Building On Strength

Annual Report 2007

聯明集團有限公司

LIAN BENG GROUP LTD

Contents

Mission Statement

To Provide the Best Quality for Services and Products to All Our Customers at the Most Competitive Cost.

MR ONG PANG AIK PBM
Chairman and Managing Director

Chairman's Statement

Net profit attributable to shareholders was **$3.5 million**, while earnings per share **rose to 0.77 cents** over the previous year.

Dear Shareholders

We are pleased to present the Annual Report for the financial year ended 31 May 2007 (“FY07”).

The past year saw a remarkable upturn in the private property market in Singapore, which together with the two integrated resort projects and the large number of ongoing *en-bloc* sales, boosted the demand for properties and construction services.

In FY07, the Group achieved a turnover of S$138.7 million, a decline of 16.6%, compared with $166.2 million in financial year 2006 (“FY06”). Notwithstanding, the Group’s pre-tax profit for FY07 rose 161.4% to $7.7 million, compared with $3.0 million in the last financial year. Net profit attributable to shareholders increased from $1.8 million in FY06 to $3.5 million in FY07, while earnings per share rose to 0.77 cents, an improvement of 0.37 cents over the previous year.

In the second half of the financial year, Lian Beng Group clinched a sizeable $255.3 million worth of construction projects in Singapore. Two more projects were also awarded in the Republic of Maldives, which further build on the Group’s overseas exprience.

Subsequent to the financial year end, amidst the booming property market and the strong demand for residential developments, the Group through its subsidiary, Lian Beng Realty Pte Ltd (“LBR”), formed a consortium with three other joint venture partners to purchase a parcel of freehold land at Lincoln Lodge, off Newton Road in District 11, for a consideration of $243 million. During the same period, LBR also acquired a cluster of freehold semi-detached houses along Mountbatten Road for $42 million by way of a private treaty arrangement. These developments will expand the Group’s property arm as well as tap into the current robust growth of the local property market.

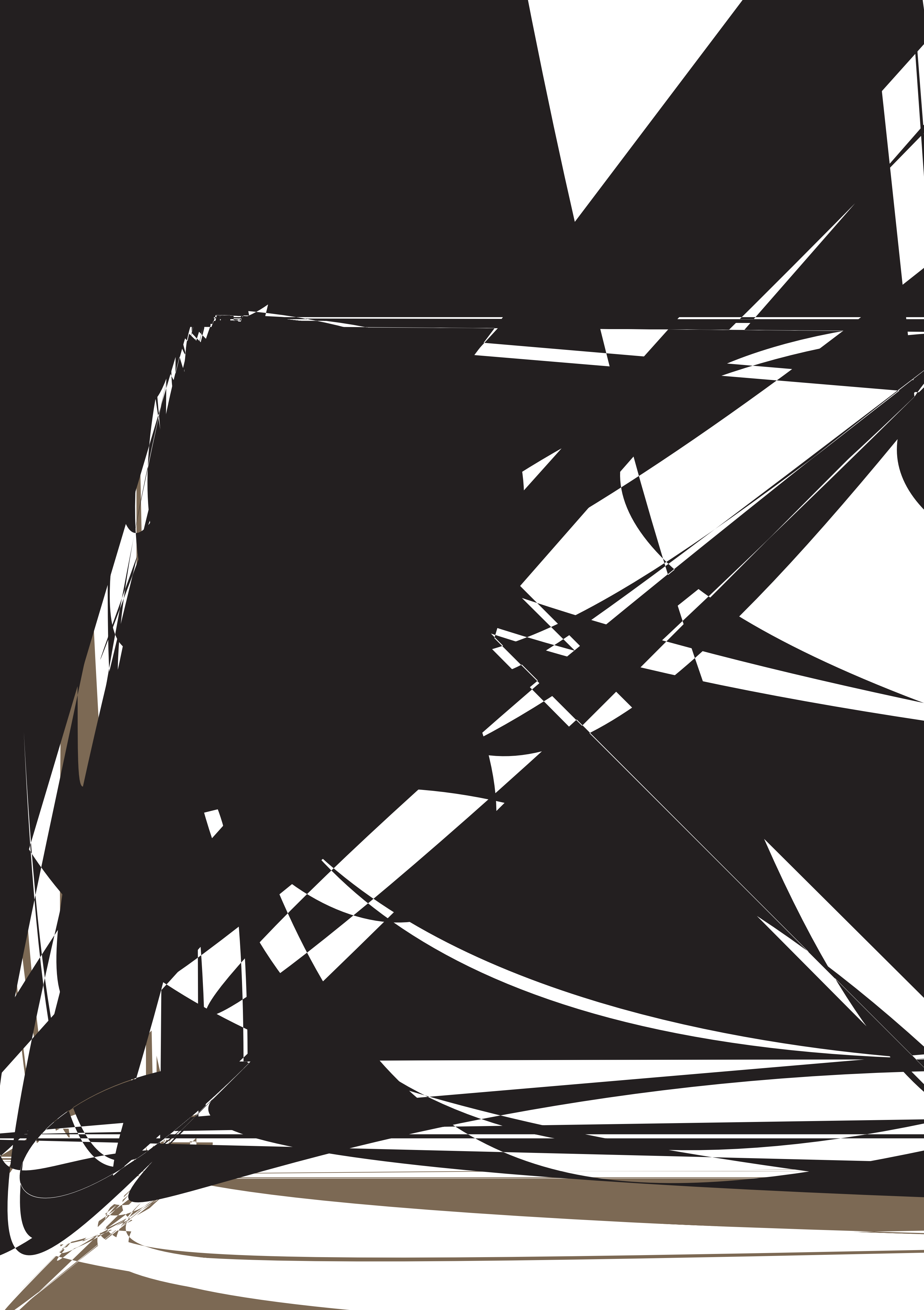
According to the Ministry of Trade and Industry (“MTI”), the overall growth of Singapore’s gross domestic product (“GDP”) for the second quarter of 2007 was 8.6%, an improvement from 6.4% in the first quarter. Boosted by the property boom, the construction sector expanded by 17.6% in the second quarter of 2007, compared with 12% in the first quarter *(Source: MTI’s website, dated 10 August 2007)*. Construction demand is expected to reach $22 billion in 2007, compared with $16.1 billion in 2006 *(Source: Building and Construction Authority’s website, 03 August 2007)*. Residential property prices rose 7.9% in the second quarter, faster than the 4.8% rise recorded in the previous quarter *(Source: Urban Redevelopment Authority’s website).*

The healthy demand in the local construction industry, together with the Group’s well-defined business developement and expansion strategy, will augur well for its growth in Singapore going forward. This will be further supported by the Group’s initiative to actively seek viable business opportunities in the region.

I am pleased to report that in light of the Group’s performance during the year, the Board has recommended a net dividend of 0.22 cents per share for FY07. The proposed dividend, if approved at the Company’s Annual General Meeting to be held on 18 September 2007, will be paid on 10 October 2007.

Finally, it remains for me, on behalf of the Board, to thank the Management and staff of the Group for their hard work, dedication and contributions during the past year. I also wish to express my great appreciation to all our shareholders, customers, suppliers and business partners for their loyal support and look forward to their continued cooperation in the future.

ONG PANG AIK PBM
Chairman and Managing Director



Board of Directors

MR ONG PANG AIK PBM
Chairman and Managing Director

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 28 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 as 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
Executive Director

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 15 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.

MR TAN SWEE HONG
Executive Director

MR TAN SWEE HONG is an Executive Director of the Company and the General Manager of the Group. Mr Tan began his career with the Group in 1996 and has more than 25 years of experience in the construction industry. He was first appointed as an Executive Director of the Board on 1 April 1999 and was re-elected on 23 September 2005.

As the General Manager, he oversees the management of all technical matters relating to the Group's construction projects and is also involved in all tenders submitted by the Group. Prior to joining the Group, Mr Tan was the Head of the Construction Supervision Unit, under the Structural Engineering Department of HDB.

Mr Tan holds a Bachelor's degree in Civil Engineering from the National University of Singapore and obtained his Professional Engineer certification from the Professional Engineers Board in 1993. He is currently a member of the Singapore Institute of Directors.

MS ONG LAY KOON
Executive Director

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 26 September 2006. 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.

DR WAN SOON BEE
Independent Director

DR WAN SOON BEE is an Independent Director of the Company and is not a shareholder of the Company or any of its subsidiaries. He was first appointed as an Independent Director of the Board on 1 April 1999 and was re-elected on 24 September 2004.

Dr Wan is currently the chairman of the Council of Advisors to the Singapore Industrial & Services Employees Union and the Advisor of the Union of Telecoms Employees of Singapore. Dr Wan was a political secretary and a Minister of State in the Prime Minister's office and a Member of Parliament from 1980 to 2001. He was also the Vice President of the International Confederation of Free Trade Unions for the Asian Regional Organisation. He is presently a director of Chemical Industries (Far East) Limited and was also the director of FHTK Holdings Limited in the preceding 5 years.

Dr Wan holds a Dottore Ingegnere in Electronics Engineering from the University of Pisa, Italy.

MR SITOH YIH PIN
Independent Director

MR SITOH YIH PIN is an Independent Director of the Company and is not a shareholder of the Company or any of its subsidiaries. He was first appointed as an Independent Director of the Board on 1 April 1999 and was re-elected on 26 September 2006.

Mr Sitoh is a Certified Public Accountant and a partner of a certified public accounting firm, Nexia Tan & Sitoh. Currently, Mr Sitoh is the Advisor to Potong Pasir Grassroots Organisations. He is also presently a director of several publicly listed companies comprising Allied Technologies Limited, Joinn Holdings Limited (formerly known as Cytech Software Limited), Labroy Marine Limited, Meiban Group Ltd, Nera Telecommunications Ltd, PNE Micron Holdings Ltd and United Food Holdings Limited. Mr Sitoh was also the director of several publicly listed companies in the preceding 5 years including Bio-Treat Technology Limited, CWT Limited (formerly known as CWT Distribution Limited), Fibrechem Technologies Limited, Futuristic Group Ltd. (formerly known as Futuristic Image Builder Ltd), GKE International Limited, Middle East Development Singapore Ltd (formerly known as Hitchins Group Ltd) and WPG International Pte. Ltd. (formerly known as WPG International Limited).

Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is


La Casa Executive Condominium

Group Structure

Proposed Condominium at St. Patrick's Road (Artist's Impression)

The Sixth Avenue Residences (Artist's Impression)

Sengkang Neighbourhood 2 Contract 34

Operational Review

CONSTRUCTION

As one of Singapore's major homegrown building contractors, the Group experienced an activity-filled year in FY07. Construction remained its mainstay and the division is dominantly occupied with the construction of several private and public residential projects.

For FY07, the construction division contributed \$124.4 million, or 89.7% of the Group's total revenue, a decrease of \$35.9 million from FY06. The decline arise from a lesser revenue recognised by the division due to the completion of existing projects while the new projects have not attained the stipulated stage of completion for revenue recognition during FY07. However, its profit before tax rose to \$5.8 million compared with \$4.7 million in FY06. This increase was attributed to the profit recognised by the division.

Current Projects

Building works relating to our existing projects at La Casa Executive Condominium, The Lakeshore, 8 @ Mt. Sophia and Sengkang N2C34 are making good progress and are set to be completed in financial year 2008 ("FY08").

For our overseas project in The Maldives, the design and construction of 600 single storey houses on Raa Dhuvaafaru island for it's 2004 tsunami disaster's victims is also well underway.

New Contracts

Underpinned by the property market boom, the second half of FY07 saw the division clinching five new building contracts worth \$255.3 million in the domestic market, as listed in the table below:

Project Description	Contract Value
121-unit private condominium at St Patrick's Road	\$34.0 million
140-unit private condominium at Jalan Mata Ayer	\$32.0 million
472-unit private condominium at Flora Drive	\$93.0 million
175-unit private condominium at Sixth Avenue	\$48.2 million
199-unit private condominium at Bukit Batok East Ave 6	\$48.1 million

Raa Dhuvaafaru Island, Maldives

External Scaffolding Works

Works on the new projects have begun with the exception of the condominium housing project at Bukit Batok, which has been scheduled to commence in September 2007. Except for the project at Flora Drive, all the newly clinched contracts are design-and-build projects.

In addition to the projects in Singapore, we were also awarded the following two new contracts in The Maldives:

- Wastewater collection and disposal project for $4.5 million; and
- The construction of community and educational buildings on Raa Dhuvaafaru island for $10.0 million.

Works on these two projects has since commenced as well.

Completed Project

The Group completed the Pasir Laba Camp Redevelopment project for the Ministry of Defence during the financial year.

ENGINEERING AND LEASING

The engineering and leasing business is spearheaded by two subsidiaries, Lian Beng Engineering & Machinery Pte Ltd and Tradewin Machinery & Equipments Pte Ltd. They complement the services provided by the construction division by undertaking metal engineering works and the leasing of construction machinery and equipment such as scaffolding, gondolas, and metal formworks.

The engineering and leasing division contributed $1.2 million, or 0.9% of total revenue in FY07, compared with $1.8 million, or 1.1%, in FY06.

The division is currently engaged in the erection and dismantling of external scaffolds for a project at Bukit Merah RC36. This project is expected to be completed in FY08.

The Group will be expanding the operations of this division to include the provision of ready-mixed concrete and its related services in FY08. This will enable the Group to better manage fluctuations in the price of ready-mix concrete, as well as provide it with an additional income stream. To this end, a wholly-owned subsidiary, Sinmix Pte Ltd, has been incorporated to provide such services.

PROPERTY

Operating under LBR and Rocca Investments Pte Ltd ("Rocca"), the property division contributed $13.0 million, or 9.4% of total revenue in FY07, as compared with $4.1 million, or 2.5% in FY06. This increase was attributed to profits derived from the sales of properties and a reversal of provision for the impairment of the Group's property.

During the financial year, the Group purchased the remaining 40% of Rocca from a minority shareholder, thereby making it a wholly-owned subsidiary. This will strengthen the property division going forward, and enable it to undertake new projects through this subsidiary.

Till date, all residential units at Derbyshire Heights and Rocca Balestier are fully sold.

New Developments

In June 2007, LBR, together with three other joint venture partners, incorporated Phileap Pte Ltd to undertake an en-bloc acquisition of Lincoln Lodge, off Newton Road for a consideration of $243 million. This prime freehold site is designed to be redeveloped into luxury residential apartments for sale.

In addition, LBR also acquired a cluster of eight freehold semi-detached houses along Mountbatten Road, in the East Coast area for $42 million by way of a private treaty in July 2007. The site has the potential to be redeveloped into a condominium.

OVERBURDEN WORKS

The Group has entered into an agreement to sell its entire 50% interest in the overburden business to its joint venture partner and has no longer control over its business operation from 1 January 2007. Accordingly, the Group consolidated the results of Lian Beng Energy Pte Ltd and its subsidiary up to 31 December 2006 during FY07.

Ferraria Park (Artist's Impression)

Key Executive Officers

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 also serves a director of Deenn Engineering Pte Ltd, Lian Beng Investments Pte Ltd and Sinmix Pte Ltd.

He has been with the Group for more than 13 years upon completion of his education and the National Service.

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 also serves as a director of Lian Beng Engineering & Machinery Pte Ltd, Tradewin Machinery and Equipments Pte Ltd, L.S. Construction Pte Ltd, Deenn Engineering Pte Ltd, Lian Beng Investments Pte Ltd, Lian Beng Training & Testing Centre Pte Ltd and Lian Beng-Amin Joint Venture Private Limited.

He joined the Group after completing his studies and the National Service and he has been with the Group for more than 12 years.

MS ONG LEE YAP, the Purchasing Manager of the Group and a Director of Lian Beng Construction (1988) Pte Ltd, has more than 18 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 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.

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 had more than 20 years of experience in the construction industry with significant experience as a structural designer, construction engineering, project management and management of Design & 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.

MR JEFFREY TEO WEE JIN, the Construction Manager of Lian Beng Construction (1988) Pte Ltd, 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.

Note:
Mr Lee Tey Say (Annual Report 2006, Key Executive Officers) has resigned as the director of PT Lian Beng Energy, effective from 2 Febuary 2007.

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 SECRETARIES

Wee Woon Hong

Lee Hock Heng

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
One Raffles Quay
Level 18 North Tower
Singapore 048583

Partner-in-charge: Loh Khum Whai, Max
(Appointed since financial year ended 31 May 2005)

SOLICITORS

Wee Woon Hong & Associates
30 Raffles Places #19-04, Chevron House
Singapore 048622

PRINCIPAL BANKERS

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

Corporate Governance Report

INTRODUCTION

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.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board of Directors (the "Board") oversees the management of the business and affairs of the Company and its subsidiaries (the "Group").

The Board's role is to:

1. Provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the group to meet its objectives;
2. Establish a framework of prudent and effective controls which enables risk to be assessed and managed;
3. Review the management performance; and
4. Set the group's values and standards, and ensure that obligations to shareholders and others are understood and met.

All directors objectively take decisions in the interests of the Company. To facilitate effective management, certain functions have been delegated to various board committees, whose actions are reported to and monitored by the Board.

The Company has adopted internal guidelines setting forth matters that require board approval. The types of material transactions that require board approval under such guidelines are listed below:

a. Approval of financial statements' announcements;
b. Approval of interested-parties' transactions;
c. Declaration of interim dividends and proposal of final dividends;
d. Convening of shareholders' meetings;
e. Approval of corporate strategy;
f. Authorisation of merger and acquisition transactions; and
g. Authorisation of major transactions.

The Board meets regularly on a bi-annually basis and as warranted. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference at board meetings are allowed under the Company's Articles of Association. To ensure effective corporate governance, three key committees, namely the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Audit Committee (the "AC") were established. Their respective roles are further discussed in this report.

Corporate Governance Report

BOARD'S CONDUCT OF ITS AFFAIRS (Cont'd)

The details of board meetings, NC, RC and AC meetings held in the year as well as the attendance of each board member at those meetings are disclosed below.

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

As a general rule, board papers are required to be sent to directors before the Board meeting so that the members may better understand the matters before the Board meeting and discussion may be focused on questions that the Board has about the Board papers.

The duties and obligations of the director are set out in writing upon his or her appointment. Apart from keeping the Board informed of all relevant new laws and regulations, the Company has an orientation programme for new directors to ensure that the incoming director is familiar with the Company's business and governance practices. He/she will be given a tour and briefing of key facilities and activities of the Company, as well as a detailed presentation by key senior management covering structure, business activities and growth strategies of the group and an overview of the more significant business risks, issues and challenges it faces. Corporate materials and documents such as the latest Annual report and Summary Financial Statements, minutes of recent board meetings, and Memorandum and Articles of Association of the Company will also be given to him/her to facilitate his/her understanding of the structure and operations of the group.

BOARD COMPOSITION AND BALANCE

Principle 2: Strong And Independent Element On The Board

The Board comprises four executive directors and two independent directors, namely:

Executive Directors

1. **Ong Pang Aik**
2. **Tan Swee Hong**
3. **Ong Lay Koon**
4. **Ong Lay Huan**

Corporate Governance Report

BOARD COMPOSITION AND BALANCE (Cont'd)

Independent & Non-Executive Directors

1. **Dr Wan Soon Bee**
2. **Sitoh Yih Pin**

No individual or small group of individuals is allowed to dominate the Board's decision making. The independence of each director is reviewed annually by the NC, which ensures that independent directors make up at least one-third of the Board. The NC is of the view that the current board size is appropriate, taking into account the nature and scope of the Company's operations. The Board consists of high caliber members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, financing, legal, business and general corporate matters.

The non-executive directors constructively challenge and help to develop proposals on strategy and also review the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear Division Of Responsibilities At The Top Of The Company

Mr Ong Pang Aik currently assumes the roles of both the Chairman and Managing Director. His duties as the Chairman, among others, include:

a. Leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;
b. Ensuring that the directors receive accurate, timely and clear information;
c. Ensuring effective communication with shareholders;
d. Encouraging constructive relations between the Board and Management;
e. Facilitating the effective contribution of non-executive directors;
f. Encouraging constructive relations between executive directors and non-executive directors; and
g. Promoting high standards of 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 are not separated as the Board is of the view that there is adequate accountability and transparency within the Group.

