

RESPONSIBILITY

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS AND THE OFFEROR/PROMOTER OF PLUS EXPRESSWAYS BERHAD AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS, THE OMISSION OF WHICH, WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

THE FINANCIAL ADVISER AND MANAGING UNDERWRITER ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE OFFERINGS, AND ARE SATISFIED THAT ANY FORECAST RESULTS (FOR WHICH THE DIRECTORS ARE FULLY RESPONSIBLE) PREPARED FOR INCLUSION IN THIS PROSPECTUS HAVE BEEN STATED BY THE DIRECTORS AFTER DUE AND CAREFUL INQUIRY AND HAVE BEEN DULY REVIEWED BY THE REPORTING ACCOUNTANTS.

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION (THE “SC”) HAS APPROVED THE OFFER OR INVITATION IN RESPECT OF THE OFFERINGS. SUCH APPROVAL SHALL NOT HOWEVER, BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERINGS.

THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF PLUS EXPRESSWAYS AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

THE KUALA LUMPUR STOCK EXCHANGE (“KLSE”) ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE MAIN BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF PLUS EXPRESSWAYS OR OF ITS SECURITIES.

A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED BY THE SC AND LODGED WITH THE COMPANIES COMMISSION OF MALAYSIA WHO BOTH TAKE NO RESPONSIBILITY FOR ITS CONTENTS.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF THE PLUS EXPRESSWAYS SHARES ARE SUBJECT TO MALAYSIAN LAWS AND THE COMPANY AND ITS ADVISERS TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. NO ACTION HAS BEEN TAKEN TO PERMIT A PUBLIC OFFERING OF THE SHARES OR THE DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION OTHER THAN MALAYSIA. ACCORDINGLY, THIS PROSPECTUS DOES NOT CONSTITUTE AND MAY NOT BE USED FOR THE PURPOSE OF AN OFFER TO SELL OR AN INVITATION TO APPLY FOR ANY PLUS EXPRESSWAYS SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF THE PLUS EXPRESSWAYS SHARES IN CERTAIN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW. PERSONS WHO MAY BE IN POSSESSION OF THIS PROSPECTUS ARE REQUIRED TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

INDICATIVE TIME-TABLE

The indicative timing of events leading up to the listing of and quotation for the entire issued and paid-up share capital of PLUS Expressways on the KLSE is set out below:

Event	Dates
Opening of the Institutional Global Offering	6 June 2002
Opening of the Retail Offering and Restricted Offering	10 June 2002
Closing of the Restricted Offering and Retail Offering	24 June 2002 <i>(8 pm Malaysian time)</i>
Closing of the Institutional Global Offering	25 June 2002 <i>(5 pm London time)</i>
Tentative Price Determination Date	26 June 2002
Tentative balloting of application for PLUS Expressways Shares pursuant to the Retail Offering	28 June 2002
Tentative allotment of PLUS Expressways Shares to successful applicants	9 July 2002
Tentative listing of PLUS Expressways Shares	15 July 2002

The Institutional Global Offering will open and close at the dates stated above or such other date or dates as the Directors of the Company and the Offeror in their absolute discretion may decide. Applications for the PLUS Expressways Shares pursuant to the Restricted Offering and Retail Offering will open and close at the time and date as stated above or such other date or dates as the Directors of the Company and the Offeror in their absolute discretion may decide.

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DEFINITIONS

In this Prospectus, the following words or expressions shall have the following meanings except where the context otherwise requires:

Accountants' Report	- The report dated 6 June 2002 issued by Ernst & Young in respect of the financial statements of PLUS for the years ended 31 December 1997, 1998, 1999, 2000 and 2001 and of PLUS and PLUS Expressways for the three months ended 31 March 2001 and 2002 as set out in this Prospectus.
ADA	- Authorised Depository Agent
ADA Code	- Authorised Depository Agent (Broker) Code.
Additional Project Control Account Agreement	- The additional project control account agreement dated 23 May 2002 between PLUS, RHB Sakura and Universal Trustee (Malaysia) Berhad (Company No. 17540-B).
Additional Support Loan	- The RM212 million loan facility provided by the Government to PLUS pursuant to the Additional Support Loan Agreement.
Additional Support Loan Agreement	- The additional support loan agreement dated 25 August 1999 between the Government and PLUS (as amended from time to time) pursuant to which the Government agreed to provide an interest free loan facility of RM212 million to PLUS.
Africon	- Africon (Asia) Sdn Bhd (Company No. 338990-K).
Agreed Toll Rate(s)	- The agreed toll rates as determined pursuant to the Concession Agreement for each class of vehicle using the Expressways.
Ancillary Facilities	- The rest and service areas, lay-bys, advertising hoardings and other amenities constructed or operated along the Expressways.
BAIDS	- Bai' Bithaman Ajil Islamic Debt Securities issued by PLUS pursuant to the Issue of BAIDS.
BAIDS Serial Bondholders	- The holders of the BAIDS Serial Bonds.
BAIDS Serial Bonds	- Comprising: (i) the primary bonds issued by PLUS under the BAIDS representing the cost portion of the asset sale price, being the price agreed for the sale of the rights of PLUS pursuant to the Concession; and (ii) the secondary bonds issued by PLUS under the BAIDS representing the profit portion of the asset sale price of six (6) monthly maturities commencing six (6) months from release of the purchase price.
BNM	- Bank Negara Malaysia, the Central Bank of Malaysia.
Capital Reduction	- The reduction of the share premium account of PLUS after the PLUS Rights Issue and Conversion of RCBs in order to write-off the accumulated losses of PLUS after the completion of the Debt Restructuring
CDS	- Central Depository System, Malaysia.

DEFINITIONS

CIMA	- Cement Industries of Malaysia Berhad (Company No. 11986-T).
Class 1 vehicle	- A vehicle with two axles and three or four wheels but excluding a taxi.
Class 2 vehicle	- A vehicle with two axles and six wheels but excluding a bus.
Class 3 vehicle	- A vehicle with three or more axles.
Class 4 vehicle	- A taxi.
Class 5 vehicle	- A bus.
Closing Date	- The closing date of the Institutional Global Offering, Restricted Offering or Retail Offering, as the case may be.
Commercial Loans	- The RM2,068.5 million syndicated term loan and RM466.5 million standby term loan and the RM2,097.0 million syndicated term loan facilities (as amended) provided by PLUS' commercial lenders to PLUS to finance the construction of the Expressways.
Companies Act	- The Companies Act 1965 as it may, from time to time, be amended, extended, modified or re-enacted.
Concession	- The concession relating to the Expressways granted by the Government to UEM under the Concession Agreement and novated by UEM to PLUS under the Novation Agreement.
Concession Agreement	- The concession agreement dated 18 March 1988 between the Government and UEM which was novated by UEM to PLUS under the Novation Agreement (whereby the Government has granted to PLUS the exclusive right and authority to undertake and enjoy the Concession) and as amended by the Supplemental Concession Agreement and the Second Supplemental Concession Agreement.
Concession Period	- The period commencing on 31 May 1988 and ending on 31 May 2030 (unless the period is extended, or the Concession is terminated, in accordance with the terms of the Concession Agreement).
Concession Year	- The period commencing on 31 May 1988 and ending on 31 December 1988 and thereafter each period of one year ending on 31 December but so that the final Concession Year shall end on the termination date of the Concession.
Conversion of NCCPS	- Conversion of the NCCPS into 368,552,941 new PLUS Shares by UEM at a conversion price of RM1.00 per PLUS Share.
Conversion of RCBs	- Conversion of RM1,389,000,000 (in present day value as at the issue date) of RCBs into 214,031,403 new PLUS Shares by the holders of the RCBs at a conversion price of RM8.39 per PLUS Share.
Danasaham	- Syarikat Danasaham Sdn Bhd (Company No. 475156-V).
Debt Restructuring	- The restructuring of PLUS indebtedness completed on 31 May 2002.
EBITDA	- Earnings before interest expense (net of interest income), income tax expense, depreciation and amortisation
ELITE	- Expressway Lingkar Tengah Sdn Bhd (Company No. 312805-M), a wholly-owned subsidiary of UEM, that operates and maintains the North-South Expressway Central Link.

DEFINITIONS

EPF	- Employees Provident Fund Board, established pursuant to the Employees Provident Fund Act, 1991.
EPS	- Earnings per share.
Expressways	- The North-South Expressway, the New Klang Valley Expressway and a section of Federal Highway Route 2 approximately 16 km in length between Subang and Klang, all subject to the Concession.
External Risks Supplements Agreement	- The external risks supplements agreement dated 31 May 1988 between the Government and UEM (as amended from time to time) which was novated to PLUS by UEM with the consent of the Government under the Novation Agreement pursuant to which the Government agreed to provide a loan facility available for drawing in certain defined circumstances relating to the additional cost of debt servicing (if any) as a result of an adverse movement in exchange rates and interest rates.
Extinguishment of Special Rights	- Extinguishment of the special rights attached to the Special Share issued by PLUS to UEM which are in addition to the rights attached to an ordinary share. Consequently, the Special Share now ranks pari passu with other ordinary shares of RM1.00 each issued by PLUS.
Faber Union	- Faber Union Sdn Bhd (Company No. 10501-T).
Federal Highway Route 2	- Federal Highway Route 2 connecting Kuala Lumpur and Klang in Peninsular Malaysia.
FGB	- Faber Group Bhd (Company No. 5067-M).
FIC	- Foreign Investment Committee.
Financial Adviser	- RHB Sakura, the financial adviser to the Company
Final Retail Offering Price	- The final price per Retail Share to be paid by investors in the Retail Offering as determined in accordance with Section 16.6 of this Prospectus.
Final Restricted Offering Price	- The final price per Restricted Share to be paid by investors in the Restricted Offering as determined in accordance with Section 16.6 of this Prospectus.
GDP	- Gross domestic product.
Government	- The Government of Malaysia.
Government Financial Agreements	- The following agreements (as amended or supplemented): <ul style="list-style-type: none"> (i) the Support Loan Agreement; (ii) the Traffic Volume Supplements Agreement; (iii) the External Risks Supplements Agreement; and (iv) the Project Control Account Agreement, which were novated by UEM to PLUS pursuant to the Novation Agreement.
Government Support Loan	- The RM1,650.0 million loan facility provided by the Government to PLUS pursuant to the Support Loan Agreement.

DEFINITIONS

Hartanah	- Hartanah Lintasan Kedua Sdn Bhd (Company No. 252949-W), a wholly-owned subsidiary of UEM and issuer of the Hartanah Bonds.
Hartanah Bonds	- The RM698.0 million bonds (in present day value as at issue date) due from 2011 to 2019 as issued by Hartanah at a yield to maturity of 10% per annum in connection with the restructuring of the commercial loans of Linkedua.
HBN	- HBN Management Sdn Bhd (Company No. 164966-X).
Institutional Global Offering	- The offer for sale by UEM of between 530,000,000 and 630,000,000 PLUS Expressways Shares to Malaysian and foreign institutional investors at the Institutional Offering Price by way of bookbuilding.
Institutional Offering Price	- The price per Institutional Share to be paid by investors in the Institutional Global Offering.
Institutional Shares	- Between 530,000,000 and 630,000,000 PLUS Expressways Shares offered for sale by UEM under the Institutional Global Offering.
Intria	- Intria Berhad (Company No. 29354-H).
Issue of BAIDS	- The issue of BAIDS Serial Bonds by PLUS.
Issuing House or MIDFCCS	- MIDF Consultancy and Corporate Services Sendirian Berhad.
Joint Bookrunners	- JPMorgan and RHB Sakura, the joint bookrunners in respect of the Institutional Global Offering.
Joint Lead Managers	- JPMorgan and RHB Sakura, the joint lead managers in respect of the Institutional Global Offering.
JPMorgan	- J.P. Morgan Securities Ltd and its affiliates, as Joint Lead Manager and Joint Bookrunner in respect of the Institutional Global Offering.
Khazanah	- Khazanah Nasional Berhad (Company No.275505-K).
Kinta Kellas	- Kinta Kellas Plc (Malaysian registered Company No. 990925-H; United Kingdom registered Company No 214532).
KLSE	- Kuala Lumpur Stock Exchange.
KLSE LR	- Listing Requirements of the KLSE.
km	- Kilometres
Lenders	- All persons (other than the Government) for the time being providing, raising or making available, directly or indirectly, finance or refinance (whether by loan, lease or subscription or purchase of securities, including preference shares) to PLUS in relation to the design, construction, management, operation or maintenance of the Concession, their respective successors in title and assigns and any of them, as defined in the Concession Agreement.
Link Bonds	- The RM900 million unsecured bonds (in present day value as at issue date) due for maturity in tranches from 2011 to 2019 issued by PLUS to Hartanah at a yield to maturity of 10% per annum.

DEFINITIONS

Linkedua	- Linkedua (Malaysia) Berhad (Company No. 233673-W), a wholly-owned subsidiary of UEM that operates and maintains the second bridge crossing between Tuas in Singapore and Tanjong Kupang in Johor, Malaysia and the toll road linking the second crossing to the North-South Expressway.
Listing	- The admission to the Official List and listing of and quotation for the entire issued and paid-up share capital of PLUS Expressways of RM1,250,000,000 comprising 5,000,000,000 ordinary shares of RM0.25 each in PLUS Expressways on the Main Board of the KLSE.
Maintenance Manual	- The maintenance manual titled Expressway Maintenance System-Civil Works Guideline and Manual approved and published in 1991 by the MHA for the maintenance of the Expressways (as amended from time to time).
Major Shareholder	- A person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate amount of the nominal amounts of those shares, is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the corporation.
Managing Underwriter	- RHB Sakura, the managing underwriter in respect of the Restricted Offering and Retail Offering.
Market Day	- A day on which the KLSE is open for trading in securities.
MASB	Malaysian Accounting Standards Board.
MASB Standards	- Applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
Master Maintenance Agreement	- The master maintenance agreement dated 20 October 1988 between PLUS and UEM for the maintenance of the Expressways (as amended and/or supplemented from time to time).
MCD	- Malaysian Central Depository Sdn Bhd (Company No. 165570-W).
Merger	- The merger between PLUS Expressways and PLUS whereby PLUS Expressways acquired the entire issued and paid-up share capital of PLUS after the PLUS Rights Issue, Conversion of RCBs, Settlement of Inter-company Loans, Conversion of NCCPS, Extinguishment of Special Rights and Capital Reduction, to be satisfied by the issuance of 4,999,999,998 new PLUS Expressways Shares as described in Section 9.3.5 of this Prospectus.
Metramac	- Metramac Corporation Sdn Bhd (Company No. 098827-U).
MHA	- The Highway Authority of Malaysia, a body corporate established by law under the Highway Authority Malaysia (Incorporation) Act 1980.
MITI	- Ministry of International Trade and Industry.
MoF	- Ministry of Finance.
MoF Inc.	- Minister of Finance, a body corporate established under the Minister of Finance (Incorporation) Act 1957.
MoW	- Ministry of Works.

DEFINITIONS

NCCPS	- The 368,552,941 0.0001% non-cumulative convertible preference shares of RM1.00 each in the share capital of PLUS having the rights set out in the Memorandum and Articles of Association of PLUS.
New Klang Valley Expressway	- An expressway of approximately 35 km long connecting the North Klang Straits By-Pass and Jalan Duta in Kuala Lumpur.
North-South Expressway	- The north-south inter-urban toll expressway which is approximately 797 km long extending the length of Peninsular Malaysia from Bukit Kayu Hitam, Kedah in the north to Johor Bahru, Johor in the south.
North-South Expressway Central Link	- An expressway of approximately 60 km long connecting Shah Alam, Selangor and Kuala Lumpur International Airport, and Nilai, Negeri Sembilan.
Novation Agreement	- The novation agreement dated 20 July 1988 between the Government, UEM and PLUS pursuant to which UEM, with the approval of the Government, assigned its rights and transferred its liabilities and obligations under, the Concession Agreement and the Government Financial Agreements to which it was a party, to PLUS.
NTA	- Net tangible assets.
Offer Shares	- The Institutional Shares, Restricted Shares and Retail Shares, collectively.
Offering Price	- The Institutional Offering Price, Restricted Offering Price or Retail Offering Price as the case may be.
Offerings	- The Institutional Global Offering, Restricted Offering and Retail Offering, collectively.
Offeror or Promoter	- UEM.
Operation Auditors	- The auditors appointed by the Government and the auditors appointed by PLUS as required for the purposes of the Concession Agreement.
OPUS	- Opus International Consultants Sdn Bhd (Company No. 401778-W).
PAT/(LAT)	- Profit/(loss) after taxation.
PBT/(LBT)	- Profit/(loss) before taxation.
PCU	- Passenger Car Unit, is a measure of traffic volume used to combine the volumes of vehicles of varying toll rate into a single traffic volume which is directly related to revenue collection. One PCU is equivalent to one Class 1 vehicle.
PCU-km	- Passenger Car Unit km, is derived by dividing the toll revenue collected by the toll rate per km for Class 1 vehicles.
Pharmaniaga	- Pharmaniaga Berhad (Company No. 467709-M).
PLB	- Pengurusan Lebuhraya Berhad (Company No. 154159-T).
PLUS	- Projek Lebuhraya Utara-Selatan Berhad (Company No. 154158-H).

DEFINITIONS

PLUS Bonds	- The RM8,368,549,332.58 (in present day value as at issue date) 7-year zero coupon redeemable secured bonds 1999/2006 issued by PLUS in connection with the rescheduling and restructuring of certain indebtedness of PLUS, and the settlement of certain indebtedness of the Renong Group and UEM constituted by a trust deed dated 15 September 1999. The PLUS Bonds bear a yield to maturity of 9.4 % per annum, compounded semi annually.
Debt Restructuring and Flotation Scheme	- The debt restructuring of PLUS and flotation scheme of PLUS Expressways, as further described in Section 9 - Debt Restructuring and Flotation Scheme.
PLUS Expressways or Company	- PLUS Expressways Berhad (Company No. 570244-T).
PLUS Expressways Group or Group	- PLUS Expressways and its wholly-owned subsidiary, PLUS, collectively.
PLUS Expressways Share(s)	- Ordinary share(s) of RM0.25 each in PLUS Expressways.
PLUS Share(s)	- Ordinary share(s) of RM1.00 each in PLUS.
PLUS Rights Issue	- Renounceable rights issue of 316,250,000 new PLUS Shares to UEM which was renounced to Khazanah at an issue price of RM7.59 per PLUS Share to raise RM2,400,337,500.
Previous UEM Shareholders	- Previous shareholders of UEM (excluding Renong and Cantuman Bahagia Sdn Bhd (Company No. 172952-H), a wholly-owned subsidiary of Renong) who accepted the voluntary general offer by Danasaham to acquire the remaining 815,303,483 UEM Shares not already owned by Khazanah pursuant to Danasaham's offer document dated 23 August 2001 and the remaining shareholders of UEM (excluding Khazanah) whose UEM Shares were compulsorily acquired by Danasaham pursuant to Section 34 of the SC Act, collectively following the completion of the voluntary general offer.
Price Determination Date	- Tentatively 26 June 2002, the date on which the Institutional Offering Price is to be determined.
Project Control Account Agreement	- The project control account agreement dated 31 May 1988 between the Government and UEM novated to PLUS under the Novation Agreement, which requires all amounts received by PLUS in relation to the Concession to be paid into the project control account and specifies procedures for the utilisation of such amounts including the advances by the Government to PLUS under the Government Financial Agreements.
PROPEL	- Projek Penyelenggaraan Lebuhraya Berhad (Company No. 171667-P).

DEFINITIONS

- RCBs
- The redeemable convertible bonds issued by PLUS and constituted by a trust deed dated 15 September 1999 created by PLUS and the trustee for the holders of the RCBs comprising:
 - (i) the RM132,500,000 (in present day value as at issue date) of Tranche 1 redeemable convertible bonds, issued on 30 September 1999 by PLUS. For the Tranche 1 redeemable convertible bonds, approximately RM122.11 million (nominal value) and RM87.07 million (nominal value) will be due for redemption six years and seven years respectively from 1 July 1999; and
 - (ii) the RM1,256,500,000 (in present day value as at issue date) of Tranche 2 redeemable convertible bonds, issued on 30 September 1999 by PLUS. For the Tranche 2 redeemable convertible bonds, approximately RM1,157.99 million (nominal value) and RM825.70 million (nominal value) will be due for redemption six years and seven years respectively from 1 July 1999.
- RCCPS
- The redeemable convertible cumulative preference shares comprising:
 - (i) the 50 million “A” redeemable convertible cumulative preference shares of RM0.10 each in the share capital of PLUS having the rights set out in the Memorandum and Articles of Association of PLUS; and
 - (ii) the 50 million “B” redeemable convertible cumulative preference shares of RM0.10 each in the share capital of PLUS having the rights set out in the Memorandum and Articles of Association of PLUS.
- Renong
- Renong Berhad (Company No 90894-P).
- Renong Group
- Renong, its subsidiaries and associated companies.
- Renong SPV
- Renong Debt Management Sdn Bhd (Company No. 152051-A), a subsidiary of Renong which issued the Renong SPV Bond to PLUS and which was formerly a subsidiary of PLUS by virtue of PLUS’ control of the composition of the Board of Renong Debt Management Sdn Bhd.
- Renong SPV Bond
- The RM4,309,572,976.39 (in present day value as at the issue date) 7-year zero coupon redeemable secured guaranteed bond due 2006 issued by Renong SPV to PLUS.
- Restricted Offering
- The non-renounceable offer for sale by UEM of 125,641,000 PLUS Expressways Shares to Previous UEM Shareholders on the basis of one Restricted Share for every four UEM Shares held at the Restricted Offering Price.
- Restricted Offering Price
- The initial price per Restricted Share to be paid by applicants in the Restricted Offering in accordance with Section 16.6 of this Prospectus.

DEFINITIONS

Restricted Shares	- 125,641,000 PLUS Expressways Shares to be offered pursuant to the Restricted Offering.
Retail Offering	- The offer for sale by UEM of 174,359,000 PLUS Expressways Shares at the Retail Offering Price comprising: <ul style="list-style-type: none"> (i) up to 46,800,000 PLUS Expressways Shares to eligible Directors and employees of UEM Group, Renong Group and Khazanah; (ii) up to 26,200,000 PLUS Expressways Shares to eligible users of “Touch ‘n Go” (PLUS’ electronic payment system); and (iii) not less than 101,359,000 PLUS Expressways Shares (and any PLUS Expressways Shares not applied for under (i) and (ii) above), to the Malaysian public of which a minimum of 30% is to be set aside for Bumiputera individuals, companies, co-operatives, societies and institutions, payable in full on application.
Retail Offering Price	- The initial price per Retail Share to be paid by applicants in the Retail Offering in accordance with Section 16.6 of this Prospectus.
Retail Shares	- The 174,359,000 PLUS Expressways Shares to be offered pursuant to the Retail Offering.
RHB Sakura	- RHB Sakura Merchant Bankers Berhad (Company No.19663-P), the Financial Adviser to the Company, Managing Underwriter and Lead Manager in respect of the Restricted Offering and Retail Offering, and Joint Lead Manager and Joint Bookrunner in respect of the Institutional Global Offering.
Ringgit, RM and Sen	- Ringgit Malaysia and Sen, respectively, being the lawful currency of Malaysia.
RSSB	- Rangkaian Segar Sdn Bhd (Company No. 406400-X).
Rules	- The Rules of the MCD including any amendment or modification thereto.
SC	- Securities Commission.
SC Act	- Securities Commission Act, 1993 as it may, from time to time, be amended, extended, modified or re-enacted.
SC Guidelines	- Policies and Guidelines on Issue/Offer of Securities and any amendments thereto as issued by the SC.
Scheme of Arrangement	- The scheme of arrangement under Section 176 of the Companies Act, involving the PLUS Rights Issue, Conversion of RCBs, Settlement of Inter-company Loans, Conversion of NCCPS, Extinguishment of Special Rights, Capital Reduction and Merger which has been sanctioned by the High Court of Malaya on 20 May 2002..
Second Supplemental Concession Agreement	- Agreement dated 11 May 2002 between the Government and PLUS to reflect the revision of the terms of the concession as announced by the Government in December 2001.

