



聯明集團有限公司
LIAN BENG GROUP LTD



ENHANCING GROWTH THROUGH INNOVATION

ANNUAL REPORT 2018



**MISSION
STATEMENT**

TO PROVIDE THE **BEST QUALITY**
SERVICES AND PRODUCTS TO ALL OUR CUSTOMERS
AT THE MOST COMPETITIVE COST.

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CHAIRMAN'S STATEMENT

In the past 45 years, Lian Beng Group has completed 185 construction projects worth approximately S\$6.5 billion. From a single company, we now have more than 60 subsidiaries. The Group's net asset value attributable to shareholders has also grown to more than S\$600 million.

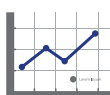
MR ONG PANG AIK BBM
CHAIRMAN AND MANAGING DIRECTOR



CHAIRMAN'S STATEMENT



REVENUE
S\$243.9
MILLION



**PROFIT BEFORE
TAXATION**
S\$77.1
MILLION



**NET PROFIT
ATTRIBUTABLE TO
OWNERS OF THE
COMPANY**
S\$54.4
MILLION



**DIVIDENDS
PER SHARE**
2.25
CENTS

DEAR VALUED SHAREHOLDERS,

Financial Year 2018 ("FY2018") marked another year of breakthroughs for Lian Beng Group. The successful spin-off of our subsidiary, SLB Development Ltd. ("SLB"), on the Catalist Board of SGX-ST on 20 April 2018 was a victorious milestone in our history.

After months of preparation and tremendous hard work, we completed our internal restructuring and streamlined all of the Group's property development projects into SLB for a listing on the Catalist Board. The Initial Public Offering of SLB raised gross proceeds of approximately S\$54.7 million. SLB will now have additional financing capacity and direct access to capital markets to fund its own growth and investment plans. Subsequent to the spin-off, Lian Beng Group retains an equity ownership of approximately 73.9% in SLB. SLB remains as a key subsidiary of the Group.

For FY2018, revenue decreased by 13.4% to S\$243.9 million mainly due to the decrease in revenue from Property Development segment, offset by the increase in revenue from Construction, Investment Holding and Manufacturing of Concrete segments. Other operating income increased by 280.5% or S\$40.0 million from S\$14.3 million for Financial Year 2017 ("FY2017") to S\$54.3 million for FY2018. This was contributed by the gain on disposal of investment properties at 247 and 249 Collins Street and 50 Franklin Street, Melbourne, Australia.

Fair value gain on investment properties decreased by 33.7% from S\$14.6 million in FY2017 to S\$9.7 million for FY2018. Despite the lower fair value gain, the Group's FY2018 profit before taxation improved by 9.9% to S\$77.1 million. The Group's tax expense increased by 175.7% or S\$13.1 million from S\$7.4 million for FY2017 to S\$20.5 million for FY2018. This was mainly due to the tax expense for the gain on disposal of the properties at Collins Street, Franklin Street and St Kilda Road in Melbourne, Australia. As a result of the higher tax, the Group's net profit after tax decreased by 9.8% to S\$56.6 million.

With the commendable financial results for FY2018, the Board proposed a final tax-exempt dividend of S\$0.0125 per share. Along with the interim dividend, the total dividend for FY2018 will be S\$0.0225 per share, matching the total dividends that we paid out for FY2017.

CHAIRMAN'S STATEMENT

Our good results have also strengthened our financial position. Cash and cash equivalents increased by S\$21.4 million from S\$187.8 million as at 31 May 2017 to S\$209.2 million as at 31 May 2018. This healthy cash level will enable us to continue exploring local and overseas opportunities to further expand our business.

In view of the competitive environment, the Group will stay prudent in tendering for public and private sector projects. We will focus on technology and innovation to improve productivity and efficiency so as to maintain an edge in cost effectiveness and competitiveness. As at 31 May 2018, the Group's construction order book stood at S\$947 million, which will provide a steady flow of activities through FY2022.

The Year 2018 also marks Lian Beng Group's 45th founding year milestone. We have grown from a small set up to become a diversified key player in the construction industry and expanded into construction related businesses such as ready-mixed concrete and asphalt premix production, construction materials sourcing and supply, property development, property investment and workers' dormitory. We have also expanded overseas with several property development and investment projects in China, Australia and the UK.

In the past 45 years, Lian Beng Group has completed 185 construction projects worth approximately S\$6.5 billion. From a single company, we now have more than 60 subsidiaries. The Group's net asset value attributable to shareholders has also grown to more than S\$600 million.

Our journey thus far has been eventful and rewarding because of like-minded partners who have supported us along the way. I would like to take this opportunity to thank all our business associates, suppliers, management and staffs for their immeasurable contributions. I look forward to setting many more milestones ahead with all of you.

ONG PANG AIK (BBM)

Chairman and Managing Director

主席 致辞

过去45年中，
聯明集团已完
成185个建筑项
目，总值约为
65亿新元。从
一家单一公司起
步，我们现已拥
有超过60家子公
司。股东应占本
集团的资产净值
亦已增至超过
6亿新元。

尊敬的股东：

2018财政年是聯明集团再次展现突破的一年。2018年4月20日我们的子公司新聯明發展有限公司(新聯明)成功分拆，在新加坡证券交易所凯利板上市，这是聯明史上的又一显赫的里程碑。

为实现在凯利版上市，我们历经数月的筹备和巨大努力，完成内部重组并精简集中本集团的所有房地产开发项目于新聯明。新聯明的首次公开发售筹集现金所得款项(未扣除上市开支)约5,470万新元。新聯明现在拥有可直接进入资本市场的能力，为其自身成长及投资计划筹资。分拆后，聯明集团依然拥有新聯明的约73.9%股权。新聯明依然是集团的主要子公司。

截至2018年5月31日财政年，营收退低13.4%至2亿4,390万新元。该退低主要是由于房地产开发的营收减少，而该减少由建筑、投资和混凝土的营收增加所局部抵销。其他经营收入由2017财政年的1,430万新元增加280.5%或4,000万新元至2018财政年的5,430万新元。这是由于脱售位于澳洲墨尔本科林街247号和249号以及富兰克林街50号的房地产所得的盈利。

投资房地产公允价值收益由2017财政年的1,460万新元退低33.7%至2018年的财政年的970万新元。尽管公允价值收益减少，本集团2018财政年的税前利润增加9.9%至7,710万新元。本集团的税项开支由2017财政年的740万新元增加175.7%或1,310万新元至2018财政年的2,050万新元。这主要是由于就脱售位于澳洲墨尔本科林街、富兰克林街及圣基尔达路的房地产套利所作的税项支付。由于税项增加，本集团的税后净利润减少9.8%至5,660万新元。

随着2018财政年财务业绩仍然向好，董事会提议派送免税末期股息每股0.0125新元。连同中期股息，2018财政年的总股息将为每股0.0225新元，与我们于2017财政年派付的总股息一致。

我们的良好业绩也巩固了我们的财务状况。现金及现金等价物由2017年5月31日的1亿8,780万新元增加2,140万新元至2018年5月31日的2亿920万新元。该稳健的现金水平让我们能够继续探索本地及海外商机，从而进一步扩展业务。

主席 致辞

鉴于业内环境竞争激烈，本集团将审慎竞标公共及私营项目。为了保持成本效益和竞争优势，我们将专注于科技和创新，以提高生产力和效率。截至2018年5月31日，本集团的建筑工程订单达9亿4,700万新元，这将使业务活动可持续到2022财政年。

2018年也是聯明集团创立45周年。我们已从一家小公司成长为一家多元化的建筑业领军企业，并扩展进入预制混凝土及沥青预混料生产、建筑材料采购及供应等建筑相关业务领域，以及房地产开发、房地产投资和工人宿舍。我们还扩大海外业务，在中国、澳洲和英国持有一些房地产开发及投资项目。

过去45年中，聯明集团已完成185个建筑项目，总值约为65亿新元。从一家单一公司起步，我们现已拥有超过60家子公司。股东应占本集团的资产净值亦已增至超过6亿新元。

迄今为止，在志同道合的业务伙伴一路支持下，我们的征程成果丰硕。我藉此机会对我们的业务伙伴、供应商、管理层及员工作出的宝贵贡献表示衷心感谢。我期待日后为全体股东贡献更多具有里程碑意义的成就。

王邦益(BBM)

集团主席兼执行董事

BOARD OF DIRECTORS



MR ONG PANG AIK **BBM**

CHAIRMAN AND 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 Building & Construction Authority (“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 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 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 (Pingat 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 Accounting and Finance, Human Resource and Corporate Affairs departments.

She is responsible for the organization and management of the Group’s accounting, finance and corporate affairs, as well as for all matters relating to human resource. Together with her fellow executive directors and key executives, she is also involved in progress reviews and implementation of workflow initiatives for the purpose of improving and fine-tuning the Group’s work processes in accordance to new market trends and changes. She also 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 29 September 2016. She was also appointed as the Non-Executive Non-Independent Chairman of SLB Development Ltd., a subsidiary of Lian Beng Group Ltd, which was listed on the Catalist board of SGX-ST in April 2018.

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

BOARD 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 25 years of experience in the construction industry, she oversees several key aspects of the Group's construction operations, including tendering, management and review of project costs and budget, key materials procurement, and the award of contracts to subcontractors. In addition, she also oversees 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 27 September 2017.

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



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 29 September 2016. He serves as Chairman of the Nominating and Audit Committees. He is also a member of the Remuneration Committee.

Mr Low is currently the Executive Director of Assimilated Technologies (S) Pte Ltd. He is also the Non-Executive Chairman/Independent Director of Cosmosteel Holdings Limited, Independent Director of JP Nelson Holdings, Datapulse Technology Limited and Fuji Offset Plates Manufacturing Ltd. He is the Non-Executive Director of AA Vehicle Inspection Centre Pte. Ltd, Agropak Engineering (S) Pte Ltd, Autoswift Recovery Pte Ltd, SMF Centre for Corporate Learning Pte. Ltd. and Singapore Innovation and Productivity Institute 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 33 years of experience in engineering fields related to the oil, gas, petrochemical, chemical and marine industries.

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

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 27 September 2017. He serves as Chairman of the Remuneration Committee and is also a member of the Nominating and Audit Committees.

He is currently the Chairman of HSK Resources Pte Ltd. Mr Ko was the President and Executive Director of KOP Limited from May 2014 to October 2017. Prior to the reverse take-over exercise by the former, Mr Ko was the Executive Director/Group CEO of Scorpio East Holdings Ltd from March 2012 to May 2014. Mr Ko also holds chairmanships and directorships in various private and public companies.

Mr Ko is an Independent Director of Koon Holdings Ltd, KSH Holdings Limited, Pavillon Holdings Ltd and San Teh Ltd. Mr Ko has more than 15 years of working experience with the former Trade Development Board (TDB, now known as Enterprise Singapore). His last TDB appointment was Head of China Operations. In the past 28 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. In addition, Mr Ko also holds appointments in IE Singapore Society and Xing Hua Primary School as their Executive Committee and School Advisory Committee respectively.

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



MR ANG CHUN GIAP PBM
INDEPENDENT DIRECTOR

Mr Ang Chun Giap joined the Board as an Independent Director on 12 October 2016 and was re-elected on 27 September 2017. He is a member of the Nominating Committee, Remuneration Committee and Audit Committee. He is presently the Managing Director of Acevision & Associates PAC, a public accounting corporation. He has over 17 years of experience in public accounting profession with extensive wealth of exposure in the field of auditing, accounting, tax planning and advisory services to clients from diverse industries including construction, real estate development, investment holding, manufacturing, food and beverage, entertainment, trading, importers and exporters, engineering, charities, hotel management and logistics. He also sits on the Boards of a number of other private corporations.

Prior to that, he had over 21 years of diverse working experience in commercial corporations heading the finance divisions.

Mr Ang graduated with a Bachelor degree of Accountancy from the National University of Singapore in 1981. He is a Public Accountant of Singapore, a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants and an Accredited Tax Practitioner of the Singapore Institute of Accredited Tax Professionals. He is also a full member of the Singapore Institute of Directors.

In recognition of his contributions to the community, Mr Ang was awarded the Public Service Medal (Pingat Bakti Masyarakat – PBM) by the President of Singapore in 2001.

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 utilization by the Group's Construction division. In addition, he is responsible for overseeing the operations and management of the Group's ready-mix concrete business. He is also responsible for the Asphalt Premix, Resource and Transportation division.

Mr Ong joined the Group in 1995. He is also the director of several of the Company's subsidiaries and associated companies and performs the corresponding fiduciary duties as a director of these subsidiaries and associated companies.

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.

Mr Ong joined the Group in 1995. He is also the director of several of the Company's subsidiaries and associated companies and performs the corresponding fiduciary duties as a director of these subsidiaries and associated companies.

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, with special focus on its quality management and productivity enhancement.

Mr Teo has more than 30 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. He is also the director in charge of the Group's sustainability reporting.

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 also serves as the manager of Lian Beng/L.S. J.V.. In 2012, he was appointed as a director of Paul.Y-Lian Beng JV 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-company material and machinery logistics deployment. As the Purchasing Director, she oversees the purchasing planning and control through information collection and analysis of data to observe trends. She also administers the Group's foreign workers' payroll function.

Ms Ong joined the Group in 1988. She is also the director of several of the Company's subsidiaries and associated companies and performs the corresponding fiduciary duties as a director of these subsidiaries and associated companies.

KEY EXECUTIVE OFFICERS

MR THAN KING HUAT

Mr Than King Huat is the director of Deenn Engineering Pte Ltd and part of the management team that manages the Group's Construction division with special focus on its design-and-build functions.

Mr Than has more than 25 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 25 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. Mr Goh joined the company in June 2007 and is in charge of the daily management of Sinmix's business operations.

His 30 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 21 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 Association of Chartered 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.

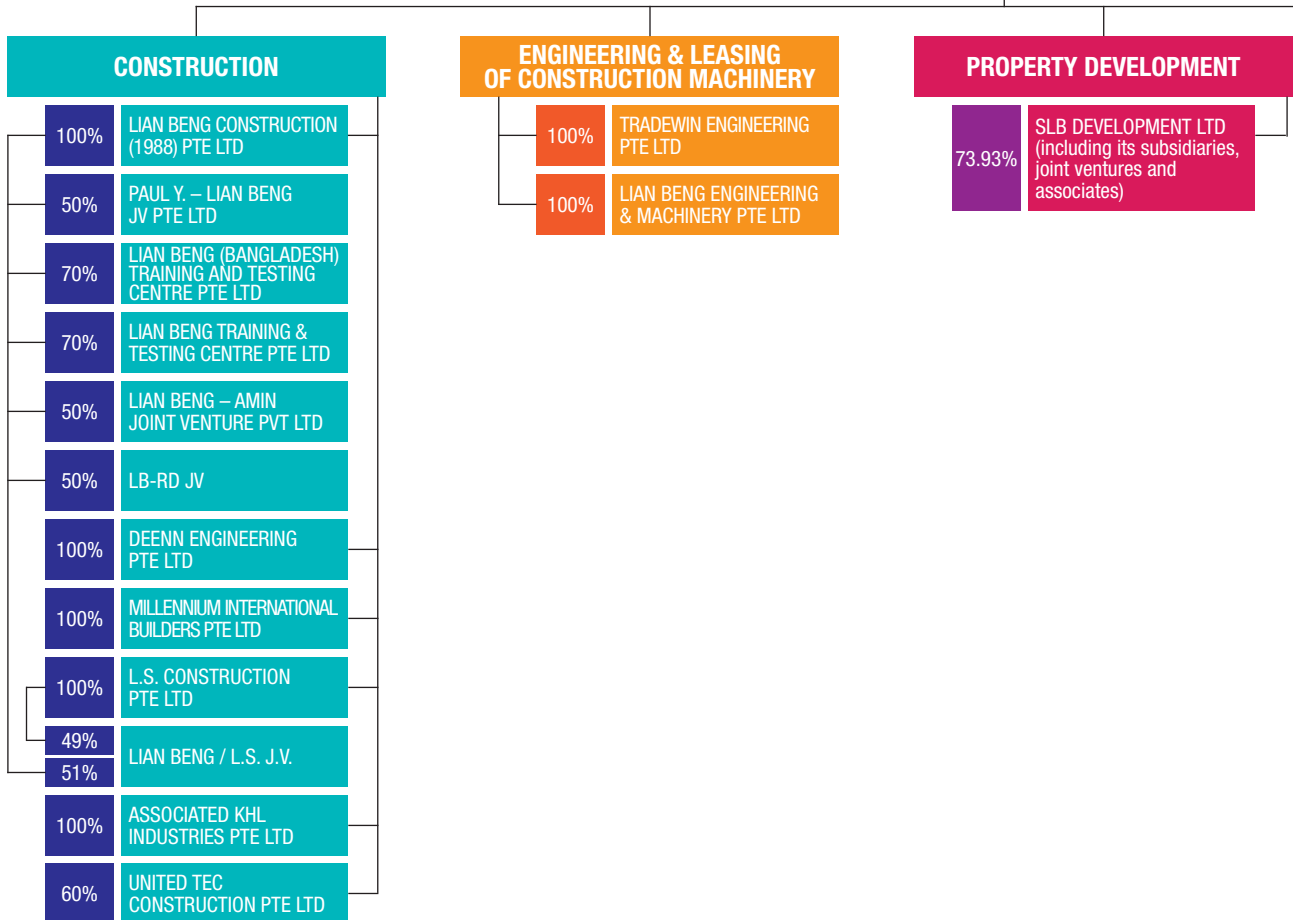
For Key Executives of the Property Development segment, please refer to SLB Development Ltd.'s 2018 Annual Report.