Corporate Governance Report

BOARD MEMBERSHIP

Principle 4: Formal And Transparent Process For Appointment Of New Directors

The NC, which has written terms of reference, was established to make recommendations to the Board on all board appointments. It comprises three directors, namely:

1. **Dr Wan Soon Bee**
2. **Sitoh Yih Pin**
3. **Ong Lay Koon**

The NC met once during the financial year under review.

The Chairman, Dr Wan Soon Bee, and Mr Sitoh Yih Pin are independent directors and are not or directly associated with any substantial shareholder. The NC's responsibilities include the following:

a. Annual review of skills required by the Board, and the size of the Board;
b. Reviewing and determining the independence of each director to ensure that the Board comprises at least one-third independent directors;
c. Reviewing and evaluating a director's ability and adequacy in carrying out his/her role as director of the Company, particularly when he/she has multiple board representations;
d. Re-nomination of directors, giving due regard to each director's contribution and performance including, if applicable, as an independent director;
e. Assessing the effectiveness of the Board as a whole, and as well as each director's contribution to the effectiveness of the Board; and
f. Deciding how the Board's performance may be evaluated and proposing objective performance criteria.

The directors submit themselves for re-nomination and re-election at least once every three years. Newly appointed directors will submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company following their appointment.

In the nomination and selection process, the NC identifies the key attributes that an incoming director should have, based on a matrix of attributes of the existing board and the requirements of the Group. After endorsement of the key attributes by the Board, the NC taps on the directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. Executive recruitment agencies are appointed to assist in the search process when necessary. Interviews are set up with the potential candidates for members of the NC to assess them, before a decision is reached.

The key information on the directors is set out in the Board of Directors write-up on page 6 to 7 of this report.

Corporate Governance Report

BOARD PERFORMANCE

Principle 5: Formal Assessment Of The Effectiveness Of The Board And Contribution By Each Director

Based on the recommendation of the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of each individual director.

Each board member is required to complete a board appraisal form and director's assessment form and to send the forms to the Chairman. Based on the returns, the Chairman then consolidates and presents the report to the Board at the Board meeting held before the AGM. The appraisal form used by the Board is based on sample board appraisal forms recommended by internationally recognised bodies on corporate governance.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria that has been approved by the Board. The performance criteria for the Board evaluation are in respect of:

a. Board size and composition;
b. Board processes;
c. Board information and accountability; and
d. Board performance in relation to discharging its principal functions and responsibilities.

The individual directors' performance criteria are in relation to the director's:

a. Industry knowledge and/or functional expertise;
b. Contribution and workload requirements;
c. Sense of independence; and
d. Attendance at board and committee meetings.

The Chairman, in consultation with the NC, will then act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors.

ACCESS TO INFORMATION

Principle 6: Board Members To Have Access To Complete, Adequate And Timely Information

The Management provides all directors with complete, adequate and timely information prior to Board meetings, and on an on-going basis. All directors have separate and independent access to the Company's senior management, who together with the Company Secretary, are responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

Information provided by the management to the directors include background information or explanatory information relating to matters to be brought forward before the Board, copies of disclosure documents.

Corporate Governance Report

ACCESS TO INFORMATION (Cont'd)

All directors have separate and independent access to the Company Secretary. Under the Company's Articles of Association, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole. The Company Secretary administers, attends and prepares minutes of all board and specialized committee meetings. She assists the Chairman in ensuring that board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange, are complied with. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board and its committees, facilitating the directors' orientation programme, and assisting with professional developments as required. She is also the primary channel of communication between the Company and the Singapore Exchange.

The Board engages independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: Formal And Transparent Procedure For Developing Policy On Executive Remuneration And For Fixing Remuneration Packages Of Directors

The RC comprises three directors, two of whom are independent and non-executive directors:

1. **Sitoh Yih Pin**
2. **Dr Wan Soon Bee**
3. **Ong Lay Koon**

The RC Chairman, Mr Sitoh Yih Pin, and Dr Wan Soon Bee are independent and non-executive directors.

The Board is of the view that with Ms Ong Lay Koon's experience, she is in a better position to advise and recommend to the Board on the remuneration packages for the rest of the executives in the Group. However, independence is not compromised, as the majority of the members of the Remuneration Committee are independent.

The RC met once during the financial year under review.

Corporate Governance Report

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (Cont'd)

Members of the RC carry out their duties in accordance with the Terms of Reference, which include the following:

a. Recommending to the Board on the framework of remuneration policies for directors and senior management;
b. Reviewing and approving specific remuneration packages for each director and the Chairman, including director's fees, salaries, allowances, bonuses and benefits-in-kind; and
c. Reviewing the remuneration of Senior Management.

The RC's recommendations are submitted for endorsement by the entire Board. No directors are involved in deciding his /her own remuneration.

The Company does not have any employee share option scheme.

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 and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus respectively. In setting remuneration packages, the Company takes into account the group's relative performance and the performance of individual directors. The pay and employment conditions within the same industry and in comparable companies are also given due consideration.

The fees of the Independent Directors are determined by the Board according to the level of contribution, and taking into account factors such as the effort and time spent, and their respective responsibilities. 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. They do not have any service agreements with the Company.

The Company has entered into separate service agreements with Mr Ong Pang Aik and Mr Tan Swee Hong, each of which is valid for an initial three-year period and subject to automatic renewal every 3 years. None of the service contracts has any onerous removal clauses. Notice periods are generally six months or less in the service agreements for executive directors.

Corporate Governance Report

DISCLOSURE ON REMUNERATION

Principle 9: Disclosure On 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 current financial year as it 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, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 May 2007 is as follows:

Remuneration	Name	Salary & CPF (%)	Bonus (%)	Other Benefits & Allowances (%)	Fees[1] (%)	Total (%)
$500,000 & Above	Ong Pang Aik	54	20	1	25	100
> $250,000 - $500,000	Ong Lay Huan	51	19	16	14	100
< $250,000	Tan Swee Hong	61	19	4	16	100
< $250,000	Ong Lay Koon	67	14	2	17	100
< $250,000	Dr Wan Soon Bee	-	-	-	100	100
< $250,000	Sitoh Yih Pin	-	-	-	100	100

#1 Includes fees for directorships held in the Company's subsidiaries

A breakdown, showing the level and mix of the top seven key executives' remuneration payable for the financial year ended 31 May 2007 is as follows:

Remuneration	Name	Salary & CPF (%)	Bonus (%)	Other Benefits & Allowances (%)	Fees[1] (%)	Total (%)
$150,000 - $250,000	Ong Lee Yap[2]	81	19	0	0	100
$150,000 - $250,000	Ong Phang Hoo[2]	57	13	16	14	100
$150,000 - $250,000	Ong Phang Hui[2]	65	14	6	15	100
$150,000 - $250,000	Than King Huat	75	22	3	0	100
< $150,000	Lee Tey Say[3]	87	13	0	0	100
< $150,000	Teo Wee Jin	82	16	2	0	100
< $150,000	Chew Teow Leong	90	10	0	0	100

#1 Includes fees for directorships held in the Company's subsidiaries

#2 Siblings to Chairman, Mr Ong Pang Aik and directors Ms Ong Lay Huan and Ms Ong Lay Koon

#3 Mr Lee Tey Say has tendered his resignation as the director of PT Lian Beng Energy, effectively from 2 February 2007.

For the financial year ended 31 May 2007, the total remuneration paid to the directors of the Company was S$1,456,094.00 and the total remuneration paid to the key executives was S$1,049,094.00.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: Presentation Of A Balanced And Understandable Assessment Of Company's Performance, Position And Aspects

The Management provides board members with management accounts that present a balanced and understandable assessment of the Company's performance, position and prospects on a half-yearly basis. At present, the management prepares the management accounts on a monthly basis and provides the monthly management accounts to the Board whenever the Board request for it.

The Board will furnish, among others and whenever necessary, interim and other price sensitive public reports, and reports to the regulators with the aim of provide a balanced and understandable assessment of the Company's performance, position and prospects.

AUDIT COMMITTEE

Principle 11: Establishment Of Audit Committee With Written Terms Of Reference

The AC comprises of the three directors, two of whom are independent and non-executive directors:

1. **Dr Wan Soon Bee**
2. **Sitoh Yih Pin**
3. **Ong Lay Koon**

The Board is of the view that the AC, chaired by Dr Wan Soon Bee has sufficient financial management expertise and experience to discharge the AC's functions. Mr Sitoh Yih Pin is by profession a Certified Public Accountant and Ms Ong Lay Koon has many years of experience in business and financial management. It 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 in the AC will continue to benefit from the experience and expertise of the Executive Director in the AC in carrying out their respective duties effectively.

The AC holds explicit authority to investigate all matters within its terms of reference, full access to and co-operation by Management, full discretion to invite any director or key executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC met twice during the financial year under review. In one of the meetings, the external auditors were in attendance, without the presence of the Company's Management.

Corporate Governance Report

AUDIT COMMITTEE (Cont'd)

The key function of AC, which has written terms of reference, is to:

a. Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
b. Review the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;
c. Review significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
d. Review the adequacy of the Company's internal controls; and
e. Make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extend of such services does not affect the independence of the external auditors and has recommended to the Board the re-appointment of Messrs Ernst & Young as the auditors of the Company.

The AC has also conducted reviews of interested person transactions and the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action.

INTERNAL CONTROLS

Principle 12: Maintenance Of Sound System Of Internal Controls

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.

INTERNAL AUDIT

Principle 13: Establishment Of An Independent Internal Audit Function

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

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Regular, Effective And Fair Communication With Shareholders

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. Where inadvertent disclosure has been made to a select group, the Company will make the same disclosure publicly to all others as soon as practicable. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a half-yearly basis via the half-yearly announcements of results; and other ad hoc announcements as required by the Singapore Exchange. The Company's Annual Report is send to all shareholders and is available on request. The Company's latest Annual Report is also accessible via the Company's website.

