聯明集團有限公司
LIAN BENG GROUP LTD
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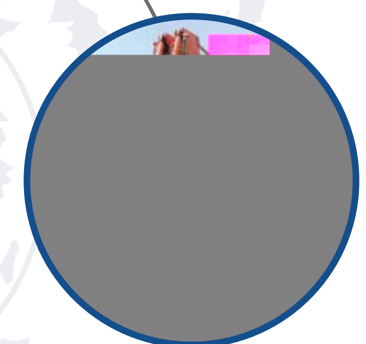
Company s Registration No: 199802527Z

LIAN BENG GROUP LTD ANNUAL REPORT 2006

聯明集團有限公司
LIAN BENG GROUP LTD

ANNUAL REPORT 2006



beyond boundaries

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mission statement

TO ACHIEVE

the best services and products to all our customers
at the most competitive cost and quality management

chairman s statement

Dear Shareholders

We are pleased to present our Annual Report for the Financial Year ended 31 May 2006 (FY06).

Our Group s revenue for FY06 was S$189.4 million, an increase of S$40.9 million or 27.6% from 31 May 2005 (FY05). The construction division continued to be the key driver of revenue with 84.6% of contribution to the Group s revenue. The remaining revenue came from overburden removal works, engineering and leasing, and the property development divisions. The Group s pre-tax profit for FY06 was S$3.1 million, an increase from S$2.4 million in FY05. Approximately S$2.9 million of the profit before tax was attributed to the construction, engineering and leasing, property development and investment holding divisions, and S$0.2 million of the Group s profit before tax was attributed to the overburden removal project in Indonesia. The net profit attributable to shareholders increased from S$1.5 million in FY05 to S$1.8 million in FY06. Earnings per share rose from 0.32 cent in FY05 to 0.40 cent in FY06.

In April 2006, we were awarded a US$17.4 million contract for the Design and Build of 600 single-storey housing for the tsunami-affected victims in the Republic of Maldives through our wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd (LBC). This is the first such housing project to be awarded to a Singapore-listed construction company. This project will not have an impact on the earnings and net tangible assets of the Group for FY06.

With our diversification and regionalisation strategies, the Group will continue to seize opportunities in the regional markets.

According to the Ministry of Trade and Industry (MTI), overall Gross Domestic Product (GDP) for Q2 2006 rose by 8.1% as compared to the same period in 2005 and the Q2 2006 GDP for construction sector rose by 0.2% as compared to a 0.8% decline in Q1 2006 and a 1.1% decline in Q2 2005 (Information Source: MTI s website dated 10 August 2006). The Building and Construction Authority (BCA) forecasts that for 2006, the total construction demand for Singapore will range between S$12.0 billion and S$13.5 billion (Information Source: BCA website, 27 January 2006). Although the construction industry shows positive signs, the domestic market remains competitive and limited. While we continue to tender actively for public and private sector projects in the domestic market, we remain receptive towards participating selectively in regional tenders, to build on our overseas capabilities and experience.

With our diversification and regionalisation strategies, the Group will continue to seize opportunities in the regional markets. As progress is made on our overburden removal project in East Kalimantan, we are constantly on the lookout for further overseas opportunities in the energy related sector, to diversify and venture into regional markets where suitable opportunities present themselves.

I am pleased to announce that in light of the Group s performance in FY06, the Board has recommended a net dividend of 0.22 cents per share for FY06. The proposed dividend, if approved at the Company s Annual General Meeting to be held on 26 September 2006, will be paid on 12 October 2006.

Finally, on behalf of the Board, I would like to thank the Management and staff of the Group for their hard work and immense contributions during the past year. I would also like to thank all our customers, suppliers, business partners and shareholders for their unwavering support and look forward to their continued support in the future.

ONG PANG AIK PBM
Chairman and Managing Director

maldives development

board of directors

MR ONG PANG AIK PBM the Chairman and Managing Director of the Company, is credited for expanding the Group s business from that of a sub-contractor to a corporation with the status of an A1 graded main contractor registered with the Building and Construction Authority (BCA). He first joined the Group in 1978 upon completing his studies and has more than 25 years of experience in the construction industry. He was appointed as the Chairman of the Board on 5 March 2003 and as the Board Chairman, he oversees the management, business development and overall operations of the Group.

Apart from his work, Mr Ong also participates actively in community work. He serves as a grassroots leader in the Marine Parade GRC - Braddell Heights CCMC and as the Chairman of the Aljunied-Hougang 6-Miles Business Sub-committee. He is also a member of the PAP Community Foundation Braddell Heights Executive Committee, the Braddell Heights Committee Club Building Fund, the Braddell Heights Centre Management Committee and the Braddell Heights Community Centre Management Committee Harmonica Group. In addition, he also serves as a Patron and the Vice-chairman of Xinghua Primary School Advisory Committee and a Patron of the Braddell Heights Constituency Sports Club.

In recognition of his contributions to the community, Mr Ong was awarded the Public Service Medal (Pingkat Bakti Musyarakat — PBM) in 2001.

MS ONG LAY HUAN is an Executive Director of the Company and the Contracts Manager of the Group. She joined the Group in 1991 and has more than ten years of experience in the construction industry. Ms Ong was first appointed as an Executive Director of the Board on 20 March 1999 and was re-elected on 23 September 2005. She oversees the budgeting and costing of the Group s projects, manages the Group s Contracts Department and is also involved in all tenders submitted by the Group.

She holds a Diploma in Quantity Surveying from the Singapore Polytechnic and is currently a member of the Singapore Institute of Directors.

MS ONG LAY KOON is an Executive Director of the Company and the Resource Manager of the Group. She joined the Group in 1992 and was first appointed as an Executive Director of the Board on 20 March 1999 and re-elected on 24 September 2004. Ms Ong is presently involved in overseeing the management of Group-wide human resources and she is also involved in the Group s accounting functions.

She holds a Diploma in Civil Engineering from the Singapore Polytechnic and is a member of the Singapore Institute of Directors.

operational review

operational review

CONSTRUCTION

As one of the major homegrown building contractors in Singapore, construction remains as the Group s core business. Our construction activities have progressed from local public housing construction to private residential and commercial properties, institutional projects, civil engineering works and most recently, a regional construction project in Maldives.

In FY06, the construction division contributed S$160.3 million in revenue, an increase of S$33.7 million from S$126.6 million in FY05. Its contribution to profit before tax amounted to S$4.7 million compared with S$1.6 million in FY05. This increase was attributed to higher revenue recognition from progressive completion of construction projects.

CURRENT PROJECTS

Building works on our private residential construction projects at The Lakeshore Condominium, La Casa Executive Condominium and the condominium at Mount Sophia are in progress. The public residential building contract for 424 dwelling units at Sengkang N2C34, awarded by the Housing and Development Board (HDB), is also underway.

NEW CONTRACTS

The Group marked another milestone in its history in FY06 when LBC was awarded a US$17.4 million project for the Design and Build of 600 single-storey housing units at Raa Dhuvaafaru Island, Republic of Maldives for its tsunami-affected victims. We are the first Singapore-listed construction company to be awarded a housing project in Maldives. The project commenced on 10 April 2006 and is scheduled for completion within 13 months from its commencement. The Group undertook this project in a joint venture arrangement with Amin Construction Private Limited, a major construction company in Maldives.

COMPLETED PROJECTS

We have completed a number of projects in FY06, among them, the construction of a proposed road interchange at Queensway/Commonwealth Avenue and the main building and upgrading works at CHIJ Toa Payoh primary and secondary schools. Addition and alteration works to an army camp are also near completion.

The Lakeshore

Sengkang N2C34

Raa Dhuvaafaru Island, Maldives

...LBC was awarded a US$17.4 million project for the Design and Build of 600 single-storey housing units at Raa Dhuvaafaru Island, Republic of Maldives for its tsunami-affected victims.

CHIJ (Toa Payoh)

The award is a commendation of our commitment to safety practices and procedures at site operations.

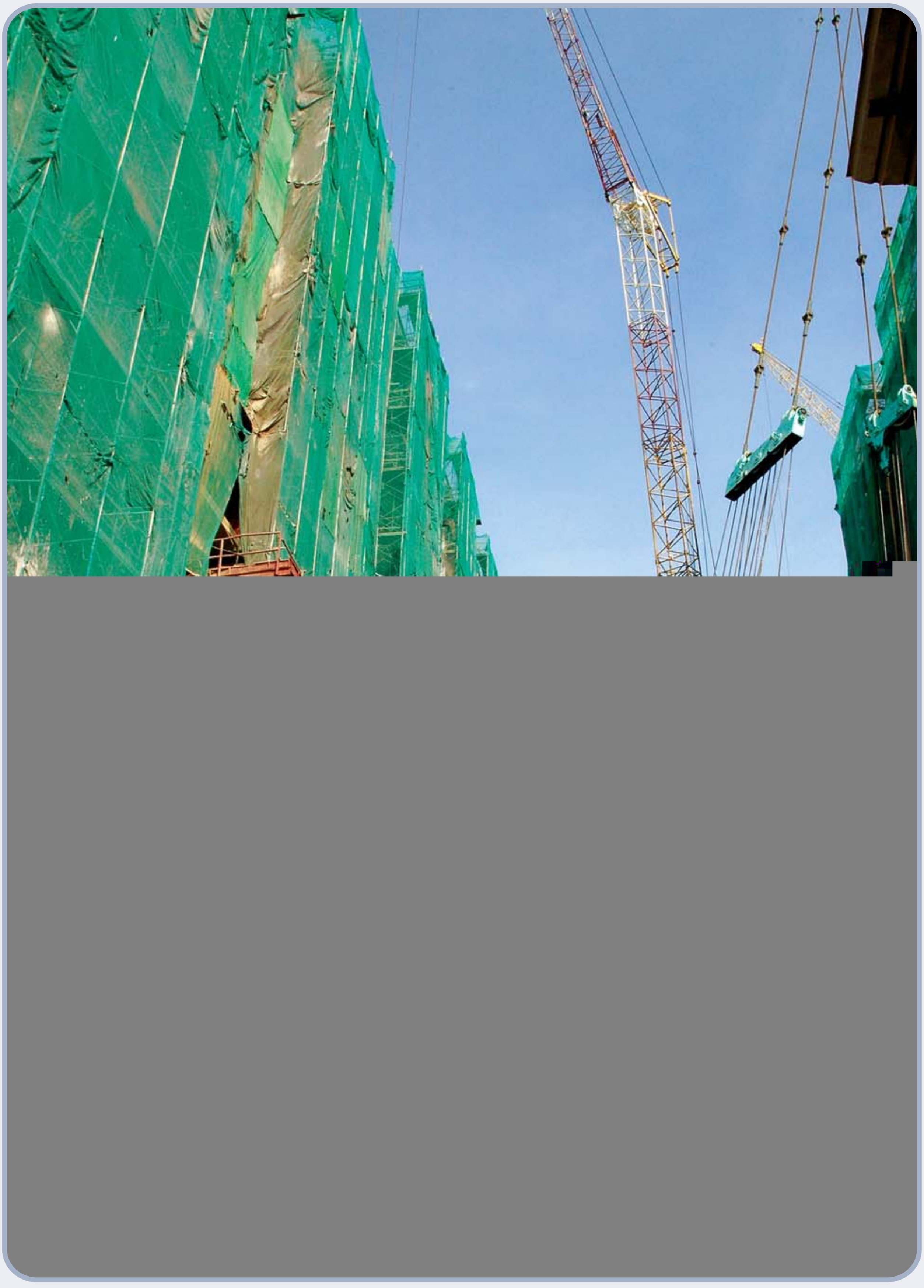
ACHIEVEMENT

We have proudly added to our list of awards, the Bronze Award in the Singapore Contractors Association Ltd (SCAL) 2nd Safety Innovation Teams (SIT) Convention 2005, organised by the SCAL Occupational Safety & Health Committee on 30 September 2005. We garnered this award for our La Casa Executive Condominium project. The award is a commendation of our commitment to safety practices and procedures at site operations. This is the second consecutive year that we have received this award.

OVERBURDEN WORKS

Our five-year overburden removal contract for an open-cast coal mine in East Kalimantan is currently in progress. The contract is performed by PT Lian Beng Energy (PT LBE), a subsidiary of Lian Beng Energy Pte Ltd (a joint venture company between the Company and Manhattan Resources Limited).

