

ANNUAL REPORT 2016



聯明集團有限公司
LIAN BENG GROUP LTD



Ready for the Next Phase

**A Solid Foundation
for Growth**

**Capitalising on
Our Expertise**

**Our People,
Our Assets**

LIAN BENG GROUP

CONTENTS

02	Chairman's Statement
08	Board of Directors
11	Key Executive Officers
13	Significant Events
16	Group Structure
18	Financial Highlights
20	Operations Review
27	Our People, Our Assets
28	Corporate Information
29	Corporate Governance
45	Financial Contents
167	Statistics of Shareholdings
169	Notice of Annual General Meeting
	Proxy Form





MISSION STATEMENT

To provide the **BEST QUALITY** services and products to all our customers at the most competitive cost.



REVENUE
S\$445.4 MILLION

PROFIT BEFORE
TAXATION
S\$111.7 MILLION

NET PROFIT
S\$108.3 MILLION

DIVIDENDS
PER SHARE
3.0 CENTS



Chairman's Statement



“ We have the resources to continue to explore business opportunities locally and overseas that will strengthen our construction, property development and investment business.”

Mr Ong Pang Aik BBM
Chairman and Managing Director

CHAIRMAN'S STATEMENT



Dear Shareholders

The financial year ended 31 May 2016 (“FY2016”) was a challenging year for the construction industry. Notwithstanding the difficult operating environment, Lian Beng Group (the “Group”) was able to deliver resilient performance for the year. We were able to harness our strong fundamentals and deep industry knowledge to continue to deliver profits for shareholders.

A POSITIVE PERFORMANCE

Despite the slowdown in the construction industry, the Group was able to benefit from our diversified revenue streams and achieve profit attributable to shareholders amounting to S\$102.9 million in FY2016, the second year in a row that profit has surpassed the S\$100 million mark.

Revenue for the financial year under review came in at S\$445.4 million, a 40.4% decline year-on-year. This was due to lower revenue recognition from the construction and ready-mixed concrete segments. Supported by higher share of profits from associates and joint ventures, as well as one-off profit recognition from Eco-tech@Sunview project, net profit for FY2016 reached S\$108.3 million, 20.4% lower than S\$136.1 million in the previous year.

As a result of our prudent management, the Group was able to maintain a healthy balance of cash and cash equivalents amounting to S\$160.1 million as at 31 May 2016, providing us with the resources to explore local and overseas growth opportunities to expand our business.

The results of the Group's overseas expansion were encouraging. I am pleased to inform that our commercial property located at Collins Street, Melbourne, is fully tenanted and the rental income has contributed to overall revenue in FY2016. We expect contributions from our overseas businesses to the Group's overall revenue and profitability will progressively improve in the long run.

STRONG PORTFOLIO, HEALTHY PIPELINE

Our construction order book as at 31 May 2016 stood at S\$346 million, providing us with a sustainable flow of activities through the financial year ending 31 May 2018. In the pipeline, we have local and overseas property investments and two workers' dormitories that will provide the Group with recurring rental income going forward. During the year under review, the Group continued to strengthen its portfolio of property investments with the acquisition of Broadway Plaza, a leasehold 5-storey commercial property at Ang Mo Kio Ave 6. With its central location and close proximity to the MRT station and bus interchange, the property is attractive to tenants and the rental yield will be accretive.

Our jointly developed 7,900-bed workers' dormitory at Jalan Papan with Centurion Corporation, has obtained Temporary Occupation Permit ("TOP") in May 2016. We are currently ramping up the occupancy rate and look forward to generating rental income from the new dormitory.

During the year under review, we continued our overseas expansion with acquisitions of a residential property in Melbourne, Australia, as well as commercial and hotel properties in major gateway cities in the United Kingdom.

RECOGNITION

Over the years, we have consistently delivered the highest quality services and products at the most competitive cost. In this regard, the Group was recognised by the Building and Construction Authority ("BCA") with the BCA Quality Excellence Award 2016 – Quality Champion (GOLDPLUS) on 26 May 2016. In addition, L.S. Construction, a wholly owned subsidiary of the Group, was awarded the BCA Construction Excellence Award – MERIT for construction excellence in respect of its Centro Residences project.

DIVIDEND

For FY2016, the Board has proposed Final tax-exempt (1-tier) dividend of 1 cent per share with a Special dividend of 1 cent per share subject to the approval of shareholders at the forthcoming annual general meeting to be held on 29 September 2016. Together with the interim dividend of 1 cent, total dividends for FY2016 amounted to 3 cents per share, representing a cash payout of approximately S\$15 million.

GOING FORWARD

We expect the operating environment in the construction industry to continue to be challenging in FY2017. However, we believe that the Group has the experience, expertise and operational strength to weather the cyclical slowdown. We have a strong portfolio of construction, property development and investment businesses to enable us to drive sustainable growth. Our overseas expansion strategy is showing great promise with several projects on track to deliver diversified and recurring revenues. We also have the resources to continue exploring business opportunities locally and overseas that will strengthen our construction, property development and investment businesses.

APPRECIATION

On behalf of the Board of Directors, I would like to express my deepest appreciation to our customers, partners, management and staff for their support and encouragement in enabling the Group to enjoy a successful year. Finally, I would like to extend my appreciation to my colleagues in the Board for their wisdom and expert advice in providing guidance and direction in steering the Group to yet another fruitful year.

ONG PANG AIK BBM

Chairman and Managing Director

主席致辞

尊敬的股东：

2016财政年对建筑业而言是挑战重重的一年。尽管形势严峻，联明集团仍然勇往直前，精益求精，凭借坚固根基及对相关行业的深刻理解和认知，继续为股东提供丰盛的收成。

稳健的业绩

尽管建筑业的增长放缓，集团仍从多元化的收入来源获益，2016财政年可归于股东的利润达到1亿290万新元，连续两年突破1亿新元大关。

由于建筑工程和预制混凝土的收入减少，集团在2016财政年的收入达到4亿4540万新元，年比下滑40.4%。在联营与合资公司发展项目获得更高盈利，以及Eco-tech@Sunview工程项目取得一次性盈利收入的带动下，2016财政年的净利达到1亿830万新元，较上一年的1亿3610万新元下滑了20.4%。

审慎的管理方式促使集团在截至2016年5月31日的财政年，持有高达1亿6010万新元的流动资金及现金等价物，为探索国内和海外投资商机，扩充业务提供雄厚的资源。

“集团拥有持续探索海内外商机的雄厚资源，从而强化我们的建筑，房地产发展及投资业务。”



集团在海外投资拓展计划，表现令人鼓舞。我们在墨尔本中央商业区中心地带柯林斯街的店面已全部租出，所获取的租金收益也为2016财政年的整体收入做出贡献。我们预计海外业务对集团整体收入和盈利的长期贡献，将逐步增加。

强劲投资 稳定发展

截至2016年5月31日，我们的建筑工程订单达到3亿4600万新元，这些建筑工程可持续至2018年5月31日截止的财政年。国内及海外的房地产投资项目，以及两座工人宿舍，为集团提供长期的经常性租金收入。2016财政年，集团继续强化房地产的投资组合，收购位于宏茂桥中心的一座5层楼租赁地契商业地产-百老汇广场。由于其地段优越，邻近地铁站和巴士转换站，对租户具有吸引力，预计将为集团带来可观收益。

我们和胜捷企业合作在惹兰巴板兴建拥有7900个床位的工人宿舍，已在2016年6月取得临时入伙准证。集团目前正在提升入住率，以从中获取更多租金收益。

集团在2016财政年继续致力于拓展海外投资业务，收购澳大利亚墨尔本的住宅房地产，以及英国等主要城市的商业及酒店房地产。

奖项与荣誉

多年以来，我们致力于以最具竞争力的价格，为客户提供最高质量的服务与产品。为此，集团在2016年5月26日获颁“建设局建筑品质领导超金奖”。与此同时，集团的全资子公司联诚建筑私人有限公司凭中景峰的公寓项目，获得“建设局建筑卓越（优异）奖”。

股息

2016财政年，董事会提议派送每股1分新元的免税末期股息，以及每股1分新元的特别股息，这个提议需在2016年9月29日举行的常年大会上获得股东们的批准。再加上中期每股1分新元的股息，使本财政年每股可获3分新元股息，大约相等于现金1500万元。

迈向未来

迈入2017财政年，我们预计建筑业将继续面临严峻的考验。尽管如此，我们深信集团可凭借多年的经验、专业技能和营运实力克服周期性放缓的难关。我们拥有多项建筑工程，房地产发展及投资业务的强劲组合，有利于业务的持续性增长。我们的海外拓展策略具备极大的潜能，当中多项工程预计可为集团带来多元化的经常性收益。集团拥有持续探索海内外商机的雄厚资源，从而强化我们的建筑，房地产发展及投资业务。

致谢

我谨代表董事会至诚感谢我们的客户、合作伙伴、管理层和全体员工的支持与鼓励，帮助集团取得丰收。我也要感谢各位董事们的宝贵贡献，他们的高瞻远瞩使集团稳步迈进，再创佳绩。

王邦益BBM
集团主席兼执行董事



From Left to Right

Mr Ko Chuan Aun,
Ms Ong Lay Huan,
Mr Ong Pang Aik ^{BBM},
Ms Ong Lay Koon,
Mr Low Beng Tin ^{BBM}

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Mr Ong Pang Aik **BBM**

Chairman & Managing Director

Mr Ong Pang Aik joined the Group in 1978 and was instrumental in growing the business from its early days as a subcontractor into an A1-graded building construction enterprise registered with BCA today.

His exceptional entrepreneurial prowess, so amply demonstrated by his contribution in propelling Lian Beng Group into the forefront, has earned him the accolades of the Ernst & Young Construction Entrepreneur of The Year in 2008, The Entrepreneur of the Year Award at the Asia Pacific Entrepreneurship Awards, Singapore in 2011 and the Best CEO Award at the Singapore Corporate Awards in 2012.

Apart from his commitment to business excellence, Mr Ong is passionate about community work. He serves as a grassroots leader in the Marine Parade GRC – Braddell Heights CCMC, CSC and as Chairman of the Ci Yuan Community Club Building Fund Committee and Upper Serangoon 6-Miles Business Sub-committee. Mr Ong is also the Patron of the Ang Mo Kio-Hougang Citizens' Consultative Committee and a member of the PAP Community Foundation Braddell Heights Executive Committee. In addition, he serves as Vice-Chairman of the ZhongHua Primary School Advisory Committee and is a patron of the Braddell Heights Constituency Sports Club.

In recognition of his contributions to the community, Mr Ong was awarded the Public Service Medal (Pingkat Bakti Masyarakat – PBM) in 2001 and subsequently the Public Service Star Medal (Bintang Bakti Masyarakat – BBM) in 2008.

Ms Ong Lay Koon

Executive Director

Ms Ong Lay Koon joined the Group in 1992, and heads the Group's Finance, Human Resource and Corporate Administration departments. She is responsible for the organisation and management of the Group's accounting, finance, corporate affairs and human resource matters. She also manage the Property Development division and plays a vital role in making the Group's investment decisions.

Ms Ong was appointed as Executive Director of the Board on 20 March 1999 and was last re-elected on 26 September 2014. She currently serves as a member on the Nominating, Audit and Remuneration Committees.

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

Ms Ong Lay Huan

Executive Director

Ms Ong Lay Huan joined the Group in 1991 and heads the Group's Contracts department.

With more than 23 years of experience in the construction industry, she oversees several key aspects of the Group's construction operations, including all tender submissions, the management and review of project costs and budget, key materials procurement, and the award of contracts to subcontractors. In addition, she also assists in progress reviews and implementation of workflow initiatives that seek to improve and fine-tune the Group's work processes in accordance to new market trends and changes.

Ms Ong was appointed as Executive Director of the Board on 20 March 1999 and was last re-elected on 30 September 2015.

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

BOARD OF DIRECTORS

Mr Ko Chuan Aun

Independent Director

Mr Ko Chuan Aun was appointed to the Board on 10 July 2015 and was re-elected on 30 September 2015. He serves as Chairman of the Remuneration Committee and is also a member of the Nominating and Audit Committees.

He is currently the President and Executive Director of KOP Limited (formerly Scorpio East Holdings Ltd), a company with businesses that encompass both the property and entertainment industries. Mr Ko also holds chairmanships and directorships in various private and public companies.

Mr Ko is an Independent Director of Super Group Ltd, San Teh Ltd, KSH Holdings Limited, Pavillon Holdings and Koon Holdings Ltd. Mr Ko has more than 15 years of working experience with the former Trade Development Board (TDB, now known as the IE Singapore). His last TDB appointment was Head of China Operations. In the past 21 years, Mr Ko has been actively involved in business investments in the People's Republic of China. In 2001, he was appointed as a Steering Committee Member of Network China. Between 2003 to 2005, he served as the Chairman of the Tourism Sub-Committee under the Singapore-Sichuan Trade and Investment Committee.

Mr Ko holds a Diploma in Export Marketing, which is equivalent to the Danish Niels Brock International Business Degree Program.

Mr Low Beng Tin BBM

Independent Director

Mr Low Beng Tin was appointed to the Board on 8 July 2015 and was re-elected on 30 September 2015. He serves as Chairman of the Nominating and Audit Committees. He is also a member of the Remuneration Committee.

Mr Low is the founder of OEL, and has been its Director since incorporation on 15 September 1984. He was subsequently appointed as the Chairman of the Board of Directors and Managing Director on 20 July 1992. Prior to OEL, Mr Low held senior management positions in a group of local companies where he was involved in the sales and services of marine equipment and shipping.

Mr Low holds directorships in OEL (Holdings) Limited (formerly Oakwell Engineering Limited) and Assimilated Technologies (S) Pte Ltd. He is also Non-Executive Chairman/Independent Director of Cosmosteel Holdings Limited, and Independent Director of JP Nelson Holdings. Mr Low is currently Non-Executive Director of AA Vehicle Inspection Centre Pte. Ltd, Agropak Engineering (S) Pte Ltd, Autoswift Recovery Pte Ltd and SMF Centre for Corporate Learning Pte Ltd.

Mr Low holds a Diploma in Electrical Engineering from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management. He also holds an MBA (Chinese Programme) from the National University of Singapore. Mr Low has more than 31 years of experience in engineering fields related to the oil, gas, petrochemical, chemical and marine industries.

In recognition of his contribution to the community, he was conferred the Pingat Bakti Masyarakat (Public Service Medal) and Bintang Bakti Masyarakat (Public Service Star) by the President of the Singapore in 2004 and 2009 respectively.

KEY EXECUTIVE OFFICERS

Mr Ong Phang Hui

Mr Ong Phang Hui is the Plant & Machinery Director of the Group and is responsible for overseeing the Group's Engineering division, as well as monitoring the progress of materials utilisation by the Group's Construction division. In addition, he is responsible for overseeing the operations and management of the Group's ready-mixed concrete business. He is also responsible for the Asphalt Premix, Resource and Transportation division.

Mr Ong joined the Group in 1995 upon completing his studies and currently serves as the director of:

- Deenn Engineering Pte Ltd
- Lian Beng Engineering & Machinery Pte Ltd
- Lian Beng Investment Pte Ltd
- Lian Beng Resources Pte Ltd
- Lian Beng Resources Sdn Bhd
- Millennium Marine & Shipping Pte Ltd
- Sinmix Pte Ltd
- Tradewin Engineering Pte Ltd
- United E & P Pte Ltd
- Associated KHL Industries Pte Ltd
- Sin Lian Holding Ltd

Mr Ong was appointed as a director of Sin Lian Holding Ltd in year 2012.

Mr Ong Phang Hoo

Mr Ong Phang Hoo is the Project Director of the Group and is responsible for the Group's foreign labour planning and deployment functions, as well as the management of the Group's Foreign Workers Training division. In addition, he is part of a management team that manages the Construction division's building projects.

Mr Ong joined the Group in 1995 upon completing his studies and currently serves as the director of:

- Deenn Engineering Pte Ltd
- L.S. Construction Pte Ltd
- Lian Beng (Bangladesh) Training & Testing Centre Pte Ltd, a subsidiary incorporated in Bangladesh
- Lian Beng Engineering & Machinery Pte Ltd
- Lian Beng Investment Pte Ltd
- Lian Beng Training & Testing Centre Pte Ltd
- Lian Beng-Amin Joint Venture PVT Ltd, a jointly controlled entity incorporated in the Republic of Maldives
- Tradewin Engineering Pte Ltd
- TAC System Formwork (S) Pte Ltd
- Grand Millennium Development Sdn Bhd
- Lian Beng Resources Pte Ltd

Mr Jeffrey Teo Wee Jin

Mr Jeffrey Teo Wee Jin is the Construction Director of the Group and part of the management team that manages the Group's Construction division's building projects, with special focus on its quality management and productivity enhancement.

Mr Teo has more than 28 years of experience in the construction industry and has been the key driver in quality and sustainable green initiatives for all the private condominium projects undertaken by the Group. His vast experience and strong emphasis on delivering quality products have enabled him to mentor the setting up of the Construction division's Quality Assurance & Quality Control ("QA/QC") committee. He also takes charge of the division's ISO Integrated Management System and R&D including productivity initiative of the Group.

Mr Teo was appointed as a director of Lian Beng Construction (1988) Pte Ltd in 2007. In addition, Mr Teo was appointed as the Managing Director of Lian Beng-Amin Joint Venture PVT Ltd in 2006. He currently also serves as the manager of Lian Beng/L.S. J.V. and LB-RD JV. In 2012, he was appointed as a director of Paul.Y-Lian Beng JV Pte Ltd and TAC System Formwork (S) Pte Ltd.

Ms Ong Lee Yap

Ms Ong Lee Yap is the Purchasing Director of the Group and manages the Purchasing division as well as the Group's inter-companies material and machinery logistics deployment. She also administers the Group's foreign workers' payroll function.

Since joining the Group in 1988, Ms Ong has gained vast experience in procurement activities in the construction industry in her position as Purchasing Director. Her well-honed skills and extensive knowledge has enabled her to discharge her responsibilities efficiently and effectively.

She currently also serves as a director of Lian Beng Construction (1988) Pte Ltd and Sim Hup Co Pte Ltd.

KEY EXECUTIVE OFFICERS

Mr Than King Huat

Mr Than King Huat is the director of Deenn Engineering Pte Ltd (“Deenn”) and part of the management team that manages the Group’s Construction division’s building projects, with special focus on its design-and-build functions.

Mr Than has more than 23 years of experience in the industry with significant experience in structural designing, construction re-engineering and project management.

Mr Than holds a Master of Science degree in Structural Engineering from the University of Manchester Institute of Science and Technology (United Kingdom) and a Degree in Civil and Structural Engineering from the Engineering Council (United Kingdom).

Mr Ho Chee Siong

Mr Ho Chee Siong is the Senior Construction Manager of the Group’s Construction division.

Armed with more than 23 years of construction and project management experience, he is actively involved in the management of various building contracts undertaken by the Group. He oversees the Group’s ISO Integrated Management System, Green & Gracious Builder Scheme, Workplace Safety and Health portfolio.

He holds a Degree in Applied Science in Construction Management & Economics from Curtin University of Technology.

He serves as the director of Millennium International Builders Pte Ltd.

Mr David Goh Teck Ann

Mr David Goh Teck Ann is the director of Sinmix Pte Ltd (“Sinmix”). Mr Goh joined the company in June 2007 and is in charge of the daily management of Sinmix’s business operations.

His 28 years of experience in the ready-mix concrete industry has enabled him to lead the division efficiently in managing its assets allocation and cost control measures, as well as ensure a smooth supply chain within the division’s network of customers and suppliers.

Mr Chew Teow Leong

Mr Chew Teow Leong is the Financial Controller of the Group and is responsible for the financial accounting, financial management and internal control functions of the Group. He has over 19 years of experience in financial and management accounting, costs and budgetary control in the trading, construction and manufacturing industries.

Mr Chew is a Fellow member of the Chartered Association of Certified Accountants in the United Kingdom (ACCA) and a member of the Institute of Singapore Chartered Accountants (ISCA). He holds a Master of Business Administration degree from the University of Oxford Brookes. Mr Chew was also awarded the Certificate of Accomplishment by the Tax Academy of Singapore for successful completion of its Advanced Tax Programme in 2009/2010.

SIGNIFICANT EVENTS

SEPTEMBER 2015

In September 2015, the Group further subscribed for 800,000 new ordinary shares in the capital of United E & P Pte Ltd ("UEP") for an aggregate consideration of S\$800,000 by the capitalisation of a loan amount of S\$800,000 owing by UEP to the Group.

OCTOBER 2015

Goldprime Development Pte Ltd ("Goldprime"), a wholly-owned subsidiary of the Group, entered into a shareholders' agreement with LGB (Vietnam) Pte Ltd, CES-Vietnam Holdings Pte Ltd, KH Capital Pte Ltd, KSH Vietnam Investment Pte Ltd and Seacare Properties (Vietnam) Pte Ltd to establish a Singapore incorporated company named LGB-NB Pte Ltd, in which Goldprime holds a 15% stake, for the purpose of acquiring a plot of land in Ho Chi Minh City, Vietnam, for residential development.

OCTOBER 2015

Lian Beng (St Kilda) Pty Ltd, a wholly-owned subsidiary of Goldprime Realty Pte Ltd, in which the Group holds 80% of the entire paid-up share capital, acquired a freehold residential complex with 19 residential units sitting on a site area of approximately 1,803.6 sq m situated at St Kilda Road, Melbourne for a consideration of A\$24.35 million. The Group plans to re-develop the property into a residential development comprising 200 residential units.

SIGNIFICANT EVENTS

FEBRUARY 2016

In February 2016, the Group further subscribed for 3,720,000 new ordinary shares in the capital of UEP for an aggregate consideration of S\$3,720,000 by the capitalisation of a loan amount of S\$3,720,000 owing by UEP to the Group. As a result of the subscriptions in September 2015 and February 2016, the Group as at 31 May 2016 held 5,720,000 ordinary shares of UEP, representing 40% of the total and issued paid-up capital of S\$14,300,000 of UEP.

FEBRUARY 2016

The Group holds a 15% stake in Fairmont Land Pte Ltd, which acquired two more hotels in the United Kingdom, through its wholly-owned subsidiaries, namely the 86-room ibis Budget Bradford, in Bradford and the 127-room ibis Hotel Gloucester, in Gloucester City. Both hotels are managed by the international French hotel operator, Accor.

FEBRUARY 2016

The Group's wholly-owned subsidiary, LB Gold Land Pte Ltd has entered into a sales and purchase agreement to acquire 100% shares in State Rich International Limited which owns a property known as Broadway Plaza. The property is a 5-storey leasehold commercial property at Ang Mo Kio Ave 6, sitting on 18,450 sq ft and has a gross floor area of approximately 55,351 sq ft and a lease duration balance of 61 years. The acquisition, which was completed in April 2016, was in line with the Group's strategy of enhancing recurring income.

APRIL 2016

Prosperre Hotels Pte Ltd in which the Group holds a 40% stake acquired a 147-room hotel in Manchester, United Kingdom. The hotel which is managed by the InterContinental Hotels Group under the brand of Holiday Inn Express will add to the Group's recurring revenue streams.

JULY 2016

The Group's wholly-owned subsidiaries, Ang Mo Kio (LB) Pte Ltd, Bukit Merah (LB) Pte Ltd, Clementi (LB) Pte Ltd and Toa Payoh (LB) Pte Ltd have been granted options to purchase four properties located at Ang Mo Kio Avenue 6, Bukit Merah Central, Clementi Avenue 3 and Lor 4 Toa Payoh for an aggregate consideration of S\$151 million. The completion of the purchase is subject to the approval of Housing & Development Board.

JULY 2016

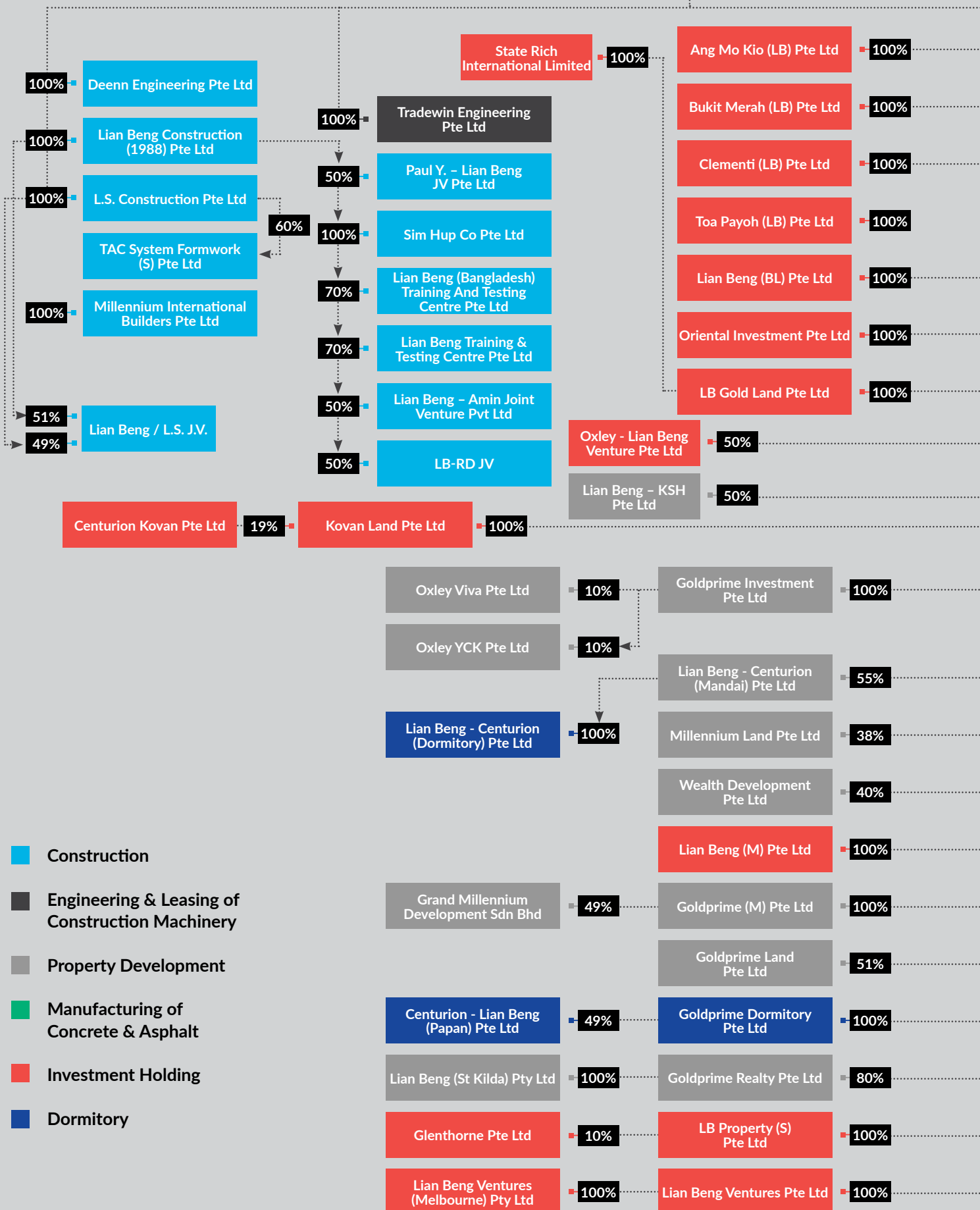
The Group disposed its 10.43% stake in the paid-up capital of Datapulse Technology Limited ("Datapulse") to Mr Ng Cheow Chye, who is the executive deputy chairman and chief executive officer of Datapulse for a cash consideration of S\$7,586,986.