Principle 15: Encouragement Of Greater Shareholder Participation At AGMs

The Board welcomes the view of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders.

Separate resolutions are proposed for substantially separate issues at shareholders' meetings. The Chairmen of the AC, RC and NC are usually available at the meetings to answer those questions relating to the work of these committees. The external auditors are also present to address the shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

The Company's Articles allows ("Articles" in this case is a collective word, so it is not treated as a plural noun) a shareholder of the Company to appoint one or two proxies to attend and vote instead of the shareholder. Notwithstanding Commentary 15.4 of the Code, the Company has not amend the Articles of Association to lift the limit on the number of proxies for nominee companies to enable shareholders who hold shares though these nominees to attend AGMs. This is because it will not be possible to make such an amendment to apply only to the nominee company shareholders and not to all shareholders. In addition, the Board views that it would neither promote greater efficiency or effective decision-making, nor be cost-effective to lift the limit on the number of proxies completely. The Company is not implementing absentia-voting methods such as email, fax or mail until security, integrity and other pertinent issues are satisfactorily resolved.

Corporate Governance Report

ADDITIONAL INFORMATION

DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing 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-yearly or full-year results and ending on the date of the announcement of the results.

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

There was no transaction with interested person during the financial year ended 31 May 2007 that exceeded the stipulated thresholds as specified in Chapter 9 of the Listing Manual of the SGX-ST.

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Report of Directors and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Financial Contents

For the financial year ended 31 May 2007

聯明集團有限公司
LIAN BENG GROUP LTD

Directors' Report

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 2007.

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 2006	**At 31 May 2007**	**At 1 June 2006**	**At 31 May 2007**
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	133,782,400
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	–	–

Directors' Report

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

	Direct interest		Deemed interest	
	At 1 June 2006	**At 31 May 2007**	**At 1 June 2006**	**At 31 May 2007**
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	2,000,000

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.

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 2007.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company 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.

Directors' Report

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
16 August 2007

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 2007, 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

Independent 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 (the "Group") as set out on pages 35 to 85, which comprise the balance sheets of the Group and the Company as at 31 May 2007, the profit and loss accounts and statements of changes in equity of the Group and the Company, and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) 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
16 August 2007

Balance Sheets

as at 31 May 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Non-current assets					
Property, plant and equipment	3	25,120	34,412	–	–
Intangible assets	4	19	18	–	–
Investments in :					
- subsidiaries	5	–	–	27,638	23,937
- jointly-controlled entity	6	–	–	–	2,000
Other receivable	13	7,912	–	7,912	–
Investment securities	7	1,190	624	–	–
Deferred tax assets	8	–	367	–	–
		34,241	35,421	35,550	25,937
Current assets					
Inventories	9	1,571	1,542	–	–
Receivables from related parties	14	–	18	–	–
Properties held for sale	10	8,033	20,309	–	–
Construction work-in-progress	11	31,201	22,963	–	–
Trade receivables	12	44,034	57,985	–	–
Other receivables, deposits and prepayments	13	7,146	3,690	1,292	281
Receivables from subsidiaries	14	–	–	15,844	15,371
Amounts due from jointly-controlled entity	6	5,834	5,539	–	7,466
Investment securities	7	18	53	–	–
Fixed deposits	15	3,097	2,701	1,219	1,648
Cash and bank balances		7,955	12,176	107	270
		108,889	126,976	18,462	25,036
Current liabilities					
Progress billings in excess of construction work-in-progress	11	4,101	9,651	–	–
Trade payables and accruals	16	44,471	45,625	–	–
Other payables and deposits	17	1,716	1,724	301	252
Amounts due to related parties	18	25	5,491	8,446	5,011
Bank overdrafts	19	15,484	10,682	–	–
Bank loans	19	11,218	16,468	1,063	1,048
Current portion of obligations under hire purchase	20	997	1,115	–	–
Provision for taxation		1,692	3,092	–	–
		79,704	93,848	9,810	6,311
Net current assets		29,185	33,128	8,652	18,725
Non-current liabilities					
Bank loans	19	2,910	10,433	–	–
Obligations under hire purchase	20	2,104	3,013	–	–
Deferred tax liabilities	8	120	213	–	–
		5,134	13,659	–	–
Net assets		58,292	54,890	44,202	44,662
Equity attributable to equity holders of the Company					
Share capital	21	42,866	42,866	42,866	42,866
Reserves		15,340	12,020	1,336	1,796
		58,206	54,886	44,202	44,662
Minority interests		86	4	–	–
Total equity		58,292	54,890	44,202	44,662

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 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Continuing Operations					
Revenue	23	138,707	166,232	4,200	1,200
Cost of sales		(128,156)	(155,428)	–	–
Gross profit		10,551	10,804	4,200	1,200
Other operating income	24	7,005	1,461	41	54
Distribution expenses		(394)	(283)	(16)	(7)
Administrative expenses		(5,726)	(5,069)	(433)	(333)
Other operating (expenses)/income	24	(2,211)	(2,424)	(2,525)	8
Finance costs	26	(1,512)	(1,538)	(48)	(37)
Profit before tax from continuing operations	24	7,713	2,951	1,219	885
Taxation	27	(664)	(1,339)	(679)	(479)
Profit after tax from continuing operations		7,049	1,612	540	406
Discontinued Operations					
Loss for the year from discontinued operations	6(b)	(2,683)	(73)	–	–
Profit for the year		4,366	1,539	540	406
Attributable to :					
Equity holders of the Company		3,505	1,835	540	406
Minority interests		861	(296)	–	–
		4,366	1,539	540	406
Earnings per share (Cents)					
Basic and diluted – continuing operations	28(a)	1.36	0.42		
Basic and diluted – discontinued operations	28(b)	(0.59)	(0.02)		

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 2007

	Attributable to equity holders of the Company					Minority interests	Total equity
	Share capital (Note 21) $'000	Share premium $'000	Accumulated profits $'000	Other reserves (Note 22) $'000	Total reserves $'000	$'000	$'000
Group							
At 1 June 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)
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 on ordinary shares (Note 37)	–	–	(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
Net effect of exchange differences	–	–	–	161	161	–	161
Net change in fair value adjustment reserve	–	–	–	654	654	–	654
Net income recognised directly in equity	–	–	–	815	815	–	815
Profit for the year	–	–	3,505	–	3,505	861	4,366
Total recognised income and expense for the year	–	–	3,505	815	4,320	861	5,181
Dividends on ordinary shares (Note 37)	–	–	(1,000)	–	(1,000)	–	(1,000)
Acquisition of the remaining minority interests in a subsidiary	–	–	–	–	–	(779)	(779)
At 31 May 2007	42,866	–	14,657	683	15,340	86	58,292

Statements of Changes in Equity

for the year ended 31 May 2007

	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 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 on ordinary shares (Note 37)	–	–	(1,000)	(1,000)
At 31 May 2006	42,866	–	1,796	44,662
Profit for the year	–	–	540	540
Dividends on ordinary shares (Note 37)	–	–	(1,000)	(1,000)
At 31 May 2007	42,866	–	1,336	44,202

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 2007

	2007 $'000	2006 $'000
Profit before taxation from continuing operations	7,713	2,951
(Loss)/profit before taxation from discontinued operations (Note 6(b))	(2,744)	171
	4,969	3,122
Adjustments for :		
Depreciation of property, plant and equipment	3,091	3,914
Dividend income	(21)	(13)
Gain on sale of property, plant and equipment	(926)	(1,067)
Write back for impairment losses on property	(1,700)	–
Fair value gain on investment securities	(11)	(15)
Forgiveness of loan from minority shareholder of a subsidiary	(2,000)	–
Negative goodwill	(327)	–
Gain on sale of investment securities	(199)	–
Impairment loss on other receivable	515	–
Interest income	(143)	(77)
Interest expense	1,700	1,847
Exchange translation difference	(41)	206
Allowance for doubtful receivables	10	564
Operating profit before working capital changes	4,917	8,481
Changes in working capital :		
Properties held for sale	12,276	4,192
Construction work-in-progress	(13,805)	4,384
Inventories	(2,029)	367
Trade receivables	7,410	(6,772)
Other receivables, deposits and prepayments	(5,143)	1,112
Trade payables, other payables and accruals	6,565	386
Balances with related parties	(4,065)	(3,086)
Cash generated from operations	6,126	9,064
Income tax paid	(3,718)	(2,347)
Income tax recovered	391	–
Net cash flows generated from operating activities	2,799	6,717
Cash flows from investing activities		
Interest received	143	77
Dividend received	21	13
Purchase of property, plant and equipment (Note A)	(1,127)	(3,465)
Proceeds from disposal of property, plant and equipment	1,703	1,706
Additional investment in subsidiary company	(201)	–
Disposal of jointly-controlled entity (Note 6(b))	(758)	–
Proceeds from disposal of investment securities	320	–
Proceed from capital reduction for investment securities	13	–
Net cash flows generated from/(used in) investing activities	114	(1,669)

Consolidated Cash Flow Statement

for the year ended 31 May 2007

	2007 $'000	2006 $'000
Cash flows from financing activities		
Interest paid	(1,700)	(1,847)
Repayment of hire purchase creditors	(974)	(236)
Proceeds from bank loans	3,068	1,125
Repayment of bank loans	(11,944)	(8,208)
Fixed deposits pledged to bank	(659)	(47)
Loan from previous joint venture partner	1,010	–
Loans from related parties	–	651
Dividend paid	(1,000)	(1,000)
Net cash flows used in financing activities	(12,199)	(9,562)
Net decrease in cash and cash equivalents	(9,286)	(4,514)
Cash and cash equivalents at beginning of the year	3,070	7,584
Cash and cash equivalents at end of the year (Note 29)	(6,216)	3,070

Note A

During the financial year, the Group acquired plant and equipment with an aggregate cost of $1,657,000 (2006 : $5,856,000) of which $530,000 (2006 : $2,391,000) were acquired by means of hire purchase arrangements. Cash payments of $1,127,000 (2006 : $3,465,000) were made to purchase plant and equipment.

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

Notes to the Financial Statements

31 May 2007

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 financial statements 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 $).