GROUP STRUCTURE

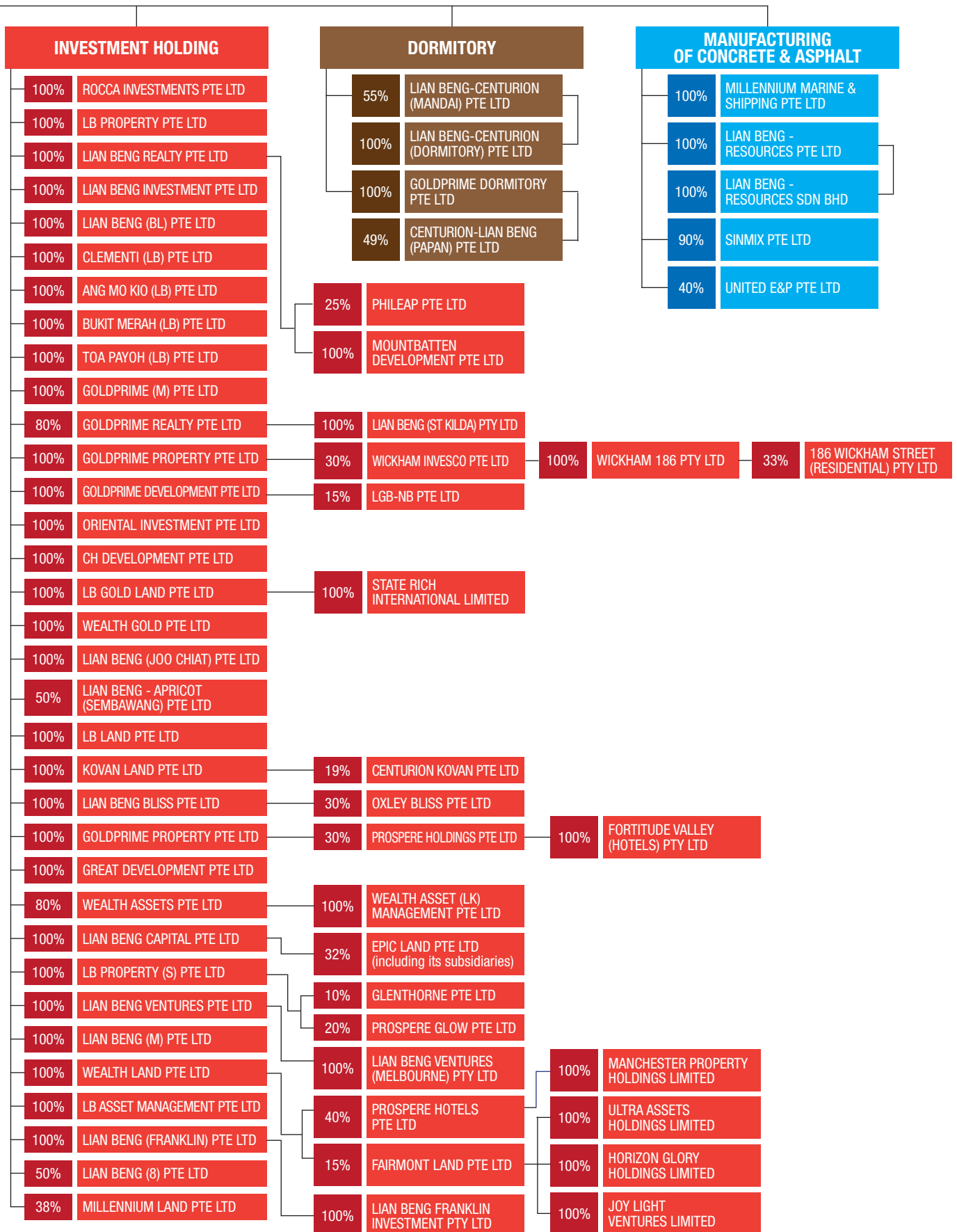
AS AT 31 JULY 2018



聯明集團有限公司
LIAN BENG GROUP LTD



GROUP STRUCTURE



FINANCIAL HIGHLIGHTS

CASH AND CASH EQUIVALENTS INCREASED FROM S\$187.8 MILLION AS AT 31 MAY 2017 TO S\$209.2 MILLION AS AT 31 MAY 2018.

FINANCIAL PERFORMANCE

For financial year ended 31 May 2018 ("FY2018"), the Group's revenue decreased by 13.4% from S\$281.7 million for FY2017 to S\$243.9 million for FY2018. The lower revenue was mainly due to the decrease in revenue for the Property Development segment from S\$87.8 million for FY2017 to S\$35.4 million for FY2018. This was partially offset by the increase in revenue for the Construction, Investment Holding and Manufacturing of Concrete and Asphalt segments. Correspondingly, the Group's gross profit decreased by 17.2% from S\$74.9 million for FY2017 to S\$62.0 million for FY2018.

Other operating income increased from S\$14.3 million for FY2017 to S\$54.3 million for FY2018 mainly due to gain on disposal of investment properties at 247 and 249 Collins Street and 50 Franklin Street, Melbourne, Australia.

The share of results of associates and joint ventures declined from S\$15.8 million for FY2017 to S\$13.2 million for FY2018 mainly due to the decrease in share of profits of associates offset by the increase in share of profits of joint ventures.

A net fair value gain on investment properties of S\$9.7 million was recognised for FY2018 compared to a net fair value gain of S\$14.6 million for FY2017. The Group's investment properties comprise commercial assets, dormitory asset, industrial assets and residential assets, whose fair values are determined by independent valuers at the end of each financial year.

Tax expense increased from S\$7.4 million for FY2017 to S\$20.5 million for FY2018. This was mainly due to the tax incurred for the gain on disposal of the properties at 247 and 249 Collins Street, 50 Franklin Street and 596 St Kilda Road in Melbourne, Australia.

Taking all the above factors into account, the Group recorded a 9.8% decrease in profit after tax of S\$56.6 million for FY2018, compared to S\$62.8 million for FY17. The Group's profit attributable to shareholders improved 2.1% from S\$53.2 million for FY2017 to S\$54.4 million for FY2018.

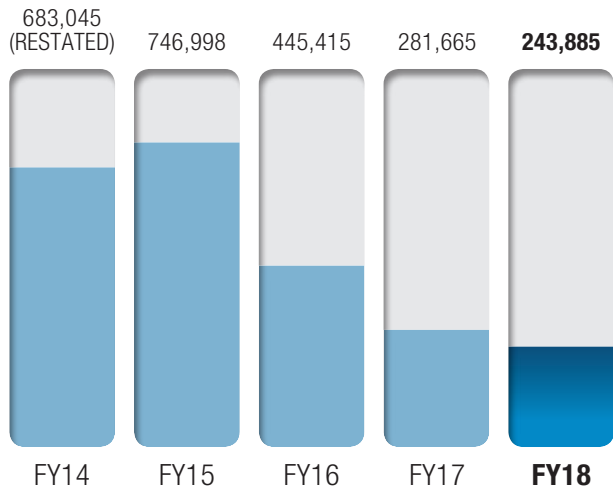
Cash and cash equivalents increased from S\$187.8 million as at 31 May 2017 to S\$209.2 million as at 31 May 2018. This was due to net cash from operating activities and investing activities of S\$15.7 million and S\$39.0 million respectively, offset by the net cash used in financing activities of S\$33.2 million.

The Board is proposing a tax-exempt final dividend of S\$0.0125 per share, subject to shareholders' approval at the forthcoming annual general meeting on 27 September 2018. Including the interim dividend that was paid out in FY2018, the total dividend for FY2018 will be S\$0.0225 per share.

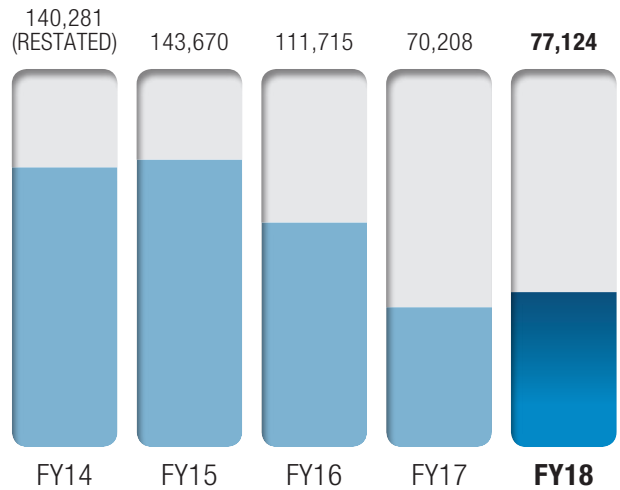
| (\$'000) | YEAR ENDED 31 MAY 2018 (FY2018) | YEAR ENDED 31 MAY 2017 (FY2017) | % CHANGE |
|--|---------------------------------------|---------------------------------------|----------|
| Revenue | 243,885 | 281,665 | (13.4%) |
| Gross profit | 62,010 | 74,881 | (17.2%) |
| Other operating income | 54,322 | 14,275 | 280.5% |
| Fair value gain on investment properties | 9,657 | 14,563 | (33.7%) |
| Profit before taxation | 77,124 | 70,208 | 9.9% |
| Taxation | (20,476) | (7,427) | 175.7% |
| Profit attributable to shareholders | 54,382 | 53,238 | 2.1% |

FINANCIAL HIGHLIGHTS

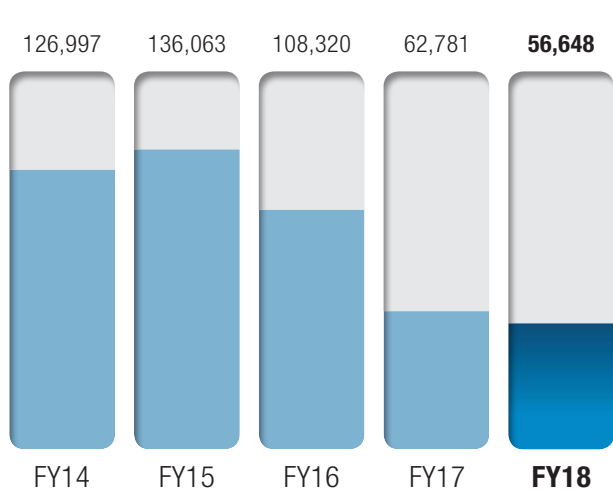
REVENUE (S\$'000)



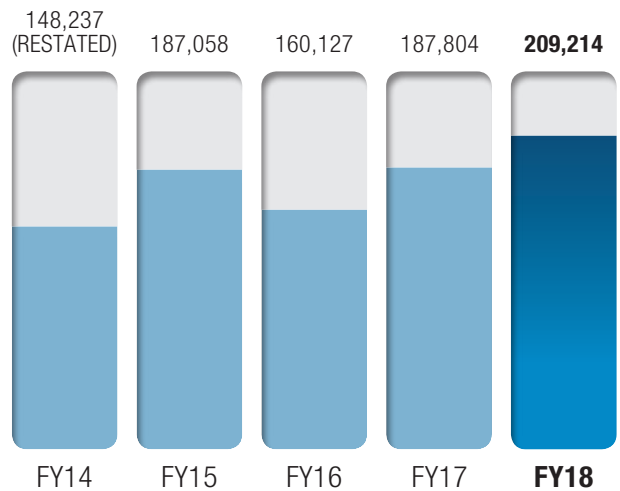
PROFIT BEFORE TAX (S\$'000)



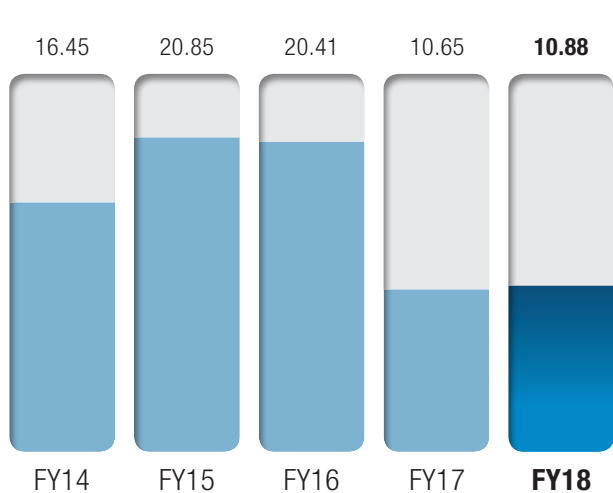
NET PROFIT (S\$'000)



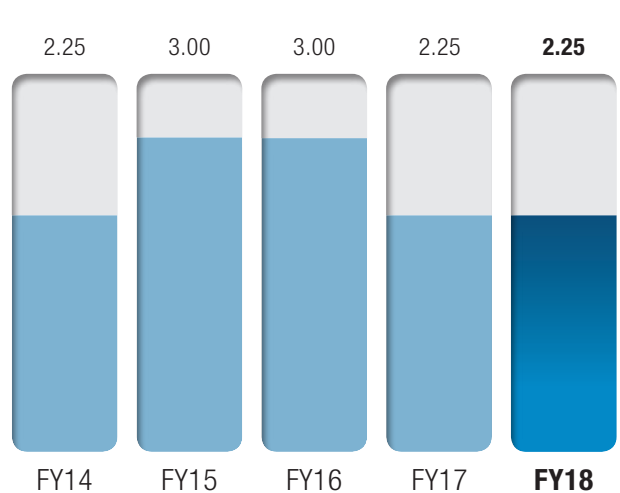
CASH AND CASH EQUIVALENTS (S\$'000)



EARNINGS PER SHARE (Cents)



DIVIDENDS PER SHARE (Cents)



SIGNIFICANT EVENTS



On **6 September 2017**, the Group's JV project in Leeds, United Kingdom, commenced its first phase of a new regeneration scheme, with the aim to create a sustainable urban destination on the 2.45-acre site. This project is located in Leeds city centre, close to the Victoria Gate shopping centre and the emerging creative quarter. The key to the first phase of the scheme will be a new 14-storey hotel with 192 bedrooms to be operated by major hotel chain, Hampton by Hilton. It is slated to have an opening date in 2019 and the facilities include meeting rooms, a conference venue, a gym, a bar and a restaurant.

On **11 September 2017**, the Group completed the acquisition of Wilkie Edge, which is held by the Group's 50% joint venture company, Lian Beng (8) Pte Ltd. Wilkie Edge is a leasehold 12-storey development with a balance lease of 88 years comprising retail and office units and two basement carparks of 215 lots.

On **15 September 2017**, the Group's wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd, secured a contract through tender from Martin Modern Pte. Ltd. for the proposed condominium housing development comprising of 2 blocks of 30-storey condominium (total 450 units) with landscape deck, common basement carparks and communal facilities at Martin Place, near the Orchard precinct. The contract is worth approximately S\$162 million. Work commenced in September 2017 and is expected to complete in 32 months.

On **26 September 2017**, the Group's JV project, Sino-Singapore Health City at Gaobeidian, Hebei Province, hosted the 10th Chinese National Youth Rock Climbing Championship. This national competition was held at the Mountain Climbing Training Centre & Outdoor Sports Centre, which is part of the consortium's Sino-Singapore Health City development project. Chinese government officials, including Mr. Wu Qi, Vice Chairman of the Chinese Olympic Committee, graced the opening ceremony.



On **12 October 2017**, the Group announced that it is exploring a spin-off of its property development business.

SIGNIFICANT EVENTS



On **28 November 2017**, the Group's wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd, secured a contract through tender from UVD (Projects) Pte. Ltd. for the proposed condominium development comprising of 3 blocks of 20-storey, 2 blocks of 19-storey and 4 blocks of 8-storey residential blocks with 2-storey carparks and ancillary facilities at Potong Pasir Avenue 1. The contract is worth approximately S\$136.8 million. Work commenced in December 2017 and is expected to complete in 38 months. The Group's order book increased to approximately S\$836 million with the award of this project.

On **11 December 2017**, the Group's 42%-owned^(Note 1) associated company, Development 24 Pte. Ltd., exercised an option to purchase the freehold properties known as 31 to 51 (odd nos.) Lorong 24 Geylang, Singapore for an aggregate purchase consideration of S\$60 million. The properties, comprising approximately 2,433 square metre of land area, can be redeveloped into an 8-storey residential development with a maximum allowable gross floor area of approximately 6,812 square metre. The proposed acquisition was completed on 5 March 2018.



On **19 December 2017**, the Group's construction order book reaches S\$1.04 billion, after its wholly-owned subsidiary, L.S. Construction Pte Ltd, received a letter of intent for a construction contract to be awarded with a contract sum of approximately S\$199.5 million to build a 1,052-unit residential development at Serangoon North Avenue 1. Construction is expected to commence in November 2018 and is expected to complete in 40 months. The Group holds a 20%^(Note 2) stake in this redevelopment of former HUDC estate, Serangoon Ville, which was acquired en bloc in July 2017.

On **26 December 2017**, the Group's wholly-owned subsidiary, Lian Beng Franklin Investment Pty Ltd entered into a contract of sale for the proposed disposal of the property at 50 Franklin Street, Melbourne, Australia for an aggregate sale consideration of approximately A\$90.2 million. The Group acquired this freehold property about a year ago in November 2016 for an aggregate purchase consideration of A\$51.5 million. The disposal was completed on 12 March 2018.

Note 1: The Group's effective ownership interest is 31.05% subsequent to the listing of SLB on the Catalyst Board of SGX-ST in April 2018.

Note 2: The Group's effective ownership interest is 14.79% subsequent to the listing of SLB on the Catalyst Board of SGX-ST in April 2018.

SIGNIFICANT EVENTS



On **5 January 2018**, the Group's 49%-owned ASPRI-Westlite Papan workers' dormitory, was officially opened by Mr Tharman Shanmugaratnam, Deputy Prime Minister of Singapore and Coordinating Minister for Economic and Social Policies. This dormitory is the Singapore's first Process Construction and Maintenance ("PCM") foreign worker accommodation with integrated training centre. Located at Jalan Papan, this integrated and purpose-built workers accommodation offers a "Live, Learn and Play" environment encompassing a 7,900-bed facility that features ASPRI's Integrated Training Centre ("AITC") for workers in the PCM industry.