GROUP STRUCTURE

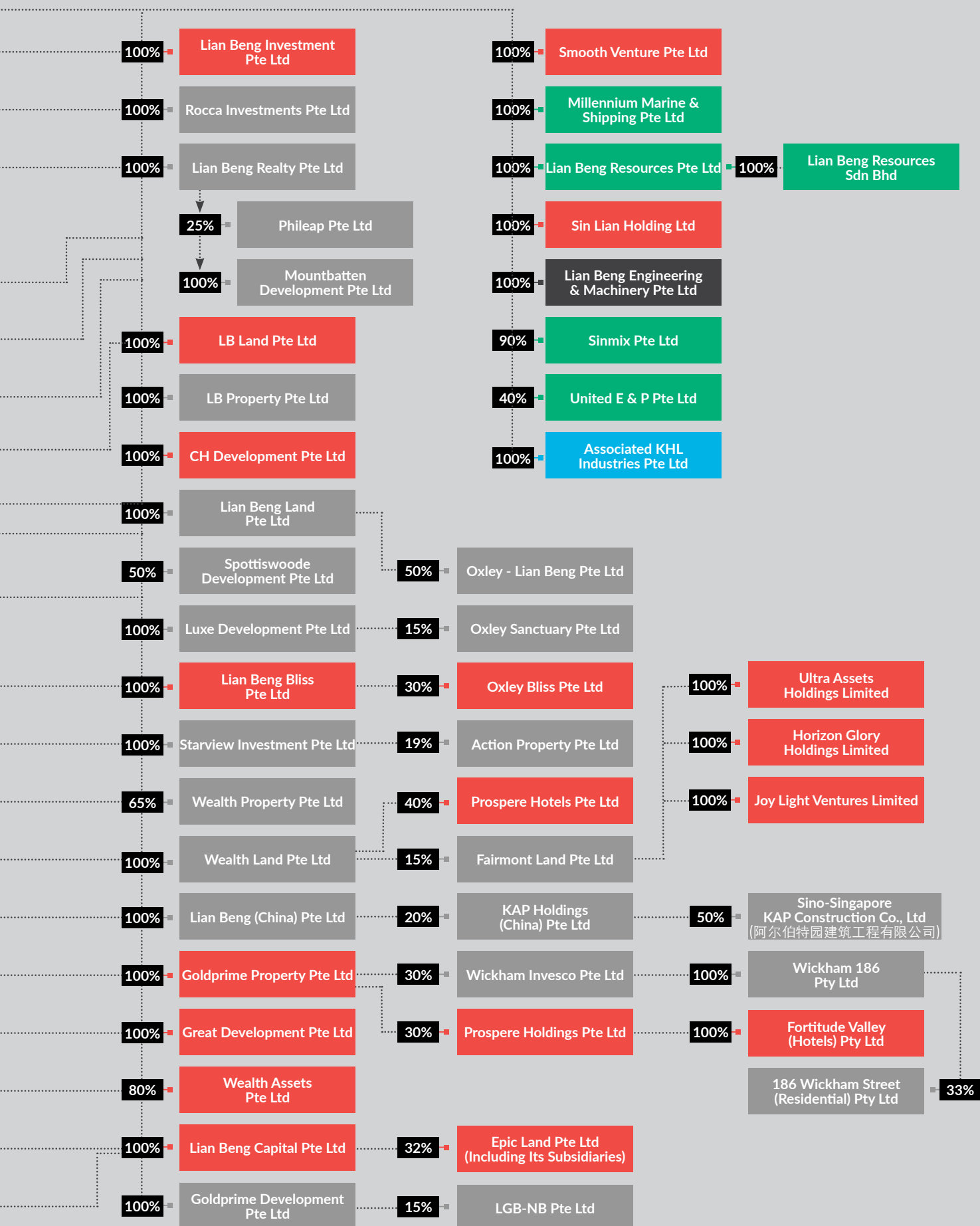
As at 31 July 2016



聯明集團有限公司
LIAN BENG GROUP LTD



- Construction
- Engineering & Leasing of Construction Machinery
- Property Development
- Manufacturing of Concrete & Asphalt
- Investment Holding
- Dormitory



FINANCIAL HIGHLIGHTS

The Group was able to deliver profit attributable to shareholders amounting to S\$102.9 million in spite of the slowdown in the construction industry

Amidst a slowdown in the construction industry, the Group was able to deliver profit attributable to shareholders amounting to S\$102.9 million for the financial year ended 31 May 2016 (FY2016), a decrease of 4.7% compared to S\$108.0 million in FY2015.

Total revenue came in at S\$445.4 million, down 40.4% from S\$747.0 million for the previous year. Net profit slipped 20.4% to S\$108.3 million in FY2016, in line with lower revenue offset by higher share of results of associates and joint ventures. Compared to S\$43.6 million in FY2015, the Group's share of results of associates and joint ventures increased by 128.6% to S\$99.7 million in the year under review. This was mainly due to profits from property development projects including NEWest, KAP Residences/KAP,

Midtown Residences/The Midtown and the strata sales of office units in Prudential Tower, as well as a one-off profit recognition from the Eco-tech@Sunview industrial project.

The Group continued to maintain a strong capital structure with cash and cash equivalents amounting to S\$160.1 million as at 31 May 2016.

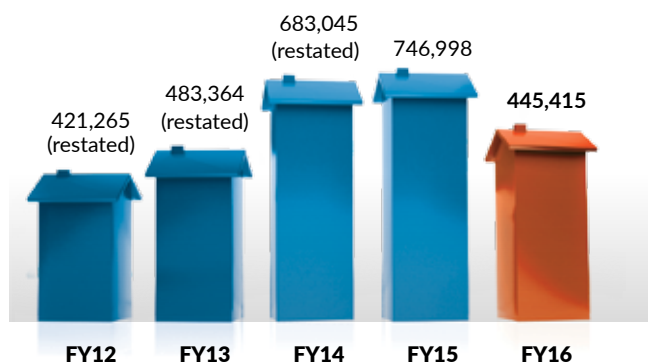
For FY2016, the Group proposed total dividends of 2 cents per share, comprising a Final dividend of 1 cent per share and Special dividend of 1 cent per share, which are subject to the shareholders' approval at the forthcoming annual general meeting on 29 September 2016. The Group has paid the interim dividend of 1 cent per share in February 2016.

FINANCIAL PERFORMANCE COMPARISON

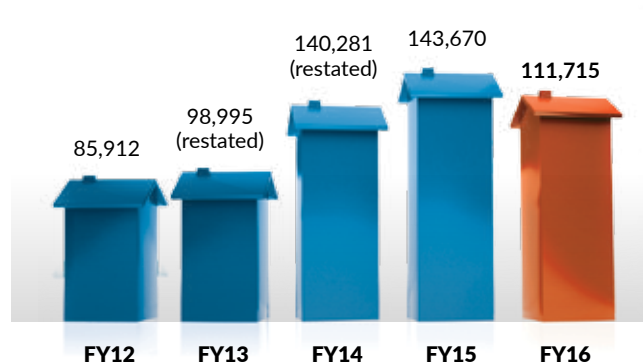
(S\$'000)	Year ended 31 May 2016 (FY 2016)	Year ended 31 May 2015 (FY 2015)	% change
Revenue	445,415	746,998	(40.4)
Share of results of associates and joint ventures	99,730	43,625	128.6
Fair value (loss)/gain on investment properties	(127)	52,374	*NM
Net Profit	108,320	136,063	(20.4)
Profit attributable to shareholders	102,930	108,028	(4.7)

* Not Meaningful

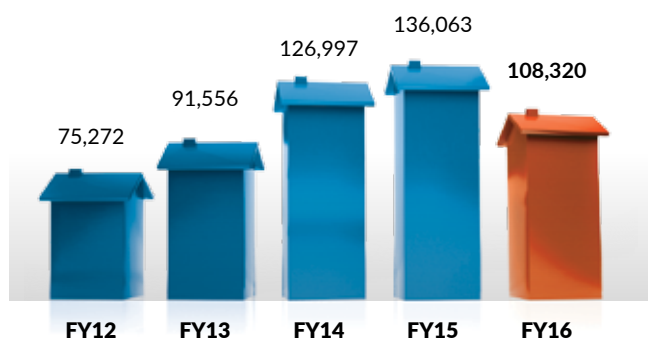
REVENUE
(S\$'000)



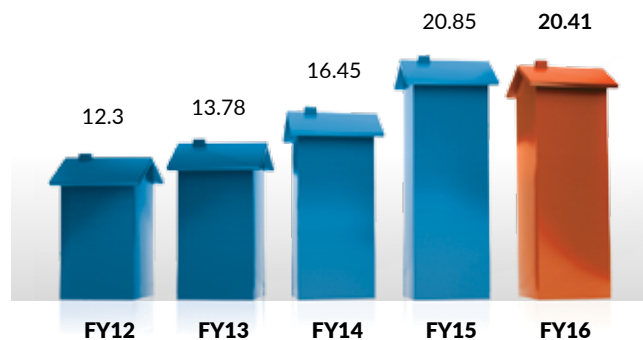
PROFIT BEFORE TAX
(S\$'000)



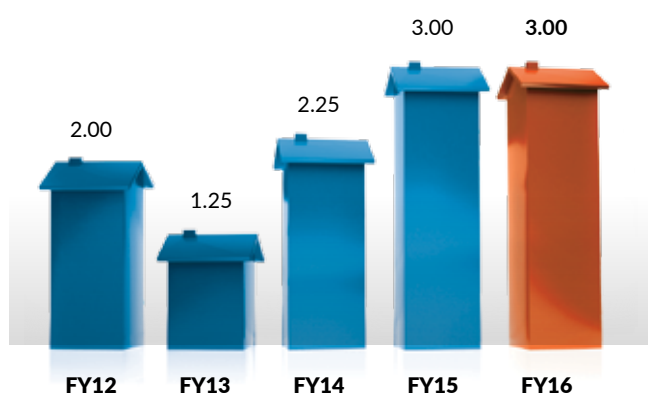
NET PROFIT
(S\$'000)



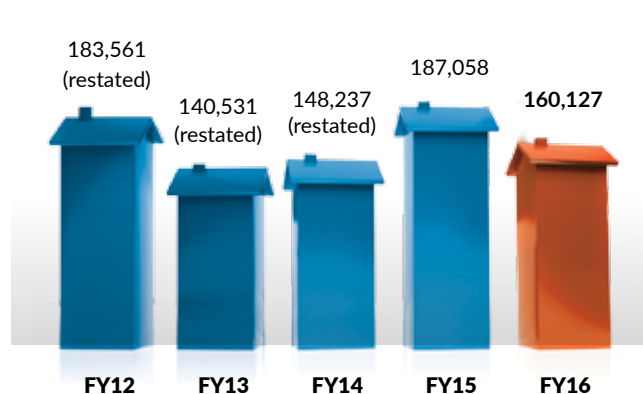
EARNINGS PER SHARE
(Cents)



DIVIDENDS PER SHARE
(Cents)



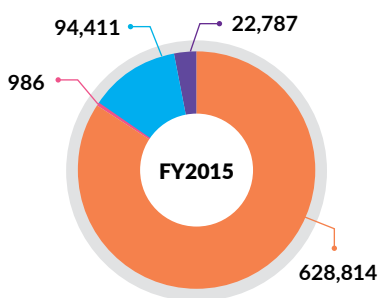
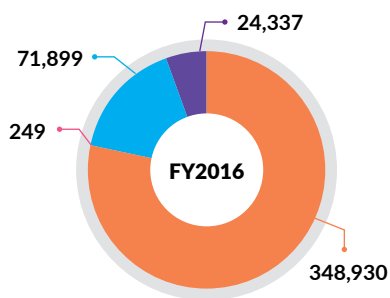
CASH AND CASH EQUIVALENTS
(S\$'000)





OPERATIONS REVIEW

REVENUE BY BUSINESS SEGMENT
(S\$'000)



CONSTRUCTION

Engages in:

- Public and Private Residential
- Commercial
- Institutional
- Industrial
- Infrastructure

PROPERTY DEVELOPMENT

Engages in:

- Residential
- Mixed (Residential and Commercial)
- Industrial
- Commercial

OTHER CONSTRUCTION-RELATED BUSINESS

Engages in:

- Scaffolding Works
- Engineering Works
- Ready-mixed Concrete
- Asphalt Premix
- Rebar Fabrication
- Equipment and Machinery
- Resource and Transportation

INVESTMENT HOLDING AND DORMITORY BUSINESS

Engages in:

- Leasing of Workers' Dormitories
- Sales and Leasing of Commercial Office, Industrial and Residential Properties

OPERATIONS REVIEW

In FY2016, the Group's construction segment remained the biggest contributor to total revenue. However, its share of revenue declined to 78.3%, compared to 84.2% in FY2015. Contribution from other construction-related businesses increased to 16.1%, from 12.6% in the previous year. The contribution from the investment holding and dormitory business segments also increased from 3.1% in FY2015 to 5.5% in FY2016.

The Group continued to invest in property development and investment projects, including tapping opportunities in certain fast growing cities and regions in Australia and the United Kingdom. The investment projects were selected for their capital appreciation and recurring income potential. This was also in line with the Group's strategy to diversify revenue streams so as to enhance greater complementarity of our businesses. In this regard, rental income from our fully-tenanted commercial property located at Collins Street, Melbourne, has contributed to Group revenue in FY2016, enhancing our recurring income and auguring well for our overseas expansion and revenue diversification efforts.



Mandai Foodlink, Singapore

Midtown Residences/The Midtown



OPERATIONS REVIEW

CONSTRUCTION

As the biggest segment of the Group, revenue from construction activities came in at S\$348.9 million, 44.5% lower than S\$628.8 million from the previous year. This was in line with the slowdown in the construction industry.

Several major projects have obtained Temporary Occupation Permits (TOP) in FY2016. These included the Skies Miltonia, Midtown Residences/The Midtown, Thomson Grand condominium and The Inflora condominiums as well as Space @ Tampines Industrial Crescent and the Eco-Tech@Sunview industrial projects. We also completed the Westlite Dormitory at Woodlands comprising one 13-storey block of housing for workers. The Group has a healthy pipeline of projects in its order book valued at S\$346 million as at 31 May 2016.

The construction of our residential and commercial projects continued to make good progress during the financial year under review. These included the Bartley Ridge, Spottiswoode Suites, Mercure Singapore Bugis Hotel at Middle Road and Oxley Tower, a commercial development at Robinson Road.



Bartley Ridge



Mercure Singapore Bugis

We were also involved in the construction of several industrial projects including the Mandai Foodlink, an 11-storey ramp-up food industrial factory, developed by the Group's subsidiary Wealth Property Pte Ltd. Other industrial projects under construction included T-Space@Tampines, a 9-storey multi-user ramp-up light & general industrial factory and an industrial building for automotive business at Leng Kee Road.



Eco-Tech @ Sunview, Singapore

PROPERTY DEVELOPMENT

During the year under review, the Group's 50%-owned residential development project, Midtown Residences/The Midtown obtained TOP. Construction of associates' and joint ventures' residential and commercial development projects including Spottiswoode Suites, KAP Residences/KAP, NEWest, and Floraville/Floraview/Floravista continued to make progress. NEWest was completely sold and sale of units in the Floraville/Floraview/Floravista reached 56.6%.

The sale of our industrial and retail projects also continued to progress steadily. All units of Eco-tech@Sunview were sold out. The sale of our retail and office development, Hexacube, has reached 60%. Marketing of our recently launched T-Space@Tampines, which the Group has 51% stake, is ongoing and is being progressively sold.

In Australia, the Group has acquired a freehold residential property at St Kilda Road in Melbourne for future growth.

Sales Status of Property Projects (as at 31 May 2016)

Project Names	Type of Development	Equity Stake	% sold
Lincoln Suites	Residential	25%	95.4%
Spottiswoode Suites	Residential	50%	78.0%
Midtown Residences/The Midtown	Residential & Commercial	50%	99.6%
Eco-tech @ Sunview	Industrial	19%	100.0%
NEWest	Residential & Commercial	10%	100.0%
KAP Residences/KAP	Residential & Commercial	15%	99.2%
Floraville/Floraview/Floravista	Residential & Commercial	10%	56.6%
Hexacube	Retail & Office	40%	60.0%
Mandai FoodLink	Industrial	65%	98.9%
T-Space @ Tampines	Industrial	51%	19.9%
St. Kilda	Residential	80%	0%

OPERATIONS REVIEW



Asphalt Premix Plant

OTHER CONSTRUCTION-RELATED BUSINESS

Ready-mixed Concrete and Asphalt Premix

In FY2016, the manufacturing of ready-mix concrete registered S\$76.9 million, comprising internal and external revenue and accounting for 16% of the Group's revenue. This segment was the second biggest contributor to total revenue.

United E & P Pte Ltd (UEP), a company specializing in the manufacture, supply and lay of asphalt premix, in which the Group holds a 40% stake, has steadily built up its order book. Some of the large projects secured included the construction of airport runway and taxiways and the resurfacing of all expressways in Singapore for a period of 2 years. These projects will provide a steady contribution to revenue growth of UEP going forward.

Engineering & Leasing of Construction Machinery

Reflecting the slowdown in the construction industry, the engineering and leasing of construction machinery business saw a decline of 27.6% from S\$32.5 million in FY2015 to S\$23.5 million, comprising internal and external revenue.

Resource and Transportation

The Group continued to build on its transport logistic capability to support the sourcing and supply of sand, aggregate and dust that are essential raw materials for our construction activities. The Group's current transportation fleet comprises 7 tugboats and 8 barges which are used for the transportation of raw materials for our manufacturing of ready-mixed concrete, thereby enhancing our control over the supply and costs of raw materials.



Broadway Plaza, Singapore

INVESTMENT HOLDING AND DORMITORY BUSINESS

Investment Holding

In FY2016, investment holding revenue from external customers and inter-segment sales came in at S\$5.7 million. During the year, the Group continued to enhance revenue stream from our investment holding business with the acquisition of Broadway Plaza, a 5-storey leasehold commercial building at Ang Mo Kio Ave 6.

As at 31 May 2016, the percentage of strata office units sold for Prudential Tower stood at 37.4%. Prudential Tower was acquired by a consortium, of which the Group owns 32% stake. The consortium continues to collect rental income from unsold units.

Overseas, Fairmont Land Pte Ltd ("Fairmont"), in which the Group has a 15% stake, acquired a freehold commercial property near Leeds City Centre through its wholly-owned subsidiary. In addition, Fairmont, through its other wholly-owned subsidiaries, has also acquired 2 established hotel properties in the UK, the ibis Budget Bradford and the ibis Hotel Gloucester which were managed by the French hotel operator, Accor. Prospere Hotels Pte Ltd in which the Group holds a 40% stake acquired a 147-room hotel in Manchester, United Kingdom. The hotel is managed by the InterContinental Hotels Group under the brand of Holiday Inn Express and will add to the Group's portfolio of quality properties which can generate stable recurring revenue streams.



Hotel in Manchester

OPERATIONS REVIEW



Dormitory Business

The Group's Westlite Mandai Dormitory continued to enjoy high occupancy rate which provided recurring rental income that contributed to the Group's total revenue. A second dormitory project at Jalan Papan which the Group has a 49% stake obtained TOP in May 2016. Marketing efforts to ramp up occupancy rate are ongoing and the Group believes that the take-up rate will progressively improve.



OUR PEOPLE, OUR ASSETS



Team effectiveness training

At Lian Beng, we seek to attract talents with the right skill sets, values and attitude that align with the Group's culture. Our human resource practices are geared towards nurturing our talents and building a skilled and motivated workforce that can contribute to productivity improvement and greater competitiveness.

During the year, the Group implemented programmes to enable our staff to upgrade their skills and develop leadership and management capabilities. We will continue to invest in our people to enable each staff to develop their talents, realise their potential and lead a balanced and fulfilling life.

Various activities and events were organised during the year to promote greater bonding and communication among staff. A team effectiveness training was organised to provide opportunities for staff and management to interact, enhance communications and build esprit de corps. Social activities such as the balloon sculpturing competition are useful in providing opportunities for staff to be creative, work as a team and take pride in our accomplishments.

In conjunction with SG50 celebration, the Group organised our own in-house celebration to commemorate the special milestone year the country has achieved.

The Group continued to win accolades and awards in recognition of our excellence in construction practices. In FY2016, the Group won the BCA Quality Excellence Award - Quality Champion (GOLDPLUS) and L.S. Construction, the Group's subsidiary, won the BCA Construction Excellence Award (Merit) for its Centro Residences project.

The Group strives to be a responsible corporate citizen and to give back to the community. During the year, the Group carried out several corporate social responsibility projects which include donations, house building and various sponsorship. As a gesture to recognize the contributions by our nation's pioneers, we also sponsored dinner for our Senior Citizen.



In-house training

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Pang Aik BBM
Chairman and Managing Director

Ong Lay Huan
Executive Director

Ong Lay Koon
Executive Director

Low Beng Tin BBM (Appointed on 8 July 2015)
Independent Director

Ko Chuan Aun (Appointed on 10 July 2015)
Independent Director

Dr Wan Soon Bee (Resigned on 10 July 2015)
Independent Director

Sitoh Yih Pin (Resigned on 10 July 2015)
Independent Director

COMPANY SECRETARIES

Wee Woon Hong
Lee Hock Heng (Resigned on 20 September 2015)
Srikanth Rayaprolu (Appointed on 20 September 2015)

REGISTERED OFFICE

29 Harrison Road
Lian Beng Building
Singapore 369648
Tel: (65) 6283 1468
Fax: (65) 6280 9360
Email: lianbeng@singnet.com.sg
Website: www.lianbeng.com.sg

NOMINATING COMMITTEE

Low Beng Tin (Chairman)
Ko Chuan Aun
Ong Lay Koon

REMUNERATION COMMITTEE

Ko Chuan Aun (Chairman)
Low Beng Tin
Ong Lay Koon

AUDIT COMMITTEE

Low Beng Tin (Chairman)
Ko Chuan Aun
Ong Lay Koon

REGISTRAR AND SHARE TRANSFER OFFICE

M&C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

AUDITORS

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
Level 18 North Tower
Singapore 048583

Partner-In-Charge:
Sam Lo Geok Lim
(Since Financial Year Ended 31 May 2013)

SOLICITORS

Opal Lawyers LLC
30 Raffles Place
#19-04, Chevron House
Singapore 048622

PRINCIPAL BANKERS

Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

INVESTOR & MEDIA RELATIONS

Financial PR Pte Ltd
4 Robinson Road
#04-01 The House of Eden
Singapore 048543
Tel: (65) 6438 2990
Fax: (65) 6438 0064

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance, in line with the Code of Corporate Governance 2012 (the “Code”), to ensure continued growth and success, and to justify investor confidence. This report describes the corporate governance practices of the Company, with reference to the principles of the Code. The Company has complied with the principles of the Code where appropriate, and deviations from the Code have been explained.

BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1: Effective Board to lead and control the Company

The Board of Directors (the “Board”) oversees the management of the business and affairs of the Company and its subsidiaries (collectively, the “Group”). The Board’s role is to:

1. Provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the group to meet its objectives;
2. Establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Group’s assets;
3. Review the management performance;
4. Identify the key stakeholder groups and recognize that their perceptions affect the company’s reputation;
5. Set the Group’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
6. Consider sustainability issues such as environmental and social factors, as part of its strategic formulation.

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

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

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

CORPORATE GOVERNANCE

The Board meets regularly on a quarterly basis and as warranted. Ad hoc meetings will be arranged to deliberate on urgent substantive matters. Board meeting by telephone conference is allowed under the Company's Constitution. To ensure effective corporate governance, three key committees, namely the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Audit Committee (the "AC") were established. Their respective roles are further discussed in this report.

The details of Board meetings, NC, RC and AC meetings held during the financial year ended 31 May 2016 ("FY2016") as well as the attendance of each Board member at those meetings are disclosed below:

Name of Director	Board Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Ong Pang Aik	5	5	-	-	-	-	-	-
Ong Lay Huan	5	5	-	-	-	-	-	-
Ong Lay Koon	5	5	2	2	3	3	4	4
Low Beng Tin*	4	4	2	2	3	3	4	4
Ko Chuan Aun**	4	4	2	2	3	3	4	4
Dr Wan Soon Bee***	1	1	-	-	-	-	-	-
Sitoh Yih Pin***	1	1	-	-	-	-	-	-

* Appointed as Independent Director on 8 July 2015

** Appointed as Independent Director on 10 July 2015

*** Resigned as Independent Director on 10 July 2015

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

The duties and obligations of the Directors are set out in writing upon his/her appointment. Apart from keeping the Board informed of all relevant new laws and regulations, the Company has an orientation programme for new Directors to ensure that the incoming Director is familiar with the Company's business and governance practices. He/she will be given a tour and briefing of key facilities and activities of the Company, as well as a detailed presentation by key senior management covering structure, business activities and growth strategies of the Group and an overview of the more significant business risks, issues and challenges it faces. Corporate materials and documents such as the latest Annual Report, minutes of recent Board meetings, and Constitution of the Company will also be given to him/her to facilitate his/her understanding of the structure and operations of the Group. Mr Low Beng Tin and Mr Ko Chuan Aun were appointed as Independent Directors of the Company on 8 July 2015 and 10 July 2015 respectively.

The Board as a whole is updated quarterly during the Board and AC meetings on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board committee members. For first time Directors, the Company will arrange relevant training courses for them to familiarize with the duties and responsibilities as a Director of a listed company. The Company also encourages Directors to attend training courses organized by the Singapore Institute of Directors or other training institutions in connection with their duties as Directors.

CORPORATE GOVERNANCE

During FY2016, the external auditor briefed the AC members on developments in accounting and governance standards. The Executive Directors also updated the Board at each Board meeting on business and strategic developments relating to the industry that the Group operates in.

BOARD COMPOSITION AND BALANCE

Principle 2: Strong and Independent Element on the Board

As at the date of this report, the Board comprises three Executive Directors and two Independent Directors, namely:

Executive Directors

1. Mr Ong Pang Aik
2. Ms Ong Lay Koon
3. Ms Ong Lay Huan

Independent & Non-Executive Directors

1. Mr Low Beng Tin
2. Mr Ko Chuan Aun

Information regarding each Board member is provided under the Board of Directors section set out on pages 9 and 10 of this Annual Report.

The NC adopts the definition in the Code as to what constitutes an Independent Director in its review to ensure that there is strong independent element on the Board such that the Board is able to exercise objective judgement on corporate affairs independently. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement in view of the Company's best interests.

The NC is of the view that Mr Low Beng Tin and Mr Ko Chuan Aun are independent. Mr Low Beng Tin and Mr Ko Chuan Aun were appointed Directors on 8 July 2015 and 10 July 2015 respectively. Both of them are well-qualified and experienced and have the ability to make impartial and well-balanced decisions and to act in the best interests of the Company and its shareholders.

As more than one-third (1/3) of the Board is independent, the current requirement of the Code that at least one-third of the Board comprises Independent Directors is satisfied. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgement is exercised on corporate affairs.

The Board through the NC, has examined its structure, size and composition and is of the view that it is an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision making process.

The independence of each Director is reviewed annually by the NC, which ensures that Independent Directors make up at least one-third of the Board.

The Board and the Board Committees comprise of Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience. Hence, the NC is of the view that the current Board and Board Committees comprise of persons who as a group provide capabilities required for the Board and Board Committees to be effective.

CORPORATE GOVERNANCE

The Non-Executive Directors constructively challenge and help to develop proposals on strategy and also review the performance of the management in meeting agreed goals and objectives, and monitor the reporting of performance. Non-Executive Directors are encouraged to meet regularly without the presence of management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: Clear Division of Responsibilities at the Top of the Company

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

- a. Leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- b. Ensuring that the Directors receive complete, adequate and timely information;
- c. Ensuring effective communication with shareholders;
- d. Encouraging constructive relations between the Board and management;
- e. Facilitating the effective contribution of Non-Executive Directors;
- f. Encouraging constructive relations within the Board and between the Board and management;
- g. Promoting a culture of openness and debate at the Board; and
- h. Promoting high standards of corporate governance.

