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NOTICE OF 18TH ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held at Damai Utama Kelab Century Paradise, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan on Wednesday, 28 September 2005 at 10.00 a.m. for the following purposes :-

AGENDA

1. To receive and consider the Audited Financial Statements for the financial year ended 31 March 2005 together with the Reports of the Directors and the Auditors thereon.
[Resolution 1]
2. To approve the payment of Directors' fees for the financial year ended 31 March 2005.
[Resolution 2]
3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association :
 - a) Encik Johar Salim bin Yahaya (Article 82) *[Resolution 3]*
 - b) Encik Hisham bin Mahmood (Article 82) *[Resolution 4]*
 - c) Ms Kang Hui Ling (Article 89) *[Resolution 5]*
4. To re-appoint Messrs. KPMG as auditors of the Company and to authorise the Directors to fix their remuneration.
[Resolution 6]
5. As Special Business, to consider and if thought fit, to pass the following ordinary resolutions with or without modifications :-

ORDINARY RESOLUTION 1

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

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

[Resolution 7]

ORDINARY RESOLUTION 2

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature with the seven (7) related parties as per paragraph 3.3 (i) -(vii) of the Circular to Shareholders

"That authority be and is hereby given pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in paragraph 3.4 of the Circular to Shareholders dated 6th September 2005 with the related parties listed in paragraph 3.3 of the Circular to Shareholders dated 6th September 2005 which are necessary for the day-to-day operations, in the ordinary course of business, made on at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those normally available to the public and are not to the detriment of the minority shareholders.

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



NOTICE OF 18TH ANNUAL GENERAL MEETING (continued)



to be in force until:

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

whichever is the earlier".

[Resolution 8]

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

By Order of the Board

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

**SELANGOR DARUL EHSAN
6 SEPTEMBER 2005**

Notes :

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

- i. The Proposed Ordinary Resolution 7 if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.
- ii. The Proposed Ordinary Resolution 8, if passed, will authorize the Group to enter into recurrent related party transactions as specified in the Circular to shareholders dated 6th of September 2005, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day to-day operations and are in the ordinary course of business made at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING



Pursuant to Paragraph 8.28 (2) of the Bursa Securities Malaysia Berhad Listing Requirements appended hereunder are:

Particulars of Directors who are standing for re-election at the Eighteenth Annual General Meeting of Pembinaan Limbongan Setia Berhad.

Details	JOHAR SALIM BIN YAHAYA	HISHAM BIN MAHMOOD	KANG HUI LING
Directorships	Executive Chairman	Non Independent & Non Executive Director	Non-Independent & Non-Executive Director
Age	52	45	33
Nationality & Race	Malaysian Malay	Malaysian Malay	Malaysian Chinese
Qualification	Details as contained on page 8	Details as contained on page 9	Details as contained on page 9
Working experience & occupations	Details as contained on page 8	Details as contained on page 9	Details as contained on page 9
Other directorships of public listed companies	I. Tebrau Teguh Bhd	Nil	1. Ekovest Bhd 2. Knusford Bhd
Attendance at board meetings	Details as contained on page 12	Details as contained on page 12	Details as contained on page 12
Securities holdings in the Company	Nil	Nil	Nil
Family relationship with any director and / or major shareholder of the Company	Details as contained on page 8	Details as contained on page 9	Details as contained on page 9
Conflict of Interest	Details as contained on page 8	Details as contained on page 9	Details as contained on page 9
Convictions of Offences	Details as contained on page 9	Details as contained on page 9	Details as contained on page 9

Place, Date & Hour of General Meetings held during the financial year ended 31 March 2005.

Type	Date & Hour	Place
17th Annual General Meeting	28 September 2004 at 10.00 a.m.	Damai Utama Kelab Century Paradise, Jln Melawati 3, Tmn Melawati, 53100 Selangor



CORPORATE INFORMATION



REGISTERED OFFICE

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

AUTHORISED & PAID-UP CAPITAL

Authorised-RM 200.0 million
Paid-up-RM 65.34 million

BANKERS

AmBank Bhd
EON Bank Bhd
Malayan Banking Bhd
Public Bank Berhad

REGISTRATION

Pusat Khidmat Kontraktor Class A

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Second Board)

AUDITORS

KPMG (Firm No: AF0758)
Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights,
50490 Kuala Lumpur
Tel : 03-2095 3388
Fax : 03-2095 0971

COMPANY SECRETARIES

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

REGISTRAR

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

BOARD OF DIRECTORS

Executive Chairman
Encik Johar Salim Bin Yahaya

Managing Director
Dato' Lim Kang Yew

Directors
Dato' Lim Kang Hoo
Mr. Sum Kwai Sang
Dato'Hj Ibrahim Bin Haji Keling
Encik Hisham Bin Mahmood
Miss Kang Hui Ling
(Appointed on 6 April 2005)



DIRECTORS' PROFILE



ENCIK JOHAR SALIM BIN YAHAYA

Executive Chairman

Encik Johar Salim bin Yahaya aged 52 was appointed to the Board on 4 March 1997 and as the Executive Chairman on 1 August 2003. He graduated with a Bachelor of Economics (Hons) Degree from University Malaya, Kuala Lumpur. Encik Johar started his career with Bank of America in 1976 and later moved to Malaysian French Bank in 1983. In January 1996, he joined Kumpulan Prasarana Rakyat Johor Sdn Bhd and is currently holding the post as Chief Executive Officer.

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

DATO' LIM KANG YEW

Managing Director

Dato' Lim Kang Yew, aged 48 was appointed to the Board on 10 March 1987 and as Managing Director on 12 December 1994. He has more than 20 years of experience in the construction industry. He started with his own construction company mainly involved in civil engineering and building works and established good working relationship with some government agencies. His vast experience in this field have proven to be invaluable to the Group. He is currently also a director of several other private limited companies.

Dato' Lim Kang Yew is deemed to be interested in the related party transactions disclosed on page 63 of the Annual Report. He is the brother of Dato' Lim Kang Hoo and a brother-in-law to Mr Sum Kwai Sang. The interest of Dato' Lim Kang Yew in PLS is disclosed on page 24 of the Annual Report.

DATO' LIM KANG HOO

Non-Independent Non-Executive Director

Dato' Lim Kang Hoo, aged 50 was appointed to the Board on 28 May 2004. He is a businessman with over 28 years of experience in the construction and machinery related industry. He started his career soon after completing his secondary education. His dynamism and vision coupled with hard work saw the companies that he lead grow by leaps and bound. Ekovest Berhad and Knusford Berhad which are listed in the main board of Bursa Malaysia are results of his involvement. At present, he is the Executive Vice-Chairman of Ekovest Berhad and an Executive Director of Knusford Berhad. He currently also a director of several other private limited companies.

Dato' Lim Kang Hoo is deemed to be interested in the related party transactions disclosed on page 63 of the Annual Report. He is the brother of Dato' Lim Kang Yew and a brother-in-law to Mr Sum Kwai Sang. Dato' Lim Kang Hoo does not hold any shares in PLS.

MR SUM KWAI SANG

Non-Independent Non-Executive Director

Mr Sum Kwai Sang, aged 65 was appointed to the Board of PLS on 6th of December 1995. He has contributed significantly to the growth of the Company with his vast business experience in banking and operations fields since his retirement in 1995. Currently he also a director of several private limited companies.

Mr Sum Kwai Sang, does not have any conflict of interest nor any personal interest in any business arrangement involving the Company. He is related to Dato' Lim Kang Yew and Dato' Lim Kang Hoo. Mr Sum Kwai Sang, does not hold any shares in PLS.



DATO'HJ IBRAHIM BIN HAJI KELING

Independent Non-Executive Director

Dato'Hj Ibrahim bin Haji Keling, aged 67 was appointed to the Board on 15 November 1994. He graduated with a Bachelor of Commerce degree and a Diploma in Business Administration in 1969 both from the Victoria University of Wellington, New Zealand. He also attended a Senior Management Course at Cambridge University, England in 1975/1976. He retired in 1993 where his last position held was a Management Service Department Director, FELDA. He also sat in the Board of Perbandanan Binaan FELDA. Currently, he is a director of several other private limited companies.

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

MISS KANG HUI LING

Independent Non-Executive Director

Miss Kang Hui Ling, aged 33, joined the Board on 6 April 2005. She holds a Bachelor of Accounting (Hons) Degree from University of Malaya in 1997. She is a member of the Malaysian Institute of Public Accountant and the Malaysian Institute of Accountants. Since her graduation she acquired 4 years of audit experience in one of the big four audit firm. As audit senior associate, she also gained exposure in field of operation audit and financial due diligence. Subsequently she joined a medium size multinational consultancy firm as the Finance and Admin Manager where she was responsible for establishing and implementing the company's accounting and operating policies and procedures. She is presently a partner of a professional firm registered with the Malaysia Institute of Accountants. She is also an independent non-executive director of Ekovest Berhad and Knusford Berhad.

Miss Kang Hui Ling does not have any conflict of interest nor any personal interest in any business

ENCIK HISHAM BIN MAHMOOD

Independent Non-Executive Director

Encik Hisham bin Mahmood aged 45 was appointed to the Board on 4 March 1997. He graduated with a Bachelor of Arts Degree in Economics from University of Kent, Canterbury, United Kingdom. He started his career in The Corporate Advisory Department of Malaysian International Merchant Bankers Berhad and later ventured into his own family business which deals in the tender of military equipment for the Malaysian Armed Forces as well as the supply of pipelines and Tubular Goods for the Oil and Gas Industry. He is currently also a director of several other private limited companies.

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

arrangement involving the Company. She does not have any family relationship with any of the directors and / or substantial shareholders of the Company. Miss Kang Hui Ling does not hold any shares in PLS.

All the Directors have no convictions other than traffic offences over the past 10 years.



EXECUTIVE CHAIRMAN'S STATEMENT



ENCIK JOHAR SALIM BIN YAHAYA
Executive Chairman

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31st March 2005.

Industry Trends and Development

The tightening of monetary policy by major economies to contain inflationary pressures amidst high oil prices is expected to decelerate the growth momentum of global economy in 2005. However, driven by the strong momentum of GDP growth exceeding 7% in 2004, the Malaysian GDP growth has been expected to grow moderately between 5% to 6% in 2005.

