



PEMBINAAN LIMBONGAN SETIA BERHAD

(Company No. 160032-K)



Annual Report 2006



**Pembinaan Limbongan
Setia Berhad**
(Company No. 160032-K)



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at Paradise 3 Kelab Century Paradise, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan on Tuesday, 26 September 2006 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 2006 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 2006. [Resolution 2]
3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association :
 - a) Dato' Hj Ibrahim bin Hj Keling (Article 82) [Resolution 3]
 - b) Dato' Lim Kang Hoo (Article 82) [Resolution 4]
 - c) Dato' Lim Kang Poh (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 and additional Mandate for Recurrent Related Party Transactions of a revenue or trading nature with the nine (9) related parties as per paragraph 3.3 (i) –(ix) 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 4th of September 2006 with the related parties listed in paragraph 3.3 of the Circular to Shareholders dated 4th of September 2006 which are necessary for the day-to-day operations, in the ordinary course of business, made at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those normally available to the public and are not to the detriment of the minority shareholders;

NOTICE OF ANNUAL GENERAL MEETING



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

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

whichever is the earlier".

[Resolution 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
4 SEPTEMBER 2006

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 4th of September 2006, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business made at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.



STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

DETAILS	DATO' HAJI IBRAHIM BIN HAJI KELING	DATO' LIM KANG HOO	DATO' LIM KANG POH
Directorships	Independent Non-Executive Director	Non-Independent & Non Executive Director	Non Independent & Non Executive Director
Age	68	51	49
Nationality & Race	Malaysian Malay	Malaysian Chinese	Malaysian Chinese
Qualification	Details as disclosed on page 7	Details as disclosed on page 6	Details as disclosed on page 6
Working experience & occupations	Details as disclosed on page 7	Details as disclosed on page 6	Details as disclosed on page 6
Other directorships of public listed companies	None	Details as disclosed on page 6	Details as disclosed on page 6
Attendance at board meetings	5/5	5/5	2/2
Securities holdings in the Company	None	None	None
Family relationship with any director and / or major shareholder of the Company	None	Details as disclosed on page 6	Details as disclosed on page 6
Conflict of interest	None	Details as disclosed on page 56	Details as disclosed on page 56
Convictions of offences	None	None	None

Place, date & hour of General Meeting held during the financial year ended 31 March 2006

Type	Date & Hour	Place
18th Annual General Meeting	28 September 2005 at 10.00 a.m.	Damai Utama Kelab Century Paradise, Jalan Melawati 3, Taman 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 RM200.0 million
Paid-up RM65.34 million

BANKERS

Maybank Berhad
Public Bank Berhad
EON Bank Berhad
AmBank Berhad

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
(Second Board)

AUDITORS

KPMG (Firm No: AF 0758)
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
Dato' Lim Kang Poh (Appointed on 6 Oct 2005)
Dato' Haji Ibrahim Bin Haji Keling
Encik Hisham Bin Mahmood
Miss Kang Hui Ling



DIRECTORS' PROFILE

Encik Johar Salim bin Yahaya, Executive Chairman

Encik Johar Salim bin Yahaya, a Malaysian and aged 53, was appointed to the Board on 4 March 1997 and as Executive Chairman on 1 August 2003. He graduated with a Bachelor of Economics (Hons) Degree from University Malaya, Kuala Lumpur. Encik Johar started his career with Bank of America in 1976 and later moved to Malaysian French Bank in 1983. He joined Kumpulan Prasarana Rakyat Johor Sdn Bhd in 1996 and is a Director of Tebrau Teguh Bhd. He is also a director in several other private limited companies.

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

Dato' Lim Kang Yew, Managing Director

Dato' Lim Kang Yew, a Malaysian and aged 49, was appointed to the Board on 10 March 1987 and as Managing Director on 12 December 1994. He has more than 20 years of experience in the construction industry. He started with his own construction company mainly involved in civil engineering and building works and established good working relationship with some government agencies. His vast experiences in this field have proven to be invaluable to the Group. He is currently a Non-Executive Director of TSR Capital Bhd and also a director of several other private limited companies.

Dato' Lim Kang Yew is deemed to be interested in the related party transactions disclosed on page 56 of the Annual Report. He is the brother of Dato' Lim Kang Hoo and Dato' Lim Kang Poh. The interest of Dato' Lim Kang Yew in the Company is disclosed on page 22 of the Annual Report.

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

Dato' Lim Kang Hoo, a Malaysian and aged 51, was appointed to the Board on 28 May 2004. He is a businessman with over 30 years of experience in the construction and machinery related industry. His dynamism and vision coupled with hard work saw the companies that he lead grow by leaps and bound. Ekovest Bhd and Knusford Bhd which are listed on the main board of Bursa Malaysia are results of his involvement. At present, he is the Executive Vice-Chairman of Ekovest Bhd and an Executive Director of Knusford Bhd and also a director of several other private limited companies.

Dato' Lim Kang Hoo is deemed to be interested in the related party transactions disclosed on page 56 of the Annual Report. He is the brother of Dato' Lim Kang Yew and Dato' Lim Kang Poh. Dato' Lim Kang Hoo does not hold any shares in the Company.

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

Dato' Lim Kang Poh, a Malaysian and aged 49, was appointed to the Board on 6 October 2005. He started his career in the construction industry in 1976 at the age of 19 under Syarikat Tas Jaya, a partnership with a class C licence from Pusat Khidmat Kontraktor. The partnership was subsequently converted to a private limited company under the name of Pembinaan Tasja Sdn Bhd on 20 Dec 1990 which now known as Tasja Sdn Bhd. In 1994, he ventured into the business of piling and geotechnical activities and manufacturing of piles under the names of TAA Piling And Geotechnical Sdn Bhd, and PTJ Concrete Products Sdn Bhd respectively. At present, he is the Deputy Executive Chairman of Astral Asia Bhd.

Dato' Lim Kang Poh is deemed to be interested in the related party transactions disclosed on page 56 of the Annual Report. He is the brother of Dato' Lim Kang Yew and Dato' Lim Kang Hoo. Dato' Lim Kang Poh does not hold any shares in the Company.

DIRECTORS' PROFILE (CONT'D)



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

Dato' Haji Ibrahim bin Haji Keling, a Malaysian and aged 68, was appointed to the Board on 15 November 1994. He graduated with a Bachelor of Commerce Degree and a Diploma in Business Administration in 1969 both from the Victoria University of Wellington, New Zealand. He also attended a senior management course at Cambridge University, England in 1975/1976, and a Senior Managerial Program conducted by the Harvard Business School in 1988. He retired in 1993 where the last position he held was as Director of Management Service Department, FELDA. He also sat on the Board of Perbadanan Binaan FELDA. Currently, he is a director of several other private limited companies.

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

Encik Hisham bin Mahmood, Independent Non-Executive Director

Encik Hisham bin Mahmood, a Malaysian and aged 47, 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 Bhd 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 the Company.

Miss Kang Hui Ling, Independent Non-Executive Director

Miss Kang Hui Ling, a Malaysian and aged 34, 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 Malaysian Institute of Accountants. She is also an Independent Non-Executive Director of Ekovest Bhd and Knusford Bhd.

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

None of the Directors have convicted any offences over the past 10 years (except traffic offences, if any)



EXECUTIVE CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Pembinaan Limbongan Setia Bhd, I am pleased to present the Annual Report of the Company and the Group for the financial year ended 31st March 2006.



