

4. INFORMATION ON THE GROUP

4.1 BACKGROUND

4.1.1 Incorporation and Commencement of Business

LDB (590945-H) was incorporated in Malaysia under the Companies Act, 1965 on 28 August 2002 as a private limited company under the name Angkasa Ganda Sdn Bhd. On 23 September 2002, the Company was converted to a public limited company under the name Angkasa Ganda Berhad. Subsequently on 10 February 2003, it changed its name to Lebar Daun Berhad and has assumed its present name since.

It was incorporated for the purpose of facilitating the completion of the Restructuring Scheme which resulted in LDB becoming the ultimate holding company of the LDCSB and taking over the listing status of HACB on the Second Board of the MSEB. Prior to the listing of and quotation for the LDB Shares and LDB ICULS, HACB will be disposed of and subsequently liquidated.

4.1.2 Share Capital And Changes In Share Capital

The present authorised share capital of LDB is RM250,000,000 comprising 500,000,000 ordinary shares of RM0.50 each. The issued and paid up share capital of LDB (assuming the Share Swap with LDB has been completed as at the date of this Prospectus) is RM56,741,838 comprising 113,483,675 ordinary shares of RM0.50 each.

Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value (RM)	Consideration	Total Issued And Paid-up Share Capital (RM)
28.08.2002	2	1.00	Subscribers' shares	2
31.01.2003	4	0.50	Subdivision of shares	2
07.01.2004	113,000,000	0.50	Issued pursuant to the Acquisition	56,500,002
*	483,671	0.50	Issued pursuant to the Share Swap	56,741,838

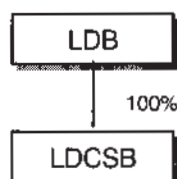
Notes: -

* To be completed prior to the listing of LDB on the Second Board of the MSEB

4.2 BUSINESS

4.2.1 Group Structure

An overview of the Group's structure is set out below: -



4. INFORMATION ON THE GROUP (Cont'd)

Details of the subsidiary of the Company are summarised below: -

Company	Date/Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
LDCSB	16 November 1988/ Malaysia	17,000,000	100.0	Business in civil and building construction works

4.2.2 Principal Products and Services

LDCSB, the wholly-owned subsidiary of LDB, was incorporated on 16 November 1988 with housing development as its main activity. LDCSB has since diversified its activities to become a construction company. LDCSB was upgraded to a PKK Class "A" Bumiputra contractor in October 2000 and has attained the highest G7 classification with the Construction Industries Development Board ("CIDB") in June 2001. With these accreditations in hand, LDCSB is in a better position to bid for more lucrative state and federal government projects.

LDCSB with several companies, namely Lebar Daun Properties Sdn Bhd ("LDPSB"), Lebar Daun Development Sdn Bhd ("LDDSB") and Basco Sdn Bhd ("Basco") formed a corporate alliance under the name of Kumpulan Lebar Daun ("KLD"). KLD has expanded rapidly since 1988 and is currently involved in construction and property development. LDCSB has been appointed as the in-house contractor for most but not all of KLD's projects.

LDDSB, the development arm of KLD, was awarded a major contract to redevelop the 150 acres strategically located site of Batu Tiga Racing Track in Shah Alam into a mixed development project under a privatisation agreement with Perbadanan Kemajuan Negeri Selangor ("PKNS") known as D' Kayangan and another contract for Bukit Bandaraya, Shah Alam. LDCSB benefits substantially as it has been appointed as the main contractor for Bukit Bandaraya, Shah Alam and has been appointed as the main contractor for the development of D'Kayangan in Shah Alam.

Under its diversification strategy to turn LDCSB into an independent construction arm, LDCSB has successfully secured some external projects, which include a RM23.6 million civil engineering works of pipe laying contract from Jabatan Bekalan Air Selangor (now known as Puas Berhad) and a RM314.0 million contract to construct the main campus of the Universiti Industri Selangor ("UNISEL").

Currently, LDCSB has approximately RM1.54 billion worth of projects in-hand, which are sufficient to generate reasonable level of profits over the next eight years. Apart from projects from Kumpulan Lebar Daun, the RM1.54 billion also include other external projects such as a contract worth RM33.0 million from Jabatan Kerja Raya (JKR) Selangor to upgrade and improve the existing roads from Simpang 3 Jenderam to Pekan Dengkil (B18), Sepang, Selangor; a contract sum worth RM58.2 million to construct a corporate office tower for Perbadanan Kemajuan Pertanian Selangor (PKPS) in Section 14, Shah Alam and another contract worth RM33.0 million to construct a booster pumping station and ancillary works in Wangsa Maju for Puas Berhad.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.3 Principal Markets for Products

Most of the construction projects undertaken by the LDB Group are concentrated in the state of Selangor. Since 1988, LDCSB has successfully secured various contracts from both government bodies and private sectors. The LDB Group has adopted a prudent approach in its selection process when tendering for construction projects. As such, as at September 2003, about 32.5% of LDCSB's portfolio comprises Government and quasi-Government related projects such as civil and infrastructure works including road works, bridges, drainage and water reticulation systems and construction works such as the construction of institutions of higher learning and reticulation plant. Such projects have lower credit risks and generally more regular and timely payments compared with private sector projects. The management of LDB believes that such prudent emphasis has helped the Group to reduce its credit risks and allow the LDB Group to operate in a low gearing position.