Real Gross Domestic Product (GDP) maintained its growth at 5.7% in the first quarter of 2005 following an upward revision to 5.8% in the previous quarter. In nominal prices, the current quarter expanded by 10.3% against the corresponding quarter a year ago. In this quarter, growth appears to be driven by internal demand, primarily from private consumption which increased by 10.1%.

The construction sector continued to decline in first quarter at the rate of 2.4%, reversing the positive growth of 0.9% in same quarter of previous year. The slowdown was mainly due to lack of new public related projects.

(Source : Malaysia Economic Report 1st Quarter 2005)

Financial Results

For the financial year ended 31 March 2005 the Group has achieved a lower revenue of RM 62.8 million as compared to RM104.7 million in the previous year. As a result the profit before tax and minority interest has reduced to RM 1.95 million from RM 5.27 million in the previous year.

The declined in results were mainly due to completion of most projects in the construction activities during the financial year. However, the timber-based operation via 70% owned subsidiary, Aramijaya Sdn Bhd has achieved a higher profit before tax of RM 0.9 million as compared to RM 0.7 million in the previous financial year from sales of logs and sawn timbers.

Corporate Exercise

The Company has not implemented any new corporate proposal during the financial year ended 31 March 2005. Plan for corporate development has been deferred in view of the slow and soft market brought about by the overall economy especially in construction sector.



However, as at 6 September 2005, the Company has an unutilized fund of RM 13.1 million from the Right Issue. This Proposed Rights Issue was undertaken and successfully completed on 25 February 2004 to raise a total of RM 43.56 million.

Prospects

The slowdown in the Malaysian construction sector continued into the beginning of 2005 due to decline in infrastructure and building works. This is owing to the reduction in public sector development as the Government intensified its efforts its budget position.

Despite the slowdown, the company has managed to secure a RM 8.2 million infrastructural work at Glenmarie Park, Shah Alam, Selangor which is expected to contribute to the Group's construction activities earnings. The construction division will continue to actively seek participation in new infrastructure and construction projects through tenders and negotiated contracts from both private and public sectors.

As for the timber activities, the subsidiary has entered into a long term timber supply agreement with a local purchaser, which is expected to sustain the Group's earnings in the long term. Moreover, with the expansion of its chipping factory, the subsidiary is targeting to penetrate the overseas market such as Japan which it has currently exporting the woodchips.

Dividend

During the year, the Company paid a final dividend of 3% less 28% amounting to RM 1.4 million in respect to the previous financial year. No dividend has been recommended for the financial year ended 31 March 2005.

Appreciation

On behalf of the Board and Management, I wish to express our special thanks to Madam Lim Soo San, our former Director for her contribution during her tenure of service and to welcome Miss Kang Hui Ling to our Board. I wish to extend our appreciation to the management team and staff for their dedication and hard work. Lastly, I would like to thank our clients, relevant authorities, bankers and suppliers for their continuous support to our company.

ENCIK JOHAR SALIM BIN YAHAYA
6TH OF SEPTEMBER 2005



STATEMENT ON CORPORATE GOVERNANCE



BOARD OF DIRECTORS

The Board

Experienced and qualified members of the Board with a wide range of business, construction and financial backgrounds, lead Pembinaan Limbongan Setia Bhd (PLS). The wide spectrum of skills and experience of the Directors have brought expertise and perspective to the leadership of PLS. Profile of each of the Directors of the Company is provided from page 8 to 9 of the Annual Report.

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

Composition

The Board of Directors of PLS, led by an Executive Chairman, is made up of seven members in total, comprising of 2 executives directors, 5 Non Executive Directors including 3 Independent Non Executive Directors.

Board Balance

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

Size of Non Executive Participation

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

BOARD MEETINGS

Frequency of Meetings

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

Attendance

During the financial year ended 31 March 2005, a total of 5 Board meetings were held. Details of attendance of the Directors are as follows:

Members of the Board		Attendance
1.	Encik Johar Salim Bin Yahya	4/5
2.	Dato' Lim Kang Yew	5/5
3.	Dato' Haji Ibrahim Bin Haji Keling	5/5
4.	Mr. Sum Kwai Sang	5/5
5.	Encik Hisham Bin Mahmood	5/5
6.	Dato' Lim Kang Hoo (appointed on 28 May 2004)	2/4
7.	Miss Kang Hui Ling (appointed on 6 April 2005)	0/0
8.	Madam Lim Soo San (resigned on 6 April 2005)	5/5
9.	Encik Azman Bin Bachok @ Abd Majid (resigned on 8 November 2004)	3/3



Conduct of Meetings

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

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

Supply of Information

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

Access to Information

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

Access to Advice

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

Appointment and Re-election of Directors

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

Nomination Committee

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

1. Dato' Haji Ibrahim Bin Haji Keling (Chairman)
2. Encik Hisham Bin Mahmood
3. Miss Kang Hui Ling - appointed on 6 April 2005
4. Madam Lim Soo San - resigned on 6 April 2005

Remuneration Committee

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



STATEMENT ON CORPORATE GOVERNANCE (continued)



1. Dato' Haji Ibrahim Bin Haji Keling (Chairman)
2. Encik Hisham Bin Mahmood
3. Dato' Lim Kang Yew
4. Miss Kang Hui Ling - appointed on 6 April 2005
5. Madam Lim Soo San - resigned on 6 April 2005

Training

In compliance with the Listing Requirements of BMSB, all Directors have attended the required Mandatory Accreditation Training Programme. All Directors shall receive further training that may be required from time to time to keep them abreast with the current developments of the industry as well as the current changes in laws and regulations where appropriate.

DIRECTORS' REMUNERATION

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

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

Details of the remuneration of the Directors of PLS during the financial year ended 31 March 2005 are as follows:

	Fees (RM)	Salaries (RM)	Bonus (RM)	Benefit in kinds (RM)	Other emoluments (RM)	Total (RM)
Executive Directors	-	547,920	30,000	42,150	-	620,070
Non Executive Directors	25,000	-	-	-	-	25,000

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, investors and regulatory authorities, the Directors aim at presenting a balanced and understandable assessment of the position and prospects of the Company and the Group. The Statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out at page 20 to 66 of this Annual Report.



Relationship with External Auditors

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

RELATIONSHIP WITH SHAREHOLDERS

Dialogue between Company and Investors

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

Annual General Meeting

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE AND BMSB LISTING REQUIREMENTS

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

The Group and Company was in compliance throughout the financial year ended 31 March 2005 with the principles and best practices as set out in Part I and Part II respectively in the Malaysian Code on Corporate Governance and the Bursa Malaysia Securities Berhad requirements except the following:

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



STATEMENT ON CORPORATE GOVERNANCE (continued)



OTHER INFORMATION

(i) Utilisation of Proceeds

The status of utilisation of proceeds from Rights Issue as at 6 September 2005:

	Proposed Utilisation RM'000	Utilised Todate RM'000	Balance RM'000
Construction of Akademi Audit Negara	5,500	5,500	-
Working Capital	37,169	24,039	13,130
Expenses related to Rights Issue*	891	891	-
TOTAL	43,560	30,430	13,130

*Unutilised expenses relating to Right Issue of RM409,000 has been reclassified to Working Capital

(ii) Share Buyback

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

(iii) Options, Warrants or Convertible Securities

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

(iv) American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

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

(v) Sanctions/Penalties Imposed

There were no sanctions/penalties imposed during the financial year.

(vi) Non-audit fees

There were no non-audit fees paid to the external auditors by the Company for the financial year

(vii) Profit Estimation, Forecast or Projection

The audited profit after tax and minority interest for the financial year ended 31 March 2005 is RM1.56 million compared to the previously announced unaudited profit after tax and minority interest of RM1.08 million. The reconciliation of unaudited and audited results is as follows:

	Amount RM'million
Unaudited profit as announced	1.08
Reversal of foreseeable loss	1.87
Bad Debt written off	(0.76)
Under provision of contract cost	(0.52)
Provision for doubtful debts	(0.11)
Audited profit after tax and minority interest	1.56

(viii) Profit Guarantees

There were no profit guarantees given by the Company during the financial year.

(ix) Material Contracts

There were no material contracts entered into by the Group involving directors' and major shareholders' interest.

(x) Contracts relating to Loans

There were no contracts relating to loans made by the Company in respect of the above mentioned contracts.

(xi) Revaluation policy

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



STATEMENT ON INTERNAL CONTROL



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

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

The Board have established a Risk Management Taskforce which formalised a comprehensive Risk Management Framework encapsulating the policies governing the parameters of risk management and procedures to direct the risk management process of the Group and Company.

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

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

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

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

1. Project Budget

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

2. Financial Limits and Approving Authority

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

3. Policies, Procedures and Guidelines

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

4. Information and Communication

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



STATEMENT ON INTERNAL CONTROL (continued)



5. Internal Audit

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

6. Board/Management Committees and Meetings

(i) Audit Committee

The Board has established an Audit Committee comprising of 3 Independent Non executive Directors and one Executive Director. Details of composition, terms of reference and report of the Audit Committee are provided at page 19 to 21 of this Annual Report. The recommendations of the Audit Committee are tabled to the Board for its approval.

(ii) Project and Financial Meetings

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



REPORT ON AUDIT COMMITTEE



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

Chairman

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

Members

- 2 Dato' Lim Kang Yew
(Non-Independent Executive Director)
- 3 Encik Hisham Bin Mahmood
(Independent Non-Executive Director)
- 4 Miss Kang Hui Ling (MIA member) - appointed on 6 April 2005
(Independent Non-Executive Director)
- 5 Madam Lim Soo San (MIA member) - resigned on 6 April 2005
(Independent Non-Executive Director)

TERMS OF REFERENCE

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

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

The Committee shall elect a chairperson from among its members who is not an executive director or employee of the Company or any related corporation.
2. ***Meetings***
The Committee may invite any person to attend the meetings.

A quorum shall be two members both being independent directors. The Company Secretary or any person appointed by the Committee for this purpose shall act as secretary of the Committee.
3. ***Authority***
The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
4. ***Access***
The Committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external Auditors, and to senior management of the Company and its subsidiaries. The Committee is also authorized to take such independent professional and legal advice as it considers necessary.



REPORT ON AUDIT COMMITTEE (continued)



FUNCTIONS OF AUDIT COMMITTEE

The functions of the Audit Committee shall be:

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

SUMMARY OF THE ACTIVITIES OF THE AUDIT COMMITTEE

The Committee meets on quarterly basis with additional meetings held as and when necessary. A total of 5 meetings were held during the financial year ended 31 March 2005. The representatives of External Auditors, Head of Internal Audit, the Company Secretaries and the Head of Group Finance were invited to meetings during deliberations, which required their input and advice.

