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LEY CHOON

2016 ANNUAL REPORT

SUSTAINABILITY IN PROGRESS

MISSION

We aim to provide timely and reliable integrated solutions while building a strong team of in-house expertise and developing advanced machinery and technology to best serve the individual needs of our customers.

VISION

To be a leading one-stop regional service provider of underground infrastructure construction, road and airfield construction and maintenance, asphalt premix production and construction waste recycling.

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CORPORATE PROFILE

Ley Choon Group Holdings Limited ("Ley Choon" or the "Group") is an established one-stop underground utilities infrastructure construction and road works service provider. Since our inception as Ley Choon Constructions and Engineering Pte Ltd in 1990, we have grown our spectrum of services to encompass:

1) Underground utilities infrastructure construction and maintenance services, which include water pipes, NEWater pipes, high-pressure gas pipes, high-voltage power cables, fibre optic cables and sewer pipeline rehabilitation;

2) Road and airfield pavement construction and maintenance services, which include supply and laying of graded stone, cement treated base, milling and laying of asphalt premix;

3) Construction materials supply services, which include production of asphalt premix and recycled aggregates from construction and demolition waste, production of ready mix concrete and cement bricks.

As a one-stop underground utilities infrastructure construction service provider, our core strengths reside with our technical expertise in underground utilities infrastructure and the in-house supply of asphalt premix and recycled aggregates as raw material.

Ley Choon is one of the few asphalt plant operators available in Singapore. Our 400 tons per hour asphalt plant is currently Singapore's largest in term of production capacity. The built-in recycling feature and the offering of various asphalt premix formulations to meet customer requirements provide us with a competitive advantage.

Our customers include the Singapore government agencies such as Public Utilities Board, Land Transport Authority, SP PowerAssets Ltd, Housing and Development Board, Urban Redevelopment Authority, Building and Construction Authority ("BCA"), Jurong Town Corporation, as well as the reputable companies such as Changi Airport Group and PowerGas.

As a L6-registered contractor (the highest grade) with the BCA, Ley Choon is able to tender for Singapore's public sector contracts of unlimited value in the categories of cable/pipe-laying and road reinstatement, pipes and other basic construction materials. The Group is also an A1-registered contractor in the category of civil engineering (CW02).

Leveraging on our expertise, the Group has been expanding overseas. The Group has set up its first plant in China, engaging in the construction waste recycling and the development, production and sale of eco-green construction materials. It is also currently undertaking a sewer pipe rehabilitation project in Sri Lanka.

Headquartered in Singapore with total staff strength of over 1,000, we build our technology capabilities by investing in people, and process and system optimisation, such as the application of Enterprise Resource Planning (ERP) system and off-site CCTV monitoring system.

As a testament to our technology advantage and service quality, Ley Choon has been accredited with ISO9001, ISO14001 and OHSAS 18001 and was awarded the "Enterprise 50 Award" in 2010.

Ley Choon was listed on the Main Board of SGX-ST in August 2012 via a reverse takeover of Ultro Technologies Limited.

GROUP STRUCTURE

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LEY CHOON

LEY CHOON GROUP HOLDINGS LIMITED
立埄集团控股有限公司

- 100% LEY CHOON (YANTAI) ECO-GREEN CONSTRUCTION MATERIALS LTD. (立埄（烟台）环保建材科技有限公司)
- 100% LEY CHOON (M) SDN. BHD.
- 100% LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE. LTD.
  - 55% LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE. LTD. / GIM TIAN CIVIL ENGINEERING PTE. LTD. JOINT VENTURE
  - 100% CHIN KUAN ENGINEERING AND CONTRACTORS PTE. LTD.
  - 100% LEY CHOON DEVELOPMENTS PTE. LTD.
  - 100% MULTIFORM DEVELOPMENTS & CONSTRUCTION PTE. LTD.
  - 100% TEACLY (S) PTE. LTD. MAIN OFFICE: SINGAPORE BRANCH OFFICE: SRI LANKA
    - 100% PAN ALLIANCE TECHNOLOGY INTERNATIONAL PTE. LTD.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TOH CHOO HUAT
Executive Chairman and Chief Executive Officer

KOH TIAM TENG FRANCIS
Executive Director

DR LOW BOON HWEE
Executive Director and Group Technical Director

PROF. LING CHUNG YEE ROY
Lead Independent Director

CHIA SOON HIN WILLIAM
Independent Director

TEO HO BENG
Non-Executive Director

AUDIT COMMITTEE

Prof. Ling Chung Yee Roy *(Chairman)*
Chia Soon Hin William
Teo Ho Beng

NOMINATING COMMITTEE

Chia Soon Hin William *(Chairman)*
Prof. Ling Chung Yee Roy
Teo Ho Beng

REMUNERATION COMMITTEE

Chia Soon Hin William *(Chairman)*
Prof. Ling Chung Yee Roy
Teo Ho Beng

COMPANY SECRETARIES

Ong Beng Hong
Tan Swee Gek

REGISTERED OFFICE

No. 3, Sungei Kadut Drive
Singapore 729556
Tel: (65) 6757 0900
Fax: (65) 6757 0100
Website: www.leychoon.com

SHARE REGISTRAR

M & C SERVICES PRIVATE LIMITED
112 Robinson Road #05-01
Singapore 068902

INDEPENDENT AUDITORS

FOO KON TAN LLP
PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS
47 Hill Street #05-01
Singapore 179365
Partner-in-charge: Robin Chin Sin Beng
(with effect from 22 January 2016)

PRINCIPAL BANKERS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
10, Collyer Quay #30-00
Ocean Financial Centre
Singapore 049315

DBS BANK LIMITED
12, Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED
6, Raffles Quay #23-01
Singapore 048580

MALAYAN BANKING BERHAD
2 Battery Road, Maybank Tower
Singapore 049907

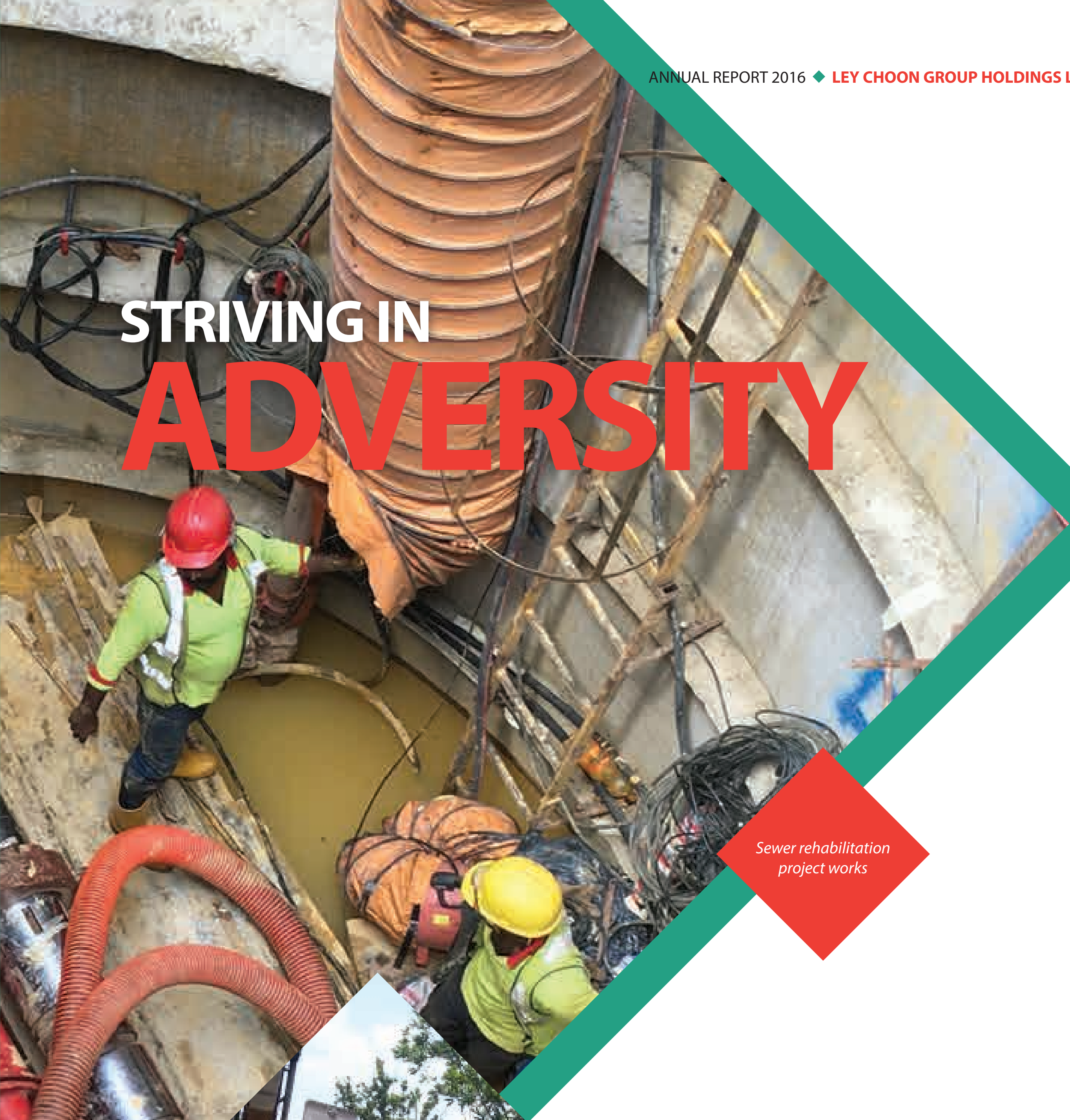
RHB BANK BERHAD, SINGAPORE BRANCH
90 Cecil Street #03-00
RHB BANK Building
Singapore 069531

STANDARD CHARTERED BANK
Marina Bay Financial Centre (Tower 1)
8, Marina Boulevard
Singapore 018981

THE ISLAMIC BANK OF ASIA LIMITED
12, Marina Boulevard Level 46
Marina Bay Financial Centre Tower 3
Singapore 018982

UNITED OVERSEAS BANK LIMITED
80, Raffles Place
UOB Plaza 1
Singapore 048624

STRIVING IN ADVERSITY



Sewer rehabilitation project works

Pipe laying works

CHAIRMAN'S STATEMENT

"Financial Year 2016 was a year of turbulence for Ley Choon Group amid fierce market competition. Organizational and Debt Restructuring were very challenging tasks and tough lessons were learnt."

TOH CHOO HUAT
Executive Chairman and
Chief Executive Officer

Dear Shareholders,

The financial period ended 31 March 2016 ("FY16") was a period of turbulence for Ley Choon Group (the "Group") amid fierce market competition. In spite of the challenges, we were able to remain resilient and focused. We began FY16 with some extremely complex projects which had taken enormous amounts of management time and severely undermined the financial performance of the Group. I am pleased to announce that most of these complex projects have been substantially completed.

The Group has seen a rapid expansion and diversification of its business, which encompassed large scale projects involving a higher degree of skills and complexity, and this has resulted in a strain on the Group's resources, which was further exacerbated by a tight labour market as well as staff turnover. These resourcing issues had an impact on the quality of project management.

Financial performance

The Group had in December 2015 changed its financial year-end from 31 December to 31 March and hence the reporting period for the current year is 15 months and the corresponding reporting period for the previous year is 12 months. The Group reported a revenue of S$109.1 million for FY16, after taking into consideration adjustments in revenue as a result of variation in contract sum and budgeted cost. These factors coupled with provision for liquidated damages and foreseeable losses for additional work to be performed for certain ongoing projects resulted in a gross loss of S$22.4 million. In the absence of the above factors, the Group would have reported a revenue and gross profit of approximately S$151 million and S$22 million respectively, and a corresponding gross profit margin of 14.6%. The Group's other income also dropped to S$4.2 million in FY16 mainly as a result of the decline in scrap sales.

The Group's overheads comprising distribution, administrative and other operating expenses have gone up to S$36 million in FY16 largely due to higher depreciation for the new office building and certain one-off expenses, partially offset by lower administrative staff cost and certain other overheads.

In view of the above factors, the Group reported a net loss after tax of S$63.4 million in FY16; excluding the above adjustments, the net loss after tax would have been reduced to approximately S$19.1 million.

On the Statement of Financial Position, the net assets of the Group declined to S$6 million as at 31 March 2016 largely due to the steep reduction in contract work in progress. However, it is envisaged that net assets will be improved by approximately S$11 million upon completion of the divestment exercises as explained below.

In spite of the unfavourable financial results in FY16, the Group consistently generated strong and positive operating cash flow across 5 successive quarters in FY16. Operating cash flow of S$35.7 million was generated in FY16, similar to that generated in the prior financial year.

Debt restructuring exercise

The weak operating results placed a significant strain on the balance sheet. Specifically, the short-term mismatch between the rate of operating cash flow generation vis-a-vis the accelerated pace of financing cash outflows prompted the Group to appoint Professional Advisors, Ernst & Young Advisory Pte Ltd and Messrs Rajah & Tann Singapore LLP to review its business, overall financial position and commitments with the objective of deciding on and implementing strategies and plans to address potential business and financial challenges which included a restructuring of the Group's debt profile.

◆ *Natural Gas pipeline installation works*

◆ *Supply and lay of aggregate road base for airport taxiway*

The Professional Advisors have assisted the Group in intensive negotiations with the various Lenders to restructure the debts and now I am glad to note that the Group and its Lenders have agreed on and signed a term sheet setting out the key terms of restructuring the debt obligations of the Group, which will be subsequently encapsulated in a debt restructuring agreement. It was a very challenging task and tough lessons were learnt.

As a part of the de-leveraging exercise, non-core assets and businesses have been identified for divestment in order to reduce borrowings, strengthen the balance sheet, and to focus on the existing core businesses and new profitable businesses. Accordingly, definitive agreements for the respective divestment transactions have been executed and are progressing towards completion. The divestment of non-core assets and businesses is envisaged to reduce overall borrowings by approximately S$30 million. In addition, the Group has also embarked on an optimization program for its operational asset base, where under-utilized assets are identified and disposed to recycle capital.

Organic restructuring

In order to improve the operational efficiency, the Group has gone through extensive organizational restructuring in areas of human resources management, strengthening accountability, optimising asset utilisation, enhancing management oversight and monitoring of project progress through periodic and systematic project budgetary review and control. All these measures have helped the senior management to address the concerns of effectiveness and timeliness of management actions to improve the project management and financial reporting. The Group will continue to adopt necessary strategies to drive continuous improvements in operational performance.

Furthermore, the Group has also taken cost streamlining measures to improve the financial performance of the Group. The Group has already reduced certain overheads and has been continuously identifying overheads which can be reduced or completely eliminated.

The Group has also changed the Auditors to Foo Kon Tan LLP during FY16. The Board believes that a change of Auditors would enable the Company to benefit from the fresh perspectives and views of another professional audit firm and to also enhance the value of the audit. A renewal of this nature is also indicative of the Company's efforts to ensure that there would be no actual or perceived issues of independence of Auditors for good corporate governance.

Business outlook

The Group's major customers are government agencies and public sector undertakings. As at the end of FY16, the Group's unfulfilled order book based on the secured contracts stood at S$119 million. Post fiscal year-end, the Group has secured contracts worth S$42 million in early June 2016 from the government agencies which will further enhance the order book position.

In the press release dated 15 January 2016, the Building and Construction Authority ("BCA") projected construction demand to be between S$27 billion and S$34 billion, with 65% driven by public sector demand. Construction demand from public sector remains high in year 2016 with key projects such as PUB's water reclamation and sewerage projects, Changi Airport's 3-runway system (package 2), improvement works to the Kranji Expressway and Pan-Island Expressway, associated infrastructure works for Changi Airport Terminal 5 and phase 2 of the Deep Tunnel Sewerage System. We believe that these developments will provide many opportunities for our various business segments whether they are for roads, tunnels, power cables, water pipes, sewerage system or asphalt pre-mix supply to the Group. The Group will continue to bid for more suitable and profitable projects to strengthen its order book.

New composition of the Board

I welcome the new members of the Board, Prof. Ling Chung Yee Roy, Lead Independent Director, Mr. Chia Soon Hin William, Independent Director and Mr. Teo Ho Beng, Non-Executive Director all of whom bring extensive experience to the Board, which sets the right tone and will ensure robust governance. With the new Board Members, the Board has reconstituted the Board Committees. I also take this opportunity to thank our former Board Members, who relinquished their positions during FY16, for their invaluable contribution.

Acknowledgements

On behalf of the Board, I would like to extend my utmost appreciation to our management and staff, shareholders, customers, business partners, lenders and all other stakeholders for their dedication and commitment. Without their support, the Group would not be able to achieve what it has done so far. We are grateful to all our stakeholders for their support and their faith in the Company during the most challenging period.

Toh Choo Huat
Executive Chairman and Chief Executive Officer

OPERATIONS **REVIEW**

◆ *Milling and patching of asphalt premix for airport taxiway and installation of air field lighting*

Pipe laying works

SEGMENTAL OVERVIEW

Pipe & Roads

The Pipes and Roads segment which comprises underground utilities infrastructure construction and maintenance, sewer pipeline rehabilitation, and road and airfield construction and maintenance, continued to be the major contributor to the Group's revenue at S$102.9 million or 88.3% for the fifteen-months period ended 31 March 2016 ("FY16"). However, revenue from this segment declined in FY16 mainly due to adjustments in revenue arising from provision of additional costs in relation to certain projects.

The existing ongoing projects of the Group include rehabilitation of selected 10 km of sewer lines and assessment of 125 km of sewer lines within Colombo Municipal Council Area, laying of gas transmission pipeline from Woodlands Avenue 10 to Senoko Road and supply and laying of flexible pavement and cement treated base for proposed development of taxiways, aircraft parking stands and other associated works. Even though we are facing a tight labour market and pressure from cost escalation, we believe that we are able to overcome this and tap into our core competencies.

Despite the challenges faced in the current economic environment,

◆ *Ley Choon's office in Yantai, Shandong, China*

◆ *Sewer rehabilitation project works at Sri Lanka*

the Group continued to secure several projects from Public Utilities Board ("PUB") during FY16. Among them is a S$25 million contract which involves the laying and installation of 2.1 km length of a 2.2 m diameter potable water transmission steel pipeline from Jalan Kampong Chantek to Dunearn Road. The new pipeline in this project when completed will improve flow and pressure of water supply servicing residents upstream of city. In addition, we won a contract worth S$24.8 million from the Changi Airport Group to resurface the taxiways at Changi Airport. This contract involves the supply and laying of a newly-developed asphalt premix, a product of Ley Choon's state-of-the-art Research and Development ("R&D") Centre, which is designed to better withstand deformation due to local tropical climate condition. To date, the Group's unfulfilled order book based on secured contracts stood at S$119 million as at 31 March 2016, with projects completing from 2016 to 2018.

Moving forward, the Group will leverage on its expertise and experience in pipe-jacking and micro-tunnelling to seek more project opportunities overseas and locally.

Construction Materials

The Construction Materials segment which comprises asphalt pre-mix production, and construction waste recycling, contributed S$13.6 million or 11.7% of the Group's revenue for FY16. This is an improvement from FY14 and is mainly attributed to higher sale of asphalt premix to external customers. However inter-segment revenue for Construction Materials declined in FY16 mainly due to less usage of materials for ongoing projects.

With improvement in R&D skills and premix manufacturing capability, the Group will develop better quality and higher performing asphalt premix to cater to demand for large scale road and airfield construction and maintenance projects.

BOARD OF DIRECTORS

TOH CHOO HUAT Executive Chairman and Chief Executive Officer

Mr Toh Choo Huat is the Executive Chairman and Chief Executive Officer of Ley Choon Group Holdings Limited ("Ley Choon" or the "Group"). As one of the Group's founders, Mr Toh has played a pivotal role in the growth and development of the Group. He is responsible for the overall business development and general management of the Group. He also oversees the overall strategic direction and expansion plans for the growth and development of the Group.

Mr Toh has more than 20 years of experience in the business of Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation, road and airfield construction and maintenance. Prior to the establishment of Ley Choon, Mr Toh worked as a maintenance technician in Fairchild Semiconductor Pte Ltd. In 1990, Mr Toh and his brothers incorporated Ley Choon Constructions and Engineering Pte Ltd ("LCCE").

Mr Toh holds a Diploma in Electrical & Electronic Engineering from Ngee Ann Technical College (in association with Central Polytechnic London).

KOH TIAM TENG FRANCIS Executive Director

Mr Koh Tiam Teng Francis is the Executive Director of Ley Choon. He is responsible for the Group's overseas market expansion and development.

Mr Koh holds a Bachelor of Arts degree from Nanyang University of Singapore and has more than 30 years of experience in the business of water-related fields and Asia-Pacific regional operations, including China, Hong Kong, Indonesia, Malaysia and Vietnam. Prior to his appointment as Executive Director of the Group, Mr Koh was the Managing Director and Chief Executive Officer of Pan Asian Holdings Limited (formerly known as Pan Asian Water Solutions Limited), a company listed on the SGX Catalist.

DR. LOW BOON HWEE Executive Director and Group Technical Director

Dr Low Boon Hwee is the Executive Director of Ley Choon. He joined Ley Choon as Group Technical Director in 2012 and is responsible for the Group's technology development, Research and Development ("R&D"), and technical activities in the field of asphalt technology, pavement engineering and construction waste recycling. Dr Low's responsibilities also include developing business opportunities and strategies in line with the Group's vision as well as overseeing product development, quality control, plant production and operations management.

Dr Low has over 20 years of experience in road construction materials related industry and conducted applied research for highway and airfield pavement, asphalt premix design and construction waste recycling technology. Prior to joining the Group, Dr Low was the National Technical Manager of Highway International Pte Ltd from 2009 to 2012. From 2000 to 2009, he was the National Technical Manager (Singapore & Malaysia) of Hanson Building Materials (S) Pte Ltd where his main responsibility was to spearhead the technical department and R&D activities for asphalt, ready-mix concrete and quarry businesses. From 1993 to 2000, Dr Low was the Technical Manager of Eng Seng Construction Pte Ltd where he was in charge of road projects and the technical department.

Dr Low holds a Bachelor of Engineering (Honours) degree and a Doctor of Philosophy (PhD) degree in Civil Engineering, specialising in Highway and Building Materials from the National University of Singapore.

PROF. LING CHUNG YEE ROY Lead Independent Director

Professor Roy Ling was appointed as Independent Director of the Company on 28 September 2015. He is also the Chairman of the Audit Committee, Member of the Remuneration Committee and Member of the Nominating Committee.

Professor Roy Ling is currently a Managing Director at RL Capital Management and RL Academy. Concurrently, he also serves as an Independent Board Director at several listed companies across Asia, as an Adjunct Professor in Finance at the EDHEC Business School, and as a Consultant for RHT Strategic Advisory and RHT Academy.

Prior to RL Capital, Prof. Ling held senior investment banking positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney. Prof. Ling was a former Board Director of the CFA Society of Japan. He was honored as one of 20 Rising Stars in Real Estate by Institutional Investor in 2008.

Prof. Ling graduated from INSEAD with a Global EMBA and from the National University of Singapore with a Bachelors degree in Business Administration.