DEFINITIONS

Serial Bonds	- The RM1,000 million serial bonds issued by PLUS and constituted by a trust deed dated 9 February 1998.
Settlement of Inter-company Loans	- The settlement of the inter-company loans between PLUS and UEM as further described in Section 9.3.2 of this Prospectus.
Shapadu	- Shapadu Corporation Sdn Bhd (Company No. 116721-M).
SILK	- Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd (Company No. 371220V)
Special Share	- The ordinary share of RM1.00 in the share capital of PLUS issued to UEM having the special rights set out in the Memorandum and Articles of Association of PLUS.
SPRINT	- Sistem Penyuraian Trafik KL Barat Sdn Bhd (429797-P)
SPSB	- Semai Pinang Sdn Bhd (Company No. 429494-H).
Supplemental Concession Agreement	- Supplemental Concession Agreement dated 8 July 1999 between the Government and PLUS.
Support Loan Agreement	- The support loan agreement dated 31 May 1988 between the Government and UEM (as amended from time to time) which was novated to PLUS under the Novation Agreement, pursuant to which the Government agreed to provide the Government Support Loan.
TEB	- TIME Engineering Berhad (Company No.10039-P).
TEMAN	- Total Expressway Maintenance Management System.
TERAS	- Teras Teknologi Sdn Bhd (Company No. 316616-X).
Threshold Toll Revenue	- In relation to the relevant Concession Year, the threshold toll revenue as specified in the Supplemental Concession Agreement.
Toll Sharing Amounts	- The amount of toll revenue to be shared by PLUS with the Government based on the Threshold Toll Revenue and the percentage prescribed in the Supplemental Concession Agreement.
Traffic Consultant	- Halcrow Consultants Sdn Bhd (Company No. 334963-A).
Traffic Volume Supplements Agreement	- The traffic volume supplements agreement dated 31 May 1988 between the Government and UEM (as amended from time to time) novated to PLUS under the Novation Agreement.
TIMECel	- TIMECel Sdn Bhd (Company No. 73315-V) (formerly known as TWSB)
TIME dotCom	- TIME dotCom Berhad (Company No. 413292-P).
TTdotCom	- TT dotCom Sdn Bhd (Company No. 52371-A).
TWSB	- TIME Wireless Sdn Bhd (Company No. 73315-V).
UEC	- UE Construction Sdn Bhd (Company No. 147398-P).
UEM	- United Engineers (Malaysia) Berhad (Company No. 6551-K).
UEM Bond	- The RM2,951,177,081.84 (in present day value as at issue date) 7-year zero coupon redeemable secured bond 1999/2006 with a yield of 9.4% per annum, issued by UEM to PLUS in connection with the settlement of certain UEM indebtedness.

DEFINITIONS

- UEM Group - UEM, its subsidiaries and associated companies.
- UEM Loan - The 7-year term loan provided by PLUS to UEM with a principal sum of RM34,999,686.55 bearing an interest rate of 9.4% per annum (capitalised semi-annually) and to be repaid in one lump sum (together with interest accrued) in 2006.
- UEM Shares - Ordinary shares of RM0.50 each in UEM.
- USD or US\$ - The lawful currency of the United States of America.

Words denoting the singular number only shall include the plural and also vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include corporations.

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APPENDIX – LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES IN UEM GROUP

1. CORPORATE DIRECTORY**DIRECTORS**

Name	Directorship in the Company	Address	Nationality	Occupation
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	Chairman	39 Jalan Setiamurni 6, Bukit Damansara, 50490 Kuala Lumpur	Malaysian	Company Director
Abdul Wahid bin Omar	Executive Vice Chairman	17-6-6, The Palladium, Jalan Gurney 2, 54100 Kuala Lumpur	Malaysian	Company Director
Dato' Idrose bin Mohamed	Managing Director	154-0-2, Villa Flora, Jalan Burhanuddin Helmi, Taman Tun Dr. Ismail, 60000 Kuala Lumpur	Malaysian	Company Director
YM Professor DiRaja Ungku Abdul Aziz bin Ungku Abdul Hamid	Independent Non-Executive Director	A5-5B, Astana Damansara, Jalan 17/1, 46400 Petaling Jaya, Selangor	Malaysian	Company Director
Dato' Mohamed Azman bin Yahya	Non-Executive Director	No 4, Persiaran Batai Barat, Bukit Damansara, 50490 Kuala Lumpur	Malaysian	Company Director
Tan Sri Razali bin Ismail	Independent Non-Executive Director	Desa Kudalari, 1802 No 3, Lorong Kuda, 50450 Kuala Lumpur	Malaysian	Company Director
Hassan bin Ja'afar	Non-Executive Director	5 Jalan SS 20/22, Damansara Utama, 47400 Petaling Jaya Selangor	Malaysian	Company Director
Datuk K.Ravindran s/o C.Kutty Krishnan	Independent Non-Executive Director	No 15, Lorong Taman Pantai 2, Bukit Pantai, 59200 Kuala Lumpur	Malaysian	Company Director
Geh Cheng Hooi	Independent Non-Executive Director	No 46, Jalan Batai, Damansara Heights, 50490 Kuala Lumpur	Malaysian	Company Director

1. CORPORATE DIRECTORY

AUDIT COMMITTEE

Name	Responsibility	Directorship in the Company
Geh Cheng Hooi	Chairman of the Committee	Independent Non-Executive Director
Dato' Mohamed Azman bin Yahya	Member of the Committee	Non-Executive Director
Datuk K.Ravindran s/o C.Kutty Krishnan	Member of the Committee	Independent Non-Executive Director

OTHER INFORMATION

Company Secretaries

Tan Hwee Thian
 Membership No: MIA 1904
 39, Jalan 16
 Taman Bukit Kuchai
 47100 Puchong
 Selangor

Chuah Mei Lin
 Membership No: LS 0008370
 17, Jalan Medang Tanduk
 Bukit Bandaraya
 59100 Kuala Lumpur

Registered Office

2nd Floor, Bangunan MCOBA
 42 Jalan Syed Putra
 50460 Kuala Lumpur

Telephone

03 2718 6868

Facsimile

03 2718 6891

Head/Management Office

12-17th Floors
 Menara 1
 Faber Towers
 Jalan Desa Bahagia
 Taman Desa
 Off Jalan Klang Lama
 58100 Kuala Lumpur

Telephone

03 7981 8000

Facsimile

03 7984 2088

Website

www.plus.com.my

1. CORPORATE DIRECTORY

Financial Adviser to the Company

RHB Sakura Merchant Bankers Berhad
Level 8, Tower 3, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Principal Bankers

For PLUS Expressways

Bumiputra Commerce Bank Berhad
No. 6, Jalan Tun Perak
50050 Kuala Lumpur

For PLUS

Arab Malaysian Merchant Bank Bhd
22nd Floor, Bangunan Arab Malaysian
55 Jalan Raja Chulan
50200 Kuala Lumpur

Bumiputra Commerce Bank Berhad
No. 6, Jalan Tun Perak
50050 Kuala Lumpur

Auditors and Reporting Accountants

Ernst & Young
Chartered Accountants
4th Floor, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur

Solicitors for the Listing

Zaid Ibrahim & Co
Advocates and Solicitors
Level 19, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Issuing House

MIDF Consultancy and Corporate Services
Sendirian Berhad
Tingkat 12, Bangunan MIDF
195 A, Jalan Tun Razak
50400 Kuala Lumpur

Registrar

Signet Share Registration Services Sdn. Bhd.
11th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur

1. CORPORATE DIRECTORY

Managing Underwriter and Lead Manager for the Restricted Offering and Retail Offering RHB Sakura Merchant Bankers Berhad
Level 8, Tower Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Underwriters for the Retail and Restricted Offerings Affin Merchant Bank Berhad
27th Floor, Menara Boustead
69 Jalan Raja Chulan
P.O.Box 11424
50200 Kuala Lumpur

Affin-UOB Securities Sdn Bhd
Level 3, Menara Keck Seng
203, Jalan Bukit Bintang
55100 Kuala Lumpur

Alliance Merchant Bank Berhad
Level 20, Menara Multi-Purpose
Capital Square
8 Jalan Munshi Abdullah
50100 Kuala Lumpur

Arab-Malaysian Merchant Bank Berhad
22nd Floor, Bangunan Arab-Malaysian
55 Jalan Raja Chulan
50200 Kuala Lumpur

Arab-Malaysian Securities Sdn Bhd
15th Floor, Bangunan Arab-Malaysian
55, Jalan Raja Chulan
50200 Kuala Lumpur

Aseambankers Malaysia Bhd
33rd Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

1. CORPORATE DIRECTORY

Underwriters for the Retail and Restricted Offerings (Con't)	Bank Islam Malaysia Berhad Tingkat 18, Bangunan Darul Takaful Jalan Sultan Ismail 50250 Kuala Lumpur
	BBMB Securities Sdn Bhd Level 2, 3, 4 & 15 Menara Olympia No. 8, Jalan Raja Chulan 50200 Kuala Lumpur
	Commerce International Merchant Bankers Berhad 10 th Floor, Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur
	Hwang-DBS Securities Berhad Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang
	Innosabah Securities Sdn Bhd No. 11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah
	Inter Pacific Securities Sdn Bhd Level 7, Shahzan Insas Tower 30, Jalan Sultan Ismail 50250 Kuala Lumpur
	JB Securities Sdn Bhd Suite 8.2, Level 8 Menara Sarawak Enterprise No. 5, Jalan Bukit Meldrum 80300 Johor Bahru

1. CORPORATE DIRECTORY

Underwriters for the Retail and Restricted Offerings (Con't)

JF Apex Securities Berhad
3rd Floor, Wisma Apex
145A-C, Jalan Bukit
43000 Kajang
Selangor Darul Ehsan

K&N Kenanga Bhd
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur

KAF-Seagroatt & Campbell Securities Sdn Bhd
30th Floor, The Weld Tower
No. 76, Jalan Raja Chulan
50200 Kuala Lumpur

Kuala Lumpur City Securities Sdn Bhd
No. 8, Jalan Binjai
Off Jalan Ampang
50450 Kuala Lumpur

M&A Securities Sdn Bhd
M&A Building
52A, Jalan Sultan Idris Shah
30000 Ipoh
Perak Darul Ridzuan

Malacca Securities Sdn Bhd
No. 1, 3 & 5, Jalan PPM 9
Plaza Pandan Malim Business Park
Balai Panjang
75200 Melaka

Malaysian International Merchant Bankers Berhad
12th Floor, Wisma Cyclecarri
288, Jalan Raja Laut
50350 Kuala Lumpur

1. CORPORATE DIRECTORY

Underwriters for the Retail and Restricted Offerings (Con't)

Mayban Securities Sdn Bhd
Tingkat 5-13, MaybanLife Tower
Dataran Maybank
No. 1, Jalan Maarof
59000 Kuala Lumpur

Mercury Securities Sdn Bhd
Ground, 1st, 2nd & 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

MIDF Consultancy and Corporate Services
Sendirian Berhad
Ground Floor, Bangunan MIDF
195A, Jalan Tun Razak
50400 Kuala Lumpur

MIDF Sisma Securities Sdn Bhd
17th & 18th Floor,
Empira Tower
182, Jalan Tun Razak
50400 Kuala Lumpur

Mohaiyani Securities Sdn Bhd
1st, 2nd & 3rd Floor
Plaza Damansara Utama
No. 2, Jalan SS21/60
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan

OSK Securities Berhad
10th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur

1. CORPORATE DIRECTORY

Underwriters for the Retail and Restricted Offerings (Con't)

PB Securities Sdn Bhd
27th Floor, Bangunan Public Bank
No. 6, Jalan Sultan Sulaiman
50000 Kuala Lumpur

PM Securities Sdn Bhd
Ground, 1st & 5th Floor, MUI Plaza
Jalan P. Ramlee
50250 Kuala Lumpur

Public Merchant Bank Berhad
25th Floor Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur

RHB Sakura Merchant Bankers Berhad
Level 8, Tower 3, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Southern Investment Bank Berhad
16th Floor, Wisma Genting
Jalan Sultan Ismail
50250 Kuala Lumpur

TA Securities Berhad
TA One Tower
No. 22, Jalan P. Ramlee
50250 Kuala Lumpur

Joint Lead Manager and Joint Bookrunner for the Institutional Global Offering

RHB Sakura Merchant Bankers Berhad
Level 8, Tower 3, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

J.P. Morgan Securities Limited
125 London Wall
London
EC2Y 5AJ
England
United Kingdom

1. CORPORATE DIRECTORY

Traffic Consultant

Halcrow Consultants Sdn Bhd
50-4-3, Wisma UOA Damansara
50, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

Listing Sought

The Main Board of the KLSE

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2. SUMMARY OF INFORMATION

The summary information set out below is derived from and should be read in conjunction with the full text of this Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether to invest in the Offerings.

2.1 Background and Summary Of History

PLUS Expressways was incorporated in Malaysia as a public company on 29 January 2002 under the Companies Act. PLUS Expressways is a holding company with a single wholly-owned subsidiary, namely PLUS.

PLUS was incorporated in Malaysia on 27 June 1986 as Highway Concessionaires Berhad and adopted its present name on 13 May 1988. On 25 May 1988, 25.0 million ordinary shares of RM1.00 each in PLUS were issued to UEM and the subscriber shares were transferred to UEM, whereupon PLUS became a wholly-owned subsidiary of UEM.

PLUS obtained the concession with respect to the Expressways pursuant to a Novation Agreement dated 20 July 1988 between UEM, the Government and PLUS whereupon the rights, liabilities and obligations of UEM under the Concession Agreement dated 18 March 1988 were transferred to PLUS.

PLUS' core business consists of the design, construction, financing, operation and maintenance of certain toll roads and expressways in Malaysia. These toll roads and expressways comprise:

- (a) the North-South Expressway, a 797-km expressway extending from the border of Thailand in the north to the border of Singapore in the south;
- (b) the New Klang Valley Expressway, a 35-km expressway running between Kuala Lumpur and the North Klang industrial and urban area; and
- (c) a 16-km section of Federal Highway Route 2 connecting the industrial and urban areas of Subang and Klang

and have been fully operational since 1994. PLUS' principal activity is to construct, operate and maintain the toll revenue generating Expressways in Malaysia and, in addition, design, construct, manage, operate and maintain, pursuant to the Concession Agreement, certain Ancillary Facilities such as the rest and service areas along the North-South Expressway.

Further information is set out in "Section 8 – Information on PLUS Expressways Group" of this Prospectus.

2. SUMMARY OF INFORMATION

2.2 Ownership and Management

The direct and indirect interest of the Major Shareholders, Directors and key management/technical personnel in the issued share capital of PLUS Expressways is as follows:-

Major Shareholders	Country of Incorporation	Before the Offerings ⁽¹⁾				After the Offerings ⁽⁷⁾			
		Direct No. of PLUS Expressways Shares	%	Indirect No. of PLUS Expressways Shares	%	Direct No. of PLUS Expressways Shares	%	Indirect No. of PLUS Expressways Shares	%
UEM	Malaysia	3,092,844,494 ⁽²⁾	66.3	-	-	2,494,159,913 ⁽⁸⁾	49.9	-	-
Danasaham	Malaysia	-	-	3,092,844,494 ⁽³⁾	66.3	-	-	2,494,159,913 ⁽³⁾	49.9
Khazanah	Malaysia	937,146,222 ⁽⁴⁾	20.1	3,092,844,494 ⁽⁵⁾	66.3	939,801,820	18.8	2,494,159,913 ⁽⁵⁾	49.9
MoF Inc	Created by Act of Parliament	-	-	3,092,844,494 ⁽⁶⁾	66.3	-	-	2,494,159,913 ⁽⁶⁾	49.9
EPF	Created by Act of Parliament	344,345,413 ⁽⁴⁾	7.4	-	-	345,321,187	6.9	-	-

Notes:

- ⁽¹⁾ Based on the total number of 4,664,231,730 PLUS Expressways Shares in issue as at the date of this Prospectus.
- ⁽²⁾ The direct holding of UEM consists of the first tranche of PLUS Expressways Shares issued pursuant to the Scheme of Arrangement as referred to in "Section 9.3.5 – Debt Restructuring and Flotation Scheme– Step 5 – The Merger of PLUS and PLUS Expressways" and the 2 subscriber shares.
- ⁽³⁾ Deemed interest by virtue of its 100% interest in UEM.
- ⁽⁴⁾ The direct holdings of Khazanah and EPF consists of the first tranche of PLUS Expressways Shares issued pursuant to the Scheme of Arrangement, as referred to in "Section 9.3.5 – Debt Restructuring and Flotation Scheme– Step 5 – The Merger of PLUS and PLUS Expressways".
- ⁽⁵⁾ Deemed interest by virtue of its 100% interest in Danasaham, which in turn holds 100% of UEM.
- ⁽⁶⁾ Deemed interest by virtue of its 99.9% interest in Khazanah, which in turn holds 100% of Danasaham, which in turn holds 100% of UEM.
- ⁽⁷⁾ Based on the total number of 5,000,000,000 PLUS Expressways Shares after the issue of new PLUS Expressways Shares pursuant to the second tranche of the PLUS Expressways Shares issued pursuant to the Scheme of Arrangement as referred to in "Section 9.3.5 – Debt Restructuring and Flotation Scheme– Step 5 – The Merger of PLUS and PLUS Expressways". The number of PLUS Expressways Shares and percentage equity interest set out in this note are calculated based on an illustrative Institutional Offering Price of RM2.83 per share, which is subject to a bookbuilding process.
- ⁽⁸⁾ Assuming UEM offers for sale a total of 930,000,000 PLUS Expressways Shares under the Offerings.

2. SUMMARY OF INFORMATION

Directors	Designation	Before the Offerings				After the Offerings			
		Direct No. of PLUS Expressways Shares	%	Indirect No. of PLUS Expressways Shares	%	Direct No. of PLUS Expressways Shares	%	Indirect No. of PLUS Expressways Shares	%
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	Chairman	-	-	-	-	50,000	*	-	-
Abdul Wahid bin Omar	Executive Vice Chairman	-	-	-	-	40,000	*	-	-
Dato' Idrose bin Mohamed	Managing Director	-	-	-	-	40,000	*	-	-
YM Professor DiRaja Ungku Abdul Aziz bin Ungku Abdul Hamid	Independent Non-Executive Director	-	-	-	-	40,000	*	-	-
Dato' Mohamed Azman bin Yahya	Non-Executive Director	-	-	-	-	40,000	*	-	-
Tan Sri Razali bin Ismail	Independent Non-Executive Director	-	-	-	-	40,000	*	-	-
Hassan bin Ja'afar	Non-Executive Director	-	-	-	-	40,000	*	-	-
Datuk K.Ravindran s/o C.Kutty Krishnan	Independent Non-Executive Director	-	-	-	-	40,000	*	-	-
Geh Cheng Hooi	Independent Non-Executive Director	-	-	-	-	40,000	*	-	-

The above shareholdings include the pink form allocation pursuant to the Retail Offering.

* *Negligible*

2. SUMMARY OF INFORMATION

Key Management/ Technical Personnel	Designation	Before the Offerings				After the Offerings			
		Direct No. of PLUS Expressways Shares	%	Indirect No. of PLUS Expressways Shares	%	Direct No. of PLUS Expressways Shares	%	Indirect No. of PLUS Expressways Shares	%
Abdul Wahid bin Omar	Executive Vice Chairman	-	-	-	-	40,000	*	-	-
Dato' Idrose bin Mohamed	Managing Director	-	-	-	-	40,000	*	-	-
Mohd Hussein bin Ab Hamid	Chief Operating Officer	-	-	-	-	30,000	*	-	-
Jonathan Duckett Abdullah	Group General Manager, Investor Relations	-	-	-	-	30,000	*	-	-
Mohd Lutfi bin Mat Lazim	General Manager, Finance	-	-	-	-	26,000	*	-	-

The above shareholdings include the pink form allocation pursuant to the Retail Offering.

* *Negligible*

2. SUMMARY OF INFORMATION

2.3 Financial Highlights

PLUS Expressways was incorporated on 29 January 2002 and identified as the listing vehicle for PLUS. The completion on 31 May 2002 of the Debt Restructuring has resulted in a business combination between PLUS Expressways and PLUS through an exchange of shares. On a proforma basis, the consolidated income statements for PLUS Expressways for the years ended 31 December 1997 to 31 December 2001 and for the three month periods ended 31 March 2002 have been presented in the table below in a manner depicting the merger between PLUS and PLUS Expressways (as described in “Section 9.3.5 – Debt Restructuring and Flotation Scheme” of the Prospectus) as having been completed on 31 March 2002 with retrospective effects. The information set out below should be read in conjunction with the Accountants’ Report in Section 12 of this Prospectus.

The proforma consolidated income statements of PLUS Expressways are primarily in respect of PLUS which have been restated following the adoption of changes in accounting policies which have been applied retrospectively as summarized below:

- (a) PLUS has adopted the requirements of MASB Standard 27 - “Borrowing Costs” with effect from the financial year 2002 with the first financial statements incorporating the new standard drawn up to 31 March 2002. The most significant impact of this adoption is the write-off of “post-construction interest”. Post-construction interest refers to interest charges incurred after completion of construction of the Expressways on the borrowing facilities obtained for their construction. Such post-construction interest had previously been capitalised in an “Interest Equalisation” account, and amortised to the Income Statement in each period by the unit of production method. MASB 27 disallows such capitalisation and amortisation. The write-off of unamortised “Interest Equalisation”, and as a consequence, adjustments to deferred taxation, have been effected as a change in accounting policy with retrospective effects, and has resulted in the restatement of PLUS’ historical financial statements; and
- (b) PLUS has changed its accounting policy on deferred income to reflect more appropriately the measurement and recognition of the economic benefits to be derived from the three components previously classified as deferred income which were license fees, advances from third parties and reimbursements from the Government for additional works. This change has been in response to the MASB’s proposed framework of accounting, and has been effected as a change in accounting policy with retrospective effects incorporating restatement of PLUS’ historical financial statements.

2. SUMMARY OF INFORMATION

	← Year ended 31 December →					Three month periods ended 31 March	
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2001 RM'000	2002 RM'000
Revenue	1,076,373	946,593	1,105,660	1,153,006	1,220,000	286,825	398,633
Cost of operations	(320,131)	(353,742)	(325,674)	(327,509)	(415,529)	(112,840)	(98,463)
Gross profit	756,242	592,851	779,986	825,497	804,471	173,985	300,170
Other operating income	46,940	30,999	15,581	25,832	24,999	7,280	6,326
General and administration expenses	(42,220)	(46,139)	(51,367)	(47,303)	(43,990)	(8,826)	(15,749)
Net interest expense	(589,245)	(616,602)	(629,367)	(749,132)	(757,537)	(187,050)	(138,314)
Profit/(loss) before exceptional item	171,717	(38,891)	114,833	54,894	27,943	(14,611)	152,433
Exceptional Item	-	-	-	-	-	-	1,729,223
PBT/(LBT)	171,717	(38,891)	114,833	54,894	27,943	(14,611)	1,881,656
Provision for deferred tax	(76,340)	(11,726)	(58,549)	(47,411)	(11,443)	4,288	-
Income tax expense	-	-	(3,300)	(1,457)	(1,454)	(362)	-
	(76,340)	(11,726)	(61,849)	(48,868)	(12,897)	3,926	-
Net PAT/(LAT)	95,377	(50,617)	52,984	6,026	15,046	(10,685)	1,881,656
Dividends on RCCPS	(45,365)	(61,670)	-	-	-	-	-
Unavailable tax credits	(17,642)	(23,983)	-	-	-	-	-
Profit/(loss) attributed to ordinary shareholders	32,370	(136,270)	52,984	6,026	15,046	(10,685)	1,881,656
Basic EPS (sen) ⁽¹⁾	0.65	(2.73)	1.06	0.12	0.30	(0.21)	37.63
EBITDA ⁽²⁾	918,217	728,306	865,276	925,431	955,410	232,035	325,294

Notes:

- (1) Based on the enlarged issued and fully paid up share capital of PLUS Expressways comprising of 5,000,000,000 shares of RM0.25 each.
- (2) EBITDA is not a measure of operating performance, and should not be considered a substitute for operating profit, cash flows from operating activities or other income statement or cash flow statement data prepared in accordance with the applicable approved accounting standards in Malaysia, or a measure of profitability or liquidity. EBITDA may not be indicative of the historical operating results of PLUS; nor is EBITDA meant to be a forecast or projection of results of future periods. Because not all enterprises calculate EBITDA identically, the presentation of EBITDA contained in this report may not be comparable to EBITDA as computed by other enterprises.
- (3) There are no extraordinary items during the periods under review.

2. SUMMARY OF INFORMATION

2.4 Proforma Consolidated Balance Sheets As At 31 March 2002

Proforma Balance Sheets of PLUS

The Proforma Balance Sheets set out below, for which the Directors are solely responsible, have been prepared on a cumulative basis based on the audited balance sheet of PLUS as at 31 March 2002, and for illustrative purposes only, to show the effects of the Debt Restructuring on the assumption that it had been effected on that date.