During the financial year ended 31 March 2005, the activities of the Audit Committee covered, among others, the following:-

1. Reviewed financial statements including quarterly financial announcements to the Bursa Malaysia Securities Berhad ("BMSB") and year end financial statements and recommend the same for approval by the Board of Directors, upon being satisfied that, inter alia, the financial reporting and disclosure requirements of the relevant authorities had been complied with.
2. Reviewed the external auditors' reports in relation to their audit findings and the accounting issues arising from the audit.
3. Reviewed audit plan prepared by the external auditors before the audit commences in respect of the audit for the financial year ended 31 March 2004.
4. Reviewed audit fees of the external auditors in respect of the audit for the financial year ended 31 March 2004.
5. Reviewed the annual internal audit plan for the year including its scope, basis of assessments and risks ratings of the proposed areas of audit.
6. Reviewed audit reports prepared by the internal auditors and the consideration of the major findings and the management's response thereto.



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

During the financial year ended 31 March 2005, the Committee met 5 times. The attendances of the members of the Committee meetings during the financial year under review are as follows:

Name of Committee Member	Attendance
Dato' Haji Ibrahim Bin Haji Keling	5/5
Dato' Lim Kang Yew	5/5
Encik Hisham Bin Mahmood	5/5
Madam Lim Soo San - resigned on 6 April 2005	5/5

INTERNAL AUDIT FUNCTIONS

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

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

- Tender & Selection of Contractors/Suppliers cycle with the objective of ensuring adequate policies and procedures are in place for tendering process and fair selection of suitable sub-contractors/suppliers to support the Group's business objectives.
- Project Planning & Monitoring cycle with the objective of ensuring adequate policies and procedures are in place for projects to be completed in accordance to contract awarded to support the Group's business objectives.
- Logging and manufacturing activities carried out by a subsidiary with the objective of ensuring that adequate policies and procedures are in place for logging activities, subsequent movement of logs and manufacturing process to support the Group's business objectives.
- Other cycles with the objective of ensuring adequate policies and procedures are in place for human resource management and cash management to support the Group's business objectives.

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



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS



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

The Directors consider that in preparing the financial statements,

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

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

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



DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the undertaking of civil engineering and construction works, whilst the principal activities of the subsidiaries are stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results	Group RM	Company RM
Net profit for the year	<u>1,295,723</u>	<u>752,764</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIVIDEND

Since the end of the previous financial year, the Company paid a final dividend of 3% less tax totalling RM1,411,344 in respect of the financial year ended 31 March 2004 on 20 December 2004.

The Directors do not recommend any dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

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

Johar Salim bin Yahaya
Dato' Lim Kang Yew
Dato' Hj Ibrahim bin Haji Keling
Hisham bin Mahmood
Sum Kwai Sang
Dato' Lim Kang Hoo
Kang Hui Ling (appointed on 6.4.2005)
Azman Bin Bachok @ Abd. Majid (resigned on 8.11.2004)
Lim Soo San (resigned on 6.4.2005)



DIRECTORS' REPORT (continued)



DIRECTORS' INTERESTS

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

	Number of ordinary shares of RMI each			
	At 1.4.2004	Bought	Sold	At 31.3.2005
<i>Shareholdings in which a Director has direct interest</i>				
Interest of Dato' Lim Kang Yew in:				
Company	12,645,000	-	3,350,000	9,295,000
<i>Shareholdings in which a Director, Encik Lokman bin Omar, has deemed interest by virtue of shares held by:</i>				
Limbongan Resources Sdn. Bhd.	14,994,000	-	-	14,994,000

By virtue of his interests in the Company, Dato' Lim Kang Yew and Encik Lokman bin Omar are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Pembinaan Limbongan Setia Berhad has an interest.

None of the other Directors holding office at 31 March 2005 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

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

ISSUE OF SHARES

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



OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.



DIRECTORS' REPORT (continued)



AUDITORS

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

Signed in accordance with a resolution of the Directors:

.....
Johar Salim bin Yahaya

.....
Dato' Lim Kang Yew

Kuala Lumpur,
Date: 21st July 2005



STATEMENT BY DIRECTORS



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

In the opinion of the Directors, the financial statements set out on pages 30 to 66 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2005 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....
Johar Salim bin Yahaya

.....
Dato' Lim Kang Yew

Kuala Lumpur,
Date: 21st July 2005

STATUTORY DECLARATION

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

I, Thian Yin Yin, the officer primarily responsible for the financial management of Pembinaan Limbongan Setia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 66 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 21st July 2005

.....
Thian Yin Yin

Before me:

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



REPORT OF THE AUDITORS TO THE MEMBERS OF PEMBINAAN LIMBONGAN SETIA BERHAD



We have audited the financial statements set out on pages 30 to 66. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i) the state of affairs of the Group and of the Company at 31 March 2005 and the results of their operations and cash flows for the year ended on that date; and
 - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 5 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

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

Without qualifying our opinion, we draw attention to the financial statements of a subsidiary company, Aramijaya Sdn. Bhd. ("Aramijaya"), which contain an emphasis of matters on the following:

- 1) At the date of this report, Aramijaya has yet to make any payment of three overdue installments in relation to the consideration for the forest plantation project pursuant to the Privatisation Agreement dated 4 December 2002 which were due on 1 October 2002, 1 October 2003 and 1 October 2004 respectively totalling to RM 14,092,619. The amounts are due to the State Government of Johor Darul Ta'zim ("State Government"). The delay in the instalment payment by Aramijaya is due to ongoing negotiation between Aramijaya and the State Government in respect of the issues arising on the forest plantation project as explained in Note 3 to the financial statements.
- 2) The Company has provided a corporate guarantee in favour of the State Government for the repayment by Aramijaya pursuant to the Corporate Guarantee Agreement dated 3 June 2003. The Company is under a continuous obligation to guarantee the proper and punctual repayment of the Privatisation Consideration by Aramijaya.



REPORT OF THE AUDITORS TO THE MEMBERS OF
PEMBINAAN LIMBONGAN SETIA BERHAD
(continued)



- 3) The going concern basis on which the financial statements of Aramijaya have been prepared is dependent on the continuous financial support from the Company and on Aramijaya achieving future profitable operations and that the Privatisation Agreement will not be terminated due to non payment of the instalments due as the matter is under negotiation which the Directors are confident that the outcome would eventually be successfully and satisfactory resolved. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that may be necessary if the Aramijaya is unable to continue as a going concern. The assumption is premised on future events, the outcome of which is inherently uncertain.
- 4) Pursuant to the Privatisation Agreement and the Joint Venture Agreement, Aramijaya shall pay a sum of RM 5 million per annum for ten (10) years to YPJH commencing financial year ended 31 March 2003 being expected minimum sum of profit for YPJH 30% share in the operations of Aramijaya. No provision is made for the share of profit payable to YPJH which accumulate up to RM 15 million as at 31 March 2005 as the Directors are of the opinion that the negotiation with the state government will result in the waiver of the annual payment to YPJH as explained in Note 3 to the financial statements.

KPMG

Firm Number: AF 0758
Chartered Accountants

Jimmy Leow Min Fong

Partner
Approval Number: 595/03/06(J/PH)

Kuala Lumpur,
Date: 21 July 2005



CONSOLIDATED BALANCE SHEET AT 31 MARCH 2005



	Note	Group	
		2005 RM	2004 RM
Property, plant and equipment	2	24,041,145	17,757,730
Forest plantation project	3	41,479,797	41,926,280
Deferred interests	4	16,548,045	17,766,309
Deferred tax assets	6	-	218,016
Goodwill on consolidation	7	1,294,873	1,366,810
Current assets			
Inventories	8	3,370,177	501,025
Trade and other receivables	9	43,604,088	46,989,515
Tax recoverable		916,663	
Cash and cash equivalents	10	26,376,722	38,425,607
		74,267,650	85,916,147
Current liabilities			
Trade and other payables	11	35,084,994	40,985,354
Amount due to Johor State Government	12	18,965,050	14,092,619
Borrowings	13	88,636	235,129
Taxation		20,177	749,036
		54,158,857	56,062,138
Net current assets		20,108,793	29,854,009
		103,472,653	108,889,154
Financed by:			
Capital and reserves			
Share capital	14	65,340,000	65,340,000
Reserves		2,996,658	3,112,279
Shareholders' funds		68,336,658	68,452,279
Minority shareholder's interest	16	369,501	106,188
Long term liabilities			
Amount due to Johor State Government	12	33,675,158	38,547,589
Borrowings	13	132,589	221,261
Deferred tax liabilities	6	958,747	267,585
Other payable	11	-	1,294,252
		103,472,653	108,889,154

The financial statements were approved and authorised for issue by the Board of Directors on 21 JUL 2005.

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005



	Note	Group 2005 RM	2004 RM
Revenue			
- Contract revenue		50,857,513	95,874,113
- Sale of goods		7,216,395	3,046,788
- Logging income		4,750,000	5,800,000
		62,823,908	104,720,901
Cost of sales			
- Contract cost		(50,671,201)	(93,576,564)
- Sale of goods		(7,045,586)	(2,826,057)
- Logging expenses		-	(192,961)
Gross profit		5,107,121	8,125,319
Other operating income		1,217,537	1,764,121
Administration expenses		(2,696,723)	(1,638,445)
Other operating expenses		(837,767)	(1,256,311)
Operating profit	17	2,790,168	6,994,684
Interest expense	18	(1,427,388)	(2,036,737)
Interest income		586,052	315,115
Profit before taxation		1,948,832	5,273,062
Tax expense	20	(389,796)	(1,399,339)
Profit after taxation		1,559,036	3,873,723
Minority interest		(263,313)	(344,419)
Net profit for the year		1,295,723	3,529,304
Basic earnings per ordinary share (sen)	21	1.98	9.97

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005



Group	Note	<i>Non-distributable</i>			Total RM
		Share capital RM	Share premium RM	Accumulated losses RM	
At 1 April 2003		21,780,000	5,512,121	(5,038,188)	22,253,933
Issuance of shares		43,560,000	-	-	43,560,000
Rights issue expenses		-	(890,958)	-	(890,958)
Net profit for the year		-	-	3,529,304	3,529,304
At 31 March 2004		65,340,000	4,621,163	(1,508,884)	68,452,279
Net profit for the year		-	-	1,295,723	1,295,723
Dividend - 2004 final	22	-	-	(1,411,344)	(1,411,344)
At 31 March 2005		65,340,000	4,621,163	(1,624,505)	68,336,658
		Note 14	Note 15		