Taking into account the current corporate structure and the scope of the Company's operations, the roles of the Chairman and Managing Director are not separated as the Board is of the view that there is adequate accountability and transparency within the Group. The Board is also of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

The Board concurs with the NC that as the size of the Board is relatively small with only 5 members of whom two are Independent Directors, there would not be a need for a Lead Independent Director. The Independent Directors collectively are and have been available to shareholders as a channel of communication between shareholders and the Board or management. The Independent Directors meet or communicate periodically without the presence of the other Directors and collectively provide feedback to the Chairman on matters arising from such meetings. During FY2016, the Independent Directors have met at least once in the absence of the management.

BOARD MEMBERSHIP

Principle 4: Formal and Transparent Process for Appointment and Re-Appointment of Directors to the Board

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

1. Mr Low Beng Tin, Chairman
2. Mr Ko Chuan Aun
3. Ms Ong Lay Koon

CORPORATE GOVERNANCE

The Chairman, Mr Low Beng Tin, and Mr Ko Chuan Aun are Independent Directors and are not directly associated with any substantial shareholder. The NC's responsibilities include the following:

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

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

In the nomination and selection process, the NC identifies the candidates and reviews the nominations for the appointments based on the following criteria:-

- (i) at least one-third of Directors shall be Independent Directors; and
- (ii) the candidate shall be a fit and proper person to hold such office, and the most qualified candidate nominated for the office, taking into account the candidate's track record, experience, capabilities and other relevant factors.

Each member of the NC shall abstain from voting on any recommendation and/or participating in respect of matters in which he has an interest.

When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new Director. Candidates may be suggested by Directors or management or sourced from external sources. The NC will interview the shortlisted candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial expertise. The NC then nominates the most suitable candidate to the Board for approval.

CORPORATE GOVERNANCE

The NC meets at least once a year. Pursuant to Article 107 of the Company's Constitution, one-third (1/3) of the Board (other than the Managing Director) is to retire by rotation and subject themselves to re-election by shareholders at every AGM. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for re-appointment by virtue of their skills, experience and contributions. The NC recommended to the Board that Ms Ong Lay Koon and Mr Low Beng Tin be nominated for re-election under Article 107 at the forthcoming AGM.

Ms Ong Lay Koon will, upon re-election as a Director of the Company, remain as an Executive Director of the Company and a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company. Mr Low Beng Tin will, upon re-election as a Director of the Company, remain as an Independent Director of the Company and the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee of the Company and will be considered to be independent for the purposes of Rule 704(8) of the Listing Manual.

In making the recommendations, the NC has considered the Directors' overall contributions and performance.

Ms Ong Lay Koon and Mr Low Beng Tin have abstained from making any recommendation and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-election as a Director of the Company.

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his/her duties as a Director of the Company. The Board is of the view that the assessment of whether each Director is able to devote sufficient time to discharge his/her duties should not be restricted to the number of board representation. Holistically, the contributions by the Directors during the meetings and attendance at such meeting should also be taken into consideration. As such, the Board does not propose to set the maximum number of listed company board representations which Directors may hold until such need arises. The NC will continue to review from time to time the listed company board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The dates of appointment and re-election and Directorships of the current Directors in other listed companies are set out below:

Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies	
			Present	Last Three Years
Ong Pang Aik	16/12/1998	Not Required	Nil	Nil
Ong Lay Huan	20/03/1999	30/09/2015	Nil	Nil
Ong Lay Koon	20/03/1999	26/09/2014	Nil	Nil
Low Beng Tin	08/07/2015	30/09/2015	Cosmosteel Holdings Limited, JP Nelson Holdings and OEL (Holdings) Limited	China Yong Sheng Limited
Ko Chuan Aun	10/07/2015	30/09/2015	Koon Holdings Ltd, KOP Limited, KSH Holdings Limited, Pavillon Holdings Ltd, San Teh Ltd and Super Group Ltd	Brothers (Holdings) Limited

CORPORATE GOVERNANCE

Further details of the Directors, including their principal commitments, are provided under the Board of Directors section set out on pages 9 and 10 of the Annual Report.

BOARD PERFORMANCE

Principle 5: Formal Assessment of the Effectiveness of the Board and Contribution by Each Director

The NC decides on how the Board's and its Board Committees' performance and individual Directors' contributions are to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board Committees, and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his/her performance or re-nomination as a Director.

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

- a. Board size and composition;
- b. Board processes;
- c. Board information and accountability; and
- d. Board Committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

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

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

During FY2016, all Directors are requested to complete a board evaluation questionnaire designed to seek their view on various aspects of the Board's and individual Director's performance as described above. The Chairman, in consultation with the NC, acted on the results of the performance evaluations. Where appropriate, the Chairman will propose new members to be appointed to the Board or seek the resignation of Directors.

The NC has assessed the current Board's performance to-date and individual Director's contributions, and is of the view that the performance of the Board as a whole is satisfactory, the Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board. Accordingly, the Board has met its performance objectives.

CORPORATE GOVERNANCE

ACCESS TO INFORMATION

Principle 6: Board Members to Have Access to Complete, Adequate and Timely Information

In order to ensure that the Board is able to fulfill its responsibilities, the management provides all Directors with complete, adequate and timely information prior to Board meetings, and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities. All Directors have separate and independent access to the Company's senior management, who together with the Company Secretaries, are responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

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

All Directors have separate and independent access to the Company Secretaries. The Company Secretaries administer, attend and prepare minutes of all Board and Committee meetings. They assist the Chairman in ensuring that board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act and the provisions in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") are complied with. Under the direction of the Chairman, the Company Secretaries are responsible for ensuring good information flow within the Board and its committees, facilitating the Directors' orientation programme, and assisting with professional developments as required. They are also the primary channel of communication between the Company and the SGX-ST. The Company Secretaries and/or their representatives attend all quarterly Board meetings. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

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

Changes to regulations and accounting standards are closely monitored by the management. The Directors are briefed either during Board and Board Committee meetings or by the Company Secretaries of these changes especially where these changes, inter alia, have an important bearing on the Directors' disclosure obligations.

REMUNERATION MATTERS

Procedures for developing Remuneration Policies

Principle 7: Formal and Transparent Procedure for Developing Policy on Executive Remuneration and For Fixing Remuneration Packages of Directors

The RC currently comprises three Directors, two of whom are Independent and Non-Executive Directors:

1. Mr Ko Chuan Aun, Chairman
2. Mr Low Beng Tin
3. Ms Ong Lay Koon

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

CORPORATE GOVERNANCE

The RC met three times during the financial year under review.

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

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

The RC's recommendations are submitted for endorsement by the entire Board. No Director is involved in deciding his/her own remuneration. Each member of the RC shall abstain from voting on any recommendation and/or participating in respect of matters in which he/she has an interest.

The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

LEVEL AND MIX OF REMUNERATION

Principle 8: Remuneration of Directors Should Be Adequate but Not Excessive

The Company adopts a remuneration policy, which comprises fixed and variable components. The fixed and variable components comprise a base salary, variable bonus and/or profit sharing. In setting remuneration packages, the Company takes into account the Group's relative performance and the performance of individual Directors. The pay and employment conditions within the same industry and in comparable companies are also given due consideration.

The review of the remuneration of the executive officers takes into consideration the performance and the contributions of the officer to the Company and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises, at the expense of the Company.

The fees of the Independent Directors are determined by the Board according to the level of contribution, and taking into account factors such as the effort and time spent, and their respective responsibilities. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company. They do not have any service agreements with the Company.

The Company has entered into separate service agreements with Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon, effective from 1 June 2015, each of which is valid for an initial three year period and subject to automatic renewal every 3 years. The service contract does not contain any onerous removal clauses. Notice periods are three months in the service agreements for Executive Directors.

CORPORATE GOVERNANCE

DISCLOSURE ON REMUNERATION

Principle 9: Disclosure on Remuneration Policy, Level and Mix of Remuneration and Procedure for Setting Remuneration

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

The Company does not have any employee share option scheme or other long-term employee incentive scheme.

The remuneration of each individual Director to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive business environment the Company operates in. The RC has also reviewed the practice of the industry and considered the pros and cons of such disclosure.

A breakdown, showing the level and mix of each individual Director's remuneration for the financial year ended 31 May 2016 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus & Profit Sharing (%)	Other Benefits and Allowances (%)	Directors' Fees (%) ¹	Total (%)
S\$5,250,001 – S\$5,500,000	Ong Pang Aik	13	86	1	0	100
S\$3,000,001 – S\$3,250,000	Ong Lay Huan	16	82	2	0	100
S\$3,000,001 – S\$3,250,000	Ong Lay Koon	14	84	2	0	100
Below S\$250,000	Dr Wan Soon Bee ²	-	-	-	100	100
Below S\$250,000	Sitoh Yih Pin ²	-	-	-	100	100
Below S\$250,000	Low Beng Tin ³	-	-	-	100	100
Below S\$250,000	Ko Chuan Aun ⁴	-	-	-	100	100

1. Includes fee for Directorships held in the Company.
2. Resigned as Independent Directors on 10 July 2015.
3. Appointed as Independent Director on 8 July 2015.
4. Appointed as Independent Director on 10 July 2015.

The remuneration of the top eight key executives comprises of fixed and variable components. Fixed component is in the form of fixed monthly salary whereas variable component is linked to the performance of the Group's businesses and individual performance.

The remuneration for FY2016 of the top eight key executives are as follows:

S\$500,000 to below S\$750,000 : 2
S\$250,000 to below S\$500,000 : 4
Below S\$250,000 : 2

In view of the market competition and information sensitivity, the Board is of the opinion that disclosure of the remuneration of top eight key executives in remuneration bands of S\$250,000 would not be in the interest of the Company.

CORPORATE GOVERNANCE

For the financial year ended 31 May 2016, the total remuneration paid to the top eight key executives (who are not Directors or the CEO) of the Company was S\$3,155,331.

Ms Ong Sui Hui is the daughter of Mr Ong Pang Aik and niece of Ms Ong Lay Huan and Ms Ong Lay Koon, and Mr Ong Eng Keong, is the son of Mr Ong Pang Aik and nephew of Ms Ong Lay Huan and Ms Ong Lay Koon. Ms Ong Lee Yap, Mr Ong Phang Hoo and Mr Ong Phang Hui, are the siblings of Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon. The remuneration of Ms Ong Sui Hui, Mr Ong Eng Keong, Ms Ong Lee Yap, Mr Ong Phang Hoo and Mr Ong Phang Hui exceed S\$50,000 for FY2016. However, the Board is of the opinion that the remuneration details of Ms Ong Sui Hui, Mr Ong Eng Keong, Ms Ong Lee Yap, Mr Ong Phang Hoo and Mr Ong Phang Hui are confidential and disclosure of their remuneration in the bands of S\$50,000 would not be in the interest of the Company.

Save as disclosed above, there were no other employees who were immediate family members of any Director or the Managing Director, whose remuneration for FY2016 exceeds S\$50,000. There are no termination, retirement or any post-employment benefits to Directors and key officers.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: Presentation of a Balanced and Understandable Assessment of Company's Performance, Position and Prospects

The management provides Board members with management accounts that present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis. At present, the management prepares the management accounts on a monthly basis and provides the monthly management accounts to the Board whenever the Board requests for it. Board papers are given prior to the Board meeting to facilitate effective discussion and decision making.

The announcements for the quarterly, half-year and full-year financial results are released via the SGXNET. All material information relating to the Company is disseminated via SGXNET.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: Maintenance of Sound System of Risk Management and Internal Controls

The Board believes that the system of risk management and internal controls maintained by the management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislations, regulations and best practices and the identification and management of business and strategic risks.

The Board has received assurance from the Chairman and Managing Director and the Financial Controller that the financial records have been properly maintained and the financial statements for the financial year ended 31 May 2016 give a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems were adequate and effective ("Assurance").

CORPORATE GOVERNANCE

The Board has put in place a risk governance and internal control framework manual to define the strategic objectives and determine the risk appetite, tolerance and risk mitigation measures to address potential impediments to achieving these business strategies. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the management and various Board Committees and the Assurance received, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing the financial, operational, compliance and information technology controls risks, and risk management systems of the Company were adequate and effective as at 31 May 2016. The Board has also evaluated the internal control system against the COSO internal control framework for adequate and effective internal control. The Board's opinion is based collectively on the risk governance and internal control framework and assessment of internal control adequacy and effectiveness.

The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Group's enterprise risk management programme which is in line with ISO:31000, an accredited risk management standard, continues to be actively maintained. This allows the Board to be apprised of the key strategic, operational, financial and compliance risks.

The Group maintains the risk register and performs regular risk assessments to evaluate and identify any changes to the risk profile that could impact the performance and operations of the Group's diversified business interests. The Board is apprised of any changes in the Group's risk universe and risk exposure, and is therefore able to take measures to direct attention and resources to mitigate or reduce the residual risks.

The Board will continue to update the risk governance framework and re-assess the business risks on an ongoing basis. This ensures that the pertinent risks are properly addressed and the internal controls remain relevant and effective to address the Group's risk exposures.

AUDIT COMMITTEE

Principle 12: Establishment of Audit Committee with Written Terms of Reference

The AC currently comprises of three Directors, two of whom are Independent and Non-Executive Directors:

1. Mr Low Beng Tin, Chairman
2. Mr Ko Chuan Aun
3. Ms Ong Lay Koon

The Board is of the view that the AC, chaired by Mr Low Beng Tin, has sufficient financial management expertise and experience to discharge the AC's functions. Mr Ko Chuan Aun has more than 16 years of experience in business and management and Ms Ong Lay Koon has more than 16 years of experience in business and financial management. It is confident that the corporate governance of the Company has not been and will not be compromised by the existing composition of the AC and that the Independent Directors in the AC will continue to benefit from the experience and expertise of the Executive Director in the AC in carrying out their respective duties effectively.

The AC has explicit authority to investigate all matters within its terms of reference, full access to and cooperation by management, full discretion to invite any Director or key executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC convened four meetings during the year. The AC has also met with the external auditors, without the presence of the Company's management at least once a year.

CORPORATE GOVERNANCE

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

- a. Review the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- b. Review the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;
- c. Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- d. Review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- e. Review the effectiveness of the Company's internal audit function;
- f. Make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors;
- g. Review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- h. Review the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- i. Review the audit plans and reports of the internal auditors and ensure the adequacy of the Company's system of internal controls.

The AC meets with the external and internal auditors, without the presence of management, at least annually, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors. The AC has reasonable resources to enable it to discharge its functions properly. The AC has met with the external and internal auditors, without the presence of management during FY2016. The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on financial statements during the AC meetings.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2016 are as follows:-

Audit fees	:	S\$653,000 (FY2015: S\$620,000)
Non-audit fees	:	S\$299,000 (FY2015: S\$381,000)
Total	:	S\$952,000 (FY2015: S\$1,001,000)

The AC reviews the independence of the external auditors annually. The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services do not affect the independence of the external auditors and has recommended to the Board for the re-appointment of Messrs Ernst & Young LLP as the auditors of the Company at the forthcoming AGM.

The external auditors present to the AC the audit plan and also relevant updates relating to any change of accounting standards which have a direct impact on financial statements before commencing audit.

The Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its external auditors.

CORPORATE GOVERNANCE

In addition, the AC is given the task to commission investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and to review the findings thereof.

Whistle-blowing Policy

The AC has put in place a whistle-blowing policy, whereby employees of the Group and external parties, may in confidence, raise concerns about possible improper financial reporting or other matters to Mr Low Beng Tin, the AC Chairman via email at whistleblowing@lianbenggroup.com.sg. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions. The Company did not receive any whistle-blowing report during FY2016.

INTERNAL AUDIT

Principle 13: Establishment of an Independent Internal Audit Function

The AC is aware of the need to establish a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has outsourced its internal audit function to a professional firm, RSM Ethos Pte Ltd. The internal auditors report their findings directly to the AC.

The AC has reviewed with the internal auditors their risk-based internal audit plan and their evaluation of the system of internal controls, their audit findings and the management's responses to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group for FY2016. The AC is satisfied that the internal auditor is adequately qualified, resourced and has the appropriate standing within the Group to discharge its duties effectively.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

The Company recognizes and accepts the principle that all shareholders are treated fairly and equitably and that they have been accorded certain rights under the Singapore Companies Act and the Company's Constitution. Information to all shareholders is disclosed to in a timely and transparent manner and in compliance with SGX disclosure requirements.

Shareholders are given ample opportunity to attend, participate and vote at the Company's general meetings.

CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Regular, Effective and Fair Communication with Shareholders

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

While the AGM of the Company is a principal forum for dialogue and interaction with all shareholders, the Company will consider use of other forums such as analyst briefings as and when applicable.

The Company does not have a dividend policy. For FY2016, the Board has declared an interim dividend of 1.0 cent per ordinary share and has also recommended final (tax exempt one-tier) dividend of 1.0 cent per ordinary share and a special (tax exempt one-tier) dividend of 1.0 cent per ordinary share.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Encouragement of Greater Shareholder Participation at AGMs

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

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

The Company's Constitution allows for shareholders of the Company to appoint up to two proxies to attend and vote in place of the shareholder at a general meeting. In line with the amendments to the Companies Act, Chapter 50 of Singapore, corporate shareholders of the Company who provide nominee or custodial services to third parties are allowed to appoint more than two proxies to attend and vote on their behalf at general meetings. The Company does not intend to implement absentia-voting methods such as email, fax or mail until security, integrity and other pertinent issues are satisfactorily resolved.

The Group puts all resolutions at general meetings to vote by poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings. The detailed results will be announced via SGXNET after the conclusion of the general meeting.

CORPORATE GOVERNANCE

ADDITIONAL INFORMATION

Dealings in Securities

The Company has adopted policies in line with the requirements of Rule 1207(19) of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company, its Directors and officers are not allowed to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year and one month before the Company's full year financial statements, as the case may be, and ending on the date of the announcement of the relevant financial results.

Interested Person Transactions

The Group does not have a general mandate from shareholders for recurrent interested person transactions.

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

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

There were no interested person transactions of S\$100,000 and above during FY2016.

Material Contracts and Loans

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except for the service agreements entered into between the Company and its Executive Directors, Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon and as disclosed in the Directors' Statement and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either still subsisting at the end of FY2016 or if not then subsisting, which were entered into since the end of the previous financial year.

FINANCIAL CONTENTS

- 46 Directors' statement
- 50 Independent auditor's report
- 52 Statements of financial position
- 54 Statements of comprehensive income
- 55 Statements of changes in equity
- 58 Consolidated cash flow statement
- 60 Notes to the financial statements



DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Lian Beng Group Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 May 2016.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company 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 May 2016 and the financial performance and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; 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.

Directors

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

Ong Pang Aik (Chairman and Managing Director)
Ong Lay Huan (Executive Director)
Ong Lay Koon (Executive Director)
Low Beng Tin (Independent Director)
Ko Chuan Aun (Independent Director)

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
The Company				
<i>Ordinary shares</i>				
Ong Pang Aik	23,170,800	23,170,800	140,190,400	140,190,400
Ong Lay Huan	11,583,200	11,583,200	140,190,400	140,190,400
Ong Lay Koon	8,539,200	8,539,200	-	-
Low Beng Tin	900,000	900,000	-	-
Ko Chuan Aun	205,000	205,000	-	-

There was no change in the above-mentioned interests between the end of the financial year and 21 June 2016.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr. Ong Pang Aik and Ms. Ong Lay Huan are deemed to have an interest in the ordinary shares of all the subsidiaries of the Company, at the beginning and at the end of the financial year.

Options

During the financial year, there were:

- no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

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

DIRECTORS' STATEMENT

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Review the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;
- Review significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- Review the effectiveness of the Company's internal audit function;
- Make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- Review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- Review the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Review the audit plans and reports of the internal auditors and ensure the adequacy of the Company's system of internal controls.

The AC reviews the independence of the external auditors annually. The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services does not affect the independence of the external auditors and has recommended to the Board for the re-appointment of Messrs Ernst & Young LLP as the auditors of the Company at the forthcoming Annual General Meeting.

The AC convened four meetings during the year. The AC has also met with the external auditors, without the presence of the Company's management at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Auditor

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

On behalf of the board of directors,

Ong Pang Aik
Director

Ong Lay Huan
Director

Singapore
22 August 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 May 2016

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Lian Beng Group Ltd (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages 52 to 166, which comprise the statements of financial position of the Group and the Company as at 31 May 2016, the statements of comprehensive income and the statements of changes in equity of the Group and the Company and consolidated cash flow statement of the Group for the year then ended, 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 judgment, 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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 May 2016

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2016 and of the financial performance and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

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 by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
22 August 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current assets					
Property, plant and equipment	4	78,126	91,589	3	5
Investment properties	5	438,533	351,277	-	-
Investment in subsidiaries	6	-	-	68,799	67,800
Investment in joint ventures	7	69,855	27,871	6,220	500
Investment in associates	8	69,814	11,084	200	1,400
Investment securities	9	60,951	53,743	14,250	20,710
Amounts due from associates	15	45,000	-	-	-
Amounts due from third parties	14	10,405	-	3,604	-
Other assets		443	-	-	-
Deferred tax assets	22	648	637	-	-
		773,775	536,201	93,076	90,415
Current assets					
Construction work-in-progress in excess of progress billings	10	1,646	7,186	-	-
Development properties	11	149,424	96,948	-	-
Development properties held for sale	11	13,968	14,268	-	-
Inventories	12	4,429	6,220	-	-
Trade receivables	13	108,911	159,742	-	-
Other receivables and deposits	14	29,306	21,545	137	3,729
Prepayments		1,626	1,473	6	5
Amounts due from related parties	15	1	1	210,733	171,427
Amounts due from joint ventures	15	41,099	51,200	10,346	9,885
Amounts due from associates	15	118,032	117,133	9,660	14,164
Investment securities	9	31,685	45,418	5,714	-
Cash and cash equivalents	16	160,127	187,058	4,233	536
		660,254	708,192	240,829	199,746
Current liabilities					
Progress billings in excess of construction work-in-progress	10	98,392	117,517	-	-
Trade and other payables	18	189,585	210,732	96	223
Accruals		21,685	19,559	212	458
Amounts due to associates	15	16,346	12,931	76	76
Amounts due to joint ventures	15	30,121	33,151	-	-
Amounts due to subsidiaries	19	-	-	216,150	161,013
Bank loans	20	110,517	65,878	-	-
Obligations under hire purchase	21	5,942	5,545	-	-
Provision for taxation		5,785	9,100	2	9
		478,373	474,413	216,536	161,779
Net current assets		181,881	233,779	24,293	37,967

STATEMENTS OF FINANCIAL POSITION

As at 31 May 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current liabilities					
Refundable rental deposits		426	640	-	-
Amounts due to subsidiaries	19	-	-	14,314	-
Bank loans	20	317,543	211,284	-	-
Obligations under hire purchase	21	6,634	10,237	-	-
Deferred tax liabilities	22	1,473	2,552	-	-
		<u>326,076</u>	<u>224,713</u>	<u>14,314</u>	<u>-</u>
Net assets		<u>629,580</u>	<u>545,267</u>	<u>103,055</u>	<u>128,382</u>
Equity attributable to owners of the Company					
Share capital	23	82,275	82,275	82,275	82,275
Treasury shares	23	(17,777)	(12,781)	(17,777)	(12,781)
Reserves		480,801	394,505	38,557	58,888
		<u>545,299</u>	<u>463,999</u>	<u>103,055</u>	<u>128,382</u>
Non-controlling interests		<u>84,281</u>	<u>81,268</u>	<u>-</u>	<u>-</u>
Total equity		<u>629,580</u>	<u>545,267</u>	<u>103,055</u>	<u>128,382</u>

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 May 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	25	445,415	746,998	3,905	20,330
Cost of sales		(389,315)	(667,699)	-	-
Gross profit		56,100	79,299	3,905	20,330
Other operating income	26	13,692	11,612	965	16,227
Distribution expenses		(1,249)	(2,145)	(67)	(72)
Administrative expenses		(28,203)	(25,352)	(1,077)	(1,544)
Other operating expenses	26	(19,754)	(10,233)	(7,473)	-
Finance costs	28	(8,474)	(5,510)	(588)	-
Share of results of associates		62,063	21,542	-	-
Share of results of joint ventures		37,667	22,083	-	-
		111,842	91,296	(4,335)	34,941
Fair value (loss)/gain on Group's investment properties	5	(127)	52,374	-	-
Profit/(loss) before taxation		111,715	143,670	(4,335)	34,941
Taxation	29	(3,395)	(7,607)	(2)	(10)
Profit/(loss) for the year, net of taxation		108,320	136,063	(4,337)	34,931
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net loss on fair value changes of available-for-sale financial assets		(8,905)	(8,145)	(8,329)	(7,410)
Net fair value changes of available-for-sale financial assets reclassified to profit or loss		7,470	-	7,470	-
Foreign currency translation loss		(98)	(24)	-	-
Other comprehensive income for the year, net of taxation		(1,533)	(8,169)	(859)	(7,410)
Total comprehensive income for the year		106,787	127,894	(5,196)	27,521
Profit attributable to:					
Owners of the Company		102,930	108,028	(4,337)	34,931
Non-controlling interests		5,390	28,035	-	-
		108,320	136,063	(4,337)	34,931
Total comprehensive income attributable to:					
Owners of the Company		101,430	99,859	(5,196)	27,521
Non-controlling interests		5,357	28,035	-	-
		106,787	127,894	(5,196)	27,521
Earnings per share (Cents)					
Basic and diluted	30	20.41	20.85		

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 May 2016

	Attributable to owners of the Company						
	Share capital (Note 23) \$'000	Treasury shares (Note 23) \$'000	Retained earnings \$'000	Other reserves (Note 24) \$'000	Total reserves \$'000	Non-controlling interests \$'000	Total equity \$'000
2016 Group							
Balance at 1 June 2015	82,275	(12,781)	395,461	(956)	394,505	81,268	545,267
Profit for the year, net of taxation							
Other comprehensive income	-	-	-	-	102,930	5,390	108,320
Net loss on fair value changes of available-for-sale financial assets	-	-	-	(8,905)	(8,905)	-	(8,905)
Net fair value changes of available-for-sale financial assets reclassified to profit or loss	-	-	-	7,470	7,470	-	7,470
Foreign currency translation loss	-	-	-	(65)	(65)	(33)	(98)
Other comprehensive income for the year, net of taxation							
	-	-	-	(1,500)	(1,500)	(33)	(1,533)
Total comprehensive income for the year							
Contribution by and distribution to owners	-	-	102,930	(1,500)	101,430	5,357	106,787
Dividends on ordinary shares (Note 39)	-	-	(15,135)	-	(15,135)	-	(15,135)
Purchase of treasury shares	-	(4,996)	-	-	-	-	(4,996)
Dividends paid to non-controlling interest of subsidiaries	-	-	-	-	-	(2,343)	(2,343)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Acquisition and disposal of non-controlling interests without a change in control	-	-	-	1	1	(1)	-
Total transactions with owners in the capacity as owners							
	-	(4,996)	(15,135)	1	(15,134)	(2,344)	(22,474)
Balance at 31 May 2016	82,275	(17,777)	483,256	(2,455)	480,801	84,281	629,580

