305,285)
Associated company	(3,831)	(150)	(3,831)	(150)
Subsidiary companies	-	-	(11,153,097)	(16,287,145)
Contract sum receivables	(30,192,755)	(6,582,495)	-	-
Offshore patrol vessels expenditure	88,687,635	44,376,561	-	-
Cash (used in)/generated from operations	(260,207,770)	21,168,898	3,554,841	6,059,614
Interest paid	(19,273,477)	(18,907,238)	(21,455)	(3,266,625)
Tax (paid)/refund	(2,029,799)	494,687	-	466,594
Deferred expenditure paid	(8,793,311)	(9,165,152)	-	-
Net cash (used in)/generated from operating activities	(290,304,357)	(6,408,805)	3,533,386	3,259,583

Cash Flow Statements (cont'd)

for the year ended 31 December 2001

PSC INDUSTRIES BERHAD

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	32,044,038	30,834,744	-	-
Proceeds from disposal of fixed assets	15,181	204,907	-	-
Proceeds from disposal of a subsidiary company (Note 13 (c))	(3,145)	-	-	-
Acquisition of additional interest in subsidiary company (Note B)	-	(148,500)	-	-
Purchase of subsidiary companies, net of cash and cash equivalent acquired (Note C)	-	(812,000)	-	-
Withdrawal from fixed deposit pledged	549,250,692	48,488,227	-	-
Placement of fixed deposits	(236,655,665)	-	-	-
Purchase of fixed assets (Note D)	(76,423,827)	(12,064,381)	-	-
Net cash generated from investing activities	268,227,274	66,502,997	-	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Term loans raised	101,650,535	35,543,327	-	-
Repayment of term loans	(85,359,365)	(142,306,734)	-	-
Repayment of hire purchase creditors	(1,272,272)	(1,234,011)	(61,105)	(101,873)
Other bank borrowings	7,838,395	23,221,377	-	-
Dividends paid	(6,330,334)	(6,330,334)	(6,330,334)	(6,330,334)
Net cash generated from/(used in) financing activities	16,526,959	(91,106,375)	(6,391,439)	(6,432,207)
Net changes	(5,550,124)	(31,012,183)	(2,858,053)	(3,172,624)
Cash and cash equivalents at beginning of year	(63,934,285)	(32,938,870)	(38,968,102)	(35,795,478)
Cash and cash equivalents at end of year (Note A)	(69,484,409)	(63,951,053)	(41,826,155)	(38,968,102)

Cash Flow Statements (cont'd)

for the year ended 31 December 2001

PSC INDUSTRIES BERHAD

NOTES TO THE CASH FLOW STATEMENTS

(A) ANALYSIS OF CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Deposits with licensed banks and other corporations	2,262,806	1,982,358	-	-
Cash and bank balances	4,625,570	9,479,518	126,595	129,508
Bank overdrafts	(76,372,785)	(75,412,929)	(41,952,750)	(39,097,610)
Cash and cash equivalents as previously reported	(69,484,409)	(63,951,053)	(41,826,155)	(38,968,102)
Effect of foreign exchange rate changes	-	16,768	-	-
	<u>(69,484,409)</u>	<u>(63,934,285)</u>	<u>(41,826,155)</u>	<u>(38,968,102)</u>

(B) ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY COMPANY

	The Group	
	2001 RM	2000 RM
Additional net assets acquired	-	52,010,265
Reserve on consolidation	-	(26,961,765)
Settlement via set of advances	-	25,048,500
Settlement by cash	-	(24,900,000)
	-	<u>148,500</u>

(C) ANALYSIS OF ACQUISITION OF INTEREST IN A SUBSIDIARY COMPANY

	The Group	
	2001 RM	2000 RM
NET ASSETS ACQUIRED		
Term loan	-	(100,469,976)
Other creditor	-	(6,900,323)
Minority interest	-	67,896,892
Goodwill on consolidation	-	40,285,407
Settlement by cash	-	<u>812,000</u>

Cash Flow Statements (cont'd)

for the year ended 31 December 2001

PSC INDUSTRIES BERHAD

NOTES TO THE CASH FLOW STATEMENTS (Cont'd)

(D) FIXED ASSETS

During the year, the Group acquired fixed assets with an aggregate cost of RM81,398,915 (2000: RM19,965,761) of which RM1,107,500 (2000: RM956,000) was acquired by means of hire purchase. Cash payments of RM76,423,827 (2000: RM12,064,381) were made to purchase the fixed assets and the balance RM3,867,588 (2000: RM6,945,380) are loan interest capitalised and reclassified from working capital.

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements

31 December 2001

PSC INDUSTRIES BERHAD

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The financial statements of the Group and of the Company are prepared under the historical cost convention, modified by the revaluation of certain assets.

(b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The results of subsidiary companies acquired or disposed during the financial year are included in the consolidated income statement from the date of their acquisition up to the date of disposal. Inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

At the date of acquisition, the fair value of the subsidiary companies' net assets are reflected in the Group's financial statements. The difference between the acquisition price and the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. Goodwill on consolidation is retained in the consolidated balance sheet and will be written off only when there is a permanent diminution in value.

(c) Subsidiary companies

A subsidiary company is a company in which the Group controls the composition of its board of directors or more than half of its voting power, or holds more than half of its issued ordinary share capital.

Investments in subsidiary companies are stated at cost, and written down when the Directors consider that there is a permanent diminution in the value of such investments.

(d) Associated companies

The Group treats as associated companies those companies in which the Group holds a long term equity interest of between 20 to 50 percent and where there is management participation through board representation.

The Group's share of profits less losses and taxation of the associated company is included in the consolidated income statement in place of dividends received and the Group's share of post-acquisition retained profits or losses and reserves is included in the cost of investment in the consolidated balance sheet.

These amounts are based on the latest audited financial statements of the company concerned.

Investment in associated companies are stated at cost, and written down when the Directors consider that there is a permanent diminution in the value of such investments.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

(e) Revenue recognition

- (i) Contract revenue and profit on long term construction contracts are accounted for on the percentage of completion method by reference to the percentage of actual construction work completed and cost incurred.

When the outcome of a construction contract cannot be estimated reliably;

- 1) Revenue is recognised only to the extent of a contract costs incurred that is probable will be recoverable; and
- 2) Contract costs will be recognised as an expenses in the financial year in which they are incurred.

In all cases, full provision for these losses is made in the financial statements where foreseeable losses on contracts are anticipated.

- (ii) Revenue from manufacturing and trading activities are recognised upon delivery of product and customer acceptance, if any, or performance of services, net of discount and sales returns.
- (iii) Dividend income is recognised in the income statement as and when declared or proposed.

(f) Capital work in progress

Capital work in progress consists of building, workshop and platform under construction/installation for intended use as production facilities. The amount is stated at cost and not depreciated until the assets is fully completed and brought into use.

(g) Contract sum receivable/payable

Contract sum receivable consists of expenditure incurred to date on construction, shipbuilding and shiprepair and related engineering contract and a proportion of estimated profit attributable to contract work performed to date less progress billings received and receivable.

Where progress billings in respect of individual contract exceeded the sum of contract costs incurred plus recognised profit less recognised loss, the excess amounts are classified under contract sum payable.

(h) Fixed assets and depreciation

- (i) Fixed assets are stated at cost, or valuation less accumulated depreciation.
- (ii) Freehold land is not depreciated while leasehold lands are amortised over the remaining period of the lease.
- (iii) Depreciation on other fixed assets is calculated to write off their cost or amount of the valuation on a straight line basis over the expected useful lives of the fixed assets concerned. The principal annual rates used for this purpose are:-

Leasehold land	Over 29 - 99 years
Buildings, jetties, slipways and roads	3% - 10%
Factory buildings and improvements	1% - 10%
Plant and machinery	5% - 20%
Equipment, furniture, fittings, tools and renovation	7% - 50%
Barges and motor vehicles	5% - 25%

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

(i) Intangible assets - Design technology

Design technology is included at cost or valuation. Its carrying value is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from the asset. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present value in determining recoverable amount.

Design technology is amortised on a straight line basis over a period of 10 years, being the estimated life of the technology.

(j) Foreign currency translation

Foreign currency assets and liabilities are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date and income statement items, where applicable, are converted at rates ruling on the transaction dates. Differences on exchange are taken to the income statement.

For the purposes of consolidation, financial statements of the foreign subsidiary companies are translated into Ringgit Malaysia at rate of exchange ruling at the balance sheet date while income statement and translated at average rates for the financial year. Exchange differences arising from these translations are reflected in the exchange fluctuation reserve account.