INDUSTRY TRENDS AND DEVELOPMENT

During this financial year, the overall industries in Malaysia face challenges brought about by the increase in crude oil price and interest rates. However, investors' confidence has been bolstered by the allocation for infrastructure development under the 9th Malaysia Plan ("9th MP"). Gross domestic growth has been forecasted at 6% per annum for the incoming year while the government has allocated RM17.3 billion and RM3.64 billion for the building and maintenance of infrastructure in rural and urban areas respectively. Strong commodities prices supported the growth and improve the performance of the timber sector even though the strengthening of Ringgit against other major currencies has been predicted to bring some adverse effect on the export market.

(Source: 9th Malaysia Plan)

FINANCIAL RESULTS

The Group's turnover has slightly declined from RM62.8 million in financial year 2005 to RM58.9 million in financial year ended 2006. However, the Group's pre-tax profit has significantly improved by 184% standing at RM5.4 million as compared to a pre tax profit of RM1.9 million achieved in financial year 2005 as a result of better profit margin attained in the company's operations. Henceforth, the Group's net assets per share attributable to shareholders of the holding company has improved from RM1.05 per share in the previous financial year to RM1.09 per share in the current financial year.

CORPORATE DEVELOPMENT

The Group has deferred all major corporate exercise in this financial year to concentrate better on its core business and the development of its newly established plantation business. As at to-date, there is an unutilized fund of RM11.3 million from the rights issue proceeds. The board will look into other potential investment opportunities and portfolio and make suitable investment with this fund to improve the performance of the Group.





EXECUTIVE CHAIRMAN'S STATEMENT (cont'd)

OPERATION REVIEW

Construction

During the year, the Company has concentrated in completing the projects in hand. However, the company's turnover has reduced by 66% at RM17.5 million as compared to the turnover of RM50.9 million achieved in financial year 2005 due to the overall slow down in public expenditure and limitation of projects available.

Plantation

The company's subsidiary, Aramijaya Sdn Bhd continues to perform well in the plantation sector. Global demand for its products, ranging from wood chips, logs and sawn timber continue to soar. The demand for mixed hardwood locally is also encouraging. The plantation sector of the company has achieved a turnover of RM41.2 million from such trend. This impressive growth in the plantation sector has encouraged the company to plan for overseas export market and expand further into this area.

PROSPECT

The Board is optimistic of the company's prospect in the construction sector with the unveiling of the 9th MP. Together with the increase demand in wood chips and other related products, both locally and overseas, the Board is confident that the Group's performance will improve in the incoming financial year.

DIVIDEND

The Board of Directors does not recommend any dividend payment in respect of the financial year ended 31st March 2006 at the forthcoming Annual General Meeting.

APPRECIATION

Mr. Sum Kwai Sang has resigned from the Board with effect from 6th October 2005. We wish to take this opportunity to extend our appreciation for Mr. Sum's contribution to the Board and the company during his term as director with us. We also wish to take this opportunity to welcome Dato' Lim Kang Poh who has joined our board recently. At the same time, on behalf of the Board, I would also like to thank all our management and staff, valued shareholders, financiers and business associates of the Group and the Company for their undivided loyalty, commitment and support throughout this year.

JOHAR SALIM BIN YAHAYA

Executive Chairman

4th September 2006





STATEMENT ON CORPORATE GOVERNANCE

A. 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 6 to 7 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 2006, 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	5/5
2. Dato' Lim Kang Yew	4/5
3. Dato' Haji Ibrahim Bin Haji Keling	5/5
4. Mr. Sum Kwai Sang (Resigned w.e.f. 6 October 2005)	2/3
5. Dato' Lim Kang Poh (Appointed w.e.f. 6 October 2005)	2/2
6. Encik Hisham Bin Mahmood	5/5
7. Dato' Lim Kang Hoo	5/5
8. Miss Kang Hui Ling	5/5



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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:

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

Training

In compliance with the Listing Requirements of BMSB, all Directors have attended the required Mandatory Accreditation Training Programme. Following the repeal of Practice Note No. 15 on the Continuing Education Programme (CEP) prescribed by BMSB, the Board of Directors will evaluate and determine training needs of its Directors on a continuous basis.

Throughout the year, the Directors received updates and briefing on changes in accounting standards, reporting updates, changes/amendments to the Listing Requirements of BMSB and latest business and market developments of the Group's core business.

B. 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 PLSB during the financial year ended 31 March 2006 are as follows:

	Fees (RM)	Salaries (RM)	Bonus (RM)	Benefit in kinds (RM)	Other emoluments (RM)	Total (RM)
Executive Directors	-	541,200	30,000	54,075	-	625,275
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	-	6
RM100,000 to RM150,000	1	-
RM450,000 to RM500,000	1	-



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

C. 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 25 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.

D. 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.

E. 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.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

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.

F. 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 2006 with the principles and best practices as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance and the BMSB requirements except the following:

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

OTHER INFORMATION

(i) Utilisation of Proceeds

The status of utilisation of proceeds from Rights Issue as at 29 August 2006.

	Proposed Utilisation RM'000	Utilised Todate RM'000	Balance RM'000
Construction of Akademi Audit Negara	5,500	5,500	-
Working Capital	37,169	26,039	11,130
Expenses related to Rights Issue*	891	891	-
	43,560	30,430	11,130

*Unutilised expenses relating to Right Issue of RM409,000 has been reclassified to Working Capital. The utilisation of Right Issues proceeds has been further extended from 13 February 2006 to 13 February 2007.

(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 any options, warrants or convertible securities during the financial year.



STATEMENT ON CORPORATE GOVERNANCE (cont'd)

Other information (cont'd)

(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

On 3 March 2006, the Company has been served a public reprimand by Bursa Malaysia Securities Bhd for breaching Paragraph 9.19 (19) of the Bursa Securities Listing Requirement for failure to make an immediate announcement when a winding up petition was served on the Company on 17 November 2005 on the case involving Radex Sdn Bhd and the Company. The Company only made the announcement on 9 December 2005.

(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 Company did not make any profit estimate, forecast or projection for the financial year. The audited profit after tax and minority interest for the financial year ended 31 March 2006 was RM2.8 million as compared to the previously announced unaudited profit of RM3.4 million. The reconciliation is as follow:

	Amount (RM 000)
Unaudited profit as announced on 26 May 2006	3,372
Reduction of amortisation of forest plantation	264
Increase in depreciation charges	(2)
Cost understated	(157)
Increase in valuation of inventories	445
Recognition of deferred tax liability	(1,425)
Adjustment of minority interest arising from the above	262
Profit as per audited accounts	2,759

(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 (cont'd)



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 18 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.



AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

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)
(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.



AUDIT COMMITTEE REPORT (cont'd)

FUNCTIONS OF AUDIT COMMITTEE

The functions of the Audit Committee shall be:

- 1 Review the following and report the same to the board of directors 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 2006. 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 2006, the activities of the Audit Committee covered, among others, the following:-

1. Reviewed financial statements including quarterly financial announcements to the 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 2005.
4. Reviewed audit fees of the external auditors in respect of the audit for the financial year ended 31 March 2005.
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.



AUDIT COMMITTEE REPORT (cont'd)

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

During the year ended 31 March 2006, 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
Ms. Kang Hui Ling	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.



**Pembinaan Limbongan
Setia Berhad**
(Company No. 160032-K)



FINANCIAL STATEMENTS

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

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 2006.