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 May 2016

Attributable to owners of the Company							
	Share capital (Note 23) \$'000	Treasury shares (Note 23) \$'000	Retained earnings \$'000	Other reserves (Note 24) \$'000	Total reserves \$'000	Non-controlling interests \$'000	Total equity \$'000
2015 Group							
Balance at 1 June 2014	82,275	-	304,454	7,908	312,362	60,745	455,382
Profit for the year, net of taxation	-	-	108,028	-	108,028	28,035	136,063
<u>Other comprehensive income</u>							
Net loss on fair value changes of available-for-sale financial assets	-	-	-	(8,145)	(8,145)	-	(8,145)
Foreign currency translation loss	-	-	-	(24)	(24)	-	(24)
Other comprehensive income for the year, net of taxation	-	-	-	(8,169)	(8,169)	-	(8,169)
Total comprehensive income for the year	-	-	108,028	(8,169)	99,859	28,035	127,894
<u>Contribution by and distribution to owners</u>							
Dividends on ordinary shares (Note 39)	-	-	(17,021)	-	(17,021)	-	(17,021)
Purchase of treasury shares	-	(12,781)	-	-	-	-	(12,781)
Dividends paid to non-controlling interest of a subsidiary	-	-	-	-	-	(8,550)	(8,550)
Capital contributions by, net of return to non-controlling interests	-	-	-	-	-	343	343
<u>Changes in ownership interests in subsidiaries</u>							
Acquisition and disposal of non-controlling interests without a change in control	-	-	-	(695)	(695)	695	-
Total transactions with owners in the capacity as owners	-	(12,781)	(17,021)	(695)	(17,716)	(7,512)	(38,009)
Balance at 31 May 2015	82,275	(12,781)	395,461	(956)	394,505	81,268	545,267

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 May 2016

	Attributable to owners of the Company					
	Share capital (Note 23) \$'000	Treasury shares (Note 23) \$'000	Fair value adjustment reserve (Note 24) \$'000	Retained earnings \$'000	Total reserves \$'000	Total equity \$'000
2016						
Company						
Balance at 1 June 2015	82,275	(12,781)	(1,010)	59,898	58,888	128,382
Loss for the year, net of taxation	-	-	-	(4,337)	(4,337)	(4,337)
<u>Other comprehensive income</u>						
Net loss on fair value changes of available-for-sale financial assets	-	-	(8,329)	-	(8,329)	(8,329)
Net fair value changes of available-for-sale financial assets reclassified to profit or loss	-	-	7,470	-	7,470	7,470
Other comprehensive income for the year, net of taxation	-	-	(859)	-	(859)	(859)
Total comprehensive income for the year	-	-	(859)	(4,337)	(5,196)	(5,196)
<u>Contribution by and distribution to owners</u>						
Purchase of treasury shares	-	(4,996)	-	-	-	(4,996)
Dividends on ordinary shares (Note 39)	-	-	-	(15,135)	(15,135)	(15,135)
Balance at 31 May 2016	82,275	(17,777)	(1,869)	40,426	38,557	103,055
2015						
Company						
Balance at 1 June 2014	82,275	-	6,400	41,988	48,388	130,663
Profit for the year, net of taxation	-	-	-	34,931	34,931	34,931
<u>Other comprehensive income</u>						
Net loss on fair value changes of available-for-sale financial assets	-	-	(7,410)	-	(7,410)	(7,410)
Other comprehensive income for the year, net of taxation	-	-	(7,410)	-	(7,410)	(7,410)
Total comprehensive income for the year	-	-	(7,410)	34,931	27,521	27,521
<u>Contribution by and distribution to owners</u>						
Purchase of treasury shares	-	(12,781)	-	-	-	(12,781)
Dividends on ordinary shares (Note 39)	-	-	-	(17,021)	(17,021)	(17,021)
Balance at 31 May 2015	82,275	(12,781)	(1,010)	59,898	58,888	128,382

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 May 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Profit before taxation		111,715	143,670
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	4	16,776	15,830
Impairment loss on plant and machinery	26(c)	8,143	-
Inventories written down	26(c)	48	-
Impairment loss on development property held for sale	26(b)	300	500
Fair value loss/(gain) on investment properties	5	127	(52,374)
Dividend income from investment securities	26(a)	(913)	(407)
Gain on disposal of plant and equipment	26(a)	(761)	(1,478)
Fair value (gain)/loss on investment securities	26(a), 26(b)	(2)	2
Impairment loss on investment securities	26(b)	7,470	-
Gain on disposal of investment securities	26(a)	-	(23)
Amortisation of other assets	26(b)	107	-
Interest income	26(a)	(9,073)	(6,516)
Interest expense	28	8,474	5,510
Unrealised exchange differences		(177)	(20)
Property, plant and equipment written off	26(b)	-	6
Deposit written off	26(b)	-	150
Goodwill written off	26(b)	1	-
Allowance for doubtful trade and non-trade receivables	26(b)	1,456	181
Bad debts written off	26(b)	-	499
Share of results of associates and joint ventures		(99,730)	(43,625)
Operating cash flows before changes in working capital		43,961	61,905
<u>Changes in working capital:</u>			
Development properties		(50,216)	(73,970)
Construction work-in-progress		(14,348)	41,706
Inventories		1,743	(1,716)
Trade receivables		50,437	(27,577)
Other receivables and deposits		(7,748)	327
Prepayments		73	249
Trade payables, other payables and accruals		(16,045)	43,022
Balances with related parties		20,096	5,318
		(16,008)	(12,641)
Cash flows from operations		27,953	49,264
Interest paid capitalised in development properties		(2,260)	(653)
Income tax paid		(8,084)	(14,549)
Net cash flows from operating activities		17,609	34,062

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 May 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from investing activities			
Interest received		9,249	6,396
Dividend income from investment securities		913	407
Dividend income from associates		-	9,880
Purchase of investment securities		(47,304)	(8,258)
Purchase of property, plant and equipment (Note A)		(9,659)	(17,619)
Purchase of investment properties		(35,978)	(46,317)
Purchase of long term other asset		(550)	-
Increase in amounts due from third parties		(10,405)	-
Proceeds from disposal of property, plant and equipment		1,841	1,574
Net cash outflow on acquisition of a subsidiary	6(d)	(12,140)	-
Loans to associates		(54,240)	(27,274)
Investment in associates		(699)	(982)
Investment in joint ventures		(4,520)	-
(Loan to)/repayment of loan by joint ventures		(2,782)	23,565
Proceeds from liquidation of an associate		3	-
Proceeds from disposal of investment securities		44,750	1,024
Net cash flows used in investing activities		(121,521)	(57,604)
Cash flows from financing activities			
Interest paid		(8,474)	(5,510)
Proceeds from bank loans		135,870	102,306
Repayment of bank loans		(23,715)	(3,056)
Repayment of hire purchase creditors		(6,084)	(4,658)
Dividend paid on ordinary shares		(15,135)	(17,021)
Dividends paid to non-controlling interest of subsidiaries		(2,343)	(8,550)
Purchase of treasury shares		(4,996)	(12,781)
Loan from the non-controlling interests of subsidiaries		1,965	11,294
Capital contributions by, net of return to non-controlling interests of subsidiaries		-	343
Net cash flows from financing activities		77,088	62,367
Net (decrease)/increase in cash and cash equivalents		(26,824)	38,825
Cash and cash equivalents at beginning of the year		187,058	148,237
Effect of exchange rate changes on cash and cash equivalents		(107)	(4)
Cash and cash equivalents at end of the year	16	160,127	187,058

Note A

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$12,537,000 (2015: \$25,483,000) of which \$2,878,000 (2015: \$7,864,000) were acquired by means of hire purchase arrangements. Cash payments of \$9,659,000 (2015: \$17,619,000) were made to purchase property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

1. Corporate information

Lian Beng Group Ltd (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 29 Harrison Road, Lian Beng Building, Singapore 369648.

The principal activity of the Company is investment holding. The principal activities of the subsidiary corporations, joint arrangements and associates are disclosed in Note 6, Note 7 and Note 8 to the financial statements, respectively.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or \$), and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 June 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to FRS 16 and FRS 41 <i>Agriculture – Bearer Plants</i>	1 January 2016
Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 111 <i>Accounting for Acquisitions of Interest in Joint Operations</i>	1 January 2016
Improvements to FRSs (November 2014)	
- Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
- Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
- Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.3 Standards issued but not yet effective (cont'd)

Description (cont'd)	Effective for annual periods beginning on or after
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 7 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Except for FRS 115 *Revenue from Contracts with Customers*, FRS 109 *Financial Instruments* and FRS 116 *Leases*, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 109 and FRS 116 are described below:

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.3 Standards issued but not yet effective (cont'd)

FRS 109 Financial Instruments (cont'd)

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply 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 116 Leases

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as 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 within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.7 Property, plant and equipment

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

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other assets is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold properties	-	50 years
Leasehold properties	-	4 to 22 years
Plant and machinery	-	3 to 10 years
Furniture, fittings and office equipment	-	3 to 5 years
Motor vehicles	-	3 to 5 years
Tugboats and barges	-	10 to 15 years
Workers' dormitory	-	3 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in the profit or loss in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.8 Investment properties (cont'd)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present locations and conditions are accounted for as follows:

- Raw materials (construction) – Purchase costs determined on a first-in first-out basis
- Raw materials (concrete and sands) – Determined on a weighted-average basis

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.11 Subsidiaries

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.

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

2.12 Joint arrangements

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.

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. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) Joint operations

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.

(b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.13.

2.13 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.13 Joint ventures and associates (cont'd)

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

For financial statements of the associate or joint venture which are prepared as of the same reporting date of the Company, the most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the date of the audited financial statements used is not co-terminus with that of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the financial year.

In the Company's separate financial statements, investment in joint ventures and associates are accounted at cost, less impairment losses.

2.14 Affiliated company

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

2.15 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a contract can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.15 Construction contracts (cont'd)

The outcome of a contract can be estimated reliably when (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on value of work performed as certified by the architects or quantity surveyors to the total contract sum.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.16 Development properties/development properties held for sale

Development properties/development properties held for sale are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties/development properties held for sale are measured at the lower of cost, plus where appropriate, a portion of the attributable profit, and estimated net realisable value.

The cost of properties under development comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred. Show flats expenses are capitalised and amortised over the marketing period.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.16 Development properties/development properties held for sale (cont'd)

The costs of development properties recognised in the profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Progress billings received from purchasers for development properties of the Group outside the scope of INT FRS 115 *Agreement for the Construction of Real Estates* are classified as progress billings received in advance in the statement of financial position.

2.17 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.17 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.17 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Initial recognition and measurement (cont'd)

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.18 Impairment of financial assets (cont'd)

(a) *Financial assets carried at amortised cost (cont'd)*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.19 Cash and cash equivalents

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

2.20 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 the amount of the obligation can be estimated reliably.

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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Employee benefits

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.23 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(i). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.25 Revenue (cont'd)

(a) *Construction contract revenue*

Revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to value of work performed as certified by the architects or quantity surveyors to the total contract sum.

(b) *Provision of engineering and electrical works*

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

(c) *Sale and maintenance of construction machinery and equipment*

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

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

The Group recognises income on property development projects when the significant risks and rewards of ownership have been transferred to the purchasers. For development projects under progressive payment scheme in Singapore, whereby the legal terms in the sale contracts result in continuous transfer of work-in-progress to the purchasers, revenue is recognised based on the percentage of completion method. Under the percentage of completion method, profit is brought into profit or loss only in respect of sales procured and to the extent that such profit relates to the progress of construction work. The progress of construction work is measured by the proportion of the construction costs incurred to date to the estimated total construction costs for each project. For development projects under deferred payment scheme in Singapore and overseas development projects, the revenue will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

Revenue excludes goods and services or other sale taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

(e) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(f) *Rendering of services*

Revenue from rendering of services is recognised when the service is rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.25 Revenue (cont'd)

(g) *Interest income*

Interest income is recognised using the effective interest method.

(h) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(i) *Rental income*

Rental income arising from operating leases on investment properties, machineries and shipchartering are accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.26 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

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

- where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.27 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Where the grant relates to income, it is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.28 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.29 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

2.30 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sales, issue or cancellation of the Group's own equity instruments. Any difference between carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Determination of lease classification

The Group has entered into lease arrangements on its investment properties, tugboat and barges. The Group has evaluated the terms and conditions of the arrangements and assessed that the lease term does not constitute a substantial portion of the economic life of the commercial property and the minimum lease payment is not substantially all of the fair value of the leased asset. The Group determined that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

3. Significant accounting estimates and judgements (cont'd)

(a) *Judgements made in applying accounting policies (cont'd)*

(ii) Impairment of available-for-sale investments

The Group reviews its investment securities classified as available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 May 2016, impairment loss of \$7,470,000 (2015: \$Nil) was recognised for available-for-sale financial assets.

(iii) Classification of property

The Group determined whether a property is classified as investment property or development property based on the following:

- Investment properties comprise land and buildings (principally residential properties and dormitories) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income or for capital appreciation, or both; and
- Development properties comprise properties that are held for sale in the ordinary course of business. Principally, they are residential and commercial properties that the Group develops and intends to sell before or on completion of construction.

(b) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective countries of the Group's domicile.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

3. Significant accounting estimates and judgements (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(ii) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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 amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 35 to the financial statements.

(iii) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any objective evidence that a non-financial asset such as property, plant and equipment is impaired. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes with adverse effect in technological, market, economic or legal environment of the Group.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. For the financial year ended 31 May 2016, impairment loss of \$8,143,000 (2015: \$Nil) was recognised for plant and machinery.

(iv) Estimation of net realisable value of development properties/development properties held for sale

Development properties/development properties held for sale are stated at the lower of cost and net realisable value.

Net realisable value of development properties/development properties held for sale is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale. The carrying amount of development properties/development properties held for sale at the end of the reporting period is disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

3. Significant accounting estimates and judgements (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(v) Construction contract revenue

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to value of work performed as certified by the architects or quantity surveyors to the total contract sum. Significant assumptions are required to estimate the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project specialists. Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, management relies on past experience and/or the work of the project specialists. Management has reviewed the status of all its projects and is satisfied that the estimates are realistic, and the estimates of total contract costs and construction work-in-progress of progress billings indicate full project recovery. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 10 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been \$102,000 (2015: \$390,000) higher and \$3,922,000 (2015: \$5,748,000) higher respectively.

(vi) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent valuation specialists to determine fair value as at 31 May 2016 and 2015. The three valuation techniques adopted were the Comparative Method of Valuation, Income Approach Method and Residual Approach Method. The first involves analysing recent sales evidence of similar properties. Adjustments are made to differences in location, age, tenure, floor area, condition, exposure, date of sale, amongst other factors, before arriving at the market value of the property. The second involves the conversion of the net income of the property into a capital sum at a suitable rate of return which reflects the quality of the investment. The net income is the balance sum after deducting property tax, cost of repairs and maintenance and a reasonable percentage for vacancy from the gross rent. The value of the property is arrived at by capitalising the net rent at a suitable rate of return. The third involves the estimation of the Gross Development Value of project by analysing the recent transacted prices of comparable properties in the vicinity and other comparable locations. From the value, various estimated costs of development, such as construction and demolition costs, professional and statutory fees and other expenses are deducted to arrive at the residual value that would represent the amount a prudent buyer would pay for the site.

The carrying amount of the Group's investment properties at 31 May 2016 was \$438,533,000 (2015: \$351,277,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

4. Property, plant and equipment

Group	Freehold land \$'000	Freehold properties \$'000	Leasehold properties \$'000	Plant and machinery \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Tugboats and barges \$'000	Tugboats and barges under construction \$'000		Workers' dormitory \$'000	Total \$'000
								under construction	Plant under construction		
Cost											
At 1 June 2014	6,185	7,531	19,828	83,137	6,745	7,821	8,020	1,912	-	493	141,672
Additions	-	-	-	12,538	1,469	1,178	3,888	-	6,410	-	25,483
Disposals	-	-	-	(4,972)	(3)	(216)	-	-	-	-	(5,191)
Written off	-	-	-	(366)	(33)	-	-	-	-	-	(399)
Reclassification	-	-	-	-	-	-	972	(972)	-	-	-
At 31 May 2015 and 1 June 2015	6,185	7,531	19,828	90,337	8,178	8,783	12,880	940	6,410	493	161,565
Additions	-	-	-	4,200	455	637	3,760	-	3,485	-	12,537
Disposals	-	-	-	(6,252)	(5)	(558)	-	-	-	-	(6,815)
Written off	-	-	-	(130)	(42)	-	-	-	-	-	(172)
Reclassification	-	-	-	6,731	-	-	940	(940)	(6,731)	-	-
Exchange differences	-	-	-	-	(1)	-	-	-	-	-	(1)
At 31 May 2016	6,185	7,531	19,828	94,886	8,585	8,862	17,580	-	3,164	493	167,114

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

Group	Freehold land \$'000	Freehold properties \$'000	Leasehold properties \$'000	Plant and machinery \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Tugboats and barges \$'000	Tugboats and barges under construction \$'000	Plant under construction \$'000	Workers' dormitory \$'000	Total \$'000
Accumulated depreciation and impairment loss											
At 1 June 2014	-	538	4,969	44,959	4,618	3,051	1,006	-	-	493	59,634
Depreciation charge for the year	-	151	2,394	9,661	1,172	1,362	1,090	-	-	-	15,830
Disposals	-	-	-	(4,878)	(1)	(216)	-	-	-	-	(5,095)
Written off	-	-	-	(360)	(33)	-	-	-	-	-	(393)
At 31 May 2015 and 1 June 2015	-	689	7,363	49,382	5,756	4,197	2,096	-	-	493	69,976
Depreciation charge for the year	-	151	2,394	10,059	1,143	1,485	1,544	-	-	-	16,776
Disposals	-	-	-	(5,182)	(3)	(550)	-	-	-	-	(5,735)
Impairment loss	-	-	-	8,143	-	-	-	-	-	-	8,143
Written off	-	-	-	(130)	(42)	-	-	-	-	-	(172)
At 31 May 2016	-	840	9,757	62,272	6,854	5,132	3,640	-	-	493	88,988
Net carrying amount											
At 31 May 2016	6,185	6,691	10,071	32,614	1,731	3,730	13,940	-	3,164	-	78,126
At 31 May 2015	6,185	6,842	12,465	40,955	2,422	4,586	10,784	940	6,410	-	91,589

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

Company	Office Equipment \$'000
Cost	
At 1 June 2014	-
Additions	5
At 31 May 2015 and 1 June 2015	<u>5</u>
Additions	-
At 31 May 2016	<u>5</u>
Accumulated depreciation	
At 1 June 2014	-
Depreciation charge for the year	-
At 31 May 2015 and 1 June 2015	<u>-</u>
Depreciation charge for the year	2
At 31 May 2016	<u>2</u>
Net carrying amount	
At 31 May 2016	<u>3</u>
At 31 May 2015	<u>5</u>

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

	Group	
	2016	2015
	\$'000	\$'000
Impairment loss for the year	8,143	-
Depreciation for the year	16,776	15,830
Depreciation included in construction work-in-progress	(1,894)	(2,497)
Impairment loss included in construction work-in-progress	(8,143)	-
Depreciation previously included in construction work-in-progress now charged to the profit or loss	1,894	2,497
Impairment loss previously included in construction work-in-progress now charged to the profit or loss	8,143	-
Depreciation and impairment loss charged to the profit or loss	<u>24,919</u>	<u>15,830</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

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

	Group	
	2016	2015
	\$'000	\$'000
Tugboats and barges mortgaged to banks for credit facilities granted to a subsidiary	13,296	10,784
Freehold land and freehold properties mortgaged to bank for credit facilities granted to a subsidiary	12,876	13,027
Plant, machinery, motor vehicles and office equipment held under hire purchase arrangements	22,236	24,025
Leasehold properties mortgaged to banks for credit facility granted to subsidiaries	9,268	11,527

Details of the Group's properties are as follows:

Description and location	Tenure	Site Area (square metre)	Gross Floor Area (square metre)	Interest held by the Group (%)
An industrial flatted factory at Senoko Drive, Singapore	22 years (effective from 1 October 2000)	10,143	3,473	100
A 10-storey multi-user light industrial factory at 29 Harrison Road, Singapore	Freehold	1,007	2,519	100
A factory at 60 Sungei Kadut Street 1, Singapore	10 years (effective from 1 July 2006) and subsequent extension till June 2020	20,199	3,184	100
A 6-storey detached factory building at 2 Penjuru Close, Singapore	30 years (effective from 16 October 1995)	5,796	10,119	100

Impairment of freehold and leasehold properties

During the financial year, the Group carried out a review of the recoverable amount of its freehold and leasehold properties. There was no impairment loss (2015: \$Nil) recognised for the financial year ended 31 May 2016. The recoverable amount is based on the valuations performed by accredited independent valuers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

Impairment of plant and machinery

During the financial year, the Group carried out a review of the recoverable amount of its plant and machinery under the construction segment. An impairment loss of \$8,143,000 (2015: \$Nil), representing the write-down of certain plant and machinery, was recognized as these plant and machinery were purchased specifically for use in certain construction projects which have been completed. This amount was recognised in "cost of sales" line item of profit or loss for the financial year ended 31 May 2016. The recoverable amount of these plant and machinery was determined based on its value in use.

5. Investment properties

Statement of financial position:

	Group	
	2016	2015
	\$'000	\$'000
Beginning of financial year	351,277	262,386
- Additions to investment properties	35,978	46,317
- Acquisition of a subsidiary (Note 6 (d)(i))	51,500	-
- Net fair value (loss)/gain recognised in profit or loss	(127)	52,374
- Reclassification to development properties held for sale (Note 11)	-	(9,800)
- Exchange differences	(95)	-
End of financial year	438,533	351,277

Statement of comprehensive income:

	Group	
	2016	2015
	\$'000	\$'000
Revenue		
Rental income from investment properties:		
- Minimum lease payments	24,338	22,787
Other operating income		
Rental income from investment properties:		
- Minimum lease payments	414	401
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	8,770	7,099
- Non-rental generating properties	-	-
	8,770	7,099

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

5. Investment properties (cont'd)

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 May 2016 and 31 May 2015. The valuations were performed by Knight Frank Pte Ltd, Charter Keck Cramer, Suntec Real Estate Consultants Pte Ltd and Savills Valuation and Professional Services (S) Pte Ltd, which are independent valuers with recognised and relevant professional qualifications and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 34.

Properties pledged as security

Investment properties with carrying amount of \$408,590,000 (2015: \$321,000,000) are mortgaged to banks for credit facilities granted to subsidiaries.

Capitalisation of borrowing costs

The Group's investment properties under construction and development include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction and development of the properties. During the financial year, the borrowing costs capitalised as investment property under development amounted to \$1,044,000 (2015: \$740,000). The rates used to determine the amount of borrowing costs eligible for capitalisation ranged from 2.30% to 3.23% (2015: 1.94% to 2.57%) per annum.

Details of the Group's investment properties as at 31 May 2016 are as follows:

Description and location	Tenure	Existing use	Gross Floor Area (square metre)	Interest held by the Group (%)
An industrial terrace flatted factory at 25 Playfair Road, Singapore	Freehold	Offices	1,659	100
32, 34 & 36 Mandai Estate, Singapore	Freehold	Dormitory	29,056	55
111 Emerald Hill Road #05-02, 111 Emerald Hill, Singapore	Freehold	Residential	224	100
111 Emerald Hill Road #03-03, 111 Emerald Hill, Singapore	Freehold	Residential	183	100
38 Cairnhill Road #15-06 The Laurels, Singapore	Freehold	Residential	51	100
76 Dakota Crescent #18-13 Waterbank at Dakota, Singapore	Leasehold	Residential	58	100
134 Serangoon Avenue 3 #15-15 The Scala, Singapore	Leasehold	Residential	97	100
1 Kiang Guan Avenue #22-02 Lincoln Suites, Singapore	Freehold	Residential	150	100
4190 Ang Mo Kio Avenue 6 Broadway Plaza, Singapore	Leasehold	Recreation centre	5,142	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

5. Investment properties (cont'd)

Details of the Group's investment properties as at 31 May 2016 are as follows: (cont'd)

Description and location	Tenure	Existing use	Gross Floor Area (square metre)	Interest held by the Group (%)
247 - 249 Collins Street, Melbourne Australia	Freehold	Retail/office	2,084	100

Details of the Group's investment properties under construction and development as at 31 May 2016 are as follows:

Description and location	Tenure	Existing use	Gross Floor Area (square metre)	Interest held by the Group (%)
24 Leng Kee Road, Singapore	Leasehold	Industrial	16,265	80
16 Spottiswoode Park Road #36-07 Spottiswoode Suites, Singapore	Freehold	Residential	117	100

6. Investment in subsidiaries

	Company	
	2016 \$'000	2015 \$'000
Unquoted equity investments, at cost	68,799	67,800

(a) Composition of the Group

Details of the subsidiaries are as follows:

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		Cost of investment	
			2016 (%)	2015 (%)	2016 \$'000	2015 \$'000
Held by the Company						
Lian Beng Construction (1988) Pte Ltd ⁽²⁾	General building construction and civil engineering works	Singapore	100	100	10,539	10,539
L.S. Construction Pte Ltd ⁽²⁾	General building construction and civil engineering works	Singapore	100	100	3,308	3,308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		Cost of investment	
			2016 (%)	2015 (%)	2016 \$'000	2015 \$'000
Held by the Company (cont'd)						
Lian Beng Engineering & Machinery Pte Ltd ⁽²⁾	Provision of engineering works and sale, rental and maintenance of construction machinery and equipment	Singapore	100	100	17,027	17,027
Sinmix Pte Ltd ⁽²⁾	Manufacture and supply of concrete	Singapore	90	90	16,129	16,129
Tradewin Engineering Pte Ltd ⁽²⁾	Sale, rental and maintenance of construction machinery and equipment and the provision of electrical works	Singapore	100	100	358	358
Lian Beng Investment Pte Ltd ⁽²⁾	Property investment holding	Singapore	100	100	1,353	1,353
Lian Beng Realty Pte Ltd ⁽²⁾	Property developer	Singapore	100	100	1,000	1,000
Rocca Investments Pte Ltd ⁽²⁾	Property developer	Singapore	100	100	1,400	1,400
Deenn Engineering Pte Ltd ⁽²⁾	General building construction and civil engineering works	Singapore	100	100	8,500	8,500
Smooth Venture Pte Ltd ⁽⁴⁾	Business of an investment company	Singapore	100	100	1	1
CH Development Pte Ltd ⁽²⁾	Property investment holding	Singapore	100	100	# -	# -
Kovan Land Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
LB Property Pte Ltd ⁽²⁾	Provision of management services	Singapore	100	100	# -	# -

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		Cost of investment	
			2016 (%)	2015 (%)	2016 \$'000	2015 \$'000
Held by the Company (cont'd)						
Goldprime Investment Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
LB Land Pte Ltd ⁽²⁾	Property investment holding	Singapore	100	100	# -	# -
Millennium International Builders Pte Ltd ⁽²⁾	General building construction and civil engineering works	Singapore	100	100	600	600
Lian Beng Resources Pte Ltd ⁽²⁾	Trading of construction materials	Singapore	100	100	2,000	2,000
Lian Beng-Centurion (Mandai) Pte Ltd ⁽²⁾	Property developer	Singapore	55	55	550	550
Lian Beng Land Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Millennium Marine & Shipping Pte Ltd ⁽²⁾	Shipping operations including chartering of ships	Singapore	100	100	50	50
Luxe Development Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Sin Lian Holding Ltd ⁽³⁾	Investment holding	Cayman Islands	100	100	# -	# -
Lian Beng Marine Pte Ltd ⁽⁷⁾	Transportation of raw materials	Singapore	-	100	-	1
Lian Beng (M) Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Starview Investment Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Lian Beng Bliss Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		Cost of investment	
			2016 (%)	2015 (%)	2016 \$'000	2015 \$'000
Held by the Company (cont'd)						
Wealth Property Pte Ltd ⁽²⁾	Property developer	Singapore	65	65	650	650
Wealth Land Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Lian Beng (China) Pte Ltd ⁽²⁾	Property developer and investment holding	Singapore	100	100	# -	# -
Goldprime Property Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Wealth Assets Pte Ltd ⁽²⁾	Investment holding and automotive business	Singapore	80	80	# -	# -
Lian Beng Capital Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Associated KHL Industries Pte Ltd ⁽²⁾	Engineering, automation and technical services, rental income	Singapore	100	100	3,824	3,824
Goldprime (M) Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Goldprime Land Pte Ltd ⁽²⁾	Property developer	Singapore	51	51	510	510
Goldprime Realty Pte Ltd formerly known as Wealth Dormitory Pte Ltd ⁽²⁾	Investment holding	Singapore	80	100	# -	# -
Goldprime Dormitory Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
LB Property (S) Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -
Lian Beng Ventures Pte Ltd ⁽²⁾	Investment holding	Singapore	100	100	# -	# -

