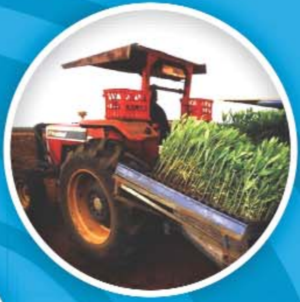
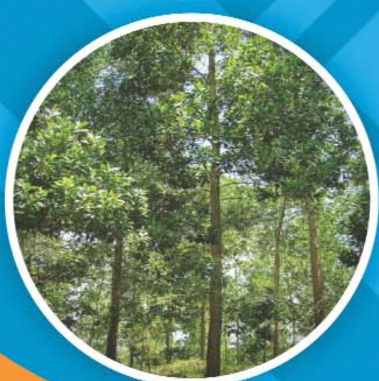
Annual Report 2007





PEMBINAAN LIMBONGAN SETIA BERHAD

(Company No. 160032-K)

Content




Notice of Twentieth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at Function Room, KKlub, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan on Friday, 28 September 2007 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 2007 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 2007. [Resolution 2]

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association :
   a) Dato' Lim Kang Yew (Article 117) [Resolution 3]
   b) Encik Johar Salim bin Yahaya (Article 82) [Resolution 4]
   c) Encik Hisham bin Mahmood (Article 82) [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 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 ten (10) related parties as per paragraph 3.3 (i) –(x) 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 or a revenue or trading nature as set out in paragraph 3.4 of the Circular to Shareholders dated 6th day of September 2007 with the related parties listed in paragraph 3.3 of the Circular to Shareholders 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;

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]

SPECIAL RESOLUTION
Proposed Amendments to the Articles of Association of the Company

"THAT the proposed amendments to the Articles of Association of the Company as contained in Circular to Shareholders dated 6 September 2007 Part B attached to the 2007 Annual Report be and are hereby approved and THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company."

[Resolution 9]

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

By Order of the Board

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

SELANGOR DARUL EHSAN

6 SEPTEMBER 2007

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 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 Resolution 8, if passed, will authorize the Group to enter into recurrent related party transactions as specified in the Circular to shareholders dated 6th of September 2007, 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.
iii. The Proposed Resolution 9,if passed, will bring the Articles of Association of the Company in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of Annual General Meeting

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

DETAILS	DATO' LIM KANG YEW	EN. JOHAR SALIM BIN YAHAYA	EN. HISHAM BIN MAHMOOD
Directorships	Managing Director	Executive Chairman	Independent Non-Executive director
Age	50	54	48
Nationality & Race	Malaysian Chinese	Malaysian Malay	Malaysian Malay
Qualification	Details as disclosed on page 6	Details as disclosed on page 6	Details as disclosed on page 7
Working experience & occupations	Details as disclosed on page 6	Details as disclosed on page 6	Details as disclosed on page 7
Other directorships of public listed companies	Details as disclosed on page 6	Details as disclosed on page 6	None
Attendance at board meetings	5/5	5/5	5/5
Securities holdings in the Company	Details as disclosed on page 72	None	None
Family relationship with any director and/or major shareholder of the company	Details as disclosed on page 6	None	None
Conflict of interest	Details as disclosed on page 6	None	None
Convinctions of offences	None	None	None

Place, date & hour of General Meeting held during the financial year ended 31 March 2007

Type	Date & Hour	Place
19th Annual General Meeting	26 September 2006 at 10.00 am	Paradise 3, Kelab Century Paradise, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan

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 : 03-61875289

AUTHORISED & PAID-UP CAPITAL
Authorised RM200.0 million
Paid-up RM65.34 million

BANKERS
Maybank Bhd
Public Bank Bhd
EON Bank Bhd
AmBank Bhd

STOCK EXCHANGE
Bursa Malaysia Securities Berhad
(Second Board)
Sector: Plantation

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
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 54 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 PLS.

Dato' Lim Kang Yew, *Managing Director*

Dato' Lim Kang Yew, a Malaysian and aged 50 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 69 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 23 of the Annual Report.

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

Dato' Lim Kang Hoo, a Malaysian and aged 52 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 69 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 PLS.

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

Dato' Lim Kang Poh, a Malaysian and aged 50 was appointed to the Board on 6 Oct 2005. He started his career in the construction industry in 1976 and 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. 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 69 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.

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

Dato' Haji Ibrahim bin Haji Keling, a Malaysian and aged 69 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 Perbandanan 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 shareholder of the Company. Dato' Haji Ibrahim bin Haji Keling does not hold any shares in PLS.

Encik Hisham bin Mahmood, *Independent Non-Executive Director*

Encik Hisham bin Mahmood, a Malaysian and aged 48 was appointed to the Board on 4 March 1997. He graduated with a Bachelor of Arts Degree in Economics from University of Kent, Canterbury, United Kingdom. He started his career in the Corporate Advisory Department of Malaysian International Merchant Bankers Berhad and later ventured into his own family business which deals in the tender of military equipment for the Malaysian Armed Forces as well as the supply of pipelines and tubular goods for the oil and gas industry. He is currently also a director of several other private limited companies.

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

Miss Kang Hui Ling, *Independent Non-Executive Director*

Miss Kang Hui Ling, a Malaysian and aged 35, 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 Malaysian Institute of Accountants. She is also an independent Non-Executive Director of Ekovest Berhad and Knusford Berhad.

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

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 2007.

INDUSTRIAL TRENDS AND DEVELOPMENT

The global economy remained steady in 2006, underpinned by factors such as improved business confidence, exports and investment spending in the Euro areas, , rapid growth driven by rising investment, consumption and exports in China and India and healthy growth in ASEAN economies due to strong domestic demand.

In Malaysia real Gross Domestic Product (GDP) remained strong at 5.3% in the first quarter of 2007 as compared to 5.7% in the previous quarter, led by robust performance of the services sector and acceleration of construction activities. Resilient domestic demand expenditure which were driven by sturdy private sector consumption and public investment activities that remained strong, spurred by the implementation of development projects under the Ninth Malaysia Plan (9MP), contributed to the favourable economic performance. The inflation rate continues to ease during the first quarter mainly due to the declining impact of high oil prices and helped by the stronger ringgit against most major and regional currencies. The appreciation in ringgit was supported by continued net trade and investment inflows and the announcement of several investment-friendly measures such as further liberalisation of foreign exchange administration rules, removal of real property gain tax and a host of incentives for the Iskandar Development region (IDR).

The construction sector grew by a further 4%, underpinned by healthy activities in the civil engineering construction and non-residential sub-sectors. The agriculture sector expanded further by 2% on the back of higher production in livestock, fishing and forestry and logging sub-sectors. Meanwhile, the forestry and logging sub-sector rebounded with a growth of 5.4% reversing the negative growth of 4.4% in last quarter.

(Source : Malaysian Economic Report 1st Quarter 2007)

FINANCIAL RESULTS

For the financial year ended 31 March 2007, the Group has achieved a lower revenue of RM55.4 million as compared to RM58.9 million in the previous year. Nevertheless, the Group's pre-tax profit has improved by 26% to RM6.8 million as compared to a pre tax profit of RM5.4 million attained in financial year 2006 as a result of better profit margin in the company's operations.

Our timber-based operation via 70% owned subsidiary, Aramijaya Sdn Bhd continues to outshine the performances of our construction arms and by contributed almost 18% increased in segmental results. The segmental result generated by Aramijaya hits RM7.8 million as compared to RM6.6 million in the previous year from increased activities in the sale of woodchips and sawn timber.

The Group's net asset per share attributable to equity holders of the holding company has improved from RM1.09 per share in the previous financial year to RM1.17 per share in the current financial year.




CORPORATE DEVELOPMENT

The Group continues to focus in its new business direction ie the oil palm plantation and the expansion of the replanting of acacia plantation. The unutilized funds from rights issue still stand at RM11.1 million as at to-date. The Board will continue to explore other related business operations and credible investment opportunities to improve the Group's performances by utilisation of the funds.

OPERATION REVIEW

Plantation

The Group's subsidiary, Aramijaya Sdn Bhd continues to dominate the whole Group's performances with its impressive results from plantation and timber activities. The rise in global demands for its products, ranging from wood chips, logs and sawn timbers will be the main driver of the Group's operating earnings for the incoming year. Local demand for mixed hardwood also contributed to the Group's revenue. The Company's plantation sector has recorded a remarkable growth in terms of its revenue and segmental results as compared to previous year. During the year, its revenue has increased by about 24% standing at RM51.2 million as compared to RM41.2 million in the previous financial year. The company will put in more effort in exploring and penetrating overseas market.

Construction

The Company continues to complete the on-going projects in hand during the financial year. The company's turnover has declined to RM4.0 million as compared to RM17.5 million achieved in financial year 2006 due to the intense competition in securing projects from the market.

PROSPECT

The Bursa Malaysia Securities Berhad has classified the Group under the Plantation Sector on 18th July 2007. The Board is confident that the Group will remain profitable with its forest plantation activities from the demand in wood chips and other related products both locally and overseas and the favourable prospect in oil palm plantation. The Group continue to be optimistic in its construction operation in securing projects under the 9MP and IDR in the state of Johor Darul Takzim. As for future plans, the Company will concentrate in its plantation sector.

DIVIDEND

The Board of Directors does not recommend any dividend payment in respect of the financial year ended 31st March 2007 at the forthcoming Annual General Meeting.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere thanks to my fellow directors, management team and staff for their collective commitments and undivided contributions to the Group during the year.

My gratitude and sincere appreciation also go to our valued shareholders, bankers and business associates not least relevant government authorities for their continued support and confidence in the Group and the Company.

JOHAR SALIM BIN YAHAYA
Executive Chairman

6th September 2007

Statement on Corporate Governance

A) BOARD OF DIRECTORS

The Board

Pembinaan Limbongan Setia Berhad ("PLSB") is led and managed by an experienced and qualified Board comprising of members with a wide range of experience in business, construction and finance. The wide spectrum of skills and experience of the Directors have brought expertise and perspective to the leadership of PLSB. A brief profile of each Director is set out in pages 6 to 7 of this Annual Report.

The Board is responsible to ensure that PLSB 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 PLSB and retains full and effective control of the Company.