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	2,759,116	256,533

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

No dividend was paid during the year and 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
Dato' Lim Kang Hoo
Hisham bin Mahmood
Kang Hui Ling
Dato' Lim Kang Poh (appointed on 6.10.2005)
Sum Kwai Sang (resigned on 6.10.2005)

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 RM1 each			
	At 1.4.2005	Bought	Sold	At 31.3.2006

Shareholdings in which a Director has direct interest

Interest of Dato' Lim Kang Yew in: Company	9,295,000	-	-	9,295,000
---	-----------	---	---	-----------

By virtue of his interests in the Company, Dato' Lim Kang Yew is also deemed interested in the shares of the subsidiaries of Pembinaan Limbongan Setia Berhad to the extent that Pembinaan Limbongan Setia Berhad has an interest.

None of the other Directors holding office at 31 March 2006 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 certain 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 and debentures

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.



DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006 (cont'd)

Other statutory information (cont'd)

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 2006 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.

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: 19 July 2006



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 27 to 60 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 2006 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: 19 July 2006

STATUTORY DECLARATION

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Kwok Chee Seong, 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 27 to 60 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 19 July 2006

.....
Kwok Chee Seong

Before me:
Barathan A/L Sinniah@Chinniah, AMN, PJK
Commission 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 27 to 60. 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 2006 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.

The audit reports on the financial statements of other subsidiaries which have been audited were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Kuala Lumpur,

Date: 19 July 2006

Abdullah Abu Samah
Partner
Approval Number: 2013/06/08(J)



CONSOLIDATED BALANCE SHEET AT 31 MARCH 2006

	Note	Group	
		2006 RM	2005 RM
Property, plant and equipment	2	28,783,172	24,041,145
Forest plantation project	3	39,806,600	41,479,797
Deferred interests	4	15,329,781	16,548,045
Goodwill on consolidation	6	1,222,936	1,294,873
Current assets			
Inventories	7	4,094,246	3,370,177
Trade and other receivables	8	29,757,852	43,604,088
Tax recoverable		1,583,531	916,663
Cash and cash equivalents	9	31,855,434	26,376,722
		67,291,063	74,267,650
Current liabilities			
Trade and other payables	10	23,552,700	35,084,994
Amount due to Johor State Government	11	4,049,247	18,965,050
Borrowings	12	506,526	88,636
Taxation		21,081	20,177
		28,129,554	54,158,857
Net current assets		39,161,509	20,108,793
		124,303,998	103,472,653
Financed by:			
Capital and reserves			
Share capital	13	65,340,000	65,340,000
Reserves		5,755,774	2,996,658
Shareholders' funds		71,095,774	68,336,658
Minority shareholders' interests	15	1,459,149	369,501
Long term and deferred liabilities			
Amount due to Johor State Government	11	48,590,961	33,675,158
Borrowings	12	774,367	132,589
Deferred tax liabilities	16	2,383,747	958,747
		124,303,998	103,472,653

The financial statements were approved and authorised for issue by the Board of Directors on 19 July 2006.

The notes set out on pages 37 to 60 form an integral part of, and should be read in conjunction with, these financial statements.



CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 RM	Group 2005 RM
Revenue			
- Contract revenue		17,496,768	50,857,513
- Sale of goods		39,682,079	7,216,395
- Logging income		1,554,198	4,750,000
- Management fees		144,000	-
		58,877,045	62,823,908
Cost of sales			
- Contract costs recognised as an expense		(15,933,011)	(47,464,037)
- Sale of goods		(31,314,062)	(7,045,586)
		11,629,972	8,314,285
Gross profit			
Administration expenses		(3,673,873)	(2,696,723)
Other operating expenses		(2,292,537)	(4,044,931)
Other operating income		670,307	1,217,537
Operating profit	17	6,333,869	2,790,168
Interest expense	18	(1,422,674)	(1,427,388)
Interest income		513,563	586,052
Profit before taxation		5,424,758	1,948,832
Tax expense	20	(1,575,994)	(389,796)
Profit after taxation		3,848,764	1,559,036
Minority interests		(1,089,648)	(263,313)
Net profit for the year		2,759,116	1,295,723
Basic earnings per ordinary share (sen)	21	4.22	1.98

The notes set out on pages 37 to 60 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 2006



Group	Note	Share capital RM	<i>Non- distributable</i> Share premium RM	(Accumulated losses)/Retained profits RM	Total RM
At 1 April 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
Net profit for the year		-	-	2,759,116	2,759,116
At 31 March 2006		65,340,000	4,621,163	1,134,611	71,095,774
		Note 13	Note 14		

The notes set out on pages 37 to 60 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 2006

	Group	
	2006 RM	2005 RM
Cash flows from operating activities		
Profit before taxation	5,424,758	1,948,832
Adjustments for:		
Amortisation of deferred interests	1,218,264	1,218,264
Amortisation of forest plantation project	1,673,197	446,483
Amortisation of goodwill	71,937	71,937
Depreciation	3,352,410	2,164,486
Gain on disposal of property, plant and equipment	(521,364)	(1,111,682)
Interest expense	204,410	209,124
Interest income	(513,563)	(586,052)
Operating profit before working capital changes	10,910,049	4,361,392
(Increase)/Decrease in working capital:		
Inventories	(724,069)	(2,869,152)
Trade and other receivables	13,846,236	2,718,746
Trade and other payables	(11,532,294)	(9,337,556)
Cash generated from/(used in) operations	12,499,922	(5,126,570)
Income taxes paid	(816,958)	(1,126,140)
Net cash generated from/(used in) operating activities	11,682,964	(6,252,710)
Cash flows from investing activities		
Interest received	513,563	586,052
Proceeds from disposal of property, plant and equipment	650,449	1,366,500
Purchase of property, plant and equipment (ii)	(6,727,522)	(571,162)
Net cash (used in)/generated from investing activities	(5,563,510)	1,381,390

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006 (cont'd)



	Group	
	2006 RM	2005 RM
Cash flows from financing activities		
Withdrawals/(placements) in pledged deposits placed with licensed banks	92,449	(609,744)
Interest paid	(204,410)	(209,124)
Repayments of hire purchase liabilities	(436,332)	(235,162)
Repayments to affiliated company	-	(5,321,935)
Dividend paid to shareholders of the Company	-	(1,411,344)
Net cash used in financing activities	(548,293)	(7,787,309)
Net increase/(decrease) in cash and cash equivalents	5,571,161	(12,658,629)
Cash and cash equivalents at beginning of year	24,763,762	37,422,391
Cash and cash equivalents at end of year	(i) 30,334,923	24,763,762

i) Cash and cash equivalents

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

	Group	
	2006 RM	2005 RM
Cash and bank balances	16,420,977	21,768,811
Deposits (excluding deposits pledged)	13,913,946	2,994,951
	30,334,923	24,763,762

ii) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM8,223,522 (2005 - RM8,702,719) of which RM Nil (2005 - RM666,678) were acquired by way of contra of trade receivables against properties, RM1,496,000 (2005 - RM Nil) were acquired by means of hire purchases and RM Nil (2005 - RM7,464,879), which have not been paid but accounted for in other payables.

The notes set out on pages 37 to 60 form an integral part of, and should be read in conjunction with, these financial statements.



BALANCE SHEET AT 31 MARCH 2006

	Note	2006 RM	Group 2005 RM
Property, plant and equipment	2	3,113,196	3,319,655
Investments in subsidiaries	5	891,002	891,002
Current assets			
Trade and other receivables	8	46,247,285	54,754,303
Cash and cash equivalents	9	30,153,624	26,265,388
		76,400,909	81,019,691
Current liabilities			
Trade and other payables	10	12,844,349	18,064,222
Borrowings	12	75,388	30,840
Taxation		21,081	20,177
		12,940,818	18,115,239
Net current assets		63,460,091	62,904,452
		67,464,289	67,115,109
Financed by:			
Capital and reserves			
Share capital	13	65,340,000	65,340,000
Reserves		2,031,642	1,775,109
Shareholders' funds		67,371,642	67,115,109
Long term liabilities			
Borrowings	12	92,647	-
		67,464,289	67,115,109

The financial statements were approved and authorised for issue by the Board of Directors on 19 July 2006.