Currently, LDCSB has approximately RM1.54 billion worth of projects in-hand which include RM461.8 million contracts from external projects. The Company is also actively bidding for projects from various state and federal governments' agencies to supplement its existing projects in-hand.

The company is confident that it will secure more external projects in the near future. Details of the LDB Group's completed and on-going and future projects are set out in Sections 4.2.4 and 4.2.5 of this Prospectus.

4.2.4 Major Completed Construction Projects

No	Projects	Description of project	Project Owner	Duration	Contract Value RM million
1.	Taman Meru Utama, Lot 4325, EMR6532 Mukim Kapar, Klang	38 units single storey terrace ("SST") 5 units Shop lots	LDPSB	1996-1998	7.0
2.	Taman Sri Puteri Phase I, Lot 2078, 2080, 2081, 2082 Mukim Kapar, Klang	95 units SST 28 units double storey terrace ("DST") Infrastructure and building	LDPSB	1996 - 1998	2.6
3.	Taman Sri Andalas, Lot 1360, EMR 8625. Mukim Klang, Klang	48 units SST 32 units DST Infrastructure and building	LDPSB	2000 - 2002	6.7
4.	Taman Dato' Bandar 1, Lot 2575, 2573, MG 60, Lot 2574, Mukim Kapar, Klang	180 units SST 81 units DST 37 units DSSH Infrastructure and building	LDPSB	2000 - 2001	21.3
5.	Taman Dato' Bandar 2, Lot 2575, 2573, MG 60, Lot 2574, (Lot Asal 2580, Jalan Jabar) Mukim Kapar, Klang	50 units SST Infrastructure and building	Basco Sdn Bhd	2000 - 2002	3.5

4. INFORMATION ON THE GROUP (Cont'd)

No	Projects	Description of project	Project Owner	Duration	Contract Value RM million
6.	Pangsapuri Puteri, Lot PT 2633, EMR 3526, Mukim Bukit Raja, Shah Alam	160 units 3 block of apartments Infrastructure and building	LDPSB	2000 - 2002	10.0
7.	Kemensah, Kg. Kemensah, Ulu Klang, Selangor	Institute – Complex Infrastructure and building	LDDSB	2001-2002	7.3
8.	Kolej Inmind, Bangunan Yayasan Selangor, Petaling Jaya & 2 units of bungalows, Jalan Paip, Meru, Klang	Renovation works Building	LDDSB	2001-2002	2.5
9.	Taman Dato' Bandar 3, 4 th Mile, Mukim Kapar, Klang	50 units SST Infrastructure and building	LDPSB	2001 - 2002	2.9
10.	Taman Ratnasari, Lot 2277, EMR 15, Mukim Kapar, Klang	70 units SST Infrastructure and building	LDPSB	2001 - 2002	3.6
TOTAL					67.4

4.2.5 On-Going and Future Projects

The following gives a brief description of the major on-going and future projects under LDB: -

(a) Bukit Bandaraya, Shah Alam

LDCSB has been awarded a contract amounting to RM476.6 million by LDDSB to develop Bukit Bandaraya in Shah Alam, with a total land area sprawling over 300 acres. This mixed development project consists of approximately 2,709 units of double storey link houses, semi-detached houses, bungalows, apartments, condominiums and commercial buildings. It offers homes built with roman architectural designs. Bukit Bandaraya will be a self-contained township, with its own commercial centre; multi-purpose hall; secondary, primary and religious schools; institutions of higher learning; sports complex and recreational areas. This exclusive township is located in the highlands of Shah Alam, opposite Section 8, Shah Alam. The project commenced on 1st quarter 2002 and is expected to complete by year 2008.

As at 31 December 2003, 15% of the project has been completed.

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4. INFORMATION ON THE GROUP (Cont'd)

(b) Batu Tiga Racing Track, Shah Alam (D' Kayangan)

On 3 April 2002, LDDSB entered into a privatisation agreement with PKNS to redevelop the Batu Tiga Racing Track site, located on a piece of land in Section 13, Shah Alam next to Federal Highway, into a mixed development project named D' Kayangan. The development comprises residential and commercial units with a "Spanish Andalusian" concept, targeting the medium- to high-income market. This exclusive project, on a total land area of 150 acres, introduces a concept of "community living" which includes recreational centre, commercial centre and public amenities and offers 1,215 units of double storey terrace link houses, clusters homes, semi detached houses, bungalows, condominiums and shop offices. The development site can be accessed via North-South Highway, Federal Highway and KESAS Highway.

The LDCSB has been appointed as the main contractor for D' Kayangan for a contract sum of not less than RM520.0 million to be completed over a period of 5 to 8 years. The project commenced operations in the third quarter of 2003. As at 31 December 2003, 3% of the project has been completed.

(c) Universiti Industri Selangor, Batang Berjuntai, Selangor

LDCSB has successfully secured a contract to construct Universiti Industri Selangor with a contract sum of RM314.0 million. LDCSB has been appointed as the main contractor for the project, which involves the construction of the main campus of Universiti Industri Selangor in Batang Berjuntai, Selangor. This project commenced on 1 November 2001 and is expected to complete by end of 2004.

As at 31 December 2003, 34% of the project has been completed.

(d) Upgrading of existing roads from Simpang 3 Jenderam to Pekan Dengkil (B18) Sepang, Selangor

LDCSB has successfully secured a contract to upgrade the road works from JKR Selangor with a contract sum of RM33.0 million. The project commenced in the fourth quarter of 2003 and is expected to complete by mid 2005.