CHIA SOON HIN WILLIAM Independent Director

Mr Chia Soon Hin William was appointed as Independent Director of the Company on 28 September 2015. He is also the Chairman of the Remuneration Committee, Chairman of Nominating Committee and Member of the Audit Committee.

Mr Chia provides training for financial institutions and business advisory to corporations through his company, Xie Capital Pte Ltd, and has more than 35 years of retail and commercial banking experience with Overseas Union Bank, Standard Chartered Finance, DBS Bank, Malayan Banking Berhad and United Overseas Bank. Prior to his retirement from United Overseas Bank in October 2014, he was Executive Director with the bank's Group Commercial Banking.

Mr Chia is a Chartered Secretary and Associate of the Governance Institute of Australia, Fellow with the Chartered Institute of Marketing UK, and Associate with the Chartered Institute of Bankers UK. He was conferred IBF Fellow by the Institute of Banking and Finance Singapore in November 2014.

TEO HO BENG Non-Executive Director

Mr Teo Ho Beng was appointed as Non-Executive Director of the Company on 28 September 2015. He is also a Member of the Audit Committee, Remuneration Committee and Nominating Committee.

Mr Teo Ho Beng is presently the Executive Chairman and Chief Executive Officer of Hiap Hoe Group. Mr Teo has more than 38 years of experience in the construction and property industries, and over 23 years of experience in the leisure industry.

Mr Teo is responsible for the formulation of corporate strategies and policies for Hiap Hoe, and ensures their implementation by senior management at the operations level. Mr Teo also chairs the senior management meetings to monitor Hiap Hoe's performance, and oversees management, budgeting and forecasting procedures to ensure there is prudent financial management.

EXECUTIVE OFFICERS

MR TOH CHEW LEONG Deputy Chief Executive Officer

Mr Toh Chew Leong is the Deputy Chief Executive Officer of Ley Choon and is one of the founders of the Group. Mr Toh oversees the Group's asphalt premix plant and construction waste recycling plant and assists in the day to day operations of the Group's business in sewer pipeline rehabilitation and road resurfacing.

MR TOH SWEE KIM Chief Operating Officer

Mr Toh Swee Kim is the Chief Operating Officer of Ley Choon. He oversees all operations for its underground utilities infrastructure construction and maintenance business, including deployment of resources, purchasing, equipment maintenance, and manpower and operations management of the Group.

Mr Toh has an extensive experience of more than 20 years in the Group's pipe and cable laying business. In the 1990s, Mr Toh joined Ley Choon Construction Engineering Co, the predecessor of LCCE, as an operations manager and he has been responsible for overseeing the day to day operations of the pipe laying and cable laying business.

MR TAN TECK WEI Chief Project Officer

Mr Tan Teck Wei is the Chief Project Officer of Ley Choon. He is responsible for the overall coordination and general management of the Group's projects. Mr Tan also oversaw the setting up of the Group's asphalt premix plant and construction waste recycling plant.

Mr Tan joined the Group in 1998 as a civil engineer and was promoted to general manager in 2003. Prior to joining the Group, he worked as a site engineer and project engineer for various civil work contractors.

Mr Tan graduated with a Bachelor of Engineering degree from the School of Civil and Structural Engineering of the National University of Singapore and has more than 20 years of experience in the business of civil engineering and building construction and maintenance, underground utilities infrastructure and sewer pipeline rehabilitation.

MR TOH CHEW CHAI Deputy Chief Operating Officer

Mr Toh Chew Chai joined Ley Choon Group since its establishment. As the Group's Deputy Chief Operating Officer, he oversees all operations for underground utilities infrastructure construction and maintenance business, including deployment of resources, purchasing, equipment maintenance, and manpower and operations management of the Group.

Mr Toh has extensive experience of more than 20 years in the Group's business in pipes and cable laying. In 1990, Mr Toh joined Ley Choon Construction Engineering Co, the predecessor of LCCE, as an operations manager.

Natural Gas pipeline installation works.

MR TAN KWANG HWEE, WILLIAM
Chief Financial Officer

Mr Tan Kwang Hwee, William joined the Group in July 2015 as Chief Financial Officer, and is responsible for financial matters of the Group. He began his career with SGX Mainboard-listed Liang Huat Aluminium Ltd (aka LH Group Ltd), holding various management positions with roles including corporate affairs, finance & SGX reporting, HR & administration, as well as operations. Mr Tan last held the position of Manager (Corporate & Operations), and played a key role in Liang Huat's successful S$140 million corporate restructuring exercise. He then joined KPMG Singapore, where he was involved in audits of MNCs and local clients spanning multi-industries. Mr Tan was subsequently appointed Chief Financial Officer and Joint Company Secretary of Metal Component Engineering Ltd, a SGX-listed mechanical manufacturing solutions provider with a presence across Asia with over 1,000 employees, where he oversaw a S$10 million improvement in net debt position via non-core asset divestments, corporate actions and driving operational performance improvements through streamlining and a multi-site ERP implementation.

Mr Tan graduated with Honours with a Bachelor of Engineering (Mechanical) from the National University of Singapore, and holds a Bachelor of Science in Applied Accounting (First Class Honours) from the Oxford Brookes University, UK. A Chartered Accountant of Singapore, and a Fellow of the Association of Chartered Certified Accountants (ACCA), UK, he was also an ACCA Prize Winner and Top 30 Affiliate. In addition, Mr Tan obtained his MBA from Manchester Business School, UK.

MR TOH KAI SHENG, ADAM Finance & HR Director

Mr Toh Kai Sheng, Adam joined the Group in 2009 as management executive, and has since worked under various departments within the group, including operations, finance, logistics, training centre and property development. He oversees Group HR and Administration, and assist the CFO in overseeing Finance and Accounting functions of the Group.

Mr Toh graduated from the Nanyang Technological University of Singapore with a Bachelor of Accountancy with First Class Honours and second specialisation in Banking and Finance. He also holds a Diploma in Management Accounting from Chartered Institute of Management Accountants, and is a Chartered Accountant of Singapore.

MR TOH KAI HOCK IT Director & Deputy CPO

Mr Toh Kai Hock joined the Group as IT Manager in 2011. His areas of responsibilities include all informational technology related matters and project management of the organisation.

Mr Toh graduated with a Bachelor of Engineering (Electrical Engineering) First Class Honours from National University of Singapore (NUS).

MR TOH KOK HEAN, BRAYDEN
Plant Manager – Construction Materials Division

Mr Toh Kok Hean, Brayden joined Ley Choon Group as Plant Manager since the inception of asphalt plant in 2007. As the Group expanded into construction waste recycling in 2010, he was also tasked to be responsible for the overall procurement, production, quality and maintenance of the asphalt plant, construction waste recycling plant and other related machineries.

Mr Toh graduated with a Bachelor of Engineering (Honours) degree in Mechanical Engineering from Nanyang Technological University (NTU) in 2004.

MS SEOW SOON KEE Group Admin Manager

Ms Seow Soon Kee joined Ley Choon Group in 1995 and has been instrumental in enhancing the Group's office administration system and for the growth of the Group's businesses.

As the Group's Group Admin Manager, Ms Seow is responsible for the overall general administration of the Group, including managing the office environment, providing administrative support to the various departments and managers of the Group, gathering, storing and distributing information within the Group as well as collating contracts entered into by the Group for monitoring purposes and ensuring proper submission.

SUSTAINABILITY REPORT

People – Ley Choon believes in giving proper supervision and training to get the best out of our workers

Talent Development

Ley Choon Group seeks to build capabilities of managers and staff to help them develop both professionally and personally and to position the organisation for future success. The employees go through various training sessions and workshops, including in-house learning/knowledge sharing sessions, external certifications, as well as classroom sessions, conducted by technical centers of excellence (ATTC) within the Ley Choon Group.

Courses conducted by ATTC	Attendee(s)
CT/SEC(K) in HEO	90
Underground Pipe Jacking Pilot Test	6
Track Shovel Pilot Test	6

Best Employee Award: 30

Long Service Award:

	Total Award	Worker/ Staff	Supervisor	Manager
5 YRS	77	61	8	8
10 YRS	11	4	5	2
15 YRS	4	3	1	0
20 YRS	3	1	0	2

Managing Talents

To a large extent Ley Choon Group owes its success to the commitment and expertise of its staff. For that reason the Human Resources Department focuses its attention on recruiting the best employees. It relies both on leveraging the skills and experience already available within the organisation, while bringing in the necessary capabilities that will help to better position the company for long-term sustainable performance.

With the expansion of overseas venture to Sri Lanka, the promotion of global mobility of personnel involving reshuffling of management, senior executives, mid-level executives with high expertise, and general employees is performed beyond countries in order to appoint the right person for the right job on a global basis. In FY16, the reshuffling that took place according to this concept involved 23 employees who were transferred from Singapore to Sri Lanka.

Employee Engagement

Ley Choon Group also takes an active interest in the well-being of employees and has actively supported 'Staying Healthy' lifestyle. The Group encourages employees to participate in these activities on a regular basis and stay fit.

Activities include:

1) Skin & Beautiful Workshop
2) Sleep Your Way to High Productivity
3) Staff Welfare Engagement Proposal
4) Health Series Blood Type Diet

Acknowledging the importance of a person's individual performance and development as well as their personal contribution to overall organisational success, a wonderful time was spent by all of the honorees in the 2015 Best Employee and Long Service Award Dinner.

Corporate Social Responsibility

Ley Choon believes that it is very important to contribute to the welfare of the society and the community in which it operates while trying to achieve sustainable growth and uphold the best practices in business management. Our Corporate Social Responsibility encompasses three key aspects such as green environment, corporate philanthropy and volunteerism.

In line with our corporate motto to Build, Renew, Recycle, the enivronmental aspect is deeply embedded within our business model, as aptly demonstrated by the built-in recycling feature of our asphalt premix plant that allows up to 70% of recycled components. Also, Ley Choon reaches out to the society and participates in various charities such as dollar-to-dollar contributions.

We do our best to protect the environment through various initiatives to promote green environment and are also committed to comply with all applicable environment regulations.

Health & Safety

Ley Choon Group aims to achieve good quality, environmental, safety and health standards at all times. A safe environment in our worksite reduces unnecessary risks and exposure in a project. It can also boost staff morale and increase client satisfaction levels. It is Ley Choon Group's policy that "Safety is everybody's responsibility", and top management emphasis in promoting good safety culture.

In FY16, the Group achieved various certifications in our Integrated Management System (i.e. ISO 9001:2008, ISO 14001:2004 & BS OHSAS 18001:2007). In addition, we have also received the BCA Green and Gracious Builder Award, bizSAFE STAR for the following subsidiaries of the Group:

- Ley Choon Constructions & Engineering Pte. Ltd.
- Chin Kuan Engineering & Contractors Pte. Ltd.
- Teacly (S) Pte. Ltd.
- Multiform Developments & Constructions Pte. Ltd.
- Pan Alliance Technology International Pte. Ltd.

With this guiding principle, we aim to achieve continuous improvement and sustainable success.

Risk Assessment and Management

Ley Choon has identified the following categories of risk which could adversely affect its business. We have also conceived solutions to mitigate such risks. These are listed as follows:

1. **Downgrade or loss of the BCA grades or builder's licences**

   We are required to register ourselves as licensed contractors and/or builders with the BCA for our business.

   Based on the grades conferred to us as registered contractors, Ley Choon is allowed to tender for public sector projects, subject to the stipulated limit. To maintain the existing contractor grades for our subsidiaries, there are certain requirements stipulated by the BCA, including but not limited to the following:

   a) each registered company must meet the stipulated requirements with regards to the value of contracts undertaken by that company in the past three financial years;

   b) each registered company must meet the minimum paid-up share capital and the minimum net worth requirement; and

◆ *Safety training – Tool box meeting to stress on safety requirement*

   c) each registered company must employ the required number of professionals or technical personnel and these professionals or technical personnel must have the minimum professional qualifications stipulated by BCA, being a recognised degree in Architecture, Building, Civil/Structural Engineering or the equivalent qualifications approved by the BCA and have the stipulated number of years of relevant experience.

   If these requirements are not complied, it is possible that Ley Choon loses its BCA grades and/or builder's licences. If this happens, our ability to tender for projects, will be affected.

   To ensure business sustainability, we are careful to ensure that our subsidiaries comply with the BCA requirements and our BCA grades and builder's licenses upheld.

2. **Dependency on public sector demand in Singapore**

   As Ley Choon is mainly engaged in the (i) underground utilities infrastructure construction and maintenance; (ii) sewer pipeline rehabilitation; and (iii) road and airfield construction and maintenance in Singapore, our business is vulnerable to the cyclical fluctuations of the construction industry in Singapore and is dependent on the general health of the Singapore economy as well as the availability of the government's civil engineering projects in Singapore.

   To ensure business sustainability, we have diversified our revenue sources. We are also involved in the business of asphalt premix recycling and production and also took on overseas projects.

SUSTAINABILITY REPORT

Asphalt premix plant with recycling facility

3. **Dependency on project tender success**
   All our businesses, except asphalt premix production and construction waste recycling, are mostly undertaken on a project basis and are non-recurring. Our income is therefore subject to the number, value and duration of projects successfully tendered.

   We must therefore tender competitively to ensure a steady stream of projects coming aboard while at the same time be mindful about maintaining healthy margins for each project.

4. **Potential shortage of labour and increase in labour cost**
   Ley Choon, like many construction companies in Singapore, relies heavily on foreign labour. Our foreign workers mostly come from India, PRC, Malaysia, Thailand, Myanmar and Bangladesh. The employment of foreign workers is subject to foreign workers' levy. We are thus vulnerable to any shortage in the supply of foreign workers or any increase in the cost of foreign labour. Any changes in the policies and regulations imposed by the authority may potentially affect the supply and cost of labour for Ley Choon.

   Ley Choon constantly seeks ways to automate processes to increase productivity. We devised the Intelligent Stop & Go signalling, the off-site CCTV monitoring, and deployed the suction excavation machine to minimize the use of labour.

5. **Inability to attract and retain key personnel**
   Ley Choon's success depends to a significant extent upon a number of key employees and senior management. Our continued success and growth are therefore dependent on the retention of our key personnel as well as our ability to continue to attract, retain and motivate other qualified personnel. Consequently, the loss of the services of one or more of these individuals without suitable and timely replacement or the inability to attract new qualified personnel could have an adverse impact on our operations.

   To attract and retain talent, Ley Choon puts in place talent development initiatives to improve employee loyalty and staff cohesiveness.

6. **Subject to regulations and guidelines imposed by various government and regulatory authorities**
   We are subject to regulations and guidelines, including safety regulations, imposed by various government and regulatory authorities in Singapore.

   In the event of an inadvertent breach of certain regulatory guidelines and regulations imposed by the regulatory authorities such as the NEA, PUB and LTA, we may be subject to administrative proceedings and unfavourable decrees that result in pecuniary liabilities and cause delays to our projects. In such instances, our financial performance might be affected. In addition, judgments and decrees awarded that are unfavourable to us would have a negative effect on our reputation.

   Regulations and regulatory guidelines are subject to amendments from time to time. Any changes in government legislation, regulations or policies affecting our industry could adversely affect our business operations and/or have a negative effect on the demand for our services. There is also no assurance that we will be able to comply with any changes. There is also a possibility that such amendments to regulations could increase our operation costs.

   Ley Choon adopts a prudent approach and strives to adapt to the changes in the operating environment to stay relevant.

7. **Possibility of cost overruns**
   Our quote in our tender is determined after careful evaluation of all related costs pertaining to subcontractors, labour cost, materials cost and other overheads. However, unforeseen circumstances such as adverse weather conditions and unanticipated construction constraints at the worksites may arise during the course of the project resulting in increase in the costs of labour, raw materials, equipment, rental and sub-contracting services, or other costs not previously anticipated and thus leading to cost overrun.

   Of late, Ley Choon has gone through extensive organisational restructuring in areas of human resources management, strengthening accountability, optimising asset utilisation, enhancing management oversight and monitoring of project progress through periodic and systematic project budgetary review and control. All these measures have been helping the senior management to mitigate the above risk.

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REPORT ON **CORPORATE GOVERNANCE**

The Board of Directors of Ley Choon Group Holdings Limited (the "**Company**") and together with its subsidiaries (the "**Group**"), are committed to high standards of corporate governance and adopting the corporate governance practices contained in the Code of Corporate Governance 2012 (the "**Code**") which supersedes the Code of Corporate Governance issued in July 2005, issued by the Corporate Governance Committee so as to ensure greater transparency and protection of shareholders' interests. The Board recognises the need for accountability; creating and preserving shareholder value and achieving its corporate vision for the Group. This report describes the Group's corporate governance practices and activities with specific reference to the Code, during the financial period ended 31 March 2016 ("**FY16**")[1].

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1 – Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

As at the date of this Annual Report, the Board comprises three Executive Directors, two Independent Directors and one Non-Executive Director. The contribution, experience and competency of each Director helps in the overall effective management of the Company and its subsidiaries (the "**Group**").

The Board's principal duties include the following:

(i) protecting and enhancing long-term value and return to the Company's shareholders ("**Shareholders**");

(ii) establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;

(iii) ensuring the effectiveness and integrity of management;

(iv) chartering the corporate strategy and direction of the Group and setting goals for the Management;

(v) supervising and monitoring the Management's achievement of these goals;

(vi) conducting periodic reviews of the Group's financial performance, internal controls and reporting compliance;

(vii) approving nominations to the Board and the appointment of key personnel;

(viii) ensuring the Group's compliance with all relevant and applicable laws and regulations;

(ix) assuming responsibility for the corporate governance of the Group;

(x) setting the values and standards for the Group (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met; and

(xi) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets.

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

1 The Company had on 22 December 2015 announced the change of the Company's financial year-end from 31 December to 31 March.

REPORT ON **CORPORATE GOVERNANCE**

To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee (collectively referred herein as "**Board Committees**"). The Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board Committee is also monitored.

The Executive Directors supervise the management of the business and affairs of the Company. However, meetings of the Board are still held and/or resolutions in writing of the Board are circulated for matters which require the Board's approval, including the following, but are not limited to:

(i) review of the annual budget and the performance of the Group;

(ii) review of the key activities and business strategies;

(iii) approval of the corporate strategy and direction of the Group;

(iv) approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;

(v) material acquisitions and disposals;

(vi) corporate or financial restructuring and share issuances;

(vii) declaration of dividends and other returns to Shareholders; and

(viii) appointments of new Directors or key personnel.

A formal document setting out the following guidelines has been adopted by the Board:

(a) the matters reserved for the Board's decision; and

(b) clear directions to Management on matters that must be approved 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) major capital expenditure;

(b) capital management;

(c) banking facilities;

(d) acquisition of entities/business;

(e) diversifying into new business; and

(f) any other significant material transaction.

REPORT ON **CORPORATE GOVERNANCE**

Board meetings are conducted regularly at least once every quarter to review the business affairs of the Group and approve the announcement of the quarterly financial results. When necessary, additional Board meetings will be held to deliberate on other substantive matters. Teleconferencing at meetings of the Board is allowed under the Company's Constitution. In addition to holding meetings, important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

In the financial period under review[1], the attendances of the existing Directors at the scheduled meetings of the Board and Board Committees during the FY16 were as follows:

	Board of Directors		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Director								
Toh Choo Huat	5	5	–	–	–	–	–	–
Toh Swee Kim[2]	2	2	–	–	–	–	–	–
Toh Chew Leong[3]	2	2	–	–	–	–	–	–
Koh Tiam Teng Francis	5	5	–	–	–	–	–	–
Tan Teck Wei[4]	2	2	–	–	–	–	–	–
Low Boon Hwee	5	5	–	–	–	–	–	–
Lee Gee Aik[5]	2	2	4	4	2	2	1	1
Ang Miah Khiang[6]	2	2	4	4	2	2	1	1
Marcus Chow Wen Kwan[7]	2	2	4	4	2	2	1	1
Ling Chung Yee Roy[8]	3	3	2	2	1	1	1	1
Chia Soon Hin William[9]	3	3	2	2	1	1	1	1
Teo Ho Beng[10]	3	3	2	2	1	1	1	1

Notes:

(1) The attendance of the Directors, including those also acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretaries prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company. If the Company Secretaries were not present at the meetings, the attendance of the Directors was recorded by the Management in the minutes of the meetings.

(2) Mr Toh Swee Kim stepped down from the Board with effect from 28 September 2015. Details of his resignation were contained in the announcement released via SGXNET on 28 September 2015.

(3) Mr Toh Chew Leong stepped down from the Board with effect from 28 September 2015. Details of his resignation were contained in the announcement released via SGXNET on 28 September 2015.

(4) Mr Tan Teck Wei stepped down from the Board with effect from 28 September 2015. Details of his resignation were contained in the announcement released via SGXNET on 28 September 2015.

(5) Mr Lee Gee Aik stepped down from the Board with effect from 6 August 2015. Details of his resignation were contained in the announcement released via SGXNET on 6 August 2015.

(6) Mr Ang Miah Khiang stepped down from the Board with effect from 6 August 2015. Details of his resignation were contained in the announcement released via SGXNET on 6 August 2015.

REPORT ON **CORPORATE GOVERNANCE**

(7) Mr Marcus Chow Wen Kwan stepped down from the Board with effect from 6 August 2015. Details of his resignation were contained in the announcement released via SGXNET on 6 August 2015.

(8) Prof. Ling Chung Yee Roy was appointed to the Board with effect from 28 September 2015. Details of his appointment were contained in an announcement released via SGXNET on 28 September 2015.

(9) Mr Chia Soon Hin William was appointed to the Board with effect from 28 September 2015. Details of his appointment were contained in an announcement released via SGXNET on 28 September 2015.

(10) Mr Teo Ho Beng was appointed to the Board with effect from 28 September 2015. Details of his appointment were contained in an announcement released via SGXNET on 28 September 2015.

The Company has a formal training program for new directors. The Board ensures that all the newly appointed Directors will be given a detailed introduction on the Company's history and development, and an orientation on the operational procedures of the Company or attend relevant seminars conducted by the Singapore Institute of Directors to familiarise them with the Group's business and governance practices. The Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. The Directors are encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as directors to the Company. Further, newly appointed Directors will be provided with a formal letter setting out their duties and obligations

Mr Chia Soon Hin William attended the seminars on "Listed Company Director Essentials: Understanding the Regulatory Environment in Singapore – What Every Director Ought to Know" and "Remuneration Committee Essentials" conducted by the Singapore Institute of Directors in October 2015 and the Singapore Exchange Limited's "2016 ACRA-SGX-SID Audit Committee Seminar" held in January 2016.