The notes set out on pages 37 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006



		Company	
	Note	2006 RM	2005 RM
Contract revenue		17,496,768	50,857,513
Contract costs recognised as an expense		(15,933,011)	(47,464,037)
Gross profit		1,563,757	3,393,476
Administration expenses		(720,718)	(761,799)
Other operating expenses		(1,486,769)	(3,207,164)
Other operating income		550,164	1,157,482
Operating (loss)/profit	17	(93,566)	581,995
Interest expense	18	(12,470)	(25,487)
Interest income		513,563	586,052
Profit before taxation		407,527	1,142,560
Tax expense	20	(150,994)	(389,796)
Net profit for the year		256,533	752,764

The notes set out on pages 37 to 60 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 2006

Company	Note	Share capital RM	Non -distributable Share premium RM	(Accumulated losses)/Retained profits RM	Total RM
At 1 April 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
Net profit for the year		-	-	256,533	256,533
At 31 March 2006		65,340,000	4,621,163	(2,589,521)	67,371,642
		Note 13	Note 14		

The notes set out on pages 37 to 60 form an integral part of, and should be read in conjunction with, these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006



	Company	
	2006 RM	2005 RM
Cash flows from operating activities		
Profit before taxation	407,527	1,142,560
Adjustments for:		
Depreciation	335,803	544,500
Gain on disposal of property, plant and equipment	(521,364)	(1,111,682)
Interest expense	12,470	25,487
Interest income	(513,563)	(586,052)
Operating (loss)/profit before working capital changes	(279,127)	14,813
(Increase)/Decrease in working capital:		
Trade and other receivables	14,457,018	3,087,171
Trade and other payables	(5,219,873)	(3,830,169)
Cash generated from/(used in) operations	8,958,018	(728,185)
Income taxes paid	(150,090)	(207,570)
Net cash generated from/(used in) operating activities	8,807,928	(935,755)
Cash flows from investing activities		
Interest received	513,563	586,052
Purchase of property, plant and equipment	(ii) (11,746)	(3,500)
Proceeds from disposal of property, plant and equipment	650,449	1,366,500
Net cash generated from investing activities	1,152,266	1,949,052



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006 (cont'd)

	Company	
	2006 RM	2005 RM
Cash flows from financing activities		
Withdrawals/(placements) in pledged deposits placed with licensed banks	92,449	(609,744)
Interest paid	(12,470)	(25,487)
Repayments of hire purchase liabilities	(109,488)	(177,369)
Advances to subsidiaries	(5,950,000)	(11,429,597)
Dividend paid to shareholders of the Company	-	(1,411,344)
Net cash used in financing activities	(5,979,509)	(13,653,541)
Net increase/(decrease) in cash and cash equivalents	3,980,685	(12,640,244)
Cash and cash equivalents at beginning of year	24,652,428	37,292,672
Cash and cash equivalents at end of year	(i) 28,633,113	24,652,428

i) Cash and cash equivalents

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

	Company	
	2006 RM	2005 RM
Cash and bank balances	14,719,167	21,657,477
Deposits (excluding deposits pledged)	13,913,946	2,994,951
	28,633,113	24,652,428

ii) Purchase of property, plant and equipment

During the year, the Company acquired property, plant and equipment with an aggregate cost of RM258,429 (2005 – RM670,178) of which RM Nil (2005 - RM666,678) were acquired by way of contra of trade receivables against properties and RM246,683 (2005 - RM Nil) were acquired by means of hire purchases.

The notes set out on pages 37 to 60 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.

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:

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Summary of significant accounting policies (cont'd)

(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 ("Johor 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 represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is 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 inventories includes raw material, direct labour, and a proportion of operating overheads.

(h) Trade and other receivables

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

(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.



1. Summary of significant accounting policies (cont'd)

(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.

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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Summary of significant accounting policies (cont'd)

(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.

(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.



1. Summary of significant accounting policies (cont'd)

(q) Revenue (cont'd)

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 year.

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Property, plant and equipment

<i>Group</i>	Long term leasehold land RM	Short term leasehold land RM	Freehold land RM	Buildings RM	Plant and machineries RM	Office equipment RM	Motor vehicles RM	Fixture and fittings RM	Chipping plant factory RM	Total RM
<i>Cost</i>										
At 1 April 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
Additions	-	-	-	-	6,049,523	64,591	736,383	650,647	722,378	8,223,522
Disposals	-	-	-	-	(900,880)	(176,774)	(1,073,619)	(19,576)	-	(2,170,849)
Write-off	-	-	-	-	(134,455)	-	(50,000)	-	-	(184,455)
At 31 March 2006	1,559,299	11,504,465	98,000	1,215,860	16,325,608	1,328,012	5,768,824	843,370	5,060,756	43,704,194
<i>Accumulated depreciation</i>										
At 1 April 2005	31,937	987,508	-	198,971	5,791,257	1,097,749	5,428,185	129,073	130,151	13,794,831
Charge for the year	17,616	592,505	-	24,317	1,967,449	102,068	397,194	106,109	145,152	3,352,410
Disposals	-	-	-	-	(900,880)	(175,276)	(946,032)	(19,576)	-	(2,041,764)
Write-off	-	-	-	-	(134,455)	-	(50,000)	-	-	(184,455)
At 31 March 2006	49,553	1,580,013	-	223,288	6,723,371	1,024,541	4,829,347	215,606	275,303	14,921,022
<i>Net book value</i>										
At 31 March 2006	1,509,746	9,924,452	98,000	992,572	9,602,237	303,471	939,477	627,764	4,785,453	28,783,172
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
<i>Depreciation charge for the year ended</i>										
31 March 2005	11,230	592,505	-	29,317	766,121	116,547	502,673	15,942	130,151	2,164,486

NOTES TO THE FINANCIAL STATEMENTS (cont'd)



2. Property, plant and equipment (cont'd)

<i>Company</i>	Long term leasehold land RM	Freehold land RM	Buildings RM	Plant and machineries RM	Office equipment RM	Motor vehicles RM	Fixture and fittings RM	Total RM
<i>Cost</i>								
At 1 April 2005	1,559,299	98,000	1,215,860	4,704,251	1,380,578	5,575,153	115,150	14,648,291
Additions	-	-	-	-	11,746	246,683	-	258,429
Disposals	-	-	-	(900,880)	(176,774)	(1,073,619)	(19,576)	(2,170,849)
Write-off	-	-	-	(134,455)	-	(50,000)	-	(184,455)
At 31 March 2006	1,559,299	98,000	1,215,860	3,668,916	1,215,550	4,698,217	95,574	12,551,416
<i>Accumulated depreciation</i>								
At 1 April 2005	31,937	-	198,971	4,679,070	1,082,719	5,227,214	108,725	11,328,636
Charge for the year	17,616	-	24,317	8,794	81,574	202,034	1,468	335,803
Disposals	-	-	-	(900,880)	(175,276)	(946,032)	(19,576)	(2,041,764)
Write-off	-	-	-	(134,455)	-	(50,000)	-	(184,455)
At 31 March 2006	49,553	-	223,288	3,652,529	989,017	4,433,216	90,617	9,438,220
<i>Net book value</i>								
At 31 March 2006	1,509,746	98,000	992,572	16,387	226,533	265,001	4,957	3,113,196
At 31 March 2005	1,527,362	98,000	1,016,889	25,181	297,859	347,939	6,425	3,319,655
Depreciation charge for the year ended 31 March 2005	11,230	-	29,317	9,479	106,267	384,882	3,325	544,500



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Property, plant and equipment (cont'd)

The strata titles of buildings and titles of leasehold land of the Group and of the Company with net book value of RM555,972 (2005 - RM568,490) and RM1,220,527 (2005 - RM1,234,741) respectively are in the process of being transferred to the Company as the finalisation of the transfer is pending the approval from the relevant authorities.