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 change in accounting policies discussed below.

2.2 Changes in accounting policies

(a) *Adoption of revised FRS*

In 2006, the Group adopted the following revised FRS which is relevant to its operations.

<u>Amendments to FRS 39 – Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts</u>

The Amendments to FRS 39, which took effect from financial years beginning on or after 1 January 2006, require the Company to measure the financial guarantees given to banks for bank borrowings of its subsidiaries at fair value upon inception of the guarantees. These guarantees are subsequently measured at the higher of their initial fair values less cumulative amortisation and the amount of obligation that arises under the guarantee. Previously, these financial guarantees were accounted for as contingent liabilities whereby a loss was recognised only if it was probable that it would be incurred.

The adoption of the Amendments to FRS 39 is assessed to have no material financial impact on the results and the accumulated profits of the Company for the year ended 31 May 2007. This change has no impact to the Group's financial statements.

Notes to the Financial Statements
31 May 2007

2.2 Change in accounting policies (cont'd)

(b) FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

<u>FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)</u>

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual periods beginning 1 June 2007.

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.

Notes to the Financial Statements
31 May 2007

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 2007 was $25,120,000 (2006: $34,412,000). 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 and deferred tax liabilities at 31 May 2007 was $1,692,000 (2006: $3,092,000) and $120,000 (2006: $213,000) respectively.

(iii) Variation orders for contract revenue

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

The Group recognises contract revenue and contract costs using the percentage of completion method as set out in Note 2.9 and 2.24 respectively.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group evaluates by relying on past experience and the work of specialists.

(ii) 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

Notes to the Financial Statements
31 May 2007

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.

2.7 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.

Notes to the Financial Statements

31 May 2007

2.7 Subsidiaries and principles of consolidation (cont'd)

(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.

Acquisitions of subsidiaries are accounted for using the purchase method. 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.

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.

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.

Notes to the Financial Statements

31 May 2007

2.9 Construction contracts

The accounting policy for recognition of contract revenue is set out in Note 2.24 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.

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.

Notes to the Financial Statements

31 May 2007

2.10 Intangible asset (cont'd)

(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 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.

2.12 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.

Notes to the Financial Statements
31 May 2007

2.13 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.

2.14 Financial assets

Financial assets 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*

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.17.

(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.

The Group classifies the following financial assets as loans and receivables:
- cash and fixed deposits
- trade and other receivables, including amounts due from subsidiaries, jointly controlled entity and related parties.

Notes to the Financial Statements

31 May 2007

2.14 Financial assets (cont'd)

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

The Group classifies its long term quoted and unquoted equity investments as 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 other 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.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

2.15 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.

2.16 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.

Notes to the Financial Statements

31 May 2007

2.16 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.

2.17 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in the fair value of derivative financial instruments are taken to the profit and loss account for the year.

2.18 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.

Notes to the Financial Statements
31 May 2007

2.19 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs 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. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.20 Borrowing costs

Borrowings are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.21 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.

2.22 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.

2.23 De-recognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

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

Notes to the Financial Statements
31 May 2007

2.24 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.

2.25 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.

Notes to the Financial Statements

31 May 2007

2.25 Income tax (cont'd)

(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.

Deferred income tax assets are recognised for all deductible temporary differences, (other than those mentioned above), 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.

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; and

- 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.

Notes to the Financial Statements

31 May 2007

2.26 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.

Notes to the Financial Statements

31 May 2007

3. Property, plant and equipment

	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
Group								
Cost								
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 1 June 2006	6,860	3,151	13,353	37,917	3,465	3,766	226	68,738
Additions	–	–	–	1,017	260	380	–	1,657
Disposals	–	–	(866)	(1,724)	(1)	(633)	–	(3,224)
Disposal of jointly-controlled entity	–	–	–	(10,565)	(220)	(621)	(226)	(11,632)
Exchange difference	–	–	–	(21)	–	(3)	–	(24)
At 31 May 2007	6,860	3,151	12,487	26,624	3,504	2,889	–	55,515
Accumulated depreciation and impairment								
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 1 June 2006	–	448	4,042	24,463	3,099	2,274	–	34,326
Depreciation charge for the year	–	67	260	2,110	151	485	–	3,073
Disposal of jointly-controlled entity	–	–	–	(2,401)	(99)	(297)	–	(2,797)
Write back of impairment loss	–	–	(1,700)	–	–	–	–	(1,700)
Disposals	–	–	(147)	(1,694)	–	(606)	–	(2,447)
Exchange difference	–	–	–	(53)	(1)	(6)	–	(60)
At 31 May 2007	–	515	2,455	22,425	3,150	1,850	–	30,395
Net carrying amount								
At 31 May 2007	6,860	2,636	10,032	4,199	354	1,039	–	25,120
At 31 May 2006	6,860	2,703	9,311	13,454	366	1,492	226	34,412

Notes to the Financial Statements

31 May 2007

3. *Property, plant and equipment (cont'd)*

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

	Group 2007 $'000	Group 2006 $'000
Depreciation for the year	3,073	3,924
Depreciation included in construction work-in-progress	(513)	(344)
Depreciation previously included in construction work-in-progress now charged to the profit and loss account	531	334
Less : Depreciation attributable to discontinued operations	(938)	(1,452)
Depreciation charged to the profit and loss account (Note 24)	2,153	2,462

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

	2007	2006
Freehold and leasehold properties and plant and machinery mortgaged to banks for credit facilities granted to subsidiaries and jointly-controlled entity	17,713	23,780
Plant, machinery and motor vehicles acquired under hire purchase arrangements	4,255	4,975

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, #17-01 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

Notes to the Financial Statements

31 May 2007

4. Intangible assets

(a) *Goodwill on consolidation*

	Group	
	2007	**2006**
	$'000	**$'000**
Goodwill arising from consolidation	1	1,409
Elimination of accumulated amortisation	–	(1,409)
	1	–

(b) *Club membership*

At cost	36	36
Less : accumulated amortisation and impairment loss	(18)	(18)
	18	18
Total	19	18

5. Investments in subsidiaries

	Company	
	2007	**2006**
	$'000	**$'000**
Unquoted equity shares, at cost	23,937	23,937
Addition during the year	3,701	–
	27,638	23,937

Notes to the Financial Statements

31 May 2007

5. Investments in subsidiaries (cont'd)

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 2007 %	Effective equity held by the Group 2006 %	Cost of investment 2007 $'000	Cost of investment 2006 $'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
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	100	60	1,400	1,200
Deenn Engineering Pte Ltd **	General building construction and civil engineering works	Singapore	100	100	8,500	5,000
Smooth Venture Pte Ltd **	Business of an investment company	Singapore	100	–	1	–
Sinmix Pte Ltd ***	Manufacture of ready mix	Singapore	100	–	– #	–
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	–	–
					27,638	23,937

* *Audited by Dewan Nazrul Islam & Co*
** *Audited by Ernst & Young, Singapore*
*** *Not required to be audited as the Company is newly incorporated during the year*
# *Denotes less than $1,000*

Notes to the Financial Statements

31 May 2007

6. Investments in jointly-controlled entity

	Company 2007 $'000	Company 2006 $'000
(a) Investments in jointly-controlled entity :		
Unquoted ordinary shares, at cost	2,000	2,000
Disposal during the year (Note 6b)	(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	2007 %	2006 %
Held by the Company				
Lian Beng Energy Pte Ltd	Investment holding and the provision of agency services	Singapore	–	50
Held by a subsidiary				
Lian Beng – Amin Joint Venture Private Limited *	General building construction & civil engineering works	Republic of Maldives	50	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 an associated firm of Ernst & Young, Singapore

(b) Disposal of jointly-controlled entity :

On 27 July 2007, the Company entered into a Sale and Purchase Agreement with Manhattan Resources Limited ("Manhattan"), a joint venture partner who holds a 50% shareholding interest in Lian Beng Energy Pte Ltd ("LBE"), whereby Manhattan agreed to purchase 50% interest represented by 2,000,000 shares owned by the Company in LBE for a cash consideration of S$1. Both parties in the agreement have agreed that the sale and purchase agreement is deemed to take effect on 1 January 2007. As a result, the Group have consolidated LBE's results until 31 December 2006, the date the Group ceased to have control over the jointly-controlled entity. This represents a discontinuance of the Over-burden Works business segment of the Group. As such, the results arising from the disposal is presented separately in the Profit and Loss Accounts as "Discontinued Operations".

Notes to the Financial Statements

31 May 2007

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

(i) The cash flow effect on disposal of the jointly-controlled entity is set out below :

	$'000
Property, plant and equipment	8,835
Deferred tax assets	325
Inventory	2,000
Trade and other receivables	8,177
Cash and bank balances	758
Trade and other payable	(16,379)
Bank loan	(3,897)
Net identifiable assets and liabilities	(181)
Exchange reserve	201
Loss on disposal of jointly-controlled entity	(20)
Total consideration	–
Cash and bank balances of the jointly-controlled entity	(758)
Net cash outflow on disposal of jointly-controlled entity	(758)

(ii) The results of the discontinued operations for the year ended 31 May are as follows:

	Group	
	2007 $'000	2006 $'000
Revenue	9,852	23,217
Cost of sales	(12,051)	(22,626)
Gross (loss)/profit	(2,199)	591
Other operating income	175	928
Expenses	(532)	(1,039)
Finance costs	(188)	(309)
(Loss)/profit before taxation from discontinued operations	(2,744)	171
Taxation	81	(244)
Loss after taxation from discontinued operations	(2,663)	(73)
Loss on disposal of jointly-controlled entity	(20)	–
	(2,683)	(73)

(iii) The impact of the discontinued operations on the cash flows of the Group is as follows:

Operating cash flows	(2,007)	1,251
Investing cash flows	11	(1,904)
Financing cash flows	1,635	425
Total cash outflows	(361)	(228)

Notes to the Financial Statements

31 May 2007

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

(c) Amounts due from jointly-controlled entity :

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
- trade	5,776	1,775	–	–
- non-trade	58	3,764	–	7,466
	5,834	5,539	–	7,466