As at 31 December 2003, 3% of the project has been completed.

(e) Corporate Office Tower, Perbadanan Kemajuan Pertanian Selangor, Seksyen 14, Shah Alam, Selangor

LDCSB has secured a contract sum of RM58.2 million to construct the office tower for PKPS. LDCSB has been appointed as the main contractor for the project. The project commenced in the fourth quarter of 2003 and is expected to complete by mid 2006.

As at 31 December 2003, 7% of the project has been completed.

(f) Construction of booster pump station and ancillary works, Wangsa Maju, Kuala Lumpur

LDCSB has recently been awarded a contract sum of RM33.0 million to construct the Wangsa Maju booster pumping station and ancillary works for PUAS Berhad. The project commenced in the fourth quarter of 2003 and is expected to complete by the second quarter of 2004.

As at 31 December 2003, 18.5% of the project has been completed.

4. INFORMATION ON THE GROUP (Cont'd)**4.2.6 Competitive Edge**

The local construction industry is highly competitive. However, the directors of LDB are of the view that the LDB Group has been and will be in a favourable position to compete in the market place due to the following factors: -

(a) Strong Financial Track Record

Guided by a competent, hands-on and experienced management team, LDB's subsidiary, LDCSB has recorded an aggregate profit after tax of approximately RM22.1 million over the past three(3) financial years ended 31 December 2002. Based on the interim audited financial statements for the eight (8) months period ended 31 August 2003, LDCSB recorded a profit after tax of RM11.79 million. The good profit track record reflects the confidence and acceptance that developers or clients have in the projects undertaken by LDCSB.

(b) Reputation of LDB

LDB Group, one of the fast growing construction companies in the country, is undertaking various projects in the Klang Valley, ranging from residential, commercial and industrial segments. LDB Group made its first foray into the construction sector by participating in small and medium size projects ranging from RM2.0 million to RM70.0 million.

LDB's subsidiary, LDCSB is a Class A Contractor with Pusat Khidmat Kontraktor, Ministry of Entrepreneur Development. This is a testimony to the track record of LDB Group in consistently producing high quality products that meet the requirements of its customers and the industry. LDCSB is also registered under category G7 with the CIDB. These registrations allow LDCSB to tender for any government and private construction contracts without any limitation on the size and value of contracts.

With the experience accumulated over the years, the LDB Group is well poised to undertake and complete its current projects including Bukit Bandaraya Shah Alam, D' Kayangan, Shah Alam and the Universiti Industri Selangor. The LDB Group prides itself for its product quality and timely delivery.

(c) High Value of Projects Secured

Currently the LDB Group has approximately RM1.54 billion worth of projects in-hand. More projects are expected to come on stream as its reputation continues to grow and through its aggressive bidding for projects from the Federal and State Government and other government agencies.

(d) Skilled and Experienced Personnel

LDCSB was led by Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin, the founder, who has more than 15 years experience in the construction industry. Since the inception of LDB Group, Norazmi bin Mohamed Nurdin has taken over the helm of the Group. Encik Norazmi is also supported by a sound and experience management team. LDB Group has a flat organisational structure, which allows for quick and effective decision-making. This has helped turn the LDB Group into a formidable player in the market place.

4. INFORMATION ON THE GROUP (Cont'd)

(e) Prudent Management Policies

The LDB Group adopts a selective policy when tendering for private sector projects due to the credit risks and unstable payment patterns frequently associated with private sector projects. With such prudent emphasis adopted by the management, a portion of the projects currently being undertaken by the LDB Group are Government and quasi-Government related projects such as civil and infrastructure works including road works, bridges, drainage and water reticulation systems and construction works such as the construction of institutions of higher learning and reticulation plant. These quasi-Government and Government projects have lower credit risks and payments are generally more regular and timely.

The LDB Group finances most of its projects from internally generated funds. The management believes that this prudent approach has helped the LDB Group to avoid significant levels of borrowings and financial costs, and hence, has enhanced its earnings.

(f) Cost Control Measures

The LDB Group is able to keep its costs low, in terms of operational and administrative expenses by undertaking most of the tasks associated with its construction projects itself. The LDB Group procures its raw materials directly from suppliers for almost all of its projects and engages in bulk purchases, which results in bulk discounts from suppliers. The LDB Group engages mostly direct labour, instead of over relying on sub-contractors, to carry out its work, which further reduces the LDB Group's costs. As a result, the LDB Group is able to register high margins for its projects, thus resulting in higher profits.

(g) Quality Assurance

In order to provide quality and timely delivery, the LDB Group has a special team to monitor the quality and to ensure timely delivery of projects undertaken. The strict quality controls and high standards set ensure that its projects meet the specifications required by its clients.

With its proven quality and standards, the LDB Group is well poised to secure more recurring businesses in the future.

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4. INFORMATION ON THE GROUP (Cont'd)

4.2.7 Approvals, Major Licences and Permits Obtained

Details of the approvals obtained by the Company for the Listing from the SC and FIC together with the conditions imposed by these authorities and status of compliance are set out in Section 7.1 of this Prospectus.