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005



	Note	Group 2005 RM	2004 RM
Cash flows from operating activities			
Profit before taxation		1,948,832	5,273,062
Adjustments for:			
Amortisation of deferred interest		1,218,264	1,015,220
Amortisation of forest plantation project		446,483	595,540
Amortisation of goodwill		71,937	71,937
Depreciation		2,164,486	1,582,679
Gain on disposal of property, plant and equipment		(1,111,682)	(1,614,578)
Interest expense		209,124	1,021,517
Interest income		(586,052)	(315,115)
Operating profit before working capital changes		4,361,392	7,630,262
(Increase)/Decrease in working capital:			
Inventories		(2,869,152)	115,003
Trade and other receivables		2,718,746	(1,537,214)
Trade and other payables		(9,337,556)	(8,909,872)
Cash used in operations		(5,126,570)	(2,701,821)
Income taxes refunded		(1,126,140)	763,513
Net cash used in operating activities		(6,252,710)	(1,938,308)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-	(1,361,863)
Interest received		586,052	315,115
Proceeds from disposal of property, plant and equipment		1,366,500	1,834,880
Purchase of property, plant and equipment	(ii)	(571,162)	(7,993,179)
Net cash generated from/(used in) investing activities		1,381,390	(7,205,047)



CONSOLIDATED CASH FLOW STATEMENT **FOR THE YEAR ENDED 31 MARCH 2005** *(continued)*



		Group
	2005	2004
	RM	RM
Note		
Cash flows from financing activities		
(Placements)/ Withdrawals in pledged deposits placed with financial institutions	(609,744)	4,365,369
Interest paid	(209,124)	(1,021,517)
Repayments of hire purchase liabilities	(235,162)	(409,692)
Repayments to affiliated company	(5,321,935)	(9,611,103)
Proceeds from rights issue of shares	-	42,669,042
Dividend paid to shareholders of the company	(1,411,344)	-
Net cash (used in)/generated from financing activities	(7,787,309)	35,992,099
Net (decrease)/ increase in cash and cash equivalents	(12,658,629)	26,848,744
Cash and cash equivalents at beginning of year	37,422,391	10,573,647
Cash and cash equivalents at end of year	(i) 24,763,762	37,422,391

i) Cash and cash equivalents

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

	Group
	2005
	RM
2004	
RM	
Cash and bank balances	23,768,811
Deposits (excluding deposits pledged)	994,951
	24,763,762
	37,422,391

ii) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM8,702,719 (2004 - RM14,674,161) of which RM666,678 (2004 - Nil) were acquired by way of contra of trade receivables against properties. RM Nil (2004 - RM209,721) were acquired by means of hire purchases and RM7,464,879 (2004 - RM6,471,261) were acquired by means of other payable.

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



BALANCE SHEET AT 31 MARCH 2005



		Company	
	Note	2005 RM	2004 RM
Property, plant and equipment	2	3,319,655	3,448,795
Investments in subsidiaries	5	891,002	891,002
Deferred tax assets	6	-	218,016
Current assets			
Trade and other receivables	9	54,754,303	47,078,556
Cash and cash equivalents	10	26,265,388	38,295,888
		81,019,691	85,374,444
Current liabilities			
Trade and other payables	11	18,064,222	21,894,392
Borrowings	13	30,840	177,369
Taxation		20,177	55,967
		18,115,239	22,127,728
Net current assets		62,904,452	63,246,716
		67,115,109	67,804,529
Financed by:			
Capital and reserves			
Share capital	14	65,340,000	65,340,000
Reserves		1,775,109	2,433,689
Shareholders' funds		67,115,109	67,773,689
Long term liabilities			
Borrowings	13	-	30,840
		67,115,109	67,804,529

The financial statements were approved and authorised for issue by the Board of Directors on 21 JUL 2005.

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005



		Company	
	Note	2005 RM	2004 RM
Contract revenue		50,857,513	95,874,113
Contract cost		(50,671,201)	(93,576,564)
Gross profit		186,312	2,297,549
Other operating income		1,157,482	1,686,950
Administration expenses		(761,799)	(993,491)
Operating profit	17	581,995	2,991,008
Interest expense	18	(25,487)	(44,688)
Interest income		586,052	305,580
Profit before taxation		1,142,560	3,251,900
Tax expense	20	(389,796)	(438,685)
Net profit for the year		752,764	2,813,215

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2005



Company	Note	<i>Non-distributable</i>			Total RM
		Share capital RM	Share premium RM	Accumulated losses RM	
At 1 April 2003		21,780,000	5,512,121	(5,000,689)	22,291,432
Issue of shares		43,560,000	-	-	43,560,000
Rights issue expenses		-	(890,958)	-	(890,958)
Net profit for the year		-	-	2,813,215	2,813,215
At 31 March 2004		65,340,000	4,621,163	(2,187,474)	67,773,689
Net profit for the year		-	-	752,764	752,764
Dividend - 2004 final	22	-	-	(1,411,344)	(1,411,344)
At 31 March 2005		65,340,000	4,621,163	(2,846,054)	67,115,109
		Note 14	Note 15		

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005



	Company	
	2005 RM	2004 RM
Note		
Cash flows from operating activities		
Profit before taxation	1,142,560	3,251,900
Adjustments for:		
Depreciation	544,500	737,992
Gain on disposal of property, plant and equipment	(1,111,682)	(1,580,828)
Interest expense	25,487	44,688
Interest income	(586,052)	(305,580)
Operating profit before working capital changes	14,813	2,148,172
(Increase)/Decrease in working capital:		
Trade and other receivables	3,087,171	(9,266,596)
Trade and other payables	(3,830,169)	(4,906,935)
Cash used in operations	(728,185)	(12,025,359)
Income taxes (paid)/ refunded	(207,570)	763,513
Net cash used in operating activities	(935,755)	(11,261,846)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	(840,000)
Interest received	586,052	305,580
Purchase of property, plant and equipment	(3,500)	(34,620)
Proceeds from disposal of property, plant and equipment	(ii) 1,366,500	1,609,880
Net cash generated from investing activities	1,949,052	1,040,840



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005 (continued)



		Company	
	Note	2005 RM	2004 RM
Cash flows from financing activities			
(Placements)/ Withdrawals in pledged deposits placed with financial institutions		(609,744)	4,365,369
Interest paid		(25,487)	(44,688)
Repayments of hire purchase liabilities		(177,369)	(321,405)
Proceeds from rights issue of shares		-	42,669,042
Advances to subsidiaries		(11,429,597)	(9,700,000)
Dividend paid to shareholder		(1,411,344)	-
Net cash (used in)/ generated from financing activities		(13,653,541)	36,968,318
Net (decrease)/ increase in cash and cash equivalents		(12,640,244)	26,747,312
Cash and cash equivalents at beginning of year		37,292,672	10,545,360
Cash and cash equivalents at end of year	(i)	24,652,428	37,292,672

i) Cash and cash equivalents

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

	Company	
	2005 RM	2004 RM
Cash and bank balances	21,657,477	35,904,508
Deposits (excluding deposits pledged)	2,994,951	1,388,164
	24,652,428	37,292,672

ii) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM670,178 (2004 – RM 34,620) of which RM 666,678 (2004 - Nil) were acquired by way of contra of trade receivables against properties.

The notes set out on pages 40 to 66 form an integral part of, and should be read in conjunction with, these financial statements.



NOTES TO THE FINANCIAL STATEMENTS



1. Summary of significant accounting policies

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

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

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

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

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

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

(c) Property, plant and equipment

Freehold land is stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation, and less accumulated impairment losses, if any.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Freehold land is not amortised. Long term leasehold land is amortised in equal installments over the remaining lease period of ninety (90) years, while short term leasehold land is amortised in equal installments over the remaining lease period of nineteen (19) years. Buildings are depreciated on a straight line basis over the shorter of fifty (50) years or the lease period. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:



1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation (continue)

Buildings	2%
Chipping plant factory	3%
Plant and machinery	20%
Office equipment	10% - 33%
Motor vehicles	20%
Fixture and fittings	10% - 20%

(d) Forest plantation project

The cost of forest plantation project is based on the present value of the privatisation consideration of RM62,269,805 to be repayable to the State Government of Johor Darul Ta'zim ("State Government") over the stipulated repayment period.

The forest plantation project is to be amortised to the income statement over the management period ("Management Period") of sixty (60) years based on the following formula:

$$\frac{\text{Volume Extracted}}{\text{Projected Total Commercial Extractable Volume for the Management Period}} \times \text{Cost of forest plantation project}$$

The projected total commercial extractable volume for the management period is based on the extractable volume projected by an independent professional firm of valuers.

The policy for the recognition and measurement of impairment loss is in accordance with Note 1(n).

(e) Investments

Long term investments in subsidiaries are stated at cost in the Company, less impairment loss where applicable.

(f) Goodwill

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

Goodwill was amortised from the date of initial recognition over its estimated useful life of not more than twenty (20) years.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value with weighted average cost being the main basis for cost. Cost of timber logs and work-in-progress include raw material, direct labour, and an appropriate proportion of operating overheads. Cost of raw materials included all direct and indirect expenditure incurred in bringing the inventories to their present location and condition.

(h) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.



1. Summary of significant accounting policies (continued)

(i) Amount due from contract customers

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

(j) Cash and cash equivalents

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

(k) Affiliated company

For the purpose of these financial statements, an "affiliated company" refers to the following:

- (i) a company which holds an effective interest of not less than 20% and not exceeding 50% in the holding company;
- (ii) related corporations of (i); and
- (iii) a company which has common Directors with the Company

(l) Liabilities

Borrowings and trade and other payables are stated at cost.

(m) Hire purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase costs and are depreciated on the same basis as owned assets. The total amount payable under hire purchase arrangements is shown under hire purchase liabilities.

(n) Impairment

The carrying amount of assets, other than assets arising from construction contracts, inventories and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.



1. Summary of significant accounting policies (continued)

(n) Impairment (continued)

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

(o) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(p) Employee benefits

i) Short term employee benefits

Wages, salaries and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Group and Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

ii) Defined contribution plan

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.