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

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

	Group	
	2007	**2006**
	$'000	**$'000**
Revenue	8,189	–
Expenses	(7,058)	(48)
Profit/(loss) before taxation	1,131	(48)
Taxation	–	–
Profit/(loss) after taxation	1,131	(48)
Assets and liabilities		
Non-current assets	834	10,762
Current assets	7,108	11,721
Total assets	7,942	22,483
Current liabilities	(6,869)	(16,542)
Non current liabilities	–	(3,508)
Net assets	1,073	2,433

Notes to the Financial Statements

31 May 2007

7. Investment securities

	Group	
	2007	**2006**
	$'000	**$'000**
(a) **Non-current**		
Available-for-sale financial assets		
Quoted equity investments	1,040	474
Unquoted equity investments	150	150
	1,190	624
(b) **Current**		
Held for trading investments		
Quoted equity investments	18	53

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	
	2007	**2006**
	$'000	**$'000**
Deferred tax assets		
Differences in depreciation	–	252
Provisions	–	7
Others	–	108
	–	367
Deferred tax liabilities		
Differences in depreciation	160	236
Provisions	(40)	(23)
	120	213

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

Deductible temporary differences	895	1,600
Tax losses	3,427	2,432
	4,322	4,032

Notes to the Financial Statements

31 May 2007

9. Inventories

	Group 2007 $'000	Group 2006 $'000
Raw materials (at cost)	1,571	1,542

10. Development properties/properties held for sale

		Group 2007 $'000	Group 2006 $'000
(a)	Properties under development		
	Freehold land, at cost	16,279	29,628
	Development expenditure	13,143	19,969
	Interest costs	1,648	3,032
	Property tax	232	338
		31,302	52,967
	Attributable profits	–	281
	Foreseeable losses	(895)	(1,600)
		30,407	51,648
	Progress billings	(22,374)	(31,339)
		8,033	20,309
	Less : Transfer to properties held for sale	(8,033)	(20,309)
		–	–
(b)	Properties held for sale	8,033	20,309

Properties held for sale/development properties with carrying amount of $8,033,000 (2006 : $20,309,000) are pledged to banks for loans granted to subsidiaries (Note 19).

There is no interest on bank borrowings capitalised in the current financial year (2006 : Nil 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 2007 %	Interest held by the Group 2006 %
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	100	60

Notes to the Financial Statements

31 May 2007

11. Construction work-in-progress

	Group 2007 $'000	Group 2006 $'000
Construction costs	712,946	601,063
Attributable profits less recognised losses	39,319	30,300
	752,265	631,363
Progress billings	(725,165)	(618,051)
	27,100	13,312
Represented by :		
Construction work-in-progress	31,201	22,963
Progress billings in excess of construction work-in-progress	(4,101)	(9,651)
	27,100	13,312
The following were capitalised in construction costs during the year :		
Depreciation of plant and machinery	513	344
Staff costs	8,066	8,231
Operating lease expenses	878	1,356

12. Trade receivables

	Group 2007 $'000	Group 2006 $'000
Trade receivables	30,868	45,620
Retention monies on construction contracts	17,181	16,377
	48,049	61,997
Less : Allowance for doubtful receivables	(4,015)	(4,012)
	44,034	57,985

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 2007, $1,204,000 (2006: $Nil) and $Nil (2006: $1,322,000) of trade receivables are denominated in USD and IDR respectively.

Notes to the Financial Statements

31 May 2007

13. Other receivables, deposits and prepayments

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current				
Other receivables	2,875	1,869	3	3
Deposits	1,583	905	–	–
Prepayments	1,396	690	59	52
Amount due from ex-jointly- controlled entity	1,298	–	1,229	–
Tax recoverable	1	226	1	226
	7,153	3,690	1,292	281
Allowance for doubtful receivable	(7)	–	–	–
	7,146	3,690	1,292	281
Non-current				
Amount due from ex-jointly-controlled entity	9,725	–	9,656	–
Less : Impairment loss	(515)	–	(515)	–
	9,210	–	9,141	–
Less : Amount receivable within 12 months	(1,298)	–	(1,229)	–
Amount receivable after 12 months	7,912	–	7,912	–

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 5.05% (2006 : 0.875% to 3.17%) per annum (Note 29) and have maturities ranging between 1 week and 3 months (2006: 1 week and 3 months).

Notes to the Financial Statements

31 May 2007

16. Trade payables and accruals

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade payables	41,391	42,370	–	–
Accrued operating expenses	3,080	3,255	–	–
	44,471	45,625	–	–

Trade payables are non-interest bearing and normally settled on 30-90 days terms. As at 31 May 2007, $14,685, $30,648 and $Nil (2006: Nil, $641,000 and $1,045,000) of trade payables are denominated in MRF, USD and IDR, respectively.

17. Other payables and deposits

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Refundable deposits	231	171	–	–
Other payables	1,485	1,553	301	252
	1,716	1,724	301	252

18. Amounts due to related parties

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade payable to minority share-holder of a subsidiary	–	35	–	–
Amount due to minority shareholder of a subsidiary (non-trade)	25	25	–	–
Short-term loans from				
- minority shareholders of subsidiaries	–	1,747	–	–
- subsidiaries	–	–	8,446	5,011
- a shareholder of jointly-controlled entity	–	3,684	–	–
	25	5,491	8,446	5,011

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.

Notes to the Financial Statements

31 May 2007

19. Banking facilities

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current liabilities				
(a) Bank overdrafts (Note 29)	15,484	10,682	–	–
(b) Short-term loans				
- Loan A	1,063	1,048	1,063	1,048
- Loan C	4,727	7,863	–	–
- Loan D	1,000	1,000	–	–
- Loan E	1,600	–	–	–
- Loan F	–	921	–	–
- Loan G	–	2,500	–	–
- Loan H	1,190	–		
- Loan K	1,388	1,125	–	–
	10,968	14,457	1,063	1,048
Current portion of long-term loans				
- Loan B	–	500	–	–
- Loan I	250	250	–	–
- Loan J	–	1,261	–	–
	250	2,011	–	–
	11,218	16,468	1,063	1,048
Non-current liabilities				
(b) Long-term loans				
- After 1 year but within 5 years				
- Loan B	–	4,120	–	–
- Loan I	1,000	1,000	–	–
- Loan J	–	3,153	–	–
- After 5 years				
- Loan I	1,910	2,160	–	–
	2,910	10,433	–	–

Notes to the Financial Statements

31 May 2007

19. Banking facilities (cont'd)

(a) ***Bank overdrafts***

Bank overdrafts bear interest of 5% to 5.75% (2006 : 5% to 5.75%) per annum. The bank overdrafts are secured by a subsidiary's leasehold properties with a carrying value of $7,191,000 (2006 : $6,310,000), 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 $1,117,000 (2006 : $1,125,000). Interest is charged at 1% (2006 : 1%) over the bank's cost of funds per annum. During the financial year, interest was charged at 3.97% to 5.31% (2006 : 3.35% to 3.87%) per annum.

Loan B

The term loan was repaid on 3rd April 2007 and was secured over the remaining unsold units of the Derbyshire properties held for sale with carrying amount of $Nil (2006 : $5,759,000), existing assignment of sales and rental proceeds relating to the unsold units and is guaranteed by the Company. The loan bears interest at 1.25% (2006: 1.25%) per annum above the bank's cost of funds. During the financial year, interest was charged at 4.10% to 4.87% (2006 : 3.38% to 4.84%) per annum.

Loan C

The short-term loan is secured over a subsidiary's properties held for sale/ development properties with carrying amount of $8,033,000 (2006 : $14,550,000) 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 $3,136,000 to partially repay the loan. Interest is charged at 1.50% (2006: 1.50%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 4.22% to 5.33% (2006 : 3.98% to 5.02%) 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 $1,451,000 (2006 : $1,494,000). These loans bear interest of 1.50% (2006 : 1.50%) above the bank's cost of funds per annum and are guaranteed by the Company. During the financial year, interest was charged at rates ranging from 4.27% to 5.32% (2006 : 3.43% to 5.10%) per annum.

Loan E

The short-term revolving loan is repayable within 90 days. The loan is guaranteed by the Company and is secured by a legal charge over a subsidiary's construction contract or contract proceeds of the project and over the project account maintained with the bank.

Interest is charged at 1.5% (2006 : Nil) above the bank's swap cost of funds per annum. During the financial year interest was charged at rates ranging from 4% to 5.05% (2006 : Nil) per annum.

Notes to the Financial Statements

31 May 2007

19. Banking facilities (cont'd)

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% (2006 : 1.5%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 4.16% to 5.22% (2006 : 3.44% to 5.00%) per annum. The account receivables financing loan was repaid on 17 May 2007.

Loan G

The short-term revolving loan was repaid on 30 November 2006. 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% (2006 : 1.75%) above SGD swap offer rate per annum. During the financial year, interest was charged at rates ranging from 5.16% to 5.40% (2006 : 3.67% to 5.35%) per annum.

Loan H

The revolving credit loan is repayable on demand and is guaranteed by the Company and is secured by a legal fixed 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% above the bank cost of funds per annum. During the financial year, interest was charged at rates ranging from 3.7% to 4.28% (2006 : Nil) per annum.

Loan I

The long-term loan is secured over a subsidiary's freehold land and building with carrying amount of $9,070,000 (2006 : $9,120,000) 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 1.75% (2006: 2.0%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 3.99% to 5.33% (2006 : 4.15% to 5.33%) per annum.

Loan J

The term loan is secured over the jointly-controlled entity's equipment with carrying amount of $Nil (2006: $6,855,000), 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% (2006: 1.75%) per annum above the prevailing Singapore Inter-Bank Offer Rate (SIBOR). During the financial year, interest was charged at rates ranging from 6.55% to 7.10% (2006 : 4.87% to 6.55%) per annum.

As the Company has disposed of its interest in the jointly-controlled entity, the term loan is excluded from consolidation in the current year.

Notes to the Financial Statements

31 May 2007

19. Banking facilities (cont'd)

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% (2006 : 2%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 4.34% to 5.75% (2006: 5.3% to 5.58%) per annum.