Composition

The Board is made up of seven (7) members, led by an Executive Chairman, one (1) Non-Independent Executive Director, two (2) Non-Independent Non-Executive Directors and three (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 ("Bursa Securities") requirements in respect of having at least one-third (1/3) of the membership of the Board comprising independent directors.

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 Board is satisfied that the current Board composition reflects the interest of the public shareholders of the Company.

Board Meetings

The Board meets on a scheduled basis at least four (4) times a year, with additional meetings convened when necessary. Five (5) Board Meetings were held during the financial year ended 31 March 2007. Details of the attendance of the Directors are as follows:

	Members of the Board	Status	Attendance
1.	Encik Johar Salim Bin Yahaya	Executive Chairman	5/5
2.	Dato' Lim Kang Yew	Managing Director / Non-Independent Executive Director	5/5
3.	Dato' Haji Ibrahim Bin Haji Keling	Independent Non-Executive Director	5/5
4.	Encik Hisham Bin Mahmood	Independent Non-Executive Director	5/5
5.	Miss Kang Hui Ling	Independent Non-Executive Director	5/5
6.	Dato' Lim Kang Hoo	Non-Independent Non-Executive Director	5/5
7.	Dato' Lim Kang Poh	Non-Independent Non-Executive Director	4/5

Conduct of Meetings

It has been the practice of the Board that where a potential conflict of interest arises, it is mandatory for the Director concerned to declare his or her interests and abstain from further discussion and the decision making process.

Conduct of Meetings (Cont'd)

The Board has access to the advice and services of the Company Secretaries who are responsible for ensuring that the Board 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 meetings.

Supply of Information

Head of each departments, divisions and wholly-owned subsidiaries of the Company is required to submit their reports at each scheduled Board meetings where required.

Access to Information

All Directors are provided with an agenda and board papers prior to every Board meeting to enable the Directors to obtain further information or explanations, where necessary, in order to be properly briefed before the meeting. 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.

The minutes of the previous Board meetings are also circulated to the Directors and confirmed at each meeting. Minutes of the Board meetings are maintained by the Company Secretaries.

Access to Advice

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 affairs. In addition to the advice and services of the Company Secretaries, the Directors may also seek independent advice from external sources should the need arises.

Appointment and Re-election of Directors

The Listing Requirements of Bursa Securities provides that each Director, including the Managing Director and/or Executive Directors, shall 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 by the Board are subjected to re-election by the shareholders at the Annual General Meeting held following their appointments.

B) BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the discharge of its duties and execution of specific responsibilities.

Audit Committee

The composition of the Audit Committee is in accordance with the Listing Requirements of Bursa Securities, including independent non-executive directors forming the majority and one of the members being a qualified accountant.

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to financial reporting and internal control systems. The Committee works under clearly defined terms of reference, which has been approved by the Board. The Audit Committee Report is set out on pages 19 to 21.

Nomination Committee

The duties of the Nomination Committee include considering candidates for Board vacancies and recommending all appointments to the Board of Directors. The Board will consider such recommended appointments and approve if they are found to be appropriate and suitable. The Committee works under clearly defined terms of reference, which has been approved by the Board.

The members of the Nomination Committee, all of whom are Independent Non-Executive Directors, are as follows:

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

Remuneration Committee

The duties of the Remuneration Committee is to ensure that the remuneration of the Directors commensurate with the skills, experience and responsibilities of the Directors. The Directors concerned would abstain from discussion pertaining to their own remuneration. The Committee works under clearly defined terms of reference, which has been approved by the Board.

The members of the Remuneration Committee, a majority of whom are Independent Non-Executive Directors, are as follows:

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

C) DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme and the Continuing Education Programme as prescribed by Bursa Securities.

During the financial year, the Directors have attended the 2006/2007 Tax Budget Update training, organised by an external tax services firm.

The Company will continue to arrange further development and training programmes for the Directors in order to update and enhance their skills and knowledge, which are important for carrying out their role effectively as a Director.

D) 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 proposed for approval by the shareholders at the Company's Annual General Meeting, based on the recommendation of the Board.

Details of the remuneration of the Directors during the financial year ended 31 March 2007 are as follows:

	Fees (RM)	Salaries (RM)	Bonus (RM)	Benefit in kinds (RM)	Other emoluments (RM)	Total (RM)
Executive Directors	-	541,200	30,000	42,150	-	613,350
Non-Executive Directors	25,000	-	-	-	-	25,000

D) DIRECTORS' REMUNERATION (Cont'd)

Number of Directors whose total remuneration falls within the following bands:

	Number of Directors	
Remuneration Bands	Executive	Non-Executive
Up to RM50,000	-	5
RM100,000 to RM150,000	1	-
RM450,000 to RM500,000	1	-

E) ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcement of results to shareholders, investors and regulatory authorities, the Board of Directors aim at presenting a balanced and understandable assessment of the position and prospects of the Company and the Group. The Statement of Directors' Responsibilities pursuant to Section 169 of the Companies Act, 1965 is set out at page 26 of this Annual Report.

Internal Control

The Board is responsible in ensuring that the system of internal controls is in place and that its effectiveness be constantly reviewed to ensure the adequacy of the system. The review on the system of internal controls is set out under the Statement on Internal Control on pages 17 to 18 of this Annual Report.

Relationship with the Auditors

The Board has established and maintains an active, transparent and professional relationship with the auditors, both external and internal, through the Audit Committee.

The External Auditors attend the Audit Committee Meetings at least once a year and meet the Audit 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. The Board, through the Audit Committee, also seeks the External Auditors' professional advice in ensuring compliance with the appropriate accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The functions of the Audit Committee and its relations with the auditors are set out on pages 19 to 21 of this Annual Report. The activities of the Internal Auditors in relation to the operation of the Group and the Company during the financial year are set out on page 21 of this Annual Report.

F) RELATIONSHIP WITH SHAREHOLDERS

Dialogue between the Company and Investors

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

F) RELATIONSHIP WITH SHAREHOLDERS (Cont'd)

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 the 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 the Company. The Chairman will respond to any questions raised during the meeting.

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

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

The Directors consider that in preparing the financial statements, the Group has:
- applied appropriate accounting policies consistently;
- made reasonable and prudent judgments and estimates; and
- have considered that all applicable approved accounting standards have been adhered to.

The Directors are responsible for ensuring that the Group and Company maintain accounting records which disclose with reasonable accuracy the financial position of the Group and Company, which enable them to ensure that the financial statements comply with the provisions of 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 Company and to prevent and detect fraud and other irregularities.

H) COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE AND BURSA SECURITIES LISTING REQUIREMENTS

The Board of Directors is committed to ensure that Corporate Governance are observed and practised by PLSB 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 were in compliance throughout the financial year ended 31 March 2007 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 Bursa Securities 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.

I) ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Listing Requirements of Bursa Securities, the following are additional information in respect of the financial year ended 31 March 2007 to be disclosed in this Annual Report:

1. Utilisation of Proceeds

The status of utilisation of proceeds from Rights Issue as at 18 July 2007 is as follows:

	Proposed Utilisation RM'000	Utilisation to-date 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	-
Total	43,560	30,430	11,130

* Unutilised expenses of RM409,000 related to Rights Issue has been re-allocated to working capital. The utilisation of Rights Issue proceeds has been further extended from 13 February 2007 to 13 February 2008.

2. Share Buy-Back

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

3. Options, Warrants or Convertible Securities

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

4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

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

5. Imposition of Sanctions and/or Penalties

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

6. Non-Audit Fees

There were no non-audit fees payable to the External Auditors in the financial year under review.

7. Variation in Results

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 2007 was RM5.244 million as compared to the previously announced unaudited profit of RM3.627 million.

7. Variation in Results (Cont'd)

There above results represent a deviation of approximately 44.5% or RM1.617 million from the unaudited results primarily due to the adjustments on its subsidiary, Aramijaya Sdn Bhd's results. This increase of profit after tax and minority interest is analysed as follows:

	Amount RM'000
Profit after tax and minority interest as per announcement on 25 May 2007	3,627
Under recognition of contract revenue	7
Reduction in amortisation of forest plantation	147
Increase in depreciation charges	(5)
Cost understated	(10)
Over provision for tax expenses	791
Over recognition of deferred tax liabilities	1,377
Adjustment of minority interest arising from the above	(690)
Profit after tax and minority interest as per audited accounts	5,244

8. Profit Guarantee

There were no profit guarantee given by the Company in respect of the financial year ended 31 March 2007.

9. Revaluation Policy on Landed Properties

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

10. Recurrent related party transactions

At the 19th Annual General Meeting of the Company held on 26 September 2006, the Company had obtained the approval for the renewal of the shareholders' mandate to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business with related parties. The said mandate takes effect on 26 September 2006 until the conclusion of the forthcoming Annual General Meeting of the Company.

The Company is seeking shareholders' approval to renew the existing mandate for recurrent related party transactions of a revenue or trading nature at the forthcoming Annual General Meeting to be held on 28 September 2007. The details of the shareholders' mandate to be sought are furnished in the Circular to Shareholders dated 6 September 2007, accompanying this Annual Report.

The aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year ended 31 March 2007 is disclosed on page 69 of this Annual Report.

11. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and major shareholders.

12. Contracts Relating to Loans

There were no contracts relating to loans by the Company and its subsidiaries in respect of the preceding item.

13. Corporate Social Responsibility

The Company did not carry out specific activities in relation to corporate social responsibility but generally, the Company endorsed only those actions and projects that benefited the society at large.

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 misstatements or fraud and is designed to manage rather than eliminate the risk of failure to achieve business objectives.

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

The Board has also directed the establishment of Risk Management Taskforce to formalise 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 controls including risk 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 operational impact of the risk and the likelihood of its occurrence.

Following from the above, the Audit Committee will develop 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 will be 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 authorisation 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.

Statement on Internal Control *(Cont'd)*

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 and operational reports are periodically prepared and presented to the Board or Management for discussion and review on a timely basis.