	Audited as at 31 March 2002 RM '000	After Rights Issue and RCBs Conversion (Proforma 1 - PLUS) RM '000	After Sale, Redemption and Repayment of Bonds and Settlement of UEM Loan (Proforma 2 - PLUS) RM '000	After Issue of BAIDS, Settlement of Commercial Loans, Serial Bonds and PLUS Bonds (Proforma 3 - PLUS) RM '000	After NCCPS Conversion, Capital Reduction and Share Issue Expenses (Proforma 4 - PLUS) RM '000
ASSETS EMPLOYED:					
PROPERTY, PLANT AND EQUIPMENT	26,630	26,630	26,630	26,630	26,630
EXPRESSWAY DEVELOPMENT EXPENDITURE	8,315,217	8,315,217	8,315,217	8,315,217	8,315,217
HEAVY REPAIRS	238,388	238,388	238,388	238,388	238,388
INVESTMENTS	7,677,987	7,677,987	-	-	-
AMOUNT OWING BY HOLDING COMPANY - LOAN	44,052	44,052	-	-	-
FUTURE INCOME TAX BENEFIT	70,322	70,322	70,322	70,322	70,322
CURRENT ASSETS					
Amount receivable from the Government of Malaysia	68,156	68,156	68,156	68,156	68,156
Sundry debtors, deposits and prepayments	7,658	7,658	7,658	7,658	7,658
Amounts owing by related companies - trade transactions	28,698	28,698	28,698	28,698	28,698
Short term deposits with licensed banks	581,661	581,661	581,661	581,661	581,661
Cash and bank balances	15,093	15,093	15,093	57,743	32,743
	701,266	701,266	701,266	743,916	718,916
CURRENT LIABILITIES					
Trade creditors	17,209	17,209	17,209	17,209	17,209
Sundry creditors and accruals	66,605	66,605	66,605	66,605	66,605
Amount owing to holding company - trade transactions	43,810	43,810	43,810	43,810	43,810
Amount owing to related company - trade transactions	59,033	59,033	59,033	59,033	59,033
Borrowings	615,667	615,667	615,667	-	-
Serial Bonds	144,000	144,000	144,000	-	-
Taxation	9,207	9,207	9,207	9,207	9,207
	955,531	955,531	955,531	195,864	195,864
NET CURRENT ASSETS / (LIABILITIES)	(254,265)	(254,265)	(254,265)	548,052	523,052
	16,118,331	16,118,331	8,396,292	9,198,609	9,173,609
FINANCED BY:					
SHARE CAPITAL	1,018,553	1,548,834	1,548,834	1,548,834	1,548,834
SHARE PREMIUM	-	3,604,946	3,604,946	3,604,946	432,504
CAPITAL REDEMPTION RESERVE	10,000	10,000	10,000	10,000	10,000
REVENUE RESERVES/ (ACCUMULATED LOSSES)	974,597	974,597	(3,147,442)	(3,147,442)	-
	2,003,150	6,138,377	2,016,338	2,016,338	1,991,338
BORROWINGS	1,763,552	1,763,552	1,763,552	962,000	962,000
SERIAL BONDS	424,000	424,000	424,000	-	-
PLUS BONDS	9,072,469	6,672,131	3,072,131	-	-
REDEEMABLE CONVERTIBLE BONDS	1,734,889	-	-	-	-
LINK BONDS	1,070,485	1,070,485	1,070,485	1,070,485	1,070,485
NEW BONDS (BAIDS)	-	-	-	5,100,000	5,100,000
LONG TERM LIABILITIES					
Amount owing to holding company	6,885	6,885	6,885	6,885	6,885
Retirement benefits	10,073	10,073	10,073	10,073	10,073
DEFERRED LIABILITIES	32,828	32,828	32,828	32,828	32,828
	16,118,331	16,118,331	8,396,292	9,198,609	9,173,609
NUMBER OF ORDINARY SHARES IN ISSUE ('000)	650,000	1,180,281	1,180,281	1,180,281	1,548,834
NET TANGIBLE ASSETS PER SHARE (RM)	2.97	5.14	1.65	1.65	1.24

2. SUMMARY OF INFORMATION

Proforma Consolidated Balance Sheets of PLUS Expressways

The Proforma Consolidated Balance Sheets of PLUS Expressways, for which the Directors of PLUS Expressways are solely responsible, have been prepared on a cumulative basis for illustrative purposes only, to show the effects on the consolidated balance sheets of PLUS Expressways as at 31 March 2002, assuming the Debt Restructuring in respect of PLUS, the business combination through the exchange of shares with PLUS, and the Flotation Scheme of PLUS Expressways were effected on that date.

	After NCCPS Conversion, Capital Reduction and Share Issue Expenses (Proforma 4 - PLUS) RM '000	PLUS Expressways Audited as at 31 March 2002 RM '000	After Acquisition of PLUS by PLUS Expressways (Proforma 5 - PLUS Expressways) RM '000	Consolidated PLUS Expressways After Flotation Scheme Expenses (Proforma 6 - PLUS Expressways) RM '000
ASSETS EMPLOYED:				
PROPERTY, PLANT AND EQUIPMENT	26,630	-	-	26,630
EXPRESSWAY DEVELOPMENT EXPENDITURE	8,315,217	-	-	8,315,217
HEAVY REPAIRS	238,388	-	-	238,388
INVESTMENTS	-	-	-	-
INVESTMENT IN PLUS	-	-	1,250,000	-
AMOUNT OWING BY HOLDING COMPANY - LOAN	-	-	-	-
FUTURE INCOME TAX BENEFIT	70,322	-	-	70,322
CURRENT ASSETS				
Amount receivable from the Government of Malaysia	68,156	-	-	68,156
Sundry debtors, deposits and prepayments	7,658	-	-	7,658
Amounts owing by related companies - trade transactions	28,698	-	-	28,698
Short term deposits with licensed banks	581,661	-	-	581,661
Cash and bank balances	32,743	Note 1	-	27,743
	718,916	-	-	713,916
CURRENT LIABILITIES				
Trade creditors	17,209	-	-	17,209
Sundry creditors and accruals	66,605	-	-	66,605
Amounts owing to holding company - trade transactions	43,810	2	2	43,812
Amounts owing to related companies - trade transactions	59,033	-	-	59,033
Borrowings	-	-	-	-
Serial Bonds	-	-	-	-
Taxation	9,207	-	-	9,207
	195,864	2	2	195,866
NET CURRENT ASSETS / (LIABILITIES)	523,052	(2)	(2)	518,050
	9,173,609	(2)	1,249,998	9,168,607
FINANCED BY:				
SHARE CAPITAL	1,548,834	Note 2	1,250,000	1,250,000
SHARE PREMIUM	432,504	-	-	-
CAPITAL REDEMPTION RESERVE	10,000	-	-	-
REVENUE RESERVES/(ACCUMULATED LOSSES)	-	(2)	(2)	(5,002)
CAPITAL RESERVE	-	-	-	442,504
MERGER RESERVE	-	-	-	298,834
	1,991,338	(2)	1,249,998	1,986,336
BORROWINGS	962,000	-	-	962,000
SERIAL BONDS	-	-	-	-
PLUS BONDS	-	-	-	-
REDEEMABLE CONVERTIBLE BONDS	-	-	-	-
LINK BONDS	1,070,485	-	-	1,070,485
NEW BONDS (BAIDS)	5,100,000	-	-	5,100,000
LONG TERM LIABILITIES	-	-	-	-
Amount owing to holding company	6,885	-	-	6,885
DEFERRED LIABILITIES	32,828	-	-	32,828
	9,173,609	(2)	1,249,998	9,168,607
NUMBER OF ORDINARY SHARES IN ISSUE ('000)	1,548,834	2*	5,000,000*	5,000,000*
NET TANGIBLE ASSETS PER SHARE (RM)	1.24	N/A	0.25	0.38

2. SUMMARY OF INFORMATION

* Ordinary shares of RM0.25 each

Note 1: Cash balance as at 31 March 2002 amounted to RM138

Note 2: Issued and paid up capital of RM0.50 consisting of 2 ordinary shares of RM0.25 each

N/A: On the basis that the Company is newly incorporated and had not commenced activities as at 31 March 2002

Further information is set out in “Section 6.4.1 – Financial Information - Proforma Consolidated Balance Sheet as at 31 March 2002” of this Prospectus.

2.5 Principal Statistics Relating To The Offerings

(i) Share Capital of PLUS Expressways:

RM

Authorised:

10,000,000,000 ordinary shares of RM0.25 each	<u>2,500,000,000</u>
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Issued and fully paid-up as at the date of this Prospectus:

4,664,231,730 ordinary shares of RM0.25 each	1,166,057,933
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To be issued pursuant to the Merger after the determination of the Institutional Offering Price on the Price Determination Date:

335,768,270 ordinary shares of RM0.25 each	83,942,067
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Enlarged and fully paid-up upon Listing:

5,000,000,000 ordinary shares of RM0.25 each	1,250,000,000
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Offered pursuant to the Offerings:

Institutional Shares

Between 530,000,000 and 630,000,000 ordinary shares of RM0.25 each	132,500,000 - 157,500,000
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Restricted Shares

125,641,000 ordinary shares of RM0.25 each	31,410,250
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Retail Shares

174,359,000 ordinary shares of RM0.25 each	43,589,750
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<u>207,500,000 - 232,500,000</u>

(ii) Offering Price per share:

Institutional Offering Price

To be determined by way of bookbuilding

Restricted Offering Price

RM2.55 ⁽¹⁾

Retail Offering Price

RM2.55 ⁽¹⁾

2. SUMMARY OF INFORMATION

Note:

(1) Subject to a refund in the event that the Final Restricted Offering Price/ Final Retail Offering Price is less than RM2.55.

(iii) Classes of shares and ranking

There is only one class of shares in PLUS Expressways, being ordinary shares of RM0.25 each. The Offer Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of PLUS Expressways including voting rights and will be entitled to all rights and dividends and distributions that may be declared subsequent to the date of this Prospectus.

(iv) Pro forma Group NTA as at 31 March 2002:

Proforma Group NTA (RM' 000)	RM1,916,014
<i>(after deducting total estimated listing expenses amounting to RM5,000,000)</i>	

Proforma Group NTA per share (RM)	RM0.38
<i>(based on the enlarged issued and fully paid-up share capital of 5,000,000,000 ordinary shares of RM0.25 each)</i>	

(v) Forecast Consolidated Result of PLUS Expressways:

The Directors of PLUS Expressways forecast that, barring unforeseen circumstances, the consolidated financial result after taxation of PLUS Expressways for the year ending 31 December 2002 will be as follows:

	RM million
Toll revenue	<u>1,670.6</u>
EBITDA	⁽¹⁾ 1,379.2
Depreciation and amortisation	<u>(146.9)</u>
Profit from operations	1,232.3
Net interest expense	<u>(518.5)</u>
Profit before exceptional items	713.8
Exceptional items	<u>(2,510.3)</u>
Consolidated loss before taxation	(1,796.5)
Taxation	<u>-</u>
Consolidated loss after taxation	<u>(1,796.5)</u>
Number of ordinary shares in issue (<i>in millions</i>)	⁽²⁾ 5,000
Basic loss per share (<i>sen</i>)	⁽³⁾ (35.93)

2. SUMMARY OF INFORMATION

Notes:

- (1) *EBITDA is not a measure of operating performance, and should not be considered a substitute for operating profit, net profit, cash flows from operating activities or other income statement or cash flow statement data prepared in accordance with applicable approved accounting standards in Malaysia, or as a measure of profitability or liquidity. EBITDA may not be indicative of the historical operating results of PLUS. Because not all enterprises calculate EBITDA identically, the presentation of EBITDA contained in this Prospectus may not be comparable to EBITDA as computed by other enterprises.*
- (2) *Based on the enlarged issued and fully paid-up share capital of PLUS Expressways comprising 5,000,000,000 ordinary shares of RM0.25 each.*
- (3) *Basic loss per share has been calculated based on the loss after taxation for the forecast year divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is the actual number of ordinary shares in issue as it is assumed that the merger of PLUS and PLUS Expressways has retrospective effects. There are no dilutive effects.*

Further information is set out in “Section 6.2.1 – Financial Information - Forecast Consolidated Result After Taxation of PLUS Expressways” of the Prospectus

(vi) Dividend Forecast:

There will be no declaration of dividend for the financial year ending 31 December 2002. The declaration and payment of dividends in the future on the PLUS Expressways Shares, if any, will depend primarily on the following factors:

- availability of adequate distributable reserves and cash flows in PLUS Expressways;
- the availability of tax-exempt profits in PLUS’ ‘tax exempt account’;
- the availability of sufficient tax credits under Section 108 of the Income Tax Act, 1967;
- covenants contained in the current financing arrangements; and
- PLUS Expressways’ future prospects.

Further information is set out in “Section 4 – Dividend Policy” of this Prospectus.

It is the present intention of the Board of PLUS Expressways, subject to the foregoing factors and to any unforeseen circumstances, to distribute a significant portion of its retained earnings to its shareholders by way of dividend. In determining the size of any dividend, PLUS Expressways will take into account a number of factors, including its operating cash flow requirements, debt servicing and financing commitments, the availability of tax exempt profits and future expansion plans.

2. SUMMARY OF INFORMATION

2.6 Material Risk Factors

Prospective investors in the PLUS Expressways Shares should carefully consider the following risk factors which include but are not limited to:

Risks relating to the operations and business of PLUS Expressways and PLUS:

- the expiry or termination of the Concession would leave PLUS with no assets;
- PLUS' tax exempt status has not been formally approved by the Minister of Finance;
- toll rates set in respect of the Expressways are outside PLUS' control;
- any breaches of the Concession Agreement by the Government would adversely affect PLUS;
- PLUS' substantial indebtedness could adversely affect its financial condition;
- PLUS Expressways' holding company structure may impede its ability to pay dividends to its shareholders;
- the volume of traffic using the Expressways largely depends on factors outside PLUS' control;
- traffic forecast set out in this Prospectus are subject to many uncertainties;
- PLUS' operating costs and capital expenditure may increase;
- unforeseen events may disrupt the use of the Expressways and PLUS' insurance may not be sufficient to cover the resulting losses;
- PLUS faces competition from other roads and other means of transportation;
- construction projects that PLUS undertakes are subject to delays or cost over-runs;
- PLUS undertakes a number of business transactions with related parties which may give rise to conflict of interest;
- the capacity limit of the Expressways may limit traffic growth;
- toll revenue may be reduced through payment leakages or technical faults;
- PLUS' operations are partly dependent on the application of technology; if its "Smart TAG" or "Touch 'n Go" systems fail, this may substantially hinder its ability to deliver its services; and
- the continued success of PLUS Expressways Group is also dependent on its ability to attract and retain skilled personnel.

Risks relating to an investment in the PLUS Expressways Shares:

- as PLUS Expressways is controlled by Government-owned shareholders, there can be no assurance that the corporate objectives and strategies of PLUS Expressways would not be substantially influenced by the policies of the Government;
- there is no prior market for PLUS Expressways Shares;
- the sale and the possible sale of a substantial number of the Company's ordinary shares in the public market following the Offerings could adversely affect the price of the PLUS Expressways Shares;
- the performance of PLUS Expressways Shares would also be subject to capital market risks, including external factors such as the performance of regional and world exchanges, and the inflow or outflow of foreign funds;
- the forecast financial results have been prepared based on assumptions which the Directors of PLUS Expressways believe to be reasonable, but nevertheless, are subject to uncertainties and contingencies, and forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may affect actual outcomes;

2. SUMMARY OF INFORMATION

- adverse developments in political and economic conditions in Malaysia could have unfavourable impact on the financial prospects of PLUS Expressways ; and
- The Group’s business is subject to Government regulations, changes of which may affect its business.

Details of the the risk factors are set out in “Section 3 – Risks Factors” of this Prospectus.

2.7 Proceeds Of Offerings

The Offerings are expected to raise gross proceeds of RM2,547.9 million based on the Restricted Offering Price/Retail Offering Price of RM2.55 and the illustrative Institutional Offering Price of RM2.83. The entire proceeds of the Offerings will accrue to UEM and no part will be received by PLUS Expressways.

Further information is set out in “Section 16.7 – Particulars of Offering - Proceeds of the Offerings” of this Prospectus.

2.8 Material Litigation, Commitments And Contingent Liabilities

(i) Material Litigation

As at the date of this Prospectus, neither PLUS Expressways nor PLUS are engaged in any material litigation, either as plaintiff or defendant, which may have a material effect on the financial position of PLUS Expressways or PLUS and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially affect the financial position or business of PLUS Expressways or PLUS.

(ii) Capital Commitments

Save for the capital commitments set out below, the Directors are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

The capital commitment approved and contracted for as at 31 May 2002 (being the latest practicable date prior to the registration of this Prospectus) amounted to approximately RM183.1 million.

(iii) Contingent Liabilities

As at 31 May 2002 (being the latest practicable date prior to the registration of this Prospectus), the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group.

3. RISK FACTORS

In addition to the information set forth elsewhere in this Prospectus, prospective investors should consider carefully the factors described below (which are not intended to be exhaustive) in evaluating PLUS Expressways, its business and the Offerings and before deciding to invest in the PLUS Expressways Shares.

Certain of the following considerations and uncertainties may materially and adversely affect PLUS' business, financial condition or results of operations. For these or other reasons, the trading price of the PLUS Expressways Shares could decline and prospective investors may lose all or part of their investment in the PLUS Expressways Shares.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. PLUS' actual results could differ materially from those anticipated in these forward-looking statements, including as a result of the risks described below and elsewhere in this Prospectus.

3.1 Risks relating to the operations and business of PLUS Expressways and PLUS

3.1.1 Toll rates set in respect of the Expressways are outside PLUS' control; compensation arrangements with the Government may reduce revenues and cashflows

PLUS derives substantially all of its revenues from collecting tolls from vehicles using the Expressways. The Concession Agreement establishes certain Agreed Toll Rates. However, the Government may impose, and has imposed in the past, toll rates lower than the Agreed Toll Rates for a variety of reasons, including economic difficulties in Malaysia and negative consumer perceptions of increases in toll rates. In the future, the Government may decide not to increase, or may reduce, toll rates as a result of these or other factors, such as general economic conditions in Malaysia, the prevailing rate of inflation, traffic volume and public sentiment with respect to prevailing toll rates. The Government may also set PLUS' toll rates at a level consistent with those charged by operators of other expressways in Malaysia.

Although the Concession Agreement requires the Government to compensate PLUS if the Government-imposed toll rates in any period are lower than the Agreed Toll Rates, these compensation arrangements may not result in PLUS benefitting from the amount of toll revenue it would have received had motorists paid the Agreed Toll Rates. PLUS has recently agreed that all future Government compensation will include non-cash compensation recoverable in the form of set-offs against tax liabilities and Toll Sharing Amounts owed by PLUS to the Government. PLUS is therefore no longer entitled to receive cash payments in respect of Government compensation, which may significantly reduce its cash flows. In addition, where PLUS has insufficient tax liabilities and Toll Sharing Amounts to set off against Government compensation in a given period, an amount receivable from the Government may be created by PLUS and carried forward for future set off but only if future tax liabilities and Toll Sharing Amounts sufficient for set off are reasonably foreseeable at such time. PLUS' revenues and cash flows may therefore be adversely affected by these arrangements, and it may not receive the benefit of Government compensation in the year in which it arises or at all.

3. RISK FACTORS

In the past, the reasonable certainty of the receipt of Government compensation by PLUS has been in doubt, which in certain instances prevented PLUS from recognising such revenue for accounting purposes under applicable approved accounting standards in Malaysia. Furthermore, payment of Government compensation has at times been delayed (without added compensation for late payment) and PLUS has in the past agreed to accept non-cash compensation in the form of an interest-free loan and an extension of the Concession Period in lieu of the cash compensation to which it had been entitled.

There can be no assurance that the Government will not again seek to alter the form, substance, timing or level of Government compensation, which may have a material adverse impact on PLUS' revenues, cash flows and results of operations. See "Section 5.1.3 - Management's Discussion and Analysis of Financial Condition and Results of Operations - New Government Compensation Arrangements".

3.1.2 PLUS' tax exempt status has not been formally approved by the Minister of Finance

In a letter dated 11 March 2002 ("the MoF letter"), the MoF agreed to grant PLUS tax exempt status from 2002 through 2006, in order to exempt PLUS' income from tax during this period. The exemption was agreed by the MoF, in part, to enable PLUS to pay tax-exempt dividends. However, the order required from the Minister of Finance pursuant to Section 127 of the Income Tax Act, 1967 to give effect to PLUS' tax-exempt status has not been issued. The ministerial order can only be issued by the Minister of Finance after the order has been laid before the Dewan Rakyat. No approval is required from the Dewan Rakyat for the order to take effect. The directors of PLUS expect that the ministerial order will be issued in due course. PLUS has been advised by its legal adviser, Zaid Ibrahim & Co vide a legal opinion dated 4 June 2002, that (i) the agreement contained in the MoF letter to grant PLUS tax exempt status is a legal, valid, binding and enforceable obligation of the Government, enforceable by PLUS and (ii) until the ministerial order is issued, PLUS would have a valid and legal defence against any tax liability raised or charged against it by or on behalf of the Government, including the Inland Revenue Board. On this basis, PLUS has recognised its tax exempt status for accounting purposes in its audited financial statement for the three months ended 31 March 2002. See Note 2.4 and 5.1(a) of the Accountants' Report.

There can be no assurance that the Minister of Finance will formally approve PLUS' tax exempt status. If the ministerial order giving effect PLUS' tax exempt status is not issued, PLUS' ability to pay dividend would be adversely affected, and PLUS may not be able to declare or pay dividends. In addition, PLUS' results of operations, financial condition, cash flows and prospects would be materially and adversely affected. See "Section 5 – Management's Discussion and Analysis of Financial Condition and Results of Operation."

3.1.3 The volume of traffic using the Expressways depends primarily on factors outside of PLUS' control

Along with toll rates, traffic volume is one of the primary determinants of PLUS' revenue. The number of vehicles using the Expressways is to a large extent dependent on factors outside PLUS' control. The leading factor affecting traffic volume has historically been, and is expected to continue to be, the level of economic activity in Malaysia, particularly in the regions served by the Expressways. Other factors which have in the past affected, and which PLUS expects will continue to affect, traffic volumes on the Expressways include, but are not limited to, the following:

3. RISK FACTORS

- the level of commercial, industrial and residential development in areas served by the Expressways;
- toll rates;
- the price of petrol and other transportation fuels;
- the prevalence of automobile ownership in Malaysia;
- the affordability of automobiles to Malaysian consumers, including the availability of consumer financing;
- the development of competing roads and expressways, including the proposed West Coast Expressway and the proposed Kajang-Seremban Highway;
- alternative domestic and international modes of transportation such as rail, sea and air;
- PLUS' ability to maintain the Expressways; and
- interconnections between the Expressways and adjoining road systems which are not operated by PLUS.

Most of these factors are outside of PLUS' control. Adverse trends affecting any of these factors could have a material effect on traffic volumes, and in turn on PLUS, its business, operations, financial condition and prospects. In particular, there can be no assurance that PLUS' results would not be adversely affected by any significant changes in economic trends, policies or other political, economic or social developments in or affecting Malaysia.

3.1.4 The expiration or termination of the Concession would leave PLUS with no assets; PLUS is subject to force majeure risks

Substantially all of PLUS Expressways' revenues derive from PLUS' operations of the Expressways under the Concession. The Concession Agreement provides that the Concession will expire on 31 May 2030. The Concession may be terminated by the Government if PLUS becomes subject to liquidation proceedings, becomes insolvent or commits any act frustrating its ability to fulfil its obligations under the Concession Agreement. In addition, the Government may terminate the Concession if PLUS:

- does not perform its obligations in accordance with the terms of the Concession;
- fails to comply with its maintenance obligations under the Concession;
- suspends for more than 30 days or fails to commence or complete any required construction works or deviates from the approved design in respect thereof;
- defaults under certain Government loans, including, the Government Support Loan; or
- abandons the Concession,

and fails to remedy such breach within three months of notification by the Government. See "Section 8.3 - Information on PLUS Expressways Group – Concession Arrangements and Regulation". However, PLUS will take all necessary steps to prevent any breach of the Concession and to remedy any breach within the stipulated period.

3. RISK FACTORS

Although PLUS would not be in breach of its obligations under the Concession Agreement if it is unable to perform its obligations as a result of the occurrence of a force majeure event such as war, strike, riot, act of terrorism or natural catastrophe, PLUS is required to repair, at its own expense, any damage to the Expressways resulting from any such force majeure event. The occurrence of a force majeure event does not entitle PLUS to terminate the Concession Agreement. In addition, the occurrence of a force majeure event is not covered by insurance and may result in PLUS incurring substantial costs to repair or replace sections of the Expressways.

Upon the expiration or termination of the Concession, PLUS will be required to transfer the Expressways and all of its other assets (except those subject to any security in favour of its Lenders) to the Government without compensation. The expiration or termination of the Concession is therefore expected to leave PLUS with virtually no assets, which could lead to PLUS' liquidation. In addition, unless PLUS Expressways acquires additional assets other than shares of PLUS, the expiration or termination of the Concession would leave PLUS Expressways with virtually no assets. The Concession Agreement contains no provisions for its renewal or extension upon expiration or termination. Accordingly, there can be no assurance that any renewal or extension of the Concession Agreement will be possible, either on terms acceptable to PLUS or at all. See "Section 8.3 - Information on PLUS Expressways Group - Concession Arrangements and Regulation".

3.1.5 Any breaches of the Concession Agreement by the Government would adversely affect PLUS

Substantially all of PLUS' and PLUS Expressways' assets and revenues relate to the Concession. Any breach by the Government of the Concession Agreement, such as a failure to pay when due any amounts payable to PLUS or the withdrawal or modification of PLUS' rights and benefits in respect of the Expressways, could materially and adversely affect PLUS, its business, operations, financial condition and prospects.

In the event of a breach by the Government of the Concession Agreement, PLUS has the right to terminate the Concession Agreement if the breach is not remedied within 3 months and claim:

- the difference between the value of works and its liabilities to its lenders paid for or assumed by the Government and any amount owing to the Government;
- the loss of future profit suffered by PLUS as a direct result of the termination.

If PLUS elects not to terminate, the Concession Period could be extended or the parties could agree on an amount of compensation for the loss suffered.