1. Summary of significant accounting policies (continued)

(q) Revenue

i) Construction contracts

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

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

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

ii) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

iii) Logging income

Revenue from logging is measured at the fair value of the consideration receivable and is recognised in the income statement when the rights of logging have been transferred to logging contractor.

iv) Interest income

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

(r) Financing costs

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

The difference between the nominal amount payable and the present value of deferred privatisation consideration is recognised as interest expense over the repayment period of privatisation consideration.



NOTES TO THE FINANCIAL STATEMENT (continued)



2. Property, plant and equipment

Group	Long term leasehold		Short term leasehold		Freehold		Buildings		Plant and machinery		Office equipment		Motor vehicles		Fixture and fittings		Chipping plant		Total	
	land	RM	land	RM	land	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 April 2004	892,621		11,504,465		98,000		1,515,860		9,613,412		1,586,311		6,792,287		172,844		-		32,175,800	
Additions	666,678		-		-		-		3,556,308		41,516		54,500		45,339		4,338,378		8,702,719	
Disposals	-		-		-		(300,000)		(1,858,300)		(187,632)		(690,727)		(5,884)		-		(3,042,543)	
At 31 March 2005	1,559,299		11,504,465		98,000		1,215,860		11,311,420		1,440,195		6,156,060		212,299		4,338,378		37,835,976	
Accumulated depreciation																				
At 1 April 2004	20,707		395,003		-		219,654		6,883,436		1,167,410		5,612,845		119,015		-		14,418,070	
Charge for the year	11,230		592,505		-		29,317		766,121		116,547		502,673		15,942		130,151		2,164,486	
Disposals	-		-		-		(50,000)		(1,858,300)		(186,208)		(687,333)		(5,884)		-		(2,787,725)	
At 31 March 2005	31,937		987,508		-		198,971		5,791,257		1,097,749		5,428,185		129,073		130,151		13,794,831	
Net book value																				
At 31 March 2005	1,527,362		10,516,957		98,000		1,016,889		5,520,163		342,446		727,875		83,226		4,208,227		24,041,145	
At 31 March 2004	871,914		11,109,462		98,000		1,296,206		2,729,976		418,901		1,179,442		53,829		-		17,757,730	
Depreciation charge for the year ended																				
31 March 2004	9,953		395,003		-		30,317		410,603		132,717		591,664		12,422		-		1,582,679	



NOTES TO THE FINANCIAL STATEMENT (continued)



2. Property, plant and equipment (continued)

Company	Long term leasehold land		Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Fixture and fittings	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 April 2004	892,621	98,000	1,515,860	6,562,551	1,564,710	6,265,880	121,034	17,020,656	
Additions	666,678	-	-	-	3,500	-	-	670,178	
Disposals	-	-	(300,000)	(1,858,300)	(187,632)	(690,727)	(5,884)	(3,042,543)	
At 31 March 2005	1,559,299	98,000	1,215,860	4,704,251	1,380,578	5,575,153	115,150	14,648,291	
Accumulated depreciation									
At 1 April 2004	20,707	-	219,654	6,527,891	1,162,660	5,529,665	111,284	13,571,861	
Charge for the year	11,230	-	29,317	9,479	106,267	384,882	3,325	544,500	
Disposals	-	-	(50,000)	(1,858,300)	(186,208)	(687,333)	(5,884)	(2,787,725)	
At 31 March 2005	31,937	-	198,971	4,679,070	1,082,719	5,227,214	108,725	11,328,636	
Net book value									
At 31 March 2005	1,527,362	98,000	1,016,889	25,181	297,859	347,939	6,425	3,319,655	
At 31 March 2004	871,914	98,000	1,296,206	34,660	402,050	736,215	9,750	3,448,795	
Depreciation charge for the year ended 31 March 2004									
	9,953	-	30,317	55,058	128,043	508,484	6,137	737,992	



2. Property, plant and equipment (continued)

The strata titles of buildings of the Group and of the Company costing RM568,490 (2004 - RM581,007) are still in the process of being transferred to the Company as the finalisation are pending approval from the relevant authorities.

Assets under hire purchase

Included in property, plant and equipment of the Group and of the Company are motor vehicles acquired under hire purchase agreements with net book value of RM574,095 (2004 - RM880,959) and RM342,934 (2004 - RM579,131) respectively.

3. Forest plantation project

	Group	
	2005 RM	2004 RM
Cost		
At 31 March	42,521,820	42,521,820
Accumulated amortisation		
At 31 March	595,540	595,540
Amortisation charge for the year	446,483	-
At 31 March	1,042,023	595,540
Net book value	41,479,797	41,926,280

The Company and Aramijaya Sdn. Bhd. ("Aramijaya") entered into a Privatisation Agreement with the State Government and YPJH dated 4 December 2002 for the maintenance, operation and management for a period of 60 years of 35,223 hectares of forest plantation land, which consist of 20,168 hectares of Acacia cultivated area, 5,754 hectares of unplanted area, 3,661 hectares of mining land and 5,640 hectares of water logged area and in addition alienation of 99 years lease of agricultural land of 2,897 hectares for a consideration of RM 62,269,805 payable to the State Government (see Note 9).

The State Government had previously agreed to grant to YPJH to the right to undertake the Forest Plantation Project. However, YPJH has agreed to undertake the project through a joint venture company Aramijaya Sdn. Bhd. in which the Company and YPJH will hold 70% and 30% of the equity respectively. For that purpose, a Joint Venture Agreement dated 4 December 2002 was signed between the Company and YPJH.

The consideration for the above project is to be repayable by instalments over the remaining stipulated repayment year of sixteen (16) years from the date of Privatisation Agreement. To arrive at the present value of the deferred consideration for forest plantation project, the Directors assumed a discount rate which reflected current market assessments that approximated the then prevailing cost of borrowings. The difference between the consideration payable and the present value of deferred privatisation consideration was classified as deferred interest (see Note 5).

The Company on 3 Jun 2003 has executed a guarantee in favour of the State Government guaranteeing the instalment payments of Aramijaya.

Subsequent to the execution of the Privatisation Agreement, Aramijaya was offered by the State Government agricultural land of 2,897 hectares for alienation. Aramijaya subsequently discovered a large portion of the land was water locked and unsuitable for plantation development and there



NOTES TO THE FINANCIAL STATEMENT (continued)



3. Forest plantation project (continued)

were other parties who had applied for the land and consequently Aramijaya appealed to the State Government to swap for another piece of land. In a letter dated 20 May 2005, the State Government has indicated that two plots of agricultural land measuring approximately 850 hectares and 2,047 hectares respectively, will be swapped and will be alienated to Aramijaya.

Pursuant to the Privatisation Agreement and the Joint Ventures Agreements, Aramijaya shall pay a sum of RM 5 million per annum for ten (10) years to YPJH commencing financial year ended 31 March 2003 being expected minimum sum of profit for YPJH 30% share in the operations of Aramijaya.

Subsequent to the execution of the Privatisation Agreement, Aramijaya also discovered that certain Acacia cultivated area had been damaged by fire and elephants and twenty five (25) licences out of the total logging licences that Aramijaya was entitled to receive had already been issued to other loggers.

In view of the loss of commercial timber from the forest plantation land as explained in the preceeding paragraph, Aramijaya has written to State Government requesting for a delay in the instalment payment, additional lands to be replaced for the loss of commercial timber and waiver for the profit guarantee payable to YPJH. Aramijaya has received a written reply from the State Government dated 20 May 2005 stating that they will be looking into the request for replacement of areas to compensate for the loss of commercial timber and the waiver of RM 5 million of annual payment to YPJH. The Directors believe that YPJH is controlled by the State Government. The Directors of the Aramijaya are of the opinion that the negotiation with the State Government will result in positive outcome for the waiver of RM5 million of annual payment to YPJH and the replacement of land to compensate for loss of timber or else the consideration of the forest plantation project may be reduced accordingly. Hence no provision is made for the share of profit payable to YPJH which accumulate up to RM15 million as at 31 March 2005 (2004 - RM10 million) and no impairment loss is required to be made against forest plantation project.

4. Deferred interests

	Group	
	2005 RM	2004 RM
Cost		
At 31 March	18,781,529	18,781,529
Accumulated amortisation		
At beginning of year	1,015,220	1,015,220
Amortisation charge for the year	1,218,264	-
At end of year	2,233,484	1,015,220
Net book value	16,548,045	17,766,309

Deferred interests represent the difference between the privatisation consideration of RM62,269,805 and the present value of forest plantation project of RM 42,879,144 (see Note 3).

The deferred interests is recognised as interest expenses over the repayment period of the privatisation consideration.



NOTES TO THE FINANCIAL STATEMENT (continued)



5. Investments in subsidiaries

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	891,002	891,002

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

Name of company	Principal activities	Country of incorporation	Effective ownership interest	
			2005 %	2004 %
Aramijaya Sdn. Bhd.*	Management and operation of a forest plantation	Malaysia	70	70
Limbongan-Ekoveat Management Sdn. Bhd.*@	Investment holding and management	Malaysia	51	51
Ikhlas Bina Sdn Bhd (Formerly known as PLS Construction Sdn. Bhd.)*@	Civil engineering and building works	Malaysia	100	100

* Not audited by KPMG

@ Consolidated based on management account.

6. Deferred tax assets/(liabilities)

The amounts, determined after appropriate offsetting, are as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deferred tax liabilities	(958,747)	(267,585)	-	-
Deferred tax assets	-	218,016	-	218,016



NOTES TO THE FINANCIAL STATEMENT (continued)



6. Deferred tax assets/(liabilities) (continued)

The recognised deferred tax assets and liabilities (before offsetting) are as follows:

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Deferred tax liabilities				
Other temporary differences	(3,366,475)	(267,585)	-	-
Unutilised tax losses	1,742,529	-	-	-
Unutilised capital allowances	665,199	-	-	-
	(958,747)	(267,585)	-	-
Deferred tax assets				
Unutilised tax losses	-	218,016	-	218,016

No deferred tax has been recognised for the following items:

	Group	
	2005	2004
	RM	RM
Deductible temporary differences	2,071,000	2,036,000
Unutilised tax losses	16,371,000	16,222,000
	18,442,000	18,258,000

The unutilised tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits.