5. Internal Audit

The internal audit function of the Group and Company is outsourced to Advent Corporate Advisory, a professional services provider, which reports to the Audit Committee the findings, its recommendations 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 three (3) Independent Non-Executive Directors and one (1) Executive Director. Details of composition, terms of reference and report of the Audit Committee are provided at page 19 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 are held on a weekly basis. 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 cash flow position at this meeting.

Conclusion

No significant control failure or weaknesses that would result in material losses or require disclosure in the Annual Report were identified during the financial year ended 31 March 2007.

The Audit Committee was established by the Board of Directors on 16 November 1994 with the primary objective to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of Pembinaan Limbongan Setia Berhad and oversee the compliance with the relevant rules and regulations governing listed companies.

The members of the Audit Committee are as follows:

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
(Independent Non-Executive Director / Member of the Malaysian Institute of Accountants)

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 authorised by the Board to investigate any activity within its terms of reference. It is authorised 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 External and Internal Auditors, and to Senior Management of the Company and its subsidiaries. The Committee is also authorised to take such independent professional and legal advice as it considers necessary.

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:

   a) with the External Auditor, the scope and audit plan, including any changes on the planned scope of the audit plan;
   b) with the External Auditor, their audit report;
   c) the assistance given by the employees of the Company to the External Auditor;
   d) the adequacy of the scope, functions and resources of the internal audit functions and the necessary authority to carry out its work;
   e) 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;
   f) 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;
   g) 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's integrity;
   h) any letter of resignation from the External Auditors of the Company; and
   i) whether there is reason (supported by grounds) to believe that the Company's External Auditors is not suitable for re-appointment.

2. Recommend the nomination of 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 five (5) meetings were held during the financial year ended 31 March 2007. The representatives of External Auditors and Internal Auditors, 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 2007, the activities of the Audit Committee covered, among others, the following:

1. Reviewed financial statements including quarterly financial announcements to the Bursa Malaysia Securities Berhad 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.

4. Reviewed audit fees of the External Auditors.

5. Reviewed the annual internal audit plan 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 responses thereto.

ATTENDANCE AT MEETINGS

During the financial year ended 31 March 2007, the Audit Committee convened five (5) meetings. The attendances of the members of the Committee meetings during the financial year were 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
Miss Kang Hui Ling	5/5

INTERNAL AUDIT FUNCTION

The internal audit function of the Group and Company is outsourced to Advent Corporate Advisory, an independent 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 financial 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 done on:

- Tender and 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 and 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 accounting 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.

Financial Statement

Directors' Report
For The Year Ended 31 March 2007

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 2007.

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 9 to the financial statements. There has been no significant change in the nature of these activities during the financial year except for a subsidiary has engaged in the operation of oil palm plantation.

Results

	Group RM	Company RM
Profit for the year	5,244,584	447,936

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

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:

Directors' interests (Cont'd)

	Number of ordinary shares of RM1 each			
	At 1.4.2006	Bought	Sold	At 31.3.2007
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 2007 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 27 to the financial statements.

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

Issue of shares

There were no changes in the authorised, 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 balance sheets and income 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.

Other statutory information (Cont'd)

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2007 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: 20 July 2007

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 28 to 70 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2007 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: 20 July 2007

Statutory Declaration

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

I, Hei Kum Hong, 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 28 to 70 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 20 July 2007.

Hei Kum Hong

Before me:
Mohd Radzi Bin Yasin
Commission for Oaths
No. W327
Kuala Lumpur

Report of The Auditors To The Members of Pembinaan Limbongan Setia Berhad

We have audited the financial statements set out on pages 28 to 70. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2007 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 9 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

Chong Dee Shiang
Partner
Approval Number: 2782/09/08(J)

Kuala Lumpur,
Date: 20 July 2007




Balance Sheets at 31 March 2007

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Assets					
Property, plant and equipment	3	26,713,055	16,793,002	1,194,042	1,047,478
Intangible assets	4	1,222,936	1,222,936	-	-
Prepaid lease payments	5	10,538,259	11,434,198	1,206,312	1,509,746
Investment property	6	6,822,978	555,972	6,822,978	555,972
Forest plantation project	7	31,731,319	39,806,600	-	-
Deferred interests	8	14,111,517	15,329,781	-	-
Investments in subsidiaries	9	-	-	1,491,002	891,002
Total non-current assets		91,140,064	85,142,489	10,714,334	4,004,198
Inventories	10	4,564,704	4,094,246	-	-
Receivables, deposits and prepayments	11	27,051,980	29,757,852	39,980,970	46,247,285
Current tax assets		800,664	1,583,531	217,333	-
Cash and cash equivalents	12	27,496,927	31,855,434	26,100,257	30,153,624
Total current assets		59,914,275	67,291,063	66,298,560	76,400,909
Total assets		151,054,339	152,433,552	77,012,894	80,405,107
Equity					
Share capital		65,340,000	65,340,000	65,340,000	65,340,000
Reserves		4,621,163	4,621,163	4,621,163	4,621,163
Retained earnings/(Accumulated losses)		6,379,195	1,134,611	(2,141,585)	(2,589,521)
Total equity attributable to shareholders of the Company		76,340,358	71,095,774	67,819,578	67,371,642
Minority interest		3,535,966	1,459,149	-	-
Total equity	13	79,876,324	72,554,923	67,819,578	67,371,642
Liabilities					
Amount due to Johor State Government	14	48,590,961	48,590,961	-	-
Borrowings	15	684,286	774,367	209,860	92,647
Deferred tax liabilities	16	1,915,175	2,383,747	-	-
Total non-current liabilities		51,190,422	51,749,075	209,860	92,647
Payables and accruals	17	15,163,016	23,552,700	8,812,669	12,844,349
Amount due to Johor State Government	14	4,049,247	4,049,247	-	-
Borrowings	15	775,330	506,526	170,787	75,388
Taxation		-	21,081	-	21,081
Total current liabilities		19,987,593	28,129,554	8,983,456	12,940,818
Total liabilities		71,178,015	79,878,629	9,193,316	13,033,465
Total equity and liabilities		151,054,339	152,433,552	77,012,894	80,405,107

The notes on pages 33 to 70 are an integral part of these financial statements.

Income Statements
For The Year ended 31 March 2007

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Continuing operations					
Revenue					
- Contract revenue		3,975,817	17,496,768	3,975,817	17,496,768
- Sale of goods		51,271,331	39,682,079	-	-
- Logging income		-	1,554,198	-	-
- Management fees		144,000	144,000	-	-
		55,391,148	58,877,045	3,975,817	17,496,768
Cost of sales					
- Contract costs recognised as an expense		(2,530,475)	(15,933,011)	(2,530,475)	(15,933,011)
- Sale of goods		(39,929,156)	(31,314,062)	-	-
Gross profit		12,931,517	11,629,972	1,445,342	1,563,757
Other income		2,128,869	670,307	1,858,240	550,164
Administrative expenses		(4,317,429)	(3,673,873)	(639,541)	(720,718)
Other expenses		(3,225,532)	(2,292,537)	(2,858,969)	(1,486,769)
Results from operating activities		7,517,425	6,333,869	(194,928)	(93,566)
Interest income		613,627	513,563	613,627	513,563
Finance costs	18	(1,313,933)	(1,422,674)	(6,473)	(12,470)
Profit before tax	19	6,817,119	5,424,758	412,226	407,527
Taxation	21	504,282	(1,575,994)	35,710	(150,994)
Profit for the year		7,321,401	3,848,764	447,936	256,533
Attributable to:					
Shareholders of the Company		5,244,584	2,759,116	447,936	256,533
Minority interest		2,076,817	1,089,648	-	-
Profit for the year		7,321,401	3,848,764	447,936	256,533
Basic earnings per ordinary share (sen)	22	8.03	4.22		

The notes on pages 33 to 70 are an integral part of these financial statements.

Statements of Changes In Equity
For The Year ended 31 March 2007

Group	Share capital RM'000	Share premium RM'000	(Accumulated losses)/Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
	← Attributable to shareholders of the Company →					
	Non-distributable		*Distributable*			
At 1 April 2005	65,340,000	4,621,163	(1,624,505)	68,336,658	369,501	68,706,159
Profit for the year	-	-	2,759,116	2,759,116	1,089,648	3,848,764
At 31 March 2006/ 1 April 2006	65,340,000	4,621,163	1,134,611	71,095,774	1,459,149	72,554,923
Profit for the year	-	-	5,244,584	5,244,584	2,076,817	7,321,401
At 31 March 2007	65,340,000	4,621,163	6,379,195	76,340,358	3,535,966	79,876,324

Company	Share capital RM	Share premium RM	(Accumulated losses)/ Retained earnings RM	Total RM
	Non-distributable		*Distributable*	
At 1 April 2005	65,340,000	4,621,163	(2,846,054)	67,115,109
Profit for the year	-	-	256,533	256,533
At 31 March 2006/1 April 2006	65,340,000	4,621,163	(2,589,521)	67,371,642
Profit for the year	-	-	447,936	447,936
At 31 March 2007	65,340,000	4,621,163	(2,141,585)	67,819,578

The notes on pages 33 to 70 are an integral part of these financial statements.