On **19 January 2018**, the Group held a grand dinner at Suntec Convention Centre in celebration of its 45th Anniversary.

On **23 January 2018**, the Group's 20%-owned^(Note 1) associated company, KAP Holdings (China) Pte. Ltd., pursuant to an agreement entered into with Beijing Jia Hua Hong Yuan Investment Co., Ltd. (北京嘉华宏远投资有限公司) ("Jia Hua"), Gaobeidian City Lei Hua Yi Wei Sport Development Co., Ltd. (高碑店市雷华羿伟体育发展有限公司) ("Lei Hua") and KSH International Investment Pte. Ltd. ("KSHII") invested RMB100 million to subscribe for a 50% equity interest in Hebei Yue Zhi Real Estate Development Co., Ltd. (河北悦致房地产开发有限公司) ("Yue Zhi"), a company incorporated in the People's Republic of China. The principal activity of Yue Zhi is real estate development and management. Subject to the receipt of approvals from the relevant authorities, Yue Zhi intends to carry on real estate development and management for the development project in Gaobeidian, Hebei.



On **19 March 2018**, the Group completed the disposal of its property at 596 St Kilda Road, Melbourne, Australia, for a total consideration of A\$34 million. The property is held by the Group's 80%-owned subsidiary, Lian Beng (St Kilda) Pty Ltd. The property is a freehold 3-storey residential complex of 19 apartments on a site area of approximately 1,803 square metre.

Note 1: The Group's effective ownership interest is 14.79% subsequent to the listing of SLB on the Catalyst Board of SGX-ST in April 2018.

SIGNIFICANT EVENTS



On **19 April 2018**, the Group's 50%-owned JV company, Lian Beng-Apricot (Sembawang) Pte. Ltd., entered into a sale and purchase agreement for the proposed acquisition of Sembawang Shopping Centre for an aggregate purchase consideration of S\$248 million. This property is a suburban mall consisting of four retail levels and three car park levels with a total of 165 car park lots. It has a leasehold tenure of 999 years, a gross floor area of 19,146 square metre and a total net lettable area of 13,344 square metre. The proposed acquisition was completed on 18 June 2018.

On **20 April 2018**, the Group successfully spun off its property development subsidiary, SLB Development Ltd., in a separate listing on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). In the initial public offering ("IPO"), 238 million new shares were offered at S\$0.23 each, raising gross proceeds of approximately \$54.7 million.



On **18 June 2018**, the Group's wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd, secured a S\$95.8 million contract from Tripartite Developers Pte. Ltd. for the proposed condominium development comprising of 9 blocks of 8-storey residential buildings and 1 block of clubhouse with 1 basement carpark, swimming pool and tennis court at Flora Drive. Work commenced in July 2018 and is expected to complete in 33 months.

On **25 June 2018**, the Group executed a sale and purchase agreement for the acquisition of 180,000 ordinary shares in the share capital of United Tec Construction Pte. Ltd. ("UTC"), representing 60% shareholding interest of UTC for a purchase consideration of S\$180,000. UTC is principally engaged in general construction business specializing in the design for manufacturing and assembly ("DMFA") construction.

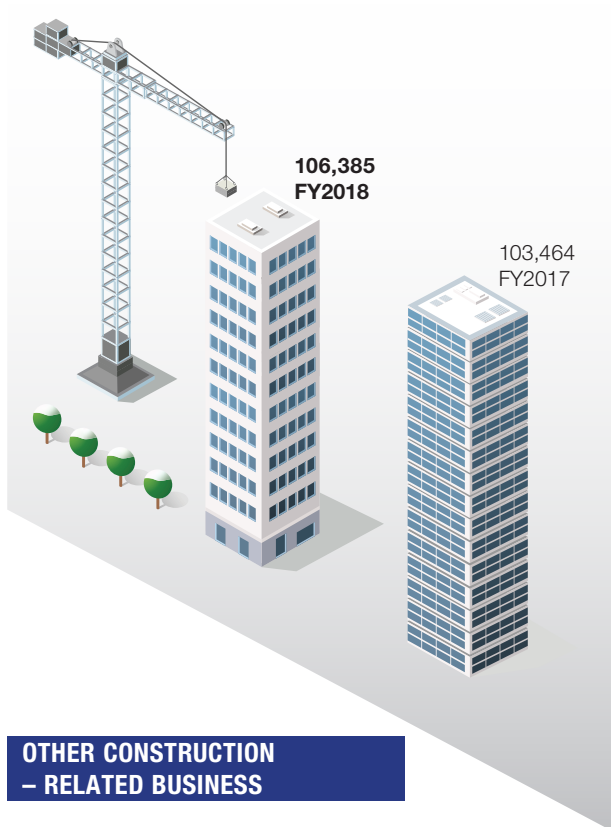


On **25 July 2018**, the Group's 32%-owned associate company, Epic Land Pte. Ltd., executed a sales and purchase agreement to dispose the entire issued and paid-up capital of its 6 wholly-owned subsidiaries ("Sale Companies"), holding a total of 7 strata office units in Prudential Tower to an unrelated third party. The aggregate consideration is based on the net asset value of the Sale Companies as at the completion date, which is estimated to be on or before 20 September 2018. The sale consideration will be computed on the basis that the value of the properties is approximately S\$130 million.

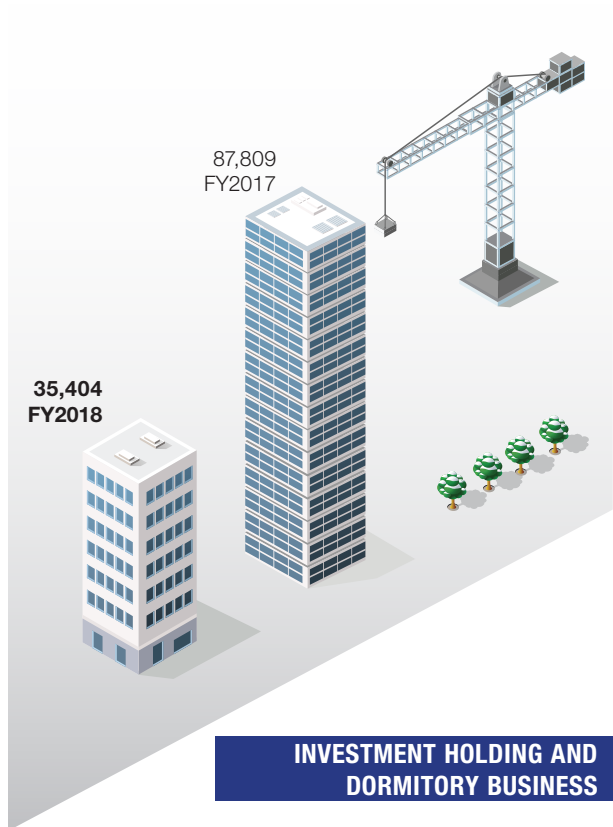
OPERATIONS REVIEW

REVENUE BY BUSINESS SEGMENT (S\$'000)

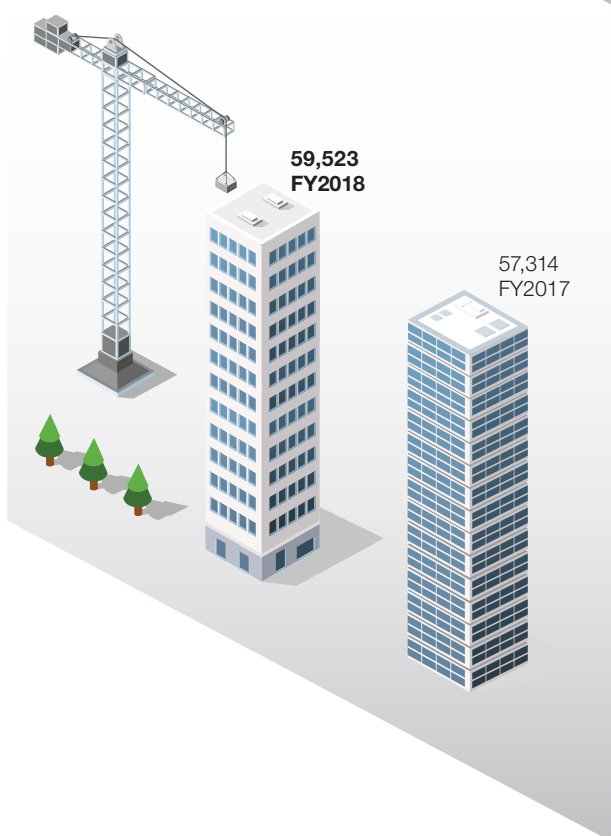
CONSTRUCTION



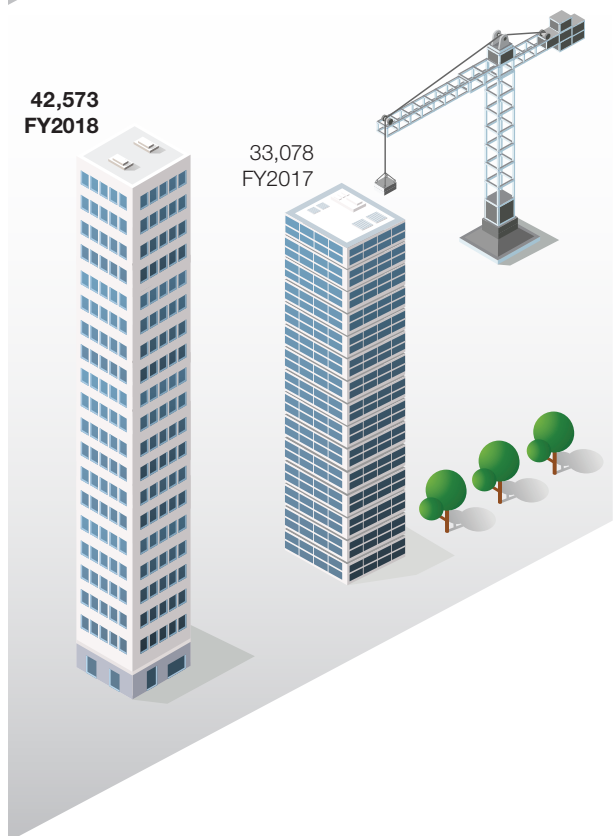
PROPERTY DEVELOPMENT



OTHER CONSTRUCTION – RELATED BUSINESS



INVESTMENT HOLDING AND DORMITORY BUSINESS



OPERATIONS REVIEW**CONSTRUCTION**

Revenue from external customers for the Group's Construction segment increased from S\$103.5 million for FY2017 to S\$106.4 million for FY2018. During FY2018, the Group completed its own redevelopment project, Leng Kee Autopoint and successfully secured condominium building contracts worth a total of S\$498 million, which consist of Martin Modern, at Martin Place, a prime district near Orchard; The Tre Ver, at Potong Pasir Avenue 1; Affinity At Serangoon, at Serangoon North Avenue 1. In June 2018, the Group further secured a S\$95.8 million contract to build the condominium The Jovell, at Flora Drive.

Apart from the above, the Group has ongoing construction of industrial projects, namely, Defu Industrial City and T-Space, at Tampines North Drive 1.

The Group's Construction order book level has improved significantly from approximately S\$538 million as at 31 May 2017 to S\$947 million as at 31 May 2018, which will provide a steady flow of activities through FY2022.

ONGOING PROJECTS - Martin Modern (Artist's Impression)

OPERATIONS REVIEW

ONGOING PROJECTS - The Tre Ver at Potong Pasir (Artist's Impression)



ONGOING PROJECTS - Defu Industrial City



OPERATIONS REVIEW**OTHER CONSTRUCTION-RELATED BUSINESSES****MANUFACTURING OF CONCRETE AND ASPHALT**

Revenue from external customers for the Manufacturing of Concrete and Asphalt segment increased from S\$56.2 million for FY2017 to S\$59.5 million for FY2018. Share of results of joint venture in this segment also rose from S\$1.7 million for FY2017 to S\$5.9 million for FY2018.

This segment focuses on the production of ready-mix concrete to support the Group's Construction business and for external sales, as well as the production of asphalt to supply to runway construction projects and public road projects.

ENGINEERING & LEASING OF CONSTRUCTION MACHINERY

The Group's Engineering & Leasing of Construction Machinery segment largely supports the Group's construction projects. Total revenue for FY2018, inclusive of inter-segment revenue, amounted to S\$11.2 million.

Supply and Lay of Asphalt Premix



OPERATIONS REVIEW

PROPERTY DEVELOPMENT

The property development segment of Lian Beng Group is undertaken by its subsidiary company, SLB Development Ltd, which was listed on the Catalist Board of SGX-ST in April 2018.

Listing ceremony of SLB Development Ltd



OPERATIONS REVIEW**INVESTMENT HOLDING AND DORMITORY BUSINESS****INVESTMENT HOLDING**

The external revenue from the Investment Holding business segment comprises the property investment portfolio in Singapore and Australia and the investment securities portfolio. Revenue from this segment has improved from S\$10.2 million for FY2017 to S\$20.3 million for FY2018.

In FY2018, the Group continued to expand its property investment portfolio. In September 2017, together with a JV partner, the Group acquired a commercial property, Wilkie Edge, for S\$280 million. In June 2018, together with a JV partner, the Group acquired a shopping mall, Sembawang Shopping Centre, for S\$248 million. These acquisitions will further enlarge the Group's local property investment portfolio and enhance its recurring income.

Throughout FY2018, the Group progressively disposed the strata office units in Prudential Tower, Singapore, which were held under its 32%-owned associate company. The sales and purchase agreement to dispose of all remaining units will be completed in September 2018. The Group also disposed its overseas commercial property at 50 Franklin Street, Melbourne for approximately A\$90.2 million in December 2017.

Apart from the above, the Group's property investment portfolio includes Broadway Plaza, four commercial units at HDB heartlands, as well as investment stakes in overseas hotels.

DORMITORY BUSINESS

In FY2018, external revenue from the Group's Dormitory segment remained stable at S\$22.3 million. The Group's 49%-owned ASPRI-Westlite Papan workers' dormitory was officially opened on 5 January 2018 by Deputy Prime Minister of Singapore and Coordinating Minister for Economic and Social Policies, Mr Tharman Shanmugaratnam. This is Singapore's first of its kind foreign worker accommodation with an attached integrated training centre with recreational facilities and amenities, where workers can "Live, Learn and Play", a ground breaking concept in workers' accommodation.

The Group's 55%-owned Westlite Mandai workers' dormitory has continued to progress well in FY2018. Both ASPRI-Westlite Papan and Westlite Mandai workers' dormitory have maintained high occupancy rate of nearly 100% as at 30 June 2018.

OPERATIONS REVIEW

Opening ceremony of ASPRI-Westlite Papan



OUR PEOPLE, OUR ASSETS

2018 is a special year in Lian Beng’s calendar as it marks a key milestone where we cross into our 45th year of establishment.

Our growth over the past 45 years was not a result of coincidence. It started with a dream and a vision to contribute to Singapore’s construction industry and a goal to cross boundaries. These have been our guiding principles since our inception in 1973 as a sole proprietorship company to a SGX main board listed company. All members of staff, past and present, have contributed in one way or another along this eventful but amazing journey. To recognise staff who have contributed to the organization, we awarded long service awards to close to 200 staff who have been with us from 5 years to 45 years during our Anniversary celebration.

It has become a corporate philosophy to view our human capital as an important asset of the Group and we recognise that continuous training and development is an investment to unlock our staff potential and talent. We set up programmes in a systematic way to nurture our staff talents and equip them with the right skills and knowledge to improve their proficiency, competency and efficiency.

The Group was bestowed with various accolades in recognition of our excellence in construction practices. The Building and Construction Authority (“BCA”) awarded us the BCA Awards 2018 Construction Excellence Award (Merit) in the Commercial/Mixed Development Buildings category for our project, The Midtown & Midtown Residences, and also the Green Mark Award for Buildings (Platinum) for the ongoing JTC project, Defu Industrial City, undertaken by our wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd.

The Group also encourages management and staff to be active in charity works. Our staff participated in the “I-Shop-You-Pay” event in collaboration with TOUCH Community Services where we brought elderly in wheelchair for morning stroll, breakfast and grocery shopping. We also made several donations to charity organizations in FY2018.

Award recipients for 20 or more years of service



Award recipients for 15 years of service



Award recipients for 10 years of service



Award recipients for 5 years of service



CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|---|--------------------------------|
| Ong Pang Aik <small>BBM</small> | Chairman and Managing Director |
| Ong Lay Huan | Executive Director |
| Ong Lay Koon | Executive Director |
| Low Beng Tin <small>BBM</small> | Independent Director |
| Ko Chuan Aun | Independent Director |
| Ang Chun Giap <small>PBM</small> | Independent Director |

COMPANY SECRETARIES

Wee Woon Hong
Srikanth Rayaprolu

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
Ang Chun Giap

REMUNERATION COMMITTEE

Ko Chuan Aun (Chairman)
Low Beng Tin
Ang Chun Giap

AUDIT COMMITTEE

Low Beng Tin (Chairman)
Ko Chuan Aun
Ang Chun Giap

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:

Nelson Chen Wee Teck
(Since Financial Year Ended 31 May 2018)

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 and procedures adopted by the Company, with reference to the principles of the Code and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in January 2015 (the “Guide”). The Company has complied with the principles and guidelines as set out in the Code and the Guide where appropriate, and deviations from the Code and the Guide 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 2018 ("FY2018") 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 | – | – | – | – | – | – |
| Low Beng Tin | 5 | 5 | 1 | 1 | 1 | 1 | 4 | 4 |
| Ko Chuan Aun | 5 | 5 | 1 | 1 | 1 | 1 | 4 | 4 |
| Ang Chun Giap | 5 | 5 | 1 | 1 | 1 | 1 | 4 | 4 |

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 will be focused on questions that the Board has about the Board papers.