3.1.6 PLUS' substantial indebtedness could adversely affect its business and financial condition; the terms of PLUS' indebtedness may restrict its ability to pay dividends

Following the Debt Restructuring, PLUS continues to have substantial indebtedness. Upon completion of the Debt Restructuring, PLUS' total indebtedness was approximately RM7,149.9 million as at 31 May 2002. See "Section 9 - Debt Restructuring and Flotation Scheme". As a result of PLUS' substantial level of indebtedness and the terms of its debt instruments:

3. RISK FACTORS

- PLUS will be required to dedicate a substantial portion of its cash flow from operations to the priority repayment of debt, which will limit the cash available to PLUS for other purposes, including the payment of dividends;
- PLUS is, and will continue to be, limited by financial and other restrictive covenants covering its ability to borrow additional funds, consummate asset sales, enter into transactions with affiliates or pay dividends or other distributions to shareholders;
- PLUS' exposure to adverse economic conditions is increased;
- PLUS' flexibility in planning for, or reacting to, changes in its business may be limited; and
- PLUS' ability to obtain additional financing in the future for working capital, capital expenditure, acquisitions, general corporate purposes or other purposes may be limited.

PLUS has created security in favour of the BAIDS Serial Bondholders and other creditors of PLUS, including a charge over all toll revenues received by PLUS from the operation of the Expressways, an assignment of the rights of PLUS under the Concession and related agreements and a fixed and floating charge over PLUS' assets. In the event of a bankruptcy or liquidation of PLUS Expressways or PLUS, holders of the PLUS Expressway Shares would not receive any distributions from the sale of the business or assets of PLUS Expressways and PLUS until the claims of creditors were satisfied in full. In addition to security created in favour of its own creditors, PLUS has also created security over its assets in respect of the debt obligations of Hartanah, a wholly-owned subsidiary of UEM. PLUS has pledged its net cash flows in an amount of RM436.6 million for each calendar year from 2011 to 2018 and in an amount of RM329.6 million for calendar year 2019 as security in favour of the trustee of the Hartanah Bonds as further described in "Section 9 – Debt Restructuring and Flotation Scheme". See "Section 9.5 - Debt Restructuring and Flotation Scheme – Summary of Material Indebtedness and Security Arrangements".

There can be no assurance that PLUS' level of indebtedness and such restrictions will not materially and adversely affect PLUS' ability to finance its future operations or capital needs, successfully operate its business, engage in other business activities or pay dividends. See "Section 4 - Dividend Policy" and "Section 9 - Debt Restructuring and Flotation Scheme"

3.1.7 PLUS Expressways' holding company structure may impede its ability to pay dividends to its shareholders

PLUS Expressways is a holding company. PLUS, a separately incorporated subsidiary, operates the PLUS Expressways Group's core business, the Expressways. As a holding company, PLUS Expressways' income and its ability to pay dividends depends primarily upon:

- PLUS' operating results;
- receipt of dividends and distributions from PLUS;
- PLUS' tax-exempt status;
- the terms of financial and other restrictive covenants contained in PLUS' debt arrangements, including the BAIDS;
- any interest and investment income PLUS Expressways may earn;
- the availability of undistributed tax-exempt profits of PLUS; and
- the availability of sufficient tax credits.

3. RISK FACTORS

The payment of dividends by PLUS to PLUS Expressways is dependent upon PLUS' earnings, cash flows, level of distributable profits and compliance with financial covenants contained in its debt agreements. See "Section 4 - Dividend Policy". Under the new compensation arrangements, Government compensation consists of non-cash set-offs against PLUS' tax liabilities and Toll Sharing Amounts, which is expected to result in a reduction of PLUS' cash flows available for dividends and distributions and which may trigger debt covenants which restrict the payment of dividends or distributions or require certain debt service coverage or other ratios be maintained by PLUS.

Once PLUS' tax-exempt profits (if any), accumulated during the period from 2002 through 2006, are fully utilised to distribute tax-exempt dividends (if any), PLUS will be required to pay tax on dividends made to PLUS Expressways, unless it has accumulated additional tax credits from other sources.

3.1.8 PLUS undertakes a number of business and other transactions with related parties, including its majority shareholder

PLUS currently engages in, and expects to continue to engage in, financial and commercial transactions with related parties, including UEM Group companies. Pursuant to the Master Maintenance Agreement, PLUS has appointed UEM to carry out its maintenance obligations. UEM in turn sub-contracts work to PROPEL and UEC, two UEM Group companies. Consequently, the Master Maintenance Agreement and the fees thereunder are not the result of negotiations between independent parties. In addition, RSSB (a UEM Group company) operates the Expressways' electronic payment systems.

In addition, PLUS has entered into a number of loans and other financial arrangements with UEM and UEM Group companies. Upon completion of the Debt Restructuring, the accreted value of inter-company loans between PLUS and UEM Group companies as at 31 May 2002 was reduced from RM7,840 million to nil. Following the settlement of certain inter-company loans at values lower than their accreted value as part of the Debt Restructuring and Flotation Scheme, PLUS recognised a one-off exceptional loss of RM4,239.5 million as at 31 May 2002. The accumulated loss resulting from the Debt Restructuring was eliminated in full against PLUS' share premium reserves during the year ending 31 December 2002. This write-off will preclude payment of a dividend to shareholders of PLUS Expressways with respect to the financial year ended 31 December 2002. See "Section 9 - Debt Restructuring and Flotation Scheme".

PLUS may enter into business and other transactions with related parties, including UEM Group companies, in the future. Transactions with related parties may give rise to conflicts of interest, which could lead to transactions being entered into and decisions made which are based on factors other than commercial factors. Such transaction may not always be the result of arm's length negotiations. See "Section 11 - Related Party Transactions".

3. RISK FACTORS

3.1.9 Traffic forecasts set out in this Prospectus are subject to many uncertainties

The forecasts of traffic volumes on the Expressways from 2002 to 2006 set out in this Prospectus were prepared by the Traffic Consultant. These forecasts were made using various analytical methodologies and include numerous assumptions considered appropriate by the Traffic Consultant. These forecasts are inherently subject to many uncertainties and unpredictable factors, including, among others, the rate of economic growth in Malaysia, particularly in the regions surrounding the Expressways, the timing of completion of national and provincial expressway networks interconnecting with the Expressways, the extent and timing of upgrades and development of existing and new competing highways, and the impact of toll rates and vehicle operating costs on traffic volume on the Expressways. The forecasts are based on data compiled independently by the Traffic Consultant and data collected by PLUS, which may be subject to inaccuracies and inconsistencies. Even if the forecasts' assumptions, methodologies and adjustments are accurate, actual traffic volumes and patterns may differ materially from those expressed or implied therein for a variety of reasons.

The forecasts are included for reference purposes only and should not be relied upon by prospective investors in making an investment decision with respect to the PLUS Expressways Shares. Under no circumstances should the inclusion of such forecasts in this Prospectus be regarded as a representation or warranty by PLUS Expressways, the Lead Managers or any other person with respect to the accuracy of the forecasts or the accuracy of their underlying assumptions, or that the Expressways will experience the forecast results. PLUS Expressways does not intend to furnish updated or otherwise revised forecasts to reflect the occurrence of unanticipated events or any other events which render the forecasts inaccurate.

3.1.10 PLUS' operating costs and capital expenditures may increase

PLUS' operating costs relating to the operation and maintenance of the Expressways and PLUS' capital expenditure requirements may increase due to factors beyond PLUS' control. Factors which may lead to increased operating costs and capital expenditures include:

- the standards of maintenance or road safety applicable to the Expressways prescribed by the MHA or other regulatory authorities becoming more stringent;
- PLUS being required to restore the Expressways in the event of any landslides, floods, road subsidence, other natural disasters, accidents or other events causing structural damage or compromising safety;
- higher axle loading, traffic volume or environmental stress leading to more extensive or more frequent heavy repairs or maintenance costs; or
- increases in the cost of materials, labour and supplies.

Increases in operating costs may reduce PLUS' profits and could adversely affect its business, operations, financial condition and prospects. Environmental or operating factors may require repairs to be carried out more frequently or cause PLUS' costs to be higher than expected. The cost of major repairs may be substantial and repairs may adversely affect traffic flows. In addition, major repairs may adversely affect the cash flow of PLUS and materially and adversely affect PLUS, its business, operations, financial condition and prospects. See "Section 8.1.6 - Information on PLUS Expressways Group - Operation and Maintenance of the Expressways".

3. RISK FACTORS

3.1.11 Unforeseen events may disrupt the use of the Expressways and PLUS' insurance may not be sufficient to cover the resulting losses

The use of the Expressways may be interrupted or otherwise affected by a variety of events, including serious traffic accidents, natural disasters, defective design and construction, slope failure, bridge and tunnel collapse, road subsidence, labour disputes and other unforeseen circumstances and incidents. Certain of these events have affected the Expressways in the past, and if the use of the Expressways is interrupted in whole or in part for any period as a result of any such events, this could reduce PLUS' toll revenues and increase the costs of maintenance or restoration as well as reduce overall public confidence in the Expressways.

There can be no assurance that PLUS' insurance would cover liabilities resulting from claims relating to the design, construction, maintenance or operation of the Expressways, lost toll revenues or increased expenses resulting from damage to the Expressways. PLUS' insurance arrangements include an insurance limit of RM20.0 million per incident, which may not be sufficient to cover the costs resulting from any single incident. For instance, in January 1996, failure of a slope adjacent to a section of the North-South Expressway near Gunung Tempurung resulted in a landslide which damaged a section of approximately 300 metres of that expressway. Overall costs to PLUS, including restoration costs, re-alignment and compensation payments, were approximately RM48 million. PLUS' insurance claim was equal to the single incident limit, which was at that time RM5.0 million, and PLUS was required to bear the entire cost of the balance. Should an uninsured loss or a loss in excess of insured limits occur, the PLUS Expressways Group could lose future revenue and may be required to fund the repair or replacement of any asset damaged or lost. Any such loss could adversely affect the results of operations and financial condition of the PLUS Expressways Group.

Further, since the attacks on the United States on September 11, 2001, many insurance companies have substantially increased their premiums. Insurance companies have sought to exclude insurance risks and claims relating arising from acts of terrorism and related activity. As a result, with effect from 1 January 2002, the PLUS Expressways Group's insurance policies contain exceptions for damages and losses arising from acts of terrorism and related events.

3.1.12 PLUS faces competition from other roads and other means of transportation

Traffic volume on the Expressways is affected by competition from alternative road routes and other means of transportation, including rail, air and sea. See "Section 8.1.9 - Information on PLUS Expressways Group - Competition".

The New Klang Valley Expressway and the 16-km section of Federal Highway Route 2 operated by PLUS are located in densely populated urban areas and primarily serve users travelling short distances. Competing roads already serve these areas, and PLUS may face competition from new routes that are expected to serve these areas. There are a number of road schemes that are either completed, under construction, planned or proposed that could lead to traffic being diverted from the New Klang Valley Expressway and Federal Highway Route 2. See "Section 7.1.2 – Industry Overview - The Road Transportation System in Malaysia, - Road Development Policy in Malaysia". Some of these highways form or will form a network of roads in the Klang Valley, which are designed primarily as intra-urban roads and access roads targeted at vehicles travelling relatively short distances.

3. RISK FACTORS

If completed, the proposed West Coast Expressway and proposed Kajang-Seremban Highway may divert traffic from certain sections of the Expressways. The Concession Agreement does not prevent the Government from awarding concessions for new roads which may compete with the Expressways. The North-South Expressway currently faces competition from the existing north-south trunk road and Federal Highway Route 1. These roads may divert additional traffic from the North-South Expressway if the Government upgrades them and there have been recent press reports that the Government is planning to upgrade Federal Highway Route 1.

PLUS' business may also be adversely affected by developments relating to other modes of transportation in Malaysia. For instance, the national rail network in Peninsular Malaysia is being upgraded to a dual track system and the Government has announced that it is planning to develop a high speed railway service between Kuala Lumpur and Singapore. In addition, the growth of low cost air travel within Malaysia, particularly between major population centres, could reduce traffic volume on the Expressways. See "Section 8.1.9 - Information on PLUS Expressways Group - Competition".

3.1.13 Construction projects that PLUS undertakes are subject to delays or cost over-runs

The Concession Agreement requires PLUS to construct the remaining four interchanges on the Expressways. There are certain risks inherent in the design and construction of large scale projects such as the interchanges. These include factors such as shortages of construction materials, unavailability and inefficiency of equipment and labour, price increases, labour disputes, the non-performance or unsatisfactory performance of contractors and sub-contractors, inclement weather, natural disasters, accidents, changes in Government policies or adverse economic, business and credit conditions, failure or postponement in the issuance or grant of licences, permits and approvals and unforeseen engineering or environmental problems. Construction delays, loss of revenue and cost over-runs are likely to result from such events, which could materially and adversely affect PLUS, its business, operations, financial condition and prospects.

PLUS bears the primary responsibility for financing the costs related to the construction, heavy repairs, and ancillary works related to the Expressways. There can be no assurance that PLUS can obtain financing for these projects on reasonable commercial terms or at all. PLUS estimates that its capital expenditures for 2002 will be approximately RM495.6 million (including approximately RM192.4 million committed in 2001). PLUS has experienced cost over-runs related to past projects. No assurance can be given that PLUS will not encounter significant construction difficulties resulting in cost over-runs and delays in the future or that the Government will agree to bear such cost over-runs.

Further, PLUS may be required by the Government for social or policy reasons to construct additional expressway-related infrastructure. While PLUS would generally only agree to construct expressway-related infrastructure which is outside the scope of the Concession Agreement if funded by the Government, such infrastructure, if completed, may nonetheless prove to be uneconomic, resulting in operating costs exceeding any increase in revenue and could divert management or other resources of PLUS from other parts of its business.

3. RISK FACTORS

3.1.14 The capacity limit of the Expressways may limit traffic growth

There are limits to the number of vehicles that can efficiently use the Expressways in any given period. PLUS' management believes that the maximum traffic flows for the Expressways are 2,200 and 2,300 PCU per hour per lane for dual two-lane and three-lane carriageways, respectively, based on standard assumptions for comparable expressways and local conditions. These limits represent the point beyond which congestion increases, and levels of service begin to decline, to undesirable levels. As the Expressways approach or exceed these capacity limitations, PLUS may experience increased costs or declining traffic growth potential, either of which may adversely affect its business, operations, financial condition and prospects. Certain sections of the Expressways already reach these levels of use at peak hours and during holidays. The Government has announced 10% increases in toll rates every three years for the remainder of the Concession. If inflation in Malaysia outstrips these toll rate increases, the Expressways may become progressively more affordable to consumers, which may contribute to traffic congestion. High GDP and population growth in Peninsular Malaysia may also lead to capacity constraints.

While PLUS has completed all the carriageway lane additions required by the Concession Agreement, it may in the future need to undertake additional extensions if traffic volume approaches capacity limits in particular areas. PLUS would only be able to undertake such additional extensions if the Government agrees to provide funding or if financing is otherwise available and not prohibited by the terms of PLUS' debt instruments.

3.1.15 Toll revenue may be reduced through payment leakages or technical faults

The level of revenue derived by PLUS from the collection of tolls may be reduced by:

- leakage through fraud or non-payment of tolls; and
- technical faults in toll collection systems.

If toll collection is not properly monitored, leakage may reduce the toll revenue collected by PLUS. PLUS has in the past experienced technical problems with its toll collection systems and leakage due to toll payment fraud. There can be no assurance that such problems will not occur in the future and that they will not materially adversely affect PLUS' revenue. See "Section 8.1.6 - Information on PLUS Expressways Group - Operation and Maintenance of the Expressways - Toll Collection".

3.1.16 PLUS' operations are partly dependent on the application of technology; any failure of the *SmartTag* or *Touch n' Go* systems may substantially affect PLUS' operations

PLUS' toll collection operations are becoming increasingly dependent on proprietary technology, including technology owned by third parties. If PLUS:

- experiences system failure with respect to the "*SmartTag*" and "*Touch 'n Go*" payment systems or any of its monitoring or database systems; or
- is forced by new technological developments or the withdrawal of technology by existing suppliers to procure alternative technology,

3. RISK FACTORS

this may substantially hinder its ability to collect tolls efficiently and control payment leakage. Procuring and installing new systems could result in disruption of traffic on the Expressways involve substantial costs. Any technical problems encountered could result in loss of revenue, damage PLUS' reputation or reduce its ability to attract or retain users of the Expressways.

3.1.17 PLUS is dependent on key personnel

PLUS Expressways Group's continuing success will depend to a large extent upon the abilities and continued employment efforts of its existing Board of Directors, top management and senior technical staff. PLUS' senior management team oversees all daily operations of the Expressways. The loss of any of these members may adversely affect PLUS Expressways Group's operations. The Group's future success will also depend, in part, upon its ability to attract new skilled personnel.

3.2 Risks relating to an investment in the PLUS Expressways Shares

3.2.1 PLUS Expressways is controlled by Government-owned shareholders

Following completion of the Offerings and upon Listing, two of PLUS Expressways' direct shareholders, UEM and Khazanah (which wholly owns UEM through its subsidiary Danasaham) will effectively control a majority of the share capital of the Company. Consequently, Khazanah and UEM will effectively control the outcome of certain matters requiring the votes of PLUS Expressways' shareholders, including causing PLUS Expressways to effect corporate transactions without the approval of minority shareholders, controlling the composition of the Board of Directors and determining the timing and amount of dividend payments, unless they are required to abstain from voting by law or by the relevant authorities. UEM and Khazanah also have equity interests in a number of other companies including expressway operators in Malaysia. As the controlling shareholders of PLUS Expressways, UEM and Khazanah may, in formulating decisions on matters affecting the PLUS Expressways Group, give priority to the interests of other subsidiaries or associated companies in ways that may be adverse to the interests of the shareholders of PLUS Expressways. There can be no assurance that actions by UEM and Khazanah as controlling shareholders will not adversely affect the PLUS Expressways Group, its business, operations, financial condition and prospects or the interests of other PLUS Expressways shareholders.

In addition, UEM is currently ultimately controlled by the Government, through Khazanah and Danasaham. It is a condition of the Concession Agreement that any changes in the shareholding of PLUS must first be approved by the Government. There can be no assurance that the corporate objectives and strategies of PLUS Expressways will not be substantially influenced by the policies of the Government in ways detrimental to PLUS Expressways' shareholders.

3.2.2 There is no prior market for the PLUS Expressways Shares

Prior to the Offerings, there has been no market for PLUS Expressways Shares. Accordingly, there can be no assurance that an active market for PLUS Expressways Shares will develop upon Listing or, if developed, that such market will be sustained. The Offering Price of the PLUS Expressways Shares for the Institutional Offering, Restricted Offering and the Retail Offering will be determined by UEM and the Joint Lead Managers.

3. RISK FACTORS

The Offering Price will be determined after taking into consideration a number of factors including but not limited to, the Group's prospects, the market prices for shares of companies engaged in related businesses similar to that of the Group and prevailing market conditions. The prices at which the PLUS Expressways Shares are traded on the KLSE at any point in time after the Offerings may vary significantly from the Offering Price.

Shares of other companies listed on the KLSE have experienced considerable price volatility in the past. It is possible that the PLUS Expressways Shares will be subject to price volatility which may have no direct correlation with the Company's net asset value, financial results or performance. Price volatility may also affect the ability of the shareholders to sell and the price at which the PLUS Expressways Shares can be sold.

3.2.3 The sale and the possible sale of a substantial number of the Company's ordinary shares in the public market following the Offerings could adversely affect the price of the PLUS Expressways Shares

Based on the enlarged issued and paid-up share capital of the Company upon the Listing comprising 5,000,000,000 PLUS Expressways Shares, the Company will have up to 930,000,000 PLUS Expressways Shares (representing up to approximately 18.6% equity interest) which will be publicly held by investors participating in the Offerings. The PLUS Expressways Shares sold in the Offerings will be tradeable on the Main Board of the KLSE without restriction following the listing. If the existing shareholders sell or are perceived as intending to sell a substantial amount of ordinary shares, the market price for the Company's ordinary shares would be adversely affected.

To defer this risk, UEM and Khazanah, the major shareholders of PLUS Expressway have agreed not to offer or sell any of the PLUS Expressway Shares, without the prior consent of the Joint Lead Managers, for a period of 180 days following the Offerings, subject to limited exceptions. Although UEM and Khazanah have not indicated that it has any current intention of selling all or some of the PLUS Expressways Shares it will hold following the Offerings, any such sales may affect the trading price of the PLUS Expressways Shares.

3.2.4 The performance of the Shares is subject to capital market risks

The PLUS Expressways Shares will be listed on the Main Board of the KLSE. The performance of shares generally on the KLSE is affected by external factors such as the performance of regional and world exchanges and the inflow and outflow of foreign funds. Sentiments may also be affected by internal factors such as Malaysian economic and political conditions, and overall market conditions as well as the growth potential of various sectors of the economy. These factors may contribute towards the general volatility of share prices on the KLSE.

3. RISK FACTORS

3.2.5 The Prospectus contains forward-looking statements

As required by the Prospectus Guidelines issued by the SC, the Prospectus contains forecast financial results of the PLUS Expressways Group for the year ending 31 December 2002, based on assumptions made by the Directors of PLUS Expressways and considered by them to be reasonable at the time of the issuance of the Prospectus but which are nevertheless subject to numerous uncertainties and contingencies. There can be no assurance that the forecast results contained herein will be realised due to the subjective judgements and inherent uncertainties of forecasts. Because events and circumstances may not occur as expected, actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts contained in the Prospectus.

The forward-looking statements in the Prospectus involve known and unknown risks, uncertainties and other factors which may affect actual outcomes, many of which are outside the control of PLUS Expressways. These factors include economic conditions in the markets in which the PLUS Expressways Group operates and achievement of the Company's business forecasts. These factors will cause the actual results, performance or achievements of PLUS Expressways to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward-looking statements. These forward-looking statements do not constitute a representation that future results will be achieved in the amounts or by the dates indicated.

Their inclusion in the Prospectus should not be regarded as a representation or warranty by the Company, the Joint Lead Managers or any advisers that the plans and objectives of the Group will be achieved. Further, the Group is not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances.

3.2.6 The PLUS Expressways Group and its business operations are subject to political and economic risks

Adverse developments in political and economic conditions in Malaysia and other countries in South East Asia, including Singapore and Thailand, could materially affect the financial prospects of the Group. Political and economic uncertainties include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates and methods of taxation and currency exchange controls. There can be no assurance that adverse political and economic factors will not materially affect the PLUS Expressways Group.

3.2.7 The PLUS Expressways Group's business is subject to Government regulation

The PLUS Expressways Group's operations are subject to the jurisdiction of numerous Government agencies with respect to environmental and other regulatory matters. In addition to the Federal Road (Private Management) Act, 1984 and the rules and regulations of the MHA, as a listed entity PLUS Expressways will be subject to the KLSE LR and related securities guidelines, rules and legislation. These regulations and requirements may limit PLUS' activities or result in high compliance costs. Any failure by PLUS to comply with such regulations could result in material penalties being imposed on PLUS. No assurance can be given that any future changes to present regulation or any introduction of new regulation, or laws, by relevant authorities will not have a material adverse impact on the PLUS Expressways Group's business.

4. DIVIDEND POLICY

PLUS Expressways may declare interim dividends upon the recommendation by its Board of Directors and pay dividends upon approval by a majority of its shareholders at its annual general meeting. PLUS Expressways may not pay dividends in excess of the amount recommended by its Board of Directors. Dividends may be paid out of PLUS Expressways' distributable profits. See "Section 15 – Share Capital and Rights Attaching to the Shares".

In determining the size of any dividend, PLUS Expressways will take into account a number of factors, including its operating cash flow requirements, debt servicing and financing commitments, the availability of tax-exempt profits or tax credits and future expansion plans.

In the future, any dividends declared and paid on PLUS Expressways Shares will depend primarily on the following factors:

- the availability of adequate distributable reserves and cash flows of PLUS Expressways, which will be substantially dependent on the receipt of dividends and distributions from PLUS or any other future subsidiaries of PLUS Expressways;
- PLUS' tax-exempt status, including the availability of tax-exempt profits of PLUS from which tax-exempt dividends can be distributed to PLUS Expressways, and in turn distributed by PLUS Expressways to its shareholders;
- the availability of sufficient tax credits under Section 108 of the Malaysian Income Tax Act, 1967 to enable PLUS Expressways to distribute dividends to its shareholders without incurring any tax liability;
- covenants and other restrictions contained in PLUS' current financing arrangements which limit PLUS' and PLUS Expressways' ability to declare and pay dividends. For a description of certain of these restrictions, see "Section 3 – Risk Factors" and "Section 9 – Debt Restructuring and Flotation Scheme"; and
- PLUS' and PLUS Expressways' future prospects and their impact on PLUS Expressways' cash flows and the availability of adequate distributable reserves.

It is the present intention of the Board of Directors of PLUS Expressways, subject to the foregoing factors and to any unforeseen circumstances, to distribute a significant portion of its retained earnings to its shareholders by way of dividend. PLUS Expressways intends to distribute a minimum of 40% to 60% of the PLUS Expressways Group's annual net profit after taxation to its shareholders in the form of dividends. However, no dividends will be declared by PLUS Expressways in respect of the financial year ending 31 December 2002.