In FY06, the Overburden Works Division contributed S$23.2 million or 12.3 % of the total revenue, a 90.2 % increase compared with S$12.2 million or 8% of the total revenue for FY05. The Division registered S$0.2 million profit before tax for FY06, as compared to S$1.3 million in FY05. This decrease in profit before tax was due to the weakening of the US dollar and the loss of operating hours due to heavy rainfall during the second half of the financial year. We will continue to seek further opportunities in other coal mine related activities through strategic initiatives and mutually beneficial collaborations.



La Casa

Engineering and Leasing

ENGINEERING AND LEASING

Our two subsidiaries, Lian Beng Engineering & Machinery Pte Ltd (LBEM) and Tradewin Machinery & Equipments Pte Ltd (TWE) make up the Engineering and Leasing Division of the Group. They complement the services provided under the Construction Division by undertaking engineering works and leasing of construction machinery and equipment such as scaffolding, gondolas and metal formworks.

In FY06, the Engineering and Leasing Division contributed S$1.8 million or 1.0 % of the total revenue, compared with S$2.0 million or 1.3% of the total revenue for FY05.

The division is currently handling the erecting and dismantling of external scaffolds for Bukit Merah RC36 and has completed the same for Kallang/Whampoa RC24 in FY06. It is also undertaking some engineering works in several other projects.

Rocca Balestier

Derbyshire Heights

PROPERTY

The Group s Property Division is spearheaded by Lian Beng Realty Pte Ltd (LBR), our wholly-owned subsidiary, and Rocca Investments Pte Ltd (Rocca), a 60%-owned subsidiary.

In FY06, we obtained the Certificates of Statutory Completion for Derbyshire Heights, a 24-unit residential development and Rocca Balestier, a residential — commercial mix development. Sales for both these properties are currently taking place.

The Division contributed S$4.1 million or 2.2 % of the total revenue for FY06.

corporate information

BOARD OF DIRECTORS

Ong Pang Aik PBM
Chairman and Managing Director

Ong Lay Huan
Executive Director

Ong Lay Koon
Executive Director

Tan Swee Hong
Executive Director

Dr Wan Soon Bee
Independent Director

Sitoh Yih Pin
Independent Director

COMPANY SECRETARY

Chew Kok Wye

REGISTERED OFFICE

25 Playfair Road, Lian Beng Building
Singapore 367990
Tel: 6283 1468
Fax: 6280 9360
Email: lianbeng@singnet.com.sg
Website: www.lianbeng.com.sg

NOMINATING COMMITTEE

Dr Wan Soon Bee - Chairman
Sitoh Yih Pin
Ong Lay Koon

REMUNERATION COMMITTEE

Sitoh Yih Pin - Chairman
Dr Wan Soon Bee
Ong Lay Koon

AUDIT COMMITTEE

Dr Wan Soon Bee - Chairman
Sitoh Yih Pin
Ong Lay Koon

REGISTRAR AND SHARE TRANSFER OFFICE

M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

AUDITORS

ERNST & YOUNG
Certified Public Accountants
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315
Partner-in-charge: Loh Khum Whai, Max
(Appointed Since Financial Year Ended 31 May 2005)

SOLICITORS

Loo & Partners
88 Amoy Street, Level Three
Singapore 069907

PRINCIPAL BANKERS

Maybank

Oversea-Chinese Banking Corporation Ltd

The Hongkong and Shanghai Banking Corporation Limited

group structure

LIAN BENG GROUP LTD

100%

LIAN BENG CONSTRUCTION (1988) PTE LTD

The company is one of Singapore s leading building contractors and has secured the A1 grade classification in the general building category under BCA s Contractors Registry which enables it to tender for public sector projects of unlimited value and the A2 grade classification in the civil engineering category which allows it to tender for projects up to $65 million.

50%

LIAN BENG -AMIN JOINT VENTURE PRIVATE LIMITED

The company is a joint venture company with Amin Construction Pvt. Ltd. a construction company incorporated in the Republic of Maldives. The company currently undertakes the design and build of 600 single-storey housing units in Maldives.

70%

LIAN BENG (BANGLADESH) TRAINING AND TESTING CENTRE PTE LTD

This is a joint venture company with Wah Poh Shipping Agency & Construction Pte Ltd, a Singapore company and Spangles Export House Ltd, a Bangladeshi company. The company is currently dormant.

70%

LIAN BENG TRAINING & TESTING CENTRE PTE LTD

The company provides management services relating to training and testing of construction workers.

100%

DEENN ENGINEERING PTE LTD

The company provides one-stop design-and-build services as well as civil engineering works.

100%

L.S. CONSTRUCTION PTE LTD

The company engages in building and construction activities.

100%

LIAN BENG ENGINEERING & MACHINERY PTE LTD

The company undertakes scaffold erection projects and fabricates general structural steelworks such as scaffolds and metalforms.

100%

TRADEWIN MACHINERY & EQUIPMENTS PTE LTD

The company leases and sells construction equipment and machinery and provides repair and maintenance services for construction equipment and machinery.

100%

LIAN BENG REALTY PTE LTD

The company is involved in residential property development business.

60%

ROCCA INVESTMENTS PTE LTD

The company undertakes mixed property development.

100%

LIAN BENG INVESTMENT PTE LTD

The company is engaged in property investment holding and owns the Group's corporate headquarters.

50%

LIAN BENG ENERGY PTE LTD

The company is a joint venture company with Manhattan Resources Limited, a public listed company in Singapore. It established PT Lian Beng Energy to perform coal-related projects for open cast coal mines in Indonesia.

95%

PT LIAN BENG ENERGY

The company was incorporated in Indonesia to perform overburden removal and dumping contracts at open cast mines in Indonesia.

key executive officers

MR CHEW TEOW LEONG, has been the Financial Controller of the Group since March 1999 and is responsible for the financial accounting, financial management and internal control functions of the Group.

Prior to joining the Group, he has had over 15 years experience in financial and management accounting, costs and budgetary control and financial management in the trading, construction and manufacturing business.

He is a fellow member of the Chartered Association of Certified Accountants in the United Kingdom (ACCA) and a member of the Institute of Certified Public Accountants of Singapore (ICPAS). He has been awarded the Master of Business Administration degree by the university of Oxford Brookes in July 2005.

MR JEFFREY TEO WEE JIN, the Construction Manager of Lian Beng Construction (1988) Pte Ltd (LBC), is responsible for the overall management of the private residential construction projects of the company. He currently also serves as the Managing Director of the subsidiary, Lian Beng — Amin Joint Venture Private Limited.

He first joined the Group in 1992 as a Project Manager and later re-joined the Group as a Senior Project Manager in 1997 and was later promoted to become the Construction Manager in 2004.

Mr Teo has had more than 19 years of project management experience in the construction industry and has been the key driver in quality initiatives for all the private condominium projects undertaken by the company. His vast experiences in managing condominium projects with the clients emphasis on the delivery of quality products has enable him to mentor project managers in the setting up of site QA/QC committee and quality system. With the ever-increasing expectation of good quality housing of each homeowner, he is now tasked to set-up the QA/QC department to provide leadership in the company with regards to quality assurance, coinciding with our organization policy.

MR LEE TEY SAY, a Director of PT Lian Beng Energy (PTLBE), is responsible for the overall management of the overburden removal project in Indonesia.

He joined the Group in 1994 as a Project Manager and was later promoted to the post of Senior Project Manager in 1997. With his project management skills, he was appointed as a Director of PTLBE when the Group decided to venture into the coal-related industry in 2004. Mr. Lee has had more than 29 years of experience in the construction industry and in civil engineering works as well.

He holds an Honours Degree in Bachelor of Applied Science for Construction Management & Economics from Curtin University of Technology as well as a Diploma in Business Management and a Diploma in Building Services Engineering.

MS ONG LEE YAP, the Purchasing Manager of the Group, has more than ten years of experience in the construction industry.

Since joining the Group in 1988, she has gained wide experience in the construction industry in her position as Purchasing Manager.

She is currently responsible for materials procurement, material and machinery logistics and the administration of foreign workers wages.

MR ONG PHANG HOO, the Project Director of the Group, is chiefly responsible for overseeing the Group s construction projects and activities.

Besides resolving on-site technical problems and handling sub-contractors issues, he also acts to ensure the smooth running and timely completion of all projects of the Group.

He joined the Group after completing his studies and the National Service and he has been with the Group for more than 8 years.

MR ONG PHANG HUI, the Plant & Machinery Director of the Group, is responsible for the maintenance and repair of the Group s plant and machinery and the coordination of the Group s scaffolding projects. He is also responsible for overseeing the progress of the Group s construction projects and activities.

As a Director of both Lian Beng Engineering & Machinery Pte Ltd and Tradewin Machinery and Equipments Pte Ltd, he oversees the management of these two companies.

He has been with the Group for more than 9 years upon completion of his education and the National Service.

MR THAN KING HUAT, a Director of Deenn Engineering Pte Ltd (Deenn), is responsible for the overall management of its construction projects.

He joined Deenn in 1994 as a Project Manager and was later promoted to the post of Senior Project Manager in 1998. He was appointed as a Director of Deenn when the Group acquired Deenn in 2001. Mr Than has significant experience, with more than 20 years in the construction industry in structural designing, construction engineering and project management for design and build projects.

He holds a Master of Science degree in Structural Engineering from the University of Manchester Institute of Science and Technology (United Kingdom), an equivalent degree in Civil and Structural Engineering from the Engineering Council Part II (United Kingdom) and a Diploma in Civil and Structural Engineering from the Singapore Polytechnic.

A **META FUSION** DESIGN

The Company is committed to maintaining a high standard of corporate governance, in line with the Code of Corporate Governance (the "Code"), to ensure continued growth and success, and to justify investor confidence. This report describes the corporate governance practices of the Company, with reference to the principles of the Code.

(A) BOARD MATTERS

The Board of Directors of the Company (the "Board") comprises six members as follows:

Executive Directors

Mr Ong Pang Aik PBM (Chairman and Managing Director)
Mr Tan Swee Hong
Ms Ong Lay Huan
Ms Ong Lay Koon

Independent Directors

Dr Wan Soon Bee
Mr Sitoh Yih Pin

BOARD'S CONDUCT OF ITS AFFAIRS
Principle 1: Effective Board to lead and control the Company

The principal functions of the Board are to:

1. oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
2. approve board policies, strategies and financial objectives of the Company and to monitor the performance of management;
3. approve annual budgets, major funding proposals, investment and divestment proposals;
4. approve the nomination of Directors and the appointment of key personnel; and
5. ensure compliance with the Company's guidelines on corporate governance.

The Board is responsible for the overall strategy and direction of the Group whilst our Chairman and Managing Director, and Management are responsible for the Group's day-to-day operations and administration.

The Board conducts regular scheduled meetings bi-annually. Ad-hoc meetings are convened when circumstances require.

The Company's Articles of Association allow attendance of a Board meeting by way of teleconference.

To ensure effective corporate governance, the Company has also established three key committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. Their respective roles will be discussed further in this report.

The attendance of the Directors at the above-mentioned meetings for the financial year ended 31 May 2006 is disclosed in the table as follows:

Name of Director	Board Meeting		Nominating Committee Meeting		Remuneration Committee Meeting		Audit Committee Meeting	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Ong Pang Aik PBM	2	2	-	-	-	-	-	-
Tan Swee Hong	2	2	-	-	-	-	-	-
Ong Lay Huan	2	2	-	-	-	-	-	-
Ong Lay Koon	2	2	1	1	1	1	2	2
Dr Wan Soon Bee	2	2	1	1	1	1	2	2
Sitoh Yih Pin	2	2	1	1	1	1	2	2

In the event the Company appoints new directors, they may be provided with appropriate training to discharge their duties. The Directors may, at any time, visit the Group's construction sites to gain a better understanding of the Group's business operations.

To keep pace with regulatory changes made to regulations and accounting standards, where such changes have an important bearing on the disclosure obligations of the Company or its Directors, the Directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals when applicable.

BOARD COMPOSITION AND BALANCE

Principle 2: Strong and independent element on the Board

At present, the Board comprises four Executive Directors and two Independent Directors.

The Nominating Committee has reviewed the independence of each Director in accordance with the Code's definition of independence. They are of the view that Dr Wan Soon Bee and Mr Sitoh Yih Pin are independent and that no individual or small group of individuals dominates the Board's decision-making process.