7. Goodwill on consolidation

	Group	
	2005	2004
	RM	RM
Goodwill arising from acquisition of a subsidiary		
- at beginning of year	1,366,810	1,438,747
Less: Amortisation during the year	(71,937)	(71,937)
At 31 March - at end of year	1,294,873	1,366,810



8. Inventories

	Group	
	2005 RM	2004 RM
At cost:		
Timber logs	945,098	304,149
Acacia offcut	49,556	-
Woodchip	2,375,523	-
Sawn timber - wet	-	3,996
Sawn timber - dry	-	192,880
	3,370,177	501,025

9. Trade and other receivables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	20,400,331	17,924,628	20,180,047	17,585,983
Retention sum receivables	7,154,182	10,546,318	7,154,182	10,546,318
Other receivables, deposits and prepayments	11,757,148	11,275,798	833,875	952,159
Amount due from contract customers	4,156,602	6,994,096	4,156,602	6,994,096
Subsidiary - non trade	-	-	22,429,597	11,000,000
Related party - trade	135,825	248,675	-	-
	43,604,088	46,989,515	54,754,303	47,078,556

Included in trade receivables of the Group and of the Company are advances made to sub contractors amounting to RM 1,238,883 (2004 - RM 887,732). The advances to sub-contractors are unsecured and interest free. These advances will be recouped by way of setting off against future claims by these sub-contractors.

Included in other receivables, deposit and prepayment of the Group are:

- an amount of RM 2.5 million (2004 - RM2.5 million) in respect of performance deposit paid to YPJ Holdings Sdn. Bhd. ("YPJH") as security towards Aramijaya Sdn. Bhd.'s ("Aramijaya") performance and undertaking a major role in the proposed privatisation of forest plantation project (Note 3).
- an amount of RM 5 million (2004 - RM5 million) paid to YPJH in respect of deposits paid for profit guaranteed to YPJH in respect of the privatisation of forest plantation (Note 3).
- an amount of RM 684,450 (2004 - RM 684,450) paid to YPJH by Aramijaya in respect of land premium for agricultural lands at Mukim Mersing, Daerah Mersing, Johor.

The amount due from subsidiaries is unsecured, interest free and has no fixed terms of repayment. Non trade balances with subsidiaries mainly comprise advances.



NOTES TO THE FINANCIAL STATEMENT (continued)



9. Trade and other receivables (continued)

The amount due from related party is unsecured, interest free and has negotiated repayment terms.

	Group and Company	
	2005	2004
	RM	RM
<i>Amount due from contract customers</i>		
Aggregate costs incurred to date	209,576,059	381,153,498
Add: Attributable profits	19,636,844	28,341,054
Less: Foreseeable losses	(6,393,546)	(23,103,957)
	222,819,357	386,390,595
Less: Progress billings	(218,662,755)	(379,396,499)
	4,156,602	6,994,096

10. Cash and cash equivalents

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Deposits placed with licensed banks	4,607,911	2,391,380	4,607,911	2,391,380
Cash and bank balances	21,768,811	36,034,227	21,657,477	35,904,508
	26,376,722	38,425,607	26,265,388	38,295,888

The deposits with a licensed bank of RM 1,612,960 (2004 - RM 1,003,216) are held under lien for overdraft facility granted to the Group and to the Company. The overdraft facility is not utilised at year end.



11. Trade and other payables

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current				
Trade payables	10,240,786	12,981,167	9,693,803	12,824,059
Retention sum payables	8,113,376	8,486,252	8,113,376	8,486,252
Other payables and accrued expenses	5,627,235	12,631,912	257,043	584,081
Affiliated company				
- non trade	-	5,321,935	-	-
Related parties				
- trade	268,914	154,843	-	-
- non trade	10,834,683	1,409,245	-	-
	35,084,994	40,985,354	18,064,222	21,894,392
Non-current				
Other payable	-	1,294,252	-	-

Included in trade payables of the Group and of the Company are interest free advances received from customers amounting to RM Nil (2004 - RM 705,549), which are secured by way of bank guarantees and will be repaid by way of setting off against the Company's progress claims to the customers.

Included in other payables of the Group:

- was an amount of RM Nil (2004 - RM 4,750,000) received in advance from Syarikat Cahaya Emas Hijau Sdn. Bhd. for logging income; and
- is an amount due in respect of acquisition of a leasehold land during the year as follows:

	Group	
	2005 RM	2004 RM
Due within the next twelve months - current	1,294,252	5,177,009
Due after the next twelve months - non-current	-	1,294,252
	1,294,252	6,471,261

The amount due to affiliated company in previous year was unsecured, bears interest at 8% per annum and has no fixed terms of repayment. Non trade balances with affiliated company mainly comprise advances.

The amount due to one of the related parties amounting to RM 3,150,627 (2004 - RM Nil) is unsecured, bears interest at 6% (2004 - Nil) per annum and has a fixed term of repayment. The amount due to other related parties is unsecured, interest free and has negotiated repayment terms. Non trade balances with related parties mainly comprise purchase of plant and machinery.



NOTES TO THE FINANCIAL STATEMENT (continued)



12. Amount due to Johor State Government

Group

The amount due to Johor State Government represents the privatisation consideration payable in accordance with the payment schedule stated in the Privatisation Agreement over a period of eighteen (18) years from 1 October 2001. At the date of signing of the Privatisation Agreement, the total privatisation consideration amounted to RM 62,269,805 and comprises the following:

	RM
Federal Loans	47,717,990
State's Expenditure	11,059,198
Cash Advance	3,492,617
	62,269,805

Included in Federal Loans is an amount of RM 13,079,871 or USD 3,442,071 disbursed by the Federal Government to the State Government in USD currency and have been translated into Malaysian currency for the purpose of the payment schedule at the prevailing exchange rate of USD1.00 = RM 3.80. In the future when the repayment of the foreign currency advances become due, should the exchange rate varies, the Company will bear any gain or loss as a result of the foreign exchange fluctuation.

Pursuant to the Privatisation Agreement, as security for the performance of Aramijaya Sdn. Bhd. ("Aramijaya") obligations, the Company has entered into an agreement to provide corporate guarantee in favour of the State Government for the repayment by Aramijaya of the privatisation consideration and any variations that may arise within six (6) months from the date of the Privatisation Agreement of 4 December 2002.

On 1 October 2001, Aramijaya had paid the first installment payment of RM 9,629,597 to the State Government. The movement in amount due to State Government is as follows:

	Group	
	2005 RM	2004 RM
Total privatisation consideration payable	62,269,805	62,269,805
Less: Installment paid	(9,629,597)	(9,629,597)
	52,640,208	52,640,208



12. Amount due to Johor State Government (continued)

The current and non-current portions of amount due to State Government is as follows:

	Group	
	2005 RM	2004 RM
Due within the next twelve months - current	18,965,050	14,092,619
Due after the next twelve months - non-current	33,675,158	38,547,589
	52,640,208	52,640,208

Included in amount due within the next twelve months are three instalment payments which were due on 1 October 2002, 1 October 2003 and 1 October 2004 respectively totalling RM 14,092,619 to the State Government.

In the event of delay in payments of any installments, Aramijaya, unless otherwise agreed by the State Government, is liable to pay interest at 1.5% above the prevailing base lending rate of Malayan Banking Berhad on the outstanding installment sum calculated on daily basis commencing from the date of delay until the outstanding amount is paid in full.

No interest have been accrued as Aramijaya is in on going discussion with the State Government for the replacement of land to compensate for the loss operations and the delay in the instalment payment (Note3). In the opinion of the Directors, the Company will be successful in obtaining the waiver of the interest.

13. Borrowings

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current				
Hire purchase liabilities	88,636	235,129	30,840	177,369
Non-current				
Hire purchase liabilities	132,589	221,261	-	30,840

Terms and debts repayment schedule:

The hire purchase of the Group and of the Company is subject to interest at rates ranging from 3.45% to 4.95% (2004 - 3.45% to 5.00%) per annum and 3.90% to 4.95% (2004 - 3.90% to 5.00%) per annum respectively.



NOTES TO THE FINANCIAL STATEMENT (continued)



13. Borrowings (continued)

	Under Total RM	1 - 2 1 year RM	2 - 5 years RM	Over 5 years RM
Group				
Hire purchase liabilities	221,225	88,636	57,796	74,793
Company				
Hire purchase liabilities	30,840	30,840	-	-

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2005 RM	Interest 2005 RM	Principal 2005 RM	Payments 2004 RM	Interest 2004 RM	Principal 2004 RM
Group						
Less than one year	102,489	(13,853)	88,636	268,667	(33,538)	235,129
Between one and five years	155,891	(23,302)	132,589	258,415	(37,154)	221,261
	258,380	(37,155)	221,225	527,082	(70,692)	456,390
Company						
Less than one year	34,509	(3,669)	30,840	200,723	(23,354)	177,369
Between one and five years	-	-	-	34,509	(3,669)	30,840
	34,509	(3,669)	30,840	235,232	(27,023)	208,209

14. Share capital

	Group and Company	
	2005 RM	2004 RM
Ordinary shares of RMI each :		
Authorised		
Opening balance	200,000,000	25,000,000
Created during the year	-	175,000,000
Closing balance	200,000,000	200,000,000
Issued and fully paid		
Opening balance	65,340,000	21,780,000
Issued during the year	-	43,560,000
Closing balance	65,340,000	65,340,000



14. Share capital (continued)

In previous financial year, the Company increased its authorised share capital from RM 25,000,000 to RM 200,000,000 by the creation of 175,000,000 ordinary shares of RM1.00 each.

In previous financial year, the Company issued 43,560,000 new ordinary shares of RM 1.00 each at par for cash via a rights issue on the basis of two (2) new ordinary shares for every one (1) existing ordinary share held. The proceeds from the rights issue are used for working capital purpose and for the construction of Akademi Audit Negara. The new ordinary shares rank *pari passu* with the existing ordinary shares.

15. Share premium

	Group and Company 2005 RM	2004 RM
Non-distributable Share premium		
Opening balance	4,621,163	5,512,121
Rights issue expenses	-	(890,958)
Closing balance	4,621,163	4,621,163

Share premium arose from issuance of ordinary shares at an issue price higher than its nominal value. Included in the share premium is an amount of RM5,464,800 arising from the issuance of 1,980,000 new ordinary shares of RM1.00 each at an issue price of RM3.76 for each share in the previous year.

In previous financial year, the expenses incurred in connection of the rights issue had been charged against share premium account.