The exchange rates ruling at balance sheet date are as follows:-

	2001 RM	2000 RM
1 Australia Dollar	1.92	2.12
1 Deutsche Mark	1.71	1.81
1 US Dollar	3.80	3.80
1000 Ghana Cedis	0.53	0.56
1 Euro	3.40	3.57

(k) Investment properties

Depreciation is not provided on investment properties in accordance with International Accounting Standard 25. Investment properties consists of land and building and are held as long term investment, deriving rental income. Investment properties are stated at valuation. Revaluation are made at least once every five (5) years by independent valuer on an open market value basis. Any increase arising from valuation is credited to a revaluation reserve; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the income statements.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

(l) Investments

- (i) Investment in quoted shares are stated at the lower of cost and market value.
- (ii) Investment in unquoted shares is stated at cost less provision for any permanent diminution in value.
- (iii) Other investments which are held on long term basis are stated at cost. Provision for diminution in value of investment will be made if in the opinion of Directors, such diminution is of a permanent nature.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate provision has been made for all obsolete and slow moving inventories. Cost of inventories of a subsidiary company consists of direct materials, direct labour and production overheads determined principally on a weighted average basis. Cost of inventories in other subsidiary companies are determined principally on a first-in first-out basis.

(n) Deferred taxation

Provision is made by using the liability method for taxation deferred in respect of all timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future. Future tax benefits are not recognised unless it can be demonstrated that the benefits can be realised in due course.

(o) Debtors

Known bad debts are written off and specific provision is made for any debts considered to be doubtful of collection.

(p) Fixed assets acquired under finance lease and hire purchase arrangements

The cost of assets acquired under finance lease and hire purchase arrangements are capitalised. The depreciation policy on these assets is similar to that of the Group's fixed assets depreciation policy. Outstanding obligation due under the finance lease and hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease and hire purchase agreements are allocated to income statements over the period of the respective agreements.

(q) Deferred expenditure

Deferred expenditure in relation to rights issue/bonus issue expenses will be written off against share premium account upon completion of the exercise.

Deferred expenditure of the subsidiary companies comprise of expenditure incurred for the purpose of securing future projects and pre-operating and preliminary expenditure. The former will be charged to the project account on successful procurement of the project concerned. Should the project be aborted, the related expenditure will be charged to the income statement in the financial year in which such decision is made. The latter has been written off in the previous financial year in order to conform with MASB 1.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

(r) Offshore Patrol Vessels Expenditure

Offshore Patrol Vessels Expenditure (OPV) comprise of all direct costs and other related costs common to the construction of patrol vessel, including interests from financing, yard upgrading costs and technical advisory fees in relation to the project, and where applicable, attributable profits on construction in progress less progress billings received and receivable.

(s) Capitalisation of borrowing cost

Interest incurred on borrowings associated with yard development and capital work in progress are added to the cost of such assets until the assets are ready for its intended use.

(t) Deferred assets

Deferred assets refers to the amount paid for the acquisition of Rights under the Patrol Vessel Contracts plus interest expense capitalised until the Patrol Vessel Contracts started and is being amortised equally over 231/4 financial years commencing October 1998.

(u) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, property holding and development. The principal activities of the subsidiary companies are as mentioned in Note 13 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

4. SHARE CAPITAL

	The Company	
	2001 RM	2000 RM
Authorised:		
Ordinary shares of RM1 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid:		
Ordinary shares of RM1 each	<u>79,129,174</u>	<u>79,129,174</u>

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

5. RESERVES

Subject to the agreement by Inland Revenue Board of Malaysia, the Company has sufficient tax credits under Section S108 of the Income Act, 1967 to frank dividends out of its entire unappropriated profit. The Company has a tax exempt account amounting to approximately RM850,000 (2000: RM850,000) from which tax exempt dividends can be declared.

6. FINANCE CREDITORS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Finance creditors	13,869,148	14,608,564	1,862	86,022
Interest in suspense	(526,462)	(1,092,992)	-	(23,055)
	13,342,686	13,515,572	1,862	62,967
Amount due within 12 months	(10,645,323)	(10,447,148)	(1,862)	(49,467)
	2,697,363	3,068,424	-	13,500
Total principal sum payable				
- within 1 year	10,645,323	10,447,148	1,862	49,467
- after 1 year but not later than 5 years	2,697,363	3,068,424	-	13,500
	13,342,686	13,515,572	1,862	62,967

The amount payable within 12 months is included under other creditors and accrued liabilities.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

7. TERM LOANS

	2001 RM	The Group 2000 RM	The Company 2001 RM	2000 RM
Secured:-				
Term loan 1	145,742,757	133,625,058	145,742,757	133,625,058
Term loan 2	7,118,540	6,398,998	7,118,540	6,398,998
Term loan 3	41,497,093	41,525,653	-	-
Term loan 4	-	12,795,911	-	-
Term loan 5	52,875,830	48,823,414	-	-
Term loan 6	21,954,625	21,954,625	-	-
Term loan 7	149,902,004	137,438,451	-	-
Term loan 8	-	323,859	-	-
Term loan 9	-	3,071,442	-	-
Term loan 10	-	28,000,000	-	-
Term loan 11	52,043,663	48,176,066	-	-
Term loan 12	-	8,349,468	-	-
Term loan 13	14,772,139	14,772,139	-	-
Term loan 14	51,989,795	59,247,446	-	-
Term loan 15	50,000,000	-	-	-
Term loan 16	30,000,000	-	-	-
Term loan 17	4,709,126	4,308,821	4,709,126	4,308,821
	622,605,572	568,811,351	157,570,423	144,332,877
Unsecured:-				
Term loan 18	3,256,253	3,278,810	3,256,253	3,278,810
Term loan 19	2,153,165	2,153,165	-	-
Term loan 20	19,744,102	18,100,687	-	-
Term loan 21	10,074,508	9,279,005	-	-
	35,228,028	32,811,667	3,256,253	3,278,810
Total	657,833,600	601,623,018	160,826,676	147,611,687
Repayable within 12 months (included under current liabilities)	(240,698,051)	(406,464,047)	(32,283,910)	(144,361,693)
	417,135,549	195,158,971	128,542,766	3,249,994

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

7. TERM LOANS (cont'd)

- (a) The term loans obtained from financial institutions are secured by the following:-
- (i) Term loan 1 - a loan agreement, negative pledge, a pledge by the Company in respect of 13.2 million shares in a subsidiary company and personal guarantee by one of the Company Director.
 - (ii) Term loan 2 - a first charge over a third party's land held under Pajakan Negeri.
 - (iii) Term loan 3 - a first charge over a subsidiary company's freehold land and building.
 - (iv) Term loan 4 - a fixed and floating charge over all the assets of a subsidiary company, first preferred mortgage on the mortgaged vessels, assignment of insurance proceeds, assignment of shipbuilding contract with the builder and letter of undertaking from a Protection and Indemnity (P&I) Club.
 - (v) Term loan 5 - an assignment of sales proceeds of the construction of housing project in Albania by a subsidiary company and a letter of guarantee from the Company.
 - (vi) Term loan 6 - a second legal third party charge for RM18 million, ranking pari passu with the first party first fixed charge created by a bank over assets of the Group and corporate guarantee given by the Company.
 - (vii) Term loan 7 - a first charge on 2 pieces of land held under Pajakan Negeri respectively, for the purpose of investment in PSC-Naval Dockyard Sdn Bhd and pledgement of part of ordinary shares of PSC-Naval Dockyard Sdn. Bhd.
 - (viii) Term loan 8 - a mortgage on the vessel financed.
 - (ix) Term loan 9 - a mortgage on the vessel financed and a pledge on fixed deposit amounting to RM2.0 million.
 - (x) Term loan 10 - a Construction Contract Agreement, a negative pledge in respect of all the present and future assets and a Covenant to provide further securities of a subsidiary company.
 - (xi) Term loan 11 - a first charge over a subsidiary company's constructions project in China.
 - (xii) Term loan 12 - an assignment of contract proceeds from the Government.
 - (xiii) Term loan 13 - third party first legal charge on properties and a security deposits of RM300,000 placed with the licensed bank by a subsidiary company.
 - (xiv) Term loan 14 - 1st Deed of Debenture totaling RM90 million providing first fixed and floating charges over all present and future assets of a subsidiary company, pledges of shares in a subsidiary company, irrevocable letter of undertaking from a subsidiary and the Company to utilise the proceeds of approximately RM50 million from the proposed private placement of the Company and corporate guarantee given by the Company.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

7. TERM LOANS (cont'd)

- (xv) Term loan 15 - an Assignment of contract proceeds up to RM50,000,000 receivable from the Government for OPV project, sinking fund of 3% deduction from every progress payment receivable from Government and personal guarantee by one of the Directors of the Company.
- (xvi) Term loan 16 - an Assignment of contract proceeds from the Government up to RM30 million and fixed deposits of the subsidiary company amounting RM1.25 million.
- (xvii) Term loan 17 - a negative pledge in respect of 11 million shares in a subsidiary company.
- (xviii) Term loan 18 - negative pledge in respect of all the present and future assets of the Company.
- (xvix) Term loan 19 - corporate guarantee given by the Company.
- (xx) Term loan 20 - Corporate guarantee given by the Company.
- (xxi) Term loan 21 - Corporate guarantee given by the Company.