The Nominating Committee has examined the size of the Board and considers it an appropriate size to facilitate effective decision-making. The Nominating Committee is of the view that the Board comprises Directors capable of providing core competencies necessary to meet the Company's requirements, taking into account the scope and nature of the operations of the Company.

The composition of the Board and the independence of each Director will be reviewed annually by the Nominating Committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear division of responsibilities at the top of the Company

Mr Ong Pang Aik PBM currently assumes the roles of both the Chairman and Managing Director. Mr Ong Pang Aik PBM is responsible for running the Company's business and ensuring that Board meetings are held when necessary. He also prepares the agenda for Board meetings and ensures compliance with the Company's guidelines on corporate governance.

Taking into account the current corporate structure and the scope of the Company's operations, the roles of the Chairman and Managing Director will not be separated as the Board is of the view that there is adequate accountability and transparency within the Group.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment of new Directors

The Company adopts a formal and transparent process for the appointment of new Directors to the Board and ensures that all Directors submit themselves for re-nomination and re-election at regular intervals. To oversee this aspect of corporate governance, the Nominating Committee was established on 12 April 2003 and comprises the following members, two of whom are Independent Directors:

1. Dr Wan Soon Bee, Chairman (Independent Director)
2. Mr Sitoh Yih Pin, Member (Independent Director)
3. Ms Ong Lay Koon, Member (Executive Director)

The role of the Nominating Committee is:

1. to determine and disclose the criteria for identifying candidates;
2. to identify candidates and review all nominations for the appointment or re-appointment of members of the Board of Directors, the Managing Director of the Company and the wholly-owned subsidiaries of the Company, the senior executive staff and the members of the various Board committees, for the purpose of proposing such nominations to the Board for its approval;
3. to decide how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval;
4. to assess the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board; and
5. to determine the independence of the Directors annually.

New Directors will be appointed by way of a Board resolution, after the Nominating Committee makes the necessary recommendations to the Board. Such new Directors shall submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company following their appointment.

Please refer to pages 6 & 7 of this Annual Report for the profile of each Director.

BOARD PERFORMANCE

Principle 5: Formal assessment of the effectiveness of the Board and contribution by each Director

The Nominating Committee, in considering the re-appointment of any Director, evaluates the performance of the Director.

On an annual basis, the Board's Chairman will assess each Director's contribution to the Board and discuss the results of the assessment with the Chairman of the Nominating Committee on an informal basis.

An informal assessment on each Director's performance was duly carried out for the financial year 2006. The assessment parameters include attendance records at meetings of the Board and Board committees, intensity of participation at meetings, the quality of interventions and special contributions.

ACCESS TO INFORMATION

Principle 6: Board members to have access to complete, adequate and timely information

In order to ensure that the Board is able to fulfill its responsibilities, the management will provide adequate and timely information to the Board on the Group's affairs and issues that require the Board's decision as well as ongoing reports relating to the operational and financial performance of the Group.

The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times as they have been provided with their contact particulars.

The Directors, either individually or as a group, in the furtherance of their duties, have access to independent professional advice, if necessary, at the Company's expense.

The Company Secretary attends all Board meetings and ensures that Board procedures are followed. Together with the other management staff, the Company Secretary is responsible for ensuring that the Company complies with all applicable requirements, rules and regulations.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: Formal and transparent procedure for fixing remuneration packages of Directors

The Remuneration Committee of the Company was established on 12 April 2003 and comprises the following members, two of whom are Independent Directors:

1. Mr Sitoh Yih Pin, Chairman (Independent Director)
2. Dr Wan Soon Bee, Member (Independent Director)
3. Ms Ong Lay Koon, Member (Executive Director)

The main responsibilities of the Remuneration Committee are as follows:

1. to recommend to the Board a framework of remuneration for the Board members and key executives;
2. to determine specific remuneration packages for each Executive Director;
3. to determine the appropriateness of the remuneration of Non-Executive Directors taking into consideration the level of their contribution;
4. to review and recommend to the Board the terms of renewal of the service agreements of the Executive Directors; and
5. to consider the disclosure requirements for the remuneration of Directors and key executives as required by the SGX-ST.

The Remuneration Committee's recommendations are made in consultation with the Chairman of the Board and submitted for approval by the entire Board. The members of the Remuneration Committee do not participate in any decision-making concerning their own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle 8: Remuneration of Directors should be adequate but not excessive

The Company has a remuneration policy, which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus respectively, that takes into account the performance of the Company and the performance of the individual Director.

The Independent Directors have no service agreements with the Company. They are paid Directors' fees, which are determined by the Board appropriate to the level of their contribution taking into account factors such as the effort and time spent, and the responsibilities of the Independent Directors. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company.

The Company has entered into separate service agreements with Mr Ong Pang Aik PBM and Mr Tan Swee Hong, each of which is valid for an initial period of 3 years and is subject to an automatic renewal every 3 years.

The Company does not have any employee share option schemes.

DISCLOSURE ON REMUNERATION
Principle 9: Remuneration policy, level and mix of remuneration and procedure for setting remuneration

The Board has not included an annual remuneration report in its annual report for the financial year ended 2006 as the Board is of view that the matters which are required to be disclosed in the annual remuneration report have already been sufficiently disclosed in this Corporate Governance Report and in the financial statements of the Company.

A breakdown of the level and mix of each individual Director's remuneration for the financial year ended 31 May 2006 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus (%)	Other Benefits and Allowances (%)	Fees * (%)	Total (%)
$500,000 & Above	Ong Pang Aik PBM	55	18	2	25	100
< $250,000	Tan Swee Hong	69	10	5	16	100
< $250,000	Ong Lay Huan	69	15	0	16	100
< $250,000	Ong Lay Koon	70	15	0	15	100
< $250,000	Dr Wan Soon Bee	0	0	0	100	100
< $250,000	Sitoh Yih Pin	0	0	0	100	100

* Includes fees for directorships held in the company's subsidiaries

The total remuneration paid to the Directors of the Company will be S$1,329,782.00 for the financial year 2006.

A breakdown of the level and mix of the top 7 key executives' remuneration for the financial year ended 31 May 2006 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus (%)	Other Benefits and Allowances (%)	Fees * (%)	Total (%)
< $250,000	Ong Lee Yap	81	19	0	0	100
< $250,000	Ong Phang Hoo	57	13	16	14	100
< $250,000	Ong Phang Hui	65	14	6	15	100
< $250,000	Than King Huat	83	13	4	0	100
< $250,000	Lee Tey Say	91	9	0	0	100
< $250,000	Jeffrey Teo Wee Jin	81	16	3	0	100
< $250,000	Chew Teow Leong	91	9	0	0	100

* Includes fees for directorships held in the company's subsidiaries

The total remuneration paid to the Executive Officers who are related to substantial shareholders is S$573,413.00 for the financial year ended 31 May 2006.

A breakdown of the level and mix of each employee who is the immediate family member of a Director for the financial year ended 31 May 2006 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus (%)	Other Benefits and Allowances (%)	Fees * (%)	Total (%)
$150,000 - $250,000	Ong Lee Yap	81	19	0	0	100
$150,000 - $250,000	Ong Phang Hoo	57	13	16	14	100
$150,000 - $250,000	Ong Phang Hui	65	14	6	15	100

* Includes fees for directorships held in the company's subsidiaries

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
Principle 10: Accountability of the Board and Management

The Company has no immediate plans to release quarterly results, as its market capitalisation did not exceed $75 million as at 31 March 2003.

AUDIT COMMITTEE
Principle 11: Establishment of Audit Committee with written terms of reference

The Audit Committee was established on 5 April 1999 and comprises the following members, two of whom are Independent Directors:

1. Dr Wan Soon Bee, Chairman (Independent Director)
2. Mr Sitoh Yih Pin, Member (Independent Director)
3. Ms Ong Lay Koon, Member (Executive Director)

The Board is confident that the corporate governance of the Company has not been and will not be compromised by the existing composition of the Audit Committee and that the Independent Directors of the Audit Committee will continue to benefit from the experience and expertise of the Executive Director in the Audit Committee, to carry out their respective duties effectively.

The main functions of the Audit Committee are to:

1. review the annual audit plan of the Company's external auditors;
2. review the external auditors' reports;
3. review the co-operation given by the Company's officers to the external auditors;
4. review the Company's half year and full year results announcements, the financial statements of the Company and the consolidated financial statements of the Group before submission of the financial statements to the Board for approval to release the results to the SGX-ST;
5. nominate external auditors for appointment and re-appointment; and
6. review all interested person transactions to ensure that they have been conducted on an arm's length basis, and on normal commercial terms.

The Audit Committee is authorised to investigate any matter in its terms of reference and has full access to, and cooperation of Management. The Audit Committee has full discretion to invite any Director or Executive Officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

Upon satisfaction that the nature and extent of the non-audit services provided by the external auditors will not prejudice the independence and objectivity of the external auditors, the Audit Committee has recommended to the Board of Directors the re-appointment of Messrs Ernst & Young as the Auditors of the Company.

INTERNAL CONTROLS & INTERNAL AUDIT
Principle 12: Maintenance of sound system of internal controls
Principle 13: Establishment of an independent internal audit function

The Audit Committee acknowledges that the Group's system of internal and operational controls has a key role in the identification and management of risks that are significant to the achievement of its business objectives. The Company reviews the effectiveness of its internal and operational controls and its risk management.

These internal and operational controls are designed to provide a reasonable assurance as to the effectiveness and efficiency of its operations, integrity and reliability of the financial information, and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and evaluate potential financial effects.

The Company will not be setting up an internal audit team for the time being, having evaluated the benefits thereto in the light of our existing internal controls (including operational controls) and systems.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, effective and fair communication with shareholders
Principle 15: Shareholder participation at AGMs

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Group's performance, position and prospects on a half-yearly basis and the management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis.

The Board is mindful of the obligation to provide shareholders information on all major developments that affect the Group in accordance with the SGX-ST's Listing Rules and the Singapore Companies Act, Cap. 50. Information is communicated to shareholders on a timely basis through annual reports that are prepared and issued to all shareholders within the mandatory period, SGXNET and the press.

At AGMs, shareholders are given the opportunity to air their views and ask Directors or the Management questions regarding the Company. The AGM is the principal forum for dialogue with shareholders.

The members of the Audit, Nominating and Remuneration Committees will be present at the AGM to answer questions relating to the work of these committees.

DEALINGS IN SECURITIES

The Company has adopted and complied with the SGX-ST's Best Practices Guide in relation to dealings in the Company's shares.

Directors and all key executives are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half-year or financial year results and ending on the date of the announcement of the relevant results.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval by the Audit Committee.

During the financial year under review, there was no material transaction with interested persons.

FINANCIAL CONTENTS

The Directors are pleased to present their report to the members together with the audited financial statements of Lian Beng Group Ltd (the "Company") and the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 May 2006.

Directors

The Directors of the Company in office at the date of this report are:

Ong Pang Aik
Ong Lay Huan
Ong Lay Koon
Tan Swee Hong
Dr Wan Soon Bee
Sitoh Yih Pin

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, interests in shares and debentures of the Company and related corporations, as stated below :

	Direct interest		Deemed interest	
	At 1 June 2005	At 31 May 2006	At 1 June 2005	At 31 May 2006
Holding company				
Ong Sek Chong & Sons Pte Ltd				
Ordinary shares				
Ong Pang Aik	25,000	25,000	–	–
Ong Lay Huan	10,000	10,000	–	–
Ong Lay Koon	10,000	10,000	–	–
Company				
Ordinary shares				
Ong Pang Aik	25,100,800	25,100,800	196,782,400	196,782,400
Ong Lay Huan	6,075,200	6,075,200	–	–
Ong Lay Koon	6,075,200	6,075,200	–	–
Tan Swee Hong	100,000	100,000	–	–
Subsidiaries				
Lian Beng Training & Testing Centre Pte Ltd				
Ordinary shares				
Ong Pang Aik	–	–	7,000	7,000
Lian Beng (Bangladesh) Training and Testing Centre Pte Ltd				
Ordinary shares				
Ong Pang Aik	–	–	3,500	3,500
Rocca Investments Pte Ltd				
Ordinary shares				
Ong Pang Aik	–	–	1,200,000	1,200,000

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Ong Pang Aik is deemed to have interests in the shares of all the wholly-owned subsidiaries of the Company, at the beginning and at the end of the financial year.

Directors' interests in shares or debentures (cont'd)

Except as disclosed in this report, no other director of the Company had interests in shares or debentures of the Company or related corporations either at the beginning or the end of the financial year.