Cash Flow Statements

For The Year ended 31 March 2007

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Cash flows from operating activities					
Profit before tax		6,817,119	5,424,758	412,226	407,527
Adjustments for:					
Amortisation of goodwill	4	-	71,937	-	-
Amortisation of prepaid lease payments	5	606,718	610,121	14,213	17,616
Amortisation of forest plantation project	7	1,158,903	1,673,197	-	-
Amortisation of deferred interests	8	1,218,264	1,218,264	-	-
Depreciation of property, plant and equipment	3	3,500,340	2,729,772	181,389	305,670
Depreciation of investment property	6	108,144	12,517	108,144	12,517
Gain on disposal of property, plant and equipment	19	(1,095,399)	(521,364)	(1,095,399)	(521,364)
Gain on disposal of leasehold land	19	(110,723)	-	(110,723)	-
Interest expense		95,669	204,410	6,473	12,470
Interest income		(613,627)	(513,563)	(613,627)	(513,563)
Property, plant and equipment written off	3	220,639	-	-	-
Operating profit/(loss) before working capital changes		11,906,047	10,910,049	(1,097,304)	(279,127)
Change in inventories		(470,458)	(724,069)	-	-
Change in receivables, deposits and prepayments		(3,669,277)	13,846,236	(108,835)	14,457,018
Change in payables and accruals		(7,989,740)	(11,532,294)	(4,087,601)	(5,219,873)
Cash (used in)/generated from operations		(223,428)	12,499,922	(5,293,740)	8,958,018
Income taxes refund/(paid)		797,496	(816,958)	(202,704)	(150,090)
Net cash generated from/(used in) operating activities		574,068	11,682,964	(5,496,444)	8,807,928

Cash Flow Statements

For The Year ended 31 March 2007 (Cont'd)

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Cash flows from investing activities					
Interest received		613,627	513,563	613,627	513,563
Proceeds from disposal of property, plant and equipment		1,172,731	650,449	1,095,400	650,449
Purchase of property, plant and equipment	(ii)	(5,777,787)	(6,727,522)	(39,955)	(11,746)
Subscription of shares in a subsidiary		-	-	(600,000)	-
Advances from/(to) subsidiaries		-	-	455,866	(5,950,000)
Net cash (used in)/generated from investing activities		(3,991,429)	(5,563,510)	1,524,938	(4,797,734)
Cash flows from financing activities					
Withdrawals in pledged deposits placed with licensed banks		480,980	92,449	480,980	92,449
Interest paid		(95,669)	(204,410)	(6,473)	(12,470)
Repayments of finance lease liabilities		(845,477)	(436,332)	(75,388)	(109,488)
Net cash (used in)/generated from financing activities		(460,166)	(548,293)	399,119	(29,509)
Net (decrease)/increase in cash and cash equivalents		(3,877,527)	5,571,161	(3,572,387)	3,980,685
Cash and cash equivalents at 1 April		30,334,923	24,763,762	28,633,113	24,652,428
Cash and cash equivalents at 31 March	(i)	26,457,396	30,334,923	25,060,726	28,633,113

i) Cash and cash equivalents

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

	Note	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Cash and bank balances		15,233,304	16,420,977	13,836,634	14,719,167
Deposits (excluding deposits pledged)		11,224,092	13,913,946	11,224,092	13,913,946
		26,457,396	30,334,923	25,060,726	28,633,113

ii) Purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM6,801,987 and RM327,953 (2006 - RM8,223,522 and RM258,429) of which RM1,024,200 and RM288,000 were acquired by means of finance lease.

The notes on pages 33 to 70 are an integral part of these financial statements.

Pembinaan Limbongan Setia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of Bursa Malaysia Securities Berhad. The address of its registered office which is also its principal place of business is as follow:

Registered office/ Principal place of business
17C, Wisma Limbongan Setia
Jalan SG 3/4
Taman Seri Gombak
68100 Batu Caves
Selangor Darul Ehsan

The consolidated financial statements as at and for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company as at and for the year ended 31 March 2007 do not include other entities.

The Company is principally engaged in the undertaking of civil engineering and construction works while the principal activities of other Group entities are as stated in Note 9.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 April 2006 or available for early adoption:

FRSs / Interpretations	Effective date
FRS 117, Leases	1 October 2006
FRS 124, Related Party Disclosures	1 October 2006
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
Amendment to FRS 119_{2004}, Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
FRS 6, Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007

1. Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8, Scope of FRS 2	1 July 2007

In this set of financial statements, the Group and the Company have chosen to early adopt FRS117, Leases which is effective for annual periods beginning on or after 1 October 2006.

The Group and the Company plan to apply FRS 124 initially for the annual period beginning 1 April 2007 and to apply the rest of the above-mentioned FRSs (except for the Amendment to FRS 119_{2004} and FRS 6 as explained below and FRS 139 which its effective date has yet to be announced) and Interpretations for the annual period beginning 1 April 2008.

The impact of applying FRS 124 and FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemptions given in the respective standards.

The Amendment to FRS 119_{2004} and FRS 6 are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

The financial statements were approved by the Board of Directors on 20 July 2007.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to financial statements.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

1. Basis of preparation (Cont'd)

(d) Use of estimates and judgements (Cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following note:

- Note 16 – recognition of unutilised tax losses
- Note 25 – contingencies

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2. Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interest in the subsidiary is accounted for as a purchase of equity interest for which the acquisition accounting method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

2. Significant accounting policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is completed, at which time it is measured in accordance with FRS 116, Property, plant and equipment's requirement, other than those that meet the criteria to be classified as held for sales in accordance with FRS 5, Non-current assets held for sale and discontinued operations.

When the use of a property changes from owner-occupied to investment property, the property is transferred at cost less accumulated depreciation and impairment losses, if any.

(iii) Plantation development expenditure

Plantation development expenditure represents pre-copping costs incurred on land preparation, construction of drains, roads and irrigation, fertilisation, plant and planting, labour and any general overheads directly attributed to the development of the rootstock.

Pre-cropping costs incurred are capitalised at cost and amortised over the useful life of the rootstock commencing from the date of maturity of the rootstock.

Interest costs on borrowing costs that are directly attributed to new planting or replanting incurred prior to maturity are also included in the pre-cropping costs.

(iv) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

2. Significant accounting policies (Cont'd)

(c) Property, plant and equipment (Cont'd)

(v) Depreciation

Capital work in progress is not amortised. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term ·and their useful lives. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Plant and machineries	5 years
Office equipment	3 – 10 years
Motor vehicles	5 years
Fixture and fittings	5 – 10 years
Chipping plant factory	33 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date

(d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for leasehold land classified as prepaid lease payments, the lease assets are not recognised on the Group's balance sheet.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

The Group had previously classified a lease of land as finance lease and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On early adoption of FRS 117, Leases, the Company treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions in FRS 117.67A.

(e) Forest plantation project

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:

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

2. Significant accounting policies (Cont'd)

(e) Forest plantation project (Cont'd)

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 2(l).

(f) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

Before adoption of FRS 3, goodwill was measured at cost less accumulated amortisation and impairment losses. Goodwill was amortised from the date of initial recognition over its estimated useful life of not more than twenty (20) years. Impairment tests on goodwill were performed when there were indications of impairment.

Following the adoption of FRS 3, goodwill is measured at cost and is no longer amortised but tested for impairment at least annually or more frequently when there is objective evidence of impairment.

(g) Investment property

Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

In the previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140, Investment Property, these investment properties are now classified separately. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

2. Significant accounting policies (Cont'd)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost of inventories includes raw material, direct labour, and a proportion of operating overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin on the effort required to compete and sell the inventory.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Constructions work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of receivables, deposits and prepayments in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

(k) 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 bank overdrafts and pledged deposits.

(l) Impairment of assets

The carrying amounts of assets except for inventories, assets arising from construction contracts, deferred tax assets and financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

2. Significant accounting policies (Cont'd)

(l) Impairment of assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cashgenerating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(m) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employees Provident Fund are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Notes To The Financial Statements *(Cont'd)*

2. Significant accounting policies (Cont'd)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or nonoccurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(o) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(p) Revenue

(i) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contact. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

(ii) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2. Significant accounting policies (Cont'd)

(p) Revenue (Cont'd)

(iii) Logging income

Revenue from logging is measures 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) Management fee

Management fee is recognised when services are rendered and on an accrual basis.

(q) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(r) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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.

(s) Tax expense

Tax expense comprises current and deferred tax. Tax expense 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.

2. Significant accounting policies (Cont'd)

(s) Tax expense (Cont'd)

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(t) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Property, plant and equipment

Group Cost	Note	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	Plantation development expenditure RM	Capital work-in progress RM	Total RM
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
Effect of adopting FRS117	5	(1,559,299)	(11,504,465)	-	-	-	-	-	-	-	-	-	(13,063,764)
Effect of adopting FRS140	6	-	-	-	(625,860)	-	-	-	-	-	-	-	(625,860)
At 1 April 2005, restated		-	-	98,000	590,000	11,311,420	1,440,195	6,156,060	212,299	4,338,378	-	-	24,146,352
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, restated/ 1 April 2006		-	-	98,000	590,000	16,325,608	1,328,012	5,768,824	843,370	5,060,756	-	-	30,014,570
Additions		-	-	-	-	3,363,169	55,331	624,183	38,050	44,034	1,276,314	1,400,906	6,801,987
Transfer from forest plantation project	7	-	-	-	-	-	-	-	-	-	6,916,378	-	6,916,378
Disposals		-	-	-	-	(1,644,004)	-	(526,687)	-	-	-	-	(2,170,691)
Write-off		-	-	-	-	(270,000)	(598)	(30,500)	-	-	-	-	(301,098)
At 31 March 2007		-	-	98,000	590,000	17,774,773	1,382,745	5,835,820	881,420	5,104,790	8,192,692	1,400,906	41,261,146

Group Depreciation	Note	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	Plantation development expenditure RM	Capital work-in progress RM	Total RM
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
Effect of adopting FRS117	5	(31,937)	(987,508)	-	-	-	-	-	-	-	-	-	(1,019,445)
Effect of adopting FRS140	6	-	-	-	(57,371)	-	-	-	-	-	-	-	(57,371)
At 1 April 2005, restated		-	-	-	141,600	5,791,257	1,097,749	5,428,185	129,073	130,151	-	-	12,718,015
Charge for the year		-	-	-	11,800	1,967,449	102,068	397,194	106,109	145,152	-	-	2,729,772
Disposals		-	-	-	-	(900,880)	(175,276)	(946,032)	(19,576)	-	-	-	(2,041,764)
Write-off		-	-	-	-	(134,455)	-	(50,000)	-	-	-	-	(184,455)
At 31 March 2006, restated/ 1 April 2006		-	-	-	153,400	6,723,371	1,024,541	4,829,347	215,606	275,303	-	-	13,221,568
Charge for the year		-	-	-	11,800	2,746,900	88,631	350,702	150,514	151,793	-	-	3,500,340
Disposals		-	-	-	-	(1,644,004)	-	(449,354)	-	-	-	-	(2,093,358)
Write-off		-	-	-	-	(49,500)	(459)	(30,500)	-	-	-	-	(80,459)
At 31 March 2007		-	-	-	165,200	7,776,767	1,112,713	4,700,195	366,120	427,096	-	-	14,548,091