(b) The repayment schedule of the term loans are:-

- (i) Term loan 1 has been restructured to be repaid over 5 years commencing April 2002.
- (ii) Term loan 2 is repayable over 120 monthly instalments commencing September 1997.
- (iii) Term loan 3 is repayable over 11 years by 119 equal monthly instalments of RM466,830 each plus one last instalment to be calculated commencing October 1996.
- (iv) Term loan 4 is repayable over 96 equal instalments commencing May 1999.
- (v) Term loan 5 is repayable over 7 years, on a tail-heavy basis with the first to commence at the end of 36 months from the first drawdown date ie. February 1996.
- (vi) Term loan 6 is repayable over 83 equal monthly instalments of RM290,520 each commencing October 1998.
- (vii) Term loan 7 has been restructured to be repaid over 5 years commencing April 2002.
- (viii) Term loan 8 is repayable over 72 monthly instalments commencing February 1995.
- (ix) Term loan 9 is repayable over 60 equal monthly instalments commencing December 1997.
- (x) Term loan 10 is repayable over 6 equal semi-annual instalments commencing April 1999.
- (xi) Term loan 11 has been restructured to be repaid over 5 years commencing April 2002.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

7. TERM LOANS (cont'd)

- (xii) Term loan 12 is repayable within 2 years commencing from 1 September 1999.
 - (xiii) Term loan 13 is repayable within 5 years from first drawdown on January 2000. The interest shall be payable monthly commencing February 2001 and the principal is to be fully repaid at the end of the tenure.
 - (xiv) Term loan 14 is repayable by 20 equal quarterly instalments commencing March 2001.
 - (xv) Term loan 15 is repayable within 2.5 years from 3 months after first drawdown on March 2001.
 - (xvi) Term loan 16 is repayable within 2 years in 3 instalments by way of assignment of progress billing to the Government of Malaysia in relation to the construction contract.
 - (xvii) The tenure of term loan 17 is 5 years inclusive of 12 months grace period commencing August 1995.
 - (xviii) Term loan 18 is repayable over 60 monthly instalments commencing December 1995.
 - (xvix) Term loan 19 is repayable over 60 monthly instalments commencing from the date of first drawdown ie. January 1996.
 - (xx) Term loan 20 has been restructured to be repaid over 5 years commencing April 2002.
 - (xxi) Term loan 21 is repayable over 72 monthly instalments of which RM99,041 monthly each for the first 12 months and RM167,666 monthly each for the rest commencing August 1998.
- (c) The term loans carry interest at rates ranging from 6% to 11.2% (2000: 5.1% to 12%) per annum.
- (d) The term loans 4,8,9,10 and 12 have been fully settled during the financial year.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

8. DEFERRED TAXATION

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
At 1 January	56,685,189	30,387,789	6,922,789	4,870,289
Transfer (to)/from Taxation	(6,799,000)	26,297,400	1,075,000	2,052,500
At 31 December	49,886,189	56,685,189	7,997,789	6,922,789
Depreciation and capital allowances	7,255,396	11,149,683	-	-
Attributable profits on construction contracts	25,504,124	35,332,828	-	-
Others	17,126,669	10,202,678	7,997,789	6,992,789
	49,886,189	56,685,189	7,997,789	6,922,789

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

9. FIXED ASSETS

(a) The details of the fixed assets are as follows:-

The Group	Land and buildings RM	Plant and machinery RM	Equipment fittings renovation, vehicles and others RM	Capital work in progress RM	Total 2001 RM	Total 2000 RM
Cost or valuation						
At 1 January						
- cost	79,864,234	42,979,259	116,507,627	63,906,429	303,257,549	292,252,016
- valuation	<u>23,296,403</u>	-	-	-	23,296,403	23,296,403
Additions	103,160,637	42,979,259	116,507,627	63,906,429	326,553,952	315,548,419
Transfer	5,045,530	563,429	11,694,400	64,095,556	81,398,915	19,965,761
Disposals	-	-	333,392	(333,392)	-	1,014,400
Written off	-	-	(682,808)	-	(682,808)	(726,977)
Translation difference	-	-	(293,500)	-	(293,500)	(881,752)
	<u>(494,840)</u>	<u>(609,650)</u>	<u>(64,312)</u>	<u>(64)</u>	(1,168,866)	(8,365,899)
At 31 December	<u>107,711,327</u>	<u>42,933,038</u>	<u>127,494,799</u>	<u>127,668,529</u>	405,807,693	326,553,952
Accumulated depreciation						
At 1 January	16,425,136	24,078,510	69,388,216	-	109,891,862	98,677,838
Charge for the financial year	2,995,850	2,549,560	8,827,514	-	14,372,924	14,219,735
Disposals	-	-	(670,023)	-	(670,023)	(598,064)
Written off	-	-	(48,528)	-	(48,528)	(632,076)
Translation difference	-	-	(33,467)	-	(610,616)	(1,775,571)
	<u>(107,685)</u>	<u>(469,464)</u>	<u>(33,467)</u>	<u>-</u>	(610,616)	(1,775,571)
At 31 December	<u>19,313,301</u>	<u>26,158,606</u>	<u>77,463,712</u>	<u>-</u>	122,935,619	109,891,862
Net book value						
2001	<u>88,398,026</u>	<u>16,774,432</u>	<u>50,031,087</u>	<u>127,668,529</u>	282,872,074	-
2000	<u>86,735,501</u>	<u>18,900,749</u>	<u>47,119,411</u>	<u>63,906,429</u>	-	216,662,090
Depreciation charge for the financial year 2000	<u>2,877,296</u>	<u>2,657,629</u>	<u>8,684,810</u>	<u>-</u>	<u>-</u>	<u>14,219,735</u>
Cost or valuation at 31 December						
- cost	84,414,924	42,933,038	127,494,799	127,668,529	382,511,290	303,257,549
- valuation:1991	13,096,403	-	-	-	13,096,403	13,096,403
- valuation:1997	<u>10,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	10,200,000	10,200,000
	<u>107,711,327</u>	<u>42,933,038</u>	<u>127,494,799</u>	<u>127,668,529</u>	405,807,693	326,553,952

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

9. FIXED ASSETS (cont'd)

Analysis of land and buildings :-

The Group	Freehold Land RM	Long term Leasehold Land, reclaimed land and buildings RM	Short term leasehold land RM	Yard development RM	Building, jetties, slipways and roads RM	Total 2000 RM	Total 2001 RM
Cost or valuation							
At 1 January							
- cost	287,756	-	-	42,572,395	37,004,083	79,864,234	84,331,006
- valuation	-	23,096,403	200,000	-	-	23,296,403	23,296,403
	287,756	23,096,403	200,000	42,572,395	37,004,083	103,160,637	107,627,409
Additions	-	-	-	4,214,400	831,130	5,045,530	1,170,780
Disposal	-	-	-	-	-	-	(22,740)
Translation difference	-	-	-	-	(494,840)	(494,840)	(5,614,812)
At 31 December	287,756	23,096,403	200,000	46,786,795	37,340,373	107,711,327	103,160,637
Accumulated depreciation							
At 1 January	37,225	2,434,637	169,432	5,063,620	8,720,222	16,425,136	14,003,675
Charge for the financial year	-	289,328	10,000	1,355,349	1,341,173	2,995,850	2,877,296
Disposals	-	-	-	-	-	-	(6,234)
Translation difference	23,635	-	-	-	(131,320)	(107,685)	(449,601)
At 31 December	60,860	2,723,965	179,432	6,418,969	9,930,075	19,313,301	16,425,136
Net book value							
2001	226,896	20,372,438	20,568	40,367,826	27,410,298	88,398,026	-
2000	250,531	20,661,766	30,568	37,508,775	28,283,861	-	86,735,501
Depreciation charge for the financial year 2000	-	289,327	10,000	1,275,772	1,302,197	-	2,877,296
Cost or valuation at 31 December							
- cost	287,756	-	-	46,786,795	37,340,373	84,414,924	79,864,234
- valuation:1991	-	13,096,403	-	-	-	13,096,403	13,096,403
- valuation:1997	-	10,000,000	200,000	-	-	10,200,000	10,200,000
	287,756	23,096,403	200,000	46,786,795	37,340,373	107,711,327	103,160,637

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

9. FIXED ASSETS (cont'd)

Analysis of equipment, fittings, renovation, vehicles and others:-

The Group		Furniture, fittings, tools equipment and renovation	Barges and motor vehicles	Total 2001	Total 2000
Cost	Equipment RM	RM	RM	RM	RM
At 1 January	27,500,150	35,200,877	53,806,600	116,507,627	102,553,064
Additions	833,672	10,440,285	420,443	11,694,400	15,038,901
Transfer	-	333,392	-	333,392	1,014,400
Disposals	-	(98,010)	(584,798)	(682,808)	(446,080)
Written off	-	-	(293,500)	(293,500)	(461,752)
Translation difference	-	(48,199)	(16,113)	(64,312)	(1,190,906)
At 31 December	28,333,822	45,828,345	53,332,632	127,494,799	116,507,627
Accumulated depreciation					
At 1 January	19,738,320	13,951,061	35,698,835	69,388,216	61,983,038
Charge for the financial year	1,987,061	2,948,561	3,891,892	8,827,514	8,684,810
Disposals (584,793)	-	(85,230)			
(670,023)	(432,137)	Written off	-	-	(48,528)
(48,528)	(373,076)				
Translation difference	-	(21,660)	(11,807)	(33,467)	(474,419)
At 31 December	21,725,381	16,792,732	38,945,599	77,463,712	69,388,216
Net book value					
2001	6,608,441	29,035,613	14,387,033	50,031,087	-
2000	7,761,830	21,249,816	18,107,765	-	47,119,411
Depreciation charge for the financial year 2000	2,027,327	2,241,760	4,415,723	-	8,684,810