The duties and obligations of the Director are set out in writing upon his/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.

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.

During FY2018, 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.

CORPORATE GOVERNANCE

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 three 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
3. Mr Ang Chun Giap

Information regarding each Board member is provided under the Board of Directors section set out on pages 7, 8 and 9 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, Mr Ko Chuan Aun and Mr Ang Chun Giap are independent. They 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 half (1/2) of the Board is independent, the current requirement under Guideline 2.2 of the Code that at least half 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 half 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 6 members of whom three 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 FY2018, 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. Mr Ang Chun Giap

CORPORATE GOVERNANCE

All members of the NC 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 half 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 half 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/her responsibilities, good decision-making track record, relevant experience and financial expertise. The NC then nominates the most suitable candidate to the Board for approval.

The NC meets at least once a year. Pursuant to Regulation 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 Regulation 107 at the forthcoming AGM.

CORPORATE GOVERNANCE

Ms Ong Lay Koon will, upon re-election as a Director of the Company, remain as an Executive Director 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. Mr Low Beng Tin is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual.

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

Each member of the NC has 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 listed company 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 representations. 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 | 27/09/2017 | Nil | Nil |
| Ong Lay Koon | 20/03/1999 | 29/09/2016 | SLB Development Ltd. | Nil |
| Low Beng Tin | 08/07/2015 | 29/09/2016 | CosmoSteel Holdings Limited, Fuji Offset Plates Manufacturing Ltd, Datapulse Technology Limited and JP Nelson Holdings | China Yongsheng Limited and OEL (Holdings) Limited |
| Ko Chuan Aun | 10/07/2015 | 27/09/2017 | Koon Holdings Ltd, KSH Holdings Limited, Pavillon Holdings Ltd and San Teh Ltd | Brothers (Holdings) Limited, KOP Limited and Super Group Ltd |
| Ang Chun Giap | 12/10/2016 | 27/09/2017 | Nil | Nil |

Further details of the Directors, including their principal commitments, are provided under the Board of Directors section set out on pages 7, 8 and 9 of the Annual Report.

CORPORATE GOVERNANCE

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 to propose 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 criterion 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 FY2018, 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 was 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.

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 fulfil its responsibilities, the management provides all Directors with complete, adequate and timely information prior to Board meetings, and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. 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.

CORPORATE GOVERNANCE

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 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, all of whom are Independent and Non-Executive Directors:

1. Mr Ko Chuan Aun, Chairman
2. Mr Low Beng Tin
3. Mr Ang Chun Giap

The RC met one time 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 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.

CORPORATE GOVERNANCE

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 RC is satisfied that the performance conditions were met for FY2018.

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 agreement does not contain any onerous removal clauses. Notice periods are three months in the service agreements for Executive Directors.

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 disclosure of specific competitive considerations and the reasons may affect the retention or recruitment of competent personnel in a highly competitive business environment the Company operates in as well as the competitive pressures in the talent market.

The Board is of the opinion that due to confidentiality and sensitivity issues attached to remuneration matters, it would not be in the best interests of the Company to disclose the remuneration of each individual Director to the nearest thousand as recommended by the Code. The RC has also reviewed the practice of the industry and considered the pros and cons of such disclosure.

CORPORATE GOVERNANCE

A breakdown, showing the level and mix of each individual Director's remuneration for the financial year ended 31 May 2018 is as follows:

| Remuneration Band | Name | Salary and CPF (%) | Bonus & Profit Sharing (%) | Other Benefits and Allowances (%) | Directors' Fees (%) ¹ | Total (%) |
|-----------------------------|---------------|--------------------|----------------------------|-----------------------------------|----------------------------------|-----------|
| S\$4,000,001 – S\$4,250,000 | Ong Pang Aik | 16 | 81 | 3 | 0 | 100 |
| S\$2,250,001 – S\$2,500,000 | Ong Lay Huan | 21 | 77 | 2 | 0 | 100 |
| S\$2,250,001 – S\$2,500,000 | Ong Lay Koon | 19 | 78 | 3 | 0 | 100 |
| Below S\$250,000 | Low Beng Tin | – | – | – | 100 | 100 |
| Below S\$250,000 | Ko Chuan Aun | – | – | – | 100 | 100 |
| Below S\$250,000 | Ang Chun Giap | – | – | – | 100 | 100 |

1. Includes fee for Directorships held in the Company.

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. For the remuneration of the key executives of the Property Development Segment, please refer to SLB Development Ltd.'s 2018 Annual Report.

The remuneration for FY2018 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.

The Board is of the opinion that disclosure of the remuneration of top eight key executives in remuneration bands of S\$250,000 may affect the retention or recruitment of competent personnel in a highly competitive business environment the Company operates in as well as the competitive pressures in the talent market due to limited talent pool. The Company needs to maintain stability and business continuity and any attrition in the key management personnel team would not benefit the Company. Accordingly, due to confidentiality and sensitivity issues attached to remuneration matters, especially in the case where the key management team is small, it would not be in the best interests of the Company to disclose the remuneration of top eight key executives in remuneration bands of S\$250,000 as recommended by the Code.

For the financial year ended 31 May 2018, the total remuneration paid to the top eight key executives (who are not Directors or the CEO) of the Company was S\$3,089,744.

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 FY2018. 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.

CORPORATE GOVERNANCE

The Board is of the opinion that disclosure of their remuneration in bands of S\$50,000 may affect the retention or recruitment of them in a highly competitive business environment the Company operates in as well as the competitive pressures in the talent market due to limited talent pool. The Company needs to maintain stability and business continuity and any attrition of the above-mentioned persons would not benefit the Company. Accordingly, due to confidentiality and sensitivity issues attached to their remuneration matters, especially in the case where the key management team is small, it would not be in the best interests of the Company to disclose their remuneration in the bands of S\$50,000 as recommended by the Code.

Ms Ong Lee Yap, Mr Ong Phang Hoo and Mr Ong Phang Hui are within the top eight key management personnel 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 FY2018 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 2018 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 2018. 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 has also maintained a proper enterprise risk management programme which is in line with ISO:31000, an internationally accepted risk management standard. 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 transfer, avoid or mitigate the 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, all of whom are Independent and Non-Executive Directors:

1. Mr Low Beng Tin, Chairman
2. Mr Ko Chuan Aun
3. Mr Ang Chun Giap

The Board is of the view that the AC has sufficient financial management and accounting expertise and experience to discharge the AC's functions. Mr Low Beng Tin has more than 33 years of experience in business and management. Mr Ko Chuan Aun has more than 21 years of experience in business and management and Mr Ang Chun Giap has more than 17 years of experience in public accounting profession and 21 years of experience in finance management in commercial corporations.

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 FY2018. 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 FY2018 are as follows:

| | | |
|----------------|---|-----------------------------------|
| Audit fees | : | S\$634,000 (FY2017: S\$649,000) |
| Non-audit fees | : | S\$480,000 (FY2017: S\$270,000) |
| Total | : | S\$1,114,000 (FY2017: S\$919,000) |

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.

CORPORATE GOVERNANCE

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

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.

Key Audit Matters

The AC discussed with management and the external auditors on significant issues and assumptions that impact the financial statements. The most significant matters have also been included in the Independent Auditor's Report to the members of the Company under Key Audit Matters ("KAM"), namely (i) accounting for construction contracts; (ii) fair value measurement of investment properties; and (iii) accounting for investment in joint ventures and associates in the property development segment. Based on its review as well as discussion with management and the external auditors, the AC is satisfied that those matters, including the KAM, have been properly dealt with.

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 FY2018.

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.

In order to provide adequate assurance over the internal controls, the Group has appointed an independent internal audit function that is performed by RSM Risk Advisory Pte Ltd. RSM Risk Advisory Pte Ltd is a member of the Institute of Internal Auditors ("IIA") and the internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing by IIA. The internal auditors report their findings based on the scope of review performed for FY2018 directly to the AC and administratively to the Executive Director.

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 address the findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group for FY2018. 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.

CORPORATE GOVERNANCE

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.

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 FY2018, 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 1.25 cents per ordinary share.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Encouragement of Greater Shareholder Participation at AGMs

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

Separate resolutions are proposed for substantially separate issues at shareholders' meetings. The 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 auditors' 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.

CORPORATE GOVERNANCE

The Group puts all resolutions at general meeting 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.

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 FY2018.

Material Contracts and Loans

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the 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 FY2018 or if not then subsisting, which were entered into since the end of the previous financial year.

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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 2018.

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 2018 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) |
| Ang Chun Giap | (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' 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:

DIRECTORS' STATEMENT

Directors' interests in shares and debentures (continued)

| | Direct interest | | Deemed interest | |
|------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------|
| | At the beginning of financial year | At the end of financial year | At the beginning of financial year | At the end of financial year |
| The Company | | | | |
| <i>Ordinary shares</i> | | | | |
| Ong Pang Aik | 25,170,800 | 27,370,800 | 147,614,800 | 147,614,800 |
| Ong Lay Huan | 11,583,200 | 11,583,200 | 147,614,800 | 147,614,800 |
| 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 2018.

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.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or 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.

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:

- Reviewed the scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- Reviewed the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;
- Reviewed significant financial reporting issues and judgements to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

DIRECTORS' STATEMENT

Audit Committee (continued)

- Reviewed and reported to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- Reviewed 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;
- Reviewed interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- Reviewed 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
- Reviewed 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.

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
21 August 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

TO THE MEMBERS OF LIAN BENG GROUP LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lian Beng Group Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 May 2018, the statements of comprehensive income and statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position, statement of comprehensive income and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 May 2018 and of the financial performance and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Key audit matters (continued)

1. Accounting for construction contracts

The Group is involved in construction projects for which it applies the percentage of completion method to recognise its contract revenue and cost in accordance with FRS 11 *Construction Contracts*. The recognition of contract revenue and profit in a year on these projects is dependent, amongst others, on the professional surveys of work performed for each project for the assessment of the percentage of completion and the total budgeted cost estimated for the project. The uncertainty and subjectivity involved in determining the percentage of completion and budgeted cost to complete each project may have a significant impact on the results of the Group. Accordingly, we have identified this as a key audit matter.

As part of our audit procedures, we obtained an understanding and reviewed management's internal costing and budgeting processes in estimating contract revenues, costs and profit margin. For significant projects, we reviewed the contractual terms and conditions and verified the costs incurred against underlying documents. We checked whether the contract revenue was recognised according to the percentage of completion of each project measured by reference to the surveys of work performed as certified by the external surveyors. We assessed the reasonableness of the key assumptions used by management in estimating the total budgeted cost for the projects. We reviewed the appropriateness of inputs, amongst others, materials, subcontractor and labor costs used by management in their estimation of the total cost to complete and obtained supporting documentation on the major inputs. We also checked the arithmetic accuracy of the revenue, cost and profit recognised based on the percentage of completion computation for individually significant projects. In addition, we assessed the competency of the professional surveyors in their assessments of the value of works as of balance sheet date and corroborated the significant projects' progress to on-site observations during site visits and analysis with reference to the projects' budgets. We reviewed the project files and discussed with the management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns where it is probable that total contract costs will exceed total contract revenue and require the recognition of foreseeable losses on such projects.

We also assessed the adequacy of the Group's disclosures for construction contracts and contract work-in-progress in Notes 2.15 and 10.

2. Fair value measurement 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 their fair values as at 31 May 2018.

The valuation of the investment properties is a significant judgmental area and is underpinned by a number of assumptions including yield adjustments made for any difference in nature, location or condition of the specific property. The valuation exercise also relies upon the accuracy of the underlying lease and financial information provided to the valuation specialists by the management. Accordingly, we have identified this as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Key audit matters (continued)

2. Fair value measurement of investment properties (continued)

As part of our audit procedures, we assessed the Group's process relating to the selection of the external valuers, the determination of the scope of their work, and the review of the valuation reports issued by the external valuers. In addition, we assessed the objectivity and competency of the external valuers. We considered and held discussions with the external valuers to understand the valuation methodologies used in the valuation and the results of their work. We assessed the reasonableness of the key inputs and assumptions by comparing them to market data while taking into consideration the specific nature and use of these properties.

These key assumptions include projected rental rates and capitalization, discount and terminal yield rates, and price per square metre. We also assessed the adequacy of the related disclosures in Notes 5 and 34 to the financial statements.

3. Accounting for investment in joint ventures and associates in the property development segment

For the year ended 31 May 2018, the Group's share of results of joint ventures and associates in the property development segment amounted to \$867,000. As at 31 May 2018, the Group's investment in joint ventures and associates in the property development segment amounted to \$17,498,000. Certain joint ventures and associates have different financial year-ends and accounting policies. The accounting for investment in these joint ventures and associates is significant to our audit as management judgement is required to ensure the completeness and accuracy of the management accounts used for consolidation at each period and that appropriate adjustments are made for alignment with the Group's accounting policies.

For material joint ventures and associates in the property development segment, we inquired and discussed with management to understand the current property development projects and the future business plans of the joint ventures and associates. We performed audit procedures on the relevant financial information of the material joint ventures and associates for the purpose of the consolidated financial statements. Our audit procedures included, amongst others, evaluating the reasonableness of the key assumptions used by management in determining the net realisable value of development properties held by the joint ventures and associates by comparing them to available market data, recent sales transactions or valuations obtained for the properties. We reviewed management's process in ensuring that the relevant adjustments to align the financial reporting period and the accounting policies of the joint ventures and associates to those of the Group are properly recorded in the consolidated financial statements. In addition, we reviewed the equity accounting adjustments prepared by management in respect of these joint ventures and associates and assessed if the effects of the transactions between the Group and the joint ventures and associates for the financial year are appropriately reflected. Additionally, we assessed the adequacy of management's disclosures in the financial statements.

Information regarding the Group's investment in joint ventures and associates in the property development segment is disclosed in Note 38 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Chen.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

21 August 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2018

| | Note | Group | | Company | |
|--|------|----------------|------------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 159,356 | 63,577 | - | 1 |
| Investment properties | 5 | 529,472 | 703,860 | - | - |
| Investment in subsidiaries | 6 | - | - | 167,287 | 75,299 |
| Investment in joint ventures | 7 | 18,630 | 34,540 | 5,720 | 6,220 |
| Investment in associates | 8 | 49,768 | 43,970 | - | 200 |
| Investment securities | 9 | 129,097 | 119,494 | 18,083 | 17,860 |
| Amounts due from subsidiaries | 15 | - | - | 33,783 | - |
| Amounts due from associates | 15 | 44,911 | 45,000 | - | - |
| Amounts due from third parties | 14 | - | 3,357 | - | - |
| Other assets | | 77 | 260 | - | - |
| Deferred tax assets | 22 | 1,256 | 249 | - | - |
| | | 932,567 | 1,014,307 | 224,873 | 99,580 |
| Current assets | | | | | |
| Construction work-in-progress in excess of progress billings | 10 | 8,860 | 4,811 | - | - |
| Development properties | 11 | 218,501 | 161,431 | - | - |
| Investment property held for sale | 5 | - | 26,283 | - | - |
| Inventories | 12 | 3,827 | 4,297 | - | - |
| Trade receivables | 13 | 88,833 | 59,093 | - | - |
| Other receivables and deposits | 14 | 34,520 | 32,384 | 4,016 | 7,443 |
| Prepayments | | 1,195 | 1,923 | 5 | 5 |
| Amounts due from affiliated companies | 15 | - | 1 | - | - |
| Amounts due from subsidiaries | 15 | - | - | 169,927 | 257,247 |
| Amounts due from joint ventures | 15 | 69,627 | 37,260 | 50,521 | 10,897 |
| Amounts due from associates | 15 | 163,610 | 100,095 | - | 18,843 |
| Investment securities | 9 | 17,885 | 7,515 | - | - |
| Cash and cash equivalents | 16 | 209,214 | 187,804 | 35,139 | 39,426 |
| | | 816,072 | 622,897 | 259,608 | 333,861 |
| Current liabilities | | | | | |
| Progress billings in excess of construction work-in-progress | 10 | 4,295 | 59,704 | - | - |
| Trade and other payables | 18 | 281,248 | 173,565 | 38 | 39 |
| Accruals | | 19,449 | 17,582 | 268 | 196 |
| Amounts due to associates | 15 | 8,616 | 1,361 | 76 | 76 |
| Amounts due to joint ventures | 15 | 4,619 | 17,817 | - | - |
| Amounts due to subsidiaries | 19 | - | - | 246,513 | 257,679 |
| Bank loans and bills payable | 20 | 330,707 | 258,174 | - | - |
| Obligations under hire purchase | 21 | 3,324 | 3,780 | - | - |
| Provision for taxation | | 19,377 | 8,673 | 21 | 19 |
| | | 671,635 | 540,656 | 246,916 | 258,009 |
| Net current assets | | 144,437 | 82,241 | 12,692 | 75,852 |

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2018

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Non-current liabilities | | | | | |
| Refundable rental deposits | | 2,978 | 2,109 | - | - |
| Amounts due to subsidiaries | 19 | - | - | 5,892 | 10,103 |
| Bank loans | 20 | 309,194 | 422,325 | - | - |
| Obligations under hire purchase | 21 | 2,327 | 3,224 | - | - |
| Deferred tax liabilities | 22 | 960 | 1,240 | - | - |
| | | 315,459 | 428,898 | 5,892 | 10,103 |
| Net assets | | 761,545 | 667,650 | 231,673 | 165,329 |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 23 | 82,275 | 82,275 | 82,275 | 82,275 |
| Treasury shares | 23 | (17,777) | (17,777) | (17,777) | (17,777) |
| Reserves | | 581,660 | 523,721 | 167,175 | 100,831 |
| | | 646,158 | 588,219 | 231,673 | 165,329 |
| Non-controlling interests | | 115,387 | 79,431 | - | - |
| Total equity | | 761,545 | 667,650 | 231,673 | 165,329 |