20. Obligations under hire purchase

	Group		
	Minimum lease payments $'000	Interest $'000	Present value of payments $'000
2007			
Within 1 year	1,126	(129)	997
After 1 year but within 5 years	2,359	(305)	2,054
After 5 years	62	(12)	50
	3,547	(446)	3,101
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

Lease terms range from 3 to 7 (2006: 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 4.71% to 6.61% (2006 : 4.85% to 6.31%) per annum.

21. Share capital

	Group and Company	
	2007 $'000	2006 $'000
Issued and fully paid		
At beginning of the year		
- 454,760,000 (2006 : 454,760,000) ordinary shares	42,866	22,738
Transfer of share premium reserve to share capital	–	20,128
At end of the year		
- 454,760,000 (2006 : 454,760,000) ordinary shares	42,866	42,866

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.

Notes to the Financial Statements

31 May 2007

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	
	2007	2006
	$'000	$'000
Opening balance at 1 June	(184)	(23)
Net effect of exchange differences	161	(161)
Closing balance at 31 May	(23)	(184)

(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.

Opening balance at 1 June	52	–
Net gain on fair value changes during the year	654	52
Closing balance at 31 May	706	52
Total other reserves	683	(132)

23. Revenue

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Revenue from :				
- construction contracts	124,087	160,015	–	–
- provision of engineering works	576	1,157	–	–
Rental of plant and machinery	245	520	–	–
Sales of development properties	12,998	4,115	–	–
Maintenance of plant and machinery	2	3	–	–
Civil engineering and other works	74	157	–	–
Income from training of construction workers	348	225	–	–
Office rental income from affiliated companies	5	5	–	–
Office rental income from jointly controlled entity	5	2	–	–
Sales of machinery and spare parts	367	33	–	–
Dividend income from unquoted subsidiaries	–	–	4,200	1,200
	138,707	166,232	4,200	1,200

Notes to the Financial Statements

31 May 2007

24. Profit from operations

Profit from operations includes the following :

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
(a) Other income:				
Dividend income				
- long-term quoted equity investments	21	12	–	–
- short-term quoted equity investments	–	1	–	–
Interest income				
- fixed deposits	126	60	41	54
- bank balances	2	–	–	–
- jointly-controlled entity	4	–	–	–
Gain on sale of plant and equipment	647	504	–	–
Gain on sale of plant and equipment				
- jointly-controlled entity	279	424	–	–
Sale of material				
- jointly controlled entity	–	6	–	–
Operating lease income				
- affiliated companies	2	2	–	–
- jointly-controlled entity	2	2	–	–
- others	452	349	–	–
Gain on sale of investment securities	199	–	–	–
Fair value gain on investment securities	11	–	–	–
Write back of impairment losses on property	1,700	–	–	–
Negative goodwill	327	–	–	–
Forgiveness of loan from minority shareholder of a subsidiary	2,000	–	–	–
Income due from joint-venture partner	918	–	–	–
Others	315	101	–	–
	7,005	1,461	41	54
(b) Other operating expenses /(income):				
Depreciation of property, plant and equipment – office	969	1,249	–	–
Loss/(gain) on foreign exchange	232	58	10	(8)
Fair value gain on investment securities	–	(15)	–	–
Allowance for doubtful trade and other receivables	10	564	–	–
Impairment loss on other receivable	515	–	515	–
Loss on disposal of jointly-controlled entity	–	–	2,000	–
Others	485	568	–	–
	2,211	2,424	2,525	(8)
(c) Other expenses:				
Non-audit fees				
- auditors of the Company	49	122	4	4
- other auditors	–	20	–	2
Depreciation of property, plant and equipment – others	1,184	1,213	–	–
Directors' fees to directors				
- of the Company	355	325	110	95
- of the subsidiaries	60	60	–	–
Operating lease expenses	1,404	1,900	–	–
Staff costs (Note 25)	12,774	13,435	–	–

Notes to the Financial Statements

31 May 2007

25. Staff costs

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Wages and salaries	11,071	11,482	–	–
Contributions to defined contribution plans	1,114	1,299	–	–
Others	589	654	–	–
	12,774	13,435	–	–
Included in staff costs are directors' remuneration payable to :				
- directors of the Company	1,080	985	–	–
- directors of the subsidiaries	665	643	–	–
- directors of jointly-controlled entity	59	–	–	–
	1,804	1,628	–	–

The directors' remuneration payable to directors of the Company and directors of the subsidiaries excluded motor vehicle benefits of $21,523 (2006 : $20,202) and $17,184 (2006 : $19,355) respectively.

26. Finance costs

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Interest expense				
- banks	1,381	1,410	48	37
- hire purchase	131	111	–	–
- others	–	17	–	–
	1,512	1,538	48	37

27. Taxation

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Based on results for the year				
- current taxation	551	1,120	679	192
- deferred taxation	(87)	(260)	–	–
	464	860	679	192
Underprovision in respect of prior years				
- current taxation	200	479	–	287
	664	1,339	679	479

Notes to the Financial Statements

31 May 2007

27. Taxation *(cont'd)*

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

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Profit before taxation	7,713	2,951	1,219	885
Income tax using Singapore Tax rate of 18% (2006: 20%)	1,388	590	220	177
Tax exempt income	(1,113)	(61)	–	(8)
Non-deductible expenses	171	232	459	23
Unrecognised deferred tax assets during the year	156	188	–	–
Utilisation of previously unrecognised deferred tax assets	(109)	(89)	–	–
Consideration for losses transferred in from related company	159	98	–	–
Tax benefit on losses transferred in from related company	(159)	(98)	–	–
Underprovision of current taxation in respect of prior years	200	479	–	287
Effect of change in tax rate	(20)	–	–	–
Others	(9)	–	–	–
	664	1,339	679	479

28. Earnings per share – basic and diluted

(a) Continuing Operations:

Earnings per share from continuing operations is calculated based on the Group's net profit attributable to equity holders of the Company for the year of $6,188,000 (2006 : $1,908,000) over 454,760,000 (2006 : 454,760,000) shares, being the weighted average number of shares in issue during the year.

(b) Discontinued Operations:

Earnings per share from discontinued operations is calculated based on the Group's net loss attributable to equity holders of the Company for the year of $2,683,000 (2006 : $73,000) over 454,760,000 (2006 : 454,760,000) shares, being the weighted average number of shares in issue during the year.

Notes to the Financial Statements

31 May 2007

29. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Fixed deposits (Note 15)	3,097	2,701	1,219	1,648
Cash on hand and at banks	7,955	12,176	107	270
	11,052	14,877	1,326	1,918
Bank overdrafts (secured and unsecured) (Note 19)	(15,484)	(10,682)	–	–
Fixed deposits and cash at banks held as collateral by banks	(1,784)	(1,125)	(1,117)	(1,125)
	(6,216)	3,070	209	793

Included in cash and cash equivalents are amounts of $441,279 (2006 : $2,048,006) maintained in the non-checking account.

30. 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	
	2007	2006
	$'000	$'000
Payable		
- Within 1 year	227	219
- After 1 year but within 5 years	1,004	966
- After 5 years	3,455	3,721
	4,686	4,906

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 $221,529 (2006 : $213,009) with an annual increase of 4% (2006 : 4%).

(b) ***Capital commitment***

Capital expenditure authorised but not recognised in the financial statements	1,053	1,054

Notes to the Financial Statements

31 May 2007

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 $575,500 (2006 : $573,400) 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 amounting to $1,200 (2006 : $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 amounting to $2,400 (2006 : $2,400) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd.

(iv) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased storage space amounting to $62,000 (2006 : Nil) from Associated KHL Industries Pte Ltd.

(v) The Company has acquired all the issued shares in the capital of Smooth Venture Pte Ltd for a cash consideration of S$1,000. The acquisition of the subsidiary is regarded as an interested person transaction as it was owned by a Director and the controlling shareholder of the Company.

(b) ***Compensation of key management personnel***

	Group	
	2007	**2006**
	$'000	**$'000**
Short-term employee benefits	2,220	2,116
Pension contributions	119	123
Total compensation paid to key management personnel	2,339	2,239
Comprise amounts paid to :		
- Directors of the Company	1,458	1,330
- Other key management personnel	881	909
	2,339	2,239

32. 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' Reports of the subsidiaries.

Notes to the Financial Statements

31 May 2007

33. Directors' remuneration - Group

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

	Executive Directors	Non-Executive Directors	Total
2007			
$500,000 and above	1	–	1
$250,000 to $499,999	1	–	1
Below $250,000	2	2	4
	4	2	6
2006			
$500,000 and above	1	–	1
$250,000 to $499,999	–	–	–
Below $250,000	3	2	5
	4	2	6

34. 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.

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.

Notes to the Financial Statements

31 May 2007

34. Financial risk management objectives and policies (cont'd)

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 amounts 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.

35. Financial instruments

(a) ***Fair values***

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.

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 prices.

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 :

Notes to the Financial Statements

31 May 2007

35. Financial instruments (cont'd)

	Group			
	Carrying amount		Estimated fair value	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Hire purchase	3,101	4,128	3,408	4,287

(b) ***Interest rate risk***

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year $'000	1-5 years $'000	More than 5 years $'000	Total $'000
2007				
Group				
Fixed rate				
Fixed deposits	3,097	–	–	3,097
Lease obligations	997	2,054	50	3,101
Floating rate				
Bank overdrafts	15,484	–	–	15,484
Term loans	11,218	1,000	1,910	14,128
Company				
Fixed rate				
Fixed deposits	1,219	–	–	1,219
Floating rate				
Term loans	1,063	–	–	1,063
2006				
Group				
Fixed rate				
Fixed deposits	2,701	–	–	2,701
Lease obligations	1,115	2,940	73	4,128
Floating rate				
Bank overdrafts	10,682	–	–	10,682
Term loans	16,468	8,273	2,160	26,901
Company				
Fixed rate				
Fixed deposits	1,648	–	–	1,648
Floating rate				
Term loans	1,048	–	–	1,048

Interest on financial instruments subject to floating rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are not subjected to interest rate risks.