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

9. FIXED ASSETS (cont'd)

The Company	Short term leasehold land buildings RM	Equipment, furniture, fittings, tools and renovation RM	Barges and motor vehicles RM	Total 2001 RM	Total 2000 RM
Cost or valuation					
At 1 January					
- cost	-	26,144	837,538	863,682	863,682
- valuation	200,000	-	-	200,000	200,000
At 31 December	200,000	26,144	837,538	1,063,682	1,063,682
Accumulated depreciation					
At 1 January	169,432	6,652	415,058	591,142	494,774
Charge for the financial year	10,000	2,614	83,754	96,368	96,368
At 31 December	179,432	9,266	498,812	687,510	591,142
Net book value					
2001	20,568	16,878	338,726	376,172	-
2000	30,568	19,492	422,480	-	472,540
Depreciation charge for the financial year 2000	10,000	2,614	83,754	-	96,368

- (b) Long term leasehold land, reclaimed land and building and short term leasehold land of the group were revalued by the Directors in 1991 and 1997 respectively based on valuation carried out by independent professional valuers based on existing use basis and has not been revalued ever since. The Group does not adopt a policy of regular revaluation as required by MASB 15, Property, Plant and Equipment and is applying the transitional provision for assets revalued before the coming into force of the accounting period.

In the opinion of the Directors, unreasonable expenses would be incurred in obtaining the original costs of the assets value in that financial year.

- (c) The long term leasehold land and the reclaimed land have an unexpired lease period of more than 50 years.
- (d) Included in net book value of fixed assets are assets acquired under hire purchase instalments plans and pledged under term loan arrangements as follows:-

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Leasehold land and buildings	11,799,857	11,964,106	-	-
Yard development	40,367,826	37,508,774	-	-
Buildings, jetties, slipways roads	21,813,550	22,136,232	-	-
Plant and machinery	2,162,253	2,338,011	-	-
Equipment	2,658,702	2,410,133	-	-
Barges and motor vehicles	3,454,008	12,644,117	116,875	371,196

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

10. INTANGIBLE ASSETS

	The Group	
	2001 RM	2000 RM
Design technology		
- At Directors' valuation	2,140,319	2,140,319
- At cost	1,515,840	1,515,840
- Translation differences	438,971	642,949
	<u>4,095,130</u>	<u>4,299,108</u>
Accumulated amortisation	<u>(2,505,670)</u>	<u>(2,136,934)</u>
	<u><u>1,589,460</u></u>	<u><u>2,162,174</u></u>

This represents design technology for aluminium fast passenger sea ferries. The value is based on that part of the consideration paid in acquiring the subsidiary company.

11. INVESTMENT PROPERTIES

The Group

The investment properties have been revalued on 1997 by independent professional valuer based on open market value. During the year, the investment properties have been revalued by the Directors to the amount of RM70,000,000 to reflect the current market value. The investment properties have been pledged to a licensed bank to secure the term loan 3 and 6 as disclosed in Note 7 to the Financial Statements.

12. DEFERRED ASSETS

	The Group	
	2001 RM	2000 RM
Cost	<u>91,862,333</u>	91,862,333
Accumulated amortisation		
At 1 January	8,889,903	4,938,835
Charge for the financial year	<u>3,951,068</u>	<u>3,951,068</u>
At 31 December	<u>12,840,971</u>	8,889,903
Net carrying amount	<u><u>79,021,362</u></u>	<u><u>82,972,430</u></u>

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

13. SUBSIDIARY COMPANIES

	The Company	
	2001 RM	2000 RM
Unquoted shares, at cost	<u>278,387,887</u>	<u>278,387,887</u>

(a) Shares in a subsidiary company amounting RM130,199,274 and RM9,146,230 (2000: RM130,199,274 and RM9,146,230) are pledged to financial institutions for banking facilities granted to the Company and ultimate holding company respectively.

(b) The subsidiary companies are:-

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary companies		
		2001 %	2000 %	2001 %	2000 %	
Sedap Development Sdn Bhd	Malaysia	100	100	-	-	Property development
Sedap Trading Sdn Bhd	Malaysia	100	100	-	-	General trading
Sedap Food Industries Sdn Bhd	Malaysia	100	100	-	-	Manufacture of confectioneries, snack food and related products
PSC Asset Holdings Sdn Bhd	Malaysia	100	100	-	-	Investment property
Penang Shipbuilding & Construction Sdn Bhd	Malaysia	100	100	-	-	Heavy engineering construction, ship repair and shipbuilding, contractor and a commissioned agent
Egacorp Marine Sdn Bhd	Malaysia	51	51	-	-	Dormant
Held by Sedap Food Industries Sdn Bhd						
Sedap Food (Sarawak) Sdn Bhd	Malaysia	-	-	60	60	Manufacture of snack food and related products

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

13. SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary companies		
		2001 %	2000 %	2001 %	2000 %	
Held by Sedap Food (Sarawak) Sdn Bhd						
Sedap Marketing (Sarawak) Sdn Bhd	Malaysia	-	-	100	100	Marketing of snack food, confectioneries and related products
Held by PSC Asset Holdings Sdn. Bhd.						
Desa PSC Sdn Bhd	Malaysia	-	-	100	100	Dormant
Held by Penang Shipbuilding & Construction Sdn Bhd						
# Wavemaster International Pty Ltd	Australia	-	-	100	100	Manufacture of aluminium fast passenger sea ferries
PSC-Naval Dockyard Sdn Bhd	Malaysia	-	-	40	40	Repair and maintenance of naval and merchant ships, equipment and systems, fabrication of steels structures and ship building
UMC Engineering Sdn Bhd	Malaysia	-	-	51.3	51.3	Onshore and offshore oil and gas construction and any related consultancy activities (ceased operations)
# PSC Tema Shipyard Limited	Republic of Ghana	-	-	60	60	Ship repairing, engineering and metallised activities, and fabrication and other activities in connection therewith
# Dominion Defence & Industries Sdn Bhd	Malaysia	-	-	100	100	Supply of equipment and machinery
# Hasnar Shipping & Chartering Sdn Bhd	Malaysia	-	-	-	80	Shipping, forwarding and all ancillary services

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

13. SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary companies		
		2001 %	2000 %	2001 %	2000 %	
# Penang Shipbuilding & Construction (UK) Limited	United Kingdom	-	-	100	100	Dormant
PSC Crane Systems Sdn Bhd (formerly known as PSC Bina Sdn Bhd)	Malaysia	-	-	100	100	Dormant
Tenaga PSC Sdn Bhd	Malaysia	-	-	100	100	Power plant construction and its support activities including any related consultancy services
PSC Welding Services Sdn Bhd	Malaysia	-	-	90	90	Dormant
PSC Marine & Shipping Sdn Bhd	Malaysia	-	-	100	100	Providing shipping management services.
PSC Navaltech Sdn Bhd	Malaysia	-	-	100	100	Dormant
PSC Construction Consortium Sdn Bhd	Malaysia	-	-	100	100	Dormant
PSC Defence Technologies Sdn Bhd	Malaysia	-	-	100	100	Investment holding
Marine Technology Industrial Park Sdn Bhd	Malaysia	-	-	100	100	Dormant
PSC Marine Technology Academy Sdn Bhd	Malaysia	-	-	100	100	Dormant
PSC Sri Jeluda Sdn Bhd	Malaysia	-	-	100	100	Dormant
Marine Venture Capital Sdn Bhd	Malaysia	-	-	100	100	Dormant
Teluk Bahang Property Development Sdn Bhd	Malaysia	-	-	100	100	Dormant

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

13. SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary companies		
		2001 %	2000 %	2001 %	2000 %	
Alpha Shanghai (M) Sdn Bhd	Malaysia	-	-	100	100	Dormant
PSC Lyngsoe Load Management Sdn Bhd	Malaysia	-	-	100	100	Dormant
Perstim Industries Sdn Bhd (formerly known as Perstima Industries Sdn Bhd)	Malaysia	-	-	99.87	99.87	Investment holding
Held by Wavemaster International Pty. Ltd.						
# Wavemaster Ferry System Pte Ltd	Singapore	-	-	100	-	Dormant
Held by PSC Marine & Shipping Sdn Bhd						
Johor Riau Ferry Services Sdn Bhd	Malaysia	-	-	100	100	Dormant
Held by Dominion Defence & Industries Sdn Bhd						
# Burlington Capital Sdn Bhd	Malaysia	-	-	60	60	Supply of equipment and machinery
# Burlington Engineering & Construction Sdn Bhd	Malaysia	-	-	60	60	Dormant
# Burlington Promotions & Publications Sdn Bhd	Malaysia	-	-	100	100	Printing business
# Burlington Plantations Sdn Bhd	Malaysia	-	-	100	100	Dormant

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

13. SUBSIDIARY COMPANIES (cont'd)

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary companies		
		2001 %	2000 %	2001 %	2000 %	
Held by PSC Defence Technologies Sdn Bhd						
Aeromarine Maintenance Services Sdn Bhd	Malaysia	-	-	70	70	Marketing and distributing Exocet Weapon System
PSC STN Atlas Elektronik (Malaysia) Sdn Bhd	Malaysia	-	-	70	70	Supply of electronics and system technology in relation to the shipping and marine industry
Held by Perstim Industries Sdn Bhd (Formerly known as Perstima Industries Sdn Bhd)						
PSC-Naval Dockyard Sdn Bhd	Malaysia	-	-	30	30	Repair and maintenance of naval and merchant ships, equipment and systems, fabrication of steels structures and ship building

Subsidiary companies not audited by Shamsir Jasani Grant Thornton.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

13. SUBSIDIARY COMPANIES (cont'd)

- (c) On 14 August 2001, a wholly-owned subsidiary company, Penang Shipbuilding & Construction Sdn Bhd disposed its entire 80% equity interest in Hasnar Shipping & Chartering Sdn Bhd for a consideration of RM1.