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 2018

| | Note | Group | | Company | |
|--|------|------------------|----------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Revenue | 25 | 243,885 | 281,665 | 53,804 | 73,462 |
| Cost of sales | | (181,875) | (206,784) | - | - |
| Gross profit | | 62,010 | 74,881 | 53,804 | 73,462 |
| Other operating income | 26 | 54,322 | 14,275 | 25,015 | 1,098 |
| Distribution expenses | | (6,068) | (2,192) | (3) | (23) |
| Administrative expenses | | (27,897) | (22,920) | (1,183) | (942) |
| Other operating expenses | 26 | (13,703) | (14,176) | (38) | (3,466) |
| Finance costs | 28 | (14,404) | (9,977) | (215) | (417) |
| Share of results of associates | | 4,491 | 10,171 | - | - |
| Share of results of joint ventures | | 8,716 | 5,583 | - | - |
| | | 67,467 | 55,645 | 77,380 | 69,712 |
| Fair value gain on investment properties | 5 | 9,657 | 14,563 | - | - |
| Profit before taxation | 26 | 77,124 | 70,208 | 77,380 | 69,712 |
| Taxation | 29 | (20,476) | (7,427) | (16) | (17) |
| Profit for the year, net of taxation | | 56,648 | 62,781 | 77,364 | 69,695 |
| Other comprehensive income: | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Net (loss)/gain on fair value changes of available-for-sale financial assets | | (2,770) | 5,808 | 223 | 5,700 |
| Net fair value changes of available-for-sale financial assets reclassified to profit or loss | | - | 1,869 | - | 1,869 |
| Foreign currency translation gain/(loss) | | 2,139 | (2,918) | - | - |
| Other comprehensive income for the year, net of taxation | | (631) | 4,759 | 223 | 7,569 |
| Total comprehensive income for the year | | 56,017 | 67,540 | 77,587 | 77,264 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 54,382 | 53,238 | 77,364 | 69,695 |
| Non-controlling interests | | 2,266 | 9,543 | - | - |
| | | 56,648 | 62,781 | 77,364 | 69,695 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 53,821 | 57,910 | 77,587 | 77,264 |
| Non-controlling interests | | 2,196 | 9,630 | - | - |
| | | 56,017 | 67,540 | 77,587 | 77,264 |
| Earnings per share (Cents) | | | | | |
| Basic and diluted | 30 | 10.88 | 10.65 | | |

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 2018

| | Attributable to owners of the Company | | | | | Non-controlling interests \$'000 | Total equity \$'000 |
|---|---------------------------------------|--|-----------------------------|---------------------------------------|--------------------------|-------------------------------------|------------------------|
| | Share capital (Note 23) \$'000 | Treasury shares (Note 23) \$'000 | Retained earnings \$'000 | Other reserves (Note 24) \$'000 | Total reserves \$'000 | | |
| 2018 Group | | | | | | | |
| Balance at 1 June 2017 | 82,275 | (17,777) | 521,504 | 2,217 | 523,721 | 79,431 | 667,650 |
| Profit for the year, net of taxation | - | - | 54,382 | - | 54,382 | 2,266 | 56,648 |
| <u>Other comprehensive income</u> | | | | | | | |
| Net loss on fair value changes of available-for-sale financial assets | - | - | - | (2,770) | (2,770) | - | (2,770) |
| Foreign currency translation gain/(loss) | - | - | - | 2,209 | 2,209 | (70) | 2,139 |
| Other comprehensive income for the year, net of taxation | - | - | - | (561) | (561) | (70) | (631) |
| Total comprehensive income for the year | - | - | 54,382 | (561) | 53,821 | 2,196 | 56,017 |
| <u>Change in ownership interests of subsidiaries</u> | | | | | | | |
| Proceeds from the Initial Public offering ("IPO") of shares of SLB Development Ltd ("SLB"), net of listing expenses capitalised | - | - | - | - | - | 52,567 | 52,567 |
| Premium on dilution of interest in SLB without a change in control | - | - | - | 15,361 | 15,361 | (15,361) | - |
| Total changes in ownership interests of subsidiaries | - | - | - | 15,361 | 15,361 | 37,206 | 52,567 |
| <u>Contribution by and distribution to owners</u> | | | | | | | |
| Dividends on ordinary shares (Note 39) | - | - | (11,243) | - | (11,243) | - | (11,243) |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | (3,446) | (3,446) |
| Total transactions with owners in their capacity as owners | - | - | (11,243) | 15,361 | 4,118 | 33,760 | 37,878 |
| Balance at 31 May 2018 | 82,275 | (17,777) | 564,643 | 17,017 | 581,660 | 115,387 | 761,545 |

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

| | Attributable to owners of the Company | | | | | Non-controlling interests \$'000 | Total equity \$'000 |
|--|---------------------------------------|--|-----------------------------|---------------------------------------|--------------------------|-------------------------------------|------------------------|
| | Share capital (Note 23) \$'000 | Treasury shares (Note 23) \$'000 | Retained earnings \$'000 | Other reserves (Note 24) \$'000 | Total reserves \$'000 | | |
| | 2017 | | | | | | |
| Group | | | | | | | |
| Balance at 1 June 2016 | 82,275 | (17,777) | 483,256 | (2,455) | 480,801 | 84,281 | 629,580 |
| Profit for the year, net of taxation | – | – | 53,238 | – | 53,238 | 9,543 | 62,781 |
| <u>Other comprehensive income</u> | | | | | | | |
| Net gain on fair value changes of available-for-sale financial assets | – | – | – | 5,808 | 5,808 | – | 5,808 |
| Net fair value changes of available-for-sale financial assets reclassified to profit or loss | – | – | – | 1,869 | 1,869 | – | 1,869 |
| Foreign currency translation (loss)/gain | – | – | – | (3,005) | (3,005) | 87 | (2,918) |
| Other comprehensive income for the year, net of taxation | – | – | – | 4,672 | 4,672 | 87 | 4,759 |
| Total comprehensive income for the year | – | – | 53,238 | 4,672 | 57,910 | 9,630 | 67,540 |
| <u>Contribution by and distribution to owners</u> | | | | | | | |
| Dividends on ordinary shares (Note 39) | – | – | (14,990) | – | (14,990) | – | (14,990) |
| Dividends paid to non-controlling interests of subsidiaries | – | – | – | – | – | (14,460) | (14,460) |
| Return of capital to non-controlling interests of a subsidiary | – | – | – | – | – | (20) | (20) |
| Total transactions with owners in their capacity as owners | – | – | (14,990) | – | (14,990) | (14,480) | (29,470) |
| Balance at 31 May 2017 | 82,275 | (17,777) | 521,504 | 2,217 | 523,721 | 79,431 | 667,650 |

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

| | Attributable to owners of the Company | | | | | Total equity \$'000 |
|--|---------------------------------------|--|---|-----------------------------|--------------------------|------------------------|
| | Share capital (Note 23) \$'000 | Treasury shares (Note 23) \$'000 | Fair value adjustment reserve (Note 24) \$'000 | Retained earnings \$'000 | Total reserves \$'000 | |
| 2018 | | | | | | |
| Company | | | | | | |
| Balance at 1 June 2017 | 82,275 | (17,777) | 5,700 | 95,131 | 100,831 | 165,329 |
| Profit for the year, net of taxation | - | - | - | 77,364 | 77,364 | 77,364 |
| <u>Other comprehensive income</u> | | | | | | |
| Net gain on fair value changes of available-for-sale financial assets | - | - | 223 | - | 223 | 223 |
| Other comprehensive income for the year, net of taxation | - | - | 223 | - | 223 | 223 |
| Total comprehensive income for the year | - | - | 223 | 77,364 | 77,587 | 77,587 |
| <u>Contribution by and distribution to owners</u> | | | | | | |
| Dividends on ordinary shares (Note 39) | - | - | - | (11,243) | (11,243) | (11,243) |
| Balance at 31 May 2018 | 82,275 | (17,777) | 5,923 | 161,252 | 167,175 | 231,673 |
| 2017 | | | | | | |
| Company | | | | | | |
| Balance at 1 June 2016 | 82,275 | (17,777) | (1,869) | 40,426 | 38,557 | 103,055 |
| Profit for the year, net of taxation | - | - | - | 69,695 | 69,695 | 69,695 |
| <u>Other comprehensive income</u> | | | | | | |
| Net gain on fair value changes of available-for-sale financial assets | - | - | 5,700 | - | 5,700 | 5,700 |
| Net fair value changes of available-for-sale financial assets reclassified to profit or loss | - | - | 1,869 | - | 1,869 | 1,869 |
| Other comprehensive income for the year, net of taxation | - | - | 7,569 | - | 7,569 | 7,569 |
| Total comprehensive income for the year | - | - | 7,569 | 69,695 | 77,264 | 77,264 |
| <u>Contribution by and distribution to owners</u> | | | | | | |
| Dividends on ordinary shares (Note 39) | - | - | - | (14,990) | (14,990) | (14,990) |
| Balance at 31 May 2017 | 82,275 | (17,777) | 5,700 | 95,131 | 100,831 | 165,329 |

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 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 77,124 | 70,208 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 4 | 14,779 | 15,465 |
| Write back of inventories | 26(c) | - | (48) |
| Fair value gain on investment properties | 5 | (9,657) | (14,563) |
| Fair value (gain)/loss on derivative instrument | 26(a) | (358) | 449 |
| Dividend income from investment securities | | (1,887) | (1,085) |
| Gain on disposal of investment properties | 26(a) | (41,766) | - |
| Gain on disposal of plant and equipment | 26(a) | (695) | (412) |
| Fair value loss/(gain) on investment securities | 26(b) | 52 | (128) |
| Impairment loss on investment securities | 26(b) | - | 2,090 |
| Loss on disposal of investment securities | 26(b) | 44 | 71 |
| Amortisation of other assets | 26(b) | 183 | 183 |
| Interest income | | (10,402) | (9,368) |
| Interest expense | 28 | 14,404 | 9,977 |
| Unrealised exchange differences | | 235 | (823) |
| Gain on disposal of an associate | 26(a) | - | (137) |
| Gain on dilution of ownership interest in subsidiary | 6(e) | (1) | - |
| Property, plant and equipment written off | 26(b) | - | 3 |
| Allowance for doubtful trade and non-trade receivables | 26(b) | 3,210 | 262 |
| Bad debts written off | 26(b) | 10 | 1,751 |
| Bad debts recovered | 26(a) | (7) | - |
| Share of results of associates and joint ventures | | (13,207) | (15,754) |
| Operating cash flows before changes in working capital | | 32,061 | 58,141 |
| Changes in working capital: | | | |
| Development properties | | (29,536) | 4,629 |
| Construction work-in-progress | | (59,622) | (41,456) |
| Inventories | | 470 | 180 |
| Trade receivables | | (29,996) | 48,109 |
| Other receivables and deposits | | (4,844) | 1,158 |
| Prepayments | | 728 | (297) |
| Trade payables, other payables and accruals | | 109,944 | (19,050) |
| Balances with joint ventures and associates | | 10,664 | 2,438 |
| Total changes in working capital | | (2,192) | (4,289) |
| Cash flows from operations | | 29,869 | 53,852 |
| Interest paid and capitalised in development properties | | (3,410) | (2,668) |
| Income tax paid | | (10,778) | (4,368) |
| Net cash flows from operating activities | | 15,681 | 46,816 |

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|---|------|-----------------|------------------|
| Cash flows from investing activities | | | |
| Interest received | | 9,930 | 9,806 |
| Dividend income from investment securities | | 1,887 | 1,085 |
| Dividend income from associates | | 1,273 | 35,456 |
| Dividend income from a joint venture | | 24,860 | 40,750 |
| Additions to investment securities | | (45,984) | (78,262) |
| Purchase of property, plant and equipment (Note A) | | (2,965) | (1,404) |
| Additional investments in investment properties | | (4,060) | (278,616) |
| Proceeds from disposal of investment properties | | 129,692 | – |
| Repayment of loan by third parties | | 3,357 | 3,445 |
| Proceeds from disposal of property, plant and equipment | | 969 | 1,367 |
| (Loans to)/repayment of loans by associates | | (59,185) | 3,460 |
| Investment in associates | | (2,440) | – |
| Loan to joint ventures | | (39,956) | – |
| Proceeds from disposal of investment securities | | 21,647 | 48,462 |
| Net cash flows from/(used in) investing activities | | 39,025 | (214,451) |
| Cash flows from financing activities | | | |
| Interest paid | | (14,404) | (9,977) |
| Proceeds from bank loans and bills payable | | 145,760 | 313,846 |
| Repayment of bank loans and bills payable | | (185,743) | (61,407) |
| Repayment of hire purchase creditors | | (4,220) | (6,042) |
| Dividends paid on ordinary shares | | (11,243) | (14,990) |
| Dividends paid to non-controlling interest of subsidiaries | | (3,446) | (14,460) |
| Proceeds from the IPO of shares of SLB, net of listing expenses capitalised | | 52,567 | – |
| Repayment of loans to joint ventures | | (13,210) | (12,851) |
| Loan from the non-controlling interests of subsidiaries | | 789 | 1,144 |
| Return of capital to non-controlling interests of a subsidiary | | – | (20) |
| Net cash flows (used in)/from financing activities | | (33,150) | 195,243 |
| Net increase in cash and cash equivalents | | 21,556 | 27,608 |
| Cash and cash equivalents at beginning of the year | | 187,804 | 160,127 |
| Effect of exchange rate changes on cash and cash equivalents | | (146) | 69 |
| Cash and cash equivalents at end of the year | 16 | 209,214 | 187,804 |

Note A

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$5,832,000 (2017: \$1,874,000) of which \$2,867,000 (2017: \$470,000) were acquired by means of hire purchase arrangements. Cash payments of \$2,965,000 (2017: \$1,404,000) 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 2018

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 subsidiaries, joint arrangements and associates are disclosed respectively in Note 6, Note 7 and Note 8 to the financial statements.

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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) (“SFRS (I)”), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS (I) on 1 June 2018.

The Group has performed an assessment of the impact of adopting SFRS (I). Other than the impact on adoption of the SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the Group expects that adoption of SFRS (I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 will be similar to the impact on adoption of FRS 109, FRS 115 and FRS 116 as disclosed in Note 2.3.

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 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

| Description | Effective for annual periods beginning on or after |
|---|--|
| FRS 109 <i>Financial Instruments</i> | 1 January 2018 |
| FRS 115 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| Amendments to FRS 115 <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i> | 1 January 2018 |
| Improvements to FRSs (December 2016) | |
| – Amendments to FRS 28 <i>Measuring on Associate or Joint Venture at Fair Value</i> | 1 January 2018 |
| Amendments to FRS 40 <i>Transfers of Investment Property</i> | 1 January 2018 |
| INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |
| FRS 116 <i>Leases</i> | 1 January 2019 |
| INT FRS 123 <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |
| Improvements to FRSs (March 2018) | |
| – Amendments to FRS 103 <i>Business Combinations</i> | 1 January 2019 |
| – Amendments to FRS 111 <i>Joint Arrangements</i> | 1 January 2019 |
| – Amendments to FRS 12 <i>Income Taxes</i> | 1 January 2019 |
| – Amendments to FRS 23 <i>Borrowing Costs</i> | 1 January 2019 |
| Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i> | 1 January 2019 |
| Amendments to FRS 19 <i>Plan Amendment, Curtailment or Settlement</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 |

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 June 2018. Upon adoption of SFRS(I) on 1 June 2018, the SFRS(I) equivalent of the above standards that are effective on 1 June 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 June 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 109 *Financial Instruments* (continued)

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109.

Overall, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

(a) *Classification and measurement*

The Group currently measures its available for sale financial assets at fair value through other comprehensive income and its held-for-trading equity investments at fair value through profit or loss, except for its unquoted equity instruments which are measured at cost. The Group will elect to measure the investments in unquoted equity instruments at fair value through other comprehensive income and does not expect any significant impact arising from these changes. Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities and loans and receivables, either on a 12-month or lifetime basis. The Group plans to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon adoption of FRS 109, the Group does not expect a significant increase in the impairment loss allowance.

The Group plans to adopt the standard when it becomes effective without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. 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 new revenue standard is effective on annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 June 2017, and
- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 115 Revenue from Contracts with Customers (continued)

The Group is in the business of construction and development of residential and commercial properties and also has interests in associates and joint ventures which are in the business of property development. The Group expects the following impact upon adoption of FRS 115:

(a) *Construction contracts*

The Group currently recognises construction 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 output method is used to determine the stage of completion, where the value of work performed is certified by the architects or quantity surveyors to the total contract sum.

Upon adoption of FRS 115, the Group will continue to recognise construction contract revenue over time by measuring the progress towards complete satisfaction of performance obligations. Under the new standard, the methods of measuring progress include output methods or input methods. The Group has determined that the cost-based input method reflects the over-time transfer of control to customers.

The Group plans to adopt the standard when it becomes effective in the next financial year, and is gathering data to quantify the potential impact arising from the adoption.