Notes To The Financial Statements *(Cont'd)*

3. Property, plant and equipment (Cont'd)

Group	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	Plantation development expenditure RM	Capital work-in progress RM	Total RM
Carrying amounts												
At 1 April 2005, restated	-	-	98,000	448,400	5,520,163	342,446	727,875	83,226	4,208,227	-	-	11,428,337
At 31 March 2006, restated/ 1 April 2006	-	-	98,000	436,600	9,602,237	303,471	939,477	627,764	4,785,453	-	-	16,793,002
31 March 2007	-	-	98,000	424,800	9,998,006	270,032	1,135,625	515,300	4,677,694	8,192,692	1,400,906	26,713,055

Company **Cost**	Note	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
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
Effect of adopting FRS 117	5	(1,559,299)	-	-	-	-	-	-	(1,559,299)
Effect of adopting FRS 140	6	-	-	(625,860)	-	-	-	-	(625,860)
At 1 April 2005, restated		-	98,000	590,000	4,704,251	1,380,578	5,575,153	115,150	12,463,132
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, restated/ 1 April 2006		-	98,000	590,000	3,668,916	1,215,550	4,698,217	95,574	10,366,257
Additions		-	-	-	-	7,953	320,000	-	327,953
Disposals		-	-	-	(1,644,004)	-	(446,687)	-	(2,090,691)
Write-off		-	-	-	-	-	(30,500)	-	(30,500)
At 31 March 2007		-	98,000	590,000	2,024,912	1,223,503	4,541,030	95,574	8,573,019

Company **Depreciation**	**Note**	**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**
At 1 April 2005		31,937	-	198,971	4,679,070	1,082,719	5,227,214	108,725	11,328,636
Effect of adopting FRS 117	5	(31,937)	-	-	-	-	-	-	(31,937)
Effect of adopting FRS 140	6	-	-	(57,371)	-	-	-	-	(57,371)
At 1 April 2005, restated		-	-	141,600	4,679,070	1,082,719	5,227,214	108,725	11,239,328
Charge for the year		-	-	11,800	8,794	81,574	202,034	1,468	305,670
Disposals		-	-	-	(900,880)	(175,276)	(946,032)	(19,576)	(2,041,764)
Write-off		-	-	-	(134,455)	-	(50,000)	-	(184,455)
At 31 March 2006, restated/ 1 April 2006		-	-	153,400	3,652,529	989,017	4,433,216	90,617	9,318,779
Charge for the year		-	-	11,800	8,795	59,095	100,302	1,397	181,389
Disposals		-	-	-	(1,644,004)	-	(446,687)	-	(2,090,691)
Write-off		-	-	-	-	-	(30,500)	-	(30,500)
At 31 March 2007		-	-	165,200	2,017,320	1,048,112	4,056,331	92,014	7,378,977
Carrying amounts									
At 1 April 2005, restated		-	98,000	448,400	25,181	297,859	347,939	6,425	1,223,804
At 31 March 2006, restated/ At 1 April 2006		-	98,000	436,600	16,387	226,533	265,001	4,957	1,047,478
At 31 March 2007		-	98,000	424,800	7,592	175,391	484,699	3,560	1,194,042

Leased plant and machinery

At 31 March 2007, the net carrying amount of leased motor vehicles and plant and machinery of the Group and the Company were RM1,508,966 and RM470,900 (2006 – RM1,477,064 and RM205,569) respectively.

Property, plant and equipment acquired on instalment purchase plans

During the financial year, the Group and the Company acquired RM1,024,200 and RM288,000 respectively worth of motor vehicles by means of finance lease arrangement.




4. Intangible assets

Group	**Goodwill RM**
Cost	
At 1 April 2005	1,438,747
Effect of adopting FRS 3	(215,811)
At 1 April 2006, restated/31 March 2007	1,222,936
Accumulated amortisation	
At 1 April 2005	
Accumulated amortisation	143,874
Amortisation for the year	71,937
	215,811
Effect of adopting FRS 3	(215,811)
At 1 April 2006, restated/31 March 2007	-
Carrying amounts	
At 1 April 2005	1,294,873
At 31 March 2006/1 April 2006	1,222,936
At 31 March 2007	1,222,936

Amortisation

The amortisation was recognised in other expenses in the income statement.

5. Prepaid lease payments

Group	Note	Leashold land Unexpired period less than 50 years RM	Leashold land Unexpired period more than 50 years RM	Total RM Restated
Cost				
At 1 April 2005		-	-	-
Effect of adopting FRS 117	3	11,504,465	1,559,299	13,063,764
At 31 March 2006, restated/1 April 2006		11,504,465	1,559,299	13,063,764
Disposals		-	(309,635)	(309,635)
At 31 March 2007		11,504,465	1,249,664	12,754,129
Amortisation				
At 1 April 2005		-	-	-
Effect of adopting FRS 117	3	987,508	31,937	1,019,445
At 1 April 2005, restated		987,508	31,937	1,019,445
Amortisation for the year		592,505	17,616	610,121
At 31 March 2006, restated/1 April 2006		1,580,013	49,553	1,629,566
Amortisation for the year		592,505	14,213	606,718
Disposals		-	(20,414)	(20,414)
At 31 March 2007		2,172,518	43,352	2,215,870
Carrying amounts				
At 1 April 2005, restated		10,516,957	1,527,362	12,044,319
At 31 March 2006, restated/1 April 2006		9,924,452	1,509,746	11,434,198
At 31 March 2007		9,331,947	1,206,312	10,538,259

5. Prepaid lease payments

Company Cost	Note	Leasehold land Unexpired period more than 50 years RM Restated
At 1 April 2005		-
Effect of adopting FRS 117	3	1,559,299
At 31 March 2006, restated/1 April 2006		1,559,299
Disposals		(309,635)
At 31 March 2007		1,249,664
Amortisation		
At 1 April 2005		-
Effect of adopting FRS 117	3	31,937
At 1 April 2005, restated		31,937
Amortisation for the year		17,616
At 31 March 2006, restated/1 April 2006		49,553
Amortisation for the year		14,213
Disposals		(20,414)
At 31 March 2007		43,352
Carrying amounts		
At 1 April 2005, restated		1,517,362
At 31 March 2006, restated/1 April 2006		1,509,746
At 31 March 2007		1,206,312

The titles of leasehold land of the Group and the Company with net book value of RM1,206,312 (2006 – RM1,509,746) are in the process of being transferred to the Company as the finalisation of the transfer is pending the approval from the relevant authorities.

6. Investment property

Group and Company	Note	2007 RM	2006 RM Restated
Cost			
At 1 April		625,860	-
Effect of adopting FRS 140	3	-	625,860
At 31 March, restated/1 April		625,860	625,860
Additions		6,375,150	-
At 31 March		7,001,010	625,860
Accumulated depreciation			
At 1 April		69,888	-
Effect of adopting FRS 140	3	-	57,371
At 31 March, restated/ 1 April		69,888	57,371
Depreciation for the year		108,144	12,517
At 31 March		178,032	69,888
Carrying amount		6,822,978	555,972
Fair value		7,135,260	580,000

The strata titles of buildings of the Group and the Company with net book value of RM543,455 (2006 - RM555,972) are in the process of being transferred to the Company as the finalisation of the transfer is pending the approval from the relevant authorities.

7. Forest plantation project

	Note	Group 2007 RM	Group 2006 RM
Cost			
At 1 April		42,521,820	42,521,820
Transfer to plantation development expenditure	3	(7,450,231)	-
At 31 March		35,071,589	42,521,820
Accumulated amortisation			
At 1 April		2,715,220	1,042,023
Amortisation charge for the year		1,158,903	1,673,197
Transfer to plantation development expenditure	3	(533,853)	-
At 31 March		3,340,270	2,715,220
Carrying amount		31,731,319	39,806,600

Notes To The Financial Statements *(Cont'd)*

7. Forest plantation project (Cont'd)

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 YPJH, which will subsequently be leased to Aramijaya for 99 years less one day. A consideration of RM62,269,805 was payable to the Johor State Government for the concession and alienation (Note 14).

The Johor State Government had previously agreed to grant to YPJH the right to undertake the Forest Plantation Project. However, YPJH has agreed to undertake the project through a joint venture company, Aramijaya, in which the Company and YPJH will hold 70% and 30% of the equity respectively. For that purpose, a Joint Venture Agreement dated 4 December 2002 was signed between the Company and YPJH. 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 made on expected minimum sum of profit for YPJH's 30% share in the operations of Aramijaya.

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 of Aramijaya assumed a discount rate which reflected current market assessments that approximated the 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 8). On 3 June 2003, the Company executed a guarantee in favour of the Johor State Government guaranteeing the instalment payments of Aramijaya.

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

In view of the loss of commercial timber from the forest plantation land as explained in the preceeding paragraph, Aramijaya had written to Johor State Government requesting for a defer 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 swapped with the previously offered agricultural land.

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. On 27 February 2007, the Johor State Government has alienated to YPJH one plot of agricultural land measuring approximately 850 hectares. The remaining plot of approximately 2,047 hectares of land has yet to be alienated to YPJH. The Directors of Aramijaya are of the opinion that the current negotiation with the Johor State Government will result in positive outcome for the deferment of the instalments payment and replacement of land to compensate further for the loss of timber.

8. Deferred interests

	Group	
	2007 RM	2006 RM
Cost		
At 1 April/31 March	18,781,529	18,781,529
Accumulated amortisation		
At 1 April	3,451,748	2,233,484
Amortisation charge for the year	1,218,264	1,218,264
At 31 March	4,670,012	3,451,748
Carrying amount	14,111,517	15,329,781

Deferred interests represent the difference between the privatisation consideration of RM62,269,805 and the present value of forest plantation project of RM35,428,913 (2006 - RM42,879,144) (Note 7) and plantation development expenditure of RM7,450,231 (2006 – Nil) (Note 3).

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

9. Investments in subsidiaries

	Company	
	2007 RM	2006 RM
Unquoted shares, at cost	1,491,002	891,002

During the year, the Company subscribed for an additional 600,000 ordinary shares of RM1 each in Ikhlasi Bina Sdn. Bhd.