The MoF has agreed to grant PLUS tax-exempt status from 2002 through 2006. However, the order required from the Minister of Finance to give effect to PLUS' tax-exempt status is outstanding. If the ministerial order approving PLUS' tax-exempt status is not issued, PLUS will not be able to declare or pay tax-exempt dividends and PLUS' ability to pay dividends maybe adversely affected. See "Section 3 – Risk Factors"

PLUS Expressways will pay cash dividends, if any, in Ringgit.

4. DIVIDEND POLICY

The table below sets out the dividend payment record for PLUS for the periods indicated.

Year ended 31 December	Gross dividend paid ⁽¹⁾ (RM '000)			Total dividend (RM '000)	Tax credits paid by PLUS (RM '000)	Net dividend per share (RM)		
	Ordinary shares	RCCPS 'A'	RCCPS 'B'			Ordinary shares	RCCPS 'A'	RCCPS 'B'
2001	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-
1998	-	29,975	31,695	61,670	23,983	-	0.81 ⁽²⁾	0.75 ⁽²⁾
1997	-	19,442	25,923	45,365	17,642	-	0.39 ⁽³⁾	0.52 ⁽³⁾

Notes:

- (1) Dividends were payable by PLUS on each of the RCCPS 'A' and RCCPS 'B' on 31 May and 30 November of each year until maturity.
- (2) Net dividend per share from 1 June 1998.
- (3) Net dividend per share to 31 May 1998.

Due to the unavailability of tax credits under Section 108 of the Malaysian Income Tax Act 1967 to frank the payment of dividends to holders of RCCPS, PLUS was required to pay tax credits as shown in the table above. The RCCPS were fully redeemed by PLUS in 1999.

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5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read in conjunction with the audited restated financial statements of PLUS and the notes thereto included within the Accountants' Report in this Prospectus. The audited restated financial statements of PLUS have been prepared in accordance with applicable accounting standards issued by the MASB.

5.1 Overview

PLUS operates and maintains the longest toll expressway system in Malaysia, which consists of three interconnected expressways:

- the North-South Expressway, a 797-km expressway extending from the border of Thailand in the north to the border of Singapore in the south;
- the New Klang Valley Expressway, a 35-km expressway running between Kuala Lumpur and the North Klang industrial and urban area; and
- a 16-km section of Federal Highway Route 2 connecting the industrial and urban areas of Subang and Klang.

PLUS operates and maintains the Expressways under the Concession Agreement, which sets out the scope of PLUS' business activities and its rights and obligations with respect to the Expressways. For a summary of the Concession Agreement, see "Section 8.3 - Information on PLUS Expressways Group - The Concession Arrangements and Regulation".

PLUS' revenues and profitability are determined primarily by (i) traffic volume on the Expressways and (ii) prevailing toll rates. Historically, traffic volume has been strongly influenced by growth trends in the Malaysian economy. The Government determines the toll rates that PLUS may charge motorists.

PLUS' financial condition and the period-to-period comparability of PLUS' results of operations are affected by a number of external factors. PLUS' financial statements may not be indicative of future earnings, cash flows or financial position. For a further description of certain factors which may affect PLUS' future financial performance, See "Section 3 - Risk Factors."

5.1.1 Debt Restructuring and Flotation Scheme

Historically, PLUS has had significant levels of indebtedness. As part of the Debt Restructuring and Flotation Scheme completed on 31 May 2002, PLUS reduced its long-term indebtedness from RM14,825.2 million as at 31 March 2002 to RM7,149.9 million as at 31 May 2002. The Debt Restructuring and Flotation Scheme improved PLUS' capital structure, extended its average debt maturities and reduced PLUS' expected future net interest expense. The reduction of net interest expense resulting from the Debt Restructuring and Flotation Scheme, however, will be offset by certain recent changes which PLUS made to its accounting policies, as described below.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

As part of the Debt Restructuring and Flotation Scheme, PLUS sold to UEM its entire holding of the Renong SPV Bonds, with an accreted value as at 31 May 2002 of RM4,023.4 million, for a cash consideration of RM1,185.1 million, resulting in PLUS recognising a RM2,838.3 million loss. UEM also redeemed PLUS' UEM Bond, with an accreted value, as at 31 May 2002 of RM3,771.4 million, for a cash consideration of RM2,370.2 million, resulting in PLUS recognising a RM1,401.2 million loss. For details of the Debt Restructuring and Flotation Scheme, a summary of the pro forma effect of the Debt Restructuring and Flotation Scheme on the financial condition of each of PLUS and PLUS Expressways Group as at 31 March 2002, and a summary of PLUS' indebtedness, see "Section 9 – Debt Restructuring and Flotation Scheme".

5.1.2 The Concession Agreement

The Concession Agreement governs most aspects of PLUS' business, including the Agreed Toll Rates, PLUS' obligations to maintain and expand the Expressways and the scope of PLUS' business activities. Construction of the Expressways was financed under a build-operate-transfer arrangement with the Government. Upon expiration of the Concession Period, the right to operate the Expressways and related assets, as well as all other assets of PLUS not subject to security interests in favour of PLUS' Lenders, will be transferred to the Government at no cost.

During the Concession Period, PLUS is authorised to collect and retain tolls from motorists using the Expressways. As a result of the revision of the toll rate structure in March 1999 and the restructuring of PLUS' indebtedness in September 1999, the Concession Period was extended 12 years beyond its original expiration date to 31 May 2030 and PLUS became obliged to share a portion of toll revenue with the Government. The Concession Agreement requires PLUS to pay Toll Sharing Amounts to the Government if toll revenue exceeds specified thresholds. For accounting purposes, Toll Sharing Amounts are netted off against gross revenue.

The Concession Agreement also sets out certain Agreed Toll Rates for each class of vehicle using the Expressways in each Concession Year. The Concession Agreement provides, however, that the Government may impose toll rates lower than the Agreed Toll Rates. When the toll rates imposed by the Government are lower than the Agreed Toll Rates, the Government is obliged under the terms of the Concession Agreement to compensate PLUS for the resulting loss of toll revenue. There have been a number of instances where the Government has imposed toll rates lower than the Agreed Toll Rates. In the past, Government compensation has been treated as revenue by PLUS when (i) receipt of such compensation amounts was probable and (ii) the amount of compensation could be measured reliably. For a summary of the Concession Agreement, see "Section 8.3 - Information on the PLUS Expressways Group - The Concession Arrangements and Regulations".

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

In the past, certain payments of Government compensation have been delayed without additional compensation. In such circumstances, Government compensation has been recognised on a deferred basis. Of the RM166.4 million Government compensation payable to PLUS for the year ended 31 December 1996, PLUS received, and recognised as revenue, RM50.0 million in 1997 and RM116.4 million in 1998. Government compensation of RM16.7 million for the year ended 31 December 1997 and RM78.8 million for the year ended 31 December 1998 was received, and recognised as revenue, in 1999. For the years ended 31 December 1999 through 2001, Government compensation took the form of the Additional Support Loan, an interest-free loan in the principal amount of RM212.0 million, instead of cash compensation.

5.1.3 New Government Compensation Arrangements

In December 2001, the Government announced a schedule of lower-than-previously agreed increases in actual toll rates applicable for the remainder of the Concession Period, resulting in a significant difference between the actual toll rates set by the Government and the Agreed Toll Rates. On 11 May 2002, the Government agreed to several new arrangements designed to compensate PLUS for the resultant shortfall in toll revenue from 1 January 2002 to the end of the Concession Period.

These new arrangements affect the manner in which PLUS is compensated by the Government, and the recognition of compensation as revenue by PLUS, and will likely decrease the total amount of Government compensation. Under the new arrangements:

- The MoF has agreed to grant PLUS tax-exempt status from 2002 through 2006 with respect to PLUS' adjusted income from all sources. The exemption was agreed by the MoF, in part, to enable PLUS to pay tax exempt dividends. The Second Supplemental Concession Agreement provides the Government compensation due to PLUS will be reduced by the amount of income tax that would otherwise have been deductible on tax-exempt dividends paid by PLUS. The payment of tax-exempt dividends will therefore decrease the amount of Government compensation recognised as revenue by PLUS. The order from the Minister of Finance giving effect to PLUS' tax-exempt status has not been obtained by PLUS and there can be no assurance that the Minister of Finance will formally approve PLUS' tax-exempt status. See "Section 3 - Risk Factors".
- With effect from 1 January 2002, the Government waived payment of RM1,729.2 million of capitalised and accrued but unpaid interest under the Government Support Loan as well as all future interest thereunder, but any Government compensation due to PLUS in any future period will be reduced by the amount of such interest that would otherwise have been payable by PLUS up to that period.
- PLUS may set-off its income tax liabilities (arising upon the expiration of PLUS' tax-exempt status) and any Toll Sharing Amounts against any Government compensation owed to PLUS. However, no cash payment shall be payable by the Government to PLUS in respect of Government compensation.
- In the event the Government further decreases toll rates from current levels, the Government has agreed that PLUS will be further compensated.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Under these new arrangements, Government compensation, Toll Sharing Amounts and tax liabilities are expected to consist entirely of non-cash deductions and set-offs for the duration of the Concession Period. Prior to making any such set-offs or deductions, in any Concession Year, Government compensation is calculated in accordance with the Concession Agreement and is then adjusted by deducting (i) the amount of income tax that would have been payable by PLUS on any tax-exempt dividends paid by PLUS during that year and (ii) the amount of interest that would have been payable by PLUS under the Government Support Loan during that year. After making such adjustments, Government compensation will be recognised as revenue for accounting purposes only to the extent it can be set-off against liabilities for taxes and Toll Sharing Amounts in that Concession Year. Government compensation which cannot be set-off in any period may be carried forward if tax liabilities and Toll Sharing Amounts sufficient for future set-off are reasonably probable and the amount can be measured reliably.

Any income tax liability of PLUS which cannot be set off against Government compensation in a given period must be paid in cash by PLUS. However, any Toll Sharing Amounts which cannot be set off against Government compensation will be carried forward. Any accumulated Toll Sharing Amounts which have not been set off against Government compensation, and thus remain outstanding at the end of the Concession Period, will be payable to the Government in cash. See "Section 3 - Risk Factors". For a discussion of the terms of the Concession Agreement, including the new Government compensation arrangements, see "Section 8.3 - Information on PLUS Expressways Group - The Concession Arrangements and Regulations."

5.1.4 Primary Factors Affecting PLUS' Results of Operations

PLUS' results of operations are principally affected by the following factors:

- traffic volume;
- toll rates;
- Government compensation arrangements;
- cost of operations, including amortisation of Expressway Development Expenditure; and
- net interest expense, which has recently been subject to a change in accounting policy.

A. Traffic Volume

Traffic volume on the Expressways is expressed in PCU-km. One PCU-km is equivalent to one kilometre travelled by a Class 1 vehicle, the category of vehicles consisting primarily of passenger cars with two axles and three or four wheels (but excluding taxis). Ratios are used to calculate the traffic volume of other classes of vehicles in terms of PCU-km. For instance, each km travelled by a Class 3 vehicle (vehicles with three or more axles) is currently recorded as two PCU-km, reflecting the fact that toll rates payable by such vehicles are double the toll rate for Class 1 vehicles.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The volume of traffic on the Expressways is the principal factor affecting year-to-year changes in PLUS' revenue. During construction of the Expressways, traffic volume increased steadily as new sections of the Expressways were opened. Since the Expressways became fully operational in 1994, the opening of new interchanges and the addition of carriageway lanes have contributed to localised increases in traffic volume. After 1994, however, changes in traffic volume have resulted primarily from changes in the number of vehicles and distances travelled on the Expressways, which are in turn primarily influenced by growth trends in the Malaysian economy.

The following table sets out for the periods indicated (i) Malaysia's annual GDP growth rate in real terms, (ii) Expressway traffic volume measured in PCU-km and (iii) gross toll revenue collected by PLUS.

Year / Period	Real GDP growth ⁽¹⁾ (%)	Expressways traffic volume		Gross toll revenue	
		PCU-km (millions)	Change from previous period (%)	(RM millions)	Change from previous period (%)
1995	9.8	8,438	19.0	632.9	19.0
1996	10.0	9,535	13.0	763.8 ⁽²⁾	20.7
1997	7.3	9,619	0.9	1,010.0 ⁽²⁾	32.2
1998	(7.4)	9,015	(6.3)	946.6	(6.3)
1999	6.1	9,090	0.8	1,010.2 ⁽²⁾	6.7
2000	8.3	10,258	12.8	1,153.0	14.1
2001	0.4	10,877	6.0	1,222.6 ⁽³⁾	6.0
2002 ⁽⁴⁾	1.1	2,674	4.6	330.5 ⁽²⁾⁽³⁾	15.0

Notes:

- (1) Source: Malaysian Department of Statistics
- (2) Excludes Government compensation.
- (3) Includes Toll Sharing Amounts.
- (4) For the three-month period ended 31 March 2002.

Traffic volume on the Expressways increased annually until the onset of the Asian financial crisis in 1997, which resulted in a sharp decrease in traffic volumes during 1998. Traffic volume rebounded in 2000 after two successive years of GDP growth. One of the principal ways in which economic growth affects traffic volume is by contributing to commercial, residential and industrial development in areas near the Expressways. The Expressways serve the major cities on the west coast of Peninsular Malaysia, which has a high concentration of residential, commercial and industrial developments. Growth in traffic volume has been particularly apparent in portions of the Expressways near industrial estates, such as Sungai Besi. Traffic volume has also increased markedly near urban developments, such as Rawang and Bangi. Economic growth in Malaysia also contributes to increases in new vehicle registrations and travel by road. Low prevailing interest rates and attractive consumer automobile financing arrangements have spurred car sales in recent years. Although opportunities for PLUS to increase traffic volumes through the addition of new infrastructure are limited by the terms of the Concession Agreement, PLUS expects that the opening of new interchanges near Kota Damansara, Selangor and Bandar Baru Nilai, Negeri Sembilan, may contribute to localised increases in traffic volumes.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Class 1 traffic volume is the principal component of PLUS' overall traffic volume. Toll rates for Class 1 vehicles are lower than toll rates for most other vehicle classes, but Class 1 vehicles contribute more revenue than other vehicle classes because of the comparatively high volume of Class 1 traffic. Class 1 vehicles contributed approximately 80% of PLUS' gross toll revenue in 2001, when Class 1 traffic volume represented 88% of total traffic volume. While traffic volumes for other classes of vehicles in 2001 remained below 1997 levels, Class 1 vehicle traffic volume in 2001 exceeded 1997 levels by 7%. Class 1 traffic volume includes significant repeat commuter traffic and has benefited from growth in vehicle registrations and the Malaysian economy. A recent reduction in the number of working Saturdays for Government and bank employees, special events such as the Commonwealth Games and the Malaysian Formula One Grand Prix and a recent clustering of holidays in the same calendar year have also contributed to increases in Class 1 vehicle traffic volumes in 2001.

Competition from the proposed West Coast Expressway and the proposed Kajang-Seremban Highway may in the future divert traffic from certain sections of the Expressways. PLUS has not experienced sustained excessive traffic volume on the Expressways in the past, although high traffic volume could result in capacity constraints in the future. Capacity constraints could lead to traffic congestion, delays, accidents and bottlenecks at toll plazas. For a discussion of the effects of competition and capacity constraints on PLUS' business and results of operations, see "Section 3 - Risk Factors". Historically, changes in toll rates have not had a significant effect on traffic volumes.

Proposed links to other expressway systems and other future projects may affect traffic volumes in the future. The effects of any such projects on traffic volume on the Expressways are uncertain.

B. Toll Rates

In the closed system, the toll that each vehicle pays upon exiting the Expressways is calculated by multiplying the rate for the relevant class of vehicle by the distance travelled. In the open system, fixed toll rates, which vary among the different sections of the Expressways, are charged based only on the class of vehicle.

The table below sets out, for the periods indicated, the Government-imposed toll rates under the closed system for the years 1997 to 2001 by class of vehicle:

Period	Class 1 Private Car (sen/km)	Class 2 Medium Truck (sen/km)	Class 3 Heavy Truck (sen/km)	Class 4 Taxi (sen/km)	Class 5 Bus (sen/km)
1997	10.50	15.50	20.86	3.75	6.25
1998	10.50	15.50	20.86	3.75	6.25
Jan 1999 – Feb 1999	10.50	15.50	20.86	3.75	6.25
Mar 1999 - Dec 1999	11.24	16.85	22.47	5.62	8.43
2000	11.24	16.85	22.47	5.62	8.43
2001	11.24	16.85	22.47	5.62	8.43

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

In certain periods, the Government has imposed toll rates below the applicable Agreed Toll Rate. For the period March 1999 through 2001, the Government imposed a toll rate of 11.24 sen/km for Class 1 vehicles under the closed system although the corresponding Agreed Toll Rate under the Supplemental Concession Agreement was 11.91 sen/km.

In December 2001, the Government announced 10.0% increases in toll rates every three years, beginning with an increase to 12.36 sen/km for Class 1 vehicles effective 1 January 2002. The new rates, which have been gazetted by the Government, are set out in the table below alongside the Agreed Toll Rates, in both cases as they apply to Class 1 vehicles travelling in the closed system.

Year	Agreed Toll Rates (sen/km)	Gazetted Toll Rates (sen/km)	Year	Agreed Toll Rates (sen/km)	Gazetted Toll Rates (sen/km)
2001	11.91	11.24	2016	30.02	18.11
2002	15.01	12.36	2017	30.02	19.92
2003		13.60	2018		
2004	18.91		2019		
2005		21.91	2020		
2006	14.96		2021		
2007		16.46	2022		
2008	24.10		2023		
2009		26.51	2024		
2010	29.16		2025		
2011		18.11	2026		
2012	2027				
2013	2028				
2014	2029				
2015	2030				

Corresponding changes to the toll rates applicable to other vehicle classes and for the open systems have also been gazetted by the Government. PLUS believes that the scheduled toll rate increases gazetted by the Government are based upon historical trends in the Malaysian Consumer Price Index. Because the toll rates gazetted by the Government are lower than the Agreed Toll Rates, the Government has agreed to compensate PLUS for the resulting revenue shortfall. For a discussion of the new Government compensation arrangements, see "Section 5.1.3 - New Government Compensation Arrangements". There can be no assurance that the current toll rate structure imposed by the Government will not change. See "Section 3 - Risk Factors".

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

C. Cost of Operations

The table below sets out the components of PLUS' cost of operations for the periods indicated:

	Year ended 31 December					Three months ended 31 March	
	1997 (RM '000)	1998 (RM '000)	1999 (RM '000)	2000 (RM '000)	2001 (RM '000)	2001 (RM '000)	2002 (RM '000)
Routine maintenance expenditure	83,831	104,886	106,969	94,514	136,463	25,162	31,657
Management expenditure - Operations	92,935	103,508	103,376	117,359	114,169	29,125	33,227
Depreciation/Amortisation - Operations	143,365	145,348	115,329	115,636	164,897	58,553	33,579
Total	320,131	353,742	325,674	327,509	415,529	112,840	98,463

PLUS' cost of operations consists of routine maintenance expenditure, management expenditure and depreciation and amortisation. Routine maintenance has been contracted to UEM. Each year, an annual fee for routine maintenance for civil works is negotiated by PLUS and UEM based on the level of routine maintenance for civil works carried out in the previous year, and this annual fee is paid in arrear in equal monthly instalments. For 2001, the agreed routine maintenance fee for civil works was RM79.4 million. In addition, routine maintenance expenditure also includes payments to UEM and UEM Group companies in respect of maintenance of mechanical, electrical and electronic equipment, replacement of road furniture and the replacement of items not covered by the agreed annual fee for routine maintenance for civil works. See "Section 8.1.6 - Information on PLUS Expressways Group - Operation and Maintenance of the Expressways" and "Section 11 - Related Party Transactions".

Management expenditure primarily consists of personnel costs for certain managerial and other employees involved in operations, professional fees and related expenses.

Construction and upgrading costs for the Expressways, including interest on construction loans incurred prior to completion of construction of the Expressways, are capitalised into the Expressway Development Expenditure account and amortised using the unit of production method. See "Section 5.7 - Critical Accounting Policies" below.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

D. Net Interest Expense

The audited financial statements included in this Prospectus have been restated to reflect recent changes to certain accounting policies of PLUS. As a result one of these changes, PLUS will no longer capitalise interest incurred after completion of the construction of the Expressways on indebtedness incurred to fund their construction. Under PLUS' new policy, post-construction interest is expensed in the periods incurred, which has resulted in a significant increase in net interest expense in PLUS' restated financial statements.

PLUS has decided to adopt the above accounting policy before it becomes mandatory and restate its historical financial statements because of the significant impact of the change on net interest expense. Other changes to accounting policies have resulted in the restatement of amounts previously accounted for as deferred income. For a description of the changes in accounting policies and their effect on the financial statements, see "Section 12 - Accountants' Report". This discussion and analysis of PLUS' financial condition and results of operations is based on the restated audited financial statements included in the Accountants' Report. See "Section 5.7 – Critical Accounting Policies".

5.2 Results Of Operations

The following table sets out, for the periods indicated, selected income statement items and related data:

	Year ended 31 December					Three months ended 31 March	
	1997	1998	1999	2000	2001	2001	2002
	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Revenue	1,076,373	946,593	1,105,660	1,153,006	1,220,000	286,825	398,633
Cost of operations	<u>(320,131)</u>	<u>(353,742)</u>	<u>(325,674)</u>	<u>(327,509)</u>	<u>(415,529)</u>	<u>(112,840)</u>	<u>(98,463)</u>
Gross profit	756,242	592,851	779,986	825,497	804,471	173,985	300,170
Other operating income	46,940	30,999	15,581	25,832	24,999	7,280	6,326
General and administration expenses	<u>(42,220)</u>	<u>(46,139)</u>	<u>(51,367)</u>	<u>(47,303)</u>	<u>(43,990)</u>	<u>(8,826)</u>	<u>(15,749)</u>
Profit from operations	760,962	577,711	744,200	804,026	785,480	172,439	290,747
Net interest expense	<u>(589,245)</u>	<u>(616,602)</u>	<u>(629,367)</u>	<u>(749,132)</u>	<u>(757,537)</u>	<u>(187,050)</u>	<u>(138,314)</u>
Profit / (Loss) before exceptional items	171,717	(38,891)	114,833	54,894	27,943	(14,611)	152,433

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

	Year ended 31 December					Three months ended 31 March	
	1997	1998	1999	2000	2001	2001	2002
	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Exceptional Items	--	--	--	--	--	--	1,729,223
Profit/(Loss) before tax	171,717	(38,891)	114,833	54,894	27,943	(14,611)	1,881,656
Provision for deferred tax	(76,340)	(11,726)	(58,549)	(47,411)	(11,443)	4,288	--
Income tax expense	-	-	(3,300)	(1,457)	(1,454)	(362)	--
	<u>(76,340)</u>	<u>(11,726)</u>	<u>(61,849)</u>	<u>(48,868)</u>	<u>(12,897)</u>	<u>3,926</u>	<u>--</u>
Net profit/(loss) after tax	95,377	(50,617)	52,984	6,026	15,046	(10,685)	1,881,656
Dividends on RCCPS	(45,365)	(61,670)	--	--	--	--	--
Unavailable tax credits	<u>(17,642)</u>	<u>(23,983)</u>	--	--	--	--	--
Profit/(loss) attributed to ordinary shareholders	<u>32,370</u>	<u>(136,270)</u>	<u>52,984</u>	<u>6,026</u>	<u>15,046</u>	<u>(10,685)</u>	<u>1,881,656</u>
EBITDA ⁽¹⁾	918,217	728,306	865,276	925,431	955,410	232,035	325,294
EBITDA margin ⁽²⁾	85%	77%	78%	80%	78%	81%	82%
Effective tax rate	44%	30%	51%	86%	46%	27%	--
Gross profit margin ⁽³⁾	70%	63%	71%	72%	66%	61%	75%
Pre-tax profit (loss) margin ⁽⁴⁾	16%	(4%)	10%	5%	2%	(5%)	38% ⁽⁵⁾

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Notes:

- (1) *Earnings before interest expense (net of interest income), income tax expense, depreciation and amortisation. EBITDA is not a measure of operating performance, and should not be considered a substitute for operating profit, net profit, cashflows from operating activities or other income statement or cashflow statement data prepared in accordance with applicable approved accounting standards in Malaysia, or as a measure of profitability or liquidity. EBITDA may not be indicative of the historical operating results of PLUS; nor is EBITDA meant to be a forecast or projection of results of future periods. Because not all enterprises calculate EBITDA identically, the presentation of EBITDA contained in this Prospectus may not be comparable to EBITDA as computed by other enterprises.*
- (2) *EBITDA as a percentage of revenue.*
- (3) *Gross profit as a percentage of revenue.*
- (4) *Pre-tax profit (loss) as a percentage of revenue.*
- (5) *Excludes exceptional item of RM1,729.2 million in respect of the waiver of interest under the Government Support Loan.*

5.2.1 Revenue Data

PLUS' revenues comprise:

- actual toll revenue collected from vehicles using the Expressways; and
- compensation received from the Government;

less Toll Sharing Amounts paid or payable to the Government. See "Section 5.1.3 – New Government Compensation Arrangements"

The following table sets out selected information relating to the revenue of PLUS for the periods indicated:

	Year ended 31 December					Three months ended 31 March	
	1997	1998	1999	2000	2001	2001	2002
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue –							
Toll Operations	1,009,953	946,593	1,010,160	1,153,006	1,222,605	287,437	330,477
Government Compensation	66,420	-	95,500	-	-	-	70,855
Toll Sharing Amounts	-	-	-	-	(2,605)	(612)	(2,699)
Total Toll Revenue	1,076,373	946,593	1,105,660	1,153,006	1,220,000	286,825	398,633
Revenue Growth Rate:							
Before compensation (%)	32.2	(6.3)	6.7	14.1	6.0	0.9	15.0
After compensation (%)	24.6	(12.1)	16.8	4.3	5.8	0.7	39.0
Traffic Volume PCU-km (million)	9,619	9,015	9,090	10,258	10,877	2,557	2,674

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

		Year ended 31 December					Three months ended 31 March	
		1997	1998	1999	2000	2001	2001	2002
Traffic Volume growth rate	(%)	0.9	(6.3)	0.8	12.8	6.0	0.9	4.6
Actual toll rate for Class 1 vehicles	(sen/km)	10.50	10.50	10.50 ⁽¹⁾ 11.24 ⁽²⁾	11.24	11.24	11.24	12.36
Actual toll rate increases for Class 1 vehicles	(%)	16.7	-	7.0	-	-	-	10.0

Notes:

(1) For the period January 1999 to February 1999.