(b) *Sale of development properties under construction – timing of revenue recognition*

The Group currently recognises revenue from the sale of development properties under construction using the percentage of completion method for contracts where the legal terms were such that the construction represented the continuous transfer of work in progress to the purchaser, otherwise, the completed contract method was used. Under FRS 115, for all of the Group's residential and commercial developments, performance obligations for the sale of development properties under construction are satisfied over time where the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date. Accordingly, the revenue currently recognised using the completed contract method will be adjusted upon adoption of FRS 115 to recognise revenue over time. The Group expects an increase in revenue and cost of sales for the financial year ended 31 May 2018 arising from the adoption of FRS 115. In addition, the Group expects that the adoption of FRS 115 will have no material impact on its share of results of associates and joint ventures and investments in associates and joint ventures in the year of initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 115 Revenue from Contracts with Customers (continued)

(c) *Commissions paid to property agents on the sale of development properties*

The Group pays commissions to property agents on the sale of development properties and currently recognises such commissions as expense when incurred. Under FRS 115, the Group will capitalise such commissions as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue. Upon adoption of FRS 115, the Group plans to capitalise such sales commissions as at 1 June 2017 and to record a corresponding adjustment to decrease distribution expenses for the financial year ended 31 May 2018. In addition, the Group expects that the adoption of FRS 115 will have no material impact on its share of results of associates and joint ventures and investment in associates and joint ventures in the year of initial adoption.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group plans to adopt the new standard when it becomes effective in 2019. The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(a) *Basis of consolidation* (continued)

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;
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(b) *Business combinations and goodwill* (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(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.

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 36 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are recognised in profit or loss in the year of retirement or disposal.

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 or development property, the deemed cost for subsequent accounting is the fair value 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 indication exists, or when annual impairment testing 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Joint arrangements (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Joint ventures and associates (continued)

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 and joint ventures 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. Where necessary, adjustments are made to bring the accounting policy in line with those of the Group.

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. Construction 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 construction contract can be estimated reliably.

The outcome of a construction 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 construction 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Development properties

Development properties 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 are held as inventories and are measured at the lower of cost and net realisable value.

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.

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.

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.

Properties under development, the sales of which are recognised using the percentage of completion method

The aggregated costs incurred together with attributable profits and net of progress billings are presented as development properties in the statement of financial position.

Other properties under development

The aggregated costs incurred are presented as development properties while progress billings are presented separately within trade and other payables.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (continued)

(a) Financial assets (continued)

Initial recognition and measurement (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (continued)

(a) *Financial assets* (continued)

Subsequent measurement (continued)

(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.

Regular way purchases and sales

All regular way purchases and sales of financial assets are recognised or de-recognised on the settlement date i.e. the date that the asset is delivered to or by the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial instruments (continued)

(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.

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. Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into.

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. Derivative instruments are subsequently re-measured to their fair value at the end of each reporting period. Changes in fair value of derivative instruments are recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Impairment of financial assets (continued)

(a) *Financial assets carried at amortised cost (continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Impairment of financial assets (continued)

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

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.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(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.

(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.

(c) *Maintenance of machinery and equipment*

Revenue from maintenance of machinery and equipment is recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue (continued)

(d) *Sale of development properties*

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. In all other instances, 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.

(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 ship chartering 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Taxes (continued)

(b) *Deferred tax* (continued)

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 in 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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:

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 2018, impairment loss of \$Nil (2017: \$2,090,000) was recognised for available-for-sale financial assets.

(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) 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. If the present value of estimated cash flows decrease by 1% (2017: 1%) from management's estimates, the Group's allowance for impairment will increase by \$3,914,000 (2017: \$2,757,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Key sources of estimation uncertainty (continued)

(ii) Estimation of net realisable value of development properties

Development properties are stated at the lower of cost and net realisable value.

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 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 at the end of the reporting period is disclosed in Note 11 to the financial statements.

(iii) Accounting for construction contracts

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 2% (2017: 2%) higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been \$1,587,000 (2017: \$787,000) lower and \$48,000 (2017: \$674,000) higher respectively.

(iv) Fair value measurement 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 2018. The two valuation techniques adopted were the Comparative Method of Valuation and Income 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 fair 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 fair value of the property is arrived at by capitalising the net rent at a suitable rate of return.

The carrying amount of the Group's investment properties and investment property held for sale at 31 May 2018 was \$529,472,000 (2017: \$703,860,000) and \$Nil (2017: \$26,283,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

4. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold | | Leasehold | | Plant and machinery | | Furniture, fittings and office equipment | | Motor vehicles | | Tugboats and barges | | Plant under construction | | Workers' dormitory | | Total | | | |
|---|----------|--------|----------------|----------------|---------------------|--------|--|--------|----------------|--------|---------------------|--------|--------------------------|----------------|--------------------|--------|--------|--------|--|--|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | |
| Cost | | | | | | | | | | | | | | | | | | | | |
| At 1 June 2016 | 6,185 | 7,531 | 19,828 | 94,886 | 8,585 | 17,580 | 3,164 | 493 | 8,862 | 17,580 | 3,164 | 493 | 167,114 | | | | | | | |
| Additions | - | - | - | 589 | 380 | - | - | - | 905 | - | - | - | - | 1,874 | | | | | | |
| Disposals | - | - | - | (4,169) | (14) | - | - | - | (510) | - | - | - | - | (4,693) | | | | | | |
| Written off | - | - | - | (268) | (176) | - | - | - | (66) | - | - | - | - | (510) | | | | | | |
| Reclassification | - | - | - | 3,164 | - | - | (3,164) | - | - | - | (3,164) | - | - | - | | | | | | |
| Exchange differences | - | - | - | - | (1) | - | - | - | - | - | - | - | - | (1) | | | | | | |
| At 31 May 2017 and | | | | | | | | | | | | | | | | | | | | |
| 1 June 2017 | 6,185 | 7,531 | 19,828 | 94,202 | 8,774 | 17,580 | - | 493 | 9,191 | 17,580 | - | 493 | 163,784 | | | | | | | |
| Additions | - | - | - | 4,660 | 547 | - | - | - | 625 | - | - | - | - | 5,832 | | | | | | |
| Disposals | - | - | - | (4,198) | (175) | - | - | - | (498) | - | - | - | - | (4,871) | | | | | | |
| Transfer from investment properties (Note 5) | - | - | 105,000 | - | - | - | - | - | - | - | - | - | - | 105,000 | | | | | | |
| At 31 May 2018 | 6,185 | 7,531 | 124,828 | 94,664 | 9,146 | 17,580 | - | 493 | 9,318 | 17,580 | - | 493 | 269,745 | | | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| 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 | Plant under construction \$'000 | Workers' dormitory \$'000 | Total \$'000 |
|---|----------------------|----------------------------|-----------------------------|----------------------------|---|-----------------------|----------------------------|---------------------------------|---------------------------|--------------|
| | | | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | |
| At 1 June 2016 | - | 840 | 9,757 | 62,272 | 6,854 | 5,132 | 3,640 | - | 493 | 88,988 |
| Depreciation charge for the year | - | 151 | 1,210 | 10,054 | 822 | 1,500 | 1,728 | - | - | 15,465 |
| Disposals | - | - | - | (3,239) | (6) | (493) | - | - | - | (3,738) |
| Exchange difference | - | - | - | - | (1) | - | - | - | - | (1) |
| Written off | - | - | - | (265) | (176) | (66) | - | - | - | (507) |
| At 31 May 2017 and 1 June 2017 | - | 991 | 10,967 | 68,822 | 7,493 | 6,073 | 5,368 | - | 493 | 100,207 |
| Depreciation charge for the year | - | 151 | 1,831 | 9,040 | 690 | 1,339 | 1,728 | - | - | 14,779 |
| Disposals | - | - | - | (3,951) | (148) | (498) | - | - | - | (4,597) |
| At 31 May 2018 | - | 1,142 | 12,798 | 73,911 | 8,035 | 6,914 | 7,096 | - | 493 | 110,389 |
| Net carrying amount | | | | | | | | | | |
| At 31 May 2018 | 6,185 | 6,389 | 112,030 | 20,753 | 1,111 | 2,404 | 10,484 | - | - | 159,356 |
| At 31 May 2017 | 6,185 | 6,540 | 8,861 | 25,380 | 1,281 | 3,118 | 12,212 | - | - | 63,577 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Office Equipment \$'000 |
|--|--|
| Company | |
| Cost | |
| At 1 June 2016, 31 May 2017, 1 June 2017 and 31 May 2018 | 5 |
| Accumulated depreciation | |
| At 1 June 2016 | 2 |
| Depreciation charge for the year | 2 |
| At 31 May 2017 and 1 June 2017 | 4 |
| Depreciation charge for the year | 1 |
| At 31 May 2018 | 5 |
| Net carrying amount | |
| At 31 May 2018 | - |
| At 31 May 2017 | 1 |

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

| | Group | |
|---|------------------------|------------------------|
| | 2018 \$'000 | 2017 \$'000 |
| Tugboats and barges mortgaged to banks for credit facilities granted to a subsidiary | 6,558 | 11,088 |
| Freehold land and freehold properties mortgaged to bank for credit facilities granted to a subsidiary | 12,574 | - |
| Plant, machinery, motor vehicles and office equipment held under hire purchase arrangements | 11,446 | 15,447 |
| Leasehold properties mortgaged to banks for credit facilities granted to subsidiaries | 111,494 | 8,192 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 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 |
| A 8-storey light industrial building at 24 Leng Kee Road, Singapore | 99 years (effective from 28 February 1955) | 6,576 | 16,265 | 80 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

5. INVESTMENT PROPERTIES

Statement of financial position:

| | Group | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| (a) Investment properties | | |
| Beginning of financial year | 703,860 | 438,533 |
| – Additions during the financial year | 4,060 | 278,616 |
| – Net fair value gain recognised in profit or loss | 9,657 | 14,563 |
| – Disposal during the financial year | (58,983) | – |
| – Reclassification to investment property held for sale ⁽¹⁾ | – | (26,283) |
| – Transfer to property, plant and equipment ⁽²⁾ (Note 4) | (105,000) | – |
| – Transfer to development properties ⁽³⁾ | (24,122) | – |
| – Exchange differences | – | (1,569) |
| End of financial year | <u>529,472</u> | <u>703,860</u> |
| (b) Investment property held for sale | | |
| Beginning of financial year | 26,283 | – |
| Disposal during the financial year | (26,283) | – |
| Reclassification from investment properties ⁽¹⁾ | – | 26,283 |
| End of financial year | <u>–</u> | <u>26,283</u> |

⁽¹⁾ In the previous financial year, the Group's wholly owned subsidiary, Lian Beng Ventures (Melbourne) Pty Ltd entered into a sales contract for the disposal of 247 and 249 Collins Street, Melbourne, Australia. In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the investment property was classified as held for sale in the previous financial year. The disposal was completed in the current financial year.

⁽²⁾ During the year, the investment property at 24 Leng Kee Road was transferred to property, plant and equipment due to a change in use of the property.

⁽³⁾ During the year, the following investment properties were transferred from/to development properties:

- 20 Mactaggart Road was transferred from investment properties to development properties upon obtaining the approval from Urban Redevelopment Authority for redevelopment.
- 65 Cairnhill Road, #06-01 The Ritz Carlton Residences and 221 Balestier Road, #02-05, #03-04 and #04-01 Rocca Balestier were transferred from development properties to investment properties due to change in use of these properties. The properties will be held for rental income instead of for sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

5. INVESTMENT PROPERTIES (CONTINUED)

Statement of comprehensive income:

| | Group | |
|---|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Revenue | | |
| Rental income from investment properties: | | |
| – Minimum lease payments | <u>35,333</u> | <u>32,082</u> |
| Other operating income | | |
| Rental income from investment properties: | | |
| – Minimum lease payments | <u>877</u> | <u>381</u> |
| Direct operating expenses (including repairs and maintenance) arising from: | | |
| – Rental generating properties | <u>19,444</u> | 14,913 |
| – Non-rental generating properties | <u>–</u> | 46 |
| | <u>19,444</u> | <u>14,959</u> |

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.

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 May 2018 and 31 May 2017. The valuations were performed by 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 \$480,200,000 (2017: \$699,731,000) are mortgaged to banks for credit facilities granted to subsidiaries.

Capitalisation of borrowing costs

The Group's investment properties under construction include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of the properties. During the financial year, the borrowing costs capitalised as investment property under construction amounted to \$240,000 (2017: \$1,330,000). The rates used to determine the amount of borrowing costs eligible for capitalisation ranged from 2.41% to 3.04% (2017: 2.22% to 2.56%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

5. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's investment properties as at 31 May 2018 are as follows:

| Description and location | Tenure | Existing use | Gross Floor Area (square metre) | Interest held by the Group (%) |
|--|-----------|--------------|---------------------------------|--------------------------------|
| 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 | Retail | 5,142 | 100 |
| 712 Ang Mo Kio Avenue 6, #01-4056, Singapore | Leasehold | Retail | 2,228 | 100 |
| 166 Bukit Merah Central, #01-3527, Singapore | Leasehold | Retail | 2,800 | 100 |
| 451 Clementi Avenue 3, #01-309, Singapore | Leasehold | Retail | 2,483 | 100 |
| 192 Lorong 4 Toa Payoh, #01-674 & #02-674, Singapore | Leasehold | Retail | 2,226 | 100 |
| 221 Boon Lay Place #01-140 and #01-144 Boon Lay Shopping Centre, Singapore | Leasehold | Retail | 114 | 100 |
| 65 Cairnhill Road #06-01 The Ritz-Carlton Residences, Singapore | Freehold | Residential | 263 | 100 |
| 221 Balestier Rd, #02-05, #03-04 & #04-01 Rocca Balestier, Singapore | Freehold | Retail | 605 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

5. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's investment properties as at 31 May 2018 are as follows: (continued)

| Description and location | Tenure | Existing use | Gross Floor Area (square metre) | Interest held by the Group (%) |
|--|-----------|--------------|---------------------------------|--------------------------------|
| Unit 1503, Level 15, One Unit Block 10, Li Du Road 700, Gaoxin District, Chengdu City, China | Leasehold | Residential | 98 | 100 |
| 16 Spottiswoode Park Road #36-07 Spottiswoode Suites, Singapore | Freehold | Residential | 117 | 100 |

6. INVESTMENT IN SUBSIDIARIES

| | Company | |
|--------------------------------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Unquoted equity investments, at cost | 167,287 | 75,299 |

(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 | |
|--|---|-----------------------------|----------------------------------|----------|--------------------|-------------|
| | | | 2018 (%) | 2017 (%) | 2018 \$'000 | 2017 \$'000 |
| Held by the Company | | | | | | |
| Lian Beng Construction (1988) Pte Ltd ⁽¹⁾ | General building construction and civil engineering works | Singapore | 100 | 100 | 10,539 | 10,539 |
| L.S. Construction Pte Ltd ⁽¹⁾ | General building construction and civil engineering works | Singapore | 100 | 100 | 3,308 | 3,308 |
| Lian Beng Engineering & Machinery Pte Ltd ⁽¹⁾ | Provision of engineering works and sale, rental and maintenance of construction machinery and equipment | Singapore | 100 | 100 | 17,027 | 17,027 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Details of the subsidiaries are as follows: (continued)

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | | Cost of investment | |
|--|---|-----------------------------|----------------------------------|----------|--------------------|-------------|
| | | | 2018 (%) | 2017 (%) | 2018 \$'000 | 2017 \$'000 |
| Held by the Company (continued) | | | | | | |
| Sinmix Pte Ltd ⁽¹⁾ | Manufacture and supply of concrete | Singapore | 90 | 90 | 16,129 | 16,129 |
| Tradewin Engineering Pte Ltd ⁽¹⁾ | 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 ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | 1,353 | 1,353 |
| Lian Beng Realty Pte Ltd ⁽¹⁾ | Property developer | Singapore | 100 | 100 | 1,000 | 1,000 |
| Rocca Investments Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | 1,400 | 1,400 |
| Deenn Engineering Pte Ltd ⁽¹⁾ | General building construction and civil engineering works | Singapore | 100 | 100 | 8,500 | 8,500 |
| CH Development Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | #- | #- |
| Kovan Land Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| LB Property Pte Ltd ⁽¹⁾ | Provision of management services | Singapore | 100 | 100 | #- | #- |
| Millennium International Builders Pte Ltd ⁽¹⁾ | General building construction and civil engineering works | Singapore | 100 | 100 | 600 | 600 |
| Lian Beng Resources Pte Ltd ⁽¹⁾ | Trading of construction materials | Singapore | 100 | 100 | 8,000 | 8,000 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Details of the subsidiaries are as follows: (continued)

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | | Cost of investment | |
|---|---|-----------------------------|----------------------------------|----------|--------------------|-------------|
| | | | 2018 (%) | 2017 (%) | 2018 \$'000 | 2017 \$'000 |
| Held by the Company (continued) | | | | | | |
| Lian Beng-Centurion (Mandai) Pte Ltd ⁽¹⁾ | Property developer | Singapore | 55 | 55 | 550 | 550 |
| LB Land Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | #- | #- |
| Millennium Marine & Shipping Pte Ltd ⁽¹⁾ | Shipping operations including chartering of ships | Singapore | 100 | 100 | 50 | 50 |
| Lian Beng (M) Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Lian Beng Bliss Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Wealth Land Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Goldprime Property Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Wealth Assets Pte Ltd ⁽¹⁾ | Provision of management services in relation to automotive business | Singapore | 80 | 80 | #- | #- |
| Lian Beng Capital Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Associated KHL Industries Pte Ltd ⁽¹⁾ | Engineering, automation and technical services, rental income | Singapore | 100 | 100 | 3,824 | 3,824 |
| Goldprime (M) Pte Ltd ⁽⁵⁾ | Investment holding | Singapore | 100 | 100 | - | #- |
| Goldprime Realty Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 80 | 80 | #- | #- |
| Goldprime Dormitory Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| LB Property (S) Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Wealth Gold Pte Ltd ⁽⁴⁾⁽⁶⁾ | Investment holding | Singapore | 100 | - | #- | - |
| Lian Beng Ventures Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Details of the subsidiaries are as follows: (continued)