Details of the subsidiaries are as follow:

Name of subsidiary	Principal activities	Country of incorporation	Effective ownership interest 2007 %	Effective ownership interest 2006 %
Aramijaya Sdn. Bhd.	Management and operation of a forest plantation. During the year, the Company has also engaged in oil palm plantation	Malaysia	70	70
Limbongan-Ekovest Management Sdn. Bhd.*	Investment holding and management	Malaysia	51	51
Ikhlasi Bina Sdn. Bhd.*	Civil engineering and building works	Malaysia	100	100

* Not audited by KPMG.

10. Inventories

	Group	
	2007 RM	2006 RM
Timber logs	1,995,469	1,850,836
Woodchip	2,569,235	2,243,410
	4,564,704	4,094,246

Inventories recognised as cost of sales amounted to RM39,929,156 (2006 - RM31,314,062).

11. Receivables, deposits and prepayments

				Company	
	Note	2007 RM	2006 RM Restated	2007 RM	2006 RM Restated
Current					
Trade					
Trade receivables		8,469,792	7,755,354	6,357,058	6,339,003
Less: Allowance for doubtful debts		(807,533)	(782,579)	(743,723)	(743,723)
	a	7,662,259	6,972,775	5,613,335	5,595,280
Retention sums receivable		2,362,479	3,239,036	2,362,479	3,239,036
Construction work-inprogress	b	3,514,320	8,892,315	3,514,320	8,892,315
Amount due from related parties	c	520,516	147,280	-	-
		14,059,574	19,251,406	11,490,134	17,726,631
Non-trade					
Other receivables, deposits and prepayments	d	12,992,406	10,506,446	111,239	141,057
Amount due from subsidiaries	e	-	-	28,379,597	28,379,597
		12,992,406	10,506,446	28,490,836	28,520,654
		27,051,980	29,757,852	39,980,970	46,247,285

Note a

Trade receivables are denominated in its functional currency, Ringgit Malaysia.

Included in trade receivables of the Group and of the Company are advances made to sub-contractors amounting to RM288,068 (2006 - RM244,377), which are unsecured and interest free. These advances will be set off against future claims from these subcontractors.

Note b

Construction work-in-progress

	Group and Company 2007 RM	2006 RM
Aggregate costs incurred to date	92,024,456	114,696,164
Add: Attributable profits	7,199,334	5,416,082
Less: Foreseeable losses	(846,670)	(6,635,966)
	98,377,120	113,476,280
Less: Progress billings	(94,862,800)	(104,583,965)
	3,514,320	8,892,315
Additional to aggregate costs incurred during the year include:		
Depreciation of property, plant and equipment	2,884	76,993

Note c

The amount due from related parties is unsecured, interest free and repayable on demand.

Note d

Included in other receivables, deposits and prepayments of the Group are:

i) an amount of RM2.5 million (2006 - 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 7).

ii) an amount of RM5 million (2006 - 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 7).

iii) an amount of RM2,694,831 (2006 - RM684,450) paid to YPJH in respect of land premium for agricultural land at Mukim Mersing, Daerah Mersing, Johor.

Note e

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

12. Cash and cash equivalents

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Deposits placed with licensed banks	12,263,623	15,434,457	12,263,623	15,434,457
Cash and bank balances	15,233,304	16,420,977	13,836,634	14,719,167
	27,496,927	31,855,434	26,100,257	30,153,624

The deposits with licensed banks of RM1,039,531 (2006 - RM1,520,511) 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.

13. Capital and reserves

Share capital

	Group and Company	
	2007	2006
	RM	RM
Ordinary shares of RM1 each:		
Authorised	200,000,000	200,000,000
Issued and fully paid	65,340,000	65,340,000

Share premium

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

14. 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 year of eighteen (18) years from 1 October 2001 (Note 7). 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	3,492,617
	62,269,805

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.

Pursuant to the Privatisation Agreement, as security for performance of Aramijaya Sdn. Bhd.'s ("Aramijaya") obligations, the Company has undertaken to provide a 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 instalment payment of RM9,629,597 to the Johor State Government. The movement in amount due to Johor State Government is as follows:

	2007	2006
	RM	RM
Total privatisation consideration payable	62,269,805	62,269,805
Less: Instalment paid	(9,629,597)	(9,629,597)
	52,640,208	52,640,208

14. Amount due to Johor State Government (Cont'd)

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

	2007 RM	2006 RM
Current	4,049,247	4,049,247
Non-current	48,590,961	48,590,961
	52,640,208	52,640,208

Included in the amount due to Johor State Government is five instalment payments which were due on 1 October 2002, 1 October 2003, 1 October 2004, 1 October 2005 and 1 October 2006 respectively totalling RM23,858,111. On 1 October 2002, Aramijaya has defaulted the second instalment payment to Johor State Government due to the matter arising from the privatisation of forest plantation as stated in Note 7.

In the event of delay in payments of any instalments, Aramijaya, unless otherwise agreed by the Johor State Government, is liable to pay interest at 1.5% above the prevailing base lending rate of Malayan Banking Berhad on the outstanding instalment 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 of Aramijaya are of the opinion that the revised repayment schedule will be approved by the Johor State Government. Accordingly, the second instalment due on 1 October 2002 will be deferred further and an amount of RM4,049,247 will be repayable within the next twelve months based on the revised repayment schedule.

In the opinion of the Directors of Aramijaya, Aramijaya will be successful in obtaining the waiver of the interest charged on the overdue instalments of RM5.3 million (2006 – RM2.9 million), which has not been accrued for.

15. Borrowings

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Current				
Finance lease liabilities	775,330	506,526	170,787	75,388
Non-current				
Finance lease liabilities	684,286	774,367	209,860	92,647

15. Borrowings (Cont'd)

Terms and debt repayment schedule

Finance lease liabilities of the Group and of the Company is subject to a fixed interest rates ranging from 2.33% to 4.53% (2006 - 2.35% to 4.53%) per annum and 2.33% to 2.53% (2006 - 2.53% to 4.10%) per annum respectively.

Group	Year of maturity	Carrying amount RM	Under 1 year RM	1 – 2 years RM	2 - 5 years RM
2007					
Finance lease liabilities	2007-2010	1,459,616	775,330	427,248	257,038
2006					
Finance lease liabilities	2006-2010	1,280,893	506,526	510,158	264,209
Company					
2007					
Finance lease liabilities	2007-2010	380,647	170,787	109,527	100,333
2006					
Finance lease liabilities	2006-2010	168,035	75,388	79,129	13,518

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease Payments 2007 RM	Interest 2007 RM	Principal 2007 RM	Minimum lease Payments 2006 RM	Interest 2006 RM	Principal 2006 RM
Less than one year	866,417	91,087	775,330	572,467	65,941	506,526
Between one and five years	749,137	64,851	684,286	868,149	93,782	774,367
	1,615,554	155,938	1,459,616	1,440,616	159,723	1,280,893
Company						
Less than one year	184,500	13,713	170,787	81,780	6,392	75,388
Between one and five years	219,006	9,146	209,860	95,375	2,728	92,647
	403,506	22,859	380,647	177,155	9,120	168,035

16. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Group	RM	RM	RM	RM	RM	RM
Property, plant and equipment	(261,903)	(12,743)	1,791,373	1,507,498	1,529,470	1,494,755
Forest plantation project	-	-	1,191,327	1,948,575	1,191,327	1,948,575
Provisions	(16,591)	-	-	-	(16,591)	-
Tax loss carry-forwards	(789,031)	(1,059,583)	-	-	(789,031)	(1,059,583)
Net tax (assets)/ liabilities	(1,067,525)	(1,072,326)	2,982,700	3,456,073	1,915,175	2,383,747

In recognising the deferred tax assets attributable to unutilised tax loss carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax loss carry-forwards amounting to RM3,034,735 will not be available to the Group.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group and Company	
	2007	2006
	RM	RM
Deductible temporary differences	135,000	183,000
Tax loss carry-forwards	3,756,000	4,660,000
	3,891,000	4,843,000

The 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 can utilise the benefits there from. Unutilised tax loss carry-forwards amounting to RM14,448,000 will not be available to the Group if there is substantial change in shareholders (more than 50%).




17. Payables and accruals

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Trade					
Trade payables	a	6,442,376	9,914,983	4,410,440	6,675,088
Retention sums payable		3,745,585	5,915,262	3,745,585	5,915,262
Advances received from customers		-	234,311	-	-
Amount due to related parties	b	1,712,528	3,147,423	-	-
		11,900,489	19,211,979	8,156,025	12,590,350
Non-trade					
Other payables and accrued expenses		3,262,527	4,340,721	200,778	253,999
Amount due to subsidiary	c	-	-	455,866	-
		3,262,527	4,340,721	656,644	253,999
		15,163,016	23,552,700	8,812,669	12,844,349

Note a

Trade payables are denominated in its functional currency, Ringgit Malaysia.

Note b

The amount due to related parties is unsecured, interest free and repayable on demand except for an amount of RM36,831 (2006 – RM14,908) which is subject to interest at 6% (2006 – 6%) per annum with a fixed term of repayment.

Note c

The amount due to subsidiary is unsecured, interest free and repayable on demand.