(2) For the period March 1999 to December 1999.

5.2.2 Three months ended 31 March 2002 compared with three months ended 31 March 2001

Revenue

PLUS' revenue for the three months ended 31 March 2002 was RM398.6 million, a 39.0% increase from RM286.8 million for the same period in 2001. This increase was primarily attributable to a 10.0% rise in the toll rates applicable to Class 1 vehicles, which contributed to a 39.0% rise in toll revenue. A 4.6% increase in traffic volume measured in PCU-km during the period also contributed to the increase in toll revenue. The increase in toll rates and traffic volume in the three months ended 31 March 2002 also resulted in the recognition of RM70.9 million of Government compensation as revenue under the new compensation arrangements, which became effective as of 1 January 2002.

Excluding Government compensation, PLUS' revenue for the three months ended 31 March 2002 increased 15.0% compared to the same period in the prior year. Traffic volume increased primarily in the Northern and Central regions of Peninsular Malaysia served by the North-South Expressway, while traffic volume in the Southern region declined, primarily as a result of a decline in traffic to and from Singapore. Toll Sharing Amounts with respect to the three months ended 31 March 2002, based on estimated traffic volume for the entire year, were RM2.7 million, compared to RM0.6 million for the same period in the prior year.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Cost of Operations

PLUS' cost of operations for the three months ended 31 March 2002 was RM98.5 million, a 12.7% decrease from RM112.8 million for the same period in 2001. The decrease was primarily attributable to a 42.7% decrease in depreciation and amortisation (including amortisation of Expressway Development Expenditure) from RM58.6 million for the three months ended 31 March 2001 to RM33.6 million for the same period in 2002. By increasing the reasonable certainty of receipt of Government compensation, the new Government compensation arrangements resulted in an increase in the projected total toll revenue during the Concession Period used to calculate amortisation of Expressway Development Expenditure. See "Section 5.7 – Critical Accounting Policies" and "Section 12 - Accountants' Report". Depreciation and amortisation expense for the three months ended 31 March 2001 included a RM6.5 million write-off for systems development expenditure. Routine maintenance expenditure increased from RM25.2 million for the three months ended 31 March 2001 to RM31.7 million for the same period in 2002. This increase was primarily attributable to an increase in maintenance fees for specialised equipment and civil works.

Other Operating Income

PLUS' other operating income for the three months ended 31 March 2002 was RM6.3 million, a 13.7% decrease from RM7.3 million for the same period in 2001. This decrease was primarily attributable to reduced rents agreed with tenants of the two overhead bridge restaurants located along the Expressways.

General and Administration Expenses

PLUS' general and administration expenses for the three months ended 31 March 2002 were RM15.7 million, a 78.4% increase from RM8.8 million for the same period in 2001. This increase was primarily attributable to increases in management headcount and salary expense. The increase in general and administration expenses also reflects, to a lesser extent, provisions for doubtful debts relating to the overhead bridge restaurants and billboard rental, and increased expenditure on advertising and marketing.

Net Interest Expense

PLUS' net interest expense for the three months ended 31 March 2002 was RM138.3 million, a 26.1% decrease from RM187.1 million for the same period in 2001. The decrease was primarily attributable to a RM65.9 million, or 17.5%, decrease in interest expense on borrowings and bonds relating to the Government Support Loan, which became an interest-free loan as part of the new Government compensation arrangements. The redemption of certain indebtedness in 2001 also contributed to the decrease.

Exceptional Item

The write-back of accrued interest on the Government Support Loan up to 1 January 2002 resulted in PLUS recognising an exceptional item of RM1,729.2 million in the three months ended 31 March 2002, reflecting the Government's agreement to waive payment of interest on the Government Support Loan as part of the new compensation arrangements. There were no exceptional items in the same period in 2001.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Profit (Loss) Before Taxation

As a result of the foregoing factors, PLUS' profit before taxation for the three months ended 31 March 2002 was RM1,881.7 million, compared to a loss before taxation of RM14.6 million for the same period in the prior year. Excluding the exceptional item, profit before taxation was RM152.4 million, a significant increase compared to the same period in the prior year.

Provision for Deferred Taxation / Income Tax Expense

The Government's agreement to grant PLUS a five-year period of tax exempt status commenced in 2002. On this basis, PLUS made no provision for deferred tax and incurred no income tax expense for the three months ended 31 March 2002. For the three months ended 31 March 2001, PLUS incurred income tax solely on its interest income because PLUS was able to utilise unabsorbed capital allowances of approximately RM54.7 million during the period to offset against its taxable income from toll operations.

Net Profit After Taxation

As a result of the foregoing factors, PLUS' net profit after taxation for the three months ended 31 March 2002 was RM1,881.7 million, compared to a loss of RM10.7 million for the same period in 2001.

5.2.3 2001 compared with 2000

Revenue

PLUS' revenue in 2001 was RM1,220.0 million net of a Toll Sharing Amount of RM2.6 million, an increase of 5.8% from RM1,153.0 million in 2000. This increase was primarily attributable to a 6.0% increase in traffic volume, consisting primarily of Class 1 vehicles, from approximately 10.3 billion PCU-km in 2000 to approximately 10.9 billion PCU-km in 2001. Economic growth, higher vehicle ownership in Malaysia resulting from lower financing rates and a clustering of holidays in December 2001 contributed to the increase in traffic volume in 2001.

Cost of Operations

PLUS' cost of operations for 2001 was RM415.5 million, an increase of 26.9% from RM327.5 million in 2000. This increase was primarily the result of higher routine maintenance expenditure and an increase in the amount of Expressway Development Expenditure amortised for the year. Routine maintenance expenditure increased by 44.4% from RM94.5 million in 2000 to RM136.5 million in 2001 as a result of higher maintenance fees for civil works and toll collection systems. Due to the expiration of the warranty on PLUS' toll collection systems, the cost of routine maintenance increased in 2001. Amortisation of Expressway Development Expenditure increased as a result of a downward revision of projected toll revenue for the duration of the Concession by the Traffic Consultant in January 2002, reflecting the lower toll rates imposed in 2001.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Other Operating Income

PLUS's other operating income in 2001 was RM25.0 million, a decrease of 3.2% from RM25.8 million in 2000. The decrease resulted primarily from a 12.9% decrease, from RM7.0 million in 2000 to RM6.1 million in 2001, in rental income from Ancillary Facilities and billboard advertising on the Expressways. This decrease was partially offset by a 5.0% increase, from RM10.8 million in 2000 to RM11.3 million in 2001, in rental income from the lease by PLUS of a fibre optic telecommunications system to TT dotCom. See "Section 8 - Information on PLUS Expressways Group".

General and Administration Expenses

PLUS' general and administration expenses in 2001 were RM44.0 million, a decrease of 7.0% from RM47.3 million in 2000. The decrease resulted primarily from lower prices for the purchase of consumables such as toll tickets and stationery.

Net Interest Expense

PLUS' net interest expense in 2001 was RM757.5 million, an increase of 1.1% from RM749.1 million in 2000. The increase resulted primarily from the compounding of interest capitalised and accreted to the PLUS Bonds, Link Bonds, the Government Support Loan and the RCBs. The increase in net interest expense was partially offset by repayments of principal made during 2001 on the Commercial Loans and the Serial Bonds, as well as an increase in interest income from the Renong SPV Bond and the UEM Bond.

Profit Before Taxation

As a result of the foregoing, PLUS' profit before taxation in 2001 was RM27.9 million, a decrease of 49.1%, from RM54.9 million in 2000.

Provision for Deferred Taxation / Income Tax Expense

PLUS' provision for deferred taxation in 2001 was RM11.4 million, a decrease of 75.9% from RM47.4 million in 2000. PLUS did not pay income tax in respect of 2001, other than tax on interest income, because of the availability of unabsorbed capital allowances and tax losses. PLUS may carry forward these unabsorbed capital allowances and tax losses indefinitely until it utilises them to fully offset taxable income from its toll operations. PLUS' tax expense is materially different from the amount calculated by applying the statutory taxation rate of 28.0% to PLUS' profit before taxation, primarily because of the accounting for timing differences in respect of prior years which had previously not been accounted for in view of uncertainty of the realisation of their tax effects. The deferred tax provided for in respect of prior years was RM32.0 million and RM3.6 million in 2000 and 2001, respectively.

Net Profit After Taxation

As a result of the foregoing, PLUS' net profit after taxation in 2001 was RM15.0 million, compared to RM6.0 million in 2000.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

5.2.4 2000 compared with 1999

Revenue

PLUS' revenue in 2000 was RM1,153.0 million, an increase of 4.3% from RM1,105.7 million in 1999. PLUS' revenue in 1999 included RM95.5 million of Government compensation received in 1999 but attributable to Concession Years 1997 and 1998. Excluding the Government compensation received in 1999, PLUS' toll revenue increased by 14.1% from RM1,010.2 million in 1999 to RM1,153.0 million in 2000 primarily due to a 12.8% increase in traffic volume from approximately 9.1 billion PCU-km in 1999 to approximately 10.3 billion PCU-km in 2000. Higher traffic volumes resulted from improved economic conditions, the occurrence of the Hari Raya holidays twice in calendar year 2000 and a clustering of holidays in December 2000. The 7.0% toll rate increase in March 1999 from 10.50 sen/km to 11.24 sen/km for Class 1 vehicles on the closed system also contributed to higher toll revenue.

Cost of Operations

PLUS' cost of operations in 2000 was RM327.5 million, an increase of 0.6% from RM325.7 million in 1999. The increase resulted primarily from the reclassification of commission payable to RSSB from general and administration expenses in prior years to cost of operations in 2000. The increase in cost of operations was partially offset by a 11.6% decrease in routine maintenance expenditure, from RM107.0 million in 1999 to RM94.5 million in 2000. This decrease was a result of reduced spending on replacement items, such as road furniture.

Other Operating Income

PLUS' other operating income in 2000 was RM25.8 million, an increase of 65.8% from RM15.6 million in 1999. The increase resulted primarily from rental income from the lease of the fibre optic telecommunications system to TT dotCom beginning in 2000.

General and Administration Expenses

PLUS' general and administration expenses in 2000 were RM47.3 million, a decrease of 7.9% from RM51.4 million in 1999. The decrease resulted primarily from the reclassification of commission payable to RSSB from general and administration expenses in prior years to cost of operations from 2000 onwards. This decrease was partially offset by a 3.0% increase in management expenditure from RM40.3 million in 1999 to RM41.5 million in 2000.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Net Interest Expense

PLUS' net interest expense in 2000 was RM749.1 million, an increase of 19.0% from RM629.4 million for the same period in 1999. The increase was primarily due to interest payable by PLUS on the PLUS Bonds and RCBs, which were issued pursuant to a debt restructuring exercise undertaken by PLUS and the UEM Group in 1999. Higher interest expense arising from the issue of Link Bonds in June 2000 and the compounding effect of interest capitalised and accreted to the PLUS Bonds, Link Bonds, Government Support Loan and the RCBs also contributed to the increase in net interest expense. This increase in net interest expense was partially offset by reduced interest, resulting from principal repayments of RM434.8 million made during the year on the Commercial Loans and Serial Bonds, as well as interest income from the Renong SPV Bond and the UEM Bond. For details of PLUS' indebtedness, see "Section 9 – Debt Restructuring and Flotation Scheme".

Profit Before Taxation

As a result of the foregoing, PLUS' profit before taxation in 2000 was RM54.9 million, a decrease of 52.2% from RM114.8 million in 1999.

Provision for Deferred Taxation / Income Tax Expense

PLUS' provision for deferred taxation in 2000 was RM47.4 million, a decrease of 19.0% from RM58.5 million in 1999. PLUS did not pay income tax in respect of 2000, other than tax on interest income, because of the availability of unabsorbed capital allowances and tax losses. Provisions for deferred tax in respect of prior years of RM26.4 million and RM32.0 million were made in 1999 and 2000, respectively.

Net Profit After Taxation

As a result of the foregoing, PLUS' net profit after taxation in 2000 was RM6.0 million, a decrease of 88.6% from RM53.0 million in 1999.

5.2.5 1999 compared with 1998

Revenue

PLUS' revenue in 1999 was RM1,105.7 million, an increase of 16.8 % from RM946.6 million in 1998. This increase was primarily attributable to the receipt by PLUS in 1999 of RM95.5 million of Government compensation, consisting of RM78.8 million for Concession Year 1998 and RM16.7 million for Concession Year 1997. Excluding Government compensation, toll revenue increased 6.7 % from RM946.6 million in 1998 to RM1,010.2 million in 1999. This increase resulted primarily from a 7.0% increase in the Government imposed toll rate, from 10.50 sen/km to 11.24 sen/km for Class 1 Vehicles travelling on the closed system. The toll rate increase became effective in March 1999. Traffic volume in 1999 was approximately 9.1 billion PCU-km, a 0.8 % increase from approximately 9.0 billion PCU-km in 1998.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Cost of Operations

PLUS' cost of operations in 1999 was RM325.7 million, a decrease of 7.9% from RM353.7 million in 1998. The decrease was primarily due to lower amortisation of Expressway Development Expenditure expense following the imposition in 1999 of a revised toll structure and the extension of the Concession Period to 31 May 2030.

Other Operating Income

PLUS' other operating income in 1999 was RM15.6 million, a decrease of 49.7% from RM31.0 million in 1998. The decrease resulted primarily from the termination in 1999 of consultancy services provided by PLUS to ELITE and Linkedua relating to the operation of their respective expressways. The decrease also reflected lower income in 1999 compared to prior years primarily due to a decrease in one-off fees in respect of sub-licences for petrol stations along the Expressways of RM13.6 million in 1998 to nil in 1999. However, income from rental of Ancillary Facilities increased from RM5.9 million in 1998 to RM8.1 million in 1999.

General and Administration Expenses

PLUS' general and administration expenses in 1999 were RM51.4 million, an increase of 11.3% from RM46.1 million in 1998. The increase was primarily due to the higher commissions payable to RSSB as a result of increased usage by motorists of the electronic toll collection systems introduced in the second quarter of 1998.

Net Interest Expense

PLUS' net interest expense in 1999 was RM629.4 million, an increase of 2.1% from RM616.6 million for the same period in 1998. The increase was primarily due to the issue of PLUS Bonds and RCBs pursuant to a debt restructuring by PLUS and the UEM Group in 1999. This increase was partially offset by interest income received by PLUS from the Renong SPV Bond and the UEM Bond. For details of PLUS indebtedness, see "Section 9 - Debt Restructuring and Flotation Scheme".

Profit (Loss) Before Taxation

As a result of the foregoing, PLUS' profit before taxation in 1999 was RM114.8 million, compared to a loss of RM38.9 million in 1998.

Provision for Deferred Taxation / Income Tax Expense

PLUS' provision for deferred taxation in 1999 was RM58.5 million, an increase from RM11.7 million in 1998. PLUS did not pay income tax in respect of 1999, other than tax on interest income, because of the availability of unabsorbed capital allowances and tax losses. Deferred tax provided for in respect of prior years was RM22.6 million and RM26.4 million in 1998 and 1999, respectively.

Net Profit (Loss) After Taxation

As a result of the foregoing, PLUS' net profit after taxation in 1999 was RM53.0 million, as compared to a loss of RM50.6 million in 1998.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

5.2.6 1998 compared with 1997

Revenue

PLUS' revenue in 1998 was RM946.6 million, a decrease of 12.1% from RM1,076.4 million in 1997. PLUS' revenue in 1997 included Government compensation amounting to RM66.4 million, the balance of the RM166.4 million of Government compensation due in respect of Concession Year 1996. Excluding Government compensation, the decrease in revenue of approximately 6.3% was primarily attributable to a 6.3% decrease in traffic volume to 9.0 billion PCU-km in 1998 from 9.6 billion PCU-km in 1997 resulting from the general deterioration in economic conditions experienced in Malaysia and South East Asia which began in the second half of 1997.

Cost of Operations

PLUS' cost of operations in 1998 was RM353.7 million, an increase of 10.5% from RM320.1 million in 1997. The increase was primarily attributable to a 13.0% increase in the maintenance fees charged by UEM, in part because of the opening of additional Ancillary Facilities including an overhead bridge restaurant. The increase in cost of operations in 1998 also reflected increased staff costs and emoluments.

Other Operating Income

PLUS' other operating income in 1998 was RM31.0 million, a decrease of 34.0% from RM46.9 million in 1997. This decrease reflected lower income from sub-licensing fees for petrol stations in 1998. This was offset by income received by PLUS from consultancy fees paid by ELITE and Linkedua, both UEM Group companies, relating to the operation of their respective expressways, both of which commenced operations in 1997.

General and Administration Expenses

PLUS' general and administration expenses in 1998 were RM46.1 million, an increase of 9.3% from RM42.2 million in 1997. The increase was primarily attributable to an increase in staff overheads and emoluments and higher advertising expenses.

Net Interest Expense

PLUS' net interest expense in 1998 was RM616.6 million, an increase of 4.6% from RM589.2 million in 1997. This increase was primarily attributable to a significant increase in interest rates on PLUS' Commercial Loans which resulted from the general deterioration of economic conditions in Malaysia.

Profit (Loss) Before Taxation

As a result of the foregoing, PLUS' loss before taxation in 1998 was RM38.9 million, compared to a profit before tax of RM171.7 million in 1997.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Provision for Deferred Taxation / Income Tax Expense

PLUS' provision for deferred taxation in 1998 was RM11.7 million, a decrease of 84.6% from RM76.3 million in 1997. PLUS did not pay any income tax in respect of 1998, other than tax on interest income, because of the availability of unabsorbed capital allowances and tax losses. Despite a loss before tax in 1998, a deferred tax provision of RM22.6 million was made, primarily attributable to the deferred tax provision for prior years. Deferred tax was higher in 1997 due to the tax effects of timing differences for that year and higher deferred tax provision in respect of prior years amounting to RM28.3 million.

Net Profit (Loss) after Taxation

As a result of the foregoing, PLUS' net loss after taxation in 1998 was RM50.6 million compared to a net profit after tax of RM95.4 million in 1997.

5.3 Liquidity And Capital Resources

PLUS' principal source of liquidity has historically been cashflows generated from operations and funds obtained from financings in the form of secured and unsecured bank loans and capital markets instruments. PLUS primarily applies its cash to fund its interest servicing and principal repayment obligations, costs of operations and capital expenditures. Historically, PLUS has applied a significant portion of its cashflows to repay indebtedness. Under the terms of its debt agreements, PLUS' cash and cash equivalents are subject to security granted in favour of certain creditors, including the holders of the BAIDS. See "Section 9 – Debt Restructuring and Flotation Scheme" for details of PLUS' historic and current indebtedness.

PLUS has recently agreed that all future Government compensation will include non-cash compensation recoverable in the form of set offs against tax liabilities and Toll Sharing Amounts owed by PLUS to the Government. Currently, PLUS is not entitled to receive cash payments in respect of Government compensation, which may significantly reduce net cash flows from operating activities.

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5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

5.3.1 Cash flows

The table below provides a summary of PLUS' statement of cash flows for the periods indicated.

	Year ended 31 December					Three months ended 31 March	
	1997	1998	1999	2000	2001	2001	2002
	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Net cash generated from operating activities	903,983	926,928	914,702	796,618	1,008,068	249,594	283,837
Net cash generated from (used in) investing activities	(235,158)	(206,025)	(7,129,955)	(73,104)	1,252,204	(32,916)	(31,311)
Net cash generated from (used in) financing activities	(565,036)	(707,892)	6,179,885	(622,793)	(2,104,567)	(21,561)	(188,189)
Net increase/ (decrease) in cash and cash equivalents	103,789	13,011	(35,368)	100,721	155,705	195,117	64,337

5.3.2 Net cash generated from operating activities

PLUS' net cash generated from operating activities increased by 13.7% from RM249.6 million for the three months ended 31 March 2001 to RM283.8 million for the same period in 2002, primarily due to increased toll revenues.

PLUS' net cash generated from operating activities increased by 26.5% from RM796.6 million for 2000 to RM1,008.1 million for 2001, primarily due to higher toll revenues received in 2001. In addition, in 2000, PLUS incurred tax payments in respect of dividends previously paid on the RCCPS.

PLUS' net cash generated from operating activities decreased by 12.9% from RM914.7 million for 1999 to RM796.6 million for 2000, primarily due to higher tax payments made in 2000 in respect of dividends previously paid on the RCCPS. This decrease also reflected the reimbursement of RM80.0 million from the Government for additional works requested in 1999.

PLUS' net cash generated from operating activities decreased by 1.3% from RM926.9 million for 1998 to RM914.7 million for 1999, primarily due to higher tax payments in 1999 with respect to dividends previously paid on the RCCPS. In 1999, PLUS had insufficient tax credits under Section 108 of the Malaysian Income Tax Act 1967 to frank dividends paid on the RCCPS. In addition, Government compensation of RM95.5 million (for accrued toll compensation with respect to Concession Years 1997 and 1998) was received by PLUS in 1999 compared to Government compensation of RM116.4 million (for accrued toll compensation with respect to Concession Year 1996) received by PLUS in 1998.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

PLUS' net cash generated from operating activities increased by 2.5% from RM904.0 million for 1997 to RM926.9 million for 1998 despite lower toll revenues. The increase was primarily due to Government compensation of RM116.4 million and RM50.0 million being paid by the Government in 1998 and 1997, respectively, in respect of compensation due for Concession Year 1996.

5.3.3 Net cash generated from (used in) investing activities

PLUS' net cash used in investing activities decreased from RM32.9 million for the three months ended 31 March 2001 to RM31.3 million for the same period in 2002. In both periods, net cash used in investing activities primarily consisted of payments for heavy repairs and upgrading works.

PLUS' net cash generated from investing activities of RM1,252.2 million for 2001 primarily consisted of RM1,401.3 million of proceeds received by PLUS from the partial redemption of the Renong SPV Bond.

PLUS' net cash used in investing activities of RM73.1 million for 2000 primarily consisted of payments for upgrading works and heavy repair works.

PLUS' net cash used in investing activities of RM7,130.0 million for 1999 primarily consisted of PLUS' investment in the Renong SPV Bond and the UEM Bond, which totalled RM6,887.7 million. The issuance of these bonds formed part of a debt restructuring undertaken by PLUS and the UEM Group in 1999. See "Section 9 – Debt Restructuring and Flotation Scheme".

PLUS' net cash used in investing activities of RM206.0 million and RM235.2 million for 1998 and 1997, respectively, primarily consisted of payments for upgrading and heavy repair works.

5.3.4 Net cash generated from (used in) financing activities

PLUS's net cash used in financing activities of RM188.2 million for the three months ended 31 March 2002 primarily consisted of principal repayments of the Serial Bonds (RM144.0 million), interest payments (RM37.0 million) and the partial redemption of the PLUS Bonds (RM4.9 million). Net cash used in financing activities of RM21.6 million for the three months ended 31 March 2001 primarily consisted of principal repayments of the Serial Bonds (RM54.0 million) and interest payments (RM40.6 million), which offset net cash generated from financing activities of RM73.0 million from the final drawdown under the Additional Support Loan in March 2001.

PLUS' net cash used in financing activities of RM2,104.6 million for 2001 primarily consisted of cash applied for the partial redemption of PLUS Bonds (RM1,401.3 million), principal repayments on PLUS' Commercial Loans and Serial Bonds (RM536.8 million) and interest payments (RM240.0 million).

PLUS' net cash used in financing activities of RM622.8 million for 2000 primarily consisted of principal repayments on PLUS' Commercial Loans and Serial Bonds (RM434.8 million) and interest payments (RM267.0 million).