The effect of the disposal of Hasnar Shipping & Chartering Sdn Bhd on the financial position of the Group were as follows:-

	At date of disposal 2001 RM	The Group 2000 RM
Fixed assets	12,022	-
Trade debtors	232,227	-
Other debtors	35,225	-
Cash and bank balances	3,146	-
Trade creditors	(912,002)	-
Other creditors and accruals	(3,607,951)	-
Tax payable	(22,434)	-
Revaluation reserve	2,971,040	-
	<hr/>	
Share of net liabilities	(1,288,727)	-
Goodwill on consolidation	1,182,639	-
	<hr/>	
	(106,088)	-
Gain on disposal	106,089	-
	<hr/>	
Cash flows on disposal of net of cash disposed	1	-
Less: Cash and cash equivalents disposed	(3,146)	-
	<hr/>	
Net outflows from disposal of subsidiary	(3,145)	-
	<hr/> <hr/>	

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

14. ASSOCIATED COMPANY

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Unquoted shares, at cost	1,250,000	1,250,000	1,250,000	1,250,000
Group's share of post-acquisition losses	(1,250,000)	(1,250,000)	-	-
	-	-	1,250,000	1,250,000
Less: Provision for diminution in value	-	-	(1,250,000)	(1,250,000)
	-	-	-	-

The associated company which is incorporated in Malaysia is as follows:-

Name of company	Principal activity	Interest in equity held	
		2001 %	2000 %
Tohwa-Sedap Food Industry Sdn Bhd	Manufacture & retail of snack food products (ceased operation, under liquidation)	50	50

15. INVESTMENTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
At cost:				
Unquoted shares in Malaysia	1,999,999	1,999,999	-	-
Quoted shares in Malaysia	26,000	26,000	-	-
Others	954,291	960,989	890,000	890,000
	2,980,290	2,986,988	890,000	890,000
Market value of quoted shares in Malaysia	7,175	18,875	-	-

16. GOODWILL ON CONSOLIDATION

	The Group	
	2001 RM	2000 RM
Arising from consolidation Reserve arising on consolidation	213,973,416 (16,972)	213,973,416 (16,972)
Less: Disposal of a subsidiary company	213,956,444 (1,182,639)	213,956,444 -
	212,773,805	213,956,444

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

17. DEFERRED EXPENDITURE

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
At cost:				
Expenses incurred for purpose of securing future projects	24,765,877	19,206,559	-	-
Preliminary expenses	-	74,515	-	-
Pre-operating expenses	-	1,565,275	-	-
Others	283,950	512,852	283,950	283,950
	25,049,827	21,359,201	283,950	283,950
Amount written off for the financial year	-	(4,792,947)	-	-
Total	25,049,827	16,566,254	283,950	283,950

18. OFFSHORE PATROL VESSELS EXPENDITURE

	The Group	
	2001 RM	2000 RM
Cost At 1 January	1,216,351,377	1,031,070,030
Additions	691,236,117	185,281,347
	1,907,587,494	1,216,351,377
Portion of Offshore Patrol Vessels profits attributable to construction work performed to date	341,455,170	203,285,969
Less: progress billings	(1,251,845,055)	(385,486,482)
At 31 December	997,197,609	1,034,150,864

Offshore Patrol Vessels expenditure refers to construction of offshore patrol vessels for the Royal Malaysian Navy.

Included in the Offshore Patrol Vessels expenditure are as follows:-

	The Group	
	2001 RM	2000 RM
Staff costs		
65,566,916	40,774,315	
Vehicle rental	1,390,273	589,128
Equipment rental	342,943	322,940
Depreciation	8,988,705	3,133,282
Consultancy and agency fee charged by ultimate holding company	160,500,000	120,375,000
Interest on loan	28,799,044	22,554,727
Loss on foreign exchange	928,391	1,401,596
Rental of premises	2,799,768	1,511,488
Yard upgrading	118,281,286	97,500,000
Privatisation fees	7,500,000	7,500,000
Lease rental and quit rent on land	5,739,710	5,919,710

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

19. CONTRACT SUM RECEIVABLES

	The Group	
	2001 RM	2000 RM
Contract work-in-progress	323,247,245	97,386,712
Portion of profit attributable to construction work performed to date	28,813,496	20,564,937
Progress billings	<u>(271,302,310)</u>	<u>(71,670,246)</u>
	<u>80,758,431</u>	<u>46,281,403</u>
Retention sum	<u>11,962,664</u>	<u>589,052</u>

(a) Included in contract work-in-progress account are the following expenses capitalised during the financial year:-

Depreciation	3,902,317	2,940,626
Rental expenses	7,188,962	2,153,682
Staff cost	<u>8,631,926</u>	<u>8,723,756</u>

(b) Amount of contract revenue and contract costs recognised in the year are as follows:-

Contract revenue	<u>264,979,742</u>	223,055,614
Contracts costs (included in cost of sales/direct costs)	<u>237,308,711</u>	<u>191,355,446</u>

20. INVENTORIES

The amounts attributable to the different categories of inventories are as follows:-

	The Group	
	2001 RM	2000 RM
At cost:-		
Raw materials	7,663,163	4,659,814
Packaging materials	100,210	97,750
Work-in-progress	349,782	283,395
Finished goods	355,504	810,329
Equipment spares	-	21,077
Consumables	53,502	746,834
Project inventories	<u>1,048,862</u>	<u>1,375,414</u>
	<u>9,571,023</u>	7,994,613
At net realisable value:-		
Raw materials	<u>1,323,447</u>	1,601,624
	<u>10,894,470</u>	<u>9,596,237</u>

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

21. TRADE DEBTORS

	2001 RM	The Group	2000 RM
Trade debtors	309,713,225		162,422,043
Provision for doubtful debts	(12,186,228)		(14,797,423)
	<u>297,526,997</u>		<u>147,624,620</u>

Included in the above is an amount of RM18.6 million (2000:RM18.6 million) being receivable from Government of Malaysia ("Government").

Pursuant to the Clause 7.1 of the Privatisation Agreement dated 11 December, 1995, one of the subsidiary companies has the right to provide all scheduled maintenance and service to all equipment and vessels of Royal Malaysian Navy ("RMN"). However, the subsidiary company noted and had evidence that RMN had given the maintenance works to other shipyards.

As a result of the above violation of the Agreement Clause, the subsidiary company has made a claim to the Government for RM18.6 million as compensation for loss of income on ship repair.

The Board of Directors of the subsidiary company has expressed its affirmation to pursue the subsidiary company's rights and entitlement for the claims.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

22. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Other debtors, deposits and prepayments	136,898,609	129,390,856	27,110,192	27,570,251
Provision for doubtful debts				
- Specific	(17,935,325)	(3,120,778)	-	-
	118,963,284	126,270,078	27,110,192	27,570,251

Included in the above is an amount of RM36 million (2000:RM36 million) being receivable from the Government of Malaysia ("Government"). On 11 December 1995, a consortium, with Penang Shipbuilding & Construction Sdn Bhd (PSC) a wholly-owned subsidiary company as the leader, has entered into a Privatisation Agreement with the Government. Pursuant to the Privatisation Agreement, a subsidiary company, PSC-Naval Dockyard Sdn Bhd (PSC-NDSB) will be awarded the contract (PV Contract) to construct Offshore Patrol Vessels (OPV) for the Royal Malaysian Navy ("RMN") of which the Government has confirmed its order for initial 6 units of OPV and the remaining 21 units of OPV will be ordered by the Government. However, the signing of the above OPV Contract was delayed and PSC-NDSB has only been awarded the contract on 5 September 1998. As a result, the consortium has made a claim to the Government as compensation for financing and other incidental costs arising due to the above delay. The RM36 million is PSC's portion of the claim made by the consortium due to the delay.

The Board of Directors of the subsidiary company has expressed its affirmation to pursue the subsidiary company's rights and entitlement for the claims.