There were no changes in the directors' interests in the Company between the end of the financial year and 21 June 2006.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director has received or become entitled to receive a benefit 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.

Share options

During the financial year, there were :

(a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(b) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit Committee

The Audit Committee performed the functions specified in the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Ong Pang Aik
Director

Ong Lay Huan
Director

Singapore
15 August 2006

Statement by Directors

We, Ong Pang Aik and Ong Lay Huan, being two of the directors of Lian Beng Group Ltd, do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 May 2006, and of the results of the business, changes in equity of the Company and the Group and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Ong Pang Aik
Director

Ong Lay Huan
Director

Singapore
15 August 2006

Auditors' Report
to the Members of Lian Beng Group Ltd

We have audited the accompanying financial statements of Lian Beng Group Ltd (the "Company") and its subsidiaries (collectively the "Group") set out on pages 28 to 74 for the year ended 31 May 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet, profit and loss account and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 May 2006 and the results, changes in equity of the Company and the Group and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
15 August 2006

Balance Sheets
as at 31 May 2006

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Non-current assets					
Property, plant and equipment	3	34,412	33,506	–	–
Intangible assets	4	18	18	–	–
Investments in :					
- subsidiaries	5	–	–	23,937	23,937
- jointly-controlled entity	6	–	–	2,000	2,000
Investment securities	7	624	572	–	–
Deferred tax assets	8	367	146	–	–
		35,421	34,242	25,937	25,937
Current assets					
Inventories	9	1,542	1,909	–	–
Receivables from related parties	14	18	–	–	–
Properties held for sale	10	20,309	24,502	–	–
Construction work-in-progress	11	22,963	23,329	–	–
Trade receivables	12	57,985	51,777	–	–
Other receivables, deposits and prepayments	13	3,690	5,042	281	498
Receivables from subsidiaries	14	–	–	15,371	16,002
Amount due from jointly-controlled entity	6	5,539	2,457	7,466	4,903
Investment securities	7	53	38	–	–
Fixed deposits	15	2,701	2,807	1,648	1,569
Cash and bank balances		12,176	17,843	270	2,766
		126,976	129,704	25,036	25,738
Current liabilities					
Progress billings in excess of construction work-in-progress	11	9,651	5,642	–	–
Trade payables and accruals	16	45,625	45,508	–	–
Other payables and deposits	17	1,724	1,456	252	186
Amounts due to related parties	18	5,491	5,043	5,011	5,168
Bank overdrafts	19	10,682	11,988	–	–
Bank loans	19	16,468	20,607	1,048	1,065
Current portion of obligations under hire purchase	20	1,115	433	–	–
Provision for taxation		3,092	3,694	–	–
		93,848	94,371	6,311	6,419
Net current assets		33,128	35,333	18,725	19,319
Non-current liabilities					
Bank loans	19	10,433	13,377	–	–
Obligations under hire purchase	20	3,013	1,541	–	–
Deferred tax liabilities	8	213	414	–	–
		13,659	15,332	–	–
Net assets		54,890	54,243	44,662	45,256
Equity attributable to equity holders of the Company					
Share capital	21	42,866	22,738	42,866	22,738
Reserves		12,020	31,422	1,796	22,518
		54,886	54,160	44,662	45,256
Minority interests		4	83	–	–
Total equity		54,890	54,243	44,662	45,256

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Profit and Loss Accounts

for the year ended 31 May 2006

	Note	Group		Company	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Revenue	23	189,449	148,488	1,200	2,000
Cost of sales		(178,054)	(139,468)	–	–
Gross profit		11,395	9,020	1,200	2,000
Other income	24	2,389	2,343	54	35
Distribution expenses		(284)	(197)	(7)	(10)
Administrative expenses		(5,569)	(5,228)	(333)	(303)
Other operating (expenses)/income	24	(2,962)	(2,114)	8	4
Profit from operations	24	4,969	3,824	922	1,726
Finance costs	26	(1,847)	(1,397)	(37)	(39)
Profit before taxation		3,122	2,427	885	1,687
Taxation	27	(1,583)	(1,050)	(479)	(369)
Profit after taxation		1,539	1,377	406	1,318
Attributable to :					
Equity holders of the Company		1,835	1,472	406	1,318
Minority interests		(296)	(95)	–	–
		1,539	1,377	406	1,318
		Cents	**Cents**		
Earnings per share - basic and diluted	28	0.40	0.32		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 May 2006

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital (Note 21)	Share premium	Accumulated profits	Other reserves (Note 22)	Total reserves		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
At 1 June 2004	22,738	20,128	9,845	54	9,899	196	52,961
Net effect of exchange differences	–	–	–	(77)	(77)	21	(56)
Net income/(expenses) recognised directly in equity	–	–	–	(77)	(77)	21	(56)
Net profit/(loss) for the year	–	–	1,472	–	1,472	(95)	1,377
Total recognised income and expense for the year	–	–	1,472	(77)	1,395	(74)	1,321
Share of profit by minority interests in excess of their capital contribution	–	–	–	–	–	(39)	(39)
At 31 May 2005	22,738	20,128	11,317	(23)	11,294	83	54,243
Net effect of exchange differences	–	–	–	(161)	(161)	27	(134)
Net change in fair value adjustment reserve	–	–	–	52	52	–	52
Net income/(expenses) recognised directly in equity	–	–	–	(109)	(109)	27	(82)
Net profit/(loss) for the year	–	–	1,835	–	1,835	(296)	1,539
Total recognised income and expense for the year	–	–	1,835	(109)	1,726	(269)	1,457
Dividends paid (Note 38)	–	–	(1,000)	–	(1,000)	–	(1,000)
Share of loss by minority interests in excess of their capital contribution	–	–	–	–	–	190	190
Transfer of share premium reserve to share capital	20,128	(20,128)	–	–	–	–	–
At 31 May 2006	42,866	–	12,152	(132)	12,020	4	54,890

Statements of Changes in Equity (Cont'd)

for the year ended 31 May 2006

	Attributable to equity holders of the Company			Total equity
	Share capital (Note 21) $'000	Share premium $'000	Accumulated profits $'000	$'000
Company				
At 1 June 2004	22,738	20,128	1,072	43,938
Profit for the year	–	–	1,318	1,318
At 31 May 2005	22,738	20,128	2,390	45,256
Transfer of share premium reserve to share capital	20,128	(20,128)	–	–
Profit for the year	–	–	406	406
Dividends paid (Note 38)	–	–	(1,000)	(1,000)
At 31 May 2006	42,866	–	1,796	44,662

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 May 2006

	2006 $'000	2005 $'000
Cash flows from operating activities		
Profit before taxation	3,122	2,427
Adjustments for :		
Depreciation of property, plant and equipment	3,914	3,159
Dividend income	(13)	(7)
Gain on sale of plant and equipment	(1,067)	(563)
Writeback for impairment losses on property	–	(2)
Fair value (gain)/loss on investment securities	(15)	84
Interest income	(77)	(68)
Interest expense	1,847	1,397
Exchange translation difference	206	–
Allowance for doubtful receivables	564	6
Operating profit before working capital changes	8,481	6,433
Changes in working capital :		
Development properties/properties held for sale	4,192	8,705
Construction work-in-progress	4,384	6,932
Inventories	367	(1,909)
Trade receivables	(6,772)	(12,727)
Other receivables, deposits and prepayments	1,112	(1,955)
Trade payables, other payables and accruals	386	10,440
Balances with related parties	(3,086)	(2,307)
Cash generated from operations	9,064	13,612
Income tax paid	(2,347)	(1,213)
Net cash generated from operating activities	6,717	12,399
Cash flows from investing activities		
Interest received	77	68
Dividend received	13	7
Purchase of property, plant and equipment (Note A)	(3,465)	(10,599)
Proceeds from sale of property, plant and equipment	1,706	766
Proceeds from capital reduction of investment securities	–	17
Net cash used in investing activities	(1,669)	(9,741)

Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 May 2006

	2006 $'000	2005 $'000
Cash flows from financing activities		
Interest paid	(1,847)	(1,759)
Repayment of hire purchase creditors	(236)	(257)
Proceeds from bank loans	1,125	16,381
Repayment of bank loans	(8,208)	(21,794)
(Increase in)/release of fixed deposits pledged to bank	(47)	12
Loans from related parties	651	3,033
Dividend paid	(1,000)	–
Net cash used in financing activities	(9,562)	(4,384)
Net decrease in cash and cash equivalents	(4,514)	(1,726)
Cash and cash equivalents at beginning of the year	7,584	9,310
Cash and cash equivalents at end of the year (Note 29)	3,070	7,584

Note A

During the financial year, the Group acquired plant and equipment with an aggregate cost of $5,856,000 (2005 : $12,079,000) of which $2,391,000 (2005 : $1,480,000) were acquired by means of hire purchase arrangements. Cash payments of $3,465,000 (2005 : $10,599,000) were made to purchase plant and equipment.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Lian Beng Group Ltd is incorporated in the Republic of Singapore with its registered office and principal place of business at 25 Playfair Road, Lian Beng Building, Singapore 367990.

The immediate and ultimate holding company is Ong Sek Chong & Sons Pte Ltd, a company incorporated in the Republic of Singapore.

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries and jointly-controlled entity are set out in Note 5 and Note 6, respectively.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet, profit and loss account and the statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except for derivative financial instruments and held for trading and available for sale financial assets, if any, that have been measured at their fair values.

The financial statements are presented in Singapore Dollars (SGD or $).

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) *Adoption of new FRS*

On 1 June 2005, the Group and the Company adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2005.

(i) <u>FRS 39 – Financial Instruments: Recognition and Measurement</u>

The Group and the Company adopted FRS 39 prospectively on 1 June 2005. At that date, financial assets within the scope of FRS 39 were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial assets that were classified as financial assets at fair value through profit or loss and available-for-sale financial assets were measured at fair value while loans and receivables and held-to-maturity investments were measured at amortised cost using the effective interest rate method. At 1 June 2005, differences between the carrying values and fair values of financial assets at fair value through profit or loss were recognised in accumulated profits while the differences between carrying values and fair values of available-for-sale financial assets were recognised in the fair value adjustment reserve.

At 1 June 2005, financial liabilities (other than derivative financial instruments) within the scope of FRS 39 were measured at amortised costs using the effective interest rate method. Any difference between the carrying values and amortised costs as at 1 June 2005 were recognised in accumulated profits.

According to FRS 39, all derivative financial instruments held by the Group and the Company were recognised as assets or liabilities in the balance sheets and classified as financial assets or financial liabilities at fair value through profit or loss. Fair value adjustments of derivative financial instruments, except for those designated as cash flow hedges, were recognised in accumulated profits at 1 June 2005.

The change in accounting policy on 1 June 2005 did not result in any material impact on the Group and Company's accumulated profits.

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

2.2 Changes in accounting policies (cont'd)

(b) *Adoption of new and revised FRS*

The Group adopted the following new and revised standards mandatory for annual financial periods beginning on or after 1 January 2005, which did not result in any significant change in accounting policies:

FRS 1 (revised)	–	Presentation of Financial Statements
FRS 2 (revised)	–	Inventories
FRS 8 (revised)	–	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	–	Events after the Balance Sheet Date
FRS 16 (revised)	–	Property, Plant and Equipment
FRS 17 (revised)	–	Leases
FRS 21 (revised)	–	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	–	Related Party Disclosures
FRS 27 (revised)	–	Consolidated and Separate Financial Statements
FRS 28 (revised)	–	Investments in Associates
FRS 31 (revised)	–	Interest in Joint Ventures
FRS 32 (revised)	–	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	–	Earnings Per Share
FRS 36 (revised)	–	Impairment of Assets
FRS 38 (revised)	–	Intangible Assets
FRS 102	–	Share-based Payment
FRS 103	–	Business Combinations

(c) *FRS not yet effective*

The Group has not applied the following FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006:

(i) <u>FRS 40 – Investment Property</u>

This standard allows companies to choose to measure investment properties either (i) at fair value with fair value changes taken to the profit and loss account (the Fair Value Model) or (ii) at cost less depreciation and any impairment losses (Cost Model). A lessee may classify and account for an operating lease property as an investment property under FRS 40, but only if it meets the definition of investment property and the Fair Value Model is used for this and all other investment properties of the company.