In the event that a Director is interested in any transaction of the Group, he shall inform the Board accordingly and abstain from making any recommendation or decision with regards to the transaction.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and any shareholder who has an interest or interests in not less than 10% of the total votes attached to all the voting shares in the Company. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six (6) Directors, of which two (2) are Independent Directors. As at the date of the report, the composition of the Board is as follows:

<u>Executive Directors</u>

Toh Choo Huat (Executive Chairman and Chief Executive Officer)
Koh Tiam Teng Francis (Executive Director)
Low Boon Hwee (Executive Director)

<u>Independent Directors</u>

Ling Chung Yee Roy (Lead Independent Director)
Chia Soon Hin William (Independent Director)

<u>Non-Executive Director</u>

Teo Ho Beng (Non-Executive Director)

REPORT ON **CORPORATE GOVERNANCE**

The Board considers a director to be "independent" if he/she has no relationship with the Company, its related companies, its shareholders who have an interest or interests in not less than 10% of the total votes attached to all the voting shares in the Company or the officers that could interfere, or be reasonably perceived to interfere, with the exercise of that director's independent judgment with the view to the best interests of the Company.

As one-third of the Board comprises Independent Directors, the Company believes the Board is able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision making process.

There are no Directors who have served on the Board beyond nine (9) years from the date of his first appointment.

The Board has considered the present Board size and is satisfied that the current size facilitates effective decision making and is appropriate for the nature and scope of the Group's operations. The composition of the Board is also reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The Nominating Committee is of the view that the Board has a good balance of Directors who come from diverse backgrounds and have extensive business, financial, accounting and management experience. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group. Details on the experiences, professional qualifications and responsibilities of the Directors are set out in page 10 of this Annual Report.

The Non-Executive Directors (including the Independent Directors) will constructively challenge and assist in the development of proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Non-Executive Directors will have discussions amongst themselves without the presence of the Management and the rest of the Executive Directors.

Executive Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Executive Chairman and Chief Executive Officer, Mr Toh Choo Huat, sets the tone for the conduct of the Board and ensures the Group's adherence to the best corporate governance practices prescribed by the Code. He also ensures that the Board holds regular meetings and oversees the proper dissemination of corporate information to the relevant parties (including but not limited to the Directors and Shareholders).

All major decisions made by the Executive Chairman and the Chief Executive Officer are under the purview of review by the Audit Committee. His performance and appointment to the Board are also reviewed periodically by the Nominating Committee while his remuneration package is reviewed periodically by the Remuneration Committee. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Board is of the view that power is not unduly concentrated in the hands of one (1) individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, all of which are chaired by the Independent Directors.

In addition, the Board also believes that notwithstanding the Executive Chairman and the Chief Executive Officer being the same person, the Group's interest is well served by:

(i) the benefit of an Executive Chairman and Chief Executive Officer who is very experienced and knowledgeable about the Group's businesses, thereby ensuring the smooth and efficient implementation of decisions on policy issues;

REPORT ON **CORPORATE GOVERNANCE**

(ii) the good balance of power and authority on the Board as all the Board Committees of the Board are chaired by the Independent Directors;

(iii) at least a third of the Board is made up of Independent Directors to ensure independent review of the Management's performance; and

(iv) the benefit of the objective and independent views that the Group receives from the Independent Directors.

In view that the Executive Chairman and the Chief Executive Officer is the same person, the Company has appointed Prof. Ling Chung Yee Roy as the Lead Independent Director to adhere to the principles set out in the Code. Prof. Ling's appointment as Lead Independent Director was approved by the Nominating Committee and an announcement relating to this appointment was released via the SGXNET on 15 January 2016. As the Lead Independent Director, Prof. Ling acts as the contact person for the Shareholders in the event that the Shareholders have concerns or issues which communication with the Executive Chairman and the Chief Executive Officer or Chief Financial Officer is inappropriate or where such communication has failed to resolve the concerns or issues raised.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The Nominating Committee consists of the two (2) Independent Directors:

(i) Mr Chia Soon Hin William (Chairman)

(ii) Prof. Ling Chung Yee Roy (Member)

(iii) Mr Teo Ho Beng (Member)

The Nominating Committee is responsible for:

(i) re-nominating the Directors having regard to the Directors' contribution and performance;

(ii) determining annually whether or not an Independent Director is independent; and

(iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director, taking into consideration the Director's number of listed company board representations and other principal commitments.

The Nominating Committee also makes recommendations to the Board relating to:

(i) the review of board succession plans for the Directors, in particular, the Chairman and the Chief Executive Officer;

(ii) the development of a process for evaluation of the performance of the Board, its board committees and the Directors;

(iii) the review of the training and professional development programs for the Board;

(iv) the appointment and re-appointment of the Directors (including alternate directors, if applicable); and

(v) the appointment and re-appointment of the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**") or any other person who holds a similar position to the CEO or the CFO by any name.

REPORT ON **CORPORATE GOVERNANCE**

The Nominating Committee will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which addresses how the Board is to enhance long-term Shareholders' value. As part of its review, the Nominating Committee will recommend to the Board a process to assess the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board.

Each member of the Nominating Committee abstains from voting any resolutions and making recommendations and/or participating in any deliberations in respect of the assessment of his performance or re-nomination as a director.

For appointment of new Directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the then existing Board. The Nominating Committee may, if necessary, interview potential candidates and make recommendations to the Board for approval. The Board will then consider the potential candidates and Directors newly appointed by the Board are appointed by way of board resolution, following which they are subject to election by Shareholders at the next annual general meeting immediately following their appointment and thereafter, they are subject to the one-third rotation rule.

In relation to the appointments of the two (2) existing Independent Directors and one (1) Non-Executive Director on 28 September 2015, the Board took on the abovementioned roles and responsibilities of the Nominating Committee to evaluate and determine the selection criteria for such appointments.

The dates of initial appointment of each Director are set out as follows:

Name of Directors	**Date of Initial Appointment**
Toh Choo Huat	25 July 2012
Koh Tiam Teng Francis	25 July 2012
Low Boon Hwee	1 January 2014
Ling Chung Yee Roy	28 September 2015
Chia Soon Hin William	28 September 2015
Teo Ho Beng	28 September 2015

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines in the Code. The Nominating Committee reviewed declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the Nominating Committee is of the view that Prof. Ling Chung Yee Roy and Mr Chia Soon Hin William are independent of the Group and the Management.

The Nominating Committee also reviews the performance of the Directors as well as their contribution to the Board.

Mr Toh Choo Huat and Dr Low Boon Hwee do not hold any other existing directorships with other public listed companies and also did not hold such past directorships in the last three (3) years.

Mr Koh Tiam Teng Francis was previously the Managing Director of Pan Asian Holdings Limited (formerly known as Pan Asian Water Solutions Limited). However, Mr Koh Tiam Teng Francis currently does not hold directorships with other public listed companies.

The Board, with the concurrence of the Nominating Committee, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances of each Director and the Nominating Committee will instead focus on whether a Director has sufficient time to adequately discharge his duties to the Company.

REPORT ON **CORPORATE GOVERNANCE**

The present and past directorships (held in the last three (3) years) of the Independent Directors and Non-Executive Director with other public listed companies are set out in the following tables:

PROF. LING CHUNG YEE ROY

Other existing directorships with public listed companies:

Company	Position
China Flexible Packaging Holdings Ltd	Independent Director
Elektromotive Group Ltd	Independent Director
ChinaSing Investment Holdings Ltd	Lead Independent Director
Vingroup JSC (listed on Ho Chih Minh Stock Exchange)	Independent Director
United Food Holdings Ltd	Lead Independent Director

Other past directorships with public listed companies (held in the last three (3) years):

Company	Position
Aquaint Capital Holdings Ltd (listed on Australian Securities Exchange)	Independent Director
JES International Holdings Ltd	Independent Director
China Paper Holdings Ltd	Independent Director

MR CHIA SOON HIN WILLIAM

Other existing directorships with public listed companies:

Company	Position
Nil	–

Other past directorships with public listed companies (held in the last three (3) years):

Company	Position
Nil	–

MR TEO HO BENG

Other existing directorships with public listed companies:

Company	Position
Hiap Hoe Limited	Executive Chairman

Other past directorships with public listed companies (held in the last three (3) years):

Company	Position
Nil	–

REPORT ON **CORPORATE GOVERNANCE**

After conducting reviews, the Nominating Committee is also satisfied that the Directors have been able to devote adequate time and attention to the affairs of the Company and they are able to fulfil their duties as directors of the Company.

The Company does not have any alternate Directors.

Under Article 107 of the Company's Constitution, at least one-third of the Directors (or if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third) is required to retire from the office of Director and stand for re-election at the Company's Annual General Meeting. Generally, the retiring Directors are Directors who have been the longest in office since their last election (unless otherwise nominated by the Nominating Committee). Accordingly, pursuant to Article 107 of the Constitution, Mr Koh Tiam Teng Francis will be due for retirement and re-election at the forthcoming Annual General Meeting.

Under Article 117 of the Constitution, any newly appointed Director shall hold office only until the next Annual General Meeting of the Company, and shall be eligible for re-election. As Prof. Ling Chung Yee Roy, Mr Chia Soon Hin William and Mr Teo Ho Beng were newly appointed in September 2015, pursuant to Article 117 of the Constitution, each of them will be required to retire and stand for re-election at the forthcoming Annual General Meeting.

Further to the above, it should also be noted that the Nominating Committee also reviews the appointment of any manager of the Company or any of its principal subsidiaries, who is a relative of a Director or Chief Executive Officer or Substantial Shareholder. Pursuant to Rule 704(9) of the SGX-ST Listing Manual, the Company confirms that, as far as the Company is aware and save as set out below, there are no other persons occupying managerial positions in the Company or any of its principal subsidiaries who are related to a director or chief executive officer or substantial shareholder of the Company or its principal subsidiaries:

	Name	**Current Position in the Company**	**Family Relationship with any Directors and/or Substantial Shareholders of the Company**
1.	Toh Chew Leong	Deputy Chief Executive Officer	Brother of Mr. Toh Choo Huat ("TCH") who is the Executive Chairman & CEO
2.	Toh Swee Kim	Chief Operating Officer	Brother of TCH
3.	Toh Chew Chai	Deputy Chief Operating Officer	Brother of TCH
4.	Toh Chiew Boon	Construction Manager	Brother of TCH
5.	Toh Kai Sheng, Adam	HR & Finance Director	Nephew of TCH
6.	Toh Kai Hock	IT Director and Deputy CPO	Nephew of TCH
7.	Toh Kai Yang	Operations & EHS Manager	Nephew of TCH
8.	Toh Ting Xuan	Senior Contracts Manager	Daughter of TCH

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Nominating Committee has established a process for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. This assessment is conducted by the Nominating Committee at least once a year. The Nominating Committee assesses the Board's effectiveness as a whole through the completion of a questionnaire by each member of the Nominating Committee which includes questions covering the above-mentioned areas of assessment. The Nominating Committee collates the results of these questionnaires and discusses the results collectively with other Board members to address any areas for improvement.

REPORT ON **CORPORATE GOVERNANCE**

Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director.

To assess the effectiveness of the Board as a whole, the factors evaluated by the Nominating Committee include but are not limited to:

(i) the size and composition of the Board;

(ii) the discussion and decision-making processes of the Board (including the conduct of meetings by the Board);

(iii) the Board's access to information;

(iv) the accountability of the Board to the shareholders;

(v) the observation of risk management and internal control policies by the Board; and

(vi) the performance of the Board (including the Board's performance in relation to the discharge of its principal responsibilities in terms of the financial indicators set out in the Code).

To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

(i) his/her participation at the meetings of the Board;

(ii) his/her ability to contribute to the discussion conducted by the Board;

(iii) his/her ability to evaluate the Company's strength and weaknesses and make informed business decisions;

(iv) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;

(v) his/her compliance with the policies and procedures of the Group;

(vi) his/her performance of specific tasks delegated to him/her;

(vii) his/her disclosure of any related person transactions or conflicts of interest; and

(viii) for Independent Directors, his/her independence from the Group and the Management.

The Board and the Nominating Committee have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

Based on the Nominating Committee's review, the Nominating Committee is of the view that the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

REPORT ON **CORPORATE GOVERNANCE**

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To ensure that the Directors are able to effectively discharge their duties and be fully aware of the decisions and actions of the Management, the Directors have been given detailed information concerning the Group's business operations periodically. In particular, financial statements of the Group are also prepared on a quarterly basis and circulated to all Directors for their review, allowing the Directors to have an awareness of the Group's financial position. When required, board papers are also prepared for meetings of the Board to provide information on financial, business and any other corporate issues to the Board. The Company recognises that information should be supplied to the Board in a timely manner and as far as possible, Board papers and agenda items are dispatched to the Directors before scheduled meetings. This is to give Directors sufficient time to review and consider the matters being tabled and/or discussed so that discussions can be more meaningful and productive.

In addition, the Directors have, at all times

(i) unrestricted access to the Company's records and information; and

(ii) separate and independent unlimited access to the Company Secretaries and the Management.

At least one (1) of the Company Secretaries and/or her representatives attends all of the formal meetings held by the Board and/or the Board Committees and her responsibilities include ensuring that procedures for these meetings (including those stipulated in the Constitution) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act (Cap. 50) and the Singapore Exchange Securities Trading Limited, are complied with. The appointment and the removal of the Company Secretaries rest with the Board as a whole.

The Board also supports the taking of independent professional advice, at the Company's expense, if necessary in order for it or an individual Director to effectively discharge his/her duties and responsibilities.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

As at the date of this Annual Report, the Remuneration Committee comprises the Company's two (2) Independent Directors, namely Mr Chia Soon Hin William (Chairman of the Remuneration Committee), Prof. Ling Chung Yee Roy (Member of the Remuneration Committee) and one (1) Non-Executive Director, Mr Teo Ho Beng (Member of the Remuneration Committee).

The Remuneration Committee meets at least once annually. If so required, it may seek expert advice in the field of executive compensation outside the Company upon approval by the Board.

The Remuneration Committee is principally responsible for:

(i) overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain our employees and the Board through competitive compensation and progressive policies;

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(ii) reviewing all aspects of remuneration including the Board's and Executive Officers' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind as well as the remuneration of persons related to the Company's Board and Substantial Shareholders;

(iii) implementing and administering any share option scheme, share performance scheme and other performance bonus scheme(s) that the Group may set up in the future; and

(iv) reviewing the Group's obligations arising in the event of the termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Pursuant to its review, the Remuneration Committee will submit its recommendations to the entire Board for endorsement.

Each member of the Remuneration Committee abstains from the decision making process and from voting on any resolutions in respect to his remuneration package.

The Remuneration Committee will be provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

The Remuneration Committee reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Remuneration Committee carries out annual reviews of the remuneration packages of the Directors and the Management, having due regard to their contributions as well as the financial and commercial needs of the Group.

The Remuneration Committee takes into account the industry norms/standards, the Group's performance as well as the contribution and performance of each Director when determining the remuneration packages of the Directors.

The Independent Directors and Non-Executive Director receive directors' fees, in accordance with their contributions, taking into account factors such as effort and/or time spent, the responsibilities of the Independent Directors and Non-Executive Director and the need to pay competitive fees to attract, retain and motivate the Independent Directors and Non-Executive Director. The Independent Directors and Non-Executive Director are not over-compensated to the extent where their independence may be compromised. The Directors' fees are recommended by the Remuneration Committee and endorsed by the Board for approval by the shareholders of the Company at annual general meetings.

The remuneration for the Executive Directors and the Management comprise a basic salary component and a variable component, namely, the annual bonus. The latter is based on the performance of the Group as a whole, giving due regard to the profitability of the Group, its financial performance as well as general economic conditions under which the Group operates and their individual performance.

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The Company had entered into separate service agreements with each of Mr Toh Choo Huat, Mr Koh Tiam Teng Francis and Dr Low Boon Hwee which set out the framework of their respective remuneration. These service agreements provide, *inter alia*, that either each Executive Director or the Company may terminate that Executive Director's service agreement upon giving written notice of not less than six (6) months.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

In addition to its strict policies on bribery and money-laundering, the Group also maintains, under its code of ethics, strict policies on gifts and entertainment which applies to all employees (including Directors). In the event that gifts, entertainment or other benefits are offered to employees, they must be properly declined if there is a risk of there being an appearance of impropriety. Similarly, all employees must also not offer any gifts, entertainment or other benefits to others if it creates an appearance of impropriety.

The breakdown of remuneration (in percentage terms) of the Directors of the Company paid and payable for FY16 is set out below:

Remuneration Band and Name of Directors	**Fees (%)**	**Salary* (%)**	**Bonus (%)**	**Benefits-in-kind (%)**	**Allowances (%)**	**Total (%)**
Directors who receive S$500,000 to S$749,999						
Toh Choo Huat	–	85%	11%	2%	2%	100%
Directors who receive S$250,000 to S$499,999						
Low Boon Hwee	–	85%	11%	2%	2%	100%
Koh Tiam Teng Francis	–	84%	11%	2%	3%	100%
Directors who receive S$0 to S$100,000						
Ling Chung Yee Roy(1)	100%	–	–	–	–	100%
Chia Soon Hin William(2)	100%	–	–	–	–	100%
Teo Ho Beng(3)	100%	–	–	–	–	100%
Ang Miah Khiang(4)	100%	–	–	–	–	100%
Lee Gee Aik(5)	100%	–	–	–	–	100%
Marcus Chow Wen Kwan(6)	100%	–	–	–	–	100%

Notes:

(1) Prof. Ling Chung Yee Roy was appointed to the Board with effect from 28 September 2015. Details of his appointment were contained in an announcement released via SGXNET on 28 September 2015.

(2) Mr Chia Soon Hin William was appointed to the Board with effect from 28 September 2015. Details of his appointment were contained in an announcement released via SGXNET on 28 September 2015.

(3) Mr Teo Ho Beng was appointed to the Board with effect from 28 September 2015. Details of his appointment were contained in an announcement released via SGXNET on 28 September 2015.

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(4) Mr Ang Miah Khiang stepped down from the Board with effect from 6 August 2015. Details of his resignation were contained in the announcement released via SGXNET on 6 August 2015.

(5) Mr Lee Gee Aik stepped down from the Board with effect from 6 August 2015. Details of his resignation were contained in the announcement released via SGXNET on 6 August 2015.

(6) Mr Marcus Chow Wen Kwan stepped down from the Board with effect from 6 August 2015. Details of his resignation were contained in the announcement released via SGXNET on 6 August 2015.

* Salary includes gross salary and CPF contributions.

The breakdown of remuneration of the top five (5) Key Management (Executive Officers) for FY16 is set out below:

Remuneration Band and Name of Key Management	**Fees (%)**	**Salary* (%)**	**Bonus (%)**	**Benefits-in-kind (%)**	**Allowances (%)**	**Total (%)**
Key Management who receive S$250,000 to S$499,999						
Toh Chew Leong[1]	–	84%	11%	3%	2%	100%
Toh Swee Kim[2]	–	85%	10%	2%	3%	100%
Toh Chew Chai	–	79%	13%	4%	4%	100%
Tan Teck Wei[3]	–	84%	10%	3%	3%	100%
Key Management who receive S$100,000 to S$249,999						
Toh Kai Hock	–	85%	14%	–	1%	100%

Notes:

(1) Mr Toh Chew Leong stepped down from the Board with effect from 28 September 2015 and continues his operational duties as Deputy Chief Executive Officer of the Company.

(2) Mr Toh Swee Kim stepped down from the Board with effect from 28 September 2015 and continues his operational duties as Chief Operating Officer of the Company.

(3) Mr Tan Teck Wei stepped down from the Board with effect from 28 September 2015 and continues his operational duties as Chief Project Officer of the Company.

* Salary includes gross salary and CPF contributions.

The Board is of the view that given the sensitive and confidential nature of the Directors' and employees' remuneration, detailed disclosure on the remuneration of the Directors and key management personnel is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may adversely affect the cohesion and spirit of team work prevailing among the Directors and the employees of the Group.

There is no termination, retirement and post-employment benefits granted to Directors or the key management personnel.

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Pursuant to Rule 704(13) of the SGX-ST Listing Manual, the Company has disclosed in its full year results announcement released via SGXNET on 30 May 2016, a list of persons occupying managerial positions who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Group ("**Related Employees**"). The breakdown of Related Employees whose remuneration exceeds S$50,000 for FY16 is set out below:

Remuneration Band and Name of Relative	Family Relationship with any Directors	Fees (%)	Salary* (%)	Bonus (%)	Benefits-in-kind (%)	Allowances (%)	Total (%)
S$450,000 to S$500,000							
Toh Chew Leong	Brother of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	84%	11%	3%	2%	100%
S$400,000 to S$450,000							
Toh Swee Kim	Brother of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	85%	10%	2%	3%	100%
S$350,000 to S$400,000	Nil	–	–	–	–	–	–
S$300,000 to S$350,000							
Toh Chew Chai	Brother of Mr Toh Choo Huat, Exectutive of the Company.	–	79%	13%	4%	4%	100%
S$250,000 to S$300,000	Nil	–	–	–	–	–	–
S$200,000 to S$250,000							
Toh Kai Sheng, Adam	Son of Mr Toh Chew Chai, who is the brother of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	80%	15%	2%	3%	100%
Toh Kai Hock	Son of Mr Toh Chew Chai, who is the brother of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	85%	14%	–	1%	100%
S$150,000 to S$200,000	Nil	–	–	–	–	–	–
S$100,000 to S$150,000							
Toh Chiew Boon	Brother of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	87%	9%	3%	1%	100%
Toh Ting Xuan	Daughter of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	84%	15%	–	1%	100%

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Remuneration Band and Name of Relative	Family Relationship with any Directors	Fees (%)	Salary* (%)	Bonus (%)	Benefits-in-kind (%)	Allowances (%)	Total (%)
Toh Kai Yang	Son of Mr Toh Chew Chai, who is the brother of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	81%	14%	2%	3%	100%
S$50,000 to S$100,000							
Ang Boon Lian	Spouse of Madam Toh Ley Keow who is the sister of Mr Toh Choo Huat, Executive Chairman and CEO of the Company.	–	95%	–	5%	–	100%

* Salary includes gross salary and CPF contributions.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

One of the Board's principal duties is to protect and enhance the long-term value and returns to the Shareholders. This accountability to the Shareholders is demonstrated through the presentation of its periodic financial statements as well as the timely announcements and news releases of significant corporate developments and activities so that the Shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The Management maintains close contact and communication with the Board by various means, including but not limited to holding meetings with the Board or via electronic means in which documents are circulated to the Board for their review or for their information. However, the Management prepares the financial results every quarter and meetings are held with the Board to review these financial results. The Management also prepares and updates the Company's budget and table the same to the Board for their review. The abovementioned arrangement allows the Directors to monitor the Group's performance as well as the Management's achievements of the goals and objectives determined and set by the Board.

For further accountability, the announcements containing the quarterly financial statements are signed jointly by the Executive Chairman and Chief Executive Officer, Mr Toh Choo Huat and the Executive Director, Mr Koh Tiam Teng Francis for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results contained in the announcement to be false or misleading in any material aspects. The Directors' Statement to the audited financial statements of the Company is also signed by the Executive Chairman and Chief Executive Officer, Mr Toh Choo Huat and the Executive Director, Mr Koh Tiam Teng Francis.

The Company also completes and submits the compliance checklists to SGX (if applicable and when required) to ensure that all announcements, circulars or letters to our Shareholder comply with the minimum requirements set out in the SGX-ST Listing Manual. For its annual reports, the Company also reviews the documents using the Governance and Transparency Index launched by The Business Times and the Singapore Corporate Governance & Financial Reporting Centre.