Assets under hire purchase

Included in property, plant and equipment of the Group and of the Company are assets acquired under hire purchase agreements with net book value of RM1,477,064 (2005 - RM574,095) and RM205,569 (2005 - RM342,934) respectively.

3. Forest plantation project

	Group	
	2006 RM	2005 RM
Cost		
At 1 April/31 March	42,521,820	42,521,820
Accumulated amortisation		
At 1 April	1,042,023	595,540
Amortisation charge for the year	1,673,197	446,483
At 31 March	2,715,220	1,042,023
Net book value	39,806,600	41,479,797

The Company and a subsidiary, Aramijaya Sdn. Bhd. ("Aramijaya") entered into a Privatisation Agreement with the Johor State Government and YPJ Holdings Sdn. Bhd. ("YPJH") dated 4 December 2002 for the maintenance, operation and management of 35,223 hectares of forest plantation land for a period of 60 years. The area 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. In addition, 2,897 hectares of agricultural land with 99 years lease was also alienated to the Company. A consideration of RM62,269,805 was payable to the Johor State Government for the concession and alienation (see Note 11).

The privatisation was to be undertaken by a joint-venture between Aramijaya and YPJH who 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. Pursuant to this Joint Venture Agreement, Aramijaya shall pay a sum of RM5 million per annum for ten (10) years to YPJH commencing financial year ended 31 March 2003 being advances on expected minimum sum of profit for YPJH's 30% share in the operations of Aramijaya. No such advance has been made to date.

The consideration for the above project is to be repayable by instalments over the remaining stipulated repayment period of eighteen (18) years from the date of Privatisation Agreement. To arrive at the present value of the deferred consideration for the 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 interests (see Note 4). On 3 June 2003, the Company executed a guarantee in favour of the Johor State Government guaranteeing the instalment payments of Aramijaya.



3. Forest plantation project (cont'd)

Subsequent to the privatisation and alienation, Aramijaya discovered that a large portion of the land was water logged and unsuitable for plantation development and there were other parties who had applied for the land. 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 preceding paragraph, Aramijaya had written to Johor State Government requesting for a delay in the instalment payment and additional land to replace the loss of commercial timber.

In a letter dated 20 May 2005, the Johor State Government indicated that two plots of agricultural land measuring approximately 850 hectares and 2,047 hectares respectively, will be exchanged and alienated to YPJH. This in turn will be subsequently leased to Aramijaya for 99 years less one day.

In 2006, the Johor State Government has compensated Aramijaya with 622 acres of logging area and YPJH has agreed to defer the payment of the advances from Aramijaya of RM5 million per year for the expected minimum sum of profit for YPJH's 30% share in the operation of Aramijaya. The Directors are of the opinion that the current negotiation with the Johor State Government will result in a positive outcome for the replacement of land to compensate further for the loss of timber or the consideration of the forest plantation may be reduced accordingly.

4. Deferred interests

	Group	
	2006	2005
	RM	RM
Cost		
At 1 April/31 March	18,781,529	18,781,529
Accumulated amortisation		
At 1 April	2,233,484	1,015,220
Amortisation charge for the year	1,218,264	1,218,264
At 31 March	3,451,748	2,233,484
Net book value	15,329,781	16,548,045

Deferred interests represent the difference between the privatisation consideration of RM62,269,805 and the present value of forest plantation project of RM42,879,144 (see Note 3).

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

5. Investments in subsidiaries

	Company	
	2006	2005
	RM	RM
Unquoted shares, at cost	891,002	891,002



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. Investments in subsidiaries (cont'd)

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	
			2006 %	2005 %
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.*	Civil engineering and building works	Malaysia	100	100

* Not audited by KPMG.

6. Goodwill on consolidation

	Group	
	2006 RM	2005 RM
Cost		
At 1 April/31 March	1,438,747	1,438,747
Accumulated amortisation		
At 1 April	143,874	71,937
Amortisation charge for the year	71,937	71,937
At 31 March	215,811	143,874
Net book value	1,222,936	1,294,873

7. Inventories

	Group	
	2006 RM	2005 RM
Timber logs	1,850,836	945,098
Acacia offcut	-	49,556
Woodchip	2,243,410	2,375,523
	4,094,246	3,370,177

NOTES TO THE FINANCIAL STATEMENTS (cont'd)



8. Trade and other receivables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade receivables	6,972,775	20,400,331	5,595,280	20,180,047
Retention sums receivable	3,239,036	7,154,182	3,239,036	7,154,182
Other receivables, deposits and prepayments	10,506,446	11,757,148	141,057	833,875
Amount due from contract customers	8,892,315	4,156,602	8,892,315	4,156,602
Subsidiary - non trade	-	-	28,379,597	22,429,597
Related party - trade	147,280	135,825	-	-
	<u>29,757,852</u>	<u>43,604,088</u>	<u>46,247,285</u>	<u>54,754,303</u>

Included in trade receivables of the Group and of the Company are advances made to sub-contractors amounting to RM244,377 (2005 - RM1,238,883), which are unsecured and interest free. These advances will be set off against future claims from these sub-contractors.

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

- an amount of RM2.5 million (2005 - RM2.5 million) in respect of performance deposit paid to YPJH as security towards Aramijaya's performance and undertaking a major role in the proposed privatisation of forest plantation project (see Note 3).
- an amount of RM5 million (2005 - RM5 million) paid to YPJH in respect of advances made on expected minimum sum of profit for YPJH's 30% share in Aramijaya (see Note 3).
- an amount of RM684,450 (2005 - RM684,450) paid to YPJH in respect of land premium for agricultural land 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.

The amount due from related party is unsecured, interest free and has no fixed terms of repayment terms.

	Group and Company	
	2006 RM	2005 RM
<i>Amount due from contract customers</i>		
Aggregate costs incurred to date	114,696,164	209,576,059
Add: Attributable profits	5,416,082	19,636,844
Less: Foreseeable losses	(6,635,966)	(6,393,546)
	<u>113,476,280</u>	<u>222,819,357</u>
Less: Progress billings	(104,583,965)	(218,662,755)
	<u>8,892,315</u>	<u>4,156,602</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. Cash and cash equivalents

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Deposits placed with licensed banks	15,434,457	4,607,911	15,434,457	4,607,911
Cash and bank balances	16,420,977	21,768,811	14,719,167	21,657,477
	<u>31,855,434</u>	<u>26,376,722</u>	<u>30,153,624</u>	<u>26,265,388</u>

The deposits with licensed banks of RM1,520,511 (2005 - RM1,612,960) of the Group and the Company are held under lien for overdraft facility and pledged against bank guarantees granted to the Group and to the Company. The overdraft facility is not utilised at year end.