16. Minority shareholder's interest

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

17. Operating profit

	Group 2005 RM	2004 RM	Company 2005 RM	2004 RM
Operating profit is arrived at after crediting:				
Gain on disposal of property, plant and equipment	1,111,682	1,614,578	1,111,682	1,580,828
Rental income from hire of plant and machinery	51,125	-	-	-
Rental income from motor vehicles	-	45,151	-	-
Rental income from apartment	43,000	-	43,000	-



NOTES TO THE FINANCIAL STATEMENT (continued)



17. Operating profit (continued)

and after charging:				
Amortisation of forest plantation (Note 3)	446,483	595,540	-	-
Amortisation of goodwill (Note 7)	71,937	71,937	-	-
Auditors' remuneration	60,150	60,150	41,500	41,500
Bad debts written off	872,505	-	759,180	-
Depreciation (Note 2)	2,164,486	1,582,679	544,500	737,992
Company's Directors				
- Remuneration	577,920	573,527	577,920	573,527
- Fees	25,000	25,000	25,000	25,000
Inventories written off	-	120,741	-	-
Rental of plant and machinery	1,843,605	804,710	88,856	456,208
Rental of premises	293,260	232,555	151,525	192,400
Rental of motor vehicle	48,859	29,250	-	-

The estimated monetary value of Directors' benefits-in-kind is RM 42,150 (2004 - RM54,650).

18. Interest expense

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Amortisation of deferred interests (Note 4)	1,218,264	1,015,220	-	-
Hire purchase interest	33,538	51,181	23,354	44,522
Interest expense on advances from affiliated company	-	921,935	-	-
Interest expenses on amount due to a related company	124,311	-	-	-
Overdraft interest	51,275	44,577	2,133	166
Others	-	3,824	-	-
	1,427,388	2,036,737	25,487	44,688

19. Employee information

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Employees' Provident Fund	318,064	238,670	193,923	238,670
Other staff costs (emoluments of Directors and staff)	4,276,958	2,476,281	2,120,386	2,476,281
	4,595,022	2,714,951	2,314,309	2,714,951

The number of employee of the Group and of the Company (including Directors) at the end of the year was 191 (2004 - 78) and 37 (2004 - 60) respectively.



20. Tax expense

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense				
- current year provision	171,780	779,069	171,780	86,000
- overprovision in prior years	(691,162)	(793,546)	-	(793,546)
	(519,382)	(14,477)	171,780	(707,546)
Deferred tax expenses				
- origination and reversal of temporary differences	909,178	1,413,816	218,016	1,146,231
	389,796	1,399,339	389,796	438,685
Reconciliation of effective tax rate				
Profit before taxation	1,948,832	5,273,062	1,142,560	3,251,900
Income tax using Malaysian tax rate	545,673	1,476,457	319,917	910,532
Non-deductible expenses	460,635	547,999	192,927	124,319
Effect of using difference in tax rate for chargeable income up to RM500,000 of a subsidiary	-	(22,636)	-	-
Effect of deductible temporary differences	297,076	196,943	99,378	196,943
Effect of unutilised tax losses now recognised	(218,016)	-	(218,016)	-
Other items	(4,410)	(5,878)	(4,410)	437
	1,080,958	2,192,885	389,796	1,232,231
Over provision in prior years	(691,162)	(793,546)	-	(793,546)
	389,796	1,399,339	389,796	438,685
Tax expense	389,796	1,399,339	389,796	438,685

21. Earnings per ordinary share - group

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM 1,295,723 (2004 - RM 3,529,304) and the weighted average number of ordinary shares outstanding during the year of 65,340,000 (2004 - 35,392,500).



NOTES TO THE FINANCIAL STATEMENT (continued)



21. Earnings per ordinary share - group (continued)

Net profit attributable to ordinary shareholders is calculated as follows:

	2005 RM	2004 RM
Net profit attributable to ordinary shareholders	1,295,723	3,529,304
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of the year	65,340,000	21,780,000
Effect of rights issue	-	13,612,500
Weighted average number of ordinary shares	65,340,000	35,392,500
Basic earnings per ordinary share (sen)	1.98	9.97

22. Dividend

	Group and Company	
Ordinary:	2005 RM	2004 RM
Final paid		
2004 – 3% per share less tax (2003 - Nil)	-	1,411,344

23. Segmental information

Segment information is presented in respect of the Group's business segments. As the Group operates predominantly in Malaysia, accordingly information by geographical location of the Group's operations is not presented.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Construction	Civil engineering and construction work of earthwork and buildings.
Management service	Management planning consultancy and project management services.
Forest plantation	Management and operation of forest plantation, logging, saw milling, chipping and other downstream manufacturing and related activities.



NOTES TO THE FINANCIAL STATEMENT (continued)



23. Segmental information (continued)

	2005				
	Construction	Management	Forest	Eliminations	Consolidated
	RM	service	plantation	RM	RM
		RM	RM		
Business Segments					
Revenue	50,857,513	-	11,966,395	-	62,823,908
Segment result	580,453	(3,225)	2,284,877	-	2,862,105
Unallocated expenses					(71,937)
Operating profit					2,790,168
Interest expense					(1,427,388)
Interest income					586,052
Profit before taxation					1,948,832
Tax expense					(389,796)
Minority interest					(263,313)
Net profit for the year					1,295,723
Segment assets	85,230,543	2,174,730	92,251,963	(23,320,599)	156,336,637
Unallocated assets					1,294,873
Total assets					157,631,510
Segment liabilities	18,123,934	2,117,901	91,113,113	(22,429,597)	88,925,351
Capital expenditure	670,178	-	8,032,541	-	8,702,719
Depreciation and amortisation	544,500	1,617	3,283,116	-	3,829,233
Unallocated amortisation					71,937
Total depreciation and amortisation					3,901,170
Non-cash expenses other than depreciation and amortisation	-	-	872,505	-	872,505



NOTES TO THE FINANCIAL STATEMENT (continued)



23. Segmental information (continued)

	2004				
	Construction RM	Management service RM	Forest plantation RM	Eliminations RM	Consolidated RM
Business Segments					
Revenue	95,874,113	-	8,846,788	-	104,720,901
Segment result	2,989,673	22,552	4,054,396	-	7,066,621
Unallocated expenses					(71,937)
Operating profit					6,994,684
Interest expense					(2,036,737)
Interest income					315,115
Profit before taxation					5,273,062
Tax expense					(1,399,339)
Minority interest					(344,419)
Net profit for the year					3,529,304
Segment assets	89,932,259	2,092,066	83,451,159	(11,891,002)	163,584,482
Unallocated assets					1,366,810
Total assets					164,951,292
Segment liabilities	22,165,528	2,032,012	83,195,285	(11,000,000)	96,392,825
Capital expenditure	34,620	4,038	14,635,503	-	14,674,161
Depreciation and amortisation	737,992	1,569	2,453,878	-	3,193,439
Unallocated amortisation					71,937
Total depreciation and amortisation					3,265,376
Non-cash expenses other than depreciation and amortisation	-	-	120,741	-	120,741



24. Related parties

Identity of related parties

Controlling related party relationships are with its subsidiaries as disclosed in Note 5 to the financial statements.

The Group and the Company have related party relationships with the following companies, which deemed related as follows:

i) Limbongan Setia Corporation Sdn. Bhd., Hi Plus Development Sdn. Bhd., Wengcon Holdings Sdn. Bhd., Wengcon Machinery Sdn. Bhd., Segi Gemilang Sdn. Bhd., Endau Prima Sdn. Bhd. and Ekovest Construction Sdn. Bhd. are deemed related to Dato' Lim Kang Yew, Dato' Lim Kang Hoo and Sum Kwai Sang.

ii) Limbongan Resources Sdn. Bhd., an affiliated company.

Significant related party transactions other than those disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Transactions				
With companies deemed related to certain Directors:				
Sales	(135,825)	(977,832)	-	-
Purchases	2,671,243	-	-	-
Felling charges	268,913	1,220,694	-	-
Rental and purchase of machinery	3,951,666	89,839	-	-
Rental of equipment	1,000,000	250,000	-	-
Rental and purchase of motor vehicle	118,934	-	-	-
Interest expenses	124,311	-	-	-
Progress billing for construction work	4,338,378	-	-	-
Secondment fee	325,315	-	-	-
Rental of premise	108,000	108,000	108,000	108,000
With an affiliated company:				
Interest expense	-	921,935	-	-

These transactions have been entered into in the normal course of business and have been established under negotiated terms.



NOTES TO THE FINANCIAL STATEMENT (continued)



24. Related parties (continued)

Non-trade balances with subsidiaries, affiliated company and related parties are in respect of the following:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Subsidiaries				
Advances owing to	-	-	22,429,597	11,000,000
Affiliated company				
Advances owing to	-	5,321,935	-	-
Related parties				
Purchase of plant and machinery	10,967,772	1,409,245	-	-

25. Financial instruments

Financial risk management objectives and policies

Exposure to credit risk, interest rate risk, foreign currency risk and liquidity risk arises in the normal course of the Group and the Company's business. The financial risk management policy of the Group and the Company are summarised as follows:

Credit risk

Management has a credit policy which has yet to be formalised and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

At balance sheet date, there were significant concentrations of credit risk of the Group and the Company by virtue of its trade receivables that are due from companies principally involved in the construction industry. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Group and the Company have no significant interest bearing financial liabilities at balance sheet date. Interest earnings financial assets are mainly deposits placed with licensed banks that attract interest income. However, the fluctuation in interest rate, if any, is not expected to have a material impact on the result of the Group and of the Company.

Foreign currency risk

The Group and the Company do not have significant exposure to foreign currency risk as its transactions and balances are substantially denominated in Ringgit Malaysia.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.



25. Financial instruments (continued)

The following table shows information about exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they reprise or mature, whichever is earlier.

	-----2005-----			-----2004-----		
	Effective interest rate per annum %	Total RM	Within 1 year RM	Effective interest rate per annum %	Total RM	Within 1 year RM
Group						
Financial asset						
Deposits placed with licensed banks	3.1	4,607,911	4,607,911	3.4	2,391,380	2,391,380
Financial liability						
Amount due to affiliated company	-	-	-	8.0	5,321,935	5,321,935
Amount due to a related company	6	3,150,627	3,150,627	-	-	-
Company						
Financial asset						
Deposits placed with licensed banks	3.1	4,607,911	4,607,911	3.4	2,391,380	2,391,380

Fair values

Recognised financial instruments

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.