18. Finance costs

	Note	Group 2007 RM Restated	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM
Amortisation of deferred interests	8	1,218,264	1,218,264	-	-
Finance lease interest		95,588	60,224	6,392	11,854
Interest expense on amount due to a related party		-	143,570	-	-
Others		81	616	81	616
		1,313,933	1,422,674	6,473	12,470

19. Profit before tax

	Note	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Profit before tax is arrived at after charging:					
Allowance for doubtful debts		24,954	38,856	-	-
Amortisation of forest plantation project	7	1,158,903	1,673,197	-	-
Amortisation of goodwill	4	-	71,937	-	-
Amortisation of prepaid lease payments	5	606,718	610,121	14,213	17,616
Auditors' remuneration					
- Audit services					
Auditors of the Company		61,500	59,500	41,500	41,500
Other auditors		800	800	-	-
Depreciation of property, plant and equipment	3	3,500,340	2,729,772	181,389	305,670
Depreciation of investment property	6	108,144	12,517	108,144	12,517
Personnel expenses (including key management personnel)					
- Contributions to Employee Provident Fund		531,973	453,466	100,463	143,006
- Wages, salaries and others		8,686,280	7,556,797	1,941,011	2,186,477
Property, plant and equipment written off		220,639	-	-	-
Realised foreign exchange loss		204,969	-	-	-
Retention receivable written off		622,036	-	622,036	-
Rental of plant and machinery		2,155,098	2,182,487	5,545	12,690
Rental of premises		298,922	193,463	113,150	119,100
Rental of motor vehicles		140,307	135,068	-	-
and after crediting :					
Gain on disposal of property, plant and equipment		1,095,399	521,364	1,095,399	521,364
Gain on disposal of leasehold land		110,723	-	110,723	-
Rental income from hire of					
- Motor vehicle		60,668	57,819	-	-
- Plant and machinery		150,799	-	-	-
Rental income from apartment		28,800	28,800	28,800	28,800
Reversal of allowance for doubtful debts		-	1,256,276	-	1,256,276

20. Key management personnel compensation

The key management personnel compensations are as follows:

	Group and Company 2007 RM	Group and Company 2006 RM
Directors:		
- Fees	25,000	25,000
- Remuneration	571,200	571,200
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	42,150	54,075
Total short-term employee benefits	638,350	650,275

21. Taxation

Recognised in the income statement

	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Taxation	(504,282)	1,575,994	(35,710)	150,994
Major components of tax expense include:				
Current tax expense				
Malaysian - current year	172,960	150,994	172,960	150,994
- prior year	(208,670)	-	(208,670)	-
Total current tax	(35,710)	150,994	(35,710)	150,994
Deferred tax expense				
Origination and reversal of temporary differences	484,238	1,425,000	-	-
Overprovision in prior year	(952,810)	-	-	-
Total deferred tax	(468,572)	1,425,000	-	-
Taxation	(504,282)	1,575,994	(35,710)	150,994

Reconciliation of effective tax expense

	Group 2007 RM	Group 2006 RM Restated	Company 2007 RM	Company 2006 RM Restated
Profit for the year	7,321,401	3,848,764	447,936	256,533
Taxation	(504,282)	1,575,994	(35,710)	150,994
Profit excluding tax	6,817,119	5,424,758	412,226	407,527
Tax at Malaysian tax rate	1,840,622	1,518,975	111,301	114,108
Effect of change in tax rate*	109,994	-	302,000	-
Non-deductible expenses	335,583	384,577	95,529	179,067
Forest premium allowed for deduction	(1,321,126)	-	-	-
Deferred tax assets now recognised	(952,000)	(321,000)	(952,000)	(321,000)
Other items	644,125	(6,558)	616,130	178,819
	657,198	1,575,994	172,960	150,994
Over provided in prior years	(1,161,480)	-	(208,670)	-
	(504,282)	1,575,994	(35,710)	150,994

21. Taxation (Cont'd)

* In the Malaysian Budget 2007, it was announced that the corporate income tax rate is reduced to 27% in 2007 and to 26% in 2008. Consequently, deferred tax assets and liabilities are measured using these tax rates.

22. 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 RM5,244,584 (2006 - RM2,759,116) and the number of ordinary shares outstanding during the year of 65,340,000 (2006 - 65,340,000).

23. Segmental reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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 loans and borrowings related expenses, corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Inter-segment pricing is determined on an arm's length basis.

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.
Plantation	Management and operation of forest plantation, logging, saw milling, chipping and other downstream manufacturing and related activities, and operation of oil palm plantation.

Geographical segments

The activities of the Group are carried out in Malaysia and accordingly no segmental reporting by geographical location is presented.




23. Segmental information (Cont'd)

Business segments	Construction 2007 RM	Construction 2006 RM	Management Service 2007 RM	Management Service 2006 RM	Plantation 2007 RM	Plantation 2006 RM	Consolidated 2007 RM	Consolidated 2006 RM
Total segment revenue	3,975,817	17,496,768	144,000	144,000	51,271,331	41,236,277	55,391,148	58,877,045
Segment result	(200,627)	(94,961)	(50,237)	(52,741)	7,768,289	6,553,508	7,517,425	6,405,806
Unallocated expenses							-	(71,937)
Result from operating activities							7,517,425	6,333,869
Interest income							613,627	513,563
Finance costs							(1,313,933)	(1,422,674)
Profit before taxation							6,817,119	5,424,758
Taxation							504,282	(1,575,994)
Profit for the year							7,321,401	3,848,764
Segment assets	47,361,529	51,134,643	1,843,187	1,915,087	100,626,687	98,160,886	149,831,403	151,210,616
Unallocated assets							1,222,936	1,222,936
Total assets							151,054,339	152,433,552
Segment liabilities	8,828,144	13,043,495	639,336	660,999	61,710,535	66,174,135	71,178,015	79,878,629
Capital expenditure	6,703,103	258,429	-	-	6,474,034	7,965,093	13,177,137	8,223,522
Depreciation	289,533	318,187	1,617	1,617	3,317,334	2,422,485	3,608,484	2,742,289
Amortisation of deferred interests	-	-	-	-	1,218,264	1,218,264	1,218,264	1,218,264
Amortisation of forest plantation project	-	-	-	-	1,158,903	1,673,197	1,158,903	1,673,197
Amortisation of prepaid lease payments	14,213	17,616	-	-	592,505	592,505	606,718	610,121
Unallocated amortisation							-	71,937
Non-cash expenses other than depreciation and amortisation	622,036	-	-	-	24,954	38,856	646,990	38,856

24. Financial instruments

Financial risk management objectives and policies

Exposure to credit risk, foreign currency risk, liquidity risk and interest rate 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 is exposed to foreign currency risk on sales that are denominated in a currency other than the respective functional currencies of the Company. The currency giving rise to this risk is primarily U.S. Dollars ("USD").

The Group does not hedge its foreign currency exposure and the management is monitoring these exposures on an ongoing basis.

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.

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.

24. Financial instruments (Cont'd)

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.

Fixed rate instruments	Average effective interest rate %	Total RM	Under 1 year RM	1 – 2 years RM	2 - 5 years RM
2007					
Group					
Deposits placed with licensed banks	3.06	12,263,623	12,263,623	-	-
Finance lease liabilities	2.33 - 4.53	(1,459,616)	(775,330)	(427,248)	(257,038)
Amount due to related party	6.00	(36,831)	(36,831)	-	-
		10,767,176	11,451,462	(427,248)	(257,038)
Company					
Deposits placed with licensed banks	3.06	12,263,623	12,263,623	-	-
Finance lease liabilities	2.33 – 2.35	(380,647)	(170,787)	(109,527)	(100,333)
		11,882,976	12,092,836	(109,527)	(100,333)
2006					
Group					
Deposits placed with licensed banks	1.57	15,434,457	15,434,457	-	-
Finance lease liabilities	2.35 – 4.53	(1,280,893)	(506,526)	(510,158)	(264,209)
Amount due to related party	6.00	(14,908)	(14,908)	-	-
		14,138,656	14,913,023	(510,158)	(264,209)
Company					
Deposits placed with licensed banks	3.06	15,434,457	15,434,457	-	-
Finance lease liabilities	2.53 – 4.10	(168,035)	(75,388)	(79,129)	(13,518)
		15,266,422	15,359,069	(79,129)	(13,518)

24. Financial instruments (Cont'd)

Fair values

The carrying amounts of cash and cash equivalents, receivables, deposits and prepayments and payables and accruals, approximate fair values due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees for credit facilities to a subsidiary. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiary and the third parties defaulting on the credit lines is remote.

The aggregate fair value of the other financial liabilities carried on the balance sheet as at 31 March 2007 are shown below:

	2007		2006	
Group	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liability	**RM**	**RM**	**RM**	**RM**
Amount due to Johor State Government	52,640,208	-	52,640,208	-
Less : Deferred interest	(14,111,517)	-	(15,329,781)	-
	38,528,691	38,528,691	37,310,427	37,310,427
Finance lease liabilities	1,459,616	1,591,518	1,280,893	1,408,682
	39,988,307	40,120,209	38,591,320	38,719,109

Company	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities	**RM**	**RM**	**RM**	**RM**
Finance lease liabilities	380,647	395,708	168,035	171,705

Estimation of fair value

The fair value of amount due to Johor State Government has been determined by discounting the relevant cash flows repayment using approximate current interest rate. For this purpose, the fair value of amount due to Johor State Government is based on the net carrying amount less net carrying amount of deferred interest (Note 8).

For the other financial liabilities, fair value are determined using estimated future cash flows discounted using market related rate for similar instrument at the balance sheet date the interest rate used to discount estimated cash flows are as follows:

	2007	**2006**
Leases	2.33% – 2.35%	2.35% - 2.53%

25. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Unsecured				
Performance bond to third parties in respect of projects	409,000	4,696,054	409,000	4,696,054
Performance bond to third party in respect of a project of a subsidiary	-	467,775	-	467,775
Corporate guarantee to third party in respect of purchasing of machinery by a subsidiary	2,156,200	1,920,292	2,156,200	1,920,292
Corporate guarantee to third party in respect of purchasing of motor vehicle by a subsidiary	948,800	528,800	948,800	528,800
Corporate guarantee to Johor State Government in respect of payment by a subsidiary	52,640,208	52,640,208	52,640,208	52,640,208
	56,154,208	60,253,129	56,154,208	60,253,129

26. Material litigations

Company

A contractor filed a claim against the Company for a breach of RM10.4 million. The Company has counter claimed for a sum of RM4.7 million, alleging that the contractor has breached their obligations for a sub-contract work together with interest of 8% per annum from the date of the filing of defence until the date of full realisation.

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.

27. Related parties

Identity of related parties

Controlling related party relationships are with its subsidiaries as disclosed in Note 9 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.

27. Related parties (Cont'd)

Identity of related parties (Cont'd)

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

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Transactions				
With companies deemed related to certain Directors:				
Sales	(2,635)	(109,996)	-	-
Purchases	4,156,329	2,850,706	-	-
Rental and purchase of machinery	1,253,246	1,640,307	-	-
Rental of equipment	1,250,000	1,000,000	-	-
Progress billing for construction work	-	754,095	-	-
Rental of premise	108,000	108,000	108,000	108,000
With subsidiary				
Secondment fee	-	-	455,866	-

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

28. Changes in accounting policies

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2007.