10. Trade and other payables

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables	9,914,983	10,058,833	6,675,088	9,693,803
Retention sums payable	5,915,262	8,113,376	5,915,262	8,113,376
Other payables and accrued expenses	4,340,721	5,627,235	253,999	257,043
Advances received from customers	234,311	181,953	-	-
Related parties				
- trade	99,295	268,914	-	-
- non trade	3,048,128	10,834,683	-	-
	<u>23,552,700</u>	<u>35,084,994</u>	<u>12,844,349</u>	<u>18,064,222</u>

Included in other payables in the previous year was an amount payable in respect of acquisition of a leasehold land of RM1,294,252.

The amount due to related parties is unsecured, interest free and on negotiated repayment terms except for an amount of RM14,908 (2005 - RM3,150,627) which is subject to interest at 6% per annum with a fixed term of repayment. Non-trade balances with related parties mainly comprise advances and purchases of plant and machinery.

11. 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 RM62,269,805 and comprises the following:

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



11. Amount due to Johor State Government (cont'd)

Included in Federal Loans is an amount of RM13,079,871 or USD 3,442,071 disbursed by the Federal Government to the Johor State Government in USD currency and had been translated into Malaysian currency for the purpose of the payment schedule at the prevailing exchange rate of USD1.00 = RM3.80. In the future when the repayment of the foreign currency advances become due, should the exchange rate varies, Aramijaya 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's obligations, the Company has undertaken to provide corporate guarantee in favour of the Johor 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 RM9,629,597 to the Johor State Government. The movement in amount due to Johor State Government is as follows:

	Group	
	2006 RM	2005 RM
Total privatisation consideration payable	62,269,805	62,269,805
Less: Installment paid	(9,629,597)	(9,629,597)
	<u>52,640,208</u>	<u>52,640,208</u>

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

	Group	
	2006 RM	2005 RM
Due within the next twelve months - current	4,049,247	18,965,050
Due after the next twelve months - non-current	48,590,961	33,675,158
	<u>52,640,208</u>	<u>52,640,208</u>

Included in amount due within the next twelve months is four instalment payments which were due on 1 October 2002, 1 October 2003, 1 October 2004, and 1 October 2005 respectively totalling RM18,965,050 to the Johor State Government. On 1 October 2002, Aramijaya has defaulted the 2nd instalment payment to the Johor State Government due to the matter arising from the privatisation of forest plantation as stated in Note 3.

In the event of delay in payments of any instalments, 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.

On 26 January 2006, Aramijaya received a written reply from a relevant authority which in principle has agreed to the deferment of the second instalment on 1 October 2002 to a later date in year 2006. However, the revised repayment schedule will be subject to the approval from the Johor State Government. The Directors are of the opinion that the revised repayment schedule will be approved by the Johor State Government, wherein, an amount of RM4,049,247 will be repayable within the next twelve months based on the revised repayment schedule.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

11. Amount due to Johor State Government (cont'd)

In the opinion of the Directors, Aramijaya will be successful in obtaining the waiver of the interest charged on the overdue instalments of RM2.9 million, which has not been accrued for.

12. Borrowings

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current				
Hire purchase liabilities	506,526	88,636	75,388	30,840
Non-current				
Hire purchase liabilities	774,367	132,589	92,647	-

Terms and debt repayment schedule:

Hire purchase liabilities of the Group and of the Company is subject to a fixed interest rates ranging from 2.35% to 4.53% (2005 - 3.45% to 4.95%) per annum and 2.53% to 4.10% (2005 - 3.90% to 4.95%) per annum respectively.

	Total RM	Under 1 year RM	1 - 2 years RM	3 - 5 years RM
Group				
Hire purchase liabilities	1,280,893	506,526	510,160	264,207
Company				
Hire purchase liabilities	168,035	75,388	79,130	13,517

Hire purchase liabilities

Hire purchase liabilities are payable as follows:

	Payments 2006 RM	Interest 2006 RM	Principal 2006 RM	Payments 2005 RM	Interest 2005 RM	Principal 2005 RM
Group						
Less than one year	572,467	65,941	506,526	102,489	(13,853)	88,636
Between one and five years	868,149	93,782	774,367	155,891	(23,302)	132,589
	1,440,616	159,723	1,280,893	258,380	(37,155)	221,225
Company						
Less than one year	81,780	6,392	75,388	34,509	(3,669)	30,840
Between one and five years	95,375	2,728	92,647	-	-	-
	177,155	9,120	168,035	34,509	(3,669)	30,840

NOTES TO THE FINANCIAL STATEMENTS (cont'd)



13. Share capital

	Group and Company	
	2006	2005
	RM	RM
Ordinary shares of RM1 each:		
Authorised	200,000,000	200,000,000
Issued and fully paid	65,340,000	65,340,000

14. Share premium

	Group and Company	
	2006	2005
	RM	RM
Non-distributable Share premium	4,621,163	4,621,163

Share premium arose from issuance of ordinary shares at an issue price higher than its nominal value.

15. Minority shareholders' interests

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

16. Deferred tax liabilities

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

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deferred tax liabilities	(2,383,747)	(958,747)	-	-

Deferred tax liabilities and assets are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

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

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Other temporary differences	(3,443,230)	(3,366,475)	-	-
Unutilised tax losses	1,059,483	1,742,529	-	-
Unutilised capital allowances	-	665,199	-	-
	(2,383,747)	(958,747)	-	-



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. Deferred tax liabilities (cont'd)

No deferred tax asset has been recognised for the following items:

	Group and Company	
	2006	2005
	RM	RM
Deductible temporary differences	653,000	2,071,000
Unutilised tax losses	16,642,000	16,371,000
	<u>17,295,000</u>	<u>18,442,000</u>

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.

17. Operating profit/Operating (loss)/profit

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Operating profit/Operating (loss)/ profit is arrived at after crediting:				
Gain on disposal of property, plant and equipment	521,364	1,111,682	521,364	1,111,682
Rental income from hire of plant and machinery	57,819	51,125	-	-
Rental income from apartment	28,800	43,000	28,800	43,000
Reversal of allowance for doubtful debts	1,256,276	-	1,256,276	-
and after charging:				
Amortisation of forest plantation (Note 3)	1,673,197	446,483	-	-
Amortisation of deferred interests (Note 4)	1,218,264	1,218,264	-	-
Amortisation of goodwill (Note 6)	71,937	71,937	-	-
Auditors' remuneration				
- Holding company auditors	41,500	41,500	41,500	41,500
- Other auditors	18,800	18,650	-	-
Bad debts written off	-	872,505	-	759,180
Depreciation (Note 2)	3,352,410	2,164,486	335,803	544,500
Company's Directors				
- Remuneration	571,200	577,920	571,200	577,920
- Fees	25,000	25,000	25,000	25,000
Rental of plant and machinery	2,182,487	1,843,605	12,690	88,856
Rental of premises	193,463	293,260	119,100	151,525
Rental of motor vehicles	135,068	48,859	-	-

The estimated monetary value of Directors' benefits-in-kind is RM54,075 (2005 - RM54,650).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)



18. Interest expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Amortisation of deferred interests (Note 4)	1,218,264	1,218,264	-	-
Hire purchase interest	60,224	33,538	11,854	23,354
Interest expenses on amount due to a related party	143,570	124,311	-	-
Overdraft interest	-	51,275	-	2,133
Others	616	-	616	-
	<u>1,422,674</u>	<u>1,427,388</u>	<u>12,470</u>	<u>25,487</u>

19. Employee information

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Contributions to Employees' Provident Fund	453,466	318,064	143,006	193,923
Other staff costs (emoluments of Directors and staff)	7,556,797	4,276,958	2,186,477	2,120,386
	<u>8,010,263</u>	<u>4,595,022</u>	<u>2,329,483</u>	<u>2,314,309</u>

The number of employee of the Group and of the Company (including Executive Directors) at the end of the year was 259 (2005 - 191) and 31 (2005 - 37) respectively.