(ii) <u>FRS 107 – Financial Instruments : Disclosure</u>

This standard requires quantitative disclosures of the nature and extent of risks arising from financial instruments in addition to the disclosures currently required under FRS 32. Adoption of this standard will result in additional disclosures in the financial statements.

The Group expects that the adoption of the pronouncements listed above will have no impact on the financial statements in the period of initial application.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

2.3 Significant accounting estimates and judgements (cont'd)

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 3 to 50 years. The carrying amount of the Group's fixed assets at 31 May 2006 was $34,412,000 (2005: $33,506,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payable at 31 May 2006 was $3,092,000 (2005: $3,694,000).

(iii) Variation orders for contract revenue

The Group has variation orders for its contracts. Profits/(losses) in relation to these variation orders have been properly recognised based on the best judgement of the management.

(b) *Critical judgements made in applying accounting policies*

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Impairment of financial assets

The Group follows the guidance of FRS 39 in determining when a financial asset is impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost; and the financial health of and near-term business outlook for the financial asset, including factors such as industry and Group performance, changes in technology and operational and financing cash flow.

2.4 Functional and foreign currency

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

2.4 Functional and foreign currency (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(c) *Foreign currency translation*

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 June 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing exchange rate at the balance sheet date.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 June 2005 are deemed to be assets and liabilities of the parent Company and are recorded in SGD at the exchange rates prevailing at the date of acquisition.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Jointly-controlled entities

A jointly-controlled entity is a contractual arrangement whereby the Group and other entities undertake an economic activity which is subject to joint control.

The Group's interests in jointly-controlled entities are accounted for using the proportionate consolidation method whereby the Group's proportionate share of the joint venture's assets, liabilities, income and expenses are combined on a line-by-line basis with similar items in the consolidated financial statements.

In the Company's separate financial statements, investments in jointly-controlled entities are accounted for at cost less any impairment losses.

2.6 Development properties/properties held for sale

Development properties/properties held for sale are held with the intention of sale in the ordinary course of business. These include completed properties and properties in the course of development and are classified as current assets.

Development properties/properties held for sale are stated at the lower of cost plus, where appropriate, a portion of attributable profit less allowance for foreseeable losses, progress billings and estimated net realisable value. Land, related acquisition expenses, development expenditure, interest and other related expenditure are capitalised as part of the cost of development properties. Interest will cease to be capitalised upon issuance of the temporary occupation permit.

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

2.7 Subsidiaries and principles of consolidation

(a) *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(b) *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.10 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

No depreciation is provided on freehold land and construction-in-progress.

Depreciation of other asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Freehold properties	-	50 years
Leasehold properties	-	50 years or over period of lease whichever is shorter
Plant and machinery	-	3 – 10 years
Furniture, fittings and office equipment	-	3 – 5 years
Motor vehicles and cabin cruiser	-	3 – 5 years

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect for these assets.

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

2.8 Property, plant and equipment (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.9 Construction contracts

The accounting policy for recognition of contract revenue is set out in Note 2.25 below. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively by reference to the value of work performed relative to the contract value. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work-in-progress at the balance sheet date is recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress claims, and is presented in the balance sheet as "construction work-in-progress" (as an asset) or "excess of progress claims over construction work-in-progress" (as a liability), as applicable. Construction costs include cost of direct materials, direct labour and costs incurred in connection with the construction.

Progress claims not yet paid by the customer are included in the balance sheet under "trade receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability, as "advances on construction work".

2.10 Intangible asset

(a) *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

2.10 Intangible asset (cont'd)

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) *Club membership*

Club membership is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life is assessed to be finite and club membership is amortised on a straight-line basis over its estimated economic useful life and is assessed for impairment whenever there is an indication that the club membership may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. The amortisation expense is recognised in the profit and loss account.

2.11 Investment securities

Investment securities are classified as financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets, as appropriate.

The accounting policies for the abovementioned categories of financial assets are stated in Note 2.15.

2.12 Affiliated company

An affiliated company is a company, not being a subsidiary or an associate, in which one or more of the directors or shareholders of the Company have a significant equity interest or exercise significant influence.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses'.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

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

2.14 Leases

(a) *Finance lease*

Finance leases (hire purchase), which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as plant and equipment under hire purchase. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged directly to the profit and loss account.

(b) *Operating lease*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

2.15 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity instruments or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

(a) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(b) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(c) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

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

2.15 Financial assets (cont'd)

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

2.16 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in values. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash on hand and in banks carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.15.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

2.17 Trade and other receivables

Trade and other receivables, including amounts due from subsidiaries, associates, related companies and loans to related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.15.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.18 below.

2.18 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

2.18 Impairment of financial assets (cont'd)

(b) *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined on the following basis:

Fuel	:	Weighted average
Rebars and Spare parts	:	Purchase cost on a first-in, first-out basis

Net realisable value is the estimated normal selling price, less estimated costs necessary to make the sale.

Provision is made for deteriorated, damaged, obsolete and slow-moving inventories.

2.20 Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.21 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

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

2.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.23 Employee benefits

(a) *Defined contribution plan*

As required by law, the Company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

2.24 De-recognition of financial assets and liabilities

(a) *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

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

2.25 Turnover and revenue recognition

(i) *Construction contracts*

Revenue from construction contracts is recognised based on the percentage of completion method, measured by reference to the value of the work performed to the total contract value. Foreseeable losses are provided for when the likelihood is anticipated.

(ii) *Provision of engineering works*

Revenue from provision of engineering works is recognised based on the percentage of completion method, measured by reference to the cost incurred to the total estimated cost. Foreseeable losses are provided for when the likelihood is anticipated.

(iii) *Sale, rental and maintenance of construction machinery and equipment*

Revenue from sale, rental and maintenance of construction machinery and equipment is recognised when machinery is delivered or when services are rendered.

(iv) *Sale of development properties/properties held for sale*

Revenue from the sale of development properties/properties held for sale is recognised using the percentage of completion method. The percentage recognised is based on the stage of completion certified by architects or quantity surveyors for individual units sold. Foreseeable losses are provided for when the likelihood is anticipated.

(v) *Dividend income*

Dividends from subsidiaries are recognised when such dividends are declared. Dividends from other investments are recognised as income on a receipt basis.

(vi) *Over-burden*

Revenue is recognised upon delivery of goods to the buyer in accordance with the term of sale.

Group turnover excludes intercompany transactions.

2.26 Income tax

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

2.26 Income tax (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.27 Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

2.28 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 such 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.

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

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

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 other financial assets and related revenue, and corporate assets and expenses.

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

(i) *Business segments*

The Group comprises the following main business segments :

Construction	General construction of building, provision of civil engineering works and training of construction workers.
Engineering and leasing of construction machinery	Provision of engineering works and sale, rental and maintenance of construction machinery and equipment.
Property development	Development of properties.
Investment holding	Investment and management of properties.
Overburden work	Provision for removal of overburden services for coal mining site.

(ii) *Geographical segments*

The Group operates in Singapore, Indonesia and Maldives.

3. Property, plant and equipment

Group	Freehold land $'000	Freehold properties $'000	Leasehold properties $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles and cabin cruiser $'000	Construction-in-progress $'000	Total $'000
Cost								
At 1 June 2004	6,860	4,075	13,353	26,012	3,037	3,559	–	56,896
Additions	–	–	–	10,993	300	565	221	12,079
Disposals	–	(924)	–	(1,175)	(21)	(139)	–	(2,259)
At 1 June 2005	6,860	3,151	13,353	35,830	3,316	3,985	221	66,716
Additions	–	–	–	4,681	256	905	14	5,856
Disposals	–	–	–	(2,220)	(23)	(1,090)	–	(3,333)
Reclassification	–	–	–	77	(73)	(6)	2	–
Exchange difference	–	–	–	(451)	(11)	(28)	(11)	(501)
At 31 May 2006	6,860	3,151	13,353	37,917	3,465	3,766	226	68,738
Accumulated depreciation and impairment losses								
At 1 June 2004	–	376	3,522	22,505	2,554	2,265	–	31,222
Depreciation charge for the year	–	87	261	2,012	322	474	–	3,156
Impairment losses	–	–	(2)	–	–	–	–	(2)
Disposals	–	(82)	–	(964)	(15)	(104)	–	(1,165)
Exchange difference	–	–	–	(1)	–	–	–	(1)
At 1 June 2005	–	381	3,781	23,552	2,861	2,635	–	33,210
Depreciation charge for the year	–	67	261	2,766	272	558	–	3,924
Reclassification	–	–	–	12	(10)	(2)	–	–
Disposals	–	–	–	(1,786)	(21)	(906)	–	(2,713)
Exchange difference	–	–	–	(81)	(3)	(11)	–	(95)
At 31 May 2006	–	448	4,042	24,463	3,099	2,274	–	34,326
Net book value								
At 31 May 2006	6,860	2,703	9,311	13,454	366	1,492	226	34,412
At 31 May 2005	6,860	2,770	9,572	12,278	455	1,350	221	33,506

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

The depreciation charged to the profit and loss account for the year is derived as follows :

	Group	
	2006 **$'000**	**2005** **$'000**
Depreciation for the year	3,924	3,156
Depreciation included in construction work-in-progress	(344)	(282)
Depreciation previously included in construction work-in-progress now charged to the profit and loss account	334	285
Depreciation charged to the profit and loss account (Note 24)	3,914	3,159

Included in the carrying values of property, plant and equipment are the following :

Freehold and leasehold properties and plant and machinery mortgaged to banks for credit facilities granted to subsidiaries and jointly-controlled entity	23,780	25,616
Plant, machinery and motor vehicles acquired under hire purchase arrangements	4,975	2,775

Details of the Group's properties are as follows :

Description	**Tenure**	**Site area (sq m)**	**Gross floor area (sq m)**	**Interest held by the Group %**
An industrial terrace flatted factory at 25, Playfair Road, Singapore	Freehold	675	1,659	100
Regentville, a residential condominium unit, #03-02, at Hougang Street 92, Singapore	99 years (effective from 24 April 1996)	N/A	91	100
Eastpoint Green, a residential condominium unit, #08-15, at Simei Street 3, Singapore	99 years (effective from 24 April 1996)	N/A	110	100
An industrial flatted factory at Senoko Drive, Singapore	22 years (effective from 1 October 2001)	10,143	3,473	100
An office unit, #12-03 at 190 Middle Road, Fortune Centre, Singapore	99 years (effective from 18 October 1980)	N/A	50	100
An office unit, #17-03 at 190 Middle Road, Fortune Centre, Singapore	99 years (effective from 18 October 1980)	N/A	155	100
An office unit, #17-01 at 7 Temasek Boulevard, Suntec City, Tower One, Singapore	99 years (effective from 1 March 1989)	N/A	430	100
A residential condominium unit, #01-02 at 157C Tamarind Road, Serenity Park, Singapore	Freehold	N/A	148	100

4. Intangible assets

(a) *Goodwill on consolidation*

	Group	
	2006	**2005**
	$'000	**$'000**
Goodwill arising from consolidation	1,409	1,409
Less : Accumulated amortisation	–	(1,409)
Elimination of accumulated amortisation	(1,409)	–
	–	–

As of 1 June 2005, any goodwill acquired in future will not be amortised but will be subject to annual impairment testing.