REPORT ON CORPORATE GOVERNANCE

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

In line with the Singapore Standards on Auditing and the Committee of Sponsoring Organisations of the Treadway Commission Internal Controls-Integrated Framework, "internal controls" is broadly defined as "a process effected by an entity's board of directors and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

(i) effectiveness and efficiency of operations;

(ii) reliability of financial reporting; and

(iii) compliance with applicable laws and regulations."

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of assets. The second category relates to the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements, such as earning releases, reported publicly. The third category deals with complying with those laws and regulations to which the entity is subject.

The Audit Committee conducts regular reviews of the effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems. Based on the internal controls established and maintained by the Group, work performed by the external auditors and ad hoc internal auditors and reviews performed by Management, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls, and risk management systems are adequate and effective as at 31 March 2016.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) regarding the adequacy and the effectiveness of the Company's risk management and internal control systems.

The Board acknowledges that it is responsible for the overall internal control and risk management framework, but recognises that all internal control and risk management systems contain inherent limitations and that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board notes that all internal control systems can provide only reasonable and not absolute assurance against the occurrence of material misstatement or loss, poor judgment in decision making, human error, fraud or other irregularities.

Risk Management (Listing Rule 1207(4)(b)(iv))

The Board of Directors oversees the Group's financial risk management policies. Where there are significant risks in respect of the Group's operations, risk management practices will be put in place to address these risks.

REPORT ON **CORPORATE GOVERNANCE**

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

As at the date of this Annual Report, the Audit Committee comprises the Company's two (2) Independent Directors, namely, Prof. Ling Chung Yee Roy (Chairman of the Audit Committee), Mr Chia Soon Hin William (Member of the Audit Committee) and one (1) Non-Executive Director, Mr Teo Ho Beng (Member of the Audit Committee).

The Company has appointed Prof. Ling Chung Yee Roy as the Chairman of the Audit Committee as he has strong financial management expertise, having held senior investment banking positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney. Prof. Ling was a former Board Director of the CFA Society of Japan. Further to the above, Prof. Ling also sits on the board of directors of other listed companies.

The Audit Committee meets at least once every quarter to review the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained within the Group.

The Audit Committee's duties include, amongst others, the review of:

(i) the financial and operating results and accounting policies of the Group;

(ii) the co-operation given by the Group's officers to the external auditors;

(iii) the half yearly and annual, and quarterly if applicable, financial statements of the Group and the results announcements before the submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;

(iv) the Group's administrative, operating and internal accounting and financial control procedures;

(v) the nomination of external auditors and internal auditors for appointment or re-appointment and matters relating to the resignation or dismissal of the external auditors and internal auditors before making recommendations to the Board;

(vi) interested person transactions falling within Chapter 9 of the SGX-ST Listing Manual ("**Interested Party Transaction**"), if any;

(vii) any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Group's management's response;

(viii) any potential conflicts of interest;

(ix) the Group's key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review will be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

(x) the Group's significant financing reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;

(xi) hedging policies and instruments, if any, to be implemented by the Group before recommending the same to the Board;

REPORT ON **CORPORATE GOVERNANCE**

(xii) review the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(xiii) the effectiveness of the Group's internal audit function;

(xiv) the independence of the Group's external auditors annually;

(xv) the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and

(xvi) the suitability of the Group's Chief Financial Officer/Financial Controller.

As part of its review, the Audit Committee shall also:

(i) commission and review the findings of internal investigations into matter where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position

(ii) ensure that all future transactions with related parties shall comply with the requirements of the SGX-ST Listing Manual; and

(iii) evaluate and report to the Board at least annually the effectiveness of the Group's internal accounting control systems, including financial, operational, compliance and information technology controls, ensuring co-ordination between the external auditors, the internal auditors and the Group's management, and reviewing the assistance given by the Group's management to the auditors, and discussing problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the Group's management, where necessary).

Under its terms of reference, the Audit Committee is entitled to obtain independent professional advice to execute its duties.

For FY16, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same.

In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The Audit Committee has also reviewed the arrangements by which the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are in place for independent investigations of such matters and for appropriate follow-up action as and when the need arises. As at the date of this Annual Report, the Company has put in place a whistle-blowing policy for this purpose. Under the Company's whistle-blowing policy, employees may submit a complaint (which may be an anonymous basis) to their supervisors, the Human Resource department or the Audit Committee. The Audit Committee is obliged to review all reports received and take or approve the appropriate actions. There were no whistle blowing letters received during FY16 and until the date of this report.

The Audit Committee reviewed the adequacy of the audit plans, with particular emphasis on the observations of the external auditors, the scope and the results of their audits and the independence and objectivity of the external auditors.

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The Audit Committee has also reviewed the scope and quality of the external auditors' work before recommending the external auditors to the Board for re-appointment. The Company's existing external auditor is Messrs Foo Kon Tan LLP (the "**External Auditors**"). After taking into account that the resources and experience of Messrs Foo Kon Tan LLP and the audit engagement partner assigned to the audit, Messrs Foo Kon Tan LLP's other audit engagements, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned by Messrs Foo Kon Tan LLP for the audit, the Audit Committee is of the opinion that Messrs Foo Kon Tan LLP's independence has not been compromised and is able to meet its audit obligations. Together with the Board, the Audit Committee recommends the re-appointment of Messrs Foo Kon Tan LLP at the forthcoming Annual General Meeting.

The Audit Committee is also briefed by the External Auditors on any change in the accounting standards which have a direct impact on the Group's and the Company's financial statements. No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the Audit Committee.

Messrs Foo Kon Tan LLP is an audit firm registered with the Singapore Accounting & Corporate Regulatory Authority and was appointed on 22 January 2016. The audit fees paid to the External Auditors for their audit services in FY16 are S$290,000 (excluding disbursements and GST). Messrs Foo Kon Tan LLP was also appointed in FY16 to audit the accounts of the Company and its significant subsidiaries. The Company is in compliance with Rule 712 and Rule 715 of the Listing Manual.

In FY16, there was no non-audit related work carried out by Messrs Foo Kon Tan LLP.

The Audit Committee and External Auditors have, at all times, unrestricted access to each other. The Audit Committee also meets annually with the External Auditors, without the presence of the Management and is authorized to have full and unrestricted access to management and all personnel, records, operation, properties and other informational sources of the Company as required or desirable to properly discharge it responsibilities.

The previous directors of the Company (when it was formerly known as Ultro Technologies Limited) had proposed a Performance Share Plan (the "**Plan**") which had been approved by the Shareholders in the Extraordinary General Meeting held on 30 October 2010.

The objectives of the Plan are as follows:

(a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(b) to provide an opportunity for participants of the Plan to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

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The Plan shall be administered by the Committee with such discretion, powers and duties as are conferred on it by the Board of Directors. A member of the Committee shall not be involved in the deliberations of the Committee in respect of the grant of Awards to him. In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board of Directors. Shareholders who are eligible to participate in the Plan shall abstain from voting on any resolution relating to the Plan.

The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the date on which the Plan comes into effect, provided always that the Plan may continue beyond the above stipulated period with the approval of the Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

No employee or Director has received 5% or more of the total number of options available under the Scheme and the Plan.

For FY16, no performance shares have been allotted to any employees or directors of the Company.

Save for the Plan, the Company currently does not have any long-term incentive scheme for its Directors and key managements.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. The effectiveness of the internal control systems and procedures are monitored by the Management and also by the internal audit function. During FY16, the Company had in place an internal audit function, whereby the Company's finance team supports the Audit Committee in ensuring that the Company maintains a sound system of internal controls by monitoring and assessing the adequacy and the effectiveness of the key controls and procedures. In FY16, the Company had also engaged Ernst & Young Advisory Pte. Ltd. on an ad hoc basis to perform internal audit review on the operations of the Company. As part of the Company's efforts to enhance the risk management process and internal control systems, the Company went through a due selection process and appointed Ernst & Young Advisory Pte. Ltd. for the Enterprise Risk Management and Internal Audit functions after FY16 on a long-term basis.

The Audit Committee meets at least once annually to ensure the adequacy of the internal audit functions. The Audit Committee also believes that the system of internal controls and risk management maintained by the Company is adequate to safeguard the Shareholders' investment and the Company's assets.

The findings from the reviews and checks on the adequacy of the internal control and risk management are rated and reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

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(D) SHAREHOLDERS' RIGHT AND RESPONSIBILITY

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company endeavours to maintain constant and effective communication with Shareholders through timely and comprehensive announcements. Price-sensitive information is released to all parties such as Shareholders, stakeholders and the public simultaneously to ensure a level playing field. Any material information or respective quarterly, half-yearly and full year results (all issued within the mandatory period) is disseminated through SGXNET.

The Company communicates regularly through the following channels:

(i) the SGXNET;

(ii) news and press releases;

(iii) the annual report; and

(iv) if it receives any email queries from Shareholders, replies by email.

The Group's material development and information shall also be disclosed in:

(i) the Company's announcement of periodic financial results on the SGXNET;

(ii) notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings;

(iii) press releases for the Group's half-year and full-year results as well as other briefings, as appropriate;

(iv) press releases on major developments and corporate affairs of the Group (which the Company also releases as announcements via SGXNET and any supporting materials to these press release such as PowerPoint slides are also attached to these announcements); and

(v) circular or letters to shareholders to provide the shareholders with more information on its major transactions.

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In addition to the above, the Shareholders can access the Company's corporate website (http://www.leychoon.com) at their convenience to receive updates. The Company's corporate website also provides information about the Company, its products and its directors. In the investor relation section of the corporate website, we maintain announcements released on SGXNET by the Company, latest financial results released on SGXNET by the Company and latest annual report of the Company.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. The Board is not recommending any dividends for FY16 due to the losses incurred and financial position of the Company.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board supports the Code's principle to encourage shareholder participation at the Annual General Meetings of the Company.

The Board regards the Annual General Meeting as an opportunity to communicate directly with the Shareholders and encourages attendance and participative dialogue during the Annual General Meeting. The notice of the Annual General Meeting is dispatched to the Shareholders with the Annual Report (together with explanatory notes or a circular/letter to shareholders on items of special business, if applicable) at least 14 clear days before the Annual General Meeting if ordinary businesses are to be transacted at the meeting or at least 21 clear days before the meeting if special businesses are to be transacted at the meeting. The notice, first disseminated via SGXNET, is also advertised in newspapers.

It is crucial that the notice of the Annual General Meeting is reached out to the Shareholders prior to the Annual General Meeting as it sets out the agendas that will be discussed, some of which may be of interest to the Shareholders. The Chairman of the Annual General Meeting and the other Directors attending the Annual General Meeting will be available to answer questions from the Shareholders present. The External Auditors are also invited to attend the Annual General Meeting and will assist the Directors in addressing relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of the External Auditors' report. Votes at the Annual General Meeting are taken by way of poll.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

The Company also encourages all the Shareholders to attend the Annual General Meeting to grasp a better understanding of the Group's business and be informed of the strategic goals and objectives. The Board and Management are committed to an open dialogue with the Shareholders at the Annual General Meeting to address the Shareholders' issues, views and concerns.

The Company's Constitution allows the Shareholder to appoint one (1) or two (2) proxies to attend the Annual General Meeting and vote in place of that Shareholder. With the recent changes to the Companies Act (Cap. 50) which came into effect on 3 January 2016, a member of the Company who is a relevant intermediary may appoint more than two (2) proxies to attend and vote at general meetings, but such proxies must be appointed to exercise the rights attached to a specified number of shares. The term "relevant intermediary" for this purpose is defined under the Companies Act and includes the Central Provident Fund Board as well as banks and capital market services licence holders which provide custodial services. Allowing multiple proxies for such members will facilitate indirect investors attending and voting at shareholder meetings and encourages more active shareholder participation. The Board is of the view that voting in absentia can only be possible if there is absolute certainty that integrity of the information and authentication of the identity of such Shareholder is not compromised.

REPORT ON **CORPORATE GOVERNANCE**

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to Shareholders upon their request.

The Chairmen of the Audit Committee, Remuneration Committee and Nominating Committee are normally available at the Annual General Meeting as well to answer questions relating to the work of the Board Committees. The results of the Annual General Meeting will be released as an announcement via SGXNET.

(E) DEALING IN SECURITIES

The Group has adopted and implemented the best practices guidelines advised by SGX-ST in relation to the dealing of shares of the Company. The Group has in place procedures prohibiting the Directors and employees of the Group from dealing in the Company's shares during the periods commencing two (2) weeks before the Company's quarterly or half-year results until after the announcement and one (1) month prior to the announcement of the Group's full year financial results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Group.

The Directors and employees are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities on short term considerations.

The Board shall ensure that the Company complies with the principal corporate governance recommendations set out in the best practices guide issued by SGX-ST for FY16.

(F) INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the SGX-ST Listing Manual on interested person transactions, the Board and Audit Committee regularly reviews if the Company enters into any interested person transaction and if it does, to ensure that the Company complies with the requisite rules under Chapter 9.

As set out in the Company's circular to the Shareholders dated 25 July 2012 (the "**Circular**"), the Company has implemented, *inter alia*, the following procedures to ensure that all Interested Party/Related Person Transaction are undertaken on normal commercial terms:

(a) in the case of a purchase from or procurement of services from an Interested Person or a Related Person, the Group shall require that quotations be obtained from such Interested Person or Related Person and at least two (2) other quotations from unrelated third parties; and

(b) in the case of a sale to or provision of services to an Interested Person or a Related Person, comparison will be made with reference to (i) at least two (2) latest similar transactions between the Group and unrelated third parties or (ii) if relevant market rates from independent sources are available, such market rates.

If the Company does enter into an Interested/Related Party Transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board. In addition, the Audit Committee will carry out quarterly reviews to ensure that the established guidelines and procedures for Interested/Related Party Transaction have been complied with and the relevant approvals are obtained.

REPORT ON **CORPORATE GOVERNANCE**

Save for the interested person transactions disclosed below and as set out in the Circular, no other interested person transactions was entered into during FY16:

Name of Interested Person and/or Related Person	**Aggregate value of all Interested/ Related Person Transactions during the FY16 (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)**	**Aggregate value of all Interested/ Related Person Transactions conducted under the IPT Mandate granted by the Shareholders pursuant to the Extraordinary General Meeting held on 13 July 2012 and renewed at the Annual General Meeting held on 29 May 2015 (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) (S$'000)**
Purchases from Pan Asian Holdings Limited	–	5,969
Sales to HS E&C Pte Ltd	–	384
Sales to Sing & San Construction Pte Ltd	–	568
Service rendered from Zheng Choon Holding Pte Ltd	165	–

(G) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" in the announcements made on SGXNET, in the audited financial statements of this Annual Report and the service agreements entered into between the Company and the Executive Directors, there were no material contracts of the Company or its subsidiaries involving the interests of the Executive Chairman and Managing Director, Chief Executive Officer, any Director or Controlling Shareholder subsisting at the end of FY16, or if not then subsisting, entered into since the end of the previous financial period.

DIRECTORS' STATEMENT

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial period from 1 January 2015 to 31 March 2016.

In the opinion of the directors:

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group for the period from 1 January 2015 to 31 March 2016 in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

The directors of the Company in office at the date of this statement are:

Toh Choo Huat
Koh Tiam Teng Francis
Low Boon Hwee
Ling Chung Yee Roy (Independent Director) (Appointed on 28 September 2015)
Chia Soon Hin William (Independent Director) (Appointed on 28 September 2015)
Teo Ho Beng (Non-Executive Director) (Appointed on 28 September 2015)

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the directors who held office at the end of the financial period was interested in shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director		**Holdings in which director is deemed to have an interest**	
	As at 1.1.2015	**As at 31.3.2016 and 21.4.2016#**	**As at 1.1.2015**	**As at 31.3.2016 and 21.4.2016#**
The Company–				
Ley Choon Group Holdings Limited		Number of ordinary shares		
Toh Choo Huat	–	397,000	312,002,700	296,379,500
Koh Tiam Teng Francis	29,008,571	29,008,571	–	–
Low Boon Hwee	480,000	480,000	–	–
Holding company–				
Zheng Choon Holding Pte Ltd		Number of ordinary shares		
Toh Choo Huat	264	272	–	–

\# There was no change in any of the above-mentioned interests in the Company between the end of the financial period and 21 April 2016.

Toh Choo Huat, by virtue of the provisions of Section 7 of the Companies Act, Chapter 50, is deemed to have an interest in all shares of the subsidiaries of the Company.

DIRECTORS' STATEMENT
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

Share options

No options were granted during the financial period to take up issued shares of the Company or its subsidiaries.

No shares were issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial period.

Performance Share Plan

The Performance Share Plan ("PSP") was approved by the Company's members at an Extraordinary General Meeting held on 30 October 2009. The PSP is administered by the Committee with such discretion, powers and duties as will be conferred on it by the Board of Directors.

The objectives of the PSP are as follows:

(a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(b) to provide an opportunity for participants of the PSP to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The PSP shall continue to be in force, subject to a maximum period of ten years commencing on the date on which the PSP comes into effect, provided always that the PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by an ordinary resolution in the general meeting and of any relevant authorities which may then be required.

No employee or director has received 5% or more of the total number of shares available under the PSP.

No performance shares have been allotted and issued to any employees or directors of the Company since its commencement.

Audit Committee

The Audit Committee at the date of this statement comprises the following members:

Ling Chung Yee Roy (Chairman)
Teo Ho Beng
Chia Soon Hin William

DIRECTORS' STATEMENT
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

Audit Committee (Continued)

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It also met with the Company's internal auditor to discuss the results of their examination and evaluation of the Group's system of internal accounting controls;

(ii) the audit plan of the Company's external auditor and any recommendations on the Group's internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information, the statement of financial position of the Company as at 31 March 2016 and the consolidated financial statements of the Group for the financial period from 1 January 2015 to 31 March 2016, as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditor;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

Independent auditor

At the Extraordinary General Meeting of the Company held on 22 January 2016, Foo Kon Tan LLP was appointed as independent auditor of the Company.

The independent auditor, Foo Kon Tan LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

…………………………………………..
TOH CHOO HUAT

…………………………………………..
KOH TIAM TENG FRANCIS

Dated: 30 June 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Ley Choon Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the period from 1 January 2015 to 31 March 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's 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 about 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 of financial statements that give a true and fair view 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 management, 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, the consolidated financial statements of the Group and the statement of financial position 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 financial position of the Group and of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group for the period from 1 January 2015 to 31 March 2016.

Emphasis of matter

We draw attention to Note 2(a) to the financial statements. As at 31 March 2016, the Group and the Company had net current liabilities of S$59,424,000 (2014: net current assets of S$20,116,000) and S$45,846,000 (2014: net current assets of S$41,865,000), respectively. The Group also incurred a net loss of S$63,378,000 (2014: S$35,888,000) for the financial period then ended. In addition, the Group had defaulted on repayments and breached covenants in respect of its borrowings. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concern. The preparation of the financial statements on a going concern basis is dependent on the ability of the Group and the Company to generate sufficient cash flows from operations, reduce expenditure and raise new funds from equity, and the continued support from the financial institutions to make available existing credit facilities, to enable the Group and the Company to pay debts as and when they fall due.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

Report on the financial statements (Continued)

Emphasis of matter (Continued)

If the Group and the Company were unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and its subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

Other matter

The financial statements for the financial year ended 31 December 2014 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements with emphasis of matter paragraphs on the Group's ability to continue as a going concern in its report dated 6 May 2015.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
30 June 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Note	The Group		The Company	
		31 March 2016 S$'000	31 December 2014 S$'000	31 March 2016 S$'000	31 December 2014 S$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	65,005	89,616	–	–
Land use rights	5	3,253	3,477	–	–
Subsidiaries	6	–	–	55,084	70,464
Club membership		229	229	–	–
Deferred tax assets	7	890	799	154	154
		69,377	94,121	55,238	70,618
Current Assets					
Inventories	8	5,208	6,276	–	–
Development property	9	10,200	15,940	–	–
Contracts work in progress	10	24,993	95,697	–	–
Trade and other receivables	11	34,414	30,923	2,436	42,271
Other investments	12	11	85	–	–
Cash and bank balances	13	14,296	13,009	23	52
Fixed deposits	13	3,810	7,186	–	–
		92,932	169,116	2,459	42,323
Non-current assets classified as held for sale	14	7,654	–	–	–
		100,586	169,116	2,459	42,323
Total assets		169,963	263,237	57,697	112,941
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	15	71,117	71,117	137,336	137,336
Accumulated losses		(65,726)	(2,348)	(126,963)	(38,481)
Other reserves	16	635	1,695	(981)	(981)
Total equity attributable to owners of the Company		6,026	70,464	9,392	97,874
Non-controlling interest		–	460	–	–
Total equity		6,026	70,924	9,392	97,874
Non-Current Liabilities					
Borrowings	17	3,927	43,313	–	14,609
		3,927	43,313	–	14,609
Current Liabilities					
Borrowings	17	106,805	96,492	18,080	–
Trade and other payables	18	50,764	46,301	30,225	458
Provisions	19	2,441	6,207	–	–
		160,010	149,000	48,305	458
Total liabilities		163,937	192,313	48,305	15,067
Total equity and liabilities		169,963	263,237	57,697	112,941

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

	Note	Period from 1 January 2015 to 31 March 2016 S$'000	Year ended 31 December 2014 S$'000
Continuing operations			
Revenue	3	109,121	131,528
Cost of sales		(131,563)	(144,095)
Gross loss		(22,442)	(12,567)
Other income	20	4,240	3,500
Selling and distribution expenses		(713)	(700)
Administrative expenses		(24,570)	(17,429)
Other operating expenses	21	(10,738)	(10,127)
Finance costs	22	(8,738)	(5,247)
Loss from continuing operations before taxation		(62,961)	(42,570)
Taxation	23	(418)	6,457
Loss from continuing operations after taxation		(63,379)	(36,113)
Profit from discontinued operation, net of tax	24	1	225
Loss for the period/year	25	(63,378)	(35,888)
Other comprehensive income after tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(1,060)	973
Other comprehensive (loss)/income for the period/year, net of tax of nil		(1,060)	973
Total comprehensive loss for the period/year		(64,438)	(34,915)
Loss attributable to:			
Owners of the Company			
– loss from continuing operations, net of tax		(63,379)	(36,113)
– profit from discontinued operation, net of tax		1	116
		(63,378)	(35,997)
Non-controlling interest			
– profit from discontinued operation, net of tax		–	109
		(63,378)	(35,888)
Total comprehensive loss attributable to:			
Owners of the Company			
– total comprehensive loss from continuing operations, net of tax		(64,439)	(35,140)
– total comprehensive income from discontinued operation, net of tax		1	116
		(64,438)	(35,024)
Non-controlling interest			
– total comprehensive income from discontinued operation, net of tax		–	109
		(64,438)	(34,915)
(Loss)/Earnings per share attributable to owners of the Company (Singapore cent)			
From continuing and discontinued operations			
– basic and diluted	26	(10.70)	(6.08)
From continuing operations			
– basic and diluted	26	(10.70)	(6.10)
From discontinued operation			
– basic and diluted	26	–	0.02