The major licences and permits obtained by the Group are as follows: -

Types of Licence	Approving Authority	License Number	Date of Issuance	Date of Expiry	Type of Business Approved	Equity/ Employment Imposed
Pusat Khidmat Kontraktor – Sijil Pendaftaran	Kementerian Pembangunan Usahawan	1002 A 2000 0684	30.1.2002	29.10.2004	Class "A" Contractor	This licence will be revoked in the event: (i) any of the shareholders of LDCSB holds a shareholding of more than 5% or RM50,000 in any other companies having similar business with LDCSB and registered with the Pusat Khidmat Kontraktor (ii) any of the key management or personnel of technical qualification is actively involved in any other companies having similar business with LDCSB and registered with the Pusat Khidmat Kontraktor
Pusat Khidmat Kontraktor - Sijil Kontraktor Kerja Taraf Bumiputra	Kementerian Pembangunan Usahawan	1002 A 2000 0684	30.10.2001	29.10.2004	Class "A" Contractor	(i) The shares in LDCSB must be held by at least 51% Bumiputras participation; (ii) The shareholding of Bumiputras must be larger than the shareholding of non-Bumiputras; (iii) The composition of the Board of Directors of LDCSB must have at least 51% Bumiputra participation. (iv) The Chief Executive Officer, Managing Director or the General Manager and other key post must be held by Bumiputra; (v) The workforce must have a composition of at

4. INFORMATION ON THE GROUP (Cont'd)

Types of Licence	Approving Authority	License Number	Date of Issuance	Date of Expiry	Type of Business Approved	Equity/ Employment Imposed
Perakuan Pendaftaran	Construction Industries Development Board	0120010621-WP064233	15.09.2003	20.06.2004	Grade: G7	least 51% Bumiputras; (vi) The financial management must be controlled by Bumiputra; (vii) The organisation chart and the management of LDCSB must reflect the control of Bumiputra; and (viii) Not to sub-contract all of its projects or to assign any of its contracts to third party.
						None

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4. INFORMATION ON THE GROUP (Cont'd)

4.2.8 Types, Sources and Availability of Raw Materials

The main raw materials used by the LDB Group in its operation are bricks, steel, concrete and other construction related materials, which are obtained directly from established local manufacturers and traders. Over the years, the LDB Group has maintained a good working relationship with its suppliers where it has an established track record for its purchase and payment commitments. The Group is not overly dependent on any single supplier and has been in the past, able to secure a steady supply of materials for its operations and relatively stable and competitive prices. The management of LDB Group is confident that it will be able to continue doing so in the future.

4.2.9 Interruptions in Business for the Past Twelve (12) Months

There has never been any interruption in the form of trade disputes or major operational breakdown occurring within and outside the Group that may significantly impair the Group's business performance during the past twelve (12) months.

4.2.10 Employees

As at 31 December 2003, the total number of employees of the LDB Group, including foreign workers, is 740 persons. The permanent employees (all Malaysians) of the Group are categorised as below: -

Category	No. of Employees	Average Years in Service
Managerial and Professional	23	> 3 years
Technical and Supervisory	44	< 3 years
Clerical and related occupations (e.g. clerks, typist, stenographers, personal secretaries, etc)	12	< 3 years
Factory workers:	-	-
TOTAL	79	-

Of the total 740 employees, 661 are foreign workers. These are mainly general construction workers from countries such as Indonesia, Thailand, India and Nepal. All of these foreign workers have valid working permits i.e. all are employed legally.

LDB views training as part of its efforts to enhance productivity and professionalism of its employees. Thus, training is an on-going process, which is done via in-house and external training programs. External training include participation in courses conducted by CIDB and Institut Keselamatan dan Kesihatan Pekerjaan Negara ("IKKPN") while in-house training covers project management and usage of the financial software modules (IFCA).

The management of the Group is of the opinion that its dedicated, efficient and trained employees are instrumental to its success. The management of the Group enjoys a good working relationship with the employees. The employees of the LDB Group do not belong to any union. As of 31 December 2003 (being the last practicable date prior to the printing of this Prospectus), the Group has not been involved with any material industrial disputes with any of its employees.

4. INFORMATION ON THE GROUP (Cont'd)

4.2.11 Key Achievements/Milestones/Awards

The key achievements of the Group are as follows:-

- (a) The Group employed a prefabrication techniques called “zero stable panel system” for the construction of 261 units of double storey link houses in Bukit Bandaraya Shah Alam. The technique strives for zero defect concept with excellent quality homes. In addition, the technology reduces the dependence on labour and reduces the completion time of the building to less than a year.
- (b) The Group completed a fast track “design and build” of a 10 acres training complex in Kemensah and hand over the complex to the client within 6 months period.
- (c) Initially being set up to cater for properties division of Kumpulan Lebar Daun, LDB Group has grown in stature and is able to secure various external projects from state government within a short span of its operations. Its ability to secure external projects worth RM461.8 million is a testimony to LDB Group’s capability and provide a significant boost of confidence for a new player such as LDB Group in the construction industry. The Group is confident of securing more projects in the future.

4.2.12 Contribution to Economic Growth

LDB contributed to the economic growth via:

- (a) Participation in privatised government projects, where LDB assisted the Government in the provision and improvement of public infrastructure;
- (b) Creating employment opportunities in the construction and property sectors;
- (c) Generating fiscal revenue for the local authorities in terms of quit rent and assessment fees, and income for the providers of utilities; and
- (d) Helping to spur local economy by sourcing for a majority of its raw materials locally.