(b) *Club membership*

	Group	
	2006	**2005**
	$'000	**$'000**
At cost	36	36
Less : accumulated amortisation and impairment loss	(18)	(18)
	18	18

5. Investments in subsidiaries

	Company	
	2006	**2005**
	$'000	**$'000**
Unquoted equity shares, at cost	23,937	23,937

Details of the subsidiaries are as follows :

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2006	**2005**	**2006**	**2005**
			%	**%**	**$'000**	**$'000**
Held by the Company						
Lian Beng Construction (1988) Pte Ltd ***	General building construction and civil engineering works	Singapore	100	100	10,539	10,539
L.S. Construction Pte Ltd ***	General building construction and civil engineering works	Singapore	100	100	3,308	3,308

5. Investments in subsidiaries (Cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2006 %	Effective equity held by the Group 2005 %	Cost of investment 2006 $'000	Cost of investment 2005 $'000
Held by the Company (Cont'd)						
Lian Beng Engineering & Machinery Pte Ltd ***	Provision of engineering works and sale, rental and maintenance of construction machinery and equipment	Singapore	100	100	1,179	1,179
Tradewin Machinery and Equipments Pte Ltd ***	Sale, rental and maintenance of construction machinery and equipment	Singapore	100	100	358	358
Lian Beng Investment Pte Ltd ***	Property investment holding	Singapore	100	100	1,353	1,353
Lian Beng Realty Pte Ltd ***	Property developer	Singapore	100	100	1,000	1,000
Rocca Investments Pte Ltd ***	Property developer	Singapore	60	60	1,200	1,200
Lian Beng Construction (M) Sdn. Bhd.**	General building construction and civil engineering works	Malaysia	-	100	-	-
Deenn Engineering Pte Ltd ***	General building construction and civil engineering works	Singapore	100	100	5,000	5,000
Held by subsidiaries						
Lian Beng (Bangladesh) Training and Testing Centre Pte Ltd *	Provision of training for construction workers	Bangladesh	70	70	-	-
Lian Beng Training & Testing Centre Pte Ltd ***	Provision of management services	Singapore	70	70	-	-
					23,937	23,937

* Audited by Dewan Nazrul Islam & Co

** Struck off on 8 September 2005

*** Audited by Ernst & Young, Singapore

6. Investments in jointly-controlled entity

	Company 2006 $'000	Company 2005 $'000
(a) Investments in jointly-controlled entity :		
Unquoted ordinary shares, at cost	2,000	2,000

Details of the investments in jointly-controlled entity are as follows :

Name of Company	Principal activities	Country of incorporation and place of business	2006 %	2005 %
Held by the Company				
Lian Beng Energy Pte Ltd*	Investment holding and the provision of agency services	Singapore	50	50
Held by a subsidiary				
Lian Beng – Amin Joint Venture Private Limited ***	General building construction & civil engineering works	Republic of Maldives	50	–

The jointly-controlled entity (Lian Beng Energy Pte Ltd) has a subsidiary, PT Lian Beng Energy (**), incorporated in Indonesia, whose principal activity is the provision of removal of overburden services for coal mining sites.

* Audited by Ernst & Young, Singapore
** Audited by an associated firm of Ernst & Young, Singapore
*** Incorporated on 13 March 2006

(b) Amounts due from jointly-controlled entity :

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current account				
- trade	1,775	5	–	–
- non-trade	3,764	2,452	7,466	4,903
	5,539	2,457	7,466	4,903

The amounts due from jointly-controlled entity are unsecured, interest-free and repayable on demand.

6. Investments in jointly-controlled entity (Cont'd)

(c) The Group's share of the jointly-controlled entity's results, assets and liabilities is as follows :

	Group	
	2006 $'000	2005 $'000
Revenue	24,145	13,222
Expenses	(24,021)	(11,930)
Profit before taxation	124	1,292
Taxation	(245)	(630)
(Loss)/profit after taxation	(121)	662
Assets and liabilities		
Non current assets	10,762	8,979
Current assets	11,721	9,279
Total assets	22,483	18,258
Current liabilities	(16,542)	(11,058)
Non current liabilities	(3,508)	(4,567)
Net assets	2,433	2,633

7. Investment securities

	Group	
	2006 $'000	2005 $'000
(a) **Non-current**		
Available-for-sale financial assets		
Quoted equity investments	474	422
Unquoted equity investments	150	150
	624	572

In 2005, the above assets were carried at cost less allowance for impairment in values.

(b) **Current**		
Held for trading investments		
Quoted equity investments	53	38

In 2005, the above assets were carried at the lower of cost and net realisable value on a portfolio basis.

8. Deferred tax assets/liabilities

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off and when the deferred taxes relate to the same taxation authority. The carrying amounts of deferred tax liabilities, determined after appropriate offsetting are as follows :

	Group	
	2006 $'000	2005 $'000
Deferred tax assets		
Differences in depreciation	252	27
Provisions	7	11
Others	108	108
	367	146
Deferred tax liabilities		
Differences in depreciation	236	447
Provisions	(23)	(33)
	213	414

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

Deductible temporary differences	1,600	1,500
Tax losses	6,616	5,690
Wear and tear allowances	709	1,095
	8,925	8,285

9. Inventories

	Group	
	2006 $'000	2005 $'000
Raw materials (at cost)	1,542	1,909

10. Development properties/properties held for sale

		Group 2006 $'000	Group 2005 $'000
(a)	Properties under development		
	Freehold land, at cost	29,628	29,628
	Development expenditure	19,969	19,969
	Interest costs	3,032	3,032
	Property tax	338	338
		52,967	52,967
	Attributable profits	281	258
	Foreseeable losses	(1,600)	(1,500)
		51,648	51,725
	Progress billings	(31,339)	(23,231)
	Accrued sales proceeds (note 12)	–	(3,992)
		20,309	24,502
	Less : Transfer to properties held for sale	(20,309)	(24,502)
		–	–
(b)	Properties held for sale	20,309	24,502

Properties held for sale/development properties with carrying amount of $20,309,000 (2005 : $24,502,000) are pledged to banks for loans granted to subsidiaries (Note 19).

The following were capitalised in development properties during the year :

	2006 $'000	2005 $'000
Interest on bank borrowings	–	362
Property tax	–	55

There is no interest on bank borrowings capitalised in the current financial year (2005 : 2.17% to 3.88% per annum). Interest ceases to be capitalised when the temporary occupation permit (TOP) has been obtained.

Details of the Group's development properties/properties held for sale are as follows :

Description	Tenure	Site area (sq m)	Stage of development/ expected completion date	Interest held by the Group %
24-unit apartment at Derbyshire Road, Singapore	Freehold	1,116	Certificate of statutory completion has been issued on 20 July 2005	100
A mixed use commercial cum residential building at Balestier Road, Singapore	Freehold	1,540	Certificate of statutory completion has been issued on 21 December 2005	60

11. Construction work-in-progress

	Group 2006 $'000	Group 2005 $'000
Construction costs	601,063	457,303
Attributable profits less recognised losses	30,300	16,530
	631,363	473,833
Progress billings	(618,051)	(456,146)
	13,312	17,687
Represented by :		
Construction work-in-progress	22,963	23,329
Progress billings in excess of construction work-in-progress	(9,651)	(5,642)
	13,312	17,687

The following were capitalised in construction costs during the year :

	Group 2006 $'000	Group 2005 $'000
Depreciation of plant and machinery	344	282
Staff costs	8,231	9,748
Operating lease expenses	1,356	777

12. Trade receivables

	Group 2006 $'000	Group 2005 $'000
Trade receivables	45,620	43,273
Accrued sales proceeds (Note 10)	–	3,992
Retention monies on construction contracts-in-progress	16,377	7,960
	61,997	55,225
Less : Allowance for doubtful receivables	(4,012)	(3,448)
	57,985	51,777

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represents their values on initial recognition.

As at 31 May 2006, $1,322,000 (2005: $Nil) of trade receivables are denominated in IDR.

13. Other receivables, deposits and prepayments

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Other receivables	1,869	2,283	3	–
Deposits	905	1,014	–	–
Prepayments	690	1,247	52	–
Tax recoverable	226	498	226	498
	3,690	5,042	281	498

14. Receivables from subsidiaries / related parties

These non-trade balances are interest-free, unsecured and repayable on demand.

15. Fixed deposits

Fixed deposits, earn interest of 0.875% to 3.17% (2005 : 0.39% to 1.75%) per annum (Note 29) and have maturities ranging between 1 week and 3 months (2005: 1 week and 3 months).

16. Trade payables and accruals

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Trade payables	42,370	42,255	–	–
Accrued operating expenses	3,255	3,253	–	–
	45,625	45,508	–	–

Trade payables are non-interest bearing and normally settled on 30-90 days terms. As at 31 May 2006, $641,000 and $1,045,000 (2005: $Nil and $443,000) of trade payables are denominated in US$ and IDR respectively .

17. Other payables and deposits

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Refundable deposits	171	164	–	–
Other payables	1,553	1,292	252	186
	1,724	1,456	252	186

18. Amounts due to related parties

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Trade payable to minority shareholder of a subsidiary	35	10	–	–
Amount due to minority shareholder of a subsidiary (non-trade)	25	–	–	–
Amounts due to subsidiary				
- trade	–	–	–	16
Short-term loans from				
- minority shareholders of subsidiaries	1,747	2,000	–	–
- subsidiaries	–	–	5,011	5,152
- a shareholder of jointly-controlled entity	3,684	3,033	–	–
	5,491	5,043	5,011	5,168

Group

Short-term loans and non-trade balances from the minority shareholders of subsidiaries and a shareholder of the jointly-controlled entity are unsecured, interest-free and repayable on demand.

Company

Short-term loans from subsidiaries are unsecured, interest-free and repayable on demand.

19. Banking facilities

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current liabilities				
(a) Bank overdrafts (Note 29)	10,682	11,988	–	–
(b) Short-term loans				
- Loan A	1,048	1,065	1,048	1,065
- Loan C	7,863	11,625	–	–
- Loan D	1,000	1,000	–	–
- Loan E	–	700	–	–
- Loan F	921	1,370	–	–
- Loan G	2,500	2,500	–	–
- Loan K	1,125	–	–	–
	14,457	18,260	1,048	1,065
Current portion of long-term loans				
- Loan B	500	500	–	–
- Loan H	–	266	–	–
- Loan I	250	250	–	–
- Loan J	1,261	1,331	–	–
	2,011	2,347	–	–
	16,468	20,607	1,048	1,065

19. Banking facilities (Cont'd)

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Non-current liabilities				
(b) Long-term loans				
- After 1 year but within 5 years				
- Loan B	4,120	5,400	–	–
- Loan I	1,000	1,000	–	–
- Loan J	3,153	4,567	–	–
- After 5 years			–	
- Loan I	2,160	2,410	–	–
	10,433	13,377	–	–

(a) ***Bank overdrafts***

Bank overdrafts bear interest of 5% to 5.75% (2005 : 5.00% to 5.75%) per annum. The bank overdrafts are secured by a subsidiary's leasehold properties with a carrying amount of $6,310,000 (2005 : $6,411,000), are guaranteed by the Company and are secured by legal charges over a subsidiary's contracts or contract proceeds of the projects and over the project account maintained with the bank.

(b) ***Loans***

Loan A

The short-term revolving loan is repayable on demand and secured by fixed deposits and cash at bank of $1,125,000 (2005 : $1,078,000). Interest is charged at 1% (2005 : 1%) over the bank's cost of funds per annum. During the financial year, interest was charged at 3.35% to 3.87% (2005 : 3.35% to 3.45%) per annum.

Loan B

The term loan is secured over the remaining unsold units of the Derbyshire properties held for sale with carrying amount of $5,759,000 (2005 : $7,386,000), existing assignment of sales and rental proceeds relating to the unsold units and is guaranteed by the Company. It is repayable by 3 yearly instalments comprising 2 equal instalments of $500,000 each. The loan bears interest at 1.25% (2005: 1.25%) per annum above the bank's cost of funds. During the financial year, interest was charged at 3.38% to 4.84% (2005 : 3.43% to 3.59%) per annum.

As at 31 May 2006, the subsidiary breached the loan covenant which requires the subsidiary to sell its unsold units at a minimum average selling price of $580 psf. During the financial year, the subsidiary sold one of its units at $576 psf. The breach has resulted in the non-current loan liability amounting to $4,120,000 becoming payable on demand. However, no reclassification is required as the lender had agreed, prior to 31 May 2006, to waive this loan covenant for this financial year.

Loan C

The short-term loan is secured over a subsidiary's properties held for sale/ development properties with carrying amount of $14,550,000 (2005 : $17,116,000) and is guaranteed by the Company. Partial sales proceeds from the development property, as and when received, are used to repay the loan. During the financial year, the Company used the sales proceeds of $3,762,000 to repay the partial loan. Interest is charged at 1.50% (2005: 1.50%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 3.98% to 5.02% (2005 : 2.63% to 4.06%) per annum.

Loan D

The short-term revolving loan is repayable on demand and secured over certain subsidiaries' leasehold and freehold properties with carrying amount of $1,494,000 (2005 : $1,536,000). These loans bear interest of 1.50% (2005 : 1.50%) above the bank's cost of funds per annum and

19. Banking facilities (Cont'd)

are guaranteed by the Company. During the financial year, interest was charged at rates ranging from 3.43% to 5.10% (2005 : 2.14% to 2.98%) per annum.

Loan E

The short-term revolving loan was repaid on 31 October 2005 and was guaranteed by the Company. Interest was charged at 1.75% (2005: 1.75%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 3.81% to 4.04% (2005 : 3.06% to 3.48%) per annum.