Included in other debtors is also an amount of RM14,200,000 (2000: RM14,200,000) owing by a debtor for balance of purchase consideration for disposal of one of the subsidiary company's land. As at balance sheet date, the said land is still registered in the name of the said subsidiary company and it is receiving rental income from the said land. The land has been charged for banking facilities granted to ultimate holding company as disclosed in Note 39 to the Financial Statements.

23. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

The amounts due from/to subsidiary companies are unsecured with no fixed terms of repayment and are interest-free except for an amount due to subsidiary companies of RM134,921,736 (2000:RM118,144,609) which carries interest at rates of 10% (2000: 10%) per annum.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

24. AMOUNT DUE FROM ASSOCIATED COMPANY

The amount due from associated company in previous financial year is unsecured, interest free and has no fixed terms of repayment.

25. DEPOSITS WITH LICENSED BANKS AND OTHER CORPORATIONS

	The Group	
	2001 RM	2000 RM
Deposits with licensed banks	602,694,918	949,367,739
Deposits with other corporations	6,845	2,214,195
	<u>602,701,763</u>	<u>951,581,934</u>

Deposits with banks and other corporations amounting to RM600,438,957 (RM949,599,576) are pledged for banking and guarantee facilities granted to the Group.

Included in the above is an amount of RM562,539,230 (2000: RM697,106,041) of the Group which is held in trust by a third party.

26. TRADE CREDITORS

Included in the trade creditors of the Group is an amount of RM773,198,461 (2000: RM986,420,000) being advance billing to the Government of Malaysia for the constructions of 6 units of Offshore Patrol Vessel for Royal Malaysian Navy.

27. OTHER CREDITORS AND ACCRUED LIABILITIES

Included in the above is an amount of RM937,600 (2000: RM477,912) for the Group due to a director of a subsidiary company, which is unsecured, interest free and has no fixed terms of repayment.

Included in the above is an amount of RM8,700,386 (2000: RM36,482,316) for the Group which is due to ultimate holding company, Business Focus Sdn. Bhd, a company incorporated in Malaysia.

The amount due to ultimate holding company is unsecured, carries interest at 10% (2000: Nil) per annum and has no fixed term of repayment.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

28. OTHER BANK BORROWINGS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Bank overdrafts				
- secured	64,230,843	63,752,629	30,625,929	28,105,375
- unsecured	12,141,942	11,660,300	11,326,821	10,992,235
	76,372,785	75,412,929	41,952,750	39,097,610
Revolving credit				
- secured	41,658,981	38,303,786	-	-
- unsecured	45,928,182	47,166,763	45,928,181	47,166,762
	87,587,163	85,470,549	45,928,181	47,166,762
Bankers' acceptance				
- secured	7,026,937	6,532,980	-	-
- unsecured	3,855,574	3,561,532	3,855,574	3,561,532
	10,882,511	10,094,512	3,855,574	3,561,532
Mudarabah working capital				
- secured	4,483,201	-	-	-
Total	179,325,660	170,977,990	91,736,505	89,825,904

- (a) The above bank borrowings are obtained at interest rates ranging from 6% to 10.7% (2000: 6.4% to 12%) per annum.
- (b) The bank overdrafts, bankers' acceptance and revolving credit of the Company are secured by way of negative pledges of a subsidiary company's shares and on the Company's assets, guaranteed by its holding company and one of the Directors of the Company.

The bank overdrafts, bankers' acceptance and revolving credit of the subsidiary companies are secured by way of a pledge of the subsidiary company's fixed deposits, first legal charge over land and building, fixed and floating charge over assets and assignment of contract proceeds. One of the bank overdraft facilities of a subsidiary company is additionally guaranteed jointly and severally by certain directors of that subsidiary company.

29. REVENUE

- (a) Revenue of the Group consists of:-
- (i) Invoiced value of sales, net of discounts, sales returns and sales tax;
 - (ii) Percentage of completion of the contract sum of construction contract and Offshore Patrol Vessel Contract;
 - (iii) Rental income from investment property; and
 - (iv) Certified billing of ship repair contracts,
- (b) Revenue of the Company consists of dividend, interest income and management fees.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

30. OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Operating profit is stated after charging:-				
Depreciation	4,611,193	10,353,109	96,368	96,368
Directors' remuneration:				
- fees	129,000	120,000	50,000	45,000
- other emoluments	2,226,332	1,654,821	390,663	361,850
Auditors' remuneration:				
- current financial year	203,021	215,356	8,000	8,000
- overprovision in previous financial year	(3,750)	(710)	-	-
Bad debts written off	6,639,343	1,561,077	2,891,169	-
Interest expenses:-				
- term loans	39,290,008	34,296,107	9,602,237	6,873,295
- others	10,517,744	12,739,823	1,918,409	7,199,470
Rental of premises	979,130	1,057,683	9,000	24,000
Hire of equipment	369,819	346,863	-	-
Lease rental	31,594	352,768	-	-
Rental of sea vessel and jetty	309,778	17,275	-	-
Provision for doubtful debts:-				
- specific	16,999,538	14,860,317	-	-
Inventories written off	317,015	923,801	-	-
Loss on disposal of fixed assets	-	1,636	-	-
Amortisation of design technology	368,736	377,233	-	-
Amortisation of deferred assets	3,951,068	3,951,068	-	-
Fixed assets written off	244,972	249,676	-	-
Loss on foreign exchange				
- realised	25,499	523,256	-	-
Deferred expenditure written off	-	3,153,157	-	-
Expenditure carried forward written off	-	1,639,790	-	-
Other rental	1,092,588	570,789	-	-
Provision for obsolete inventories	-	317,015	-	-

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

30. OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS (cont'd)

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
And after crediting:-				
Gain on foreign exchange-realised	27,842	68,228	-	-
Dividend income from subsidiary companies	-	-	3,840,001	14,090,000
Gain on disposal of fixed assets	14,418	77,630	-	-
Interest income	32,044,038	30,973,249	9,349,197	8,974,373
Rental income	357,327	214,400	-	-
Provision for doubtful debts no longer required	3,517,008	1,236,747	-	-
Provision for obsolete inventories no longer required	317,015	-	-	-

The estimated monetary value of benefits provided to the Directors of the Company during the financial year amounted to RM81,975 (2000: RM92,600).

31. EXCEPTIONAL ITEMS

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Gain on disposal of a subsidiary company	106,089	-	-	-
Gain on foreign exchange arising from Offshore Patrol Vessels Contract	33,133,818	36,565,359	-	-
Deficit on revaluation of investment property	(9,122,701)	-	-	-
	24,117,206	36,565,359	-	-

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

32. TAXATION

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Taxation based on profit for the financial year:-				
Malaysian income tax	56,278,697	19,559,758	3,874,000	612,500
Transfer (from)/to deferred taxation	(6,799,000)	26,297,400	1,075,000	2,052,500
	49,479,697	45,857,158	4,949,000	2,665,000
Under/(Over) provision in respect of prior financial years	(2,724,591)	26,084	-	-
	46,755,106	45,883,242	4,949,000	2,665,000

- (a) The effective tax rate of the Group is higher than the statutory rate of tax applicable mainly due to certain expenses disallowable for tax purposes, in addition to losses incurred by certain subsidiary companies which cannot be set off against profit made by other companies in the Group as no group relief is available in Malaysia.
- (b) The effective tax rate of the Company is higher than the statutory rate of tax applicable mainly due to interest restriction and certain expenses disallowable for tax purposes.
- (c) As at 31 December 2001, the Company has unabsorbed capital allowances and reinvestment allowances amounting to approximately RM5,806,000 (2000: RM5,798,000) and RM488,000 (2000: RM488,000) respectively. The amount and future availability of unabsorbed tax losses which can be used to offset against future profits is estimated to be RM11,070,000 (2000:RM11,070,000). However, these amounts are subject to the agreement with the Inland Revenue Board.

33. EARNINGS PER SHARE

The earnings per share has been calculated based on the Group's profit after taxation and minority interest of RM43,418,310 (2000:RM18,937,078) and on the number of ordinary shares in issue during the financial year of 79,129,174 (2000: 79,129,174).

34. DIVIDENDS

	The Group and The Company	
	2001 RM	2000 RM
Proposed first and final dividend of Nil (2000: 8% tax exempt)	-	6,330,334

At this forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2001 of 8% less 28% tax amounting to RM4,557,840 will be proposed for shareholders' approval and subject to the consent from the relevant creditor banks. The Financial Statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by shareholders and creditor banks will be accounted for in shareholders' equity as an appropriation of unappropriated profits in the next financial year ending 31 December 2002.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

35. EMPLOYEES INFORMATION

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
(a) Staff cost	<u>76,301,864</u>	70,256,461	<u>548,654</u>	519,386
(b) The number of employees of the Group and of the Company (including Executive Directors) at the end of the financial year were 2,414 (2000: 2,391) and 6 (2000: 6) respectively.				