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		Cost of investment	
			2016 (%)	2015 (%)	2016 \$'000	2015 \$'000
Held by the Company (cont'd)						
Great Development Pte Ltd ⁽²⁾	Investment holding	Singapore	100	*	# -	*
LB Gold Land Pte Ltd ⁽²⁾⁽⁶⁾	Investment holding	Singapore	100	-	1,000	-
Goldprime Development Pte Ltd ⁽²⁾⁽⁶⁾	Investment holding	Singapore	100	-	# -	-
Oriental Investment Pte Ltd ⁽⁴⁾⁽⁶⁾	Investment holding	Singapore	100	-	# -	-
Held by subsidiaries						
Lian Beng (Bangladesh) Training and Testing Centre Pte Ltd ⁽¹⁾	Provision of training for construction workers	Bangladesh	70	70	-	-
Lian Beng Training & Testing Centre Pte Ltd ⁽²⁾	Provision of management services	Singapore	70	70	-	-
Mountbatten Development Pte Ltd ⁽²⁾	Property developer	Singapore	100	100	-	-
TAC System Formwork (S) Pte Ltd ⁽²⁾	Provision of formwork services	Singapore	60	60	-	-
Sim Hup Co Pte Ltd ⁽²⁾	Installation, repair and maintenance of machinery and equipment and engineering works	Singapore	100	100	-	-
Lian Beng - Centurion (Dormitory) Pte Ltd ⁽²⁾	Property investment holding and provision of dormitory services	Singapore	55	55	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of company	Principal activities	Principal place of business	Proportion of ownership interest		Cost of investment	
			2016 (%)	2015 (%)	2016 \$'000	2015 \$'000
Held by subsidiaries (cont'd)						
Lian Beng Resources Sdn Bhd ⁽⁵⁾	Provision of administrative service	Malaysia	100	100	-	-
Lian Beng (St Kilda) Pty Ltd ⁽⁵⁾⁽⁶⁾	Property developer	Australia	80	-	-	-
State Rich International Limited ⁽²⁾	Property investment holding	Singapore**	100	-	-	-
Lian Beng Ventures (Melbourne) Pty Ltd ⁽⁵⁾	Property investment holding	Australia	100	100	-	-
					68,799	67,800

(1) Audited by Dewan Nazrul Islam & Co

(2) Audited by Ernst & Young LLP, Singapore

(3) Not required to be audited as exempted by country of incorporation

(4) Not required to be audited as it was dormant during the year

(5) Audited by member firms of EY Global in the respective countries

(6) Incorporated during the year

(7) Struck off during the year

Denotes less than \$1,000

* The Group held 25% ownership interest in Great Development Pte Ltd in 2015 and it was accounted for as an associate (Note 8) in the previous financial year ended 31 May 2015

** Incorporated in British Virgin Islands

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(b) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Proportion profit allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
31 May 2016:					
Lian Beng - Centurion (Mandai) Pte Ltd and its subsidiary (Lian Beng - Centurion (Dormitory) Pte Ltd)	Singapore	45%	6,053	82,582	1,723
31 May 2015:					
Lian Beng - Centurion (Mandai) Pte Ltd and its subsidiary (Lian Beng - Centurion (Dormitory) Pte Ltd)	Singapore	45%	28,585	78,252	8,550

Significant restrictions

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of financial position

	Lian Beng - Centurion (Mandai) Pte Ltd and its subsidiary (Lian Beng - Centurion (Dormitory) Pte Ltd)	
	2016	2015
	\$'000	\$'000
Current		
Assets	33,732	14,872
Liabilities	(15,747)	(15,467)
Net current assets/(liabilities)	<u>17,985</u>	<u>(595)</u>
Non-current		
Assets	336,828	270,844
Liabilities	(171,298)	(96,356)
Net non-current assets	<u>165,530</u>	<u>174,488</u>
Net assets	<u>183,515</u>	<u>173,893</u>

Summarised statement of comprehensive income

	2016	2015
	\$'000	\$'000
Revenue	23,226	22,442
Other operating income	2,447	208
Fair value gain on investment property	-	50,000
Profit before taxation	16,080	66,220
Taxation	(2,629)	(2,698)
Profit after taxation	<u>13,451</u>	<u>63,522</u>
Other comprehensive income	-	-
Total comprehensive income	<u>13,451</u>	<u>63,522</u>
Other summarised information		
Net cash flows from operations	<u>13,764</u>	<u>16,712</u>
Acquisition of significant property, plant and equipment and investment properties	<u>144</u>	<u>311</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(d) *Acquisition of subsidiaries*

- (i) On 29 April 2016, a subsidiary of the Company acquired 100% equity interest in State Rich International Limited ("State Rich") for a purchase consideration of \$12,257,000. State Rich is a company incorporated in British Virgin Islands and owns a five-storey recreation centre, known as Broadway Plaza, located at 4190 Ang Mo Kio Avenue 6, Singapore. Broadway Plaza is being rented out to generate rental income.

The fair values of the identifiable assets and liabilities of State Rich as at the acquisition date were:

	Provisional amount of fair value recognised
	2016 \$'000
Assets	
Investment property	51,500
Trade and other receivables	75
Cash and cash equivalents	117
Prepayments	227
	<u>51,919</u>
Liabilities	
Trade and other payables	634
Provision for taxation	285
Bank loan	38,743
	<u>39,662</u>
Total identifiable net assets at fair value, representing consideration paid for the acquisition of State Rich	<u>12,257</u>
Effect of the acquisition of State Rich on cash flow:	
Total consideration paid	12,257
Less: Cash and cash equivalents of subsidiary acquired	(117)
Net cash outflow on acquisition	<u>12,140</u>

Impact of acquisition on profit or loss

From the acquisition date, State Rich has contributed \$222,000 of revenue and \$131,000 of net profit to the Group. If the business combination had taken place at the beginning of the financial year, the Group's revenue would have been \$447,805,000 and the Group's profit net of taxation would have been \$107,149,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(d) Acquisition of subsidiaries (cont'd)

- (ii) On 18 March 2016, the Company acquired additional 75% equity interest in Great Development Pte Ltd ("Great Development") for a purchase consideration of \$75. Following the acquisition, Great Development became a wholly-owned subsidiary of the Company.

The fair values of the identifiable assets and liabilities of Great Development as at the acquisition date were:

	Fair value recognised
	2016 \$'000
Assets	-
Liabilities	
Other payables	1
Total identifiable net liabilities at fair value	(1)
Goodwill on purchase	1
Consideration paid for the acquisition of Great Development	-
Effect of the acquisition of Great Development on cash flow:	
Total consideration paid	-
Less: Cash and cash equivalents of subsidiary acquired	-
Net cash outflow on acquisition	-

(iii) Internal restructuring of subsidiary companies for purpose of Taiwan listing

On 20 December 2011, the Company incorporated a subsidiary company, Sin Lian Holding Ltd ("SLH") in the Cayman Islands. SLH was established in connection with the proposed listing of the Group's engineering and concrete business on the Stock Exchange in Taiwan.

Following the incorporation of SLH, the Group effected an internal restructuring of the shareholding structure of Lian Beng Engineering & Machinery Pte Ltd ("LBEM") and Sinmix Pte Ltd ("Sinmix") so as to consolidate all its interest in LBEM and Sinmix under SLH.

On 29 May 2012, SLH acquired 100% and 90% interest in LBEM and Sinmix respectively from the Company for total consideration of \$17,495,341 and 10% interest in Sinmix from the non-controlling interest of Sinmix for total consideration of \$641,680. SLH issued 41,093,582 shares and 1,507,197 shares at Taiwan Dollar \$10 each to the Company and non-controlling interest of Sinmix respectively to satisfy the consideration of \$17,495,341 and \$641,680.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

6. Investment in subsidiaries (cont'd)

(d) Acquisition of subsidiaries (cont'd)

(iii) Internal restructuring of subsidiary companies for purpose of Taiwan listing (cont'd)

Following the restructuring, SLH holds 100% interest in both LBEM and Sinmix, the Company holds 96.5% in SLH and the non-controlling interest of Sinmix holds 3.5% in SLH. As a result of the restructuring, the Company recognised a gain of \$15,866,000 and the Group recognised a capital reserve of \$351,000.

In year 2014, the Company has decided not to proceed with the proposed listing in Taiwan in view of the prevailing market conditions and new policies imposed by the relevant authorities in Taiwan. SLH has agreed to transfer 100% interest in LBEM and 90% interest in Sinmix to the Company for \$33,155,923 and transfer 10% interest in Sinmix to non-controlling interest of SLH for \$1,792,130. Upon the completion of the above share transfer on 28 October 2014, SLH repurchased 41,093,582 shares from the Company for \$33,155,923 and repurchased 1,507,197 shares from non-controlling interest for \$1,792,130. These repurchased shares were subsequently cancelled.

Upon completion of the restructuring, the Company holds 100%, 90% and 100% in LBEM, Sinmix and SLH respectively.

As a result of the restructuring, the Company recognised a gain of \$15,661,000 and the Group recognised a negative capital reserve of \$695,000 in the previous financial year.

(e) Impairment testing of investment in subsidiaries

There was no impairment loss (2015: \$Nil) recognised during the financial year.

7. Investment in joint arrangements

(a) Joint ventures

The Group's material investment in joint ventures are summarised below:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Oxley – Lian Beng Pte Ltd	64,057	28,660	–	–
Other joint ventures	5,798	(789)	6,220	500
	<u>69,855</u>	<u>27,871</u>	<u>6,220</u>	<u>500</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

7. Investment in joint arrangements (cont'd)

(a) Joint ventures (cont'd)

Details of the investment in joint ventures are as follows:

Name of company	Principal activities	Principal place of business	Proportion of ownership interest	
			2016 (%)	2015 (%)
Held by the Company				
United E & P Pte Ltd ⁽²⁾	Manufacture of asphalt premix for construction industry	Singapore	40	*
Spottiswoode Development Pte Ltd ⁽³⁾	Property developer	Singapore	50	50
Oxley – Lian Beng Venture Pte Ltd ⁽⁴⁾	Investment holding	Singapore	50	–
Lian Beng – KSH Pte Ltd ⁽⁴⁾	Real estate developer	Singapore	50	–
Held by subsidiaries				
Lian Beng – Amin Joint Venture PVT Ltd ⁽¹⁾	General building construction and civil engineering works	Republic of Maldives	50	50
Phileap Pte Ltd ⁽²⁾	Property developer	Singapore	25	25
Oxley – Lian Beng Pte Ltd ⁽³⁾	Property developer	Singapore	50	50
Paul Y. – Lian Beng JV Pte. Ltd. ⁽²⁾	General building construction and civil engineering works	Singapore	50	50

⁽¹⁾ Not required to be audited as the company is dormant. It is currently undergoing voluntary liquidation

⁽²⁾ Audited by Ernst & Young LLP, Singapore

⁽³⁾ Audited by RSM Chio Lim LLP and reviewed by Ernst & Young LLP, Singapore, for consolidation purposes only

⁽⁴⁾ Not required to be audited as the Company is dormant

* The Group held 40% ownership interest in United E & P Pte Ltd in 2015 and it was accounted for as an associate (Note 8) in the previous financial year end 31 May 2015. In accordance with the Joint Venture Agreement signed during the year, the investment in United E & P Pte Ltd has been accounted for as a joint venture.

The above joint ventures are strategic to the Group's activities. The Group jointly controls the above ventures with partners under the contractual agreements and requires unanimous consent for all major decisions over the relevant activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

7. Investment in joint arrangements (cont'd)

(a) Joint ventures (cont'd)

Aggregate information about the Group's share in joint ventures (adjusted for the percentage of ownership held by the Group) that are not individually material are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Profit after taxation	2,395	978
Other comprehensive income	-	-
Total comprehensive income	2,395	978

The summarised financial information in respect of material investment in a joint venture, based on its FRS financial statements, and reconciliation with the carrying amount of the investments in the consolidated financial statements are as follows:

Summarised statement of financial position

	Oxley – Lian Beng Pte Ltd	
	2016	2015
	\$'000	\$'000
Cash and cash equivalents	6,650	40,437
Other current assets	230,723	205,774
Total current assets	237,373	246,211
Non-current assets	-	-
Total assets	237,373	246,211
Current liabilities	109,204	22,805
Non-current financial liabilities (excluding trade and other payable and provisions)	-	154,893
Other non-current liabilities	-	10,887
Total non-current liabilities	-	165,780
Total liabilities	109,204	188,585
Net assets	128,169	57,626
Proportion of the Group's ownership	50%	50%
Group's share of net asset	64,085	28,813
Other adjustments ⁽¹⁾	(28)	(153)
Carrying amount of the investment	64,057	28,660

⁽¹⁾ Other adjustments comprise unrealised profit on the intercompany transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

7. Investment in joint arrangements (cont'd)

(a) Joint ventures (cont'd)

Summarised statement of comprehensive income

	Oxley – Lian Beng Pte Ltd	
	2016 \$'000	2015 \$'000
Revenue	217,589	125,902
Other income	71	1,725
Interest income	1,856	1,972
Other operating expenses	(132,244)	(76,848)
Finance costs	(2,321)	(1,990)
Profit before taxation	84,951	50,761
Taxation	(14,408)	(8,551)
Profit after taxation	70,543	42,210
Other comprehensive income	-	-
Total comprehensive income	70,543	42,210
Proportion of the Group's ownership	50%	50%
Group's share of net results	35,272	21,105

(b) Joint operation

Details of the Group's joint operation are as follows:

Name of company	Principal activities	Principal place of business	Proportion of ownership interest	
			2016 (%)	2015 (%)
<i>Held by subsidiary</i>				
LB - RD JV	General building construction and civil engineering works	Singapore	50	50

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

8. Investment in associates

The Group's material investment in associates are summarised below:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Centurion – Lian Beng (Papan) Pte Ltd	6,040	690	–	–
Oxley Bliss Pte Ltd	13,974	–	–	–
Action Property Pte Ltd	7,033	(1,188)	–	–
Oxley Viva Pte Ltd	14,196	5,129	–	–
Oxley Sanctuary Pte Ltd	20,705	4,411	–	–
Epic Land Pte Ltd and its subsidiaries	8,589	3,356	–	–
Millennium Land Pte Ltd	193	196	–	–
Other associates	(916)	(1,510)	200	1,400
	69,814	11,084	200	1,400

Details of the investment in associates are as follows:

Name of company	Principal activities	Principal place of business	Proportion of ownership interest	
			2016 (%)	2015 (%)
Held by the Company				
Millennium Land Pte Ltd ⁽¹⁾	Investment holding	Singapore	38	38
Wealth Development Pte Ltd ⁽³⁾	Property developer	Singapore	40	40
United E&P Pte Ltd ⁽³⁾	Manufacture of asphalt premix for construction industry	Singapore	*	40
Great Development Pte Ltd ⁽³⁾	Property developer	Singapore	**	25
Held by subsidiaries				
Oxley Viva Pte Ltd ⁽¹⁾⁽⁷⁾	Property developer	Singapore	10	10
Oxley YCK Pte Ltd ⁽¹⁾⁽⁷⁾	Property developer	Singapore	10	10
Oxley Sanctuary Pte Ltd ⁽¹⁾⁽⁷⁾	Property developer	Singapore	15	15
Oxley Bliss Pte Ltd ⁽¹⁾⁽⁷⁾	Property developer	Singapore	30	30
Action Property Pte Ltd ⁽¹⁾⁽⁷⁾	Property developer	Singapore	19	19

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

8. Investment in associates (cont'd)

Details of the investment in associates are as follows: (cont'd)

Name of company	Principal activities	Principal place of business	Proportion of ownership interest	
			2016 (%)	2015 (%)
Held by subsidiaries (cont'd)				
Centurion Kovan Pte Ltd ⁽¹⁾	Property developer	Singapore	19	19
Imperial South East Asia Investment Pte Ltd ⁽⁸⁾	Investment holding and property developer	Singapore	-	32.65
KAP Holdings (China) Pte Ltd ⁽²⁾	Investment holding	Singapore	20	15
Epic Land Pte Ltd ⁽³⁾	Property dealing and property rental business	Singapore	32	32
Centurion - Lian Beng (Papan) Pte Ltd ⁽⁴⁾⁽⁷⁾	Provision of dormitory services	Singapore	49	49
Wickham Invesco Pte Ltd ⁽³⁾	Investment holding	Singapore	30	30
Prosperre Holdings Pte Ltd ⁽³⁾	Investment holding	Singapore	30	30
Grand Millennium Development Sdn Bhd ⁽⁵⁾	Property developer	Malaysia	49	49
LGB - NB Pte Ltd ⁽⁶⁾	Investment holding	Singapore	15	-
Prosperre Hotels Pte Ltd ⁽⁶⁾	Investment holding	Singapore	40	-
Fairmont Land Pte Ltd ⁽³⁾	Investment holding	Singapore	15	-

⁽¹⁾ Audited by RSM Chio Lim LLP

⁽²⁾ Audited by Deloitte & Touche LLP

⁽³⁾ Audited by Ernst & Young LLP, Singapore

⁽⁴⁾ Audited by PricewaterhouseCoopers LLP, Singapore

⁽⁵⁾ Audited by member firms of EY Global in the respective countries

⁽⁶⁾ Not required to be audited as it was incorporated less than 8 months from financial year end

⁽⁷⁾ Reviewed by Ernst & Young LLP, Singapore, for consolidation purposes only

⁽⁸⁾ Struck off during the year

* The Group holds 40% ownership interest in United E & P Pte Ltd in 2016 and accounts for it as a joint venture (Note 7).

** The Group holds 100% ownership interest in Great Development Pte Ltd in 2016 and accounts for it as a subsidiary (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

8. Investment in associates (cont'd)

The above associates are strategic to the Group's activities. The Group has the power to participate in the financial and operating policy decisions of the associates but does not have control or joint control of these policies.

There was no dividend (2015: \$9,880,000) received from associates during the financial year.

Aggregate information about the Group's share in associates (adjusted for the percentage of ownership held by the Group) that are not individually material are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Loss after taxation	(592)	(2108)
Other comprehensive income	280	-
Total comprehensive income	<u>(312)</u>	<u>(2,108)</u>

The summarised financial information in respect of material investment in associates, based on their FRS financial statements, and reconciliation with the carrying amount of the investments in the consolidated financial statements are as follows:

Summarised statement of financial position

	Oxley Viva Pte Ltd		Oxley Sanctuary Pte Ltd		Epic Land Pte Ltd and its subsidiaries		Millennium Land Pte Ltd	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets	301,614	246,411	379,699	306,564	375,644	490,509	734	737
Non-current assets	-	-	-	-	-	-	-	-
Total assets	<u>301,614</u>	<u>246,411</u>	<u>379,699</u>	<u>306,564</u>	<u>375,644</u>	<u>490,509</u>	<u>734</u>	<u>737</u>
Current liabilities	130,351	48,954	10,280	3,792	168,803	250,020	225	220
Non-current liabilities	29,146	141,236	230,408	269,960	180,000	230,000	-	-
Total liabilities	<u>159,497</u>	<u>190,190</u>	<u>240,688</u>	<u>273,752</u>	<u>348,803</u>	<u>480,020</u>	<u>225</u>	<u>220</u>
Net assets	<u>142,117</u>	<u>56,221</u>	<u>139,011</u>	<u>32,812</u>	<u>26,841</u>	<u>10,489</u>	<u>509</u>	<u>517</u>
Proportion of the Group's ownership	10%	10%	15%	15%	32%	32%	38%	38%
Group's share of net assets	14,212	5,622	20,852	4,922	8,589	3,356	193	196
Other adjustments ⁽¹⁾	(16)	(493)	(147)	(511)	-	-	-	-
Carrying amount of the investment	<u>14,196</u>	<u>5,129</u>	<u>20,705</u>	<u>4,411</u>	<u>8,589</u>	<u>3,356</u>	<u>193</u>	<u>196</u>

⁽¹⁾ Other adjustments comprise unrealised profit on the intercompany transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

8. Investment in associates (cont'd)

Summarised statement of financial position (cont'd)

	Centurion – Lian Beng (Papan) Pte Ltd		Oxley Bliss Pte Ltd		Action Property Pte Ltd	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current assets	6,901	9,971	4,168	1,406	50,427	238,599
Non-current assets	200,873	105,695	200,001	149,600	-	1,432
Total assets	207,774	115,666	204,169	151,006	50,427	240,031
Current liabilities	19,875	2,608	57,718	42,731	13,412	170,032
Non-current liabilities	174,528	111,650	99,870	107,318	-	76,250
Total liabilities	194,403	114,258	157,588	150,049	13,412	246,282
Net assets/(liabilities)	13,371	1,408	46,581	957	37,015	(6,251)
Proportion of the Group's ownership	49%	49%	30%	30%	19%	19%
Group's share of net assets/(liabilities)	6,552	690	13,974	287	7,033	(1,188)
Other adjustments ⁽¹⁾	(512)	-	-	(5,075)	-	-
Carrying amount of the investment	6,040	690	13,974	(4,788)	7,033	(1,188)
Transfer to deferred income	-	-	-	4,788	-	-
	6,040	690	13,974	-	7,033	(1,188)

⁽¹⁾ Other adjustments comprise unrealised profit on the intercompany transactions.

Summarised statement of comprehensive income

	Oxley Viva Pte Ltd		Oxley Sanctuary Pte Ltd		Epic Land Pte Ltd and its subsidiaries		Millennium Land Pte Ltd	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	276,700	226,011	319,923	100,110	106,833	30,217	-	-
Other income	780	174	5,122	5,388	5,633	17	-	26,543 ⁽¹⁾
Rental income	-	-	-	-	15,996	13,873	-	-
Profit/(loss) after taxation	85,896	55,238	106,199	35,371	16,352	10,564	(8)	26,592
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	85,896	55,238	106,199	35,371	16,352	10,564	(8)	26,592
Proportion of the Group's ownership	10%	10%	15%	15%	32%	32%	38%	38%
Group's share of results	8,590	5,524	15,930	5,306	5,233	3,380	(3)	10,104

⁽¹⁾ Other income was in relation to the gain on sale of investment by Millennium Land Pte Ltd in its 50%-owned joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

8. Investment in associates (cont'd)

Summarised statement of comprehensive income (cont'd)

	Centurion – Lian Beng (Papan) Pte Ltd		Oxley Bliss Pte Ltd		Action Property Pte Ltd	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	11	-	8,865	-	253,049	-
Other income	76	-	20	-	353	101
Fair value gain on investment properties	12,241	-	61,718	-	-	-
Profit/(loss) after taxation	11,963	(593)	62,741	(30)	43,266	(1,915)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	11,963	(593)	62,741	(30)	43,266	(1,915)
Proportion of the Group's ownership	49%	49%	30%	30%	19%	19%
Group's share of results	5,862	(291)	18,822	(9)	8,221	(364)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

9. Investment securities

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Current				
<i>Held for trading investments</i>				
- Quoted equity investments	1,725	17	-	-
- SGD Index linked note due on 30 June 2017 (quoted)	985	994	-	-
- Structured notes	504	-	-	-
	<u>3,214</u>	<u>1,011</u>	<u>-</u>	<u>-</u>
<i>Available-for-sale financial assets</i>				
- Quoted equity investments	5,714	-	5,714	-
- 6% p.a. SGD corporate bond due on 5 November 2015 (quoted)	-	251	-	-
- 4.75% p.a. SGD corporate bond due on 23 September 2015 (quoted)	-	20,179	-	-
- 5.6% p.a. SGD corporate bond due on 6 November 2015 (quoted)	-	19,967	-	-
- 5.25% p.a. SGD corporate bond due on 20 May 2016 (quoted)	-	4,010	-	-
- 5.25% p.a. SGD corporate bond due on 10 October 2016 (quoted)	10,068	-	-	-
- 3.55% p.a. SGD corporate bond due on 2 December 2016 (quoted)	2,038	-	-	-
- 5.25% p.a. SGD corporate bond due on 10 January 2017 (quoted)	3,030	-	-	-
- 4.5% p.a. SGD corporate bond due on 23 January 2017 (quoted)	3,547	-	-	-
- 5.0% p.a. SGD corporate bond due on 23 February 2017 (quoted)	1,025	-	-	-
- 4.75% p.a. SGD corporate bond due on 11 July 2018 (quoted)*	3,049	-	-	-
	<u>28,471</u>	<u>44,407</u>	<u>5,714</u>	<u>-</u>
Total current investment securities	<u>31,685</u>	<u>45,418</u>	<u>5,714</u>	<u>-</u>

* The bond was redeemed on 11 July 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

9. Investment securities (cont'd)

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(b) Non-current				
<i>Available-for-sale financial assets</i>				
- Quoted equity investments	15,025	21,589	14,250	20,710
- Unquoted equity investments	150	150	-	-
- 5.13% p.a. SGD corporate perpetual bond (quoted)	994	990	-	-
- 5% p.a. SGD corporate bond due on 23 February 2017 (quoted)	-	1,039	-	-
- 7.25% p.a. SGD corporate bond due on 16 November 2018 (quoted)	4,501	-	-	-
- 5.75% p.a. SGD corporate bond due on 15 March 2019 (quoted)	1,037	-	-	-
- 4.75% p.a. SGD corporate bond due on 27 March 2017 (quoted)	455	475	-	-
- 5% p.a. SGD corporate bond due on 5 November 2019 (quoted)	4,940	-	-	-
- 5.15% p.a. SGD corporate bond due on 18 May 2020 (quoted)	4,957	-	-	-
- 5.9% p.a. SGD corporate bond callable on 18 November 2020 (quoted)	3,029	-	-	-
- 4.18% p.a. SGD corporate bond callable on 25 November 2021 (quoted)	5,011	-	-	-
- 5.25% p.a. SGD corporate bond due on 10 October 2016 (quoted)	-	10,143	-	-
- 3.55% p.a. SGD corporate bond due on 2 December 2016 (quoted)	-	2,045	-	-
- 4.5% p.a. SGD corporate bond due on 23 January 2017 (quoted)	-	3,552	-	-
- 4.5% p.a. SGD corporate bond due on 31 July 2018 (quoted)	5,297	5,461	-	-
- 5.25% p.a. SGD corporate bond due on 10 January 2017 (quoted)	-	2,999	-	-
- 3.6% p.a. SGD corporate bond due on 7 August 2017 (quoted)	4,052	4,052	-	-
- 4.75% p.a. SGD corporate bond due on 20 May 2020 (quoted)	498	507	-	-
- 4.875% p.a. SGD corporate bond due on 11 June 2021 (quoted)	654	741	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

9. Investment securities (cont'd)

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(b) Non-current (cont'd)				
<i>Available-for-sale financial assets (cont'd)</i>				
- 3.85% p.a. SGD corporate bond due on 25 May 2026 (quoted)	3,541	-	-	-
- 4.4% p.a. USD corporate bond due on 19 May 2026 (quoted)	417	-	-	-
- 5.5% p.a. SGD corporate bond due on 28 March 2019 (quoted)	501	-	-	-
- 2.95% p.a. USD corporate bond due on 25 May 2021 (quoted)	1,565	-	-	-
- 4.75% p.a. USD corporate bond due on 31 May 2021 (quoted)	3,002	-	-	-
- 4.4% p.a. USD corporate bond due on 19 May 2026 (quoted)	300	-	-	-
- Other securities (quoted)	1,025	-	-	-
	<u>60,951</u>	<u>53,743</u>	<u>14,250</u>	<u>20,710</u>

The Group's investment in bonds and equity shares amounting to \$68,219,000 (2015: \$74,631,000) has been pledged as security for bank loans (Note 20).