4.2.13 Modes of Marketing

The LDB Group sources for external projects through market research, on-going dealings with project consultants, government publications as well as referral from its contractors and peers within the industry. In addition, as a registered contractor with Pusat Khidmat Kontraktor, the Group will be informed of any tender exercises to be undertaken by the Government. The Group also maintains good relationships with the State and Federal Governments.

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4. INFORMATION ON THE GROUP (Cont'd)**4.2.14 Location of Business****(a) Principal Assets**

Saved as disclosed under Section 9.1 of this Prospectus, the Company has no other principal assets.

(b) Principal Place of Business

The principal place of business of the Group is at as follows: -

Wisma Lebar Daun,
No. 2, Jalan Tengku Ampuan Zabedah J 9/J,
Seksyen 9,
40000 Shah Alam,
Selangor Darul Ehsan

4.2.15 Trade Receivables

A summary of the debtors ageing analysis of LDCSB as at 31 August 2003 is set out in the table below:

	Trade Receivables Analysis as at 31 August 2003				
	Within credit period			Exceeding credit period	Total
	0 - 30 days RM'000	31 - 60 days RM'000	61 - 90 days RM'000	> 90 days RM'000	
Trade receivables	33,021	6,263	5,156	10,369	54,809
% of trade receivable	60.3	11.4	9.4	18.9	100.0

The Company normally grants a credit period of between 60 to 90 days on its progress billings. Amount due from customers relating to retention sum will become payable by the customers based on respective agreements, which are normally eighteen(18) months after the completion of each construction work.

Out of the RM10.4 million (being the amount exceeding credit period), RM20,000 has exceeded 180 days, of which provision has been made according to SC's condition.

The Directors are of the opinion that the recoverability of the receivables exceeding the 90-days credit period is high as the Company practices prudent credit management to ensure minimal credit risk.

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4. INFORMATION ON THE GROUP (Cont'd)**4.3 SUBSIDIARY AND ASSOCIATED CORPORATIONS****4.3.1 LDCSB****(a) Background**

LDCSB (175883-H) was incorporated on 16 November 1988 in Malaysia as a private limited company under the Companies Act, 1965. LDCSB commenced its business since early 1989.

(b) History

LDCSB was incorporated with housing development as its main activity. LDCSB has since diversified its activities to become a construction company. LDCSB was upgraded to a PKK Class "A" Bumiputra contractor in October 2000 and has attained the highest G7 classification with the Construction Industries Development Board ("CIDB") in June 2001. With these accreditations in hand, LDCSB is in a better position to bid for more state and federal government projects.

Currently, LDCSB has approximately RM1.54 billion worth of projects in-hand and expects to secure an additional contract sum of not less than RM520.0 million in respect of D' Kayangan in Shah Alam, which are sufficient to generate reasonable level of profits over the next eight years. Apart from projects from Kumpulan Lebar Daun, the RM1.54 billion also include external projects such as a contract worth RM33.0 million from Jabatan Kerja Raya (JKR) Selangor to upgrade and improve the existing roads from Simpang 3 Jenderam to Pekan Dengkil (B18), Sepang, Selangor; a contract sum worth RM58.2 million to construct a corporate office tower for Perbadanan Kemajuan Pertanian Selangor (PKPS) in Section 14, Shah Alam and another contract worth RM33.0 million to construct a booster pumping station and ancillary works in Wangsa Maju for Puas Berhad.

(c) Principal Activities and Products/Services

LDCSB is principally engaged in the business of civil and building construction works.

(d) Substantial Shareholders

LDCSB is a wholly-owned subsidiary of LDB.

(e) Share Capital

The authorised share capital of LDCSB is RM17,000,000 comprising of 17,000,000 ordinary shares of RM1.00 each. The issued and paid up share capital is RM17,000,000 comprising of 17,000,000 ordinary shares of RM1.00 each.

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4. INFORMATION ON THE GROUP (Cont'd)

The changes in LDCSB's issued and paid up share capital since incorporation are as follows: -

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
16.11.1988	3	1.00	Cash	3
05.12.1988	499,997	1.00	Cash	500,000
03.10.1999	500,000	1.00	Cash	1,000,000
13.03.2001	2,000,000	1.00	Cash	3,000,000
24.01.2002	7,000,000	1.00	Cash	10,000,000
25.08.2003	3,500,000	1.00	Cash	13,500,000
31.12.2003	3,500,000	1.00	Other than cash	17,000,000

(f) Subsidiary/Associated Corporations

LDCSB does not have any other subsidiary or associated corporations.

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4. INFORMATION ON THE GROUP (Cont'd)

4.4 INDUSTRY OVERVIEW**4.4.1 Overview of the Malaysian Economy**

After experiencing sluggish growth in 2001, the Malaysian economy rebounded strongly in 2002. Higher growth in 2002 bolstered optimism for a stronger economic performance in 2003 in anticipation of an improved world economic outlook. The prospect for a global economic recovery was, however, affected by recent geopolitical developments, in particular the war in Iraq, sporadic incidences of militancy and outbreak of the Severe Acute Respiratory Syndrome (SARS). During the second quarter, consumer and business sentiments in regional economies were particularly affected by the anxiety of a probable prolonged and widespread SARS epidemic that curtailed transport and tourism-related activities besides trade and investment flows.