36. COMMITMENTS

	The Group	
	2001 RM	2000 RM
Capital commitment:-		
- Approved but not contracted for	-	14,000,000
- Approved and contracted for	<u>106,894,086</u>	21,394,850
Other commitment:-		
- Approved and contracted for	<u>1,019,177,758</u>	1,661,680,925
	<u>1,126,071,844</u>	1,697,075,775

37. FUTURE LEASE COMMITMENTS

The following are the future lease commitments as at the end of the financial year:-

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Payable in the financial year				
2002	307,200	431,403	-	2,504
2003 to 2005	<u>307,200</u>	-	-	-

38. OFFSHORE PATROL VESSELS CONTRACT COMMITMENT

	The Group	
	2001 RM	2000 RM
Offshore Patrol Vessels Contract	<u>4,098,154,944</u>	4,964,513,518

The above refers to the construction of 6 units of Offshore Patrol Vessels (OPV) contract signed with the Government of Malaysia.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

39. CONTINGENT LIABILITIES

	The Group		The Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Unsecured:-				
Guarantee to financial institutions				
On behalf of:-				
- subsidiary companies in the Group	-	-	332,180,802	344,180,802
- third parties	7,600,000	7,600,000	2,000,000	2,000,000
Guarantee to other corporations on behalf of subsidiary companies in the Group				
Amount under legal action and in dispute with supplier	938,990	1,528,132	-	-
Amount in dispute with third party	1,980,000	-	-	-
Tax liability under appeal not reflected in financial statements	1,275,333	1,275,333	-	-
	11,794,323	10,403,465	527,972,362	444,731,929
Secured:-				
Shares of a subsidiary company pledged for the banking facilities of the holding company				
	7,600,000	7,600,000	-	-
Freehold land of a subsidiary company pledged for the banking facilities of the ultimate holding company				
	10,000,000	10,000,000	-	-
	17,600,000	17,600,000	-	-

The Directors are of the opinion that the above contingent liabilities of the Group and of the Company will not crystallise in the near future.

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

	The Company	
	2001 RM	2000 RM
Interest income from subsidiary companies		
- PSC Asset Holdings Sdn Bhd	663,309	603,846
- Penang Shipbuilding & Construction Sdn Bhd	5,606,158	5,693,246
- Sedap Development Sdn Bhd	1,620,838	1,438,748
- Sedap Food Industries Sdn Bhd	1,458,888	1,238,533
Dividend income from subsidiary companies		
- PSC Asset Holdings Sdn Bhd	2,000,000	3,050,000
- Penang Shipbuilding & Construction Sdn Bhd	-	7,040,000
- Sedap Trading Sdn Bhd	1,840,000	4,000,000
Management fees from subsidiary companies		
- Penang Shipbuilding & Construction Sdn Bhd	12,000,000	-

The above transaction are undertaken on agreed terms and prices in normal course of business.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

41. SEGMENT INFORMATION - GROUP

	Revenue	
	2001 RM	2000 RM
Analysis by activity		
Manufacturing	10,651,559	12,787,676
Trading	6,106,299	6,276,695
Construction	141,444,679	55,479,069
Investment property	6,001,872	5,811,061
Shipbuilding and shiprepair related activities	821,672,653	675,380,922
	<u>985,877,062</u>	<u>755,735,423</u>
Analysis by geographical location		
Malaysia	936,165,729	722,013,945
Australia	43,675,912	29,974,029
Republic of Ghana	6,035,421	3,747,449
	<u>985,877,062</u>	<u>755,735,423</u>
Profit before taxation		
	2001 RM	2000 RM
Analysis by activity		
Manufacturing	(1,215,808)	(3,615,683)
Trading	271,448	(590,200)
Construction	(22,023,175)	(2,855,359)
Investment holdings	(20,721,081)	(12,284,800)
Investment property	(7,427,941)	1,575,502
Shipbuilding and shiprepair related activities	182,656,397	122,666,733
Others	(450,275)	(889,096)
	<u>131,089,565</u>	<u>104,007,097</u>
Analysis by geographical location		
Malaysia	132,737,514	106,560,231
Australia	(1,536,096)	(1,547,931)
Republic of Ghana	(111,853)	(1,005,203)
	<u>131,089,565</u>	<u>104,007,097</u>

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

41. SEGMENT INFORMATION - GROUP (cont'd)

Analysis by activity	Assets employed	
	2001 RM	2000 RM
Manufacturing	17,571,694	18,991,567
Trading	7,009,660	6,629,950
Construction	595,230,067	646,105,339
Investment holdings	264,013,816	247,527,872
Investment property	84,032,457	133,212,632
Shipbuilding and shiprepair related activities	1,817,308,678	1,926,638,559
Others	1,788,570	1,072,453
	<u>2,786,954,942</u>	<u>2,980,178,372</u>

Analysis by geographical location	Assets employed	
	2001 RM	2000 RM
Malaysia	2,758,785,227	2,946,354,966
Australia	17,705,355	23,341,173
Republic of Ghana	10,464,360	10,482,233
	<u>2,786,954,942</u>	<u>2,980,178,372</u>

The above transactions are undertaken on agreed terms and prices in the normal course of business.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) The revised proposal which was announced on 6 December 2000 had obtained approval from Foreign Investment Committee (FIC), Ministry of International Trade and Industry (MITI) and Securities Commission on 15 May 2001, 16 May 2001 and 15 August 2001 respectively. However, in relation to the application for the waiver from the obligation to extend a mandatory general offer on the remaining shares in the Company not already owned by Business Focus Sdn. Bhd. and Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah (to be collectively referred to as "First Applicants"). Securities Commission is unable to consider the waiver at this point in time. The First Applicants has been advised by the Securities Commission to resubmit a proposal for the waiver after the shareholding threshold and mode of acquisition to return control to the First Applicants has been finalised.

The Securities Commission had on 11 February 2002 further approved the extension of the completion date for the implementation of the proposals to 15 September 2002.

The above revised proposal are still subject to approval from other relevant Authorities and shareholders of the Company.

In view of the events indicated in Note 42(b), the above proposal may be subject to revision.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

41. SEGMENT INFORMATION - GROUP (cont'd)

(b) On 28 December 2001, the Company announced that it is no longer under the purview of the Corporate Debt Restructuring Committee ("CDRC"). Since then, the Group has negotiated directly with the individual creditor bank and has successfully restructured its banking facilities with the following creditor banks:-

- (i) HSBC Bank Malaysia Berhad
- (ii) Arab-Malaysian Bank Berhad
- (iii) United Overseas Bank (Malaysia) Berhad
- (iv) OCBC Bank (Malaysia) Berhad
- (vi) Southern Bank Berhad
- (vii) Malayan Banking Berhad
- (viii) Affin Bank Berhad

The Group has also submitted restructuring proposals to the belowmentioned banks and is in the process of finalising the restructuring of its banking facilities with these banks soon:-

- (i) Bumiputra-Commerce Bank Berhad
- (ii) Bank Islam Malaysia Berhad
- (iii) Danaharta Managers Sdn Bhd
- (iv) Malaysia International Merchant Berhad
- (v) Affin-ACF Finance Berhad

To date, the Group has successfully restructured its banking facilities totalling RM421,197,876 which is equivalent to 79% of the total loans previously under the purview of CDRC.

(c) On 29 June 2001, a subsidiary company, PSC Asset Holdings Sdn Bhd (PSCAH) entered into a conditional Sale and Purchase Agreement with Amin Shah Holdings Sdn Bhd ("ASHSB") for the disposal of Menara PSCI to ASHSB for a total cash consideration of RM70,000,000.

On 13 December 2001, PSCAH and ASHSB had entered into a Deed of Revocation for the above disposal. In its place, the Company entered into a conditional Share Sale Agreement ("SSA") with ASHSB for the disposal of the entire issued and paid-up capital of the Company comprising 10,000,000 ordinary shares of RM1 each, for a consideration of RM70,000,001. The estimated time frame for completion is six (6) months from the date of the SSA or fourteen (14) days from the date of the SSA becoming unconditional whichever is earlier.

At the same time, PSCAH has accepted a restructuring proposal by the creditor bank for restructuring the existing term loan to a 5 years term loan. The restructured term loan is to be effective upon the completion of the above SSA.

Notes To The Financial Statements (cont'd)

31 December 2001

PSC INDUSTRIES BERHAD

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

(d) On 14 August 2001, the wholly-owned subsidiary company, Penang Shipbuilding & Construction Sdn Bhd disposed its entire 80% equity interest in Hasnar Shipping & Chartering Sdn Bhd for a consideration of RM1.

43. SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 31 January 2002, Affin Bank Berhad ("Affin") had given notice of appointment of Receivers and Managers over the assets of Perstim Industries Sdn. Bhd. ("Perstim"). Perstim is a 99.86% subsidiary company of Penang Shipbuilding & Construction Sdn Bhd ("PSC").

Perstim has filed for an interim injunction to restrain the Receivers and Managers from exercising their rights and duties as their appointment is not proper and valid. This is due to the fact that Perstim has made the instalment payments towards the banking facilities based on accepted letter of offer dated 28 March 2001. The application for injunction is now coming up for mention on 6 May 2002.

On 3 April 2002, Perstim and Affin have finalised the settlement arrangement for all amounts outstanding by way of 16 equal quarterly installments plus a final instalment for balance outstanding to be paid 3 months after the 16th quarterly instalment. The Receivers and Managers of Perstim shall be removed upon payment of RM25 million to Affin by 3 June 2002 under term of the restructuring scheme with Affin.