Impairment loss

During the financial year, there was an impairment loss of \$7,470,000 (2015: \$Nil) recognised on a non-current available-for-sale quoted equity investment.

10. Construction work-in-progress

	Group	
	2016 \$'000	2015 \$'000
Construction costs	2,119,118	2,013,847
Attributable profits less recognised losses	320,103	304,184
	<u>2,439,221</u>	<u>2,318,031</u>
Progress billings	(2,535,967)	(2,428,362)
	<u>(96,746)</u>	<u>(110,331)</u>
Represented by:		
Construction work-in-progress in excess of progress billings	1,646	7,186
Progress billings in excess of construction work-in-progress	(98,392)	(117,517)
	<u>(96,746)</u>	<u>(110,331)</u>
Retention monies on construction contracts included in trade receivables	47,268	60,344

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

10. Construction work-in-progress (cont'd)

The following were capitalised in construction costs during the year:

	Group	
	2016	2015
	\$'000	\$'000
Depreciation of plant and machinery (Note 4)	1,894	2,497
Impairment loss on plant and machinery (Note 4)	8,143	-
Staff costs	30,510	34,743
Operating lease expenses	2,723	5,390
	2,723	5,390

11. Development properties/development properties held for sale

	Group	
	2016	2015
	\$'000	\$'000
Statement of financial position:		
(a) Development properties		
Freehold land, at cost	114,619	88,258
Development expenditure	30,590	7,589
Interest costs	3,078	818
Property tax	1,137	283
	149,424	96,948
(b) Development properties held for sale		
Development properties	14,768	4,968
Reclassification from investment properties	-	9,800
Less: Impairment loss	(800)	(500)
	13,968	14,268
Statement of comprehensive income:		
Development properties recognised as an expense in cost of sales	-	-
Development properties held for sale recognised as an expense in cost of sales	-	-
	-	-

Assets pledged as security

Development properties with carrying amount of \$149,424,000 (2015: \$96,948,000) are pledged to banks for loans granted to subsidiaries (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

11. Development properties/development properties held for sale (cont'd)

Capitalisation of borrowing costs

The interest on bank borrowings capitalised in the current financial year amounted to \$2,260,000 (2015: \$653,000). The rates used to determine the amount of borrowing costs eligible for capitalisation ranged from 2.22% to 3.29% (2015: 1.77% to 3.40%) per annum. Interest ceases to be capitalised when the temporary occupation permit ("TOP") has been obtained.

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

Description and Location	Tenure	Site area/floor area (square metre)	Stage of development/ expected completion date	Interest held by the Group	
				2016 (%)	2015 (%)
Development properties					
Proposed 11 storey ramp up food factory on Lot 1718L Mukim 14 at Mandai Link, Singapore	Leasehold	6,891 (site area)	Under construction and expected completion date 13 January 2017	65	65
Proposed 7 storey ramp up strata industrial building on Lot 2964N at Mukim 29 Tampines North Drive 1, Singapore	Leasehold	27,395 (site area)	Under construction and expected completion date 31 August 2018	51	51
Vacant land at 596 St Kilda Road, Melbourne, Australia	Freehold	1,804 (site area)	Awaiting development and planning permit	80	-
Development properties held for sale					
221 Balestier Road #02-05, #03-04 & #04-01, Rocca Balestier, Singapore	Freehold	605 (floor area)	Certificate of statutory completion issued on 21 December 2005	100	100
65 Cairnhill Road #06-01, The Ritz-Carlton Residences, Singapore *	Freehold	263 (floor area)	Certificate of statutory completion issued on 29 August 2011	100	100

* The Ritz-Carlton Residences was acquired with the intention of resale in future. In the previous financial year, the property was reclassified from investment properties to development properties held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

12. Inventories

	Group	
	2016	2015
	\$'000	\$'000
<i>Statement of financial position:</i>		
Raw materials (at cost)	4,429	6,220
<i>Statement of comprehensive income:</i>		
Inventories recognised as an expense in cost of sales	72,004	116,970

13. Trade receivables

	Group	
	2016	2015
	\$'000	\$'000
Trade receivables	63,641	100,940
Retention monies on construction contracts	47,268	60,344
	110,909	161,284
Less: Allowance for doubtful receivables	(1,998)	(1,542)
	108,911	159,742

Trade receivables are non-interest bearing and are normally on 30 to 60 days' term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

All trade receivables are denominated in Singapore Dollars.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to \$23,320,000 (2015: \$14,463,000), that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2016	2015
	\$'000	\$'000
Trade receivables past due but not impaired:		
Less than 30 days	4,828	4,116
30 to 60 days	8,394	1,633
61 to 90 days	1,043	724
91 to 120 days	1,221	1,530
More than 120 days	7,834	6,460
	23,320	14,463

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

13. Trade receivables (cont'd)

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group			
	Collectively impaired		Individually impaired	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Trade receivables – nominal amounts	–	–	1,998	1,542
Less: Allowance for impairment	–	–	(1,998)	(1,542)
	–	–	–	–
<i>Movement in allowance accounts:</i>				
At 1 June	–	–	1,542	1,361
Charge for the year	–	–	456	181
At 31 May	–	–	1,998	1,542

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

14. Other receivables and deposits

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
(a) Current				
<i>Other receivables and deposits</i>				
Other receivables (Note A)	20,097	13,646	137	125
Amounts due from shareholders of subsidiaries (Note B)	8,246	–	–	–
Amount due from a director of an associate (Note C)	–	3,604	–	3,604
Deposits	1,001	1,999	–	–
Deposit for purchase of freehold/ leasehold property	–	2,334	–	–
	29,344	21,583	137	3,729
Allowance for doubtful receivables	(38)	(38)	–	–
	29,306	21,545	137	3,729

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

14. Other receivables and deposits (cont'd)

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(b) Non-Current				
<i>Amounts due from third parties</i>				
Amounts due from shareholders of subsidiaries (Note B)	6,801	-	-	-
Amount due from a director of a joint venture (Note C)	3,604	-	3,604	-
	<u>10,405</u>	<u>-</u>	<u>3,604</u>	<u>-</u>

Note A

The amounts relating to other receivables are unsecured, interest-free except for an amount of \$2,037,000 (2015: \$Nil) which bears interest at 5% (2015: Nil%) per annum, repayable on demand and are expected to be settled in cash.

Other receivables denominated in foreign currency as at 31 May are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
British Pounds	2,158	-	-	-

Note B

The amounts due from shareholders of subsidiaries are denominated in Singapore Dollars, unsecured, interest-free, repayable on demand and are expected to be settled in cash, except for an amount of \$13,577,000 (2015: \$Nil) which bears interest at 1.5% (2015: Nil%) per annum over the bank's prevailing 3-month SIBOR rate and is repayable in 14 instalments commencing from 1 February 2016 and a final instalment payable on 1 May 2019.

Note C

The amount due from a director of a joint venture (2015: an associate) is denominated in Singapore Dollars, bears interest at 3% per annum (2015: 3%), repayable on 4 August 2017 (2015: repayable on demand) and is expected to be settled in cash.

The loan is secured by a charge over the existing interest in 2,000 shares (representing approximately 66.6%) held by the director of the joint venture in United E & P Holdings Pte Ltd, which is also one of the shareholders of the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

15. Amounts due from/to related parties, joint ventures and associates

(a) Amounts due from related parties

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Amounts due from affiliated companies	1	1	-	-
Amounts due from subsidiary companies	-	-	210,733	171,427
	<u>1</u>	<u>1</u>	<u>210,733</u>	<u>171,427</u>

These non-trade balances are interest-free, unsecured, repayable on demand, expected to be settled in cash and are denominated in Singapore Dollars.

(b) Amounts due from joint ventures

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade	17,015	26,757	-	-
Non-trade	24,084	24,443	10,346	9,885
	<u>41,099</u>	<u>51,200</u>	<u>10,346</u>	<u>9,885</u>

The trade amounts due from joint ventures are interest-free, are normally on 35 days' term and are denominated in Singapore Dollars. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amounts due from joint ventures are unsecured, interest-free except for an amount of \$13,529,000 (2015: \$9,145,000) which bears interest at 2.3% (2015: 2.3%) per annum, repayable on demand, expected to be settled in cash and are denominated in Singapore Dollars.

(c) Amounts due to joint ventures

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade	12	-	-	-
Non-trade	30,109	33,151	-	-
	<u>30,121</u>	<u>33,151</u>	<u>-</u>	<u>-</u>

The trade amounts due to joint ventures are unsecured, interest-free, normally settled on 30 days' term, expected to be settled in cash and are denominated in Singapore Dollars.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

15. Amounts due from/to related parties, joint ventures and associates (cont'd)

(c) Amounts due to joint ventures (cont'd)

The non-trade amounts due to joint ventures are unsecured, interest-free except for an amount of \$28,250,000 (2015: \$32,200,000) which bears interest at 3% (2015: 3%) per annum, repayable on demand, expected to be settled in cash and are denominated in Singapore Dollars.

(d) Amounts due from associates

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Current</u>				
Trade (Note A)	4,975	15,348	-	-
Non-trade (Note B)	114,057	101,785	9,660	14,164
	119,032	117,133	9,660	14,164
Less: Allowance for doubtful receivables	(1,000)	-	-	-
	118,032	117,133	9,660	14,164
<u>Non-current</u>				
Non-trade (Note C)	45,000	-	-	-

Note A

The trade amounts due from associates are interest-free, are normally on 30 days' term and are denominated in Singapore Dollars. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Note B

The non-trade amounts due from associates are unsecured, interest-free except for an amount of \$69,404,000 (2015: \$55,870,300) which bears interest at 2.73% to 5.35% (2015: 3% to 5.35%) per annum, repayable on demand and are expected to be settled in cash.

The non-trade amount due from associates denominated in foreign currency as at 31 May are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
British Pounds	17,057	-	-	-

Note C

The amount due from associates is unsecured, bears interest at 1.5% (2015: Nil%) per annum over the bank's prevailing 3-month SIBOR rate, repayable in 28 quarterly instalments commencing from 1 May 2019, expected to be settled in cash and is denominated in Singapore Dollars.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

15. Amounts due from/to related parties, joint ventures and associates (cont'd)

(e) Amounts due to associates

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-trade	16,346	12,931	76	76

The amounts due to associates are unsecured, interest-free except for an amount of \$11,359,000 (2015: \$12,523,000) which bears interest at 5.35% (2015: 3% to 5.35%) per annum, repayable on demand, expected to be settled in cash and are denominated in Singapore Dollars.

16. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise only cash and short term deposits at the end of the reporting period.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fixed deposits (Note 17)	87,452	54,149	1,000	-
Cash on hand and at banks	72,675	132,909	3,233	536
Cash and cash equivalents	160,127	187,058	4,233	536

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in cash and cash equivalents are amounts of \$13,179,000 (2015: \$10,545,000) maintained in the Project Account. The funds in the Project Account can only be applied in accordance with the Housing Developers (Project Account) Rules.

Cash and short-term deposits denominated in foreign currencies as at 31 May are as follows:

	Group	
	2016 \$'000	2015 \$'000
United States Dollar	734	59
Malaysia Ringgit	86	72
British Pound	96	-
Australia Dollar	3,631	-
	4,547	131

17. Fixed deposits

Fixed deposits earn interest of 0.10% to 2.00% (2015: 0.10% to 1.55%) per annum and have maturities ranging between 7 days and 12 months (2015: 7 days and 4 months), depending on the immediate cash requirements of the Group and the Company. Fixed deposits can be readily converted into known amount of cash and are subject to insignificant risk of change in values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

18. Trade and other payables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	131,039	164,747	-	-
Other payables	58,546	45,985	96	223
	<u>189,585</u>	<u>210,732</u>	<u>96</u>	<u>223</u>

Trade payables

Trade payables include amounts due to non-controlling interests of a subsidiary of \$115,000 (2015: \$600,000) and amounts due to a partner of a joint operation of \$Nil (2015: \$105,000). Trade payables are non-interest bearing and normally settled on 30 to 90 days' term.

Trade payables denominated in foreign currencies as at 31 May are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States Dollar	58	31	-	-
Malaysian Ringgit	67	7	-	-
Australian Dollar	71	-	-	-
	<u>196</u>	<u>38</u>	<u>-</u>	<u>-</u>

Other payables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Progress billings received in advance	33,452	16,954	-	-
Deferred income	1,320	7,108	-	-
Refundable deposits	4,666	4,656	-	-
Other payables	2,257	2,381	96	223
Amounts due to non-controlling interests of subsidiaries (non-trade)	16,851	14,886	-	-
	<u>58,546</u>	<u>45,985</u>	<u>96</u>	<u>223</u>

Other payables are non-interest bearing and are normally settled on 30 to 90 days' term.

Amounts due to non-controlling interests of subsidiaries (non-trade) are denominated in Singapore Dollars, unsecured, interest-free, repayable on demand and are expected to be settled in cash.

Deferred income pertains to unrealised income capitalised within the development properties of associates and joint ventures.

Progress billings received in advance relates to payments received for sale of development properties recognised in accordance with the completion contracts method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

19. Amounts due to subsidiaries

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Non-trade</u>				
Current	-	-	216,150	161,013
Non-current	-	-	14,314	-

The amounts due to subsidiaries are unsecured, interest-free, repayable on demand and are expected to be settled in cash, except for an amount of \$22,595,000 (2015: \$Nil) which bears interest at 1.5% (2015: Nil%) per annum over the bank's prevailing 3-month SIBOR rate and is repayable in 20 instalments commencing from 1 February 2016 and a final instalment payable on 1 November 2020.

20. Bank loans

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current liabilities				
(a) Short-term bank loans				
- Loan A ⁽¹⁾	1,500	1,000	-	-
- Loan B ⁽¹⁾	5,000	2,000	-	-
- Loan C ⁽¹⁾	2,000	2,000	-	-
- Loan D ⁽¹⁾	29,566	47,558	-	-
- Loan E ⁽¹⁾	-	4,507	-	-
- Loan R ⁽¹⁾	41,100	-	-	-
- Loan S ⁽²⁾	4,539	-	-	-
- Loan T ⁽³⁾	14,951	-	-	-
	<u>98,656</u>	<u>57,065</u>	-	-
Current portion of long-term bank loans				
- Loan F ⁽¹⁾	-	141	-	-
- Loan G ⁽¹⁾	186	181	-	-
- Loan H ⁽¹⁾	197	188	-	-
- Loan I ⁽¹⁾	5,256	5,256	-	-
- Loan J ⁽¹⁾	977	977	-	-
- Loan K ⁽¹⁾	268	260	-	-
- Loan L ⁽¹⁾	348	348	-	-
- Loan M ⁽¹⁾	701	685	-	-
- Loan N ⁽¹⁾	777	777	-	-
- Loan U ⁽¹⁾	751	-	-	-
- Loan V ⁽¹⁾	2,400	-	-	-
	<u>11,861</u>	<u>8,813</u>	-	-
Total current liabilities	<u>110,517</u>	<u>65,878</u>	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current liabilities				
(b) Long-term bank loans				
- Later than one year but not later than five years				
- Loan G ⁽¹⁾	-	186	-	-
- Loan H ⁽¹⁾	876	839	-	-
- Loan I ⁽¹⁾	21,024	26,280	-	-
- Loan J ⁽¹⁾	78	1,055	-	-
- Loan K ⁽¹⁾	113	381	-	-
- Loan L ⁽¹⁾	1,392	1,392	-	-
- Loan M ⁽¹⁾	1,155	1,848	-	-
- Loan N ⁽¹⁾	1,889	2,667	-	-
- Loan O ⁽¹⁾	44,157	36,900	-	-
- Loan P ⁽¹⁾	51,500	51,500	-	-
- Loan Q ⁽¹⁾	15,991	15,991	-	-
- Loan U ⁽¹⁾	2,614	-	-	-
- Loan V ⁽¹⁾	9,600	-	-	-
- Loan W ⁽³⁾	14,693	-	-	-
- Loan X ⁽¹⁾	10,000	-	-	-
- Later than five years				
- Loan H ⁽¹⁾	759	992	-	-
- Loan I ⁽¹⁾	69,387	69,387	-	-
- Loan L ⁽¹⁾	1,515	1,866	-	-
- Loan V ⁽¹⁾	70,800	-	-	-
Total non-current liabilities	317,543	211,284	-	-

⁽¹⁾ Singapore Dollar denominated loan

⁽²⁾ United State Dollar denominated loan

⁽³⁾ Australian Dollar denominated loan

Loan A

The loan is guaranteed by the Company and is repayable on demand. Interest is charged at 1.50% (2015: 1.50%) per annum over the bank's swap rate. During the financial year, the interest rate ranged from 2.30% to 2.94% (2015: 1.98% to 3.14%) per annum.

Loan B

The revolving loan is guaranteed by the Company and is repayable on demand. Interest is charged at 1% (2015: 1%) per annum above bank's cost of fund. During the financial year, the interest rate ranged from 1.76% to 2.88% (2015: 1.70% to 2.14%) per annum. The loan includes a financial covenant which requires the Company to maintain a consolidated tangible net worth not less than \$100 million throughout the tenor of the loan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan C

The loan is secured by corporate guarantee from the Company. Interest rate shall be based on a mutually agreed rate to be quoted on the day of drawdown. The loan is repayable on demand. During the financial year, the interest rate ranged from 2.30% to 3.03% (2015: 1.97% to 2.45%) per annum.

Loan D

The loan is secured by a Memorandum of Charge and Pledge over assets in respect of a subsidiary's investment securities, with carrying amount of \$61,823,000 (2015: \$74,631,000). The securities charged must be placed in a sub-account with the bank and the subsidiary shall execute all such forms and documents as the bank may require (including any forms prescribed by the Central Depository Pte Ltd).

Interest is charged at 0.65% (2015: 0.65%) per annum above bank prevailing 1, 3, 6 and 12-month cost of funds. During the financial year, the interest rate ranged from 1.18% to 2.25% (2015: 1.13% to 1.64%) per annum. The loan is repayable on demand.

Loan E

The loan was repaid during the financial year. Interest was charged at 2.25% (2015: 2.25%) per annum over the average cost of funds of the bank for interest period of 1 or 3 months.

During the financial year, the interest rate ranged from 3.07% to 3.40% (2015: 3.40%) per annum.

Loan F

The term loan was secured by the following:

- (1) The legal mortgage on a subsidiary's barge with carrying amount of \$Nil (2015: \$705,000);
- (2) Assignment of all rights, interests benefits under and arising out of the insurance policies in respect of a subsidiary's barge;
- (3) Assignment of rights, interests, benefits and earnings from the charter agreement between a subsidiary and a third party; and
- (4) A corporate guarantee from the Company.

The loan was repaid during the financial year. Interest was charged at prevailing 3-month SIBOR plus 2.5% (2015: 2.5%) per annum.

During the financial year, the interest rate ranged from 3.32% to 3.67% (2015: 2.90% to 3.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan G

The term loan is secured by the following:

- (1) The legal mortgage on a subsidiary's tug boat with carrying amount of \$637,000 (2015: \$735,000);
- (2) Assignment of all rights, interests benefits under and arising out of the insurance policies in respect of a subsidiary's tug boat;
- (3) Assignment of rights, interests, benefits and earnings from the charter agreement between a subsidiary and a third party; and
- (4) A corporate guarantee from the Company.

The loan is repayable in 48 monthly instalments commencing from June 2013 and interest is charged at prevailing 3-month SIBOR plus 2.5% (2015: 2.5%) per annum. During the financial year, the interest rate ranged from 3.38% to 3.75% (2015: 2.90% to 3.26%) per annum.

The loan includes a financial covenant which requires that sums owing to the bank shall not at any time be more than 69% of the aggregate market value of the tug boat and barge as determined by the bank or valuers acceptable to the bank ("Loan-To-Value Ratio" or "LTV"). In the event that the LTV exceeds 69%, the subsidiary of the Company shall provide additional collateral acceptable to the bank and/or reduce the outstanding amount of the loan to restore the LTV.

Loan H

The term loan is secured by the following:

- (1) The legal mortgage on a subsidiary's freehold land and building with carrying amount of \$12,876,000 (2015: \$13,027,000);
- (2) Assignment of all rights and benefits over the rental income in respect of the tenancies entered into for a subsidiary's property;
- (3) Assignment of all rights and benefits arising under insurance policies taken in relation to the construction of the property; and
- (4) Deed of Corporate Guarantee of the Company.

The loan is repayable in 180 equal monthly instalments of \$22,569 commencing from 29 June 2009 and interest is charged at prevailing bank prime rate. During the financial year, the interest rate was 4.25% (2015: 4.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan I

The loan is secured by the following:

- (1) The legal mortgage on a subsidiary's investment property with carrying amount of \$270,000,000 (2015: \$270,000,000);
- (2) The assignment of rental proceeds in respect of a subsidiary's investment property;
- (3) Fixed and floating charge over the investment property including book debts, goodwill and undertakings in connection with workers' dormitory operations; and
- (4) Corporate guarantee given by the Company in the ratio of the shareholdings held by the Company in a subsidiary of 55%.

The loan is repayable in 20 years from 27 June 2014. Interest is charged at 1.50% (2015: 1.50%) per annum over prevailing SIBOR rate. During the financial year, the interest rate ranged from 2.32% to 2.67% (2015: 1.86% to 2.51%) per annum.

The loan includes a financial covenant which requires the total monies and liabilities owing from Loan I and Loan V under the mortgage not to exceed 80% of bank's valuation of the investment property at all times.

Loan J

The loans are secured by the following:

- (1) The legal mortgage on the subsidiary's two barges and two tugboats with carrying amount of \$1,959,000 (2015: \$2,251,000) and \$1,348,000 (2015: \$1,543,000) respectively;
- (2) A deed of covenants and assignment which incorporates the assignment of insurance in favour of the bank in respect of the two barges and two tugboats; and
- (3) A corporate guarantee from the Company.

The loans are repayable in 48 monthly instalments commencing from July 2013 and interest is charged at cost of funds plus 1.875% (2015: 1.875%) per annum. During the financial year, the interest rate ranged from 2.89% to 3.22% (2015: 2.30% to 3.04%) per annum. The loan includes a financial covenant which requires the guarantor shall at all times maintain the ratio of its total debts to total tangible net worth to be not more than 1.75 at consolidated level.

Loan K

The loan is secured by the following:

- (1) The legal mortgage on a subsidiary's barge with carrying amount of \$882,000 (2015: \$1,008,000); and
- (2) A corporate guarantee from the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan K (cont'd)

The loan is repayable in 48 monthly instalments commencing from November 2013 and interest is charged at 0.5% (2015: 0.5%) per annum above the finance company's base rate. During the financial year, the interest rate was 2.64% to 2.94% (2015: 2.21%) per annum.

Loan L

The loan is secured by way of pledge against a subsidiary's leasehold building with carrying amount of \$9,160,000 (2015: \$10,128,000) and corporate guarantee by the Company. Interest is charged at 1.3% (2015: 1.3%) per annum above bank's swap rate. During the financial year, the interest rate ranged from 2.00% to 2.80% (2015: 1.64% to 2.19%) per annum. The loan is repayable in 119 monthly instalments of \$29,000 each commencing from November 2013 and a final instalment of \$703,000. The loan includes a financial covenant which requires the aggregate loan outstanding to the bank not to exceed 70% of the market value of the leasehold building at all times.

Loan M

The loan is secured by the following:

- (1) The legal mortgage on a subsidiary's leasehold property with carrying amount of \$108,000 (2015: \$1,399,000); and
- (2) Corporate guarantee given by the Company.

The loan is repayable in 60 monthly instalments commencing from January 2014 and interest is charged at 1.5% (2015: 1.5%) per annum above SIBOR rate for the first and second year. Thereafter, interest will be charged at 2.75% above SIBOR rate per annum. During the financial year, the interest rate ranged from 2.29% to 4.00% (2015: 1.90% to 2.29%) per annum.

Loan N

The loans are secured by the following:

- (1) The legal mortgage on the subsidiary's two barges and two tugboats with carrying amount of \$2,357,000 (2015: \$2,637,000) and \$1,699,000 (2015: \$1,905,000) respectively;
- (2) Assignment of all rights, title, benefits and interests in connection with the insurance policies with respect to the subsidiary's two barges and two tugboats; and
- (3) A corporate guarantee from the Company.

The loans are repayable in 60 monthly instalments commencing from October 2014 and December 2014 respectively and interest is charged at bank swap rate plus 1.80% (2015: 1.80%) per annum. During the financial year, the interest rate ranged from 2.54% to 3.18% (2015: 2.14% to 2.59%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan N (cont'd)

The loan includes a financial covenant which requires the ratio of the secured debt of a vessel to the valuation of the relevant vessel shall not at any time be more than 80%. In the event that the secured debt exceeds 80%, the borrower shall within thirty days restore the relevant security coverage ratio by either prepaying an appropriate amount to achieve the requisite level of the security coverage ratio for the relevant vessel and/or provide or cause to be provided to the bank, a perfected first security interest in such other additional security (including cash deposits) as may be acceptable to the bank.

Loan O

The loan is secured by the following:

- (1) First legal mortgage on a subsidiary's investment property with carrying amount of \$63,169,000 (2015: \$51,000,000);
- (2) Assignment of all rights, title, benefits and interests in connection with any construction contract, insurance policies, performance bonds, leases, tenancy agreement and/or sale and purchase agreements with respect to the development;
- (3) Assignment of rental proceeds with respect to the development; and
- (4) Corporate guarantee from the Company in the ratio of the shareholdings held by the Company in a subsidiary of 80%.

The loan is repayable in 4 quarterly instalments of \$410,215 each, with the first instalment commencing 3 months from the date of issuance of TOP for the development or 30 September 2018, whichever is the earlier, and a final payment of \$42,515,891 on 30 September 2019 or 2 years after the date of issuance of TOP for the development, whichever is the earlier. Interest is charged at 1.6% (2015: 1.6%) per annum above bank's swap rate for tenors of up to 6 months.

During the financial year, the interest rate ranged from 2.30% to 3.23% (2015: 1.94% to 2.57%) per annum.

The loan includes a financial covenant which requires the following:

- (a) The subsidiary shall at all times maintain a debt service coverage ratio of at least 1.2 times; and
- (b) The aggregate amount outstanding shall not exceed 80% of the market value of the development at all times.

Loan P

The loan is secured by the following:

- (1) First legal mortgage on a subsidiary's development property with carrying amount of \$77,364,000 (2015: \$67,000,000);
- (2) Assignment of all rights, title, benefits and interests under any project management contracts, construction contract, insurance policies, performance bonds, tenancy agreement and/or sale and purchase agreements in respect of the development;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan P (cont'd)

- (3) Subordination of all subsidiary's directors'/shareholders'/related parties' loans and advances to the subsidiary company; and
- (4) Corporate guarantee from the Company in the ratio of the shareholdings held by the Company in the subsidiary of 51%.

The loan is repayable 42 months from date of drawdown on 19 March 2015 or 6 months from the date of issuance of TOP for the development or 30 September 2018, whichever is the earlier. Interest is charged at 1.75% (2015: 1.75%) per annum over the average cost of funds of the bank for interest period of 1 or 3 months.