Loan F

The accounts receivables financing loan is repayable within 90 days and is guaranteed by the Company and is secured by a legal charge over a subsidiary's contract or contract proceeds of the project and over the project account maintained with the bank. Interest is charged at 1.5% (2005 : 1.5%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 3.44% to 5.00% (2005 : 2.81% to 3.56%) per annum.

Loan G

The short-term revolving loan is repayable on demand. The loan is guaranteed by the Company and is secured by a legal charge over a subsidiary's contract or contract proceeds of the project and over the project account maintained with the bank. Interest is charged at 1.75% (2005 : 1.75%) above SGD swap offer rate per annum. During the financial year, interest was charged at rates ranging from 3.67% to 5.35% (2005 : 2.94% to 3.79%) per annum.

Loan H

The long-term loan was guaranteed by the Company and secured over a subsidiary's leasehold properties and freehold property. Interest was charged at 5.375% (2005 : 5.375%) per annum. The loan was repaid by monthly instalments of $23,000 and the last instalment of $22,000 was due in May 2006.

Loan I

The long-term loan is secured over a subsidiary's freehold land and building with carrying amount of $9,120,000 (2005 : $9,171,000) and is guaranteed by the Company. The loan is repayable by yearly instalments of $250,000 and a final instalment of $660,000 due on 27 November 2017. Interest is charged at 2.0% (2005: 2.0%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 4.15% to 5.33% (2005 : 2.94% to 3.38%) per annum.

Loan J

The term loan is secured over the jointly-controlled entity's equipment with carrying amount of $6,855,000 (2005: $8,497,000), is guaranteed by the Company and Manhattan Resources Limited, two shareholders of the jointly-controlled entity and legal assignment of all rights and benefits under a joint venture entity's overburden removal contract to a bank. The loan is repayable by 59 equal monthly principal instalments of US$66,667 and a final instalment of US$66,677. Interest is charged at 1.75% (2005: 1.75%) per annum above the prevailing Singapore Inter-Bank Offer Rate (SIBOR). During the financial year, interest was charged at rates ranging from 4.87% to 6.55% (2005 : 3.9% to 4.8%) per annum.

As at 31 May 2006, the subsidiary breached the loan covenant which requires the subsidiary to have minimum Debt Service Coverage of 1.5 times. As at 31 May 2006, the Debt Service Coverage of the subsidiary was 1.3 times. The breach has resulted in the non-current loan liability amounting to $3,152,880 becoming payable on demand. However, no reclassification is required as the lender had agreed, prior to 31 May 2006, to waive this loan covenant for this financial year.

Loan K

The short-term revolving loan-bridging finance is repayable on demand. The loan is guaranteed by the Company and is secured by a legal charge over a subsidiary's contract or contract proceeds of the project and over the project account maintained with the bank. Interest is charged at 2% (2005: Nil) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 5.3% to 5.58% (2005: Nil) per annum.

20. Obligations under hire purchase

	Group		
	Minimum lease payments $'000	Interest $'000	Present value of payments $'000
2006			
Within 1 year	1,253	(138)	1,115
After 1 year but within 5 years	3,318	(378)	2,940
After 5 years	89	(16)	73
	4,660	(532)	4,128
2005			
Within 1 year	497	(64)	433
After 1 year but within 5 years	1,764	(223)	1,541
	2,261	(287)	1,974

Lease terms range from 3 to 7 (2005: 3 to 7) years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. Interest is charged at rates ranging from 4.85% to 6.31% (2005 : 2.3% to 6.2%) per annum.

21. Share capital

	Group and Company	
	2006 $'000	2005 $'000
Issued and fully paid		
At beginning of the year		
- 454,760,000 (2005 : 454,760,000) ordinary shares	22,738	22,738
Transfer of share premium reserve to share capital	20,128	–
At end of the year		
- 454,760,000 (2005 : 454,760,000) ordinary shares	42,866	22,738

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

On 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" were abolished and, on that date, the shares of the Company ceased to have a par value. In addition, the amount standing in the share premium reserve became part of the Company's share capital.

22. Other reserves

a) ***Foreign currency translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2006 $'000	**2005 $'000**
Opening balance at 1 June	(23)	54
Net effect of exchange differences	(161)	(77)
Closing balance at 31 May	(184)	(23)

b) ***Fair value adjustment reserve***

Fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

	Group	
	2006 $'000	**2005 $'000**
Opening balance at 1 June	–	–
Net gain on fair value changes during the year	52	–
Closing balance at 31 May	52	–
Total other reserves	(132)	(23)

23. Revenue

	Group		Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Revenue from :				
- construction contracts	160,015	126,415	–	–
- provision of engineering works	1,157	1,289	–	–
Rental of plant and machinery	520	414	–	–
Sales of development properties	4,115	7,717	–	–
Maintenance of plant and machinery	3	60	–	–
Civil engineering and other works	157	322	–	–
Income from training of construction workers	225	91	–	–
Office rental income from affiliated companies	5	5	–	–
Office rental income from jointly controlled entity	2	–	–	–
Over-burden works	23,217	12,175	–	–
Sales of machinery and spare parts	33	–	–	–
Dividend income from unquoted subsidiary	–	–	1,200	2,000
	189,449	148,488	1,200	2,000

24. Profit from operations

Profit from operations includes the following :

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(a) Other income:				
Dividend income				
- long-term quoted equity investments	12	6	–	–
- short-term quoted equity investments	1	1	–	–
Maintenance income for servicing equipment	331	1,034	–	–
Interest income				
- fixed deposits	60	53	54	35
- bank balances	16	12	–	–
- trade receivable	–	3	–	–
Claim income for tyre worn out	327	–	–	–
Gain on sale of plant and equipment	643	522	–	–
Gain on sale of plant and equipment				
- jointly controlled entity	424	41	–	–
Sale of material				
- jointly controlled entity	6	–	–	–
Operating lease income				
- affiliated companies	2	2	–	–
- jointly-controlled entity	2	4	–	–
- others	445	394	–	–
Others	120	271	–	–
	2,389	2,343	54	35
(b) Other operating expenses /(income):				
Depreciation of property, plant and equipment – office	1,272	1,286	–	–
Loss/(gain) on foreign exchange	556	157	(8)	(4)
Writeback for impairment losses on property	–	(2)	–	–
Fair value (gain)/loss on investment securities	(15)	84	–	–
Allowance for doubtful trade receivables	564	6	–	–
Referral fee expenses	–	135	–	–
Waiver of interest income	–	140	–	–
Others	585	308	–	–
	2,962	2,114	(8)	(4)

24. Profit from operations (Cont'd)

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(c) Other expenses:				
Non-audit fees				
- auditors of the Company	122	–	4	–
- other auditors	23	45	2	–
Depreciation of property, plant and equipment – others	2,642	1,873	–	–
Directors' fees to directors				
- of the Company	325	325	95	95
- of the subsidiaries	60	60	–	–
Operating lease expenses	9,758	5,104	–	–
Staff costs (Note 25)	15,376	13,512	–	–

26. Finance costs

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Interest expense				
- banks	1,717	1,710	37	39
- hire purchase	113	41	–	–
- others	17	8	–	–
	1,847	1,759	37	39
Less : Amount capitalised in development properties	–	(362)	–	–
	1,847	1,397	37	39

27. Taxation

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Based on results for the year				
- current taxation	1,539	1,379	192	369
- deferred taxation	(435)	(329)	–	–
	1,104	1,050	192	369
Underprovision in respect of prior year				
- current taxation	479	–	287	–
	1,583	1,050	479	369

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate for the years ended 31 May was as follows :

Profit before taxation	3,122	2,427	885	1,687
Income tax using Singapore Tax rate of 20%	624	485	177	337
Tax exempt revenue	(61)	(42)	(8)	–
Non-deductible expenses	332	401	23	32
Unrecognised deferred tax assets during the year	217	71	–	–
Utilisation of previously unrecognised deferred tax assets	(89)	(75)	–	–
Effect of tax rate in foreign jurisdiction	81	210	–	–
Consideration for losses transferred in from related company	98	683	–	–
Tax benefit on losses transferred in from related company	(98)	(683)	–	–
Underprovision of current taxation in respect of prior year	479	–	287	–
	1,583	1,050	479	369

28. Earnings per share – basic and diluted

Earnings per share is calculated based on the Group's net profit attributable to equity holders of the Company for the year of $1,835,000 (2005 : $1,472,000) over 454,760,000 (2005 : 454,760,000) shares, being the weighted average number of shares in issue during the year.

29. Cash and cash equivalents

	Group		Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Fixed deposits (Note 15)	2,701	2,807	1,648	1,569
Cash on hand and at banks	12,176	17,843	270	2,766
	14,877	20,650	1,918	4,335
Bank overdrafts (secured and unsecured) (Note 19)	(10,682)	(11,988)	–	–
Fixed deposits and cash at banks held as collateral by banks	(1,125)	(1,078)	(1,125)	(1,078)
	3,070	7,584	793	3,257

Included in cash and cash equivalents are amounts of $2,048,006 (2005 : $922,417) maintained in the Project Accounts. The funds in the Project Accounts can only be applied in accordance with the Housing Developers (Project Account) Rules.

30. Commitments

At the balance sheet date, the Group had the following commitments :

(a) ***Operating lease commitment***

The Group had the following commitments for future minimum lease payments under non-cancellable operating leases with a term of more than one year :

	Group	
	2006 $'000	2005 $'000
Payable		
- Within 1 year	219	210
- After 1 year but within 5 years	966	929
- After 5 years	3,721	3,977
	4,906	5,116

The above relates to the lease of land from Jurong Town Corporation by a subsidiary for a period of 22 years expiring in 2022. The total annual land rent payable is $213,009 (2005 : $204,816) with an annual increase of 4% (2005 : 4%).

(b) ***Capital commitment***

Capital expenditure authorised but not provided for	1,054	1,467

30. Commitments (Cont'd)

At the balance sheet date, the subsidiary of the jointly-controlled entity is committed for the year to making the following lease payments and maintenance cost in respect of the rental of its equipment and maintenance with terms of more than one year :

	Group	
	2006 **$'000**	**2005** **$'000**
Leasing of equipment		
Amount payable :		
- Within 1 year	9,910	9,447
- After 1 year but within 5 years	21,471	33,952
	31,381	43,399
Maintenance and repair of equipment		
Amount payable :		
- Within 1 year	3,961	3,993
- After 1 year but within 5 years	8,582	14,675
	12,543	18,668

31. Significant related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties on terms agreed between the parties, were as follows:

(i) Staff costs of $573,400 (2005 : $552,600) of the Group were paid to individuals who are close members of the family of certain directors. These individuals are also directors of certain subsidiaries.

(ii) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased certain furniture and fittings of $1,200 (2005 : $1,200) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd.

(iii) A subsidiary, Lian Beng Investment Pte Ltd, leased office space of $2,400 (2005 : $2,400) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd.

31. Significant related party transactions (Cont'd)

	Group 2006 $'000	Group 2005 $'000
(b) *Compensation of key management personnel*		
Short-term employee benefits	2,160	2,106
Pension contributions	126	121
Total compensation paid to key management Personnel	2,286	2,227
Comprise amounts paid to :		
- Directors of the Company	1,330	1,295
- Other key management personnel	956	932
	2,286	2,227

32. Corporate guarantees (unsecured)

(i) At 31 May 2006, the Company had corporate guarantees issued for banking facilities and hire purchases granted to certain subsidiaries of $40,046,000 (2005 : $44,907,000).

(ii) At 31 May 2006, the Company had corporate guarantees issued to the insurance companies and to the banks for issuing performance bonds to the developers for the subsidiaries' projects of $12,303,000 and $20,251,000 (2005: $11,665,000 and $15,851,000), respectively.

(iii) At 31 May 2006, the subsidiary of the jointly-controlled entity had corporate guarantees of $4,414,000 (2005: $5,898,000), issued for bank loan granted to the jointly-controlled entity.

33. Financial support to subsidiaries

The Company has undertaken to provide continuing financial support to subsidiaries to enable them to operate as going concerns at least through twelve months from the date of the Directors' Report of the subsidiaries.

34. Directors' remuneration - Group

The number of directors in each of the remuneration bands is as follows :

	Group Executive Directors	Group Non-Executive Directors	Group Total
2006			
$500,000 and above	1	–	1
$250,000 to $499,999	–	–	–
Below $250,000	3	2	5
	4	2	6
2005			
$500,000 and above	1	–	1
$250,000 to $499,999	–	–	–
Below $250,000	3	2	5
	4	2	6

35. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and overdraft, finance leases, investments and cash and short-term deposits. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Board's policies for managing each of these risks are summarised below.