Against this adverse global environment and concerns of further weakening of the already sluggish global economy, the Government has put in place a package of broad-based pro-growth measures in May 2003. The Package of New Strategies, apart from providing immediate relief for the SARS-affected sectors, was to address structural and organisational issues towards sustaining economic growth in the medium and longer term. The strategic measures introduced boosted confidence necessary to stimulate domestic consumption and investment. In addition, the short war in Iraq and the quick containment of SARS provided the much-needed relief for the economy to ride over the difficult times and remain on track to a firmer growth trajectory.

(Source: Economic Report 2003/2004)

4.4.2 Prospects of the Malaysian Economy for 2004

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5%-6% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1% and 2.2% respectively. Given the better prospects of world economic growth and international trade in 2004, with firm recovery taking place in several major industrialised countries and regional economies, the Malaysian economy is projected to strengthen and be reinforced by more vigorous domestic economic activities.

In this regard, domestic demand (excluding change in stocks) in real terms is likely to increase at a fairly strong rate of 4.7% (2003: 5%), generated largely by the private sector resuming its role as the engine of growth and supported by pro-growth fiscal and monetary measures. External developments and strengthening domestic economy point to stronger growth in the manufacturing sector. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries.

Growth is expected to be broad-based with all sectors in the economy registering higher output with services and manufacturing continuing to spearhead growth. Growth is also expected to emanate from the domestic sector as well as pick-up in the external sector, following improved world prospects. Following the introduction and implementation of comprehensive measures to enhance the vibrancy of the economy and the medium and long-term competitiveness of the private sector, the private sector is envisaged to drive economic growth with private expenditure expected to be robust at 7.5% and further acceleration in private investment of 9.9%.

4. INFORMATION ON THE GROUP (Cont'd)

The strengthened macroeconomic fundamentals and a more broadly balanced economic structure with emerging new sources of growth will provide the foundation for sustained higher growth. Alongside pragmatic macroeconomic management and the pro-growth measures in place to support private sector initiatives, Budget 2004 will further enhance competitiveness and reinforce the resilience of the economy against likely destabilising external factors and garner higher economic growth for the country. The Malaysian economy is, therefore, targeted to achieve a stronger GDP growth of 5.5%-6% for 2004.

(Source: Economic Report 2003/2004)

4.4.3 Overview, Past Performance and Future Growth of the Malaysian Construction Industry

General Overview

The construction sector registered a higher growth of 3.4% underpinned by underlying demand for affordable houses. Higher government construction spending on public projects also contributed to higher activities in the sector.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2002, Bank Negara Malaysia Release on 21 August 2002)

Underpinned by demand in selected segments of the property market and higher expected budgetary allocation for public infrastructure projects, value added in the construction sector is envisaged to grow by 2.5% in 2003. The sustained performance is partly on account of renewed interest in residential housing, in particular affordable houses, and supported by incentives given under the Package and lower interest rates. Total public expenditure on infrastructure is expected to pick up in the second half of the year and help sustain construction activities in the public sector.

Construction of residential properties remains active despite slower demand for housing as the Iraq war and SARS affected consumer confidence during the first five months of 2003. Housing starts in the residential sector grew by 4.6% during the first half of 2003. The Government, under the Package, introduced several measures and incentives as well as cash payment to first home owners under the Home Owner for the People (HOPE) project to stimulate the property and construction sector as well as to provide affordable housing to the lower income group.

Overall, the supply and demand of purpose-built office and shopping complexes largely remain stable since 2000. On the other hand the number of completed shop units decreased slightly from 1,792 units in 2002 to 1,533 units in 2003 while the completed units for industrial units increased from 145 units in 2002 to 506 units in 2003. The demand for shop units and industrial units is expected to pick up as a result of higher growth in the business and manufacturing sector.

The construction sector will continue to be supported by the property sub-sector, driven by measures and incentives introduced under the Package to stimulate construction and sales of residential properties, in particular affordable houses. On-going public and privatised infrastructure projects as well as off-shore fabrication works in the oil and gas industry will further boost the growth of the sector. The construction sector is, therefore, projected to register a slightly stronger growth of 2.6%.

(Source: Economic Report 2003/2004)

4. INFORMATION ON THE GROUP (Cont'd)

The construction sector, which grew at an average rate of 13.4 per cent per annum in the period of 1996-97, recorded negative growth for the period 1998-2000 resulting in an overall negative growth of 1.1 per cent per annum during the 8th Malaysia Plan period. For the more developed states, the construction sector registered negative average growth of 1.4 per cent due to the deferment of major infrastructure projects as well as residential and commercial properties. The construction sector in the less developed states recorded negative average growth rate of 0.6 per cent per annum.

Housing and other social services continue to be a priority of Malaysia's development programmes aimed at improving the quality of life and contributing towards the formation of caring society. During the 7th Malaysia Plan ("7th Plan") period, various programmes for the development of housing were implemented in the urban and rural areas. The overall performance of the housing programmes was encouraging with achievement surpassing the 7th Plan target. A total of 800,000 units of houses were planned for construction to meet housing needs. A total of 859,480 units or 107.4% of the 7th Plan was completed. The private sector, which was targeted to build 570,000 units, completed 737,856 units or 129.4 % of the target.

Development of the infrastructure and utilities network during the Seventh Plan period was focused on capacity expansion through a more integrated and coordinated planning approach to ensure the availability of facilities to meet demand. For the roads subsector, development was guided by the need to expand capacity and upgrade existing roads. Total road network increased from 61,380 kilometres in 1995 to 65,880 kilometres in 2000. The road subsector accounted for nearly 59.8% of the total allocation for the infrastructure sector with a total expenditure of RM12.3 billion. In addition, private sector also expended a total of RM7.9 billion for the development of privatised highways compared with RM15.2 billion during the Sixth Plan period.