During the financial year, the interest rate ranged from 2.57% to 3.20% (2015: 2.9%) per annum.

The loan includes a financial covenant which requires the following:

- (a) Within the first 6 months from the date of 19 March 2015, all moneys and liability owing shall not exceed 87% of the market value or purchase price of the vacant land;
- (b) By the end of first 6 months from the date of 19 March 2015, or 30 days from date of the receipt of the GST refund by IRAS, whichever is earlier, the total monies and liability owing shall not exceed 80% of the market value or purchase price of the vacant land; and
- (c) Upon commencement of construction, the aggregate amount outstanding shall not exceed 75% of the security value of the development at all times.

Loan Q

The loan is secured by the following:

- (1) The legal mortgage on a subsidiary's development property under development with carrying amount of \$44,840,000 (2015: \$29,948,000);
- (2) The assignment of the rights and benefits in connection with insurance policies, building contracts, tenancy agreements and/or sale and purchase agreements of the subsidiary in respect of the development property and building agreements;
- (3) Corporate guarantee from the Company in the ratio of the shareholdings held by the Company in a subsidiary of 65%;
- (4) A charge on all bank accounts maintained by the subsidiary with the bank; and
- (5) Deed of subordination of all loans given by shareholders, related parties and Company to the subsidiary.

The loan is repayable 3 months from date of issuance of TOP for the development or 30 June 2017, whichever is earlier. Interest is charged at 1.50% (2015: 1.50%) per annum above the bank's prevailing 1, 3 or 6 month swap offer rate. During the financial year, the interest rate ranged from 2.22% to 2.91% (2015: 1.77% to 2.39%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan Q (cont'd)

The loan includes the following financial covenants:

- (1) Outstanding loan under facility shall not exceed 35% of the market value of the development property as determined by the bank or professional valuers;
- (2) The Company's gearing ratio shall at all times not exceed maximum of 2.5 times;
- (3) The paid up capital of the subsidiary and subordinated shareholder's loans shall not be less than \$1 million; and
- (4) The subsidiary must at all times be legally and beneficially 65% owned by the Company.

Loan R

The loan is secured by the following:

- (1) First legal mortgage on a subsidiary's investment property with carrying amount of \$51,500,000 (2015: \$Nil);
- (2) First fixed charge over all shares in the subsidiary;
- (3) First fixed and floating charge over all the assets of the subsidiary;
- (4) The assignment of all rights and benefits under any insurance, tenancy, rental lease or license agreement in respect of the investment property; and
- (5) Corporate guarantee from the Company.

The loan is repayable in 59 monthly instalment of \$100,000 each commencing from 27 May 2016 and a final instalment on 27 April 2021. Interest is charged at 1.3% (2015: Nil%) per annum over the average cost of funds of the bank for interest period of 1, 2, 3 or 6 months. During the financial year, the interest rate ranged from 2.30% to 2.35% (2015: Nil%) per annum.

The loan includes a financial covenant which requires that the outstanding loan amount shall not exceed 85% of the estimated market value of the investment property.

The loan is classified as current liability notwithstanding the above terms of repayment as the loan is callable and repayable on demand.

Loan S

The loan is secured by a subsidiary's investment securities with carrying amount of \$6,396,000 (2015: \$Nil) and corporate guarantee by the Company.

Interest is charged at 0.65% (2015: Nil%) per annum above base rate of the bank. During the financial year, the interest rate ranged from 1.37% to 1.64% (2015: Nil%) per annum.

The loan is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan S (cont'd)

The loan includes a financial covenant which requires the subsidiary to undertake that its EBITDA shall exceed 120% of its Annual Debt Service.

Loan T

The loan is secured by the following:

- (1) The legal mortgage on a subsidiary's development property with carrying amount of \$27,220,000 (2015: \$Nil); and
- (2) Corporate guarantee given by the Company in the ratio of the shareholdings held by the Company in a subsidiary of 80%.

The loan is repayable one year from the date of the first drawdown under the facility on 23 November 2015.

Interest is charged at 1.15% (2015: Nil%) per annum above the Bank Bill Swap Reference Rate (BBSY). During the financial year, the interest rate ranged from 3.05% to 3.29% (2015: Nil%) per annum.

The loan includes a financial covenant which requires the loan to valuation ratio must not exceed 65% at any time.

Loan U

The loans are secured by the following:

- (1) The legal mortgage on the subsidiary's two barges and two tugboats with carrying amount of \$2,508,000 (2015: \$Nil) and \$1,906,000 (2015: \$Nil) respectively.
- (2) A deed of covenants and assignment which incorporates the assignment of insurance in favour of the bank in respect of the two barges and two tugboats; and
- (3) A corporate guarantee from the Company.

The loans are repayable in 60 monthly instalments commencing from October 2015 and January 2016 respectively and interest is charged at bank swap rates plus 1.8% (2015: Nil%) per annum. During the financial year, the interest rate ranged from 2.6% to 3.15% (2015: Nil%) per annum.

The loan includes a financial covenant which requires the ratio of the secured debt of a vessel to the valuation of the relevant vessel shall not at any time be more than 80%. In the event that the secured debt exceeds 80%, the borrower shall within thirty days restore the relevant security coverage ratio by either prepaying an appropriate amount to achieve the requisite level of the security coverage ratio for the relevant vessel and/or provide or cause to be provided to the bank, a perfected first security interest in such other additional security (including cash deposits) as may be acceptable to the bank.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan V

The loan is secured by the following:

- (1) First legal mortgage on a subsidiary's investment property with carrying amount of \$270,000,000 (2015: \$Nil);
- (2) Assignment of rental proceeds with respect to a subsidiary's investment property;
- (3) Fixed and floating charge over the investment property including book debts, goodwill and undertaking in connection with workers' dormitory operations; and
- (4) Corporate guarantee given by the Company in the ratio of the shareholding held by the Company in a subsidiary of 55%.

The loan is repayable in 239 equal monthly instalment of \$200,000 and a final repayment of \$37,200,000 commencing from 1 July 2015. Interest is charged at 1.5% (2015: Nil%) per annum over the prevailing SIBOR rate.

During the financial year, the interest rate ranged from 2.32% to 2.73% (2015: Nil%) per annum.

The loan includes a financial covenant which requires the total monies and liabilities owing from Loan I and Loan V under the mortgage not to exceed 80% of the bank's valuation of the investment property at all times.

Loan W

The loan is secured by the following:

- (1) The legal mortgage on a subsidiary's investment property with carrying amount of \$23,921,000 (2015: \$Nil);
- (2) Deed of Subordination in favour of HSBC Bank Australian Limited with respect to any intercompany loan between the Company and the subsidiary;
- (3) A Letter of undertaking from the Company to fund all cash flow deficiency;
- (4) General Security Deed over all present and after acquired assets of the subsidiary;
- (5) A corporate guarantee from the Company.

The loan is repayable 3 years from the initial drawdown date on 20 July 2015.

Interest is charged at 1.35% (2015: Nil%) per annum above the Bank Bill Swap Reference Rate. During the financial year, the interest rate ranged from 3.54% to 3.68% (2015: Nil%) per annum.

The loan includes a financial covenant which requires the loan to valuation ratio not to exceed 65% at any time prior to the maturity date and the interest cover ratio is to be maintained at a minimum of 1.50 times measured annually.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

20. Bank loans (cont'd)

Loan X

The loan is secured by the following:

- (1) The legal mortgage on a subsidiary's development property under development with carrying amount of \$44,840,000 (2015: \$Nil);
- (2) The assignment of the rights and benefits in connection with insurance policies, building contracts, tenancy agreements and/or sale and purchase agreements of the subsidiary in respect of the development property and building agreements;
- (3) Corporate guarantee from the Company in the ratio of the shareholdings held by the Company in a subsidiary of 65%;
- (4) A charge on all bank accounts maintained by the subsidiary with the bank; and
- (5) Deed of subordination of all loans given by shareholders, related parties and Company to the subsidiary.

The loan is repayable 2 months from date of issuance of Certificate of Statutory Completion for the development property or 31 March 2018, whichever is earlier. Interest is charged at 1.50% (2015: Nil%) per annum above the bank's prevailing 1, 3 or 6 month swap offer rate. During the financial year, the interest rate ranged from 2.31% to 2.85% (2015: Nil%) per annum.

The loan includes the following financial covenants:

- (1) Outstanding loan under facility shall not exceed 35% of the market value of the development property as determined by the bank or professional valuers;
- (2) The Company's gearing ratio shall at all times not exceed maximum of 2.5 times;
- (3) The paid up capital of the subsidiary and subordinated shareholder's loans shall not be less than \$1 million; and
- (4) The subsidiary must at all times be legally and beneficially 65% owned by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

21. Obligations under hire purchase

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments \$'000	Group Interest \$'000	Present value of payments \$'000
2016			
Not later than one year	6,214	(272)	5,942
Later than one year but not later than five years	6,821	(187)	6,634
	<u>13,035</u>	<u>(459)</u>	<u>12,576</u>
2015			
Not later than one year	5,902	(357)	5,545
Later than one year but not later than five years	10,601	(364)	10,237
	<u>16,503</u>	<u>(721)</u>	<u>15,782</u>

Lease terms range from 2 to 8 years (2015: 3 to 8 years) with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. Interest is charged at rates ranging from 2.41% to 5.24% (2015: 2.41% to 5.24%) per annum.

22. Deferred tax assets/liabilities

	Consolidated statement of financial position		Group Consolidated statement of comprehensive income	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred tax assets				
Provision	10	1	(9)	(1)
Differences in depreciation	(692)	(431)	261	227
Productivity and Innovation Credit	1,330	1,067	(263)	(558)
<i>Total deferred tax assets</i>	<u>648</u>	<u>637</u>		
Deferred tax liabilities				
Acquisition of subsidiary - depreciation	(5)	(5)	-	-
Differences in depreciation	(2,051)	(3,489)	(1,438)	798
Provisions	16	16	-	-
Productivity and Innovation Credit	567	926	359	(540)
<i>Total deferred tax liabilities</i>	<u>(1,473)</u>	<u>(2,552)</u>		
Deferred income tax expense (Note 29)			<u>(1,090)</u>	<u>(74)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

22. Deferred tax assets/liabilities (cont'd)

Unrecognised tax losses

The Group has deferred tax assets that have not been recognised due to uncertainty of their recoverability. The use of these balances is subject to the agreement of the relevant tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operates, as follows:

	Group	
	2016	2015
	\$'000	\$'000
Deductible temporary differences	5,341	10,183
Tax losses	3,001	1,704
	<u>8,342</u>	<u>11,887</u>

Unrecognised temporary differences relating to investments in subsidiaries and joint venture

At the end of the reporting period, no deferred tax liability (2015: \$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries, associates and joint ventures of the Group as there are no foreign subsidiaries, associates and joint ventures that have a tax effect on the undistributed earnings.

Deferred income tax related to other comprehensive income

There is no (2015: \$Nil) deferred income tax related to other comprehensive income for the financial year ended 31 May 2016.

23. Share capital and treasury shares

(a) *Share capital*

	Group and Company			
	2016		2015	
	No. of shares	No. of shares	No. of shares	No. of shares
	'000	\$'000	'000	\$'000
<i>Issued and fully paid ordinary shares:</i>				
At beginning and end of financial year	529,760	82,275	529,760	82,275

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

23. Share capital and treasury shares (cont'd)

(b) Treasury shares

	No. of shares '000	Group and Company	
		2016 \$'000	2015 No. of shares '000 \$'000
At 1 June	(19,895)	(12,781)	-
Purchased during the year	(10,176)	(4,996)	(19,895)
At 31 May	(30,071)	(17,777)	(19,895)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 10,176,000 (2015: 19,895,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$4,996,000 (2015: \$12,781,000) and this was presented as a component within shareholders' equity.

24. Other reserves

(a) Foreign currency translation reserve

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 June	(32)	(8)	-	-
Foreign currency translation	(65)	(24)	-	-
At 31 May	(97)	(32)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

24. Other reserves (cont'd)

(b) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of taxation, of available-for-sale financial assets until they are disposed of or impaired.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 June	(703)	7,442	(1,010)	6,400
Net loss on fair value changes during the year	(8,905)	(8,145)	(8,329)	(7,410)
Impairment loss on investment securities reclassified to profit or loss (Note 26(b))	7,470	-	7,470	-
At 31 May	(2,138)	(703)	(1,869)	(1,010)

(c) Capital reserve

Capital reserve represents the difference between consideration and the carrying value of the additional interest acquired from/disposed to non-controlling interests.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 June	(221)	474	-	-
Acquisition and disposal of non-controlling interests without a change in control	1	(695)	-	-
At 31 May	(220)	(221)	-	-
Total other reserves	(2,455)	(956)	(1,869)	(1,010)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

25. Revenue

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Construction contract revenue	346,353	623,562	-	-
Revenue from sale of goods				
- Sale of concrete and sand	68,625	91,266	-	-
- Sale of formwork	1,723	2,639	-	-
Revenue from rendering of services				
- Project management	888	2,819	-	-
- Training of construction workers	215	732	-	-
Rental income				
- Rental of plant and machinery by third parties	13	52	-	-
- Rental of plant and machinery by joint venture	26	-	-	-
- Rental of vessel	2,622	2,133	-	-
- Rental and service income from dormitories	23,226	22,442	-	-
- Office rental	271	337	-	-
- Rental from affiliated companies	8	8	-	-
- Rental from a recreation centre and commercial building	833	-	-	-
Revenue from civil engineering and other works				
- Third parties	527	1,004	-	-
- Joint venture	85	-	-	-
Maintenance of plant and machinery	-	4	-	-
Dividend income from unquoted subsidiaries and associates	-	-	3,905	20,330
	<u>445,415</u>	<u>746,998</u>	<u>3,905</u>	<u>20,330</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

26. Profit before taxation

Profit before taxation includes the following:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Other operating income:				
Dividend income				
- short-term quoted equity investments	1	1	-	-
- long-term quoted equity investments	902	406	890	380
- other securities (quoted)	10	-	-	-
Interest income				
- fixed deposits	1,434	613	45	61
- bank balances	186	173	25	25
- associates	3,423	1,362	-	-
- joint ventures	488	648	-	-
- a director of an associate	-	83	-	83
- bonds	2,994	3,637	-	-
- others	548	-	-	-
Gain arising from restructuring of subsidiaries (Note 6)	-	-	-	15,661
Gain on disposal of plant and equipment	761	1,478	-	-
Rental income from investment properties (Note 5)	414	401	-	-
Operating lease income				
- others	1,256	1,169	-	-
Management fee	201	201	-	-
Storage handling charges	120	113	-	-
Government grants and incentives	271	816	-	-
Gain on disposal of investment securities	-	23	-	-
Gain on foreign exchange, net	284	-	-	-
Fair value gain on investment securities	2	-	-	-
Others	397	488	5	17
	13,692	11,612	965	16,227

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

26. Profit before taxation (cont'd)

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(b) Other operating expenses:				
Fair value loss on investment securities	-	2	-	-
Amortisation of other assets	107	-	-	-
Impairment loss on development property held for sale	300	500	-	-
Depreciation of property, plant and equipment	6,870	6,148	2	-
Loss on foreign exchange, net	-	41	-	-
Allowance for doubtful receivables				
- Trade	456	181	-	-
- Non-trade	1,000	-	-	-
Property, plant and equipment written off	-	6	-	-
Management fees	1,034	874	-	-
Bad debts written off	-	499	-	-
Impairment loss on investment securities	7,470	-	7,470	-
Goodwill written off	1	-	-	-
Loss on liquidation of a subsidiary	-	-	1	-
Deposit written off	-	150	-	-
Property tax	1,551	1,501	-	-
Others	965	331	-	-
	19,754	10,233	7,473	-
(c) Other expenses:				
Non-audit fees				
- auditors of the Company	299	381	146	207
- other auditors	62	53	42	19
Depreciation of property, plant and equipment - others	9,906	9,682	-	-
Directors' fees to directors of the Company	113	380	113	380
Operating lease expenses	7,048	8,268	-	-
Utility charges	3,098	2,993	2	3
Transportation charges	1,753	2,911	1	-
Legal and other professional fees	3,405	4,781	348	385
Impairment loss on plant and machinery	8,143	-	-	-
Inventory written down	48	-	-	-
Staff costs (Note 27)	63,545	66,938	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

27. Staff costs

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Wages and salaries	52,265	54,398	-	-
Contributions to defined contribution plans	2,690	2,659	-	-
Others	8,590	9,881	-	-
	<u>63,545</u>	<u>66,938</u>	-	-
Included in staff costs are directors' remuneration payable to:				
- directors of the Company	11,610	9,259	-	-
- directors of the subsidiaries	3,107	3,430	-	-
	<u>14,717</u>	<u>12,689</u>	-	-

The directors' remuneration payable to directors of the Company excluded other benefits of \$132,000 (2015: \$137,000) and directors' fees of \$113,000 (2015: \$380,000). The directors' remuneration payable to directors of the subsidiaries excluded other benefits of \$131,000 (2015: \$165,000).

28. Finance costs

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest expense on:				
- bank loans	9,731	4,452	-	-
- hire purchase	395	425	-	-
- loan from associates	634	791	-	-
- loan from joint ventures	1,018	1,235	-	-
- loan from subsidiary	-	-	588	-
	<u>11,778</u>	<u>6,903</u>	<u>588</u>	-
Less: Interest expense capitalised in:				
- Development properties (Note 11)	(2,260)	(653)	-	-
- Investment property under development (Note 5)	(1,044)	(740)	-	-
	<u>8,474</u>	<u>5,510</u>	<u>588</u>	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

29. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2016 and 2015 are:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current taxation				
- Current income taxation	4,644	7,245	2	9
- (Over)/under provision in respect of prior years	(159)	436	-	1
Deferred taxation				
- Origination and reversal of temporary differences	(1,090)	(74)	-	-
Income tax expense recognised in the statement of comprehensive income	3,395	7,607	2	10

Relationship between tax expense and profit before taxation

The reconciliation between the income tax expense and the product of profit before taxation multiplied by the applicable corporate tax rate for the years ended 31 May 2016 and 2015 are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit before taxation	111,715	143,670	(4,335)	34,941
Tax at the domestic rates applicable to profits in the countries where the Group operates	18,924	24,424	(737)	5,940
Non-deductible expenses	3,312	2,318	1,460	27
Effect of partial tax exemption and tax relief	(790)	(930)	(8)	(18)
Utilisation of previously unrecognised deferred tax assets	-	(3)	-	-
Deferred tax assets not recognised	271	1,202	-	-
Tax benefit on losses transferred in from related company	-	(79)	-	-
(Over)/under provision of current taxation in respect of prior years	(159)	436	-	1
Effects of tax incentive				
- Productivity and Innovation Credit*	(719)	(3,394)	-	-
- Others	(93)	(185)	-	-
Share of results of associates	(10,551)	(3,662)	-	-
Share of results of joint ventures	(6,403)	(3,754)	-	-
Income not subject to taxation	(508)	(8,829)	(713)	(5,940)
Others	111	63	-	-
Income tax expense recognised in the statement of comprehensive income	3,395	7,607	2	10

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

29. Taxation (cont'd)

- * The Productivity and Innovation Credit ("PIC") was introduced in the Singapore Budget 2010 and was enhanced to provide tax benefits for investments by businesses in a broad range of activities along the innovation value chain. Under the scheme, all businesses can enjoy additional allowances at 300% on up to \$400,000 of their expenditure each qualifying year on qualifying activities, subject to the agreement by the Inland Revenue Authority of Singapore.

Tax consequences of proposed dividends

There are no income tax consequences (2015: \$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 39).

30. Earnings per share – basic and diluted

Earnings per share is calculated based on the Group's net profit attributable to equity holders of the Company for the year of \$102,930,000 (2015: \$108,028,000) over 504,244,000 (2015: 518,141,000) shares, being the weighted average number of shares in issue during the year.

As there were no share options and warrants granted during the year and no share options and warrants outstanding as at the end of the financial year, the basic and fully diluted earnings per share are the same.

31. Significant related party transactions

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

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

- (i) Staff costs of \$1,900,000 (2015: \$1,916,000) of the Group were paid to individuals who are close members of the family of certain directors.
- (ii) A subsidiary, Lian Beng Investment Pte Ltd, leased office space, with rental amounting to \$4,320 (2015: \$4,320) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd. Certain directors of the Group have equity interests in these companies and are also directors of these companies.
- (iii) The Group earned construction revenue of \$62,651,000 (2015: \$67,334,000) and \$1,666,000 (2015: \$118,827,000) from the joint ventures and associates respectively. In addition, the Group charged the joint ventures for project management of \$772,000 (2015: \$2,067,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

31. Significant related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2016	2015
	\$'000	\$'000
Short-term employee benefits	14,821	12,811
Contributions to defined contribution plans	190	171
	<u>15,011</u>	<u>12,982</u>
Comprise amounts paid to:		
- Directors of the Company	11,855	9,776
- Other key management personnel	3,156	3,206
	<u>15,011</u>	<u>12,982</u>

32. Commitments

(a) Capital commitment

In the previous financial year, the Group entered into a Subscription Agreement ("Agreement") on 29 April 2015 for the proposed subscription of shares in Datapulse Technology Limited ("Datapulse"). On 20 May 2015, a supplemental letter to the Agreement was signed to subscribe for 65,000,000 new ordinary shares in Datapulse for a consideration of \$0.11235 per share, amounting to \$7,302,750, subject to terms and conditions of the Agreement. The subscription was completed on 11 June 2015.

In addition, capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Capital commitments in respect of:		
- Plant and equipment	815	7,962
- Freehold and leasehold properties	1,588	22,586

(b) Operating lease commitment – as lessee

The Group has entered into commercial leases on certain land and equipment. These non-cancellable leases have remaining lease terms of between 1 month to 113 months (2015: 1 month to 125 months).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

32. Commitments (cont'd)

(b) Operating lease commitment – as lessee (cont'd)

Future minimum rentals payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016 \$'000	2015 \$'000
Not later than one year	3,780	3,874
Later than one year but not later than five years	5,357	7,369
Later than five years	1,625	2,221
	<u>10,762</u>	<u>13,464</u>

(c) Operating lease commitment – as lessor

The Group has entered into commercial leases on its development properties held for sale, investment properties, leasehold property, tugboats and barges. These non-cancellable leases have remaining lease terms of between 1 month to 87 months (2015: 1 month to 53 months).

Future minimum rentals receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016 \$'000	2015 \$'000
Not later than one year	20,658	19,401
Later than one year but not later than five years	16,521	8,469
Later than five years	6,828	-
	<u>44,007</u>	<u>27,870</u>

33. Financial support to subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1) (\$'000)	Significant observable inputs other than quoted prices (Level 2) (\$'000)	Significant unobservable inputs (Level 3) (\$'000)	Total (\$'000)
Group				
Assets measured at fair value				
2016				
Financial assets:				
<u>Held for trading investments (Note 9)</u>				
- Quoted equity instruments	1,725	-	-	1,725
- SGD Index linked note due on 30 June 2017 (quoted)	-	985	-	985
- Structured notes	-	504	-	504
<u>Available-for-sale financial assets (Note 9)</u>				
- Quoted equity instruments	20,739	-	-	20,739
- Bonds (quoted)	-	67,508	-	67,508
- Other securities (quoted)	-	1,025	-	1,025
Financial assets as at 31 May 2016	22,464	70,022	-	92,486

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Quoted prices in active markets for identical instruments (Level 1) (\$'000)	Significant observable inputs other than quoted prices (Level 2) (\$'000)	Significant unobservable inputs (Level 3) (\$'000)	Total (\$'000)
Group				
Assets measured at fair value				
2015				
Financial assets:				
<u>Held for trading investments (Note 9)</u>				
- Quoted equity instruments	17	-	-	17
- SGD Index linked note due on 30 June 2017 (quoted)	-	994	-	994
<u>Available-for-sale financial assets (Note 9)</u>				
- Quoted equity instruments	21,589	-	-	21,589
- Bonds (quoted)	-	76,411	-	76,411
Financial assets as at 31 May 2015	21,606	77,405	-	99,011
Company				
Assets measured at fair value				
2016				
Financial assets:				
<u>Available-for-sale financial assets (Note 9)</u>				
- Quoted equity instruments	19,964	-	-	19,964
Financial assets as at 31 May 2016	19,964	-	-	19,964
2015				
Financial assets:				
<u>Available-for-sale financial assets (Note 9)</u>				
- Quoted equity instruments	20,710	-	-	20,710
Financial assets as at 31 May 2015	20,710	-	-	20,710

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Quoted prices in active markets for identical instruments (Level 1) (\$'000)	Significant observable inputs other than quoted prices (Level 2) (\$'000)	Significant unobservable inputs (Level 3) (\$'000)	Total (\$'000)
Group				
Assets measured at fair value				
2016				
Non-financial assets:				
<u>Investment properties (Note 5)</u>				
- Commercial	-	-	421,990	421,990
- Residential	-	16,543	-	16,543
Non-financial assets as at 31 May 2016	-	16,543	421,990	438,533
2015				
Non-financial assets:				
<u>Investment properties (Note 5)</u>				
- Commercial	-	-	334,400	334,400
- Residential	-	16,877	-	16,877
Non-financial assets as at 31 May 2015	-	16,877	334,400	351,277

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy:

Quoted SGD Index linked note, Bonds, Structured notes and Other securities: Fair values are determined using quoted market prices in less active markets or quoted prices for similar assets at the end of the reporting period.

Residential investment properties: The valuations of residential investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description and location	Fair value (\$'000)	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements				
As at 31 May 2016				
<u>Investment properties:</u>				
Commercial, Singapore	13,400	Comparative Method of Valuation	Floor Area adjustment ⁽¹⁾	-11% to +10%
			Location ⁽¹⁾ Condition ⁽¹⁾	10% to 20% 0% to 5%
	270,000	Income Approach	Rental income per bed per month ⁽²⁾	\$280
			Capitalisation rate ⁽²⁾	6.30%
	51,500	Comparative Method of Valuation	Floor Area adjustment ⁽¹⁾	-11% to -3%
			Location ⁽¹⁾ Condition ⁽¹⁾	-25% to -10% 0% to 2%
	63,169	Residual Approach	Gross development value ⁽³⁾	\$680 psf to \$1,190 psf

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements (cont'd)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

Description and location	Fair value (\$'000)	Valuation techniques	Unobservable inputs	Range
Recurring fair value measurements (cont'd)				
As at 31 May 2016				
<u>Investment properties:</u>				
Commercial, Australia	23,921	Income Approach	Net Rental income per month ⁽⁵⁾	\$92,197
			Capitalisation rate ⁽⁵⁾	4.50%
As at 31 May 2015				
<u>Investment properties:</u>				
Commercial, Singapore	13,400	Comparative Method of Valuation	Floor Area adjustment ⁽¹⁾	-20% to +30%
			Location and condition ⁽¹⁾	0% to 10%
	270,000	Income Approach	Rental income per month ⁽⁵⁾	\$76,150
			Capitalisation rate ⁽⁵⁾	6.25%
	51,000	Residual Approach	Gross development value ⁽³⁾	\$680 psf to \$1,250 psf
			Development cost ⁽⁴⁾	\$150 psf to \$250 psf

⁽¹⁾ The yield adjustments are made for any difference in the floor area, location or condition of the specific property.

⁽²⁾ An increase/(decrease) in the rental income per bed per month and capitalisation rate would result in an increase/(decrease) in the fair value of the investment properties.

⁽³⁾ An increase/(decrease) in the gross development value would result in an increase/(decrease) in the fair value of the investment properties.

⁽⁴⁾ An increase/(decrease) in the development cost would result in a (decrease)/increase in the fair value of the investment properties.