The changes in accounting policies arising from the adoption of FRS 3, Business Combination, FRS 136, Impairment of assets and FRS 138, Intangible Assets are summarised below:

FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Goodwill is stated at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired.

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 March 2007 would decrease by RM71,937 as follows:

	Group 2007 RM
Income statement for the year ended 31 March	
Goodwill amortisation which would be charged to the income statement	71,937

This change in accounting policy has no material impact on earnings per share.

Notes To The Financial Statements *(Cont'd)*

29. Comparative figures

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

	Group		Company	
	As restated RM	As previously stated RM	As restated RM	As previously stated RM
Balance sheets				
Property, plant and equipment	16,793,002	28,783,172	1,047,478	3,113,196
Prepaid lease payments	11,434,198	-	1,509,746	-
Investment property	555,972	-	555,972	-

Properties of the Group and the Company amounting to RM555,972 in 2006 that are owned to earn rental income or for capital appreciation or for both were reclassified from property, plant and equipment to investment property.

Leasehold land of the Group and the Company amounting to RM11,434,198 and RM1,509,746 respectively were reclassified from property, plant and equipment to prepaid lease payments to comply with the requirement of FRS 117, Leases.

Following the adoption of FRS 3, Business Combination, minority interest was reclassified into equity; likewise in arriving at profit for the year, minority interest was not deducted.




ANALYSIS OF SHAREHOLDING AS AT 8 AUGUST 2007

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	67	7.85	870	0.00
100 - 1,000	269	31.50	203,920	0.31
1,001 - 10,000	374	43.79	1,550,010	2.37
10,001 - 100,000	90	10.54	3,142,000	4.81
100,001 - less than 5%	50	5.85	21,248,200	32.52
5% and above	4	0.47	39,195,000	59.99
TOTAL	**854**	**100.00**	**65,340,000**	**100.00**

Analysis of Shareholdings (Cont'd)

2. THIRTY (30) LARGEST SHAREHOLDERS

	Name	Shareholdings	%
1.	ABB Nominee (Tempatan) Sdn. Bhd. pledged securities account for Limbongan Resources Sdn. Bhd.	14,900,000	22.80
2.	ECM Libra Avenue Nominees (Tempatan) Sdn. Bhd. - Kumpulan Prasarana Rakyat Johor Sdn Bhd	10,200,000	15.61
3.	Dato' Lim Kang Yew	8,995,000	13.77
4.	OSK Nominees (Tempatan) Sdn Bhd - Kumpulan Prasarana Rakyat Johor Sdn Bhd	5,100,000	7.81
5.	Segi Satria Sdn. Bhd.	2,954,700	4.52
6.	Lim Keng Cheng	1,839,000	2.81
7.	Amsec Nominees (Tempatan) Sdn. Bhd. pledged securities account for Goh Eng Keong	1,104,400	1.69
8.	Yap Shing @ Yap Sue Kim	883,500	1.35
9.	Koh Hong Seng	740,700	1.13
10.	Lam Mee Ling	714,600	1.09
11.	Khoo Nang Seng @ Khoo Nam Seng	633,000	0.97
12.	Loh Yu San	617,000	0.94
13.	Wong Yit Choy	591,000	0.90
14.	Roslee bin Daud	588,000	0.90
15.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. pledged securities account for Pang Piu Fong	587,500	0.90
16.	HSBC Nominees (Asing) Sdn. Bhd. - Bintang Mas Consulting Ltd	584,800	0.90
17.	ECM Libra Avenue Nominees (Tempatan) Sdn. Bhd. pledged securities account for Yap Kok Woon	562,700	0.86
18.	A.A. Anthony Nominees (Tempatan) Sdn Bhd pledged securities account for Wong Kim Leng	523,500	0.80
19.	TCL Nominees (Tempatan) Sdn. Bhd. pledged securities account for Mohamad Nor bin Hamid	519,000	0.79
20.	Mayban Securities Nominees (Tempatan) Sdn. Bhd. pledged securities account for Cheong Meow Yen	453,500	0.70
21.	Hambali bin Idris	410,000	0.63
22.	Cheong Meow Yen	365,700	0.56
23.	Tung Foong Ngoh	311,600	0.48
24.	Ooi Keng Thye	309,400	0.47
25.	Tan Leak Goh	298,000	0.46
26.	A.A. Anthony Nominees (Tempatan) Sdn. Bhd. pledged securities account for Tan Weng Shiow	291,900	0.45
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. pledged securities account for Lee Hup Seng @ Lee Heap Seng	291,000	0.45
28.	Lim Hoe	289,000	0.44
29.	ECM Libra Avenue Nominees (Tempatan) Sdn. Bhd. pledged securities account for Foo Suet Kum	284,900	0.44
30.	Koh Chaw Huah	261,400	0.40
	TOTAL	**56,204,800**	**86.02**

3. SUBSTANTIAL SHAREHOLDERS

Shareholdings as at 8 August 2007

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	8,995,000	13.77	-	-
4. En Lokman bin Omar	-	-	14,994,000	22.95
5. Lim Keng Guan	-	-	14,994,000	22.95
TOTAL	**39,289,000**	**60.13**		

4. DIRECTORS' SHAREHOLDINGS

	Shareholdings as at 8 August 2007			
Name	*Direct Shareholdings*	*%*	*Indirect Shareholdings**	*%*
1. Encik Johar Salim bin Yahaya	-	-	-	-
2. Dato' Lim Kang Yew	8,995,000	13.77	-	-
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	**8,995,000**	**13.77**		

List of Properties As At 31 March 2007

No	Location	Description /Existing Use	Area	Land tenure	Age of Building	Net Book Value
1	H.S. (D) No. 9469, PT No. 7923, Mukim Batu Caves, Selangor Darul Ehsan.	4-Storey Shop/ Head Office Building	226.00 sq. m (2,434 sq.ft)	Freehold	15 Years	522,800
2	HS (M) 28398, PT 30419, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang.	Bungalow Lots/ Vacant	1,365.50 sq. m	Leasehold 99 years expiring on 10 Sep 2092	-	182,311
3	HS (M) 28402, PT 30423, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang.	Bungalow Lots/ Vacant	1,401.50 sq. m	Leasehold 99 years expiring on 10 Sep 2092	-	187,117
4	HS (M) 28454, PT 30475, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang.	Bungalow Lots/ Vacant	1,399.20 sq. m	Leasehold 99 years expiring on 10 Sep 2092	-	186,810
5	HS (M) 28556, PT 30557, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang.	Bungalow Lots/ Vacant	1,206.40 sq. m	Leasehold 99 years expiring on 10 Sep 2092	-	175,397
6	HS (M) 28619, PT 30640, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang.	Bungalow Lots/ Vacant	1,602.10 sq. m	Leasehold 99 years expiring on 10 Sep 2092	-	232,922
7	HS (M) 28620, PT 30641, Indera Mahkota, Mukim Kuala Kuantan, District of Kuantan, Pahang.	Bungalow Lots/ Vacant	1,662.90 sq. m	Leasehold 99 years expiring on 10 Sep 2092	-	241,755
8	No. 21, Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru.	Apartments/Rented	1,043 sq. ft.	Leasehold 99 years expiring on 22 Mar 2085	7 Years	136,884

No	Location	Description /Existing Use	Area	Land tenure	Age of Building	Net Book Value
9	No. 22, Block A, Level 2, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru.	Apartments/Rented	1,043 sq. ft.	Leasehold 99 years expiring on 22 Mar 2085	7 Years	136,884
10	No. 21, Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru.	Apartments/Rented	1,043 sq. ft.	Leasehold 99 years expiring on 22 Mar 2085	7 Years	134,843
11	No. 22, Block A, Level 3, Apartment Titiwangsa, Jalan Padi Malinja 1, Bandar Baru UDA, 81200 Johor Bahru.	Apartments/Rented	1,043 sq. ft.	Leasehold 99 years expiring on 22 Mar 2085	7 Years	134,843
12	Plot 12, Jalan Simen 1, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor.	Chipping Plant factory	621,863 sq. ft.	Leasehold 19 years expiry on 22-Mar-23	2 Years	14,009,641
13	No 5, Jalan U1/13A, Glenmarie Residences, Shah Alam, Selangor.	Double storey bunglow/vacant	741 sq. m.	Freehold	1 Year	2,182,031
14	No 17, Jalan U1/13A, Glenmarie Residences, Shah Alam, Selangor.	Double storey bunglow/vacant	662 sq. m	Freehold	1 Year	2,066,609
15	No 19, Jalan U1/13A, Glenmarie Residences, Shah Alam, Selangor.	Double storey bunglow/vacant	644 sq. m	Freehold	1 Year	2,030,883

The group has not revalued any of its properties.

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

Proxy Form

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 to vote for me/us and on my/our behalf at the Twentieth Annual General Meeting of the Company to be held on Friday, 28th day of September 2007 at 10.00 a.m. at Function Room, KKlub, Jalan Melawati 3, Taman Melawati, 53100 Selangor Darul Ehsan and, at any adjournment thereof.

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

ORDINARY RESOLUTIONS	FOR	AGAINST
1. Adoption of Audited Financial Statements [Resolution 1]		
2. Approval of Directors' Fee [Resolution 2]		
3. Re-election of Directors :- a. Dato' Lim Kang Yew (Article 117) [Resolution 3] b. Encik Johar Salim bin Yahaya (Article 82) [Resolution 4] c. Encik Hisham bin Mahmood (Article 82) [Resolution 5]		
4. Re-appointment of Auditors [Resolution 6]		
5. **ORDINARY RESOLUTION 1** Authority to Issue Shares pursuant to Section 132D Of the Companies Act, 1965 [Resolution 7]		
ORDINARY RESOLUTION 2 Renewal of Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or trading nature [Resolution 8]		
SPECIAL RESOLUTION Proposed Amendments to the Articles of Association of the Company [Resolution 9]		

Dated this ____________ day of ____________ 2007

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

Fold this flap sealing