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

	<--- Attributable to owners of the Company				--->		
	Share capital S$'000	Accumulated profit/(losses) S$'000	Foreign currency translation reserve S$'000	Equity component of convertible bonds S$'000	Equity attributable to owners of the Company S$'000	Non-controlling interest S$'000	Total equity S$'000
Balance at 1 January 2014	71,117	35,131	576	–	106,824	351	107,175
Loss for the year	–	(35,997)	–	–	(35,997)	109	(35,888)
Other comprehensive income for the year							
– Currency translation differences	–	–	973	–	973	–	973
Total comprehensive (loss)/income for the year	–	(35,997)	973	–	(35,024)	109	(34,915)
Contributions by and distributions to owners							
– Issue of convertible bonds, net of tax (Note 17)	–	–	–	146	146	–	146
– Dividends (Note 31)	–	(1,482)	–	–	(1,482)	–	(1,482)
Transactions with owners in their capacity as owners	–	(1,482)	–	146	(1,336)	–	(1,336)
Balance at 31 December 2014	71,117	(2,348)	1,549	146	70,464	460	70,924
Balance at 1 January 2015	71,117	(2,348)	1,549	146	70,464	460	70,924
Loss for the period	–	(63,378)	–	–	(63,378)	–	(63,378)
Other comprehensive loss for the period							
– Currency translation differences	–	–	(1,060)	–	(1,060)	–	(1,060)
Total comprehensive loss for the period	–	(63,378)	(1,060)	–	(64,438)	–	(64,438)
Changes in ownership interests in subsidiaries							
– Disposal of a subsidiary	–	–	–	–	–	(460)	(460)
Transactions with owners in their capacity as owners	–	–	–	–	–	(460)	(460)
Balance at 31 March 2016	71,117	(65,726)	489	146	6,026	–	6,026

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

	Note	Period from 1 January 2015 to 31 March 2016 S$'000	Year ended 31 December 2014 S$'000
Cash Flows from Operating Activities			
Loss before taxation from continuing operations		(62,961)	(42,570)
Profit before taxation from discontinued operation	24	1	239
Total loss before taxation		(62,960)	(42,331)
Adjustments for:			
Amortisation of land use rights		90	74
Club membership written off		–	42
Depreciation of property, plant and equipment		15,698	10,156
Dividend income from other investments		(2)	(1)
Fair value loss on other investments		36	3
Gain on disposal of a subsidiary		(7)	–
(Gain)/Loss on disposal of property, plant and equipment		(137)	24
Impairment losses on property, plant and equipment		–	8,507
Impairment losses on trade receivables		148	178
Interest expense		8,751	5,273
Interest income		(54)	(28)
Loss on disposal of investment property		–	502
Provision for foreseeable losses		517	321
Provision for legal claims and damages		635	–
Provision for liquidated damages (reversed)/made		(2,174)	6,101
Trade receivables written off		–	539
Write-down on development property		8,496	–
Write-down on inventories		417	–
Operating loss before working capital changes		(30,546)	(10,640)
Changes in inventories		1	(449)
Changes in contracts work in progress		64,534	17,024
Changes in trade and other receivables		(16,659)	16,764
Changes in trade and other payables		17,982	12,809
Cash generated from operations		35,312	35,508
Income taxes refunded/(paid)		344	(2,307)
Net cash generated from operating activities		35,656	33,201
Cash Flows from Investing Activities			
Additions to development property		(2,756)	(2,232)
Disposal of a subsidiary, net of cash disposed of	A	(1,476)	–
Dividends received from other investments		2	1
Interest received		54	28
Proceeds from disposal of investment property		–	1,543
Proceeds from disposal of other investments		37	–
Proceeds from disposal of property, plant and equipment		3,485	1,334
Purchase of land use rights	5	–	(11)
Purchase of property, plant and equipment	4	(3,609)	(21,026)
Net cash used in investing activities		(4,263)	(20,363)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

	Note	Period from 1 January 2015 to 31 March 2016 S$'000	Year ended 31 December 2014 S$'000
Cash Flows from Financing Activities			
Amount due to joint operation partner (non-trade)		(1,905)	890
Cash restricted in use		(3,262)	–
Dividends paid		–	(1,482)
Fixed deposits pledged with banks		3,376	5,312
Interest paid		(5,962)	(5,197)
Loans from controlling shareholders		3,118	–
Proceeds from bills payable		49,384	106,125
Proceeds from issue of convertible bonds		–	14,679
Proceeds from loans from financial institutions		14,858	13,526
Repayment of bills payable		(54,936)	(118,453)
Repayment of finance lease liabilities		(9,666)	(7,776)
Repayment of loans from financial institutions		(25,507)	(38,905)
Net cash used in financing activities		(30,502)	(31,281)
Net increase/(decrease) in cash and cash equivalents		891	(18,443)
Cash and cash equivalents at beginning of period/year		1,530	19,769
Exchange differences on translation of cash and cash equivalents at beginning of period/year		151	204
Cash and cash equivalents at end of period/year	13	2,572	1,530

A. DISPOSAL OF A SUBSIDIARY

On 31 May 2015, the Company's wholly-owned subsidiary, Ley Choon Constructions and Engineering Pte. Ltd., entered into a conditional sale and purchase agreement to dispose of its entire 51% equity interest in the subsidiary, Ley Choon EWC Sdn Bhd, for a cash consideration of S$486,570 (Note 24). The disposal was completed in June 2015. The effects of the disposal on the cash flows of the Group are as follows:

	2016 S$'000
The Group	
Property, plant and equipment	1,713
Inventories	640
Contracts work in progress	3,345
Trade and other receivables	11,516
Cash and bank balances and fixed deposits	1,962
Borrowings	(7,652)
Trade and other payables	(10,571)
Current tax payable	(14)
Net assets	939
Less: Non-controlling interest	(460)
Gain on disposal of subsidiary	7
Cash consideration received	486
Less: Cash disposed of	(1,962)
Net cash outflow	(1,476)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL **STATEMENTS**
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

1 GENERAL INFORMATION

The financial statements of Ley Choon Group Holdings Limited (the "Company") and its subsidiaries (the "Group") for the period from 1 January 2015 to 31 March 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and is domiciled in Singapore.

The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at No. 3 Sungei Kadut Drive, Singapore 729556.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

The immediate and ultimate holding company is Zheng Choon Holding Pte Ltd, a company incorporated in Singapore.

2(A) GOING CONCERN

As at 31 March 2016, the Group and the Company had net current liabilities of S$59,424,000 (2014: net current assets of S$20,116,000) and S$45,846,000 (2014: net current assets of S$41,865,000), respectively. The Group also incurred a net loss of S$63,378,000 (2014: S$35,888,000) for the financial period then ended. In addition, the Group had defaulted on repayments and breached covenants in respect of its borrowings.

Notwithstanding the above, the directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements, due to the following:

(i) For the financial period ended 31 March 2016, the Group had generated net operating cash inflows of S$35,656,000 (2014: S$33,201,000). Having regard to measures to tighten controls over expenses and to better manage the Group's working capital, the directors believe that the Group is able to generate sufficient cash flows from operations.

(ii) On 8 June 2016, the Group and its lenders ("Eligible Lenders") agreed on and signed a term sheet setting out the key terms of restructuring the debt obligations of the Group (the "Term Sheet"), which will subsequently be encapsulated in a Debt Restructuring Agreement ("DRA"). The material terms of the Term Sheet are, inter alia, as follows:

  (a) Eligible Lenders with existing securities over earnings from the Group's ongoing projects shall release current and future secured project proceeds into the Group's operating bank accounts subject to the terms of the Term Sheet.

  (b) There will be a bullet repayment for all outstanding amounts due on the maturity date, being 31 March 2021.

2(A) GOING CONCERN (CONTINUED)

(c) The Group shall dispose its non-core assets and utilise the proceeds to repay the Eligible Lenders with security over such assets subject to the Term Sheet. As at the date of authorisation of the financial statements, the Group has entered into agreements to dispose of two leasehold properties and certain plant and equipment, and is in discussions with potential interested parties to dispose of its development property.

(d) The Group shall undertake a proposed renounceable non-underwritten rights issue. The holding company has committed to fully subscribe for its pro rata rights share entitlement. Accordingly, the directors believe that the Company has the ability to raise new funds from issuance of shares, to enable the Group and the Company to meet their liabilities as and when they fall due.

(iii) The Group is currently working with its major lenders with a view to entering into a DRA within 90 days from the date of signing of the Term Sheet.

(iv) At the end of the reporting period, the Group's unfulfilled order book based on secured contracts stood at S$119 million. Subsequent to the end of the financial period, the Group has been awarded various contracts worth approximately S$42 million in total by customers for works to be performed from year 2016 to 2019. In the press release dated 15 January 2016, the Building and Construction Authority projected construction demand to be between S$27 billion and S$34 billion, with 65% driven by public sector demand. Construction demand from public sector remains high in year 2016 with key projects such as Public Utilities Board's water reclamation and sewerage projects, Changi Airport's 3-runway system (package 2), improvement works to the Kranji Expressway and Pan-Island Expressway, associated infrastructure works for Changi Airport Terminal 5 and phase 2 of the Deep Tunnel Sewerage System. The Group believes that these developments will provide many opportunities for the various business segments whether they are for roads, tunnels, power cables, water pipes, sewerage system or asphalt pre-mix supply. The Group will continue to bid for more suitable and profitable projects to strengthen its order book.

Based on the above, the directors believe that the Group and the Company have sufficient working capital and financial resources to enable them to meet their liabilities as and when they fall due and continue as going concern for 12 months from the end of the reporting period.

The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that would be required if the going concern basis is found to be inappropriate.

NOTES TO THE FINANCIAL **STATEMENTS**

2(B) BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information is presented in Singapore dollar, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Critical judgements in applying accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Classification of land use rights

Within the People's Republic of China ("PRC"), it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use right certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of this arrangement is an operating lease over the land, and that the upfront payment represents prepaid lease rental. As such a prepayment is recognised in the consolidated statement of financial position, and the prepayment is amortised to spread the lease cost over the duration of the term of the land use right, as specified in the land use right certificate. The carrying amount of the Group's land use rights at the end of the reporting period is disclosed in Note 5 to the financial statements.

2(B) BASIS OF PREPARATION (CONTINUED)

Critical judgements in applying accounting policies (Continued)

Income taxes

The Group and the Company have exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining 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 and the Company recognise 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 affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's and the Company's deferred tax assets at the end of the reporting period and the Group's income taxes for the period are disclosed in Note 7 and Note 23 to the financial statements, respectively.

Critical assumptions used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment to be within 5 to 30 years. In particular, management estimates the useful life of plant and equipment to be 5 to 10 years. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements. The estimation of useful lives is based on assumptions about wear and tear, ageing, changes in demand and the Group's historical experience with similar assets. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could affect the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's results for the period will decrease/increase by S$1,570,000 (2014: S$1,016,000).

Impairment of property, plant and equipment

Property, plant and equipment are assessed at the end of each reporting period whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Significant judgement and estimates by management are required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by its market value based on comparable assets or the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are extrapolated using a suitable growth rate and then discounted using an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment, including the growth rate and discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result may potentially affect the Group's results. The carrying amount of the Group's property, plant and equipment at the end of the reporting period, and the basis used to determine fair value less costs to sell or the assumptions used to estimate value in use as the recoverable amount, are disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(B) BASIS OF PREPARATION (CONTINUED)

Critical assumptions used and accounting estimates in applying accounting policies (Continued)

Impairment of investments in subsidiaries

The Company assesses at the end of each reporting period whether there is any indication that the investments in subsidiaries may be impaired. If any indication exists, the investment in subsidiary is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs to sell of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs to sell requires the Company to make an estimate of the expected selling prices of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of the Company's investments in subsidiaries at the end of the reporting period, and the basis used to determine fair value less costs to sell or the assumptions used to estimate value in use as the recoverable amount, are disclosed in Note 6 to the financial statements.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at the end of each reporting period, and applies judgement and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amounts of the Group's inventories at the end of the reporting period are disclosed in Note 8 to the financial statements. If the net realisable values of the inventories decrease/increase by 10% below cost from management's estimates, the Group's results for the period will decrease/increase by S$521,000 (2014: S$628,000).

Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the stage of completion method depending on whether the outcome of the contract can be estimated reliably. The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs for the contract. Significant judgement is required in determining the stage of completion, the estimated total contract revenue and estimated total contract costs, as well as the recoverability of the contract costs incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of relevant professionals.

The estimation of total contract costs is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs for each project is reviewed on a regular basis by the Group in order to determine the costs to be recognised in profit or loss at the end of each reporting period and to assess whether any allowance for foreseeable losses is required. Actual costs could differ from the estimates.

If the contract revenue from uncompleted contracts at the end of the reporting period had been higher/lower by 5% from management's estimates, the Group's revenue would have been higher/lower by S$15,567,000 (2014: S$23,533,000) and S$15,567,000 (2014: S$31,930,000), respectively. If the contract costs of uncompleted contracts to be incurred had been higher/lower by 5% from management's estimates, the Group's results for the period would have been lower/higher by S$1,441,000 (2014: S$6,189,000) and S$1,531,000 (2014: S$2,144,000), respectively.

2(B) BASIS OF PREPARATION (CONTINUED)

Critical assumptions used and accounting estimates in applying accounting policies (Continued)

Impairment of loans and receivables

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and the Company's loans and receivables at the end of the reporting period are disclosed in Note 11 to the financial statements. If the present value of estimated future cash flows decreases/increases by 10% from management's estimates, the Group's and the Company's allowance for impairment of loans and receivables will increase/decrease by S$3,106,000 (2014: S$2,706,000) and S$243,000 (2014: S$4,226,000), respectively.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(C) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2015

On 1 January 2015, the Group adopted the following FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

Reference	Description
Amendments to FRS 19	Defined Benefit Plans: Employee Contributions
Improvements to FRSs (January 2014):	
– Amendment to FRS 16	Property, Plant and Equipment
– Amendment to FRS 24	Related Party Disclosures
– Amendment to FRS 38	Intangible Assets
– Amendment to FRS 102	Share-based Payment
– Amendment to FRS 103	Business Combinations
– Amendments to FRS 108	Operating Segments
Improvements to FRSs (February 2014):	
– Amendment to FRS 40	Investment Property
– Amendment to FRS 103	Business Combinations
– Amendment to FRS 113	Fair Value Measurement

The adoption of these new and amended FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

Improvements to FRSs (January 2014) Amendment to FRS 24 *Related Party Disclosures*

Improvements to FRSs (January 2014) Amendment to FRS 24 *Related Party Disclosures* clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(C) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2015 (CONTINUED)

Improvements to FRSs (January 2014) Amendments to FRS 108 *Operating Segments*

Improvements to FRSs (January 2014) Amendments to FRS 108 *Operating Segments* clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments.

2(D) FRS NOT YET EFFECTIVE

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1: First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

The following are the new or amended FRS and INT FRS issued that are not yet effective but may be early adopted for the current financial period:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 1	Presentation of Financial Statements: Disclosure Initiative	1 January 2016
Amendments to FRS 7	Statement of Cash Flows: Disclosure Initiative	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 16 and FRS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 28 and FRS 110	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 111	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 115	Clarifications to FRS 115: Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (November 2014):		
– Amendment to FRS 19	Employee Benefits	1 January 2016
– Amendment to FRS 34	Interim Financial Reporting	1 January 2016
– Amendment to FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
– Amendments to FRS 107	Financial Instruments: Disclosures	1 January 2016

2(D) FRS NOT YET EFFECTIVE (CONTINUED)

Management does not anticipate that the adoption of the above FRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

Under Amendments to FRS 7, an entity would need to reconcile cash flows arising from financing activities as reported in the statement of cash flows, excluding contributed equity, to the corresponding liabilities in the opening and closing statements of financial position. Additional disclosures are also required about information that is relevant to an understanding of the liquidity of an entity. This includes any restrictions over the decisions of an entity to use cash and cash equivalent balances, e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. The Group is currently assessing the impact and plans to adopt the amendments on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

Under FRS 109, an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument shall be measured at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are 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.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the Group controls an investee if and only if the Group has all of the following:

(i) power over the investee;

(ii) exposure, or rights or variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRS).

Non-controlling interest represents the equity in subsidiary not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Consolidation of the subsidiary in the PRC is based on the subsidiary's financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the statutory financial statements of the subsidiary prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiary, if any, are based on the amounts stated in the statutory financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Leasehold properties	Over the lease terms of 8 to 30 years
Plant and machinery	5 to 10 years
Office equipment, furniture and fittings	5 to 10 years
Motor vehicles	5 years

No depreciation is provided for construction in progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial period in which it is incurred.

For acquisitions and disposals during the financial period, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

Land use rights

Land use rights represent upfront payments to acquire long-term interest in the usage of land. Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on the straight-line basis to write off the cost of the land use rights over the lease period of 50 years.

Subsidiaries

In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Joint arrangement

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint arrangement (Continued)

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. The Group recognises in relation to its interest in a joint operation:

(i) its assets, including its share of any assets held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

(iii) its revenue from the sale of its share of the output arising from the joint operation;

(iv) its share of the revenue from the sale of the output by the joint operation; and

(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

Club membership

Club membership represents transferable membership in recreational club. The club membership is assessed as having an indefinite useful life as it entitles the members to enjoy the club facilities for lifetime, and there is no foreseeable limit to the period over which the membership is expected to be used by the Group. Since it is with an indefinite useful life, it is tested for impairment annually or more frequently if the events and circumstances indicate that its carrying value may be impaired either individually or at the cash-generating unit level. The useful life of the club membership with an indefinite life is reviewed annually to determine whether the assessment of useful life continues to be supportable.

Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the end of the reporting period with the exception that a financial asset shall not be reclassified into or out of the fair value through profit or loss category while it is held or issued.

All financial assets are recognised on their trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any held-to-maturity investments or available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables (excluding tax recoverable and prepayments) and cash and bank balances and fixed deposits. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

Determination of fair value

The fair values of quoted financial assets are based on current bid prices.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development property

Development property is a property being constructed or developed for future sale. Costs capitalised include cost of land and other directly related development expenditure, including borrowing costs incurred in developing the property.

Development property is initially stated at cost. Development property is subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete the development and selling expenses.

Contracts work in progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contracts costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. Contract costs comprise materials, direct labour, subcontractors' costs and an appropriate proportion of overheads.

The stage of completion is based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, irrespective of whether or not work has commenced.

The aggregated costs incurred and the profit or loss recognised on each contract are compared against progress billings up to the end of the financial period. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts under "contracts work in progress". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as "excess of progress billings over contracts work in progress" under "trade and other payables". Advances from customers are presented as "trade and other payables" in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude cash restricted in use, and are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

The Group's financial liabilities comprise borrowings and trade and other payables (excluding excess of progress billings over contracts work in progress).

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial liabilities and financial assets are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

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

Borrowings which are due to be settled more than 12 months after the end of the reporting period are included in current borrowings in the statement of financial position, if the loan facility agreements include an overriding repayment on demand clause, which gives the lender the right to demand repayment at any time, at its sole discretion and irrespective of whether a default event has occurred, or when the Group has defaulted or breached a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the borrowings become payable on demand, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. These borrowings are classified as current because, at the end of the reporting period, the Group does not have an unconditional right to defer its settlement for at least twelve months after that date.

However, those borrowings with breaches or defaults of loan agreement terms are classified as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the Group can rectify the breach and/or during which the lender cannot demand immediate repayment. Other borrowings due to be settled more than 12 months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Convertible bonds

When convertible bonds are issued at fair value, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised net of income tax effects and included in shareholders' equity. The carrying amount of the conversion option is not changed in subsequent periods. Any directly attributable transaction costs are allocated to the liability portion and conversion option in proportion to their initial carrying amounts.

When the conversion option is exercised, the carrying amount of the conversion option will be reclassified to share capital. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be reclassified to retained earnings.

Interest and gains and losses relating to the liability portion are recognised in profit or loss. On conversion, the liability portion is reclassified to equity; no gain or loss is recognised on conversion.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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. Present obligations arising from onerous contracts are recognised as provisions.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Financial guarantees

The Company has issued corporate guarantees to financial institutions for the borrowings of certain subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the financial institutions if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts, if assessed to be material, are initially recognised at their fair value plus transaction costs in the statement of financial position.

Financial guarantee contracts are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless the Group has incurred an obligation to reimburse the financial institutions for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Where the Group is the lessee,

Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (Continued)

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. The subsidiary in the PRC is required to provide certain staff pension contributions to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees. The Company and its Singapore-incorporated subsidiaries make contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Non-current assets held for sale and discontinued operation

Non-current assets are classified as held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(i) represents a separate major line of business or geographical area of operations; or

(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

NOTES TO THE FINANCIAL **STATEMENTS**
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Impairment of non-financial assets (Continued)

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

Revenue recognition

Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Contract revenue is recognised based on the percentage of completion method over the period taken to complete the work.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For local sale of goods, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading the goods onto the relevant carrier at the port.

Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established.

Income from supply of labour

Income from supply of labour is recognised when the service is rendered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised as other comprehensive income in the currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

2(E) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 30 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial period to acquire property, plant and equipment.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise convertible bonds.

3 REVENUE

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax and value-added tax, are detailed as follows:

	Continuing operations		Discontinued operation (Note 24)		Total	
	2016	2014	2016	2014	2016	2014
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
The Group						
Contract revenue	95,019	122,000	7,315	25,263	102,334	147,263
Sale of construction materials	13,585	9,491	–	–	13,585	9,491
Rental of motor vehicles and machinery	517	37	–	–	517	37
	109,121	131,528	7,315	25,263	116,436	156,791

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties S$'000	Plant and equipment S$'000	Office equipment, furniture and fittings S$'000	Motor vehicles S$'000	Construction in progress S$'000	Total S$'000
The Group						
Cost						
At 1 January 2014	7,681	59,210	1,630	21,165	24,160	113,846
Additions	1,479	15,021	1,347	2,972	6,492	27,311
Disposals	–	(2,072)	(18)	(1,678)	(97)	(3,865)
Transfers	24,533	958	–	–	(25,491)	–
Exchange difference on translation	–	–	1	6	129	136
At 31 December 2014	33,693	73,117	2,960	22,465	5,193	137,428
Additions	856	2,198	98	1,010	109	4,271
Disposals	(5)	(4,078)	(666)	(4,694)	–	(9,443)
Disposal of a subsidiary	–	(2,160)	(314)	(682)	–	(3,156)
Transfers	4,130	821	–	–	(4,951)	–
Reclassified to non-current assets held for sale (Note 14)	(7,860)	(4,250)	–	–	–	(12,110)
Exchange difference on translation	(218)	(214)	(14)	(7)	(41)	(494)
At 31 March 2016	30,596	65,434	2,064	18,092	310	116,496
Accumulated depreciation and impairment losses						
At 1 January 2014	1,509	19,583	1,234	9,329	–	31,655
Depreciation (Note 25)	1,021	6,560	208	2,367	–	10,156
Impairment losses (Note 21)	5,979	857	217	1,454	–	8,507
Disposals	–	(1,140)	(16)	(1,351)	–	(2,507)
Exchange difference on translation	–	–	–	1	–	1
At 31 December 2014	8,509	25,860	1,643	11,800	–	47,812
Depreciation (Note 25)	4,742	8,056	381	2,519	–	15,698
Disposals	–	(2,230)	(664)	(3,201)	–	(6,095)
Disposal of a subsidiary	–	(970)	(166)	(307)	–	(1,443)
Reclassified to non-current assets held for sale (Note 14)	(2,638)	(1,818)	–	–	–	(4,456)
Exchange difference on translation	(2)	(18)	(2)	(3)	–	(25)
At 31 March 2016	10,611	28,880	1,192	10,808	–	51,491
Net book value						
At 31 March 2016	19,985	36,554	872	7,284	310	65,005
At 31 December 2014	25,184	47,257	1,317	10,665	5,193	89,616

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amount of property, plant and equipment held under finance leases for the Group comprises plant and equipment and motor vehicles of S$14,904,000 (2014: S$15,444,000) and S$2,584,000 (2014: S$7,042,000), respectively (Note 17).