During the 8th Malaysia Plan period, the objective of the housing development programmes will be to increase accessibility to adequate, affordable and quality houses for all income groups. Priority will continue to be given to the development of low and low medium cost houses. In this regard, both the public and the private sectors will intensify their efforts in the implementation of the housing programmes to meet increasing demand. During the 8th Plan, housing needs are estimated to reach a total of 782,300 units due to growing number of population, formation of new households and the replacement of existing houses. Of the total, 93.6% will be for new requirements and the balance will be for replacement.

For the Eight Plan period, emphasis will be given to increase the capacity and accessibility in less developed areas while in urban areas, the focus will be to enhance efficiency and improve public transport services. Under the Plan, the Government has made a substantial provision for infrastructure and utilities development. A total of RM27 billion will be allocated by the Government with RM14 billion for roads. Participation by the private sector will continue to be encouraged with the Government assuming an increasingly important role in the supervision and setting of performance standards of infrastructure facilities and services to support the growth and competitiveness of other sectors. Investments by the private sector amounting to RM3.5 billion on roads will complement the Government's allocation for this subsector.

(Source: Eight Malaysia Plan 2001-2005)

4. INFORMATION ON THE GROUP (Cont'd)

The property market was active and stable following the better performance in the Malaysian economy. The number of transactions recorded for 2002 was 231,394, a marginal decrease of 4.6% compared to 2001. Value of transactions was maintained at RM38,643.29 million, near to the RM38,634.93 million registered for the previous year. However this does not include the residential transactions under the stamp duty waiver estimated by the Real Estate And Housing Developers Association (REHDA) at 85,747. The substantial number of these transactions indicated that the property market is definitely more active. . The movements of the property transaction in Malaysia from 2001 to 2002 are as follows: -

Sector	Transaction			Value (RM million)		
	2002	2001	% Change	2002	2001	% Change
Residential	162,269	176,208	-7.9	21,136.74	22,199.24	-4.8
Commercial	17,048	15,862	7.5	6,443.90	6,426.76	0.3
Industrial	6,010	6,098	-1.4	3,838.64	4,319.51	-11.1
Agricultural	37,071	36,659	1.1	3,229.37	2,308.48	39.9
Development Land	8,755	7,577	15.5	3,892.34	3,319.53	17.3
Others	241	230	4.8	102.31	61.42	66.6
Total	231,394	242,634	-4.6	38,643.29	38,634.94	0

(Source: Property Market Report 2002)

As shown in the table above, residential sector remained the main sector driving the market, contributing 70.1% in the number of transactions and 54.7% of the value of transactions in the market. The 7.9% decrease in the residential sector does not reflect the actual activity in the residential market. The sizeable number of transactions under the stamp duty waiver pointed clearly to greater activity in this market this year compared to last year. The commercial sector remained the third most active sector with 7.4% of overall number of transactions. All other sectors showed better performance except for the industrial sector. The manufacturing sector has yet to recover strongly and the glut of industrial properties discouraged new launches by developers. Investments in the manufacturing sector has declined and so have foreign and domestic investments. All these factors led to a languid performance in the industrial property market.

(Source: Property Market Report 2002)

4.4.4 Players and Competition

The construction industry is very competitive with the existence of a very large number of construction firms. The key listed players include Dialog Group Berhad, TSR Capital Berhad, DKLS Industries Berhad, PBL Engineering Berhad, Ahmad Zaki Resources Berhad and others. The success of a market player in this sector is largely dependent on the possession of the requisite experience, technical expertise, equipments and strong financial standing to carry out a construction project.

LDB continues to take pro-active measures which include constantly reviewing its development concepts and marketing strategies in response to the ever-changing market conditions and to position itself to meet the needs of the target market. LDB also practices economies of scale and adopts the latest construction technology and methods to improve its performance.

4. INFORMATION ON THE GROUP (Cont'd)

4.4.5 Laws and Regulations

The LDB Group's operations are governed by the terms of the licenses awarded by Pusat Khidmat Kontraktor of the Ministry of Entrepreneur Development and CIDB, which set out the types and nature of activities in which a construction company can undertake. Apart from the above, other legislations that also govern LDB's operations are the Occupational Safety and Health Act 1994, Environmental Quality Act 1974 (Act 127), Strata Titles Ordinance 1995 and the requirements of Jabatan Bomba and local municipal councils. These regulations, acts and requirements are to protect individual consumers as well as to set the minimum standard for the construction industry. Although the LDB Group has always worked to ensure strict compliance with these rules and regulations, no assurance can be given that any future changes to the present rules and regulations will not have an adverse impact on the LDB Group's operations.

4.4.6 Reliance on and Vulnerability to Imports

The main raw materials used by LDB in its operations are obtained mainly from local manufacturers and traders. Therefore there is very minimal reliance on and vulnerability to imports.