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

PLUS' net cash generated from financing activities of RM6,179.9 million for 1999 primarily consisted of the issue of the PLUS Bonds in the principal amount of RM6,922.7 million. Net cash generated from financing activities was partially offset by principal repayments on the Commercial Loans and Serial Bonds (RM477.5 million) and interest payments (RM325.3 million).

PLUS' net cash used in financing activities of RM707.9 million for 1998 reflected the use of the proceeds from the issue of RM1,000.0 million of Serial Bonds to refinance an equivalent amount of PLUS' Commercial Loans, as well as principal repayments on Commercial Loans (RM231.4 million) and interest payments (RM414.8 million).

PLUS' net cash used in financing activities of RM565.0 million for 1997 primarily consisted of principal repayments of PLUS' Commercial Loans (RM182.8 million) and interest payments (RM436.9 million).

5.3.5 Net increase (decrease) in cash and cash equivalents

PLUS' cash and cash equivalents increased to RM596.8 million as at 31 March 2002 compared to RM571.8 million as at 31 March 2001 as a result of cash generated from increased toll revenue.

As at 31 December 2001, PLUS' cash and cash equivalents had increased to RM532.4 million compared with RM376.7 million as at 31 December 2000 as a result of higher toll collection. This increase was partially offset by higher payments for capital expenditure in 2001 relating to upgrading works, heavy repairs works and fixed assets, and higher principal repayments on the Commercial Loans.

As at 31 December 2000, PLUS' cash and cash equivalents had increased to RM376.7 million compared with RM276.0 million as at 31 December 1999 as a result of decreased capital expenditure and interest expense and increased toll collections.

As at 31 December 1999, PLUS' cash and cash equivalents had decreased to RM276.0 million compared with RM311.4 million as at 31 December 1998 as a result of tax payments in respect of dividends previously paid on the RCCPS and higher capital expenditure.

As at 31 December 1998, PLUS' cash and cash equivalents had increased to RM311.4 million compared to RM298.3 million as at 31 December 1997 due to the issue of the Serial Bonds, the receipt of Government toll compensation with respect to Concession Year 1996 and lower capital expenditure. However, this increase was offset by higher net cash utilised in financing activities for 1998 as a result of higher principal repayments on the Commercial Loans and lower toll collections due to an economic slowdown.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

5.4 Indebtedness and Working Capital

PLUS has historically had substantial levels of indebtedness. As at 31 December 2001, PLUS' total indebtedness was RM16,475.7 million. For the year ended 31 December 2001, PLUS' net interest expense was RM757.5 million, equivalent to 62.1% of PLUS' revenues and 96.4% of PLUS' operating profit. PLUS' indebtedness was restructured and reduced pursuant to the Debt Restructuring and Flotation Scheme and, as at 31 May 2002, PLUS' total indebtedness was RM7,149.9 million. See "Section 9 – Debt Restructuring and Flotation Scheme" for a description of PLUS' historic and current indebtedness. PLUS generally meets its financing needs through a combination of secured and unsecured bank loans, loans with other parties and capital market instruments. In addition, PLUS maintains overdraft facilities with banks in Malaysia.

The Directors are of the opinion that after taking into account PLUS' cash flow projections and banking facilities available to PLUS and PLUS Expressways, PLUS and PLUS Expressways will have adequate working capital for its present and foreseeable requirements.

5.5 Capital Expenditure

PLUS incurred the majority of its capital expenditure during the period 1991-1994, when the bulk of the Expressways were constructed. Following the completion of the Expressways, capital expenditure has principally related to the resurfacing of Expressways and repairs to sections of the Expressways. In addition, PLUS has upgraded its toll systems and the Ancillary Facilities and has constructed additional toll plazas and interchanges.

In 2002, PLUS expects capital expenditures to total RM495.6 million, which includes RM70.5 million for pavement rehabilitation and related heavy repair work, the cost of construction of the Kota Sarang Semut interchange and other upgrading works. Capital expenditure in 2002 also includes RM192.4 million of capital expenditure committed in prior years. PLUS estimates that its capital expenditure for 2003 will be approximately RM125.7 million.

PLUS expects that its future capital expenditure will primarily relate to the resurfacing of the Expressways, repairs to the Expressways and the construction of additional interchanges. PLUS' capital expenditure requirements may vary significantly from expected levels for a number of reasons, including higher-than-expected traffic volume or heavier or more extensive repairs being required to the Expressways.

5.6 Market Risks

PLUS' major market risk exposure is to changes in interest rates resulting from its short-term and long-term debt obligations and its short-term investments. PLUS has not entered into any swap or derivative transactions to manage these risks. As a result, adverse developments or changes in interest rates may have a material adverse effect on PLUS' financial condition or results of operations. The entire amount of PLUS' indebtedness and substantially all of its revenues and costs are denominated in Ringgit. Accordingly, PLUS believes that it is not directly exposed to movements in foreign exchange. As a result, PLUS has not entered into any derivatives transactions to hedge either interest rate or currency risk and PLUS has no derivatives contracts outstanding and consequently no derivatives exposure.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

5.7 Critical Accounting Policies

The financial statements of PLUS have been prepared in accordance with applicable accounting standards issued by the MASB. The principal accounting policies of PLUS are described in the Accountants' Report. Certain accounting policies of PLUS, including those with respect to Government compensation and amortisation of Expressway Development Expenditure, require the subjective estimation of the Directors of PLUS. Applicable accounting standards issued by the MASB require that PLUS adopt accounting policies and estimation techniques that the Directors of PLUS believe to be the most appropriate in the circumstances for the purpose of giving a true and fair view of PLUS' results and financial condition.

PLUS has adopted certain new accounting policies and, as a result, has restated its financial statements. A description of the pro forma effects of the restatement of PLUS' financial statements is contained in "Section 12 - Accountants' Report".

5.7.1 Net Interest Expense

PLUS adopted the requirements of MASB 27 with effect from 1 January 2002. As a result, PLUS will no longer capitalise interest incurred after completion of the construction of the Expressways on indebtedness incurred to fund their construction. Under the new policy, post-construction interest is expensed in the periods incurred, which has resulted in a significant increase in net interest expense in PLUS' restated financial statements. PLUS has decided to adopt MASB 27 before it becomes mandatory and has restated its historical accounts because of the significant impact of the change on net interest expense.

5.7.2 Expressway Development Expenditure

Construction and upgrading costs for the Expressways, including interest charges incurred prior to completion of construction of the Expressways, are capitalised by PLUS into the Expressway Development Expenditure account and amortised using the unit of production method. Amortisation of Expressway Development Expenditure is calculated based primarily on the ratio of (i) cumulative toll revenue collected as at the end of the accounting period to (ii) the sum of cumulative toll revenue and projected toll revenue for the remainder of the Concession Period. See Note 5.1(d) of the Accountants' Report. The projected toll revenue used by PLUS to calculate amortisation expense is estimated by PLUS on the basis of the Traffic Consultant's projections of toll revenues for the entire Concession Period. The projections are updated periodically by the Traffic Consultant to take into account, among other factors, changes in Government-imposed toll rates, Malaysian economic conditions and the potential effects of competition. The most recent revision to the traffic projections occurred in January 2002 and resulted in an increase in amortisation expense for 2001 of RM30.2 million, compared to the amount that would have been calculated using the prior set of projections. The increase in projected traffic volume reflected improved economic conditions and, as a result, higher projected toll revenue for the remainder of the Concession Period.

5. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

5.7.3 New Government Compensation Arrangements

The new Government compensation arrangements are designed to compensate PLUS for the shortfall in toll revenue for the remaining duration of the Concession arising from the imposition of lower-than-previously agreed increases in toll rates. These new arrangements affect the manner in which Government compensation is recognised by PLUS as revenue.

Compensation is recognised by PLUS as revenue for accounting purposes only to the extent that recovery is probable through set off against liabilities for taxes and Toll Sharing Amounts and the amount of compensation can be measured reliably, see “Section 5.1.3 – New Government Compensation Arrangements”. Government compensation which cannot be set off in any period may be carried forward if tax liabilities and Toll Sharing Amounts sufficient for future set off are reasonably foreseeable. In determining whether such tax liabilities and Toll Sharing Amounts are probable, PLUS takes into account factors such as projected traffic volume, toll receipts and general economic conditions.

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6. FINANCIAL INFORMATION

6.1 Financial Information

6.1.1 Income Statement

The proforma consolidated income statements of PLUS Expressways for the years ended 31 December 1997 to 31 December 2001 and for the three month periods ended 31 March 2002 have been presented in “Section 5.2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results Of Operations”.

Further information on the proforma consolidated income statements of PLUS Expressways is also set out in “Section 12 – Accountants’ Report”.

6.1.2 Directors’ Declaration on the Financial Performance of the Group

Save as disclosed in this Prospectus, the financial condition and operations of PLUS Expressways and its subsidiary as at the date of this Prospectus were not affected by any of the following:-

- (a) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Group;
- (b) material capital expenditure commitments;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Group; and
- (d) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

6.1.3 Working capital, borrowings, material litigation, capital commitments and contingent liabilities

(a) Working capital

The Directors are of the opinion that barring any unforeseen circumstances and after taking into account the cash flow projections of PLUS Expressways and banking facilities available to it, and following the Debt Restructuring and Flotation Scheme, PLUS will have adequate working capital for its present and foreseeable requirements.

(b) Borrowings

The total indebtedness of the PLUS Expressways Group, as at 31 May 2002 (being the latest practicable date prior to the registration of this Prospectus) is set out as below:

6. FINANCIAL INFORMATION

Facility	Amount Outstanding
	(RM Million)
Government Support Loan:	
- Principal	750.0
Additional Support Loan	212.0
Link Bonds	1,087.9
BAIDS	5,100.0
	7,149.9
	7,149.9

(c) Material litigation

Neither PLUS Expressways nor PLUS is engaged in any litigation, either as plaintiff or defendant, which has or may have a material effect on the financial position of PLUS Expressways PLUS and the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position or business of PLUS Expressways or PLUS.

(d) Capital Commitments

Save for the capital commitments set out below, the Directors are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the PLUS Expressways Group.

PLUS Expressways' capital commitments authorised and contracted for as at 31 May 2002 (being the latest practicable date prior to the registration of this Prospectus) amounted to approximately RM183.1 million.

(e) Contingent Liabilities

As at 31 May 2002 (being the latest practicable date prior to the registration of this Prospectus), the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the PLUS Expressways' Group.

6. FINANCIAL INFORMATION

6.2 Forecast Consolidated Result After Taxation

6.2.1 Forecast Consolidated Result After Taxation of PLUS Expressways:

The Directors of PLUS Expressways forecast that, barring unforeseen circumstances, the consolidated financial result after taxation of PLUS Expressways for the year ending 31 December 2002 will be as follows:

	Forecast Consolidated Result 2002
	(RM million)
Toll Revenue	1,670.6
EBITDA	1,379.2 ⁽¹⁾
Depreciation and Amortisation	(146.9)
Profit from Operations	1,232.3
Net Interest Expense	(518.5)
Profit before Exceptional Items	713.8
Exceptional Items	(2,510.3)
Consolidated Loss before Taxation	(1,796.5)
Taxation	-
Consolidated Loss after Taxation	(1,796.5)
Number of Ordinary Shares in Issue (in millions)	5,000 ⁽²⁾
Basic loss per share (sen)	(35.93) ⁽³⁾

(1) *Earnings before interest expense (net of interest income), income tax expense, depreciation and amortisation. EBITDA is not a measure of operating performance, and should not be considered a substitute for operating profit, net profit, cash flows from operating activities or other income statement or cash flow statement data prepared in accordance with applicable approved accounting standards in Malaysia, or as a measure of profitability or liquidity. EBITDA may not be indicative of the historical operating results of PLUS. Because not all enterprises calculate EBITDA identically, the presentation of EBITDA contained in this Prospectus may not be comparable to EBITDA as computed by other enterprises.*

(2) *Based on the enlarged issued and fully paid-up share capital of PLUS Expressways comprising 5,000,000,000 ordinary shares of RM0.25 each.*

(3) *Basic loss per share has been calculated based on the loss after taxation for the forecast year divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is the actual number of ordinary shares in issue as it is assumed that the merger of PLUS and PLUS Expressways has retrospective effects. There are no dilutive effects.*

6. FINANCIAL INFORMATION

The forecast consolidated financial result after taxation set out above should be read in conjunction with “Section 6.2.2 - Financial Information - Notes and Assumptions for Forecast Consolidated Financial Results”, which discloses the actual transactions and matters accounted for and dealt with, and the general and specific assumptions applied in its preparation.

Director’s Commentary on Consolidated Forecast Result

PLUS Expressways believes that, on the basis of the assumptions listed below and in the absence of unforeseen circumstances, PLUS Expressways’ revenue for the financial year ending 31 December 2002 will be RM1,670.6 million compared with RM1,220.0 million in the previous financial year. PLUS Expressways expects that this increase will be attributable to higher traffic volumes, a 10% increase in toll rates commencing on 1 January 2002 and higher compensation receivable from the Government. PLUS Expressways expects that compensation receivable from the Government will amount to approximately RM297 million in 2002. As a result of this increased revenue, PLUS Expressways forecasts an operating profit before exceptional items of approximately RM713.8 million for the year ending 31 December 2002.

Notwithstanding this forecasted operating profit, PLUS forecasts a consolidated loss before tax of RM1,796.5 million for the financial year ending 31 December 2002. This loss will be principally attributable to a one-off exceptional loss of RM4,239.5 million resulting from the exceptional loss incurred by PLUS arising from the sale of the Renong SPV Bond and redemption of the UEM Bond. See “Section 9 - Debt Restructuring and Flotation Scheme”. PLUS forecasts that this exceptional loss will be partially offset by an exceptional gain of RM1,729.2 million arising from the Government’s waiver of PLUS’ obligation to pay interest on the Government Support Loan.

As a result of the net exceptional loss of RM2,510.3, the Group forecasts a loss before taxation of RM1,796.5 million. Reflecting PLUS’ tax exempt status, the Group forecasts a consolidated loss after taxation of RM1,796.5 million for the financial year ending 31 December 2002.

The Board of PLUS Expressways confirms that: (i) the underlying notes and assumptions relating to its financial forecasts have been reviewed by the Directors after due and careful enquiry, and (ii) the Directors, having taken into account factors including but not limited to the prospects of the industry, the future plans and strategies of the PLUS Expressways Group and its level of gearing and working capital requirements, are of the opinion that the Group’s financial forecast, and the assumptions relating to its financial forecast, are reasonable.

In arriving at the forecast consolidated financial result after taxation for the year ending 31 December 2002, the Directors have taken into account the audited results of PLUS for the three month period ended 31 March 2002, as well as the financial effects of the transactions in the intervening period in respect of the Debt Restructuring leading to its completion on 31 May 2002. Notwithstanding, the financial forecast is based on subjective judgements and there can be no assurance that the forecasted operating profit from operations or forecasted loss after taxation will be realised. Accordingly, PLUS Expressways actual results for the year ending 31 December 2002 may be materially different from the figures shown herein.

6. FINANCIAL INFORMATION

6.2.2 Notes and Assumptions for Forecast Consolidated Financial Result After Taxation

PLUS Expressways Berhad was incorporated on 29 January 2002 and identified as the listing vehicle for PLUS listing on the Main Board of the KLSE following the completion of the Debt Restructuring Scheme as described in “Section 9 – Debt Restructuring and Flotation Scheme”. The Debt Restructuring, which was completed on 31 May 2002, resulted in amongst others the business combination between PLUS Expressways and PLUS through an exchange of shares, which has been accounted for using the merger method as the combination meets the relevant criteria set out in MASB Standard 21 “Business Combinations”. Accordingly, the forecast consolidated results after taxation of PLUS Expressways incorporates the forecast results after taxation of PLUS. In particular, the forecast consolidated results after taxation in respect of 2002 is presented in a manner depicting the combination of these entities as if they had been in combination for the entire period.

The Flotation Scheme is expected to be completed by 31 July 2002. The forecast consolidated financial results after taxation assume that PLUS Expressways will complete the Flotation Scheme within the time frame stated.

Part I – Actual Transactions and Matters Accounted for and Dealt with in the Forecast Consolidated Results After Taxation

In arriving at the forecast consolidated financial results after taxation for the year ending 31 December 2002, the Directors have taken into account the audited results of PLUS for the three month period ended 31 March 2002, as well as the financial effects of the transactions in the intervening period in respect of the Debt Restructuring leading to its completion on 31 May 2002. The following relevant actual transactions and matters have been accounted for and/or dealt with in arriving at the forecast consolidated results after taxation and should also be read in conjunction with Section 9 of this Prospectus.

1. Borrowing Costs

PLUS Expressways has adopted the requirements of the MASB Standard 27 - “Borrowing Costs” with effect from 1 January 2002. The change in accounting policy as it affects PLUS has been applied retrospectively such that all post-construction interest incurred on borrowings, and the related tax effects, have been allocated and accounted for in the periods incurred. In the financial year ending 2002, the income statement of PLUS, and accordingly the consolidated income statement of PLUS Expressways, will account for the full amount of interest incurred on borrowings during the year.

6. FINANCIAL INFORMATION

2. Toll Compensation Arrangements

In consideration for PLUS agreeing to lower toll rates structures, PLUS entered into the Second Supplemental Concession Agreement with the Government on 11 May 2002. The Second Supplemental Concession Agreement, which took effect from 1 January 2002, addresses the manner in which the Government will discharge its liability in respect of the amount of compensation that will arise in each of the remaining Concession Years; such compensation is expected to arise as the toll rates which took effect from 1 January 2002 are lower than earlier Agreed Toll Rates. Accordingly, under the Second Supplemental Concession Agreement, toll compensation and set-off arrangements were established between the parties as described in “Section 5.1.3 -Management’s Discussion and Analysis of Financial Conditions and Results of Operations – New Government Compensation Arrangements”.

The forecast consolidated financial results after taxation has accounted for the compensation amount to be recognised in the income statement of PLUS, and accordingly PLUS Expressways, based on the terms of the Second Supplemental Concession Agreement.

3. Interest Waiver on Government Support Loan

In addition to the Second Supplemental Concession Agreement, also in consideration of PLUS agreeing to lower toll rate structures, the Government and PLUS entered into a Third Supplemental Support Loan Agreement on 23 May 2002 to:

- (i) waive PLUS’ from its obligation to pay interest accrued up to 1 January 2002 of approximately RM1,729.2 million on the Government Support Loan;
- (ii) waive PLUS’ from its obligation to pay interest on the principal amount of RM750 million on the Government Support Loan, after (i) above; and
- (iii) oblige PLUS to repay the principal amount of the Government Support Loan in ten annual instalments from 2014 to 2023, in proportion to the original principal repayment schedule on the Government Support Loan.

The forecast consolidated results after taxation has accounted for the waiver of RM1,729.2 million interest to 1 January 2002 as an Exceptional Item (see Note 7).

4. Tax Exempt Status

In conjunction with the Flotation Scheme, the Government has agreed to grant PLUS tax-exempt status for a period of five consecutive years from 2002 to 2006. The exemption is to apply to PLUS’ ‘Adjusted Income’ from all sources. PLUS expects to receive in due course the Ministerial Order document to formalise the exemption. PLUS, and accordingly PLUS Expressways, have taken into account the tax exempt status of PLUS in arriving at the forecast consolidated result after taxation. See Note 20 in Part III for certain additional assumptions which have also been considered with respect to PLUS’ tax matters.

6. FINANCIAL INFORMATION

5. Amortisation of Expressway Development Expenditure (“EDE”)

EDE is amortised to the income statement under PLUS’ accounting policy on EDE, using the unit of production method based on the proportion of the cumulative actual toll revenues recognised to date to the cumulative actual and projected toll revenues to the end of the Concession Period. As a result of the compensation arrangements agreed between the Government and PLUS pursuant to the Second Supplemental Concession Agreement as described in “Section 5.1.3 – Management’s Discussion and Analysis of Financial Conditions and Results of Operations – New Government Compensation Arrangements”, the projected toll revenue for the purposes of EDE amortisation includes toll compensation applicable to PLUS to be recognised in the income statement of PLUS and accordingly, the consolidated income statement of PLUS Expressways.

6. Debt Restructuring

The following relevant transactions, undertaken within pursuant to the Debt Restructuring which was completed on 31 May 2002, have been considered in arriving at the forecast consolidated result after taxation:

(a) Redemption and Repayment of Bonds, and Settlement of Intercompany Loans

- (i) Sale to United Engineers (Malaysia) Berhad (“UEM”) of the Renong SPV Bond, with an accreted value as at 31 May 2002 of RM4,023.4 million, for a cash consideration of RM1,185.1 million and the recognition of the loss arising of RM2,838.3 million.
- (ii) Redemption by UEM of the UEM Bonds, with an accreted value of RM3,771.4 million, for a cash consideration of RM2,370.2 million and recognition of the loss arising of RM1,401.2 million.
- (iii) Full settlement in cash of the carrying amount of UEM loan of RM44.7 million.
- (iv) Partial repayment of the PLUS Bonds in cash from the proceeds received from UEM from transactions in (i), (ii) and (iii) above.

The sale of the Renong SPV Bond and redemption of the UEM Bonds, resulted in a one-time exceptional loss of RM4,239.5 million. See also Note 7 on Exceptional Items.

(b) Issue of BAIDS

- (i) PLUS issued BAIDS Serial Bonds of RM5,100.0 million to fully repay RM1,417.2 million of Commercial Loans and RM568.0 million of Serial Bonds; and to partly settle RM3,114.8 million of PLUS Bonds.
- (ii) The BAIDS were issued in 15 series with maturities from 2003 to 2017, details of which are tabulated in “Section 9 – Debt Restructuring and Flotation Scheme”.

6. FINANCIAL INFORMATION

- (iii) Each series of the BAIDS is divided into specific number of Primary Bonds of face value RM1 million each to which are attached an appropriate number of Secondary Bonds, the face value of which represents the semi-annual profit on the bonds. The Secondary Bonds are redeemable every six months commencing six months after the issue date. The profit margin for 2002 in respect of the BAIDS is as disclosed in Note 19 below.

Security arrangements and other relevant terms for the BAIDS are detailed in “Section 9 - Debt Restructuring and Flotation Scheme”.

(c) Settlement of PLUS Bonds

The PLUS Bonds were fully settled on 31 May 2002 through:

- (i) proceeds received from UEM for the sale of the Renong SPV Bond, redemption of the UEM Bond and settlement of the UEM Loan, totalling RM3,600.0 million (Note 6 (a));
- (ii) proceeds of RM2,400.3 million received from the renounceable rights issue of 316.25 million new ordinary shares in PLUS at RM7.59 per share “Section 9 - Debt Restructuring and Flotation Scheme”;
- (iii) RM3,114.8 million from part of the proceeds from the issuance of BAIDS of RM5,100.0 million on 31 May 2002 (Note 6 (b)); and
- (iv) utilisation of PLUS’s internally generated funds amounting to RM95.4 million for the remaining PLUS Bonds.

7. Exceptional Items

The exceptional items in the forecast consolidated financial results after taxation for 2002 represent the following actual one-off transactions which do not have tax effects:

	RM million
(a) Interest waived on Government Support Loan (Note 3)	1,729.2
(b) Loss on sale of Renong SPV Bond and redemption of UEM Bonds (Note 6 (a))	(4,239.5)
Net Exceptional Loss	<u>(2,510.3)</u>

As referred to earlier, the transactions from Note 1 to 7 above have been considered in arriving at the forecast consolidated result after taxation. The Directors forecast that, barring unforeseen circumstances, the consolidated financial result after taxation of PLUS Expressways for the year ending 31 December 2002 will be as set out in “Section 6.2.1 - Financial Information - Forecast Consolidated Result After Taxation of PLUS Expressways”.

6. FINANCIAL INFORMATION

Part II: General Assumptions applied in the preparation of the Forecast Consolidated Financial Result After Taxation

8. The Flotation Scheme as detailed in “Section 9 - Debt Restructuring and Flotation Scheme” is assumed, for the purposes of the forecast consolidated financial results after taxation, to be completed by 31 July 2002.
9. PLUS and the Government will be in compliance at all times with the agreements and arrangements entered into in connection with the Concession.
10. Financial facilities following the completion of the Debt Restructuring will remain available and the interest rates thereunder will not change materially from those assumed in this forecast.
11. There will be no significant changes in the credit periods granted and received by PLUS and PLUS Expressways.
12. There will be no material changes in the management and business policies currently practised by PLUS and PLUS Expressways.
13. There will be no material changes in the present legislation or Government regulations, rates and bases of duties, levies and taxes affecting the activities of PLUS, and where applicable, of PLUS Expressways, other than those already known.
14. There will be no major industrial disputes, economic and political changes or any abnormal circumstances that adversely affect the operations of PLUS and PLUS Expressways.
15. The effects of inflation and fluctuations in exchange rates of foreign currencies will not significantly affect PLUS and PLUS Expressways.
16. There will be no significant effects on the projections of toll revenue resulting from alternative expressways or alternative forms of transportation in Peninsular Malaysia.
17. Capital expenditure programmes of PLUS, including those for upgrading, heavy repairs, and in respect of property, plant and equipment, will take place as planned.