20. Tax expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense				
- current year	150,994	171,780	150,994	171,780
- overprovision in prior years	-	(691,162)	-	-
	<u>150,994</u>	<u>(519,382)</u>	<u>150,994</u>	<u>171,780</u>
Deferred tax expenses				
- origination and reversal of temporary differences	1,425,000	909,178	-	218,016
	<u>1,575,994</u>	<u>389,796</u>	<u>150,994</u>	<u>389,796</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. Tax expense (cont'd)

Reconciliation of effective tax expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before taxation	5,424,758	1,948,832	407,527	1,142,560
Income tax using Malaysian tax rate	1,518,975	545,673	114,108	319,917
Non-deductible expenses	384,577	460,635	178,067	192,927
Effect of deferred tax assets not recognised	-	79,060	-	-
Effect of deferred tax assets now recognised	(321,000)	-	(321,000)	(118,638)
Other items	(6,558)	(4,410)	179,819	(4,410)
	1,575,994	1,080,958	150,994	389,796
Over provision in prior years	-	(691,162)	-	-
Tax expense	1,575,994	389,796	150,994	389,796

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 RM2,759,116 (2005 - RM1,295,723) and the number of ordinary shares outstanding during the year of 65,340,000 (2005 - 65,340,000).

22. Dividend

	Group and Company	
	2006 RM	2005 RM
Ordinary:		
Final paid:		
2004 – 3% per share less tax	-	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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)



23. Segmental information (cont'd)

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.

	<-----2006----->				
	Construction RM	Management service RM	Forest plantation RM	Eliminations RM	Consolidated RM
Business Segments					
Revenue	17,496,768	144,000	41,236,277	-	58,877,045
Segment result	(94,961)	(52,741)	6,553,508	-	6,405,806
Unallocated expenses					(71,937)
Operating profit					6,333,869
Interest expense					(1,422,674)
Interest income					513,563
Profit before taxation					5,424,758
Tax expense					(1,575,994)
Minority interests					(1,089,648)
Net profit for the year					2,759,116
Segment assets	80,405,242	1,915,087	98,160,886	(29,270,599)	151,210,616
Unallocated assets					1,222,936
Total assets					152,433,552
Segment liabilities	13,043,495	1,910,999	93,303,732	(28,379,597)	79,878,629
Capital expenditure	258,429	-	7,965,093	-	8,223,522
Depreciation and amortisation	335,803	1,617	5,906,451	-	6,243,871
Unallocated amortisation					71,937
Total depreciation and amortisation					6,315,808
Non-cash expenses other than depreciation and amortisation	-	-	38,856	-	38,856



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. Segmental information (cont'd)

	<-----2005----->				
	Construction RM	Management service RM	Forest plantation RM	Eliminations RM	Consolidated 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

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 Limbongan Setia Corporation Sdn. Bhd., Wengcon Holdings Sdn. Bhd., Wengcon Equipment Sdn. Bhd., Wengcon Marketing Sdn. Bhd., Segi Gemilang Sdn. Bhd., Felda Ekovest Sdn. Bhd. and Ekovest Construction Sdn. Bhd. which are deemed related to Dato' Lim Kang Yew, Dato' Lim Kang Hoo and Dato' Lim Kang Poh.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)



24. Related parties (cont'd)

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Transactions				
With companies deemed related to certain Directors:				
Sales	(109,996)	(135,825)	-	-
Purchases	2,850,706	2,671,243	-	-
Felling charges	-	268,913	-	-
Rental and purchase of machinery	1,640,307	3,951,666	-	-
Rental of equipment	1,000,000	1,000,000	-	-
Rental and purchase of motor vehicle	-	118,934	-	-
Interest payable	-	124,311	-	-
Progress billing for construction work	754,095	4,338,378	-	-
Secondment fee	-	325,315	-	-
Rental of premise	108,000	108,000	108,000	108,000

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

25. Financial instruments

Financial risk management objectives and policies

Exposure to credit risk, foreign currency risk, interest rate risk and liquidity risk arises in the normal course of the Group and the Company's business. The Group and the Company's policy for managing these risks is summarised below.

Credit risk

The exposure to credit risk is monitored by the management on an ongoing basis. The Group and the Company do not require collateral in respect of financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Foreign currency risk

The Group and the Company do not have any significant exposure to foreign currency risk as its transactions and balances are substantially denominated in Ringgit Malaysia, other than those disclosed in Note 11 to the financial statement. The Group and the Company does not transact in any derivative financial instruments.

Interest rate risk

Interest earnings financial assets of the Group and the Company are mainly deposits placed with licensed banks that attract interest income. The Group and the Company have interest bearing financial liabilities with fixed interest rates. 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Financial instruments(cont'd)

Liquidity risk

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

The following table shows information about the Group's and the Company's exposure to interest rate risk.

Effective interest rates and repricing analysis

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

	<-----2006----->			<-----2005----->		
	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	1.57	15,434,457	15,434,457	3.10	4,607,911	4,607,911
Financial liability						
Amount due to a related party	6.00	14,908	14,908	6.00	3,150,627	3,150,627
Company						
Financial asset						
Deposits placed with licensed banks	1.57	15,434,457	15,434,457	3.10	4,607,911	4,607,911

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 STATEMENTS (cont'd)



25. Financial instruments(cont'd)

The aggregate fair value of the other financial liability carried on the balance sheet as at 31 March 2006 are shown below:

	Group			
	2006		2005	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial liability				
Amount due to Johor State				
Government	52,640,208	-	52,640,208	-
Less : Deferred interest	(15,329,781)	-	(16,548,045)	-
	<u>37,310,427</u>	<u>37,310,427</u>	<u>36,092,163</u>	<u>36,092,163</u>

The fair value has been determined by discounting the relevant cash flows repayment using approximate current interest rate. For this purpose, the fair value is based on the net carrying amount of the amount due to Johor State Government less the net carrying amount of deferred interests (Note 4).

26. Contingent liabilities

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<i>Unsecured</i>				
Performance bond to third parties in respect of projects	4,696,054	11,562,764	4,696,054	11,562,764
Bank guarantee to third parties in respect of purchasing material for projects	-	150,000	-	150,000
Performance bond to subsidiary in respect of a project	-	-	467,775	-
Corporate guarantee to subsidiary in respect of purchasing of machinery	-	-	1,920,292	1,000,000
Corporate guarantee to subsidiary in respect of motor vehicle	-	-	528,800	158,800
Corporate guarantee to subsidiary in respect of repayment to Johor State Government	-	-	52,640,208	52,640,208
	<u>4,696,054</u>	<u>11,712,764</u>	<u>60,253,129</u>	<u>65,511,772</u>



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. Material litigations

Company

- (i) As previously reported, an ex-contractor filed a claim of RM14.6 million against the Company for alleged damages which arose as a result of a breach of a contract. The Company has counter-claimed for a sum of RM1.1 million, which is to be resolved through an arbitration. The ex-contractor has since went into receivership and its solicitors are awaiting instruction from the Official Receiver as to whether to discharge the case.

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.

- (ii) A contractor filed a claim against the Company for a breach of RM10.4 million. The Company has counter claimed for a sum of RM1 million, alleging that the contractor has breached their obligations for a sub-contract work.

The Directors are of the opinion that there is no merit to the claim by the contractor and the Company has a good defence to the contractor's claim.