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of S$4,271,000 (2014: S$27,311,000), of which S$662,000 (2014: S$6,285,000) was acquired by means of finance leases. Cash payments of S$3,609,000 (2014: S$21,026,000) were made to purchase property, plant and equipment.

The carrying amount of property, plant and equipment mortgaged to financial institutions to secure loans, bank overdrafts and bills payable comprises leasehold properties of S$14,026,000 (2014: S$23,705,000) (Note 17).

Impairment testing of property, plant and equipment

In view of the significant operating losses incurred by the Group, management has assessed that there are indications of impairment of the Group's property, plant and equipment. Accordingly, the Group's property, plant and equipment are tested for impairment.

For the financial year ended 31 December 2014

Management engaged independent professional valuers to carry out valuations on the Group's property, plant and equipment to determine their fair values, having considered the appropriate professional qualifications and recent experience of the valuers in the location and category of the property, plant and equipment being valued. In determining the fair values of the leasehold properties, the valuers used the market comparables and sales of comparable properties approach. In determining the fair values of the remaining property, plant and equipment, the valuers used market comparables and depreciated replacement cost approach. Accordingly, impairment losses amounting to S$8,507,000 were recognised by the Group to write down the carrying amount of property, plant and equipment to their recoverable amount.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the Level 3 fair value hierarchy, as well as the significant unobservable inputs used:

Valuation method	Basis	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Leasehold properties			
Market comparison approach	Industrial property when selling prices per square metre ("psm") for comparable properties are available	Selling prices ranging from S$1,310 to S$1,830 psm	A significant increase in average selling prices would result in a significantly higher fair value measurement, and vice versa.
Plant and equipment, office equipment, furniture and fittings, motor vehicles and construction in progress			
Market comparison and depreciated replacement cost approach	Current market selling/ purchase prices of comparable assets are available	Current market selling/purchase prices	A significant increase in market selling/purchase prices would result in a significantly higher fair value measurement, and vice versa.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment testing of property, plant and equipment (Continued)

For the financial period ended 31 March 2016

The recoverable amount of the Group's property, plant and equipment is determined based on value in use. Management has identified two cash-generating units ("CGUs"), namely (A) pipes and roads segment and (B) construction materials segment. The recoverable amount of each CGU is determined by management from value in use calculations based on cash flow projections from formally approved financial budgets and forecasts covering a five-year period. The remaining useful life for CGU A and CGU B is estimated by management to be 7.5 and 9.75 years, respectively, based on the weighted average remaining useful lives of the assets in each cash-generating unit. The cash flows for the subsequent years are extrapolated from the fifth year cash flow using nil growth rate, and discounted using a pre-tax discount rate of 14.7% and 16.0% for CGU A and CGU B, respectively. The discount rates reflect current market assessments of the time value of money and the risks specific to the CGUs. No impairment losses were recognised or reversed for the financial period ended 31 March 2016 as the recoverable amounts of the CGUs approximate the carrying amounts as at 31 March 2016.

The following table demonstrates the sensitivity to a reasonably possible change in the assumptions on the allowance for impairment losses as at 31 March 2016.

	Allowance for impairment losses	
Assumption	**CGU A**	**CGU B**
Growth rate		
– Increase by 1 percentage point	Decrease by S$228,000	Decrease by S$381,000
Discount rate		
– Increase by 1 percentage point	Increase by S$1,720,000	Increase by S$1,025,000
– Decrease by 1 percentage point	Decrease by S$1,821,000	Decrease by S$1,263,000
Remaining useful life		
– Increase by 1 year	Decrease by S$4,211,000	Decrease by S$1,702,000
– Decrease by 1 year	Increase by S$4,716,000	Increase by S$1,758,000

5 LAND USE RIGHTS

	2016 S$'000	2014 S$'000
The Group		
Cost		
At beginning of period/year	3,634	3,485
Additions	–	11
Exchange difference on translation	(142)	138
At end of period/year	3,492	3,634
Accumulated amortisation		
At beginning of period/year	157	80
Amortisation (Note 25)	90	74
Exchange difference on translation	(8)	3
At end of period/year	239	157
Net book value		
At beginning of period/year	3,477	3,405
At end of period/year	3,253	3,477

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5 LAND USE RIGHTS (CONTINUED)

The land use rights represent lease prepayments for two parcels of land located in the PRC on which the asphalt plants of the Group are erected. The land use rights are as follows:

	Commencement date	Period of lease
Land use right I	December 2012	50 years
Land use right II	April 2013	50 years

6 SUBSIDIARIES

	2016 S$'000	2014 S$'000
The Company		
Unquoted equity investments, at cost		
At beginning of period/year	110,000	110,000
Transfer of equity interest from a subsidiary	25,440	–
Increase in investment in a subsidiary	45,000	–
At end of period/year	180,440	110,000
Allowance for impairment losses		
At beginning of period/year	39,536	–
Allowance made	85,820	39,536
At end of period/year	125,356	39,536
Carrying amount	55,084	70,464

On 10 April 2015, the 100% equity interest held by the Company's wholly-owned subsidiary, Ley Choon Development Pte. Ltd. ("LCD"), in Ley Choon (Yantai) Eco-Green Construction Material Ltd. ("Yantai") was transferred from LCD to the Company.

On 31 January 2016 and 29 February 2016, the Company increased its investment in Ley Choon Constructions and Engineering Pte. Ltd. ("LCCE") by contributing additional capital of S$45,000,000, comprising 45,000,000 ordinary shares of S$1 per share fully paid up.

Impairment testing of investments in subsidiaries

Management has assessed that there are indications of impairment of the Company's investments in subsidiaries, in view of the significant operating losses incurred by the subsidiaries. Accordingly, the investments in subsidiaries are tested for impairment.

For the financial year ended 31 December 2014

The recoverable amount is determined based on fair value less costs to sell, which is based on the revalued net assets of the subsidiaries. In deriving the revalued net assets of the subsidiaries, the fair values of the underlying assets are estimated based on their expected selling prices, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. Based on the assessment, the Company recognised an impairment loss of S$39,536,000.

The valuation techniques used in measuring the Level 3 fair value hierarchy of the property, plant and equipment of the subsidiaries, as well as the significant unobservable inputs used are disclosed in Note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

6 SUBSIDIARIES (CONTINUED)

Impairment testing of investments in subsidiaries (Continued)

For the financial period ended 31 March 2016

The recoverable amount is determined based on value in use. The value in use calculations are based on cash flow projections from formally approved financial budgets and forecasts covering a five-year period. Using a nil terminal growth rate and pre-tax discount rate of 14.7% and 19.4%, a further impairment loss of S$74,651,000 and S$11,169,000 was recognised for LCCE and Yantai, respectively, amounting to S$85,820,000 on aggregate. The discount rates reflect current market assessments of the time value of money and the risks specific to the subsidiaries.

The following table demonstrates the sensitivity to a reasonably possible change in the assumptions on the impairment losses for the financial period ended 31 March 2016.

	Impairment losses	
Assumption	**LCCE**	**Yantai**
Terminal growth rate		
– Increase by 1 percentage point	Decrease by S$6,276,000	Decrease by S$893,000
Discount rate		
– Increase by 1 percentage point	Increase by S$8,449,000	Increase by S$1,278,000
– Decrease by 1 percentage point	Decrease by S$9,952,000	Decrease by S$1,475,000

Details of the subsidiaries are:

Name	**Principal activities**	**Country of incorporation/ Principal place of business**	**Percentage of equity held 2016 %**	**2014 %**
Held by the Company				
Ley Choon Constructions and Engineering Pte. Ltd.[1]	Non-building construction and manufacture of asphalt premix	Singapore	100	100
Ley Choon (Yantai) Eco-Green Construction Material Ltd.[3]	Recycling of construction waste and development of eco-green construction products; and production and sale of asphalt concrete, dry mortar concrete, concrete block and sands	People's Republic of China	100	–
Ley Choon (M) Sdn. Bhd.[4]	Inactive	Malaysia	100	100

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6 SUBSIDIARIES (CONTINUED)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held 2016 %	2014 %
Held by Ley Choon Constructions and Engineering Pte. Ltd.				
Multiform Developments & Construction Pte. Ltd. [(1)]	Road construction and mixed construction activities	Singapore	100	100
Ley Choon Development Pte. Ltd.[(1)]	Mixed construction activities	Singapore	100	100
Chin Kuan Engineering and Contractors Pte. Ltd.[(1)]	Mixed construction activities and civil engineering	Singapore	100	100
Teacly (S) Pte. Ltd.[(2)]	Non-building construction, building cleaning and maintenance services	Singapore	100	100
Ley Choon EWC Sdn. Bhd.[(3)]	Non-building construction (civil engineering construction) and manufacturing of asphalt premix (disposed of in June 2015)	Brunei	–	51
Held by Teacly (S) Pte. Ltd.				
Pan Alliance Technology International Pte. Ltd.[(1)]	Water and gas pipe-line and sewer construction	Singapore	100	100
Held by Ley Choon Development Pte. Ltd.				
Ley Choon (Yantai) Eco-Green Construction Material Ltd.[(3)]	Recycling of construction waste and development of eco-green construction products; and production and sale of asphalt concrete, dry mortar concrete, concrete block and sands	People's Republic of China	–	100

(1) Audited by Foo Kon Tan LLP, principal member firm of HLB International in Singapore

(2) Audited by Foo Kon Tan LLP, with the branch office in Sri Lanka audited by Nihal Hettiarachchi & Company, a member firm of HLB International in Sri Lanka

(3) Audited by Foo Kon Tan LLP for the purpose of consolidation

(4) Audited by other auditor

7 DEFERRED TAX ASSETS

	The Group		The Company	
	2016	**2014**	**2016**	**2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
At beginning of period/year	799	(4,485)	154	–
Recognised in profit or loss (Note 23)	91	5,284	–	154
At end of period/year	890	799	154	154

Deferred taxation is attributable to the following:

	Property, plant and equipment S$'000	**Unutilised tax losses S$'000**	**Unabsorbed capital allowances S$'000**	**Total S$'000**
The Group				
At 1 January 2014	(4,485)	–	–	(4,485)
Recognised in profit or loss (Note 23)	(298)	4,183	1,399	5,284
At 31 December 2014	(4,783)	4,183	1,399	799
Recognised in profit or loss (Note 23)	16	33	42	91
At 31 March 2016	(4,767)	4,216	1,441	890
The Company				
At 1 January 2014	–	–	–	–
Recognised in profit or loss	–	154	–	154
At 31 December 2014 and 31 March 2016	–	154	–	154

Unrecognised temporary differences relating to investments in subsidiaries

On 22 February 2008, the Ministry of Finance and the State Administration of Taxation of the PRC issued a joint circular Caishui [2008] No. 1 which states that the distribution of dividends after 1 January 2008 from profits derived before 1 January 2008 will be exempted from withholding tax on distribution to non-resident shareholders. Whereas, dividends distributed out of profits generated thereafter, shall be subject to Enterprise Income Tax ("EIT") at 10% and withheld by foreign invested enterprises, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Regulations. Non-resident shareholders in countries under double tax treaty with the PRC may enjoy a reduced withholding tax at 5% if certain conditions are met.

Accordingly, there would be no deferred tax liabilities arising from any undistributed profits accumulated up till 31 December 2007 (the "exemption period"). After the exemption period, deferred tax liabilities would be required to the extent per FRS 12 *Income Taxes* on profits accumulated from 1 January 2008.

At the end of the reporting period, no deferred tax liabilities have been recognised as the subsidiary in the PRC do not have undistributed earnings.

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7 DEFERRED TAX ASSETS (CONTINUED)

Unrecognised temporary differences relating to unused tax losses and credits

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

	2016 S$'000	2014 S$'000
The Group		
Unutilised tax losses	35,335	–
Unabsorbed capital allowances	7,118	–
	42,453	–

The unutilised tax losses and unabsorbed capital allowances are allowed to be carried forward and used to offset against future taxable profits of the subsidiaries in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the subsidiaries operate. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the subsidiaries can utilise the benefits.

The unutilised tax losses and unabsorbed capital allowances have no expiry date under the respective tax jurisdictions, except for the following amounts of unutilised tax losses:

	2016 S$'000	2014 S$'000
The Group		
Expiring in:		
– 2018	242	251
– 2019	203	211
– 2020	260	–
	705	462

8 INVENTORIES

	2016 S$'000	2014 S$'000
The Group		
Construction materials	5,208	6,276

The costs of inventories recognised in cost of sales amounted to S$23,264,000 (2014: S$34,305,000) for the financial period ended 31 March 2016 (Note 25).

For the financial period ended 31 March 2016, due to the decline in selling prices and the obsolescence of certain inventories, the Group wrote down S$417,000 (2014: S$Nil) of the inventories to their net realisable values (Note 25).

NOTES TO THE FINANCIAL STATEMENTS
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9 DEVELOPMENT PROPERTY

	2016 S$'000	2014 S$'000
The Group		
Cost of freehold land	13,622	13,622
Development costs	5,074	2,318
	18,696	15,940
Allowance for write-down	(8,496)	–
	10,200	15,940

Included in development property are borrowing costs of S$265,000 (2014: S$177,000) capitalised at a rate of 3.25% (2014: 1.88%) per annum.

For the financial period ended 31 March 2016, due to the decline in selling prices of comparable properties, the Group made an allowance to write down the development property to its net realisable value. Accordingly, S$8,496,000 was recognised in the Group's profit or loss (Note 21).

The development property has been mortgaged to financial institutions to secure loans, bank overdrafts and bills payable for the Group (Note 17).

10 CONTRACTS WORK IN PROGRESS

	2016 S$'000	2014 S$'000
The Group		
Contract costs incurred	323,494	507,500
Attributable profits less recognised losses to date	(26,504)	109,389
	296,990	616,889
Less: Progress billings	(272,175)	(521,435)
	24,815	95,454
Represented by:		
Contracts work in progress	24,993	95,697
Excess of progress billings over contracts work in progress (Note 18)	(178)	(243)
	24,815	95,454

Retention sums on construction contracts amount to S$814,000 (2014: S$Nil).

Included in contracts work in progress is S$4,000 (2014: S$5,000) from joint operation.

NOTES TO THE FINANCIAL STATEMENTS
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11 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2016	2014	2016	2014
	S$'000	S$'000	S$'000	S$'000
Trade receivables from third parties	25,414	22,016	–	–
Less: Allowance for impairment losses	(266)	(178)	–	–
	25,148	21,838	–	–
Accrued receivables	3,881	3,556	–	–
Amounts due from subsidiaries (non-trade)	–	–	2,425	42,262
Deposits	983	1,099	–	–
Staff loans	6	6	–	–
Other receivables	1,038	561	–	–
Loans and receivables	31,056	27,060	2,425	42,262
Tax recoverable	–	839	–	9
Prepayments	3,358	3,024	11	–
	34,414	30,923	2,436	42,271

The movement in allowance for impairment losses in respect of trade receivables is as follows:

	The Group		The Company	
	2016	2014	2016	2014
	S$'000	S$'000	S$'000	S$'000
At beginning of period/year	178	–	–	–
Allowance made (Note 21)	148	178	–	–
Allowance utilised	(60)	–	–	–
At end of period/year	266	178	–	–

Trade receivables that have been determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties or have defaulted on payments. These trade receivables are not secured by any collateral or credit enhancements.

The non-trade amounts due from subsidiaries, which represent advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2016	2014	2016	2014
	S$'000	S$'000	S$'000	S$'000
Singapore dollar	28,392	20,456	2,436	42,271
Brunei dollar	–	7,152	–	–
Renminbi	4,732	2,204	–	–
Sri Lankan rupee	1,290	1,111	–	–
	34,414	30,923	2,436	42,271

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11 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group generally extends credit period of 30 to 60 days (2014: 30 to 60 days) to customers, depending on the length of business relationship, payment history, background and financial strength of the customers. The Group actively reviews the trade receivable balances and follow up on outstanding debts with the customers.

The credit risk for trade receivables based on the information provided to key management is as follows:

	2016 S$'000	2014 S$'000
The Group		
By geographical area		
Singapore	20,700	17,346
Brunei	–	3,561
China	4,100	931
Sri Lanka	348	–
	25,148	21,838

The ageing analysis of trade receivables is as follows:

	Gross 2016 S$'000	Impairment losses 2016 S$'000	Gross 2014 S$'000	Impairment losses 2014 S$'000
The Group				
Not past due	15,990	–	13,269	–
Past due 0 to 30 days	2,407	–	5,279	–
Past due 31 to 60 days	1,238	–	1,054	–
Past due over 60 days	5,779	(266)	2,414	(178)
	25,414	(266)	22,016	(178)

Based on historical default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables as they mainly arise from customers that have a good credit record with the Group.

12 OTHER INVESTMENTS

	2016 S$'000	2014 S$'000
The Group		
Financial assets designated at fair value through profit or loss:		
At beginning of period/year	85	88
Net change in fair value recognised in profit or loss (Note 21)	(36)	(3)
Disposals	(38)	–
At end of period/year	11	85
Represented by:		
Quoted equity investments	11	85

NOTES TO THE FINANCIAL STATEMENTS

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12 OTHER INVESTMENTS (CONTINUED)

The fair value of quoted equity investments is determined by reference to stock exchange quoted bid prices.

The other investments are denominated in the following currencies:

	2016 S$'000	2014 S$'000
The Group		
Singapore dollar	11	35
Malaysian ringgit	–	50
	11	85

13 CASH AND BANK BALANCES AND FIXED DEPOSITS

	The Group		The Company	
	2016 S$'000	2014 S$'000	2016 S$'000	2014 S$'000
Cash in banks	14,225	12,937	23	52
Cash on hand	71	72	–	–
	14,296	13,009	23	52
Fixed deposits	3,810	7,186	–	–
	18,106	20,195	23	52

The fixed deposits of S$3,810,000 (2014: S$7,186,000) for the Group were pledged to financial institutions to secure loans, bank overdrafts and bills payable (Note 17) and other banking facilities, such as bankers' guarantees.

The fixed deposits had a weighted average maturity of 214 days (2014: 205 days) from the end of the reporting period with a weighted average effective interest rate of 0.65% (2014: 0.50%) per annum at the end of the reporting period.

Cash and bank balances and fixed deposits are denominated in the following currencies:

	The Group		The Company	
	2016 S$'000	2014 S$'000	2016 S$'000	2014 S$'000
Singapore dollar	17,574	14,952	23	52
Brunei dollar	–	1,674	–	–
Malaysian ringgit	52	1,610	–	–
Renminbi	441	553	–	–
Sri Lankan rupee	39	1,406	–	–
	18,106	20,195	23	52

NOTES TO THE FINANCIAL STATEMENTS

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13 CASH AND BANK BALANCES AND FIXED DEPOSITS (CONTINUED)

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2016 S$'000	2014 S$'000
The Group		
Cash and bank balances	14,296	13,009
Less: Bank overdrafts (Note 17)	(8,462)	(11,479)
Less: Cash restricted in use	(3,262)	–
	2,572	1,530

14 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 9 October 2015, Teacly (S) Pte. Ltd. entered into a conditional option to purchase agreement with Double-Trans Pte Ltd ("Double-Trans"), pursuant to which Teacly will sell the leasehold property at 4 Sungei Kadut Street 2 for a cash consideration of S$6,800,000. On 31 May 2016, Double-Trans exercised the option.

On 10 March 2016, Ley Choon Constructions and Engineering Pte. Ltd. ("LCCE") entered into a Letter of Offer with Samwoh Premix Pte. Ltd., where LCCE will sell the property at 55 Kranji Crescent, and the asphalt premix manufacturing plant, together with all plant and equipment in connection therewith, situated at the property for an aggregate consideration of S$12,300,000. On 19 May 2016, LCCE entered into a conditional sale and purchase agreement with Samwoh Premix Pte. Ltd. on the aforesaid.

The Group has been undergoing a debt restructuring programme with its lenders which encompasses disposal of non-core assets and non-core businesses. In line with the debt restructuring plan, the Group has undertaken the disposals.

Accordingly, the non-current assets, being the leasehold properties and plant and equipment, which were reported in the pipes and roads segment and construction materials segment, were classified as held for sale as at 31 March 2016. There was no impairment loss arising on the remeasurement of the non-current assets to the lower of their carrying amount and fair value less costs to sell.

The non-current assets comprise the following:

	2016 S$'000
The Group	
Leasehold properties	
– Cost	7,860
– Accumulated depreciation	(2,638)
	5,222
Plant and equipment	
– Cost	4,250
– Accumulated depreciation	(1,818)
	2,432
	7,654

NOTES TO THE FINANCIAL STATEMENTS
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15 SHARE CAPITAL

	The Group		The Company	
	2016	2014	2016	2014
The Group and the Company	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Issued and fully paid, with no par value				
592,406,996 ordinary shares at beginning and end of period/year	71,117	71,117	137,336	137,336

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

16 OTHER RESERVES

	The Group		The Company	
	2016	2014	2016	2014
	S$'000	**S$'000**	**S$'000**	**S$'000**
Foreign currency translation reserve	489	1,549	–	–
Equity component of convertible bonds	146	146	146	146
Assets distributed to entitled shareholders	–	–	(1,127)	(1,127)
	635	1,695	(981)	(981)

Foreign currency translation reserve

Foreign currency translation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the Group's presentation currency.

Equity component of convertible bonds

This represents the residual amount of convertible bonds after deducting the fair value of the liability component. This amount is presented net of tax and any transaction costs arising from the convertible bonds.

Assets distributed to entitled shareholders

Entitled shareholders are shareholders of the Company as at 24 July 2012, prior to the completion of the reverse takeover ("RTO") exercise in 2012. Net assets distributed to entitled shareholders relate to trade and other receivables due to the Company prior to the completion of the RTO, which were collected and distributed to the entitled shareholders.