⁽⁵⁾ An increase/(decrease) in the rental income per month and capitalisation rate would result in an increase/(decrease) in the fair value of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements (cont'd)

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for investment properties which are measured at fair value based on significant unobservable inputs (Level 3):

	Group	
	2016	2015
	\$'000	\$'000
Beginning of financial year	334,400	234,000
- Additions to investment properties	35,978	46,091
- Acquisition of a subsidiary	51,500	-
- Net fair value gain recognised in profit or loss	207	54,309
- Exchange differences	(95)	-
End of financial year	<u>421,990</u>	<u>334,400</u>

(iii) Valuation policies and procedures

The senior management of the Group (the "Management") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The Management is responsible for selecting and engaging valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the Management reviews the appropriateness of the valuation methodologies and assumptions adopted. The Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the Management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities (cont'd)

- (e) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Note	Group			
		2016		2015	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets					
Unquoted equity instruments, at cost	9	150	*	150	*
Financial liabilities					
Obligations under hire purchase	21	12,576	12,571	15,782	15,191

* Investment in unquoted equity instruments carried at cost (Note 9)

Fair value information has not been disclosed for the Group's investments in unquoted equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in a computer software company that is not quoted on any market.

Obligations under hire purchase (Note 21)

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

34. Fair value of assets and liabilities (cont'd)

- (f) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts approximate fair value*

Trade receivables (Note 13), Other receivables and deposits (Note 14), Amounts due from related parties, joint ventures and associates (Note 15), Cash and cash equivalents (Note 16), Trade and other payables (Note 18), Accruals and Amounts due to joint ventures and associates (Note 15)

The carrying amounts of the above financial assets and liabilities are reasonable approximation of their fair values due to their short-term nature.

Bank loans (Note 20), Amounts due from associates (non-current) (Note 15) and Amounts due from third parties (non-current) (Note 14)

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values as they are floating rate instruments that re-priced to market interest rates on or near the end of the reporting period.

35. Classification of financial assets and liabilities

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Fair value through profit or loss				
Investment securities	3,214	1,011	-	-
Available-for-sale financial assets				
Investment securities	89,422	98,150	19,964	20,710
Loans and receivables				
Trade receivables	108,911	159,742	-	-
Other receivables and deposits	39,711	21,545	3,741	3,729
Amounts due from related parties	1	1	210,733	171,427
Amounts due from joint ventures	41,099	51,200	10,346	9,885
Amounts due from associates	163,032	117,133	9,660	14,164
Cash and cash equivalents	160,127	187,058	4,233	536
	512,881	536,679	238,713	199,741
Financial liabilities at amortised cost				
Trade and other payables	155,239	187,310	96	223
Accruals	21,685	19,559	212	458
Amounts due to subsidiaries	-	-	230,464	161,013
Amounts due to joint ventures	30,121	33,151	-	-
Amounts due to associates	16,346	12,931	76	76
Bank loans	428,060	277,162	-	-
	651,451	530,113	230,848	161,770
Obligations under hire purchase	12,576	15,782	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

36. Financial risk management objectives and policies

The Group and the Company are 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 board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director and Executive Director. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, amounts due from related parties, joint ventures and associates. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation by the management. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the management.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position as disclosed in Note 35.
- A nominal amount of \$383,844,000 (2015: \$465,503,000) relating to corporate guarantee provided by the Group to the banks on joint ventures and associates' loans.
- A nominal amount of \$272,031,000 (2015: \$143,768,000) relating to corporate guarantee provided by the Group to the banks on subsidiaries' bank loans

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables, amounts due from joint ventures and associates (trade), on an on-going basis. The credit risk concentration profile of the Group's trade receivables from third parties, joint ventures and associates at the end of the reporting period is as follows:

	Group			
	2016		2015	
	\$'000	% of total	\$'000	% of total
<u>Trade receivables from third parties:</u>				
By country:				
Singapore	108,911	100	159,742	100
By industry sectors:				
Construction	84,885	78	132,801	83
Engineering and leasing of construction machinery	106	-	161	-
Property development	2,832	3	5,115	3
Investment holding	686	-	241	-
Sale of concrete and sand	20,279	19	21,231	14
Dormitory	123	-	193	-
	108,911	100	159,742	100

	Group			
	2016		2015	
	\$'000	% of total	\$'000	% of total
<u>Amounts due from joint ventures and associates (trade):</u>				
By country:				
Singapore	21,990	100	42,105	100
By industry sectors:				
Construction	21,519	98	40,874	97
Property development	12	-	173	-
Sale of concrete and sand	346	2	1,058	3
Engineering and leasing of construction machinery	113	-	-	-
	21,990	100	42,105	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

(a) **Credit risk (cont'd)**

Credit risk concentration profile (cont'd)

At the end of the reporting period, approximately:

- 64% (2015: 63%) of the Group's trade receivables from third parties were due from 5 major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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.

At the end of the reporting period, approximately 26% (2015: 24%) of the Group's loans and borrowings (Notes 20 and 21) will mature in less than one year based on the carrying amount reflected in the financial statements. The Company has no (2015: \$Nil) loans and borrowings at the end of the reporting period.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

(b) Liquidity risk (cont'd)

Group	2016			2015			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial assets:							
Trade receivables	108,911	-	-	159,742	-	-	159,742
Other receivables and deposits	29,803	10,616	-	21,651	-	-	21,651
Cash and cash equivalents	160,127	-	-	187,058	-	-	187,058
Receivables from related parties	1	-	-	1	-	-	1
Amounts due from joint ventures	41,398	-	-	51,480	-	-	51,480
Amounts due from associates	121,326	14,219	37,782	118,986	-	-	118,986
Investment securities	31,685	51,028	9,923	45,418	53,002	741	99,161
Total undiscounted financial assets	493,251	75,863	47,705	584,336	53,002	741	638,079
Financial liabilities:							
Trade and other payables	154,813	426	-	186,670	640	-	187,310
Amounts due to joint ventures	30,121	-	-	34,060	-	-	34,060
Amounts due to associates	16,695	-	-	13,565	-	-	13,565
Accruals	21,685	-	-	19,559	-	-	19,559
Bank loans	120,860	197,314	175,303	72,235	156,614	84,172	313,021
Obligations under hire purchase	6,214	6,821	-	5,902	10,601	-	16,503
Total undiscounted financial liabilities	350,388	204,561	175,303	331,991	167,855	84,172	584,018
Total net undiscounted financial assets/(liabilities)	142,863	(128,698)	(127,598)	252,345	(114,853)	(83,431)	54,061

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

(b) Liquidity risk (cont'd)

Company	2016			2015			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial assets:							
Other receivables and deposits	243	3,623	-	3,835	-	-	3,835
Cash and cash equivalents	4,233	-	-	536	-	-	536
Receivables from related parties	210,733	-	-	171,427	-	-	171,427
Amounts due from joint ventures	10,346	-	-	9,885	-	-	9,885
Amounts due from associates	9,660	-	-	14,164	-	-	14,164
Investment securities	5,714	14,250	-	-	20,710	-	20,710
Total undiscounted financial assets	240,929	17,873	-	199,847	20,710	-	220,557
Financial liabilities:							
Trade and other payables	96	-	-	223	-	-	223
Accruals	212	-	-	458	-	-	458
Amounts due to associates	76	-	-	76	-	-	76
Amounts due to subsidiaries	216,668	14,996	-	161,013	-	-	161,013
Total undiscounted financial liabilities	217,052	14,996	-	161,770	-	-	161,770
Total net undiscounted financial assets	23,877	2,877	-	38,077	20,710	-	58,787

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

(b) *Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	One year or less \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
2016				
Group and Company				
Financial guarantees	196,435	281,636	177,804	655,875
2015				
Group and Company				
Financial guarantees	184,516	307,286	117,469	609,271

(c) *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 their bank loans.

The Group's policy is to manage interest cost using floating rate debts.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD, AUD and USD interest rates had been 75 (2015: 75) basis points lower/higher with all other variables held constant, the Group's profit net of taxation would have been \$1,712,000 (2015: \$1,058,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The interest capitalised in development properties and investment properties under construction would have been \$618,000 (2015: \$540,000) and \$331,000 (2015: \$277,000) lower/higher respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

(d) Foreign currency risk

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and AUD. It is not the Group's policy to enter into derivative forward foreign exchange contracts for hedging and speculative purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, namely Australia, Cayman Islands, Malaysia, China and United Kingdom. The Group's net investments in Australia, Cayman Islands, Malaysia, China and United Kingdom are not hedged as currency positions in AUD, USD, MYR, RMB and GBP are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, USD, MYR, RMB and GBP exchange rates (against SGD), with all other variables held constant, on the Group's profit net of taxation and equity.

		2016		2015	
		\$'000	\$'000	\$'000	\$'000
		Profit net of taxation	Equity	Profit net of taxation	Equity
AUD	- strengthened 5% (2015: 5%)	105	1,194	117	118
	- weakened 5% (2015: 5%)	(105)	(1,194)	(117)	(118)
USD	- strengthened 5% (2015: 5%)	49	49	2	2
	- weakened 5% (2015: 5%)	(49)	(49)	(2)	(2)
MYR	- strengthened 5% (2015: 5%)	4	4	7	7
	- weakened 5% (2015: 5%)	(4)	(4)	(7)	(7)
RMB	- strengthened 5% (2015: 5%)	-	432	-	246
	- weakened 5% (2015: 5%)	-	(432)	-	(246)
GBP	- strengthened 5% (2015: 5%)	966	966	-	-
	- weakened 5% (2015: 5%)	(966)	(966)	-	-

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity investments. The quoted equity investments are quoted on the SGX-ST in Singapore and are classified as held for trading and available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

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

(e) Market price risk (cont'd)

Sensitivity analysis for equity price risk

At the end of reporting period, if the prices for the quoted equity investments had been 5% (2015: 5%) higher/lower with all other variables held constant, the Group's other reserve in equity would have been \$1,037,000 (2015: \$1,079,000) higher/lower, arising as a result of an increase/decrease in the fair value of quoted equity investments classified as available-for-sale. The Group's profit before taxation would have been \$86,000 (2015: \$1,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as held for trading.

37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 May 2016 and 31 May 2015. The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt.

The Group includes within total debt, loans and borrowings, trade and other payables and other liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve.

	Group	
	2016	2015
	\$'000	\$'000
Amounts due to joint ventures (Note 15)	30,121	33,151
Amounts due to associates (Note 15)	16,346	12,931
Bank loans (Note 20)	428,060	277,162
Obligations under hire purchase (Note 21)	12,576	15,782
Trade and other payables	155,239	187,310
Accruals	21,685	19,559
Less: Cash and cash equivalents (Note 16)	(160,127)	(187,058)
Net debt	503,900	358,837
Equity attributable to the owners of the parent	545,299	463,999
Add: Fair value adjustment reserve (Note 24)	2,138	703
Total capital	547,437	464,702
Capital and net debt	1,051,337	823,539
Gearing ratio	47.9%	43.6%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

38. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has six operating segments as follows:

- (i) The construction segment is in the business of constructing residential, institutional, industrial and commercial properties as the main contractor. To a lesser extent, it also undertakes civil engineering projects in both private and public sectors.
- (ii) The dormitory segment is involved in the rental of dormitory units and provision of dormitory service.
- (iii) The engineering and leasing of construction machinery segment is involved in the provision of construction related services, such as scaffolding, electrical installations, leasing of metal formworks, as well as leasing of construction machinery and equipment.
- (iv) The property development segment is involved in the development and sale of properties (residential, commercial and industrial), as well as the provision of property management services.
- (v) The investment holding segment holds investments in quoted and unquoted securities and property for long-term capital appreciation, rental, as well as dividend yields.
- (vi) The manufacturing of concrete and asphalt segment is involved in the manufacture and supply of ready-mixed concrete and asphalt, as well as the sale of sand.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

38. Segment information (cont'd)

	Construction		Dormitory		Engineering and leasing of construction machinery	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue:						
External customers	348,930	628,814	23,226	22,442	652	1,012
Inter-segment	27,148	9,349	-	-	22,883	31,503
Total revenue	<u>376,078</u>	<u>638,163</u>	<u>23,226</u>	<u>22,442</u>	<u>23,535</u>	<u>32,515</u>
Results:						
Interest income	4,273	4,115	182	128	83	69
Dividend income	23	27	-	-	-	-
Finance cost	800	822	2,546	2,066	31	20
Depreciation and amortisation	8,441	8,392	275	236	2,542	2,365
Share of results of joint ventures	53	146	-	-	-	-
Share of results of associates	-	-	5,862	(291)	-	-
Fair value (loss)/gain on investment properties	(135)	(105)	-	50,000	-	-
<i>Other non-cash expenses:</i>						
Impairment loss on investment securities	-	-	-	-	-	-
Impairment loss on plant and machinery	8,143	-	-	-	-	-
Impairment loss on development property held for sale	300	500	-	-	-	-
Amortisation of other assets	107	-	-	-	-	-
Inventories written down	-	-	-	-	-	-
Allowance for doubtful trade and non-trade receivables	402	-	-	-	54	-
Bad debts written off	-	-	-	-	-	-
Deposit written off	-	-	-	-	-	150
Segment profit/(loss)	<u>10,690</u>	<u>39,826</u>	<u>15,963</u>	<u>65,664</u>	<u>1,892</u>	<u>6,378</u>
Assets:						
Investment in joint ventures	455	402	-	-	-	-
Investment in associates	-	-	6,040	689	-	-
Additions to non-current assets	1,867	9,837	(207)	(5,487)	650	2,889
Segment assets	<u>529,975</u>	<u>591,918</u>	<u>290,454</u>	<u>302,392</u>	<u>37,937</u>	<u>38,237</u>
Segment liabilities	<u>306,376</u>	<u>372,021</u>	<u>107,528</u>	<u>126,566</u>	<u>6,621</u>	<u>8,235</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

Property development		Investment holding		Manufacturing of concrete and asphalt		Adjustments and eliminations		Notes	Per consolidated financial statements	
2016	2015	2016	2015	2016	2015	2016	2015		2016	2015
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000
249	986	1,111	345	71,247	93,399	-	-	A	445,415	746,998
-	43	4,582	21,007	5,666	17,067	(60,279)	(78,969)		-	-
249	1,029	5,693	21,352	76,913	110,466	(60,279)	(78,969)		445,415	746,998
3,758	1,234	1,865	951	4	19	(1,092)	-		9,073	6,516
-	-	890	380	-	-	-	-		913	407
3,830	2,039	1,223	89	633	474	(589)	-		8,474	5,510
150	115	31	21	5,893	4,748	(556)	(47)		16,776	15,830
38,312	21,937	(2)	-	(696)	-	-	-		37,667	22,083
32,067	19,623	24,134	3,339	-	(1,129)	-	-		62,063	21,542
-	-	(343)	(3,321)	-	-	351	5,800		(127)	52,374
-	-	7,470	-	-	-	-	-		7,470	-
-	-	-	-	-	-	-	-		8,143	-
-	-	-	-	-	-	-	-		300	500
-	-	-	-	-	-	-	-		107	-
-	-	-	-	48	-	-	-		48	-
1,000	-	-	-	-	181	-	-		1,456	181
-	-	-	306	-	193	-	-		-	499
-	-	-	-	-	-	-	-		-	150
(3,025)	(1,867)	(7,069)	(3,701)	(5,957)	(1,462)	99,221	38,832	B	111,715	143,670
65,787	27,469	(2)	-	3,615	-	-	-		69,855	27,871
41,162	7,274	22,612	3,330	-	(209)	-	-		69,814	11,084
12	624	36,653	51,938	10,108	12,331	(568)	(332)	C	48,515	71,800
352,188	211,786	449,092	328,061	67,415	71,065	(293,032)	(299,066)	D	1,434,029	1,244,393
342,506	199,612	346,463	196,547	49,822	46,895	(354,867)	(250,750)	E	804,449	699,126

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

38. Segment information (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A. Inter-segment revenues are eliminated on consolidation.
- B. The following items are added to/(deducted from) segment profit to arrive at "Profit before taxation" presented in the consolidated statement of comprehensive income:

	Group	
	2016	2015
	\$'000	\$'000
Share of results of associates	62,063	21,542
Share of results of joint ventures	37,667	22,083
Profit from inter-segment sales	(509)	(4,793)
	99,221	38,832

- C. Additions to non-current assets consist of additions to property, plant and equipment, investment property and investment properties under construction and development.
- D. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2016	2015
	\$'000	\$'000
Investment in associates	69,814	11,084
Investment in joint ventures	69,855	27,871
Inter-segment assets	(433,349)	(338,658)
Deferred tax assets	648	637
	(293,032)	(299,066)

- E. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2016	2015
	\$'000	\$'000
Deferred tax liabilities	1,473	2,552
Provision for taxation	5,785	9,100
Inter-segment liabilities	(362,125)	(262,402)
	(354,867)	(250,750)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

38. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore	444,804	746,998	492,734	442,860
Australia	611	-	23,923	-
Malaysia	-	-	2	6
	<u>445,415</u>	<u>746,998</u>	<u>516,659</u>	<u>442,866</u>

Non-current assets information presented above consists of property, plant and equipment, investment properties as presented in the consolidated statement of financial position.

Information about major customers

Revenue from three (2015: three) major customers arising from the construction segment amounted to \$238,031,000 (2015: \$337,362,000).

39. Dividends

	Group and Company	
	2016 \$'000	2015 \$'000
Declared and paid during the year		
<i>Dividends on ordinary shares:</i>		
- Exempt (one-tier) dividend for 2015: Final dividend of 1 cent and special dividend of 1 cent per share (2014: Final dividend of 1 cent and special dividend of 1.25 cent per share)	10,089	11,920
- Exempt (one-tier) dividend for 2016: Interim dividend of 1 cent (2015: Interim dividend of 1 cent per share)	5,046	5,101
	<u>15,135</u>	<u>17,021</u>
Proposed but not recognised as a liability as at 31 May		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
- Exempt (one-tier) dividend for 2016: Final dividend of 1 cent and special dividend of 1 cent per share (2015: Final dividend of 1 cent and special dividend of 1 cent, exempt (one-tier) per share)	9,994	10,197

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 May 2016

40. Events occurring after the reporting period

Subsequent to the financial year end:

- (i) On 21 July 2016, the Company entered into a share sale agreement for the disposal of 22,852,366 shares in Datapulse Technology Limited for a cash consideration of \$7,586,986.
- (ii) On 18 July 2016, the Company incorporated four subsidiaries in Singapore, namely Ang Mo Kio (LB) Pte. Ltd., Bukit Merah (LB) Pte. Ltd., Clementi (LB) Pte. Ltd., and Toa Payoh (LB) Pte. Ltd.. These subsidiaries will be principally engaged in the business of investment holding.

On 10 August 2016, the four subsidiaries have exercised the options to purchase 4 properties for a total consideration of \$151 million. The completion of the purchase is subject to approval from the Housing and Development Board.

- (iii) On 28 July 2016, the Company incorporated a subsidiary in Singapore, Lian Beng (BL) Pte. Ltd. ("LBBL"). LBBL will be principally engaged in the business of property investment holding and real estate development.

41. Authorisation of financial statements

The financial statements for the year ended 31 May 2016 were authorised for issue in accordance with a resolution of the directors on 22 August 2016.

STATISTICS OF SHAREHOLDINGS

As at 18 August 2016

SHARE CAPITAL

Issued and fully paid-up capital	-	S\$83,666,121.52
Number of Shares (excluding treasury shares)	-	499,689,200
Number of Treasury Shares held	-	30,070,800 (5.68%)
Class of Shares	-	Ordinary shares
Voting rights	-	1 vote per share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 61.26% of the issued ordinary shares of the Company (excluding 30,070,800 treasury shares) were held in the hands of the public as at 18 August 2016 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	6	0.11	156	0.00
100 - 1,000	221	4.15	203,967	0.04
1,001 - 10,000	2,935	55.08	18,818,079	3.77
10,001 - 1,000,000	2,136	40.08	117,555,906	23.52
1,000,001 and above	31	0.58	363,111,092	72.67
Total	5,329	100.00	499,689,200	100.00

TWENTY LARGEST SHAREHOLDERS

No	Name of Shareholder	Number of Shares Held	Percentage
1	Ong Sek Chong & Sons Pte Ltd	95,190,400	19.05
2	DBS Nominees Pte Ltd	52,040,399	10.42
3	Citibank Nominees Singapore Pte Ltd	30,487,501	6.10
4	HSBC (Singapore) Nominees Pte Ltd	23,688,800	4.74
5	Ong Pang Aik	23,170,800	4.64
6	United Overseas Bank Nominees Pte Ltd	21,022,900	4.21
7	UOB Kay Hian Pte Ltd	16,399,000	3.28
8	Ong Bee Dee	12,137,000	2.43
9	Ong Lay Huan	11,583,200	2.32
10	DB Nominees (S) Pte Ltd	9,975,000	2.00
11	Ong Lay Koon	8,539,200	1.71
12	Maybank Kim Eng Securities Pte Ltd	8,315,605	1.66

STATISTICS OF SHAREHOLDINGS

As at 18 August 2016

No	Name of Shareholder	Number of Shares Held	Percentage
13	OCBC Securities Private Limited	5,666,429	1.13
14	Ang Mui Geok	4,428,799	0.89
15	Teo Kee Bock	3,968,800	0.79
16	Li Feichang	3,863,000	0.77
17	CIMB Securities (Singapore) Pte Ltd	3,835,508	0.77
18	Raffles Nominees (Pte) Ltd	3,248,251	0.65
19	Phillip Securities Pte Ltd	2,747,600	0.55
20	DBS Vickers Securities (S) Pte Ltd	2,667,700	0.53
		342,975,892	68.64

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Ong Sek Chong & Sons Pte Ltd ⁽²⁾	95,190,400	19.05	45,000,000	9.01
Ong Pang Aik ⁽³⁾	23,170,800	4.64	140,190,400	28.06
Ong Lay Huan ⁽⁴⁾	11,583,200	2.32	140,190,400	28.06

Notes:

- ⁽¹⁾ Based on total issued and paid-up ordinary share capital (excluding 30,070,800 treasury shares) comprising 499,689,200 Shares.
- ⁽²⁾ Ong Sek Chong & Sons Pte. Ltd. is deemed to be interested in 45,000,000 ordinary shares registered in the name of nominee accounts.
- ⁽³⁾ Ong Pang Aik's deemed interests refer to 140,190,400 shares held by Ong Sek Chong & Sons Pte. Ltd. by virtue of Section 7 of the Companies Act.
- ⁽⁴⁾ Ong Lay Huan's deemed interests refer to 140,190,400 shares held by Ong Sek Chong & Sons Pte. Ltd. by virtue of Section 7 of the Companies Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of LIAN BENG GROUP LTD (the “Company”) will be held at 29 Harrison Road, Lian Beng Building, Singapore 369648 on Thursday, 29 September 2016 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 May 2016 together with the Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final (tax exempt one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 May 2016. **(Resolution 2)**
3. To declare a special (tax exempt one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 May 2016. **(Resolution 3)**
4. To re-elect the following Directors retiring under Article 107 of the Company’s Constitution:

Ms Ong Lay Koon *[see explanatory note 1]* **(Resolution 4)**
Mr Low Beng Tin *[see explanatory note 2]* **(Resolution 5)**
5. To approve the payment of Directors’ fees of S\$113,436 for the financial year ended 31 May 2016 (2015: S\$380,000). **(Resolution 6)**
6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without amendments:

7. **General Share Issue Mandate** **(Resolution 8)**

“That, authority be and is hereby given to the Directors of the Company to:

- (i) (aa) allot and issue shares, whether by way of rights, bonus or otherwise; and/or

(bb) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Board may, in their absolute discretion, deem fit; and

- (ii) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph 2 below) of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph 2 below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1 above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) in the capital of 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 or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (bb) any subsequent consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company;
- (4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.” [see explanatory note 3]

8. Renewal of Share Buy Back Mandate

(Resolution 9)

“That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “Companies Act”), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (“Shares”) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

NOTICE OF ANNUAL GENERAL MEETING

- (i) market purchases (each a “**Market Purchase**”) on the SGX-ST; and/or
- (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the “**Share Buy Back Mandate**”);

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate maybe exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next AGM of the Company is held or is required by law to be held;
 - (ii) the date on which the share buy back is carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked;
- (d) for purposes of this Resolution:

“**Prescribed Limit**” means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the company as altered (excluding any treasury shares that may be held by the Company from time to time);

“**Relevant Period**” means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

“**Maximum Price**” in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

- (i) in the case of a Market Purchase: 105% of the Average Closing Price; and

NOTICE OF ANNUAL GENERAL MEETING

- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

“**day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**market day**” means a day on which the SGX-ST is open for trading in securities;

- (e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution; and
- (f) Shareholders by voting to approve the Share Buy Back Mandate are waiving their rights to a general offer at a required price from Ong Directors (as defined in the Addendum) and parties acting in concert with them.” [see explanatory note 4]
9. To transact any other business that may be properly transacted at the AGM of the Company.

BY ORDER OF THE BOARD

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries
Singapore

13 September 2016

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. Ms Ong Lay Koon will, upon re-election as a Director of the Company, remain as Executive Director of the Company and a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.
2. Mr Low Beng Tin will, upon re-election as a Director of the Company, remain as Independent Director of the Company and the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
3. The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.
4. The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of the AGM until the date of the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to ten per cent (10%) of the total number of Shares (excluding treasury shares) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the source of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Annual Report.

NOTES:

- (i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two (2) proxies to attend and vote instead of him.
- (ii) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.
- (iv) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 29 Harrison Road, Lian Beng Building, Singapore 369648 not less than 48 hours before the time appointed for holding the above Meeting.
- (vi) A Depositor's name must appear on the Depositor Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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 express 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, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

LIAN BENG GROUP LTD
 Registration No. 199802527Z
 (Incorporated in the Republic of Singapore)

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 September 2016.

"Personal data" in the proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No.

**ANNUAL GENERAL MEETING
 PROXY FORM**

I/We, _____ (Name) of
 _____ (Address)

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

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or *

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the AGM of the Company to be held at 29 Harrison Road, Lian Beng Building, Singapore 369648 on Thursday, 29 September 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 AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion.

	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.
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All resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Ordinary Resolutions relating to:-	Number of Votes For **	Number of Votes Against**
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 May 2016		
2.	Payment of proposed final dividend of 1.0 cent per ordinary share for the financial year ended 31 May 2016		
3.	Payment of proposed special dividend of 1.0 cent per ordinary share for the financial year ended 31 May 2016		
4.	Re-election of Ms Ong Lay Koon as a Director of the Company		
5.	Re-election of Mr Low Beng Tin as a Director of the Company		
6.	Approval of Directors' fees amounting to S\$113,436 for the financial year ended 31 May 2016		
7.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company		
8.	Authority to allot and issue shares pursuant to the General Share Issue Mandate		
9.	Renewal of Share Buy Back Mandate		

* Delete accordingly

** If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016.

Total Number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

 Signature(s) of Member(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 (Chapter 289) of Singapore or any statutory modification thereof, as the case may be), 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 entered against your name in the Depository Register and 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. A member of the Company who is not a relevant intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at an AGM of the Company. Where such member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, 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 one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

"relevant intermediary" means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, 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;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, 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 CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 29 Harrison Road, Lian Beng Building, Singapore 369648 not less than 48 hours before the time appointed for the AGM.
 5. A proxy need not be a member of the Company.
 6. The instrument appointing a proxy or proxies must be under the hand of the appointor or 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 common seal or under the hand of its attorney or a duly authorised officer.
 7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 8. 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, Chapter 50 of Singapore.
 9. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the AGM if he/she so wishes.
 10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register 72 hours before the time appointed for holding the AGM, as certified by the Depository to the Company.

LIAN BENG GROUP LTD

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