28. Comparative figures

The following comparatives have been restated to conform with current year presentation:

	Group		Company	
	As restated	As previously	As restated	As previously
	RM	stated	RM	stated
		RM		RM
Income statement				
Contract costs recognised as				
an expense	47,464,037	50,671,201	47,464,037	50,671,201
Other operating expenses	4,044,931	837,767	3,207,164	-



ANALYSIS OF SHAREHOLDINGS

ANALYSIS OF SHAREHOLDINGS AS AT 11 AUGUST 2006

Authorised Share Capital : RM200,000,000
Issue and Fully Paid-up : RM65,340,000
Class of Shares : Ordinary shares of RM1.00 each
Voting Right : One vote per ordinary share

1. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	68	6.27	785	0.00
100 - 1,000	406	37.45	219,680	0.34
1,001 - 10,000	465	42.90	1,850,250	2.83
10,001 - 100,000	101	9.32	3,158,700	4.83
100,001- less than 5%	40	3.69	25,015,585	38.29
5% and above	4	0.37	35,095,000	53.71
TOTAL	1084	100.00	65,340,000	100.00



ANALYSIS OF SHAREHOLDINGS (cont'd)

2. THIRTY (30) LARGEST SHAREHOLDERS

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. Dato' Lim Kang Yew	9,295,000	14.23
4. OSK Nominees (Tempatan) Sdn Bhd - Kumpulan Prasarana Rakyat Johor Sdn Bhd	5,100,000	7.81
5. Segi Satria Sdn. Bhd.	3,230,000	4.94
6. Limbongan Resources Sdn. Bhd.	3,000,000	4.59
7. Lim Keng Cheng	2,283,000	3.49
8. Limbongan Resources Sdn. Bhd.	1,494,000	2.29
9. Wong Yit Choy	1,350,000	2.07
10. Yap Shing @ Yap Sue Kim	1,309,200	2.00
11. Lim Seong Hai Holdings Sdn. Bhd.	1,080,000	1.65
12. Mohd Saini bin Kariman	1,035,000	1.58
13. Lam Mee Ling	1,014,600	1.55
14. Amsec Nominees (Tempatan) Sdn Bhd pledged securities account for Goh Eng Keong	905,500	1.39
15. Khoo Nang Seng @ Khoo Nam Seng	633,000	0.97
16. Mayban Securities Nominees (Tempatan) Sdn Bhd pledged securities account for Pang Piu Fong	558,500	0.85
17. Mohamad Nor bin Hamid	519,000	0.79
18. Roslee bin Daud	504,000	0.77
19. Mayban Securities Nominees (Tempatan) Sdn. Bhd. pledged securities account for Cheong Meow Yen	453,500	0.69
20. Loh Yu San	385,800	0.59
21. Lee Hun Kheng	373,500	0.57
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	307,800	0.47
25. Lim Hoe	289,000	0.44
26. Koh Chaw Huah	285,000	0.44
27. Mayban Securities Nominees (Tempatan) Sdn. Bhd. pledged securities account for Naharuddin bin Nizam	281,500	0.43
28. A.A. Assets Nominees (Tempatan) Sdn. Bhd. pledged securities account for Wong Khai Shiang	279,600	0.43
29. Rahaimi bin Abdul Rahman	255,800	0.39
30. Koh Hong Seng	239,300	0.37
TOTAL	57,833,600	88.5



ANALYSIS OF SHAREHOLDINGS (cont'd)

3. SUBSTANTIAL SHAREHOLDERS Shareholdings as at 11 August 2006

Name	Direct Shareholdings	%	Indirect Shareholdings *	%
1. Kumpulan Prasarana Rakyat Johor Sdn Bhd	15,300,000	23.41	-	-
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	60.59		

4. DIRECTORS' SHAREHOLDINGS

Name	Shareholdings as at 11 August 2006			
	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. Dato' Lim Kang Poh	-	-	-	-
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 2006

NO	LOCATION	DESCRIPTION / EXISTING USE	AGE OF BUILDING	AREA	LAND TENURE	NET BOOK VALUE
1	No.17, Wisma Limbongan Setia Jalan SG 3/4 Taman Seri Gombak Batu Caves, Selangor.	4-Storey Shop/ Head Office Building	14Years	226 sq.m (2,434sq.ft)	Freehold	534,600
2	Lot 375, HS(M) 28582, PT 30603, Sector 4, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	1,380.1 sq.m	Leasehold 99 years expiring on 10 Sep 2092	166,506
3	Lot 378, HS(M) 28585, PT 30606, Sector 4, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	871.8 sq.m	Leasehold 99 years expiring on 10 Sep 2092	122,714
4	HS(M) 28398, PT 30419, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	1365.5 sq.m	Leasehold 99 years expiring on 10 Sep 2092	184,458
5	HS(M) 28402, PT 30423, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	1401.5 sq.m	Leasehold 99 years expiring on 10 Sep 2092	189,321
6	HS(M) 28454, PT 30475, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	1399.2 sq.m	Leasehold 99 years expiring on 10 Sep 2092	189,010
7	HS(M) 28556, PT 30557, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	1206.4 sq.m	Leasehold 99 years expiring on 10 Sep 2092	177,465
8	HS(M) 28619, PT 30640, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	1602.1 sq.m	Leasehold 99 years expiring on 10 Sep 2092	235,668
9	HS(M) 28620, PT 30641, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang	Vacant Land	-	1662.9 sq.m	Leasehold 99 years expiring on 10 Sep 2092	244,605



LIST OF PROPERTIES (cont'd)

NO	LOCATION	DESCRIPTION / EXISTING USE	AGE OF BUILDING	AREA	LAND TENURE	NET BOOK VALUE
10	No.21 Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA , 81200 Johor Bahru, Johor Darul Takzim.	Apartment / Rented	6 Years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	140,037
11	No.22 Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA , 81200 Johor Bahru, Johor Darul Takzim.	Apartments / Rented	6 Years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	140,037
12	No.21 Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA , 81200 Johor Bahru, Johor Darul Takzim.	Apartments / Rented	6 Years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	137,949
13	No.22 Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA , 81200 Johor Bahru, Johor Darul Takzim.	Apartments / Rented	6 Years	1043 sq.ft	Leasehold 99 years expiring on 22 March 2085	137,949
14	Plot 12, Jalan Simen 1, Kawasan Pelabuhan Johor 81700 Pasir Gudang, Johor	Chipping plant factory	1 year	621,863 sq ft	Leasehold 19 years expiring on 22 March 2023	14,709,906

The group has not revalued any of its properties.

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PROXY FORM



PEMBINAAN LIMBONGAN SETIA BERHAD
(Company No. 160032-K)

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 Nineteenth Annual General Meeting of the Company to be held on Tuesday, 26 September 2006 at 10.00 a.m. at Paradise 3, 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' fees	[Resolution 2]			
3. Re-election of Directors :-				
a. Dato' Hj Ibrahim bin Hj Keling (Article 82)	[Resolution 3]			
b. Dato' Lim Kang Hoo (Article 82)	[Resolution 4]			
c. Dato' Lim Kang Poh (Article 89)	[Resolution 5]			
4. Re-appointment of Auditors and to authorise the Directors to fix their remuneration	[Resolution 6]			
5. ORDINARY RESOLUTION 1 Authority to issue shares pursuant to Section 132D of the Companies Act, 1965	[Resolution 7]			
ORDINARY RESOLUTION 2 Proposed Shareholders' Mandate and additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	[Resolution 8]			

Dated this _____ day of _____ 2006

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 sealing

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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