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17 BORROWINGS

	The Group		The Company	
	2016	2014	2016	2014
	S$'000	S$'000	S$'000	S$'000
Non-current				
Obligations under finance leases	3,927	6,473	–	–
Loans from financial institutions	–	22,231	–	–
Convertible bonds	–	14,609	–	14,609
	3,927	43,313	–	14,609
Current				
Obligations under finance leases	3,803	6,995	–	–
Loans from financial institutions	54,976	44,881	–	–
Bank overdrafts	8,462	11,479	–	–
Bills payable to banks	21,484	33,137	–	–
Convertible bonds	14,801	–	14,801	–
Loans from controlling shareholders	3,279	–	3,279	–
	106,805	96,492	18,080	–
	110,732	139,805	18,080	14,609

Obligations under finance leases

	2016	2014
	S$'000	S$'000
The Group		
Minimum lease payments payable:		
Due not later than one year	3,922	7,286
Due later than one year and not later than five years	4,068	6,656
	7,990	13,942
Less: Finance charges allocated to future periods	(260)	(474)
Present value of minimum lease payments	7,730	13,468
Present value of minimum lease payments:		
Due not later than one year	3,803	6,995
Due later than one year and not later than five years	3,927	6,473
	7,730	13,468
Represented by:		
Current	3,803	6,995
Non-current	3,927	6,473
	7,730	13,468

It is the Group's policy to lease certain property, plant and equipment under finance leases. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance leases are secured by the underlying assets, comprising plant and equipment and motor vehicles with carrying amount of S$14,904,000 (2014: S$15,444,000) and S$2,584,000 (2014: S$7,042,000), respectively, for the Group (Note 4).

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17 BORROWINGS (CONTINUED)

Convertible bonds

	2016 S$'000	2014 S$'000
The Group and the Company		
Proceeds from convertible bonds	15,000	15,000
Less: Transaction costs	(321)	(321)
Net proceeds	14,679	14,679
Less: Equity component	(146)	(146)
Liability component at beginning of period/year	14,533	14,533
Add: Accreted interest	268	76
Liability component at end of period/year	14,801	14,609

The amount of convertible bonds classified as equity of S$146,000 is net of attributable transaction costs of S$3,000.

The convertible bonds were issued on 15 May 2014. They are convertible into ordinary shares of the Company at a fixed conversion price of S$0.1929 per share at the option of the holder, at any time on or after two years from 15 May 2014.

Terms and debt repayment schedule

The terms and conditions of borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	Face value S$'000	Carrying amount S$'000
The Group					
2016					
Obligations under finance leases	SGD	1.95% to 3.82%	2017 to 2020	7,990	7,730
Loans from financial institutions	SGD	2.16% to 5.50%	*	54,976	54,976
Bank overdrafts	SGD	5.50% to 9.83%	–	8,462	8,462
Bills payable to banks	SGD	3.68% to 4.53%	*	21,484	21,484
Convertible bonds	SGD	6.70%	*	15,000	14,801
Loans from controlling shareholders	SGD	6.00%	2017	3,279	3,279
				111,191	110,732
2014					
Obligations under finance leases	SGD	2.08% to 9.33%	2015 to 2019	13,942	13,468
Loans from financial institutions	SGD	2.17% to 7.00%	2015 to 2019	67,112	67,112
Bank overdrafts	SGD	4.41% to 7.55%	–	11,479	11,479
Bills payable to banks	SGD	2.53% to 4.70%	2015	33,137	33,137
Convertible bonds	SGD	6.70%	2017	15,000	14,609
				140,670	139,805
The Company					
2016					
Convertible bonds	SGD	6.70%	*	15,000	14,801
Loans from controlling shareholders	SGD	6.00%	2017	3,279	3,279
				18,279	18,080
2014					
Convertible bonds	SGD	6.70%	2017	15,000	14,609

* Repayable on demand due to default on repayments and/or breach in covenants

17 BORROWINGS (CONTINUED)

Loans from financial institutions, bank overdrafts and bills payable to banks are secured by the following:

(a) legal mortgage over the Group's leasehold properties (Note 4);
(b) legal mortgage over the Group's development property (Note 9);
(c) fixed deposits of the Group (Note 13); and/or
(d) corporate guarantees by the Company.

Default on repayments and breach in covenants

During the financial period, the Group appointed Ernst & Young Advisory Pte. Ltd. and Messrs Rajah & Tann Singapore LLP (the "Professional Advisors") to review its business, overall financial position and commitments with the objective of deciding on and implementing strategies and plans to address potential business and financial challenges which included a restructuring of the Group's debt profile.

With the assistance of the Professional Advisors, a Lenders' Meeting was convened to request for a moratorium on principal and interest repayments, pending the review, formulation and recommendation of an appropriate debt restructuring plan for the approval of the Lenders.

The moratorium gave rise to an inadvertent default on repayments and/or breach in covenants in respect of the Group's borrowings, which amounted to S$69,777,000 (2014: S$6,223,000) at the end of the reporting period. Accordingly, the carrying amounts of these borrowings became repayable on demand and have been classified as current liabilities.

Carrying amounts and fair values

The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts and fair values of long-term borrowings at the end of the reporting period are as follows:

	Carrying amount S$'000	Fair value S$'000
The Group		
2016		
Obligations under finance leases	7,730	7,928
2014		
Obligations under finance leases	13,468	13,877
Loans from financial institutions	67,112	69,594
Convertible bonds	14,609	15,558
	95,189	99,029

The fair values are determined from the discounted cash flow analyses, using the discount rates based upon the borrowing rates which the directors expect would be available to the Group and the Company at the end of the reporting period, as follows:

	The Group		The Company	
	2016 %	2014 %	2016 %	2014 %
Obligations under finance leases	2.56	3.04	–	–
Loans from financial institutions	–	3.70	–	–
Convertible bonds	–	6.50	–	6.50

No adjustment has been made to fair values as the differences between the carrying amounts and fair values are not significant to the Group and the Company.

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18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2016	**2014**	**2016**	**2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Trade payables to third parties	42,966	37,089	150	75
Amounts due to subsidiaries (non-trade)	–	–	29,094	235
Amount due to joint operation partner (non-trade)	–	1,905	–	–
Accrued expenses	6,651	6,697	820	44
Output taxes, net	412	175	–	–
Other payables	557	192	161	104
Excess of progress billings over contracts work in progress (Note 10)	178	243	–	–
	50,764	46,301	30,225	458

The average credit period taken to settle trade payables is approximately 60 days (2014: 60 days).

The non-trade amounts due to subsidiaries and joint operation partner, which represent advances from and payments on behalf by the subsidiaries and joint operation partner, are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2016	**2014**	**2016**	**2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore dollar	36,849	27,986	30,225	458
Brunei dollar	–	9,389	–	–
Malaysian ringgit	1	2	–	–
Renminbi	6,642	2,400	–	–
Sri Lankan rupee	7,272	6,524	–	–
	50,764	46,301	30,225	458

19 PROVISIONS

	2016	**2014**
	S$'000	**S$'000**
The Group		
Provision for legal claims and damages	741	106
Provision for liquidated damages	1,700	6,101
	2,441	6,207

NOTES TO THE FINANCIAL STATEMENTS

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19 PROVISIONS (CONTINUED)

The movement in provisions is as follows:

	Provision for legal claims and damages S$'000	Provision for liquidated damages S$'000	Total S$'000
The Group			
At 1 January 2014	106	–	106
Provisions made	–	6,101	6,101
At 31 December 2014	106	6,101	6,207
Provisions made	741	842	1,583
Provisions reversed	(106)	(3,016)	(3,122)
	635	(2,174)	(1,539)
Provisions utilised	–	(2,227)	(2,227)
At 31 March 2016	741	1,700	2,441

Provision for legal claims and damages

The provision relates to a claim by a customer against the Group for the failure to comply with the necessary work requirements and damages caused by a project on the laying of gas transmission pipeline. The provision is based on management's estimate of the fines to be paid. In addition, there is claim by a subcontractor for its work done on a project for the construction of aircraft parking apron, which the Group is disputing and has not made payment. The provision made represents management's estimate of the settlement consideration.

Provision for liquidated damages

Provision for liquidated damages is estimated based on the expected potential claims from customers of the Group.

20 OTHER INCOME

	2016 S$'000	2014 S$'000
The Group		
Dividend income from other investments	2	1
Gain/(Loss) on disposal of property, plant and equipment	137	(24)
Government grants	658	411
Income from supply of labour	781	540
Insurance compensation received	256	206
Interest income	54	28
Rental income	220	226
Sale of scrap materials	552	701
Sundry income	1,580	1,411
	4,240	3,500

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21 OTHER OPERATING EXPENSES

	2016 S$'000	2014 S$'000
The Group		
Additional buyer's stamp duty	899	–
Exchange loss, net	259	392
Fair value loss on other investments (Note 12)	36	3
Impairment losses on property, plant and equipment (Note 4)	–	8,507
Impairment losses on trade receivables (Note 11)	148	178
Loss on disposal of investment property	–	502
Provision for legal claims and damages	635	–
Trade receivables written off	–	539
Write-down on development property (Note 9)	8,496	–
Others	265	6
	10,738	10,127

22 FINANCE COSTS

	2016 S$'000	2014 S$'000
The Group		
Interest expenses on:		
– loans from financial institutions	4,683	1,979
– bank overdrafts	661	399
– bills payable to banks	1,530	1,925
– finance leases	420	434
– convertible bonds	1,279	510
– loans from controlling shareholders	165	–
	8,738	5,247

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23 TAXATION

	2016 S$'000	2014 S$'000
The Group		
Current taxation – continuing operations		
– current year	–	289
– under/(over) provision in respect of prior years	509	(1,462)
	509	(1,173)
Deferred taxation – continuing operations		
– origination and reversal of temporary differences	–	(5,104)
– over provision in respect of prior years	(91)	(180)
	(91)	(5,284)
Taxation attributable to continuing operations	418	(6,457)
Current taxation – discontinued operation		
– current year	–	14
Taxation attributable to discontinued operation (Note 24)	–	14
Total taxation	418	(6,443)
Current taxation		
– continuing operations	509	(1,173)
– discontinued operation	–	14
	509	(1,159)
Deferred taxation (Note 7)		
– continuing operations	(91)	(5,284)
Total taxation	418	(6,443)

The tax expense on the results of the financial period/year varies from the amount of income tax determined by applying the applicable rate of income tax on (losses)/profits as a result of the following:

	2016 S$'000	2014 S$'000
The Group		
Loss before taxation from continuing operations	(62,961)	(42,570)
Profit before taxation from discontinued operation (Note 24)	1	239
Loss before taxation	(62,960)	(42,331)
Tax at statutory rates applicable to different jurisdictions	(11,096)	(6,973)
Tax effect on non-deductible expenses	4,091	2,415
Tax effect on non-taxable income	(175)	(249)
Tax exempt income and incentives	128	(44)
Deferred tax assets on temporary differences not recognised	7,238	–
Utilisation of deferred tax assets on temporary differences not recognised in prior years	–	(247)
Under/(Over) provision of current taxation in respect of prior years	509	(1,462)
Over provision of deferred taxation in respect of prior years	(91)	(180)
Utilisation of group relief	(173)	–
Others	(13)	297
	418	(6,443)

NOTES TO THE FINANCIAL STATEMENTS

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23 TAXATION (CONTINUED)

Singapore

The corporate income tax rate applicable to the Company and the Singapore-incorporated subsidiaries is 17% (2014: 17%) for the financial period ended 31 March 2016.

China

In accordance with the Enterprise Income Tax ("EIT") Law of the PRC, Ley Choon (Yantai) Eco-Green Construction Material Ltd. is subject to the applicable EIT rate of 25% (2014: 25%) for the financial period ended 31 March 2016.

Malaysia

The corporate income tax rate applicable to Ley Choon (M) Sdn. Bhd. is 25% (2014: 25%) for the financial period ended 31 March 2016.

Sri Lanka

The corporate income tax rate applicable to Sri Lanka branch office of Teacly (S) Pte. Ltd. is 28% (2014: 28%) for the financial period ended 31 March 2016.

For the financial year ended 31 December 2014, non-deductible expenses mainly relate to impairment losses on property, plant and equipment.

For the financial period ended 31 March 2016, non-deductible expenses mainly relate to depreciation of non-qualifying property, plant and equipment, and write-down on development property.

24 DISCONTINUED OPERATION

On 31 May 2015, Ley Choon Constructions and Engineering Pte. Ltd. ("LCCE") entered into a conditional sale and purchase agreement with Nur EWC Sdn. Bhd. and Musa Bin Haji Adnin, pursuant to which LCCE will sell its 51% equity interest, representing 255,000 shares, in Ley Choon EWC Sdn. Bhd. ("LCEWC") to the purchasers for an aggregate consideration of S$486,570. LCEWC represents the geographical area of operations of the Group in Brunei, and is reported in the pipes and roads segment. The disposal is part of an internal restructuring exercise undertaken by the Group and is consistent with the Group's commitment to optimise profitability and operations.

Accordingly, the results relating to LCEWC have been presented in the consolidated statement of profit or loss and other comprehensive income as "profit from discontinued operation, net of tax". LCEWC was not previously presented as discontinued operation for the financial year ended 31 December 2014 or classified as held for sale as at 31 December 2014, and thus the comparative statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

The disposal of LCEWC was completed in June 2015.

NOTES TO THE FINANCIAL STATEMENTS

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24 DISCONTINUED OPERATION (CONTINUED)

Results of discontinued operation

	Note	2016 S$'000	2014 S$'000
The Group			
Revenue	3	7,315	25,263
Expenses		(7,308)	(24,998)
Finance costs		(13)	(26)
Gain on disposal of subsidiary		7	–
Profit before taxation		1	239
Taxation	23	–	(14)
Profit from discontinued operation, net of tax		1	225
Profit attributable to:			
Owners of the Company		1	116
Non-controlling interest		–	109
		1	225
Basic and diluted earnings per share (Singapore cent)	26	–	0.02

Earnings per share from discontinued operation

The basic and diluted loss per share from discontinued operation is calculated by dividing the profit from discontinued operation, net of tax, attributable to owners of the Company of S$1,000 (2014: S$116,000), by the weighted average number of ordinary shares outstanding of 592,406,996 (2014: 592,406,996) (Note 26).

Cash flows attributable to discontinued operation

	2016 S$'000	2014 S$'000
The Group		
Net cash (used in)/generated from operating activities	(879)	906
Net cash used in investing activities	(31)	(458)
Net cash generated from/(used in) financing activities	1,084	(160)
Net cash inflows for the period/year	174	288

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FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

25 LOSS FOR THE PERIOD/YEAR

	2016 S$'000	2014 S$'000
The Group		
Loss for the period/year has been arrived at after charging:		
Amortisation of land use rights	90	74
Cost of inventories recognised in cost of sales	23,264	34,305
Depreciation of plant and equipment	15,698	10,156
Operating lease expenses	2,281	2,237
Provision for foreseeable losses	517	321
Provision for liquidated damages (reversed)/made	(2,174)	6,101
Write-down on inventories	417	–
Audit fees paid/payable to:		
– auditor of the Company	290	338
– other auditors	11	–
Non-audit fees paid/payable to:		
– auditor of the Company	–	68
Staff costs		
Directors:		
Directors' fees	206	175
Directors' remuneration other than fees:		
– salaries and other related costs	1,323	1,727
– contributions to defined contribution plans	59	47
	1,588	1,949
Key management personnel (other than directors):		
– salaries and other related costs	2,325	802
– contributions to defined contribution plans	174	93
	2,499	895
Total key management personnel compensation	4,087	2,844
Other than key management personnel:		
– salaries and other related costs	47,114	47,568
– contributions to defined contribution plans	1,637	1,320
	48,751	48,888
	52,838	51,732

26 LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the loss attributable to ordinary shareholders of S$63,378,000 (2014: S$35,997,000), and a weighted average number of ordinary shares outstanding of 592,406,996 (2014: 592,406,996), calculated as follows:

(Loss)/Profit attributable to ordinary shareholders

	Continuing operations S$'000	Discontinued operation S$'000	Total S$'000
The Group			
2016			
(Loss)/Profit attributable to ordinary shareholders	(63,379)	1	(63,378)
2014			
(Loss)/Profit attributable to ordinary shareholders	(36,113)	116	(35,997)

Weighted average number of ordinary shares

	2016 '000	2014 '000
The Group		
Issued ordinary shares at beginning and end of period/year (Note 15)	592,407	592,407
Weighted average number of ordinary shares during the period/year	592,407	592,407

(Loss)/Earnings per share attributable to ordinary shareholders

	Continuing operations	Discontinued operation	Total
The Group			
2016			
Loss per share attributable to ordinary shareholders (Singapore cent)	(10.70)	–	(10.70)
2014			
(Loss)/Earnings per share attributable to ordinary shareholders (Singapore cent)	(6.10)	0.02	(6.08)

At the end of the reporting period, the convertible bonds were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive.

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27 EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Performance Share Plan ("PSP") was approved by the Company's members at an Extraordinary General Meeting held on 30 October 2009. The PSP is administered by the Committee with such discretion, powers and duties as will be conferred on it by the Board of Directors.

The objectives of the PSP are as follows:

(a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(b) to provide an opportunity for participants of the PSP to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The PSP shall continue to be in force, subject to a maximum period of ten years commencing on the date on which the PSP comes into effect, provided always that the PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by an ordinary resolution in the general meeting and of any relevant authorities which may then be required.

No employee or director has received 5% or more of the total number of shares available under the PSP.

No performance shares have been allotted and issued to any employees or directors of the Company since its commencement.

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the financial statements, transactions with related parties based on terms agreed between parties are as follows:

	2016 S$'000	2014 S$'000
The Group		
Services rendered by holding company	28	18
Purchases from a company in which a director has control	–	30

The directors are of the opinion that the transactions above have been entered in normal course of businesses and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

29 COMMITMENTS

29.1 Capital commitments

	2016 S$'000	2014 S$'000
The Group		
Capital expenditure contracted but not provided for in the financial statements	–	6,200

29.2 Operating lease commitments (non-cancellable)

At the end of the reporting period, the Group was committed to making the following payments in respect of non-cancellable operating leases of land, buildings and offices:

	2016 S$'000	2014 S$'000
The Group		
Not later than one year	1,711	1,303
Later than one year and not later than five years	3,050	2,826
Later than five years	914	1,803
	5,675	5,932

The leases on which rentals are payable will expire between 30 June 2016 and 31 August 2025, and the current rent payable on the leases ranges from S$2,000 to S$38,000 per month.

The leases have no renewal option or contingent rent provision included in the contracts.

30 OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies.

For each of the strategic business unit, the Group's CEO, who is the chief operating decision maker, monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. The Group's CEO reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

(i) Pipes and roads segment which comprises underground utilities infrastructure construction and maintenance; sewer pipeline rehabilitation; and road and airfield construction and maintenance.

(ii) Construction materials segment which comprises asphalt pre-mix production; and construction waste recycling.

There are no operating segments that have been aggregated to form the above reportable operating segments.

Other operations relate to general corporate activities and others.

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30 OPERATING SEGMENTS (CONTINUED)

Information regarding the results of each reportable segment is included in the following tables. Performance is measured based on segment profit (before taxation and unallocated expenses), as included in the internal management reports that are reviewed by the Group's CEO, which in certain respects, as explained in the following tables, is different from profit in the consolidated financial statements. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

The Group's income taxes are managed on a group basis and are not allocated to operating segments.

	Pipes and roads S$'000	Construction materials S$'000	Others S$'000	Total S$'000
2016				
External revenue	102,851	13,585	–	116,436
Inter-segment revenue	39,622	15,225	–	54,847
Total revenue	142,473	28,810	–	171,283
Interest income	–	–	54	54
Interest expenses	(433)	(103)	(8,215)	(8,751)
Depreciation and amortisation	(8,470)	(1,760)	(5,558)	(15,788)
Provision for liquidated damages reversed	2,174	–	–	2,174
Write-down on development property	–	–	(8,496)	(8,496)
Reportable segment (loss)/profit before tax	(27,041)	1,429	(37,348)	(62,960)
Reportable segment assets	85,426	17,935	66,602	169,963
Capital expenditure	2,828	383	1,060	4,271
Reportable segment liabilities	64,631	11,884	87,422	163,937
2014				
External revenue	147,299	9,492	–	156,791
Inter-segment revenue	64,170	26,031	–	90,201
Total revenue	211,469	35,523	–	246,992
Interest income	–	–	28	28
Interest expenses	(460)	–	(4,813)	(5,273)
Depreciation and amortisation	(7,583)	(965)	(1,682)	(10,230)
Impairment losses on property, plant and equipment	(1,935)	(116)	(6,456)	(8,507)
Provision for liquidated damages made	(6,101)	–	–	(6,101)
Reportable segment (loss)/profit before tax	(18,472)	3,753	(27,612)	(42,331)
Reportable segment assets	168,104	15,304	79,829	263,237
Capital expenditure	13,829	4,679	8,803	27,311
Reportable segment liabilities	72,742	7,826	111,745	192,313

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30 OPERATING SEGMENTS (CONTINUED)

Reconciliations of segment amounts to consolidated financial statements

	2016 S$'000	2014 S$'000
Revenue		
Total revenue for reportable segments	171,283	246,992
Elimination of inter-segment revenue	(54,847)	(90,201)
Consolidated revenue	116,436	156,791
Profit or loss		
Total loss for reportable segments	(25,613)	(14,958)
Impairment losses on property, plant and equipment	–	(6,456)
Other corporate expenses	(37,348)	(21,156)
Loss before tax from continuing operations	(62,961)	(42,570)
Profit before tax from discontinued operation	1	239
Consolidated loss before tax	(62,960)	(42,331)
Assets		
Total assets for reportable segments	103,361	183,408
Development property	10,200	15,940
Property, plant and equipment	21,507	33,576
Other unallocated assets	34,895	30,313
Consolidated total assets	169,963	263,237
Liabilities		
Total liabilities for reportable segments	76,515	80,568
Borrowings	82,027	93,628
Other unallocated liabilities	5,395	18,117
Consolidated total liabilities	163,937	192,313

Geographical information

The pipes and roads and construction materials businesses are managed on a worldwide basis and the Group operates principally in Singapore, China, Brunei and Sri Lanka.

In presenting information on the basis of geographical areas of operations, segment revenue is based on the geographical locations of customers and segment assets are based on the geographical locations of the assets.

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30 OPERATING SEGMENTS (CONTINUED)

Geographical information (Continued)

	2016 S$'000	2014 S$'000
Revenue		
Singapore	96,923	129,120
Brunei	7,315	25,263
China	6,357	1,287
Sri Lanka	5,841	1,121
Consolidated revenue	116,436	156,791
Non-current assets*		
Singapore	52,168	76,407
Brunei	–	1,942
China	13,615	14,245
Sri Lanka	2,704	728
Consolidated non-current assets	68,487	93,322

* Non-current assets comprise property, plant and equipment, land use rights, development property and club membership.