Notes to the Financial Statements

31 May 2007

36. Group segment reporting

(a) *Analysis by business segments*

	Construction $'000	Engineering and leasing of construction machinery $'000	Property development $'000	Investment holding $'000	Elimination $'000	Group $'000
Revenue and expenses						
2007						
Total revenue from external customers	124,454	1,245	12,998	10	–	138,707
Inter-segment revenue	77	5,431	–	4,425	(9,933)	–
Total revenue	124,531	6,676	12,998	4,435	(9,933)	138,707
Profit/(loss) from operations before depreciation	8,184	1,094	2,248	(875)	370	11,021
Depreciation	(1,514)	(664)	–	(3)	28	(2,153)
Profit/(loss) from operations after depreciation	6,670	430	2,248	(878)	398	8,868
Finance costs	(823)	(25)	(445)	(219)	–	(1,512)
Profit/(loss) from ordinary activities	5,847	405	1,803	(1,097)	398	7,356
Unallocated interest and investment income						357
Profit before taxation						7,713
Taxation						(664)
Profit for the year from continuing operations						7,049
Loss from discontinued operations (Note 6(b))						(2,683)
Profit for the year						4,366

Notes to the Financial Statements

31 May 2007

36. 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	Elimination $'000	Group $'000
Revenue and expenses						
2006						
Total revenue from external customers	160,290	1,820	4,115	7	–	166,232
Inter-segment revenue	82	5,501	–	1,428	(7,011)	–
Total revenue	160,372	7,321	4,115	1,435	(7,011)	166,232
Profit/(loss) from operations before depreciation	6,883	1,220	(760)	(170)	(298)	6,875
Depreciation	(1,564)	(908)	–	(3)	13	(2,462)
Profit/(loss) from operations after depreciation	5,319	312	(760)	(173)	(285)	4,413
Finance costs	(644)	(22)	(670)	(202)	–	(1,538)
Profit from ordinary activities	4,675	290	(1,430)	(375)	(285)	2,875
Unallocated interest and investment income						76
Profit before taxation						2,951
Taxation						(1,339)
Profit for the year from continuing operations						1,612
Loss from discontinued operations (Note 6(b))						(73)
Profit for the year						1,539

Notes to the Financial Statements

31 May 2007

36. 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							
2007							
Segment assets	121,590	10,166	17,405	47,370	–	(57,706)	138,825
Unallocated assets							4,305
							143,130
Segment liabilities	83,765	5,947	17,011	5,041	–	(30,801)	80,963
Unallocated liabilities							3,875
							84,838
Capital expenditure	1,235	331	–	–	–	91	1,657
Other non-cash expenses	10	–	–	515	–	–	525
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

Notes to the Financial Statements

31 May 2007

36. Group segment reporting *(cont'd)*

(b) ***Analysis by geographical segments***

	Singapore $'000	Indonesia $'000	Maldives $'000	Elimination $'000	Group $'000
2007					
Sales by geographical market	130,685	9,852	8,153	(131)	148,559
Less: Sales attributable to discontinued operations	–	(9,852)	–	–	(9,852)
Sales from continuing operations	130,685	–	8,153	(131)	138,707
Assets by geographical area	137,676	–	7,275	(6,126)	138,825
Unallocated assets					4,305
					143,130
Capital expenditure by geographical area	1,189	–	423	45	1,657
2006					
Sales by geographical market	166,235	23,217	–	(3)	189,449
Less: Sales attributable to discontinued operations	–	(23,217)	–	–	(23,217)
Sales by geographical market	166,235	–	–	(3)	166,232
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

Notes to the Financial Statements

31 May 2007

37. Dividends

	Group and Company 2007 $'000	Group and Company 2006 $'000
Declared and paid during the year		
Final dividend paid :		
- ordinary shares of 0.275 cent (2006: 0.275 cent) per share less tax at 20% (2006: 20%)	1,000	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 0.268 cent (2006: 0.275 cent) per share less tax at 18% (2006: 20%)	1,000	1,000

38. Events after balance sheet date

1. On 27 June 2007, a subsidiary, Lian Beng Realty Pte Ltd ("LBR") took up a 25% equity interest in 250,000 issued ordinary shares of Phileap Pte Ltd ("PL") for S$250,000. PL is a joint venture company established by LBR, together with Koh Brothers Development Pte Ltd, Heeton Homes Pte Ltd and Kim Seng Heng Realty Pte Ltd. Each joint venture partner holds equal shareholding in PL. PL is set up for the purchase, development and thereafter sale of the units in the residential development in Singapore at the Lincoln Lodge site which was awarded to the Consortium on 20 June 2007.

2. On 4 July 2007, a subsidiary, Lian Beng Realty Pte Ltd ("LBR") entered into a sale and purchase agreement relating to the proposed acquisition of the entire issued shares in the capital of Mountbatten Development Pte Ltd ("Mountbatten") for S$6,987,208. In addition, LBR paid the sum of S$35,060,000 for the purposes of purchasing the properties and discharging the shareholder's loan granted to Mountbatten.

3. Lian Beng Training and Testing Centre Pte Ltd ("LBTTC") which is 70% owned by one of its subsidiaries proposed a tax exempt (one-tier) dividend of $20 per share totalling $200,000 in respect of the financial year ended 31 May 2007. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 May 2008.

4. In June 2007, the Company increased its share capital in Sinmix Pte Ltd from $2 to $500,000.

39. Authorisation of financial statements

The financial statements for the year ended 31 May 2007 were authorised for issue in accordance with a resolution of the directors on 16 August 2007.

Statistics of Shareholdings

As at 10 August 2007

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

ANALYSIS OF SHAREHOLDINGS as at 10 August 2007

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	10	0.12	3,077	0.00
1,000 - 10,000	4,778	58.43	29,851,000	6.56
10,001 - 1,000,000	3,365	41.15	169,427,199	37.26
1,000,001 and above	24	0.30	255,478,724	56.18
TOTAL	8,177	100.00	454,760,000	100.00

TWENTY LARGEST SHAREHOLDERS as at 10 August 2007

No	Name of Shareholder	No. of Shares Held	%
1	Ong Sek Chong & Sons Pte Ltd	133,782,400	29.42
2	Ong Pang Aik	18,700,800	4.11
3	OCBC Securities Private Ltd	12,144,000	2.67
4	Ang Mui Geok	10,600,799	2.33
5	HL Bank Nominees (S) Pte Ltd	7,300,000	1.61
6	UOB Kay Hian Pte Ltd	7,157,000	1.57
7	CIMB-GK Securities Pte. Ltd.	7,147,000	1.57
8	United Overseas Bank Nominees Pte Ltd	6,907,000	1.52
9	Ong Lay Huan	6,475,200	1.42
10	DBS Vickers Securities (S) Pte Ltd	6,390,398	1.41
11	Phillip Securities Pte Ltd	6,095,000	1.34
12	HSBC (Singapore) Nominees Pte Ltd	5,020,000	1.10
13	DBS Nominees Pte Ltd	4,576,000	1.01
14	Kim Eng Securities Pte Ltd	3,491,000	0.77
15	OCBC Nominees Singapore Pte Ltd	2,828,000	0.62
16	Citibank Consumer Nominees Pte Ltd	2,786,000	0.61
17	Lim Mui Swan	2,500,000	0.55
18	Ong Lay Koon	2,275,200	0.50
19	Hong Leong Finance Nominees Pte Ltd	2,119,000	0.47
20	Pontirep Investment Pte Ltd	2,000,000	0.44
		250,294,797	55.04

SUBSTANTIAL SHAREHOLDERS
as recorded in the Register of Substantial Shareholder as at 10 August 2007

	Direct Interest		Deemed Interest	
Name of Shareholder	No of Shares	%	No of Shares	%
Ong Sek Chong & Sons Pte Ltd	133,782,400	29.42	–	–
Ong Pang Aik *	26,300,800	5.78	133,782,400	29.42

Note:

* *Mr Ong Pang Aik's deemed interests refer to the 133,782,400 shares held by Ong Sek Chong & Sons Pte Ltd by virtue of Section 7 of the companies Act, Cap. 50.*

PUBLIC SHAREHOLDINGS

Approximately 57.81% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual

LIAN BENG GROUP LTD
Registration No. 199802527Z

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of LIAN BENG GROUP LTD (the "Company") will be held at No. 25 , Playfair Road, Level 4, Lian Beng Building, Singapore 367990 on Tuesday,18 September 2007 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 May 2007 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final net divided of 0.22 cents per ordinary share for the financial year ended 31 May 2007. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:-

   Mr Tan Swee Hong **(Resolution 3)**

   Dr Wan Soon Bee **(Resolution 4)**

   Dr Wan Soon Bee will, upon re-election as a Director of the Company, remains 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 SGD 110,000.00 (2006: SGD95,000.00) for the financial year ended 31 May 2007. **(Resolution 5)**
5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS:-

6. 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 Annual General Meeting is required by law to be held, which is earlier. [see explanatory note] **(Resolution 7)**
7. To transact any other ordinary business that may be properly transacted at the Annual General Meeting of the Company.

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries
Singapore

3 September 2007

EXPLANATORY NOTE:

The Ordinary Resolution proposed in item 7 above, if passed, will empower the Directors of the Company from the date

LIAN BENG GROUP LTD

Registration No. 199802527Z
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

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.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of Lian Beng Group Ltd.

I/We ______________________________ (Name)

of ______________________________ (Address)

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

Name	**Address**	**NRIC/Passport Number**	**Proportion of** Shareholdings (%)

and/or (delete as appropriate)

Name	**Address**	**NRIC/Passport Number**	**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, 18 September 2007 at 10 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 2007.		
2.	Payment of proposed first and final dividend.		
3.	Re-election of Mr Tan Swee Hong as a Director.		
4.	Re-election of Dr Wan Soon Bee as a Director.		
5.	Approval of Directors' fees amounting to SGD 110,000.00.		
6.	Re-appointment of Messrs Ernst & Young as Auditors.		
7.	Authority to allot and issue shares.		

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

Signed this ______________ day of ______________2007

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.

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Head Office

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Telephone:	(65) 6283 1468
Fax Number:	(65) 6280 9360
Email Address:	lianbeng@singnet.com.sg
Web Address:	http://www.lianbeng.com.sg

Building On Strength