Analysis Of Shareholdings

as at 30 April 2002

PSC INDUSTRIES BERHAD

ANALYSIS OF SHAREHOLDINGS BY RANGE GROUPS

Size Of Shareholdings	No. of Shares	% Over Total Shares	No. Of Holders	% Over Total Shareholders
less than 1,000	14,188	0.02	35	14.34
1,000 - 10,000	381,680	0.48	122	50.00
10,001 - 100,000	1,496,316	1.89	36	14.75
100,001 to less than 5% of issued shares	35,122,604	44.39	46	18.85
5% and above of issued shares	42,114,386	53.22	5	2.06
TOTAL	79,129,174	100.00	244	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS

	No of Shares		No of Shares	
	Direct	%	Indirect	%
Business Focus Sdn. Bhd.	36,037,616	45.54	-	-
Tan Sri Dato' Amin Shah Bin Haji Omar Shah	79,000*	0.09	35,993,616	45.48
Boustead Holdings Berhad	15,832,000	20.01	-	-
Telekom Malaysia Berhad	-	-	6,943,698	8.78

* 44,000 deemed held for the benefit of Business Focus Sdn. Bhd.

Analysis Of Shareholdings (cont'd)

as at 30 April 2002

PSC INDUSTRIES BERHAD

THIRTY LARGEST SHAREHOLDERS

	SHAREHOLDERS	NO. OF SHARES	%
1	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	15,832,000	20.01
2	CIMSEC NOMINEES (TEMPATAN) SDN BHD DANAHARTA URUS SDN BHD FOR BUSINESS FOCUS SDN BHD (MISI ASIAM S/B)	6,962,688	8.80
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANCE MERCHANT NOMINEES (TEMPATAN) SDN BHD FOR BUSINESS FOCUS SDN. BHD	6,954,000	8.79
4	RHB NOMINEES (TEMPATAN) SDN BHD TELEKOM MALAYSIA BERHAD	6,943,698	8.78
5	CIMSEC NOMINEES (TEMPATAN) SDN BHD DANAHARTA MANAGERS SDN BHD FOR BUSINESS FOCUS SDN BHD (SIME BANK)	5,422,000	6.85
6	HLG NOMINEE (ASING) SDN BHD COMMERZBANK (SEA) LTD FOR STN ATLAS ELEKTRONIK GMBH	2,816,000	3.56
7	KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD DANAHARTA MANAGERS SDN BHD FOR ELEGANT RESIDENCE (M) SDN BHD	2,339,000	2.96
8	CIMSEC NOMINEES (TEMPATAN) SDN BHD DANAHARTA URUS SDN BHD FOR TAN SRI DATO' AMIN SHAH BIN HAJI OMAR SHAH	2,082,000	2.63
9	BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR BUSINESS FOCUS SDN BHD (3721 KLBR)	1,989,832	2.51
10	PAB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BUSINESS FOCUS SDN BHD (1119046202)	1,606,000	2.03
11	SOUTHERN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BUSINESS FOCUS SDN BHD	1,604,000	2.03
12	KENANGA NOMINEES (TEMPATAN) SDN BHD DANAHARTA MANAGERS SDN BHD FOR ATLANTIC RANGE (M) SDN BHD	1,368,000	1.73

Analysis Of Shareholdings (cont'd)

as at 30 April 2002

PSC INDUSTRIES BERHAD

SHAREHOLDERS	NO. OF SHARES	%
13 BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR PROBALANCE SDN BHD (4908 JTRK)	1,300,000	1.64
14 SOUTHERN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' AMIN SHAH BIN HAJI OMAR SHAH	1,289,000	1.63
15 BUSINESS FOCUS SDN BHD	1,247,302	1.58
16 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR ENG SIM LEONG @ NG LEONG SING(01-00106-000)	1,126,332	1.42
17 OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' AMIN SHAH BIN HAJI OMAR SHAH	1,052,000	1.33
18 BUMIPUTRA-COMMERCE NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR BUSINESS FOCUS SDN BHD (3722 JTRK)	1,051,794	1.33
19 MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BUSINESS FOCUS SDN BHD (REM 837)	999,000	1.26
20 MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR GALLANT-SHINE SDN BHD (01-00048-000)	987,014	1.25
21 KENANGA NOMINEES (TEMPATAN) SDN BHD DANAHARTA MANAGERS SDN BHD FOR LEE CHOONG LIM @ LEE TIN FOOK	925,000	1.17
22 BBMB SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GALLANT-SHINE SDN BHD (MD0065)	873,666	1.10
23 TRACTORS MALAYSIA HOLDINGS BERHAD	859,000	1.09
24 HSBC NOMINEES (ASING) SDN BHD JPMORGAN CHASE BANK FOR BIOGOLD SERVICES LIMITED	833,000	1.05

Analysis Of Shareholdings (cont'd)

as at 30 April 2002

PSC INDUSTRIES BERHAD

SHAREHOLDERS	NO. OF SHARES	%
25 AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' AMIN SHAH BIN HAJI OMAR SHAH	790,000	1.00
26 HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' AMIN SHAH BIN HAJI OMAR SHAH (PST4449-5)	740,000	0.94
27 HSBC NOMINEES (ASING) SDN BHD MEESPIERSON SG FOR WARTSILA NSD NEDERLAND BV	600,000	0.76
28 CITICORP NOMINEES (ASING) SDN BHD AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED (P CORE)	567,000	0.72
29 U.B. NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR BUSINESS FOCUS SDN BHD	543,000	0.69
30 SFB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BUSINESS FOCUS SDN BHD	530,000	0.67
TOTAL	72,232,326	91.31

List Of Properties

Held by PSCI Group

PSC INDUSTRIES BERHAD

Location	Description	Area	Tenure	Age	Net Value RM
SEDAP FOOD INDUSTRIES SDN BHD					
PLots 6,7 & 8 Mukim of Bukit Katil Melaka	Double Storey factory building and other ancillary buildings	5.2 acres	Leasehold expiring on 29/9/2070	31 years	8,572,581
PSC INDUSTRIES BERHAD					
Lot 3475, Mukim of Macap Alor Gajah, Melaka	Agricultural land	103.8 acres	Leasehold expiring on 8/7/2003	28 years	20,568
PSC ASSET HOLDINGS SDN BHD					
Menara PSCI 39, Jalan Sultan Ahmad Shah Pulau Pinang	21 storey office building with 5 storey annexed car park	6,672 sq.m	Freehold	8 years	70,000,000
PENANG SHIPBUILDING & CONSTRUCTION SDN BHD					
Pajakan Negeri No. 649 Lot No. 3222, Mukim 13 Daerah Timur Laut Pulau Pinang	Shipyards	20.21 acres	Leasehold expiring on 24/1/2072	30 years	72,089,343
Pajakan Negeri No. 648 Lot No. 3227, Mukim 13 Daerah Timur Laut Pulau Pinang	Reclaimed land for the extension of the area of the shipyard	19.00 acres	Leasehold expiring on 24/1/2072	30 years	1,891,890
WAVEMASTER INTERNATIONAL PTY LTD					
Lot 115, Egmont Road Henderson 6166 W. Australia	Shipyards and construction of aluminium fast ferries	3.8 acres	Freehold	N/A	1,188,288



PSC INDUSTRIES BERHAD
(Company No. 11106 V)

Form Of Proxy

PSC INDUSTRIES BERHAD

I/We.....
(FULL NAME IN BLOCK LETTERS)

of.....
(FULL ADDRESS)

being a member of PSC INDUSTRIES BERHAD, hereby appoint.....
(FULL NAME IN BLOCK LETTERS)

of.....
(FULL ADDRESS)

or failing him/her, THE CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Thirtieth Annual General Meeting of the Company, to be held at the Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 26 June, 2002 at 9:30 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
	ORDINARY BUSINESS		
1.	Adoption of Reports and Accounts.		
2.	Declaration of Dividend.		
3.	Approval of Directors' fees.		
4.	To re-elect Encik Mohd Noordin Bin Abdullah who is retiring under Article 94 of the Company's Articles of Association.		
5.	To re-elect Encik Ibrahim Bin Topaiwah who is retiring under Article 94 of the Company's Articles of Association.		
6.	To re-elect Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah who is retiring under Article 103 of the Company's Articles of Association.		
7.	To re-elect Encik Azlan Shah Bin Haji Omar Shah who is retiring under Article 103 of the Company's Articles of Association.		
8.	Re-appointment of Auditors and authorising the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
9.	Approval of new issue of shares pursuant to Section 132D of the Companies Act, 1965.		

(Please indicate with an "x" how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.)

Dated this _____ day of _____, 2002.

Number of shares held

(Signature/Common Seal of Shareholder(s))



Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 3rd Floor, Ming Building, Jalan Bukit Nanas, 50250 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting.

Explanatory Notes on Special Business**Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.**

The Ordinary Resolution proposed under Agenda 9, if passed, will give powers to the Directors to issue up to a maximum of ten (10) percent of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or at the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.