4.5 MAJOR CUSTOMERS

Based on the Group's last audited financial statements for the eight (8) months ended 31 August 2003, the major customers of the Group are as follows: -

Name	Projects undertaken	% of Total Revenue	Length of business relationship (years)
1. Universiti Industri Selangor ("UNISEL")	Construction of main campus	55.8	2
2. Lebar Daun Development Sdn Bhd*	Construction of township development	29.1	4
3. Basco Sdn Bhd*	Construction of houses	7.5	4
4. Jabatan Bekalan Air, Selangor (now known as Puas Berhad)	Civil engineering works – pipe laying	5.8	2

* Companies in which Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin has substantial interest

The UNISEL project is expected to complete by end of 2004. Nevertheless, as set out in Section 4.2.5, the LDB Group has successfully secured various other projects, which have already commenced constructions. As such, there will be less dependence on specific customer by the Group as it continues to diversify its customer base.

4. INFORMATION ON THE GROUP (Cont'd)**4.6 MAJOR SUPPLIERS**

Based on the Group's last audited financial statements for the eight (8) months ended 31 August 2003, the top ten (10) suppliers of the Group are as follows: -

Name	Details of purchase	Level of Purchases (%)	Length of business relationship (years)
1. Cygal Construction Sdn Bhd	Building materials	20.1	1 1/2
2. P & M Concrete Sdn Bhd	Building materials	14.6	4
3. Perangsang Dagang Sdn Bhd	Building Materials	11.6	4
4. Gan Chin Huat Enterprise	Sand	4.7	4
5. PFC Engineering Sdn Bhd	Steel Bars	4.4	1 1/2
6. Chuan Huat Industrial Marketing Sdn Bhd	Piping, sanitary wares and sanitary fittings	4.3	1
7. Kuasa Edar Resources Sdn Bhd	Building materials	3.9	1 1/2
8. Harp Heng Timber Hardware	Building Materials	2.1	4
9. Petro Pipe Industries (M) Sdn Bhd	Pipes	1.7	2
10. PipeMate Sdn Bhd	Pipes	1.7	2

The table above shows that the Group is not over dependent on any single supplier.

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4. INFORMATION ON THE GROUP (Cont'd)

4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS

With LDB Group's track record and strength in the construction industry and its established relationship with the relevant government agencies, LDB is well poised to compete for construction projects in Peninsular Malaysia, particularly with respect to building and infrastructure works. LDB will seek further opportunities to expand and diversify its source of revenue in addition to those projects in hand.

4.7.1 Prospects and Strategies

(a) Effect of Asean Free Trade Area (AFTA)

With the liberalisation of domestic markets arising from Malaysia's commitments to AFTA and World Trade Organisation, local suppliers of raw materials for the construction industry is expected to face competition from the producers in the neighbouring countries. The LDB Group will benefit as it will be able to source for raw materials at more competitive and cheaper pricing from the local market.

(b) More projects in the pipeline

The objective of the housing development programme as outlined in the 8th Malaysia Plan will be to increase accessibility to adequate, affordable and quality houses for all income groups. Hence, more projects are expected to be in the pipeline from the State and Federal Government with a total of 152,148 units of houses required in the Klang Valley alone. Together with the continuous efforts by the Federal and State Governments to improve social infrastructure by building and upgrading roads, schools, hospitals and other public amenities, there is a tremendous potential for the LDB Group to secure more construction projects in the future years.

(c) Skilled and experienced personnel

LDCSB was led by Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin, the founder, who has more than 15 years experience in the construction industry. Since the inception of LDB Group, Norazmi bin Mohamed Nurdin has taken over the helm of the Group. Encik Norazmi is also supported by a sound and experience management team. LDB Group has a flat organisational structure, which allows for quick and effective decision-making. This has helped turn the LDB Group into a formidable player in the market place.

Since LDCSB commenced business in 1988, the management has managed to expand its workforce to an optimum level over the years, whilst maintaining its skilled workers, as evidenced by its low staff turnover rate. This is attributable to the good management and staff relationship and healthy working environment, which is conducive to achieve a higher productivity level.

(d) Ability to withstand economic slowdown

Despite the economic slowdown and the prevailing market conditions in Malaysia in the aftermath of the Asian Financial Crisis 1997-98, LDCSB has proven its ability to withstand the slowdown and accommodate the changes in its business environment as evidenced by the increasing trend in its turnover and PAT over the last few years. This was accomplished by relying mainly on internally generated fund instead of external borrowings to finance its operations. In fact the level of gearing has dropped by 65% over the last two (2) years.

4. INFORMATION ON THE GROUP (Cont'd)

Other factors which the Board of LDB believes will mitigate the risks should an economic slowdown occur are as follows:-

- (a) LDB adopts a prudent policy of selective bidding for contracts offered by its regular or repeat clients, Government and quasi-Government projects
- (b) Its policy of maintaining low gearing levels ensures that LDB is not burdened by high levels of interest payments; and
- (c) Currently, LDB has an order book of approximately RM1.54 billion worth of projects in hand. These projects will sustain the revenue of LDCSB over the next five(5) to eight(8) years.

4.7.2 Future Plans of LDB

In order to minimise its dependence on affiliated companies, the LDB Group has actively bid for external projects. As at 31 December 2003, LDB Group has secured RM461.8 million from external parties. The LDB Group intends to participate in tenders for state and federal government projects particularly in infrastructure works.

In addition, the LDB Group is aggressively recruiting qualified personnel and continuously improving its operations especially in areas of internal control, risk management by adopting best practices in the industry. It intends to develop its expertise in other related areas e.g. consultancy services for the construction industry where the margin is higher.

The Group endeavours to achieve ISO 9002 certification by SIRIM within the next two to three years.

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