Major customers

During the financial period ended 31 March 2016, revenue from certain customers (named alphabetically A to E) of the Group's pipes and roads segment represent approximately S$89,306,000 (2014: S$124,734,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue for the current financial period or previous financial year are as follows:

	2016 S$'000	2016 %	2014 S$'000	2014 %
Customer A	43,203	37	41,255	26
Customer B	15,189	13	32,371	21
Customer C	12,631	11	21,075	13
Customer D	12,442	11	11,131	7
Customer E	5,841	5	18,902	12
Total	89,306	77	124,734	79

31 DIVIDENDS

	2016 S$'000	2014 S$'000
The Group and the Company		
Final tax-exempt (one-tier) dividend of nil Singapore cent (2014: 0.25 Singapore cent) per share paid in respect of the previous financial year	–	1,482

At the Annual General Meeting on 25 April 2014, a final tax-exempt (one-tier) dividend of 0.25 Singapore cent per share amounting to S$1,482,000 was approved by the shareholders. These dividends paid were accounted for as a reduction in equity as a distribution of retained earnings for the financial year ended 31 December 2014.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 32.3) and foreign currency risk (Note 32.4).

The Group does not hold or issue derivative financial instruments for trading purposes.

32.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

The Group's trade receivables comprise three major debtors (2014: two major debtors) that represented 56% (2014: 41%) of trade receivables.

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

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32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.1 Credit risk (Continued)

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except for letters of financial support and corporate guarantee issued by the Company to and on behalf of a subsidiary.

As at 31 March 2016, the Company has issued corporate guarantees to financial institutions for the borrowings undertaken by its subsidiaries (Note 17). These borrowings amounted to S$92,652,000 as at 31 March 2016. The credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiaries.

The current interest rates charged by the lenders on the loans to the subsidiaries are at market rates and are consistent with the borrowing costs of the subsidiaries without any corporate guarantee.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the corporate guarantees.

To mitigate credit risk arising from corporate guarantees, management continually monitors the risk and has established processes including performing credit evaluations of the parties for which the Group provides corporate guarantees. Corporate guarantees are only for intra-group financing purposes and given by the Company on behalf of its subsidiaries.

The Group's and the Company's major classes of financial assets are bank deposits and/or trade receivables. Cash is held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 11.

32.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.2 Liquidity risk (Continued)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

	Carrying amount S$'000	Contractual cash flows S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000
The Group				
2016				
Non-derivative financial liabilities				
Trade and other payables* (Note 18)	50,586	50,586	50,586	–
Borrowings (Note 17)	110,732	110,992	106,924	4,068
	161,318	161,578	157,510	4,068
2014				
Non-derivative financial liabilities				
Trade and other payables* (Note 18)	46,058	46,058	46,058	–
Borrowings (Note 17)	139,805	144,767	99,054	45,713
	185,863	190,825	145,112	45,713
The Company				
2016				
Non-derivative financial liabilities				
Trade and other payables* (Note 18)	30,225	30,225	30,225	–
Borrowings (Note 17)	18,080	18,080	18,080	–
Intragroup financial guarantees	92,652	92,912	88,844	4,068
	140,957	141,217	137,149	4,068
2014				
Non-derivative financial liabilities				
Trade and other payables* (Note 18)	458	458	458	–
Borrowings (Note 17)	14,609	17,438	975	16,463
	15,067	17,896	1,433	16,463

* Exclude excess of progress billings over contracts work in progress

The Group has contractual commitments to incur capital expenditure for the purchase of property, plant and equipment (Note 29.1).

Except for the Company's cash flows arising from its intra-group corporate guarantees (Note 32.1), it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the intra-group corporate guarantees.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The Group and the Company ensure that there are adequate funds to meet all their obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient level of cash and bank balances to meet their working capital requirements.

NOTES TO THE FINANCIAL **STATEMENTS**
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

32 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (CONTINUED)

32.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from bank overdrafts, bills payable to banks and bank balances at floating rates. Finance leases, loans from financial institutions, convertible bonds, loans from controlling shareholders and fixed deposits bear interest at fixed rates. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group		The Company	
	2016	**2014**	**2016**	**2014**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Fixed rate instruments				
Financial assets				
– fixed deposits	3,810	7,186	–	–
Financial liabilities				
– obligations under finance leases	7,730	13,468	–	–
– loans from financial institutions	54,976	67,112	–	–
– convertible bonds	14,801	14,609	14,801	14,609
– loans from controlling shareholders	3,279	–	3,279	–
	80,786	95,189	18,080	14,609
	(76,976)	(88,003)	(18,080)	(14,609)
Variable rate instruments				
Financial assets				
– bank balances	14,225	12,937	23	52
Financial liabilities				
– bank overdrafts	8,462	11,479	–	–
– bills payable to banks	21,484	33,137	–	–
	29,946	44,616	–	–
	(15,721)	(31,679)	23	52

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had been 100 (2014: 100) basis points higher/lower with all other variables held constant, the Group's results net of tax and equity would have been S$157,000 (2014: S$317,000) lower/higher, arising mainly as a result of higher/lower interest expenses on floating rate bills payable to banks and bank overdrafts, offset by higher/lower interest income from floating rate bank balances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.3 Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments (Continued)

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's and the Company's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

32.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group has transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Sri Lankan rupee, Malaysian ringgit and Renminbi for the branch office in Sri Lanka and subsidiaries in Malaysia and the PRC, respectively, and Singapore dollar for the Company and its Singapore-incorporated subsidiaries. The foreign currency in which these transactions are denominated is primarily Singapore dollar for the branch office in Sri Lanka and the subsidiary in the PRC. Consequently, the Group is exposed to movements in foreign currency exchange rates.

The Group's exposures in financial instruments (including intra-group balances) to the various foreign currencies (other than the respective functional currencies of group entities) are mainly as follows:

The Group	Singapore dollar S$'000
2016	
Trade and other receivables	11,057
Cash and bank balances	4
Trade and other payables	(4,973)
Net exposure	6,088
2014	
Trade and other receivables	13,437
Cash and bank balances	335
Trade and other payables	(1,716)
Net exposure	12,056

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

32.4 Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar ("SGD") exchange rate (against Renminbi and Sri Lankan rupee), with all other variables held constant, of the Group's results net of tax and equity.

The Group	2016 S$'000	2014 S$'000
SGD – strengthened 5% (2014: 5%)	304	603
– weakened 5% (2014: 5%)	(304)	(603)

32.5 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group is exposed to market price risks arising from its investment in equity securities listed on the Singapore Exchange Securities Trading Limited and Bursa Malaysia Securities Berhad. Such investments are designated at fair value through profit or loss. The Group does not actively trade the investments.

Market price sensitivity

At the end of the reporting period, if the Straits Times Index and Bursa Malaysia KLCI Index had been 5% (2014: 5%) higher/lower with all other variables held constant, the results net of tax would have been S$1,000 (2014: S$4,000) higher/lower, arising as a result of an increase/decrease in the fair value of the quoted equity securities.

33 CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as going concern;
(b) To support the Group's and the Company's stability and growth;
(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
(d) To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

There were no changes in the Group's and the Company's approach to capital management during the financial period.

33 CAPITAL MANAGEMENT (CONTINUED)

The Group and the Company are not subject to externally imposed capital requirements, except as disclosed below.

In accordance with the relevant laws and regulations of the PRC, the subsidiary in the PRC is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory net profit for each year, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SRF until the cumulative total of the SRF reaches at least 50% of the registered capital. Subject to approval from the relevant PRC authority, the SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to owners. The directors have decided that 10% of the net profit, if any, reported in the statutory financial statements of the PRC subsidiary, be appropriated each year to the SRF. As the PRC subsidiary has not generated any profits, there have been no contributions to the SRF.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises trade and other payables and borrowings, less cash and bank balances and fixed deposits. Total capital represents equity attributable to owners of the Company.

	The Group		The Company	
	2016	2014	2016	2014
	S$'000	S$'000	S$'000	S$'000
Trade and other payables* (Note 18)	50,586	46,058	30,225	458
Borrowings (Note 17)	110,732	139,805	18,080	14,609
Total debt	161,318	185,863	48,305	15,067
Less: Cash and bank balances and fixed deposits (Note 13)	(18,106)	(20,195)	(23)	(52)
Net debt	143,212	165,668	48,282	15,015
Equity attributable to owners of the Company	6,026	70,464	9,392	97,874
Total capital	6,026	70,464	9,392	97,874
Total capital and net debt	149,238	236,132	57,674	112,889
Gearing ratio	96%	70%	84%	13%

* Exclude excess of progress billings over contracts work in progress

34 FINANCIAL INSTRUMENTS

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group and the Company do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables (excluding tax recoverable and prepayments), cash and bank balances and fixed deposits, borrowings (which are short-term or repayable on demand), and trade and other payables (excluding excess of progress billings over contracts work in progress), are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

NOTES TO THE FINANCIAL **STATEMENTS**

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 MARCH 2016

34 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liability that are not based on observable market date.

Financial assets measured at fair value

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
The Group				
2016				
Financial assets designated at fair value through profit or loss				
– Quoted equity investments	11	–	–	11
2014				
Financial assets designated at fair value through profit or loss				
– Quoted equity investments	85	–	–	85

The fair value of financial instruments traded in active markets (quoted equity investments) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Financial assets and liabilities not measured at fair value but for which fair values are disclosed*

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
The Group				
2016				
Obligations under finance leases	–	7,928	–	7,928
2014				
Obligations under finance leases	–	13,877	–	13,877
Loans from financial institutions	–	69,594	–	69,594
Convertible bonds	–	15,558	–	15,558
	–	99,029	–	99,029

* Exclude financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term or repayable on demand nature and where the effect of discounting is immaterial

The carrying amounts of interest-bearing loans that reprice within six months of the end of the reporting period approximate their fair values. The fair values of all other interest-bearing loans are calculated based on discounted expected future principal and interest cash flows.

35 EVENTS AFTER THE REPORTING PERIOD

On 19 May 2016, Ley Choon Constructions and Engineering Pte. Ltd. ("LCCE") entered into a conditional sale and purchase agreement with Samwoh Premix Pte. Ltd., where LCCE will sell the property at 55 Kranji Crescent, and the asphalt premix manufacturing plant, together with all plant and equipment in connection therewith, situated at the property for an aggregate consideration of S$12,300,000 (Note 14).

On 31 May 2016, Double-Trans Pte Ltd exercised the option to the purchase agreement, pursuant to which Teacly (S) Pte. Ltd. will sell the leasehold property at 4 Sungei Kadut Street 2 for a cash consideration of S$6,800,000 (Note 14).

On 8 June 2016, the Group and its lenders ("Eligible Lenders") agreed on and signed a term sheet setting out the key terms of restructuring the debt obligations of the Group (the "Term Sheet"), which will subsequently be encapsulated in a Debt Restructuring Agreement ("DRA"). The material terms of the Term Sheet are, inter alia, as follows:

(i) Eligible Lenders with existing securities over earnings from the Group's ongoing projects shall release current and future secured project proceeds (the "Project Proceeds") into the Group's operating bank accounts subject to the terms of the Term Sheet.

(ii) The Term Sheet provides for a mechanism for the repayment of the Project Proceeds, as well as other amounts owed to the Eligible Lenders.

(iii) There will be a bullet repayment for all outstanding amounts due on the maturity date, being 31 March 2021.

(iv) The Group shall grant a security package over the Group's operating bank accounts, fixed assets, and shares in the Company's subsidiaries in favour of the Eligible Lenders through a Security Trustee subject to the Term Sheet.

(v) The Group shall dispose its non-core assets and utilise the proceeds received to repay the Eligible Lenders with security over such assets subject to the Term Sheet.

(vi) A moratorium against, inter alia, commencement of legal and enforcement action against the Group, shall apply once the Term Sheet is signed and stay in effect until the signing of the DRA or for a period of 90 days, whichever is earlier and can be extended subject to agreement.

(vii) Interest is payable during the moratorium period to Eligible Lenders subject to the Term Sheet.

36 COMPARATIVE INFORMATION

The corresponding figures relating to the financial statements for the year ended 31 December 2014 were audited by another firm of chartered accountants.

On 22 December 2015, the Company announced the change of its financial year-end from 31 December to 31 March. Consequently, the current period figures relate to the period from 1 January 2015 to 31 March 2016, while the corresponding figures relate to the year ended 31 December 2014. Accordingly, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes to the financial statements for the current period are not comparable to those for the previous year.

SHAREHOLDINGS STATISTICS
As at 22 June 2016

No of Issued Share	:	592,406,996
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote for each ordinary share (excluding treasury shares)

There are no treasury shares held by the Company as at 22 June 2016.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	48	1.51	503	0.00
100 – 1,000	1,515	47.61	757,849	0.13
1,001 – 10,000	843	26.49	3,479,543	0.59
10,001 – 1,000,000	747	23.48	73,994,035	12.49
1,000,001 and above	29	0.91	514,175,066	86.79
	3,182	**100.00**	**592,406,996**	**100.00**

SHAREHOLDINGS HELD IN THE HAND OF PUBLIC SHAREHOLDERS

As at 22 June 2016, approximately 30.01% of the shareholdings is held in the hand of public. At least 10% of the Company's issued ordinary shares are held in the hands of the public at all times and the Company is in compliance with Rule 723 of the listing manual.

TOP 20 SHAREHOLDERS

S/No	Name of Shareholder	No. of Shares	%
1.	Zheng Choon Holding Pte Ltd	296,379,500	50.03
2.	Hiap Hoe Investment Pte Ltd	88,268,000	14.90
3.	Koh Tiam Teng	29,008,571	4.90
4.	Shirley Seow Soon Kee	16,200,000	2.73
5.	Tan Teck Wei	15,011,935	2.53
6.	Raffles Nominees (Pte) Ltd	14,622,600	2.47
7.	DBS Nominees Pte Ltd	9,133,200	1.54
8.	Lim Ee Ann	5,324,665	0.90
9.	Ong Hock Hin	4,300,000	0.73
10.	Liang Say Juan	3,736,935	0.63
11.	Maybank Kim Eng Securities Pte Ltd	3,686,253	0.62
12.	Toh Keng Hong	2,924,000	0.49
13.	Kwan Chee Seng	2,245,700	0.38
14.	Wong Nyuk Lian	2,110,000	0.36
15.	UOB Kay Hian Pte Ltd	1,941,500	0.33
16.	United Overseas Bank Nominees Pte Ltd	1,859,350	0.31
17.	Lim Ee Chuan	1,857,443	0.31
18.	OCBC Securities Private Ltd	1,765,142	0.30
19.	Tan Kooi Jin	1,680,400	0.28
20.	Bank of Singapore Nominees Pte Ltd	1,680,000	0.28
		503,735,194	**85.02**

SHAREHOLDINGS **STATISTICS**

As at 22 June 2016

SUBSTANTIAL SHAREHOLDERS

	Number of shares Held			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Zheng Choon Holding Pte Ltd	296,379,500	50.030%	–	–
Toh Choo Huat(1)	397,000	0.067%	296,379,500	50.030%
Toh Swee Kim(2)	110,000	0.019%	296,379,500	50.030%
Toh Chew Leong(3)	–	–	296,379,500	50.030%
Toh Chew Chai(4)	–	–	296,379,500	50.030%
Hiap Hoe Investment Pte Ltd	88,268,000	14.900%	–	–
Hiap Hoe Limited(5)	–	–	88,268,000	14.900%

Notes:

(1) Mr Toh Choo Huat holds 27.2% of the shareholding in Zheng Choon Holding Pte Ltd. As such, Mr Toh Choo Huat is deemed to be interested in the Shares held by Zheng Choon Holding Pte Ltd.

(2) Mr Toh Swee Kim holds 23.7% of the shareholding in Zheng Choon Holding Pte Ltd. As such, Mr Toh Swee Kim is deemed to be interested in the Shares held by Zheng Choon Holding Pte Ltd.

(3) Mr Toh Chew Leong holds 25.4% of the shareholding in Zheng Choon Holding Pte Ltd. As such, Mr Toh Chew Leong is deemed to be interested in the Shares held by Zheng Choon Holding Pte Ltd.

(4) Mr Toh Chew Chai holds 23.7% of the shareholding in Zheng Choon Holding Pte Ltd. As such, Mr Toh Chew Chai is deemed to be interested in the Shares held by Zheng Choon Holding Pte Ltd.

(5) Hiap Hoe Investment Pte Ltd is 100% owned by Hiap Hoe Limited. As such, Hiap Hoe Limited is deemed to be interested in the Shares held by Hiap Hoe Investment Pte Ltd.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556 on 22 July 2016 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial period ended 31 March 2016 together with the Directors' Statement and the Auditors' Report of the Company. (Resolution 1)

2. To re-elect as a Director, Mr Koh Tiam Teng Francis who is retiring under Article 107 of the Company's Constitution.

   Mr Koh Tiam Teng Francis will, upon re-election as a Director of the Company, remain an Executive Director of the Company. (Resolution 2)

3. To re-elect as a Director, Prof. Ling Chung Yee Roy who is retiring under Article 117 of the Company's Constitution.

   Prof. Ling Chung Yee Roy will, upon re-election as a Director of the Company, remain an Independent Director of the Company. (Resolution 3)

4. To re-elect as a Director, Mr Chia Soon Hin William who is retiring under Article 117 of the Company's Constitution.

   Mr Chia Soon Hin William will, upon re-election as a Director of the Company, remain an Independent Director of the Company. (Resolution 4)

5. To re-elect as a Director, Mr Teo Ho Beng who is retiring under Article 117 of the Company's Constitution.

   Mr Teo Ho Beng will, upon re-election as a Director of the Company, remain a Non-Executive Director of the Company. (Resolution 5)

6. To approve the payment of Directors' fees of S$145,000 for the financial period ending 31 March 2017, to be paid quarterly in arrears. (Resolution 6)

7. To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 7)

8. To transact any other business that may be transacted at an Annual General Meeting.

SPECIAL BUSINESS

9. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution, with or without modifications:

   "That pursuant to Section 161 of the Companies Act, Cap. 50 ("**Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions, for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided always that:

(I) the aggregate number of shares (including shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below);

(II) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the Company at the time of the passing of this Resolution, after adjusting for:

(aa) new shares arising from the conversion or exercise of any convertible securities;

(bb) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(cc) any subsequent bonus issue, consolidation or subdivision of shares;

(III) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(IV) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is the earlier." (Resolution 8)

[See Explanation Note (I)]

NOTICE OF **ANNUAL GENERAL MEETING**

10. To consider and, if thought fit, pass the following ordinary resolution with or without any modifications:

"That:

(a) approval be and is hereby given, for the renewal of the mandate for the purpose of Chapter 9 of the SGX-ST Listing Manual, for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person/Related Person Transactions (as defined in the letter and particulars of which are set out in the letter) in accordance with the guidelines of the Company for Interested Person/Related Person Transactions as set out in the letter;

(b) such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and to implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the SGX-ST Listing Manual which may be prescribed by the SGX-ST from time to time;

(d) the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this Resolution; and

(e) such approval shall unless earlier revoked or varied by the Company in general meeting, continue to be in force until the next Annual General Meeting is held or required by law to be held, whichever is earlier." (Resolution 9)

[See Explanatory Note (II)]

11. To consider and, if thought fit, pass the following ordinary resolution with or without any modifications:

"That resolved that the Board of Directors of the Company be and is hereby authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Ultro Performance Share Plan (the "**Performance Share Plan**") and pursuant to Section 161 of the Act to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of Awards under the Performance Share Plan provided always that the total number of new shares to be issued pursuant to the Awards granted under the Performance Share Plan, when added to the number of new shares issued and issuable in respect of all Awards granted under the Performance Share Plan shall not exceed 15% of the issued share capital of the Company from time to time." (Resolution 10)

[See Explanatory Note (III)]

By Order of the Board

Ong Beng Hong/Tan Swee Gek
Joint Company Secretaries
7 July 2016

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

I. The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

II. The Ordinary Resolution 9 proposed under item 10 above relates to the renewal of a mandate granted by the shareholders at the annual general meeting held on 29 May 2015, allowing the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into transactions with interested persons as defined in Chapter 9. Please refer to the letter to shareholders dated 7 July 2016 for details.

III. The Ordinary Resolution 10 proposed under item 11 above, if passed, will authorise the Directors to offer and grant Awards in accordance with the provisions of the Performance Share Plan and pursuant to Section 161 of the Act to allot and issue shares under the Performance Share Plan. The Performance Share Plan was first approved by the Shareholders of the Company (when it was formerly known as Ultro Technologies Limited) in the Extraordinary General Meeting on 30 October 2009. Please refer to the Company's (when it was formerly known as Ultro Technologies Limited) circular to the shareholders dated 7 October 2009 for further details.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

(1) Save for a member who is a relevant intermediary as defined in Note 2, a member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. A proxy need not be a member of the Company.

(2) A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(3) The Proxy Form must be deposited at the registered office of the Company at No. 3 Sungei Kadut Drive Singapore 729556, not less than 48 hours before the time fixed for holding the Annual General Meeting in order to be entitled to attend and to vote at the Annual General Meeting. The sending of a Proxy Form by a member does not preclude him from attending and voting in person if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

(4) A Depositor's name must appear on the Depository Register maintained by CDP as at 72 hours before the time fixed for holding the Annual General Meeting in order to be entitled to attend and vote at the Annual General Meeting.

(5) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

(6) By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

IMPORTANT
This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

LEY CHOON GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 198700318G)

I/We ______________________________ (Name)

of ______________________________ (Address)

being a member/members of Ley Choon Group Holdings Limited (the "**Company**") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of my/our Shareholding (%)	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of my/our Shareholding (%)	
			No. of shares	%

and/or such other persons as furnished by us in accordance with Note 3 of this proxy form, or failing which, the Chairman of the Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556 on 22 July 2016 at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction 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 Meeting.

No.	Resolutions Relating To:	For	Against
	Ordinary Business		
1.	Adoption of the Audited Accounts for the financial period ended 31 March 2016 together with the Directors' Statement and Auditors' Report of the Company		
2.	Re-election of Mr Koh Tiam Teng Francis as a Director of the Company		
3.	Re-election of Prof. Ling Chung Yee Roy as a Director of the Company		
4.	Re-election of Mr Chia Soon Hin William as a Director of the Company		
5.	Re-election of Mr Teo Ho Beng as a Director of the Company		
6.	Approval of Directors' fees for the financial period ended 31 March 2017, to be paid quarterly and in arrears		
7.	Re-appointment of Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
8.	Authority to allot and issue new shares		
9.	The proposed renewal of the Shareholders' Mandate on Interested Person/Related Person Transactions		
10.	Authority to allot and issue new shares pursuant to the Performance Share Plan		

(If you wish to exercise all your votes "For" or "Against", please indicate your vote "For" or "Against" with "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

Dated this __________ day of ____________ 2016.

Total number of Shares held

____
Signature of Shareholder(s) or Common Seal

Important: Please read notes overleaf

Notes:

1. 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 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. Save for a member who is a relevant intermediary as defined in Note 3, 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.

3. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

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

6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556, not less than 48 hours before the time set for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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.

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

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

10. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the Annual General Meeting if he is able to do so.

11. 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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

12. A Depositor's name must appear in the Depository Register maintained by the Central Depository (Pte) Limited not less than 72 hours before the time appointed for the holding of the Annual General Meeting in order for him to be entitled to vote at the Annual General Meeting.

13. By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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LEY CHOON GROUP HOLDINGS LIMITED
(Company Registration No. 198700318G)
No. 3 Sungei Kadut Drive Singapore 729556
Tel: (65) 6757 0900 Fax: (65) 6757 0100
Email: **www.leychoon.com**

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