Part III: Specific Assumptions applied in the preparation of the Forecast Consolidated Financial Result After Taxation

18. Toll Revenue
 - (a) The toll revenue forecast has been based on the following:
 - (i) Traffic volume is based on the base case traffic volume projections prepared by the Traffic Consultant as set out in its January 2002 report.

6. FINANCIAL INFORMATION

- (ii) The current toll rate structure applying to PLUS will be applied throughout the year in accordance with the Second Supplemental Concession Agreement, i.e. based on the rate for Class 1 vehicles of 12.36 sen/km.
- (iii) Toll compensation owing by the Government to PLUS has been calculated for the purposes of the forecast on base case traffic volume projections referred to in Note 18(a)(i) above and differences between the lower toll rates imposed on PLUS by the Government and the Agreed Toll Rates stated in the Supplemental Concession Agreement. Based on the traffic volume projections for 2002, PLUS is forecast to recognise toll compensation of approximately RM297 million in 2002.
- “Section 5.1.3 – Management’s Discussion and Analysis for Financial Conditions and Results of Operations – New Government Compensation Arrangements” describes the Second Supplemental Concession Agreement with reference to the toll compensation and set-off arrangements agreed between the Government and PLUS.
- (iv) The Government’s share of toll revenue in excess of the base case Threshold Toll Revenue as set out in the Supplemental Concession Agreement will be 20% for the financial year ending 31 December 2002. The Government’s share of toll revenue in the financial year ending 31 December 2002 is forecast to be approximately RM10.0 million.

19. Net Interest Expense

Interest expense and interest income are assumed to be recognised in accordance with the relevant borrowings and bond agreements/terms. For borrowings and bonds restructured under the Debt Restructuring, interest expense and interest income are recognised to the date of completion of the Debt Restructuring on 31 May 2002. For the financial year ending 31 December 2002, PLUS’ net interest expense is expected to be as follows:

Borrowing/Bond	2002 RM mn (Income)/Expense
BAIDS	179.4 ⁽²⁾
Link Bonds	103.9
Stage 1 Commercial Loan	28.8 ⁽¹⁾
Stage 2 Commercial Loan	17.9 ⁽¹⁾

6. FINANCIAL INFORMATION

Borrowing/Bond	2002 RM mn (Income)/Expense
Serial Bonds	59.0 ⁽¹⁾
RCBs	66.5 ⁽¹⁾
PLUS Bonds	347.0 ⁽¹⁾
Renong SPV Bond	(151.4) ⁽¹⁾
UEM Bond	(142.2) ⁽¹⁾
Loan to UEM	(1.7) ⁽¹⁾
Other Fees and Charges	11.3 ⁽³⁾
Net Borrowing Costs	518.5

Notes:

- (1) *Refinanced under the Debt Restructuring completed on 31 May 2002. Interest is assumed to be recognised from 1 January 2002 up to this date.*
- (2) *Represents the profit margin in respect of the BAIDS.*
- (3) *Includes RM5.0 million expenses related to the Flotation Scheme expected to be incurred by PLUS Expressways.*

20. Taxation

- (a) As described in Note 4 above, the Government has granted PLUS tax-exempt status for a period of five consecutive years with effect from 1 January 2002 by reference to the 'Adjusted Income' of PLUS from all sources. As also stated in Note 4, PLUS expects to receive in due course the ministerial order to formalise the tax exemption.
- (b) Any income so exempted shall be accumulated in PLUS' 'Exempt Account' from which PLUS may declare tax-exempt dividends.

6. FINANCIAL INFORMATION

- (c) Capital allowances are assumed not to be claimed on existing assets as well as on assets acquired during the exempt period for the years of assessment corresponding to the exempt period. Notional allowances, however, will be computed on such assets during the exempt period to reduce their tax written-down values. Such notional allowances shall not be available for deduction from taxable profits in the post-exempt period. Assets acquired during the exempt period shall be deemed acquired on the first day of the post-exempt period, at qualifying expenditure equivalent to their net book value as of 31 December 2006. Any unutilised allowances available immediately prior to the commencement of the exempt period will be available for deduction against the adjusted income from the respective sources in the post-exempt period.

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6. FINANCIAL INFORMATION

6.2.3 Auditors' Letter on Profit Forecast



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AUDITORS' LETTER ON THE FORECAST CONSOLIDATED FINANCIAL RESULT AFTER TAXATION OF PLUS EXPRESSWAYS BERHAD FOR THE YEAR ENDING 31 DECEMBER 2002
(Prepared for inclusion in the Prospectus of PLUS Expressways to be dated 10 June 2002 for domestic distribution in Malaysia only.)

6 June 2002

The Board of Directors
PLUS Expressways Berhad
2nd Floor, MCOBA Building
42, Jalan Syed Putra
50460 Kuala Lumpur
Malaysia

Dear Sirs

**PLUS EXPRESSWAYS BERHAD
FORECAST CONSOLIDATED FINANCIAL RESULT AFTER TAXATION
FOR THE YEAR ENDING 31 DECEMBER 2002**

We have reviewed the accounting policies and calculations for the forecast consolidated financial result after taxation for the year ending 31 December 2002 of PLUS Expressways Berhad ("PLUS Expressways"), for which the Directors of PLUS Expressways are solely responsible, as set out in Section 6.2.1 of the Prospectus to be dated 10 June 2002 in connection with the Flotation Scheme of PLUS Expressways, details of which are set out in the Prospectus.

In our opinion, the forecast consolidated financial result after taxation, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the Notes and Assumptions made by the Directors of PLUS Expressways as set out in Section 6.2.2 of the Prospectus, and are presented on a basis consistent with the accounting policies to be adopted by PLUS Expressways, incorporating the accounting policies of PLUS to be applied for the financial year ending 31 December 2002.

Without qualifying our opinion, we draw attention to Notes 4 and 20 of the Notes and Assumptions to the forecast regarding the tax exempt status of PLUS for which the relevant Ministerial Order is expected to be received in due course.

This letter is issued for inclusion in the Prospectus of PLUS Expressways for domestic distribution in Malaysia only, and is not to be used in connection with the Rule 144A placement in the United States of America.

Yours faithfully,

A stylized signature of the Ernst & Young firm, written in a cursive script.

ERNST & YOUNG AF:0039
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Sukanta Kumar Dutt'.

Sukanta Kumar Dutt 1556/08/02 (J)
Partner

Kuala Lumpur, Malaysia

6. FINANCIAL INFORMATION

6.3 Dividend Forecast

There will be no declaration of dividend for the financial year ending 31 December 2002. Details of the Company's dividend policy can be found in "Section 4 - Dividend Policy".

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6. FINANCIAL INFORMATION

6.4 Proforma Consolidated Balance Sheets

6.4.1 Proforma Consolidated Balance Sheets As At 31 March 2002

The Proforma Balance Sheets set out below, for which the Directors are solely responsible, have been prepared on a cumulative basis based on the audited balance sheet of PLUS as at 31 March 2002, and for illustrative purposes only, to show the effects of the Debt Restructuring on the assumption that it is effected on that date.

	Audited as at 31 March 2002 RM '000	After Rights Issue and RCBs Conversion (Proforma 1 - PLUS) RM '000	After Sale, Redemption and Repayment of Bonds and Settlement of UEM Loan (Proforma 2 - PLUS) RM '000	After Issue of BAIDS, Settlement of Commercial Loans, Serial Bonds and PLUS Bonds (Proforma 3 - PLUS) RM '000	After NCCPS Conversion, Capital Reduction and Share Issue Expenses (Proforma 4 - PLUS) RM '000
ASSETS EMPLOYED:					
PROPERTY, PLANT AND EQUIPMENT	26,630	26,630	26,630	26,630	26,630
EXPRESSWAY DEVELOPMENT EXPENDITURE	8,315,217	8,315,217	8,315,217	8,315,217	8,315,217
HEAVY REPAIRS	238,388	238,388	238,388	238,388	238,388
INVESTMENTS	7,677,987	7,677,987	-	-	-
AMOUNT OWING BY HOLDING COMPANY - LOAN	44,052	44,052	-	-	-
FUTURE INCOME TAX BENEFIT	70,322	70,322	70,322	70,322	70,322
CURRENT ASSETS					
Amount receivable from the Government of Malaysia	68,156	68,156	68,156	68,156	68,156
Sundry debtors, deposits and prepayments	7,658	7,658	7,658	7,658	7,658
Amounts owing by related companies - trade transactions	28,698	28,698	28,698	28,698	28,698
Short term deposits with licensed banks	581,661	581,661	581,661	581,661	581,661
Cash and bank balances	15,093	15,093	15,093	57,743	32,743
	701,266	701,266	701,266	743,916	718,916
CURRENT LIABILITIES					
Trade creditors	17,209	17,209	17,209	17,209	17,209
Sundry creditors and accruals	66,605	66,605	66,605	66,605	66,605
Amount owing to holding company - trade transactions	43,810	43,810	43,810	43,810	43,810
Amount owing to related company - trade transactions	59,033	59,033	59,033	59,033	59,033
Borrowings	615,667	615,667	615,667	-	-
Serial Bonds	144,000	144,000	144,000	-	-
Taxation	9,207	9,207	9,207	9,207	9,207
	955,531	955,531	955,531	195,864	195,864
NET CURRENT ASSETS / (LIABILITIES)	(254,265)	(254,265)	(254,265)	548,052	523,052
	16,118,331	16,118,331	8,396,292	9,198,609	9,173,609
FINANCED BY:					
SHARE CAPITAL	1,018,553	1,548,834	1,548,834	1,548,834	1,548,834
SHARE PREMIUM	-	3,604,946	3,604,946	3,604,946	432,504
CAPITAL REDEMPTION RESERVE	10,000	10,000	10,000	10,000	10,000
REVENUE RESERVES/(ACCUMULATED LOSSES)	974,597	974,597	(3,147,442)	(3,147,442)	-
	2,003,150	6,138,377	2,016,338	2,016,338	1,991,338
BORROWINGS					
SERIAL BONDS	1,763,552	1,763,552	1,763,552	962,000	962,000
PLUS BONDS	424,000	424,000	424,000	-	-
REDEEMABLE CONVERTIBLE BONDS	9,072,469	6,672,131	3,072,131	-	-
LINK BONDS	1,734,889	-	-	-	-
NEW BONDS (BAIDS)	1,070,485	1,070,485	1,070,485	1,070,485	1,070,485
	-	-	-	5,100,000	5,100,000
LONG TERM LIABILITIES					
Amount owing to holding company	6,885	6,885	6,885	6,885	6,885
Retirement benefits	10,073	10,073	10,073	10,073	10,073
DEFERRED LIABILITIES	32,828	32,828	32,828	32,828	32,828
	16,118,331	16,118,331	8,396,292	9,198,609	9,173,609
NUMBER OF ORDINARY SHARES IN ISSUE ('000)	650,000	1,180,281	1,180,281	1,180,281	1,548,834
NET TANGIBLE ASSETS PER SHARE (RM)	2.97	5.14	1.65	1.65	1.24

6. FINANCIAL INFORMATION

The Proforma Consolidated Balance Sheets of PLUS Expressways, for which the Directors of PLUS Expressways are solely responsible, have been prepared on a cumulative basis for illustrative purposes only, to show the effects on the consolidated balance sheets of PLUS Expressways as at 31 March 2002, assuming the Debt Restructuring in respect of PLUS, the business combination through the exchange of shares with PLUS, and the Flotation Scheme of PLUS Expressways were effected on that date.

	After NCCPS Conversion, Capital Reduction and Share Issue Expenses (Proforma 4 - PLUS) RM '000	PLUS Expressways Audited as at 31 March 2002 RM '000	After Acquisition of PLUS by PLUS Expressways (Proforma 5 - PLUS Expressways) RM '000	Consolidated PLUS Expressways After Flotation Scheme Expenses (Proforma 6 - PLUS Expressways) RM '000
ASSETS EMPLOYED:				
PROPERTY, PLANT AND EQUIPMENT	26,630	-	-	26,630
EXPRESSWAY DEVELOPMENT EXPENDITURE	8,315,217	-	-	8,315,217
HEAVY REPAIRS	238,388	-	-	238,388
INVESTMENTS	-	-	-	-
INVESTMENT IN PLUS	-	-	1,250,000	-
AMOUNT OWING BY HOLDING COMPANY - LOAN	-	-	-	-
FUTURE INCOME TAX BENEFIT	70,322	-	-	70,322
CURRENT ASSETS				
Amount receivable from the Government of Malaysia	68,156	-	-	68,156
Sundry debtors, deposits and prepayments	7,658	-	-	7,658
Amounts owing by related companies - trade transactions	28,698	-	-	28,698
Short term deposits with licensed banks	581,661	-	-	581,661
Cash and bank balances	32,743	Note 1	-	27,743
	718,916	-	-	713,916
CURRENT LIABILITIES				
Trade creditors	17,209	-	-	17,209
Sundry creditors and accruals	66,605	-	-	66,605
Amounts owing to holding company - trade transactions	43,810	2	2	43,812
Amounts owing to related companies - trade transactions	59,033	-	-	59,033
Borrowings	-	-	-	-
Serial Bonds	-	-	-	-
Taxation	9,207	-	-	9,207
	195,864	2	2	195,866
NET CURRENT ASSETS / (LIABILITIES)	523,052	(2)	(2)	518,050
	9,173,609	(2)	1,249,998	9,168,607
FINANCED BY:				
SHARE CAPITAL	1,548,834	Note 2	1,250,000	1,250,000
SHARE PREMIUM	432,504	-	-	-
CAPITAL REDEMPTION RESERVE	10,000	-	-	-
REVENUE RESERVES/ (ACCUMULATED LOSSES)	-	(2)	(2)	(5,002)
CAPITAL RESERVE	-	-	-	442,504
MERGER RESERVE	-	-	-	298,834
	1,991,338	(2)	1,249,998	1,986,336
BORROWINGS	962,000	-	-	962,000
SERIAL BONDS	-	-	-	-
PLUS BONDS	-	-	-	-
REDEEMABLE CONVERTIBLE BONDS	-	-	-	-
LINK BONDS	1,070,485	-	-	1,070,485
NEW BONDS (BAIDS)	5,100,000	-	-	5,100,000
	-	-	-	-
LONG TERM LIABILITIES	-	-	-	-
Amount owing to holding company	6,885	-	-	6,885
DEFERRED LIABILITIES	32,828	-	-	32,828
	9,173,609	(2)	1,249,998	9,168,607
NUMBER OF ORDINARY SHARES IN ISSUE ('000)	1,548,834	2*	5,000,000*	5,000,000*
NET TANGIBLE ASSETS PER SHARE (RM)	1.24	N/A	0.25	0.38

* Ordinary shares of RM0.25 each

Note 1: Cash balance as at 31 March 2002 amounted to RM138

Note 2: Issued and paid up capital of RM0.50 consisting of 2 ordinary shares of RM0.25 each

N/A: On the basis that the Company is newly incorporated and had not commenced activities as at 31 March 2002

6. FINANCIAL INFORMATION

General

On 31 May 2002, PLUS completed its Debt Restructuring as described in “Section 9 – Debt Restructuring and Flotation Scheme”. The completion of the Debt Restructuring which included the combination of PLUS with PLUS Expressways has resulted in PLUS positioning itself for the Flotation Scheme through PLUS Expressways, the company identified as the listing vehicle of PLUS. In order to illustrate the effects of the Debt Restructuring and the Flotation Scheme, the proforma balance sheets presented in “Section 9.3 – Debt Restructuring and Flotation Scheme – Debt Restructuring and Scheme of Arrangement”, for which the Directors are solely responsible, based on the audited balance sheet of PLUS as at 31 March 2002, are set out in two stages; the first stage (Proforma 1 to Proforma 4) illustrates the effects of the Debt Restructuring on PLUS; the second stage (Proforma 4 to Proforma 6) sets out the proforma consolidated balance sheets of PLUS Expressways to illustrate the effects of the Flotation Scheme.

Proforma Balance Sheets Of Plus Based On The Debt Restructuring

The proforma balance sheets of PLUS have been presented on a cumulative basis and for illustrative purposes only. As described above, they are based on the audited balance sheet of PLUS as at 31 March 2002 to illustrate the effects of the Debt Restructuring, on the assumption that the following were effected on that date.

1. Proforma 1

Proforma 1 has been presented based on the audited balance sheet of PLUS as at 31 March 2002 to illustrate the effects of the following:

- (a) the renounceable rights issue of 316.25 million new ordinary shares of PLUS of RM1.00 each at a cash issue price of RM7.59 per share, resulting in a total consideration of RM2,400.3 million utilized towards the settlement of the PLUS Bonds based on the accreted balance as at 31 March 2002;
- (b) the conversion by the RCB holders of the accreted value of RM1,734.9 million of the RCBs) into 214.03 million new ordinary shares of RM1.00 each in PLUS at a conversion price of RM8.39 per PLUS share, representing RM1,795.7 million equity value in PLUS in accordance with the terms of the RCBs at values prescribed in the Trust Deed governing the terms of the RCBs;
- (c) recognition of Share Premium of RM3,604.9 million arising from the issuance of 530.28 million new ordinary shares of PLUS, following (a) and (b) above, based on the difference between the consideration on the shares issued and nominal value of the shares issued. The consideration on the shares issued comprises:
 - (i) the subscription price on the rights issue shares ; and
 - (ii) the accreted value of the RCBs redeemed (the accreted value of the RCBs represents consideration for the shares issued whereas the equity value is premised upon a valuation of the shares issued).

6. FINANCIAL INFORMATION

On the basis that the transactions in (a) and (b) above were completed on 31 March 2002, the number of ordinary shares in issue in PLUS would have been 1,180.3 million shares of RM1 each; additionally, there would have been 368.6 million NCCPS in issue.

2. Proforma 2

Proforma 2 incorporates the effects of Proforma 1 and further illustrates the following:

- (a) the sale to UEM of the Renong SPV Bond, with an accreted value as at 31 March 2002 of RM3,963.1 million, for a cash consideration of RM1,185.1 million and the recognition of the loss arising, of RM2,778.0 million;
- (b) redemption by UEM of the UEM Bond, with an accreted value as at 31 March 2002 of RM3,714.9 million, for a cash consideration of RM2,370.2 million and recognition of the loss arising of RM1,344.7 million;
- (c) full settlement in cash of the carrying amount of the UEM loan, of RM44.7 million; and
- (d) partial repayment of the PLUS Bonds in cash from the proceeds received from UEM from transactions in (a), (b) and (c) above.

The total proceeds received from the above transactions which were completed on 31 May 2002 was RM3,600.0 million. In arriving at the proforma effects above, the proceeds of RM3,600.0 million have been allocated to illustrate reasonably the manner in which the actual transactions were concluded.

3. Proforma 3

Proforma 3 incorporates the effects of Proforma 2 and further illustrates the Issue of BAIDS of RM5,100.0 million to fully repay RM1,417.2 million of Commercial Loans, RM568.0 million of Serial Bonds, and to fully settle the remaining RM3,072.1 million of PLUS Bonds as at 31 March 2002.

The allocation of proceeds narrated in the above paragraph is the manner in which the actual proceeds from the Issue of BAIDS on 31 May 2002 were utilised based on the balances outstanding as at that date.

Illustratively, the transactions within Proforma 3 if effected on 31 March 2002, would have resulted in a net increase in cash and bank balances of RM42.7 million.

4. Proforma 4

Proforma 4 incorporates the effects of Proforma 3, and further illustrates the following:

- (a) the conversion by UEM of 368.55 million NCCPS into an equivalent number of ordinary shares of RM1.00 each in PLUS in accordance with the terms of the Subscription and Option Agreement constituting the NCCPS;

6. FINANCIAL INFORMATION

- (b) the capital reduction under Section 176 of the Companies Act, 1965, involving the elimination of the entire amount of accumulated losses of PLUS of RM3,147.4 million as of 31 March 2002, by the application of an equivalent amount from the Share Premium account; and
- (c) write-off of estimated expenses of RM25.0 million relating to the issue of shares in Proforma 1, upon completion of the Debt Restructuring, against the Share Premium account.

Upon completion of (a) above, the number of ordinary shares in issue in PLUS, had the transactions been completed on 31 March 2002 would have been 1,548.83 million ordinary shares of RM1.00 each.

The movements in the Share Premium account are illustrated as follows:

	<u>RM million</u>
Audited balance as at 31 March 2002	-
Share premium arising from the issue of 530.28 million new ordinary shares for the renounceable rights issue and proposed conversion of the RCBs (Proforma 1)	3,604.9
Less: Write off of estimated Debt Restructuring Expenses	(25.0)
	<hr/>
	3,579.9
Less: Elimination of accumulated losses of PLUS as at 31 March 2002	(3,147.4)
	<hr/>
Proforma balance	<u><u>432.5</u></u>

Proforma Consolidated Balance Sheets Based On The Flotation Scheme

PLUS Expressways, the listing vehicle for PLUS, was incorporated on 29 January 2002 as a wholly-owned subsidiary of UEM with a total issued and paid up share capital of RM0.50 comprising 2 ordinary shares of RM0.25 each.

The completion of the Debt Restructuring has resulted in a combination between PLUS Expressways and PLUS through the exchange of shares, accounted for using the merger method as the combination meets the relevant criteria set out in MASB Standard 21, "Business Combinations".

6. FINANCIAL INFORMATION

The proforma consolidated balance sheets of PLUS Expressways incorporate those of PLUS in a manner depicting the combination of these entities as if they had been in combination for the entire period. Such proforma consolidated balance sheets of PLUS Expressways, for which the Directors are solely responsible, have been prepared on a cumulative basis, for illustrative purposes only, on the assumption that PLUS' Debt Restructuring described in "Section 9.3 – Debt Restructuring and Flotation Scheme – Debt Restructuring and Scheme of Arrangement" had been completed on 31 March 2002, and thereafter on the assumption that the Flotation Scheme of PLUS Expressways had been effected on that date in the following manner ;

1. Proforma 5

Proforma 5 illustrates the proforma unconsolidated balance sheet of PLUS Expressways, incorporating the effects of the business combination involving PLUS Expressways acquiring the entire issued and paid up share capital of PLUS following the completion of the Debt Restructuring, and in exchange issuing new PLUS Expressways ordinary shares as consideration. The share exchange is illustrated to occur on 31 March 2002, involving the issue of 4,999.99 million ordinary shares of RM0.25 each in PLUS Expressways in exchange for 1,548.83 million shares in PLUS. Accordingly, PLUS Expressways' share capital is illustrated to increase from 2 ordinary shares of RM0.25 each to 5,000 million ordinary shares of RM0.25 each. Upon completion of the aforesaid share exchange, PLUS has become a wholly-owned subsidiary of PLUS Expressways;

2. Proforma 6

Proforma 6 illustrates the following effects upon the exchange of shares described in Proforma 5, presented on a consolidated basis:

- (a) combination between PLUS and PLUS Expressways, accounted for by the merger method as the combination meets the relevant criteria under MASB 21 "Business Combinations". On consolidation, the merger resulted in inter alia, a capital reserve and a merger reserve which, as at 31 March 2002, for illustrative purposes, amount to RM442.5 million and RM298.8 million respectively; and
- (b) estimated Flotation Scheme expenses of RM5.0 million settled in cash and written-off to the income statement of PLUS Expressways.

6. FINANCIAL INFORMATION

6.4.2 Auditors' Letter on the pro forma consolidated balance sheet



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AUDITORS' LETTER ON THE PROFORMA BALANCE SHEETS OF PLUS EXPRESSWAYS BERHAD AND PROJEK LEBUHRAYA UTARA-SELATAN BERHAD

(Prepared for inclusion in the Prospectus of PLUS Expressways Berhad to be dated 10 June 2002 for domestic distribution in Malaysia only.)

6 June 2002

The Board of Directors
PLUS Expressways Berhad
2nd Floor, MCOBA Building
42, Jalan Syed Putra
50460 Kuala Lumpur
Malaysia

Dear Sirs,

PLUS EXPRESSWAYS BERHAD AND PROJEK LEBUHRAYA UTARA-SELATAN BERHAD PROFORMA BALANCE SHEETS AS AT 31 MARCH 2002

We have reviewed the presentation of the proforma balance sheets of Projek Lebuhraya Utara-Selatan Berhad ("PLUS") and the proforma consolidated balance sheets of PLUS Expressways Berhad ("PLUS Expressways"), as at 31 March 2002, for which the Directors of PLUS Expressways are solely responsible, as set out in Section 6.4.1 of the Prospectus to be dated 10 June 2002, in connection with the Flotation Scheme of PLUS Expressways.

In our opinion, the proforma balance sheets and the proforma consolidated balance sheets, which have been prepared for illustrative purposes only, have been properly prepared on the bases set out in the notes thereto.

This letter is issued for inclusion in the Prospectus of PLUS Expressways for domestic distribution in Malaysia only, and is not to be used in connection with the Rule 144A placement in the United States of America.

Yours faithfully,

A handwritten signature in cursive script, appearing to read 'Ernst & Young', positioned above the printed name of the Chartered Accountants.

ERNST & YOUNG AF:0039
Chartered Accountants

A handwritten signature in cursive script, appearing to read 'Sukanta Kumar Dutt', positioned above the printed name of the Partner.

Sukanta Kumar Dutt 1556/08/02 (J)
Partner

Kuala Lumpur, Malaysia