NOTES TO THE FINANCIAL STATEMENT (continued)



25. Financial instruments (continued)

The aggregate fair values of the other financial liabilities carried on the balance sheet as at 31 March 2005 are shown below:

Financial liabilities	Group			
	2005 Carrying amount RM	2005 Fair value RM	2004 Carrying amount RM	2004 Fair value RM
Amount due to State Government (current and non-current less deferred interests)	36,092,163	36,092,163	34,873,899	34,873,899
Other payable	-	-	1,294,252	1,179,307

Fair value has been determined by discounting the relevant cash flows repayment using the current interest rate of a similar instrument at the balance sheet date.

26. Contingent liabilities

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<i>Unsecured</i>				
Performance bond to third parties in respect of projects	11,562,764	14,985,277	11,562,764	14,985,277
Bank guarantee to third parties in respect of purchasing material for projects	150,000	293,000	150,000	293,000
Corporate guarantee to subsidiary in respect of purchasing machinery	-	-	1,000,000	79,800
Corporate guarantee to subsidiary in respect of motor vehicle	-	-	158,800	-
Corporate guarantee to subsidiary in respect of repayment to State Government	-	-	14,092,619	9,239,264
	11,712,764	15,278,277	26,964,183	24,597,341

Litigation

As previously reported, a claim of RM 14.6 million was made by an ex-contractor against the Company for losses as a result of breach of a contract. In relation to this, the Company has counter claimed for a sum of RM 1.1 million. The matters were set down for arbitration, but the ex-contractor was under receivership. The solicitors of the ex-contractor had put forward a report to the Official Receiver and are pending for further instruction as whether to proceed with the claim.

Based on legal counsel's advice, the Directors are of the opinion that there is no merit to the claim made by the ex-contractor and the outcome of the arbitration would be in favour of the Company.



ANALYSIS OF SHAREHOLDINGS



Authorised Share Capital : RM 200,000,000

Issue and Fully Paid-up : RM 65,340,000

Class of Shares : Ordinary shares of RM 1.00 each

Voting Right : One vote per ordinary share

There is only one class of equity security in the issued and paid up share capital in the company.

I. ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 18 AUGUST 2005

Size of Shareholdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	67	4.96	783	0.00
100 - 1,000	540	39.94	305,682	0.47
1,001 - 10,000	588	43.49	2,217,850	3.40
10,001 - 100,000	115	8.51	3,536,500	5.41
100,001 - less than 5% of issued shares	37	2.74	24,184,185	37.01
5% of issued shares and above	5	0.36	35,095,000	53.71
TOTAL	1352	100.00	65,340,000	100.00



ANALYSIS OF SHAREHOLDINGS (continued)



2. THIRTY (30) LARGEST SHAREHOLDERS AS AT 18 AUGUST 2005

Name	Shareholdings	%
1. Limbongan Resources Sdn Bhd	10,500,000	16.07
2. ECM Libra Securities Nominees (Tempatan) Sdn. Bhd. - Kumpulan Prasarana Rakyat Johor Sdn Bhd	10,200,000	15.61
3. OSK Nominees (Tempatan) Sdn Bhd - Kumpulan Prasarana Rakyat Johor Sdn Bhd	5,100,000	7.81
4. Mayban Nominees (Tempatan) Sdn. Bhd. pledged securities account for Dato' Lim Kang Yew	5,000,000	7.65
5. Dato' Lim Kang Yew	4,295,000	6.57
6. Segi Satria Sdn. Bhd.	3,230,000	4.94
7. Limbongan Resources Sdn. Bhd.	3,000,000	4.59
8. Lim Keng Cheng	2,283,000	3.50
9. Limbongan Resources Sdn. Bhd.	1,494,000	2.29
10. Wong Yit Choy	1,350,000	2.07
11. Lim Seong Hai Holdings Sdn. Bhd.	1,217,200	1.86
12. Mohd Saini bin Kariman	1,050,000	1.61
13. Yap Shing@ Yap Sue Kim	1,028,800	1.57
14. Lim Kang Poh	1,014,600	1.55
15. Amsec Nominees (Tempatan) Sdn Bhd pledged securities account for Goh Eng Keong	905,500	1.39
16. Khoo Nang Seng @ Khoo Nam Seng	633,000	0.97
17. Mayban Securities Nominees (Tempatan) Sdn Bhd pledged securities account for Pang Piu Fong	558,500	0.86
18. Mohamad Nor bin Hamid	519,000	0.79
19. Roslee bin Daud	492,000	0.75
20. Mayban Securities Nominees (Tempatan) Sdn. Bhd. pledged securities account for Cheong Meow Yen	453,500	0.69
21. Lee Hun Kheng	403,500	0.62
22. Tan Leak Goh	345,000	0.53
23. Hambali bin Idris	327,000	0.50
24. A.A. Assets Nominees (Tempatan) Sdn. Bhd. pledged securities account for Cha Mei Ping	313,800	0.48
25. A.A. Assets Nominees (Tempatan) Sdn. Bhd. pledged securities account for Wong Khai Shiang	295,000	0.45
26. Lim Hoe	289,000	0.44
27. Koh Chaw Huah	285,000	0.44
28. Loh Yu San	284,000	0.44
29. Mayban Securities Nominees (Tempatan) Sdn. Bhd. pledged securities account for Naharuddin bin Nizam	281,500	0.43
30. Rahaimi bin Abdul Rahman	218,600	0.33
TOTAL	57,366,500	87.80



3. SUBSTANTIAL SHAREHOLDERS AS AT 18 AUGUST 2005

Name	Direct Shareholdings	%	Indirect Shareholdings *	%
1. Kumpulan Prasarana Rakyat Johor Sdn Bhd	15,300,000	23.42	-	-
2. Limbongan Resources Sdn Bhd	14,994,000	22.95		
3. Dato' Lim Kang Yew	9,295,000	14.23	-	-
4. En Lokman bin Omar	-	-	14,994,000	22.95
5. Lim Keng Guan	-	-	14,994,000	22.95
TOTAL	39,589,000	60.60		

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

4. DIRECTORS' SHAREHOLDINGS AS AT 18 AUGUST 2005

Name	Shareholdings as at 18 August 2005			
	Direct Shareholdings	%	Indirect Shareholdings *	%
1. Encik Johar Salim bin Yahaya	-	-	-	-
2. Dato' Lim Kang Yew	9,295,000	14.23	-	-
3. Dato' Lim Kang Hoo	-	-	-	-
4. Mr Sum Kwai Sang	-	-	-	-
5. Dato' Hj Ibrahim bin Haji Keling	-	-	-	-
6. Encik Hisham bin Mahmood	-	-	-	-
7. Ms Kang Hui Ling	-	-	-	-
TOTAL	9,295,000	14.23		



LIST OF PROPERTIES



PARTICULARS OF PROPERTIES AS AT 31ST MARCH 2005

NO	LOCATION	DESCRIPTION / EXISTING USE	AGE OF BUILDING	AREA	LAND TENURE	NET BOOK VALUE
1	H.S.(D) No.9469 .PT No.7923.Mukim Batu Caves, Selangor Darul Ehsan	4-Storey Shop/ Head Office Building	13 years	226 sq.m (2,434sq. ft)	Freehold	546,400
2	Lot 375, HS(M) 28582, PT 30603, Sector 4, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1,380.1 sq.m	Leasehold 99 years expiring on 10 Sep 2092	168,465
3	Lot 378, HS(M) 28585, PT 30606, Sector 4, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	871.8 sq.m	Leasehold 99 years expiring on 10 Sep 2092	124,157
4	HS(M) 28398, PT 30419, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1365.5 sq.m	Leasehold 99 years expiring on 10 Sep 2092	186,605
5	HS(M) 28402, PT 30423, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1401.5 sq.m	Leasehold 99 years expiring on 10 Sep 2092	191,524
6	HS(M) 28454, PT 30475, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1399.2 sq.m	Leasehold 99 years expiring on 10 Sep 2092	191,210
7	HS(M) 28556, PT 30557, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1206.4 sq.m	Leasehold 99 years expiring on 10 Sep 2092	179,533
8	HS(M) 28619, PT 30640, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1602.1 sq.m	Leasehold 99 years expiring on 10 Sep 2092	238,414
9	HS(M) 28620, PT 30641, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Bungalow Lots / Vacant	-	1662.9 sq.m	Leasehold 99 years expiring on 10 Sep 2092	247,455
10	No.21 Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja I, Bandar Baru UDA , 81200 Johor Bahru	Apartments / Vacant	5 years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	143,189
11	No.22 Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja I, Bandar Baru UDA , 81200 Johor Bahru	Apartments / Vacant	5 years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	143,189
12	No.21 Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja I, Bandar Baru UDA , 81200 Johor Bahru	Apartments / Vacant	5 years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	141,055
13	No.22 Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja I, Bandar Baru UDA , 81200 Johor Bahru	Apartments / Vacant	5 years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	141,055

The group has not revalued any of its properties.



PROXY FORM



PEMBINAAN LIMBONGAN SETIA BERHAD (160032-K) (Incorporated in Malaysia)

I/We _____
of _____
being a member/members of the above named Company hereby appoint _____
of _____
or failing whom _____
of _____

or the Chairman of the meeting as my/our proxy on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Wednesday, 28th day of September 2005 at 10.00 a.m. at Damai Utama Kelab Century Paradise, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan.

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

ORDINARY RESOLUTIONS	FOR	AGAINST
1. Adoption of Audited Financial Statements (Resolution 1)		
2. Approval of Directors' Fee (Resolution 2)		
3. Re-election of Directors :-		
a) Encik Johar Salim bin Yahaya (Article 82) (Resolution 3)		
b) Encik Hisham bin Mahmood (Article 82) (Resolution 4)		
c) Ms Kang Hui Ling (Article 89) (Resolution 5)		
4. Re-appointment of Auditors (Resolution 6)		
5. <u>ORDINARY RESOLUTION 1</u> Authority to Issue Shares pursuant to Section 132D of the Companies Act, 1965 (Resolution 7)		
<u>ORDINARY RESOLUTION 2</u> Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or trading nature (Resolution 8)		

Dated this _____ day of _____ 2005

Number of shares held

Signature of Shareholder (s)

Notes :

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

Fold this flap for sealing

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**AFFIX
STAMP**

THE COMPANY SECRETARIES
PEMBINAAN LIMBONGAN SETIA BHD
17C, WISMA LIMBONGAN SETIA
JALAN SG 3/4, TAMAN SERI GOMBAK
68100 BATU CAVES
SELANGOR DARUL EHSAN

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