Interest rate risk

The Group obtains additional financing through bank borrowings and hire purchase arrangements.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between variable and fixed interest amounts calculated by reference to an agreed-upon notional principal amount. As at 31 May 2006, after taking into account the effect of interest rate swaps, approximately 100% (2005: 100%) of the Group's borrowings were at variable rates of interest.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is disclosed in the notes on the Group's borrowings, including hire purchase obligations.

Foreign exchange risk

The Group does not enter into derivative foreign exchange contracts to hedge its foreign currency risk. It is the Group's policy not to trade in derivative contracts.

The Group is primarily exposed to fluctuations in US dollars arising from cash flows from anticipated transactions. The Group reviews periodically monetary assets and liabilities held in currencies other than the Singapore dollars to ensure that net exposure is kept at an acceptable level.

Liquidity risk

Short-term funding is obtained from term loans and bank overdraft facilities.

Credit risk

Credit risk is limited to the risk arising from the inability of a debtor to make payments when due. It is the Group's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The carrying amount of cash and cash equivalents, trade receivables, other receivables and related party balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

36. Fair value of financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, other financial current assets and liabilities

The carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

36. Fair value of financial instruments (Cont'd)

Quoted equity investments

The fair values of quoted equity investments are estimated based on quoted market prices for these investments.

Unquoted equity investments

It is not practicable to determine, with sufficient reliability without incurring excessive costs, the fair value of unquoted equity investments due to the absence of unquoted market price.

Bank loans

The bank loans bear variable interest rates. Therefore, the carrying values approximate their fair values.

Hire purchase

The fair values of the hire purchases are estimated using discounted cash flows analysis, based on incremental lending rates for similar types of borrowing arrangements. A comparison of the carrying amount and fair value of the hire purchase that are carried in the financial statements at other than fair value as at 31 May is set out as below :

	Group			
	Carrying amount		**Estimated fair value**	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Hire purchase	4,128	1,974	4,287	2,073

37. Group segment information

(a) *Analysis by business segments*

	Construction	Engineering and leasing of construction machinery	Property development	Investment holding	Over-burden works	Elimination	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and expenses							
2006							
Total revenue from external customers	160,290	1,820	4,115	7	23,217	–	189,449
Inter-segment revenue	82	5,501	–	1,428	–	(7,011)	–
Total revenue	160,372	7,321	4,115	1,435	23,217	(7,011)	189,449
Profit/(loss) from operations before depreciation	6,884	1,220	(760)	(170)	1,919	(298)	8,795
Depreciation	(1,564)	(908)	–	(3)	(1,452)	13	(3,914)
Profit/(loss) from operations after depreciation	5,320	312	(760)	(173)	467	(285)	4,881
Finance costs	(645)	(22)	(670)	(202)	(308)	-	(1,847)
Profit from ordinary activities	4,675	290	(1,430)	(375)	159	(285)	3,034
Unallocated interest and investment income							88
Profit before taxation							3,122
Taxation							(1,583)
Net profit for the year							1,539

37. Group segment reporting (Cont'd)

(a) *Analysis by business segments* (Cont'd)

	Construction $'000	Engineering and leasing of construction machinery $'000	Property development $'000	Investment holding $'000	Over-burden works $'000	Elimination $'000	Group $'000
Revenue and expenses							
2005							
Total revenue from external customers	126,617	1,974	7,717	5	12,175	–	148,488
Inter-segment revenue	4,614	4,111	–	2,230	–	(10,955)	–
Total revenue	131,231	6,085	7,717	2,235	12,175	(10,955)	148,488
Profit/(loss) from operations before depreciation	3,820	1,809	(106)	(301)	2,005	(220)	7,007
Depreciation	(1,516)	(1,037)	–	(2)	(616)	12	(3,159)
Profit/(loss) from operations after depreciation	2,304	772	(106)	(303)	1,389	(208)	3,848
Finance costs	(737)	(5)	(399)	(159)	(97)	-	(1,397)
Profit from ordinary activities	1,567	767	(505)	(462)	1,292	(208)	2,451
Unallocated interest and investment income							60
Unallocated investment losses							(84)
Profit before taxation							2,427
Taxation							(1,050)
Net profit for the year							1,377

37. Group segment reporting (Cont'd)

(a) *Analysis by business segments* (Cont'd)

	Construction $'000	Engineering and leasing of construction machinery $'000	Property development $'000	Investment holding $'000	Over-burden works $'000	Elimination $'000	Group $'000
Assets and liabilities							
2006							
Segment assets	119,073	12,739	24,797	49,486	20,304	(67,765)	158,634
Unallocated assets							3,763
							162,397
Segment liabilities	89,480	5,502	26,096	8,538	19,019	(44,433)	104,202
Unallocated liabilities							3,305
							107,507
Capital expenditure	2,454	537	–	–	2,954	(89)	5,856
Other non-cash expenses	465	99	–	–	–	–	564
Assets and liabilities							
2005							
Segment assets	117,576	12,843	30,881	50,952	18,221	(70,108)	160,365
Unallocated assets							3,581
							163,946
Segment liabilities	83,567	5,625	31,851	8,456	15,541	(39,445)	105,595
Unallocated liabilities							4,108
							109,703
Capital expenditure	2,086	535	–	–	9,558	(100)	12,079

37. Group segment reporting (Cont'd)

(b) *Analysis by geographical segments*

	Singapore $'000	Indonesia $'000	Maldives $'000	Elimination $'000	Group $'000
2006					
Sales by geographical market	166,235	23,216	–	(2)	189,449
Assets by geographical area	145,122	20,304	1,233	(8,025)	158,634
Unallocated assets					3,763
					162,397
Capital expenditure by geographical area	2,505	2,954	827	(430)	5,856
2005					
Sales by geographical market	136,313	12,175	–	–	148,488
Assets by geographical area	146,688	18,221	–	(4,544)	160,365
Unallocated assets					3,581
					163,946
Capital expenditure by geographical area	2,621	9,558	–	(100)	12,079

38. Dividends

	Group and Company	
	2006 $'000	**2005** $'000
Declared and paid during the year		
Final dividend paid : - ordinary shares of 0.275 cent (2005: Nil) per share less tax of 20%	1,000	–
Proposed but not recognised as a liability as at 31 May		
Dividend on ordinary shares, subject to shareholders' approval at the AGM : - ordinary shares of 0.275 cent (2005: 0.275 cent) per share less tax of 20%	1,000	1,000

39. Authorisation of financial statements

The financial statements for the year ended 31 May 2006 were authorised for issue in accordance with a resolution of the directors on 15 August 2006.

Statistics of Shareholdings

As at 10 August 2006

Issued and fully paid-up capital : S$ 42,866,121.52
Number of shares : 454,760,000
Class of shares : Ordinary share
Voting rights : One vote per share

ANALYSIS OF SHAREHOLDINGS as at 10 August 2006

Range of Shareholdings	No of Shareholders	%	No of Shares	%
1 - 999	5	0.09	3,000	0.00
1,000 - 10,000	4,098	75.16	21,968,000	4.83
10,001 - 1,000,000	1,316	24.14	65,544,400	14.41
1,000,001 and above	33	0.61	367,244,600	80.76
TOTAL	5,452	100.00	454,760,000	100.00

TWENTY LARGEST SHAREHOLDERS as at 10 August 2006

No	Name of Shareholder	No of Shares Held	%
1	Ong Sek Chong & Sons Pte Ltd	96,782,400	21.28
2	Mayban Nominees (S) Pte Ltd	50,777,000	11.17
3	Overseas Union Bank Nominees Pte Ltd	50,000,000	10.99
4	Kim Eng Securities Pte. Ltd.	30,917,000	6.80
5	Estate of Ong Sek Chong, deceased	24,300,800	5.34
6	Ong Pang Aik	17,500,800	3.85
7	United Overseas Bank Nominees Pte Ltd	14,969,000	3.29
8	Citibank Consumer Nominees Pte Ltd	7,755,000	1.70
9	Merrill Lynch (Singapore) Pte Ltd	7,348,000	1.62
10	HL Bank Nominees (S) Pte Ltd	7,101,000	1.56
11	Ong Lay Huan	6,075,200	1.34
12	Morgan Stanley Asia (Singapore)	4,964,000	1.09
13	CIMB-GK Securities Pte. Ltd.	4,860,000	1.07
14	Ho Chee Khim	3,782,000	0.83
15	Ang Ah Nui	3,780,000	0.83
16	DBS Nominees Pte Ltd	3,667,000	0.81
17	Ang Sin Liu	3,150,000	0.69
18	Citibank Nominees Singapore Pte Ltd	3,000,000	0.66
19	OCBC Securities Private Ltd	3,000,000	0.66
20	DBS Vickers Securities (S) Pte Ltd	2,940,000	0.65
		346,669,200	76.23

SUBSTANTIAL SHAREHOLDERS

as recorded in the Register of Substantial Shareholders as at 10 August 2006

Name of Shareholder	Direct Interest		Deemed Interest	
	No of Shares	%	No of Shares	%
Ong Sek Chong & Sons Pte Ltd	196,782,400	43.27	-	-
Estate of Ong Sek Chong *	24,300,800	5.34	196,782,400	43.27
Ong Pang Aik *	25,100,800	5.52	196,782,400	43.27

Note:

* The Estate of Ong Sek Chong's and Mr Ong Pang Aik's deemed interests refer to the 196,782,400 shares held by Ong Sek Chong & Sons Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

PUBLIC SHAREHOLDINGS

Approximately 42% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of LIAN BENG GROUP LTD will be held at No. 25, Playfair Road, Level 4, Lian Beng Building, Singapore 367990 on Tuesday, 26 September 2006 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 May 2006 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final net dividend of 0.22 cent per ordinary share for the financial year ended 31 May 2006. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:-

   Ms Ong Lay Koon **(Resolution 3)**
   Mr Sitoh Yih Pin **(Resolution 4)**

   Mr Sitoh Yih Pin will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of SGD95,000.00 (2005: SGD95,000.00) for the financial year ended 31 May 2006. **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:-

7. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:-

   That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue Shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares and convertible securities issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company, of which the aggregate number of Shares and convertible securities issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or on the date by which the next AGM is required by law to be held, whichever is earlier.
   [see explanatory note] **(Resolution 7)**

BY ORDER OF THE BOARD

Chew Kok Wye
Company Secretary
Singapore

8 September 2006

EXPLANATORY NOTE:

The Ordinary Resolution proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the issued share capital of the Company for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed twenty per cent (20%) of the issued capital of the Company. The percentage of issued capital is based on the Company's issued capital at the time the proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion of convertible securities or employee share options on issue at the time the proposed Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a General Meeting, expire at the Company's next Annual General Meeting or on the date by which the next AGM is required by law to be held, whichever is earlier.

NOTES:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 25 Playfair Road, Lian Beng Building, Singapore 367990 not less than 48 hours before the time appointed for holding the above Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Lian Beng Group Ltd (the "Company") will be closed on 4 October 2006 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited at 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5.00 p.m. on 3 October 2006 will be registered to determine shareholders' entitlements to such dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 3 October 2006 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 26 September 2006, will be made on 12 October 2006.

BY ORDER OF THE BOARD

Chew Kok Wye
Company Secretary
Singapore

8 September 2006

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LIAN BENG GROUP LTD
ANNUAL GENERAL MEETING PROXY FORM
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy shares in the capital of Lian Beng Group Ltd, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of LIAN BENG GROUP LTD (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held on Tuesday, 26 September 2006 at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Directors' Report and Audited Accounts for the financial year ended 31 May 2006.		
2	Payment of proposed first and final dividend.		
3	Re-election of Ms Ong Lay Koon as a Director.		
4	Re-election of Mr Sitoh Yih Pin as a Director.		
5	Approval of Directors' fees amounting to SGD95,000.00.		
6	Re-appointment of Messrs Ernst & Young as Auditors.		
7	Authority to allot and issue new shares.		

*Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this ____________ day of ______________________, 2006.

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

3. A proxy need not be a member of the Company.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

5. This proxy form must be deposited at the Company's registered office at No. 25 Playfair Road, Lian Beng Building, Singapore 367990 not less than 48 hours before the time set for the Meeting.

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

General

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.