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | | Cost of investment | |
|---|--|-----------------------------|----------------------------------|----------|--------------------|-------------|
| | | | 2018 (%) | 2017 (%) | 2018 \$'000 | 2017 \$'000 |
| Held by the Company (continued) | | | | | | |
| Great Development Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| LB Gold Land Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | 1,000 | 1,000 |
| Goldprime Development Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Oriental Investment Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Ang Mo Kio (LB) Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | #- | #- |
| Bukit Merah (LB) Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | #- | #- |
| Clementi (LB) Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | #- | #- |
| Toa Payoh (LB) Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | #- | #- |
| LB Asset Management Pte Ltd ⁽¹⁾ | Asset and portfolio management | Singapore | 100 | 100 | #- | #- |
| Lian Beng (Franklin) Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 100 | 100 | #- | #- |
| Lian Beng (Joo Chiat) Pte Ltd ⁽⁴⁾⁽⁶⁾ | Investment holding | Singapore | 100 | - | #- | - |
| Lian Beng (8) Pte Ltd ⁽¹⁾⁽¹⁰⁾ | Investment holding | Singapore | - | 100 | - | #- |
| Lian Beng (BL) Pte Ltd ⁽¹⁾ | Property investment holding | Singapore | 100 | 100 | #- | #- |
| SLB Development Ltd. ⁽¹⁾⁽⁶⁾ | Investment holding | Singapore | 74 | - | 93,649 | - |
| Held by subsidiaries | | | | | | |
| Lian Beng (Bangladesh) Training and Testing Centre Pte Ltd ⁽³⁾ | Provision of training for construction workers | Bangladesh | 70 | 70 | - | - |
| Lian Beng Training & Testing Centre Pte Ltd ⁽¹⁾ | Provision of management services | Singapore | 70 | 70 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Details of the subsidiaries are as follows: (continued)

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | | Cost of investment | |
|--|---|-----------------------------|----------------------------------|--------------------|--------------------|-------------|
| | | | 2018 (%) | 2017 (%) | 2018 \$'000 | 2017 \$'000 |
| <i>Held by subsidiaries</i> (continued) | | | | | | |
| Mountbatten Development Pte Ltd ⁽¹⁾⁽⁵⁾ | Property developer | Singapore | 100 | 100 | - | - |
| Lian Beng-Centurion (Dormitory) Pte Ltd ⁽¹⁾ | Property investment holding and provision of dormitory services | Singapore | 55 | 55 | - | - |
| Lian Beng Resources Sdn Bhd ⁽²⁾ | Provision of administrative service | Malaysia | 100 | 100 | - | - |
| Lian Beng (St Kilda) Pty Ltd ⁽⁴⁾ | Property developer | Australia | 80 | 80 | - | - |
| State Rich International Limited ⁽¹⁾ | Property investment holding | Singapore* | 100 | 100 | - | - |
| Lian Beng Ventures (Melbourne) Pty Ltd ⁽⁴⁾ | Property investment holding | Australia | 100 | 100 | - | - |
| Lian Beng Franklin Investment Pty Ltd ⁽⁴⁾ | Property investment holding | Australia | 100 | 100 | - | - |
| Wealth Asset (LK) Management Pte Ltd ⁽¹⁾⁽⁶⁾ | Inactive | Singapore | 80 | - | - | - |
| <i>Held by SLB</i> | | | | | | |
| Goldprime Investment Pte. Ltd. ⁽¹⁾⁽⁸⁾ | Investment holding | Singapore | 100 | 100 ^(a) | - | - |
| LBD (Midtown) Pte. Ltd. ⁽¹⁾⁽⁸⁾ (formerly known as Lian Beng Land Pte. Ltd.) | Investment holding | Singapore | 100 | 100 ^(a) | - | - |
| Luxe Development Pte. Ltd. ⁽¹⁾⁽⁸⁾ | Investment holding | Singapore | 100 | 100 ^(a) | - | - |
| Starview Investment Pte. Ltd. ⁽¹⁾⁽⁸⁾ | Investment holding | Singapore | 100 | 100 ^(a) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Details of the subsidiaries are as follows: (continued)

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | | Cost of investment | |
|---|----------------------|-----------------------------|----------------------------------|--------------------|--------------------|---------------|
| | | | 2018 (%) | 2017 (%) | 2018 \$'000 | 2017 \$'000 |
| <i>Held by subsidiaries</i> (continued) | | | | | | |
| <i>Held by SLB</i> (continued) | | | | | | |
| Wealth Property Pte. Ltd. ⁽¹⁾⁽⁸⁾ | Property developer | Singapore | 65 | 65 ^(a) | – | 650 |
| Smooth Venture Pte Ltd ⁽¹⁾⁽⁸⁾ | Property developer | Singapore | 100 | 100 ^(a) | – | 501 |
| LBD (China) Pte. Ltd. ⁽¹⁾⁽⁸⁾ (formerly known as Lian Beng (China) Pte. Ltd.) | Investment holding | Singapore | 100 | 100 ^(a) | – | – |
| Goldprime Land Pte. Ltd. ⁽¹⁾⁽⁸⁾ | Property developer | Singapore | 51 | 51 ^(a) | – | 510 |
| Wellprime Pte. Ltd. ⁽¹⁾⁽⁸⁾ | Property developer | Singapore | 100 | 100 ^(a) | – | #– |
| LBD (GL) Pte. Ltd. ⁽¹⁾⁽⁶⁾ | Investment holding | Singapore | 100 | – | – | – |
| LBD (Serangoon) Pte. Ltd. ⁽¹⁾⁽⁶⁾⁽⁹⁾ | Investment holding | Singapore | 100 | – | – | – |
| SLB (NIR) Pte. Ltd. ⁽⁴⁾⁽⁶⁾ | Investment holding | Singapore | 100 | – | – | – |
| SLB-Oxley (NIR) Pte. Ltd. ⁽⁴⁾⁽⁷⁾ (formerly known as Oxley Kyanite Pte Ltd) | Property developer | Singapore | 51 | – | – | – |
| | | | | | 167,287 | 75,299 |

(1) Audited by Ernst & Young LLP, Singapore

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

(3) Audited by Mohammad Atakarim & Co

(4) Not required to be audited as it was dormant/exempted by country of incorporation

(5) Struck off during the year/in the process of being struck off

(6) Incorporated during the year

(7) During the financial year, SLB (NIR) Pte Ltd subscribed for 51 ordinary shares in the capital of SLB-Oxley (NIR) Pte. Ltd, for cash consideration of \$1 per share.

(8) On 23 March 2018, the Company disposed these subsidiaries in relation to the Restructuring Agreement with SLB (Note 26a)

(9) On 23 October 2017, the Company disposed this subsidiary to SLB at cost

(10) On 30 June 2017, the entity was reclassified as a joint venture of the Company as a result of dilution in its ownership interest (Note 6e)

Denotes less than \$1,000

* Incorporated in British Virgin Islands

(a) Previously owned by the Company or its other subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(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 of profit/(loss) allocated to NCI during the reporting period \$'000 | Accumulated NCI at the end of reporting period \$'000 | Dividends paid to NCI \$'000 |
|---|-----------------------------|---|---|---|------------------------------|
| 31 May 2018: | | | | | |
| Lian Beng – Centurion (Mandai) Pte Ltd and its subsidiary (Lian Beng – Centurion (Dormitory) Pte Ltd) | Singapore | 45% | 5,175 | 78,140 | 3,446 |
| SLB Development Ltd and its subsidiaries | Singapore | 26% | (1,447) | 35,470 | – |
| 31 May 2017: | | | | | |
| Lian Beng – Centurion (Mandai) Pte Ltd and its subsidiary (Lian Beng – Centurion (Dormitory) Pte Ltd) | Singapore | 45% | 4,949 | 76,411 | 11,120 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(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) | |
|------------------------|--|------------------------|
| | 2018 \$'000 | 2017 \$'000 |
| Current | | |
| Assets | 31,329 | 21,380 |
| Liabilities | (15,541) | (15,323) |
| Net current assets | 15,788 | 6,057 |
| Non-current | | |
| Assets | 313,470 | 327,277 |
| Liabilities | (155,613) | (163,532) |
| Net non-current assets | 157,857 | 163,745 |
| Net assets | 173,645 | 169,802 |

Summarised statement of comprehensive income

| | 2018 \$'000 | 2017 \$'000 |
|--|------------------------|------------------------|
| Revenue | 22,413 | 23,015 |
| Other operating income | 1,591 | 1,965 |
| Fair value loss on investment property | - | (1,800) |
| Profit before taxation | 13,971 | 13,536 |
| Taxation | (2,472) | (2,538) |
| Profit for the year, net of taxation, representing total comprehensive income for the year | 11,499 | 10,998 |

Other summarised information

| | | |
|--|---------------|--------|
| Net cash flows from operations | 15,204 | 14,558 |
| Acquisition of property, plant and equipment | 55 | 188 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information about subsidiaries with material NCI (continued)

Summarised statement of financial position

| | SLB and its subsidiaries 2018 \$'000 |
|---|---|
| Current | |
| Assets | 440,918 |
| Liabilities | (250,659) |
| Net current assets | <u>190,259</u> |
| Non-current | |
| Assets | 18,930 |
| Liabilities | (69,273) |
| Net non-current liabilities | <u>(50,343)</u> |
| Net assets | <u>139,916</u> |
| Non-controlling interests | <u>1,357</u> |
| Net assets attributable to owner of SLB | <u><u>141,273</u></u> |

Summarised statement of comprehensive income

| | 2018 \$'000 |
|---|---------------------|
| Revenue | – |
| Other operating income | 1,122 |
| Fair value gain on investment property | 7,041 |
| Share of results of associates | (847) |
| Share of results of joint ventures | <u>2,247</u> |
| Profit before taxation | 1,905 |
| Taxation | <u>638</u> |
| Profit for the year, net of taxation | <u>2,543</u> |
| Other comprehensive income: | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | |
| Foreign currency translation gain | <u>185</u> |
| Total comprehensive income for the year | <u><u>2,728</u></u> |
| Profit attributable to: | |
| Owner of SLB | 3,872 |
| Non-controlling interests | <u>(1,329)</u> |
| | <u>2,543</u> |
| Total comprehensive income attributable to: | |
| Owner of SLB | 4,057 |
| Non-controlling interests | <u>(1,329)</u> |
| | <u><u>2,728</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

6. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information about subsidiaries with material NCI (continued)

Other summarised information

| | SLB and its subsidiaries 2018 \$'000 |
|--|---|
| Net cash flows used in operations | <u>(18,251)</u> |
| Acquisition of property, plant and equipment and investment property | <u>50</u> |

(d) Dilution of ownership interest in SLB, without loss of control

On 20 April 2018, SLB issued 238,000,000 shares at \$0.23 per share as part of its IPO on the Catalist Board of the SGX-ST. The total consideration for these shares amounted to \$54,740,000. Listing expenses incurred pursuant to the IPO amounted to \$3,406,000, of which \$2,173,000 was capitalised against SLB's share capital, while the remaining amount of \$1,233,000 has been recorded in profit or loss. Cash proceeds raised from the IPO, net of listing expenses capitalised amounted to \$52,567,000.

Following the completion of SLB's IPO, the Company's ownership interest in SLB decreased from 100% to 74%. The transaction was accounted for as an equity transaction with non-controlling interests, resulting in:

| | 2018 \$'000 |
|--|------------------------|
| Proceeds from the IPO, net of listing expenses capitalised | <u>52,567</u> |
| Net assets attributable to NCI | <u>(37,206)</u> |
| Increase in equity attributable to the Company | <u>15,361</u> |
| Represented by | |
| Increase in other reserves (Note 24(c)) | <u>15,361</u> |

(e) Dilution of ownership interest in subsidiary, resulting in loss of control

During the financial year, a wholly owned subsidiary of the Company, Lian Beng (8) Pte Ltd ("LB8") increased its share capital from \$10 to \$100. The Company and Apricot Capital Pte. Ltd. ("Apricot"), an unrelated third party, have subscribed for 40 and 50 ordinary shares respectively in LB8 at \$1 a share. Following this subscription, each party holds 50% of the share capital in LB8 and LB8 was subsequently reclassified as a joint venture. The Company recorded a gain of \$1,000 on dilution of interest in subsidiary.

(f) Impairment testing of investment in subsidiaries

There was no impairment loss (2017: \$Nil) recognised during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

7. INVESTMENT IN JOINT ARRANGEMENTS

(a) Joint ventures

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

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Oxley – LBD Pte Ltd | 5,269 | 22,969 | – | – |
| United E & P Pte Ltd | 11,175 | 5,281 | 5,720 | 5,720 |
| Spottiswoode Development Pte Ltd | 4,376 | 8,909 | – | 500 |
| Other joint ventures | (2,190) | (2,619) | – | – |
| | 18,630 | 34,540 | 5,720 | 6,220 |

Details of the investment in joint ventures are as follows:

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | |
|--|---|-----------------------------|----------------------------------|----------|
| | | | 2018 (%) | 2017 (%) |
| <i>Held by the Company</i> | | | | |
| United E & P Pte Ltd ⁽¹⁾ | Manufacture of asphalt premix for construction industry | Singapore | 40 | 40 |
| Lian Beng (8) Pte Ltd ⁽¹⁾⁽⁷⁾ | Investment holding | Singapore | 50 | – |
| Lian Beng – KSH Pte Ltd ⁽³⁾ | Property developer | Singapore | – | 50 |
| Lian Beng – Apricot (Sembawang) Pte Ltd ⁽⁵⁾ | Investment holding | Singapore | 50 | – |
| <i>Held by subsidiaries</i> | | | | |
| Lian Beng – Amin Joint Venture PVT Ltd ⁽⁴⁾ | General building construction and civil engineering works | Republic of Maldives | 50 | 50 |
| Phileap Pte Ltd ⁽¹⁾ | Property developer | Singapore | 25 | 25 |
| Paul Y. – Lian Beng JV Pte. Ltd. ⁽¹⁾ | General building construction and civil engineering works | Singapore | 50 | 50 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

7. INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

Details of the investment in joint ventures are as follows: (continued)

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | |
|---|----------------------|-----------------------------|----------------------------------|-------------------|
| | | | 2018 (%) | 2017 (%) |
| Held by subsidiaries (continued) | | | | |
| <u>Held by SLB</u> | | | | |
| Oxley – LBD Pte Ltd (formerly known as Oxley – Lian Beng Pte Ltd) ⁽²⁾⁽⁶⁾ | Property developer | Singapore | 50 | 50 ^(a) |
| Spottiswoode Development Pte Ltd ⁽²⁾⁽⁶⁾ | Property developer | Singapore | 50 | 50 ^(a) |

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

⁽²⁾ Audited by RSM Chio Lim LLP, Singapore

⁽³⁾ Struck off during the year

⁽⁴⁾ Not required to be audited as the joint venture is dormant. It is currently undergoing voluntary liquidation

⁽⁵⁾ Incorporated during the year and not required to be audited

⁽⁶⁾ On 23 March 2018, the Company disposed these joint ventures in relation to the Restructuring Agreement with SLB (Note 26a)

⁽⁷⁾ On 30 June 2017, the entity was reclassified as a joint venture of the Company as a result of dilution in its ownership interest (Note 6e)

^(a) Previously owned by the Company or its other subsidiaries

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.

There were dividends of \$24,860,000 (2017: \$40,750,000) received from joint ventures during the financial year.

There is no significant restriction in the ability of the Group's joint ventures to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

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 | |
|---|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Profit/(loss) for the year, net of taxation, representing total comprehensive income for the year | 575 | (273) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

7. INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

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 – LBD Pte Ltd | |
|--|----------------------------|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |
| Cash and cash equivalents | 284 | 4,462 |
| Other current assets | 10,402 | 44,152 |
| Total current assets | 10,686 | 48,614 |
| Non-current assets | – | – |
| Total assets | 10,686 | 48,614 |
| Current liabilities | 17 | 2,562 |
| Non-current liabilities | – | – |
| Total liabilities | 17 | 2,562 |
| Net assets | 10,669 | 46,052 |
| Proportion of the Group's ownership owned by SLB | 50% | 50% |
| Group's share of net asset | 5,335 | 23,026 |
| Other adjustments ⁽¹⁾ | (66) | (57) |
| Carrying amount of the investment | 5,269 | 22,969 |

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

Summarised statement of comprehensive income

| | Oxley – LBD Pte Ltd | |
|--|----------------------------|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |
| Other income | 98 | 137 |
| Other operating expenses | (120) | (416) |
| Finance costs | – | (153) |
| Loss before taxation | (22) | (432) |
| Taxation credit/(expense) | 59 | (185) |
| Profit/(loss) for the year, net of taxation | 37 | (617) |
| Other comprehensive income for the year, net of taxation | – | – |
| Total comprehensive income for the year | 37 | (617) |
| Proportion of the Group's ownership owned by SLB | 50% | 50% |
| Group's share of net results | 19 | (309) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

7. INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

Summarised statement of financial position

| | United E & P Pte Ltd | |
|---|---------------------------------|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |
| Cash and cash equivalents | 2,643 | 5,846 |
| Other current assets | 57,942 | 26,081 |
| Total current assets | 60,585 | 31,927 |
| Non-current assets | 56,272 | 57,537 |
| Total assets | 116,857 | 89,464 |
| Current liabilities | 66,476 | 52,072 |
| Non-current liabilities | 22,443 | 24,189 |
| Total liabilities | 88,919 | 76,261 |
| Net assets | 27,938 | 13,203 |
| Proportion of the Group's ownership | 40% | 40% |
| Group's share of net assets and carrying amount of the investment | 11,175 | 5,281 |

Summarised statement of comprehensive income

| | United E & P Pte Ltd | |
|--|---------------------------------|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |
| Revenue | 133,540 | 59,798 |
| Other income | 59 | - |
| Other operating expenses | (114,925) | (54,491) |
| Finance costs | (1,343) | (1,142) |
| Profit before taxation | 17,331 | 4,165 |
| Taxation | (2,596) | - |
| Profit for the year, net of taxation | 14,735 | 4,165 |
| Other comprehensive income for the year, net of taxation | - | - |
| Total comprehensive income for the year | 14,735 | 4,165 |
| Proportion of the Group's ownership | 40% | 40% |
| Group's share of net results | 5,894 | 1,666 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

7. INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

(a) Joint ventures (continued)

Summarised statement of financial position

| | Spottiswoode Development Pte Ltd | |
|--|---|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |
| Cash and cash equivalents | 630 | 35,370 |
| Other current assets | 12,572 | 129,218 |
| Total current assets | 13,202 | 164,588 |
| Non-current assets | – | – |
| Total assets | 13,202 | 164,588 |
| Current liabilities | 1,618 | 142,706 |
| Non-current liabilities | 2,832 | 3,585 |
| Total liabilities | 4,450 | 146,291 |
| Net assets | 8,752 | 18,297 |
| Proportion of the Group's ownership owned by SLB | 50% | 50% |
| Group's share of net asset | 4,376 | 9,149 |
| Other adjustments ⁽¹⁾ | – | (240) |
| Carrying amount of the investment | 4,376 | 8,909 |

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

Summarised statement of comprehensive income

| | Spottiswoode Development Pte Ltd | |
|--|---|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |
| Revenue | 51,360 | 116,503 |
| Other income | 722 | 3 |
| Interest income | 29 | 206 |
| Other operating expenses | (46,301) | (101,245) |
| Finance costs | (289) | (851) |
| Profit before taxation | 5,521 | 14,616 |
| Taxation | (1,066) | (2,286) |
| Profit for the year, net of taxation | 4,455 | 12,330 |
| Other comprehensive income for the year, net of taxation | – | – |
| Total comprehensive income for the year | 4,455 | 12,330 |
| Proportion of the Group's ownership owned by SLB | 50% | 50% |
| Group's share of net results | 2,228 | 6,165 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

7. INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

(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 | |
|---------------------------|---|-----------------------------|----------------------------------|----------|
| | | | 2018 (%) | 2017 (%) |
| Held by subsidiary | | | | |
| LB – RD JV | General building construction and civil engineering works | Singapore | 50 | 50 |

8. INVESTMENT IN ASSOCIATES

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Centurion – Lian Beng (Papan) Pte Ltd | 14,618 | 8,488 | – | – |
| Epic Land Pte Ltd and its subsidiaries | 10,715 | 10,821 | – | – |
| Oxley Bliss Pte Ltd | 17,341 | 15,821 | – | – |
| Other associates | 7,094 | 8,840 | – | 200 |
| | 49,768 | 43,970 | – | 200 |

Details of the investment in associates are as follows:

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | |
|--|---|-----------------------------|----------------------------------|-------------------|
| | | | 2018 (%) | 2017 (%) |
| Held by the Company | | | | |
| Millennium Land Pte Ltd ⁽³⁾ | Investment holding | Singapore | 38 | 38 |
| Held by subsidiaries | | | | |
| Oxley Bliss Pte Ltd ⁽²⁾ | Property investment | Singapore | 30 | 30 |
| Centurion Kovan Pte Ltd ⁽²⁾ | Property developer | Singapore | 19 ^(a) | 19 ^(a) |
| Epic Land Pte Ltd ⁽¹⁾ | Property dealing and property rental business | Singapore | 32 | 32 |
| Centurion – Lian Beng (Papan) Pte Ltd ⁽⁴⁾ | Provision of dormitory services | Singapore | 49 | 49 |
| Wickham Invesco Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 30 | 30 |
| Prospere Holdings Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 30 | 30 |
| LGB – NB Pte Ltd ⁽⁵⁾ | Investment holding | Singapore | 15 ^(a) | 15 ^(a) |
| Prospere Hotels Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 40 | 40 |
| Fairmont Land Pte Ltd ⁽¹⁾ | Investment holding | Singapore | 15 ^(a) | 15 ^(a) |
| Prospere Glow Pte. Ltd. ⁽⁶⁾ | Investment holding | Singapore | 20 | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Details of the investment in associates are as follows: (continued)

| Name of company | Principal activities | Principal place of business | Proportion of ownership interest | |
|--|----------------------|-----------------------------|----------------------------------|----------------------|
| | | | 2018 (%) | 2017 (%) |
| <i>Held by subsidiaries</i> (continued) | | | | |
| <i>Held by SLB</i> | | | | |
| Wealth Development Pte Ltd ⁽¹⁾⁽⁶⁾ | Property developer | Singapore | 40 | 40 ^(b) |
| Rio Casa Venture Pte. Ltd. (formerly known as Oxley – Lian Beng Venture Pte. Ltd.) ⁽²⁾⁽⁷⁾ | Property developer | Singapore | 20 | 20 ^(b) |
| Oxley Serangoon Pte. Ltd. ⁽²⁾⁽⁶⁾⁽⁷⁾ | Property developer | Singapore | 20 | – |
| Oxley Viva Pte Ltd ⁽²⁾⁽⁸⁾ | Property developer | Singapore | 10 ^(a) | 10 ^{(a)(b)} |
| Oxley YCK Pte Ltd ⁽²⁾⁽⁸⁾ | Property developer | Singapore | 10 ^(a) | 10 ^{(a)(b)} |
| Oxley Sanctuary Pte Ltd ⁽²⁾⁽⁸⁾ | Property developer | Singapore | 15 ^(a) | 15 ^{(a)(b)} |
| Action Property Pte Ltd ⁽²⁾⁽⁸⁾ | Property developer | Singapore | 19 ^(a) | 19 ^{(a)(b)} |
| KAP Holdings (China) Pte Ltd ⁽³⁾⁽⁸⁾ | Investment holding | Singapore | 20 | 20 ^(b) |
| Development 24 Pte Ltd ⁽¹⁾⁽⁶⁾ | Property developer | Singapore | 42 | – |

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

⁽²⁾ Audited by RSM Chio Lim LLP, Singapore

⁽³⁾ Audited by Deloitte & Touche LLP, Singapore

⁽⁴⁾ Audited by PricewaterhouseCoopers LLP, Singapore

⁽⁵⁾ Audited by KPMG LLP, Singapore

⁽⁶⁾ Incorporated during the financial year

⁽⁷⁾ On 23 October 2017, the Company disposed these associates to SLB at cost

⁽⁸⁾ On 23 March 2018, the Company disposed these associates in relation to the Restructuring Agreement with SLB (Note 26a)

^(a) Notwithstanding that the Group holds less than 20% of the voting power in these companies, the Group exercises significant influence by virtue of its representation of the respective boards of these companies

^(b) Previously owned by the Company or its other subsidiaries

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 were dividends of \$1,273,000 (2017: \$35,456,000) received from associates during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

8. INVESTMENT IN ASSOCIATES (CONTINUED)

There is no significant restriction in the ability of the Group's associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

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 | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Loss for the year, net of taxation | (3,053) | (1,693) |
| Other comprehensive income for the year, net of taxation | 215 | (602) |
| Total comprehensive income for the year | <u>(2,838)</u> | <u>(2,295)</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

| | Centurion – Lian Beng (Papan) Pte Ltd | | Epic Land Pte Ltd and its subsidiaries | | Oxley Bliss Pte Ltd | |
|---|---|----------------|--|----------------|------------------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Current assets | 14,549 | 14,019 | 136,229 | 168,129 | 10,897 | 11,462 |
| Non-current assets | 200,885 | 199,071 | – | – | 200,000 | 200,001 |
| Total assets | <u>215,434</u> | 213,090 | <u>136,229</u> | 168,129 | <u>210,897</u> | 211,463 |
| Current liabilities | 21,138 | 25,237 | 34,008 | 34,312 | 29,314 | 158,726 |
| Non-current liabilities | 164,464 | 170,531 | 68,736 | 100,000 | 123,781 | – |
| Total liabilities | <u>185,602</u> | 195,768 | <u>102,744</u> | 134,312 | <u>153,095</u> | 158,726 |
| Net assets | <u>29,832</u> | 17,322 | <u>33,485</u> | 33,817 | <u>57,802</u> | 52,737 |
| Proportion of the Group's ownership | <u>49%</u> | 49% | <u>32%</u> | 32% | <u>30%</u> | 30% |
| Group's share of net assets and carrying amount of the investment | <u>14,618</u> | 8,488 | <u>10,715</u> | 10,821 | <u>17,341</u> | 15,821 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income

| | Centurion – Lian Beng (Papan) Pte Ltd | | Epic Land Pte Ltd and its subsidiaries | | Oxley Bliss Pte Ltd | |
|--|---|----------------|--|----------------|------------------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Revenue | 26,618 | 16,214 | 32,562 | 36,416 | 10,842 | 10,480 |
| Other income | 89 | 47 | 189 | 5,813 | 2,509 | 22 |
| Rental income | – | – | 2,887 | 9,269 | – | – |
| Fair value gain on investment properties | 1,232 | 1,251 | – | – | 418 | 2,933 |
| Profit/(loss) for the year, net of taxation | 12,510 | 4,996 | (332) | 6,976 | 5,065 | 6,992 |
| Other comprehensive income for the year, net of taxation | – | – | – | – | – | – |
| Total comprehensive income for the year | 12,510 | 4,996 | (332) | 6,976 | 5,065 | 6,992 |
| Proportion of the Group's ownership | 49% | 49% | 32% | 32% | 30% | 30% |
| Group's share of results | 6,130 | 2,448 | (106) | 2,232 | 1,520 | 2,098 |

9. INVESTMENT SECURITIES

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| (a) Current | | | | |
| <i>Held for trading investments</i> | | | | |
| – Quoted equity investments (SGD) | 2,247 | 615 | – | – |
| – Quoted equity investments (HKD) | 854 | – | – | – |
| – Quoted equity investments (USD) | 366 | – | – | – |
| – Quoted index linked notes (SGD) | – | 1,000 | – | – |
| | 3,467 | 1,615 | – | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

9. INVESTMENT SECURITIES (CONTINUED)

(a) Current (continued)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| <i>Available-for-sale financial assets</i> | | | | |
| – Quoted non-equity investments (SGD) | 14,418 | 5,012 | – | – |
| – Structured notes (SGD) | – | 200 | – | – |
| – Structured notes (USD) | – | 688 | – | – |
| | 14,418 | 5,900 | – | – |
| Total current investment securities | 17,885 | 7,515 | – | – |

(b) Non-current

| | | | | |
|--|----------------|---------|---------------|--------|
| <i>Available-for-sale financial assets</i> | | | | |
| – Quoted equity investments (USD) | 1,005 | – | – | – |
| – Quoted equity investments (SGD) | 19,042 | 18,629 | 18,083 | 17,860 |
| – Quoted non-equity investments (SGD) | 57,473 | 57,279 | – | – |
| – Quoted non-equity investments (USD) | 51,427 | 43,436 | – | – |
| – Unquoted equity investments (SGD) | 150 | 150 | – | – |
| Total non-current investment securities | 129,097 | 119,494 | 18,083 | 17,860 |

The quoted non-equity investments denominated in Singapore Dollars and United States Dollars include corporate bonds, which bear coupon rates ranging from 2.50% to 6.38% (2017: 2.06% to 7.25%) per annum.

Investments pledged as security

The Group's investment securities amounting to \$126,700,000 (2017: \$105,149,000) have been pledged as security for bank loans (Note 20).

Impairment loss

During the financial year, there was no impairment loss (2017: impairment loss of \$2,090,000) recognised on a non-current available-for-sale quoted equity investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

10. CONSTRUCTION WORK-IN-PROGRESS

| | Group | |
|--|-----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Construction costs | 89,520 | 2,119,111 |
| Attributable profits less recognised losses | 2,945 | 353,526 |
| | 92,465 | 2,472,637 |
| Progress billings | (87,900) | (2,527,530) |
| | 4,565 | (54,893) |
| Represented by: | | |
| Construction work-in-progress in excess of progress billings | 8,860 | 4,811 |
| Progress billings in excess of construction work-in-progress | (4,295) | (59,704) |
| | 4,565 | (54,893) |
| Retention monies on construction contracts included in trade receivables (Note 13) | 15,466 | 22,845 |

The following were capitalised in construction costs during the year:

| | Group | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Depreciation of plant and machinery (Note 4) | 309 | 82 |
| Staff costs | 12,345 | 24,848 |
| Operating lease expenses | 1,641 | 1,233 |

11. DEVELOPMENT PROPERTIES

| | Group | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| (a) Properties under development, units for which revenue is recognised using completion of contract method: | | |
| Cost incurred | 218,501 | 147,463 |
| Allowance for foreseeable losses | - | - |
| Properties under development, net | 218,501 | 147,463 |
| (b) Completed development properties: | | |
| Cost incurred | - | 14,768 |
| Allowance for foreseeable losses | - | (800) |
| Completed development properties, net | - | 13,968 |
| Total development properties | 218,501 | 161,431 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

11. DEVELOPMENT PROPERTIES (CONTINUED)

Assets pledged as security

Development properties with carrying amount of \$218,501,000 (2017: \$147,463,000) are pledged to banks for loans granted to subsidiaries (Note 20).

Capitalisation of borrowing costs

The interest on bank borrowings capitalised in the current financial year amounted to \$3,410,000 (2017: \$2,668,000). The rates used to determine the amount of borrowing costs eligible for capitalisation ranged from 2.10% to 3.22% (2017: 1.85% to 3.06%) per annum. Interest ceases to be capitalised when the Temporary Occupation Permit ("TOP") has been obtained.

Details of the Group's development properties are as follows:

| Description and Location | Tenure | Site area/ floor area (square metre) | Stage of development/ expected completion date | Interest held by the Group | |
|---|-----------|---|--|----------------------------------|-------------|
| | | | | 2018 (%) | 2017 (%) |
| Proposed 9 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 to obtain TOP in FY2019 | 38 | 51 |
| Proposed erection of a 5-storey multi-user light industrial development on lot 03706C MK24 at 50 Lorong 21 Geylang, Singapore | Freehold | 2,093 (site area) | Planning stage | 74 | – |
| Proposed erection of a 5-storey multi-user light industrial building for food production on lot 08190L MK24 at 20 Mactaggart Road | Freehold | 5,279 (floor area) | Planning stage | 74 | – |

12. INVENTORIES

| | Group | |
|---|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Statement of financial position: | | |
| Raw materials (at cost) | 3,827 | 4,297 |
| Statement of comprehensive income: | | |
| Inventories recognised as an expense in cost of sales | 64,027 | 52,831 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

13. TRADE RECEIVABLES

| | Group | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Trade receivables | 74,713 | 37,839 |
| Retention monies on construction contracts (Note 10) | 15,466 | 22,845 |
| | 90,179 | 60,684 |
| Less: Allowance for doubtful trade receivables | (1,346) | (1,591) |
| | 88,833 | 59,093 |

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

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to \$18,545,000 (2017: \$14,976,000), 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 | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Trade receivables past due but not impaired: | | |
| Less than 30 days | 8,197 | 5,737 |
| 30 to 60 days | 1,484 | 1,773 |
| 61 to 90 days | 1,485 | 2,211 |
| 91 to 120 days | 468 | 685 |
| More than 120 days | 6,911 | 4,570 |
| | 18,545 | 14,976 |

Trade receivables denominated in foreign currencies as at 31 May 2018 are as follows:

| | Group | |
|--------------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Australian Dollars | 1,264 | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

13. TRADE RECEIVABLES (CONTINUED)

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 | |
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Trade receivables – nominal amounts | – | – | 1,346 | 1,591 |
| Less: Allowance for doubtful trade receivables | – | – | (1,346) | (1,591) |
| | – | – | – | – |
| <i>Movement in allowance accounts:</i> | | | | |
| At 1 June | – | – | 1,591 | 1,998 |
| Charge for the year | – | – | 261 | 262 |
| Bad debt written off | – | – | (506) | (669) |
| At 31 May | – | – | 1,346 | 1,591 |

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 | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| (a) Current | | | | |
| <i>Other receivables and deposits</i> | | | | |
| Other receivables (Note A) | 24,331 | 23,501 | 123 | 128 |
| Amount due from a shareholder of a subsidiary | 4 | 134 | – | – |
| Amount due from a director of a joint venture (Note B) | 3,893 | 3,815 | 3,893 | 3,815 |
| Deposits | 936 | 1,472 | – | – |
| Land tender deposit | – | 3,500 | – | 3,500 |
| Deposit paid for purchase of development property | 6,095 | – | – | – |
| Stamp duty and deposit paid for investment property | 2,248 | – | – | – |
| | 37,507 | 32,422 | 4,016 | 7,443 |
| Less: Allowance for doubtful non-trade receivables | (2,987) | (38) | – | – |
| | 34,520 | 32,384 | 4,016 | 7,443 |
| (b) Non-current | | | | |
| <i>Amounts due from third parties</i> | | | | |
| Amount due from a shareholder of a subsidiary (Note C) | – | 3,357 | – | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

14. OTHER RECEIVABLES AND DEPOSITS (CONTINUED)

Note A

The amounts relating to other receivables are unsecured, repayable on demand, expected to be settled in cash and interest-free except for an amount of \$2,041,000 (2017: \$2,037,000) which bears interest at 5% (2017: 5%) per annum.

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

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| British Pounds | 2,342 | 2,237 | - | - |
| Malaysian Ringgit | 9,159 | 10,475 | - | - |
| Australian Dollars | 2,419 | 343 | - | - |
| United States Dollars | 445 | 306 | - | - |

Note B

The amount due from a director of a joint venture is denominated in Singapore Dollars, unsecured, interest-free, repayable on demand and is expected to be settled in cash, except for an amount of \$3,520,000 (2017: \$3,520,000) which bears interest at 3% (2017: 3%) per annum.

The amount is secured by a charge over the 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.

Note C

In the previous financial year, the non-current amount due from a shareholder of a subsidiary amounting to \$3,357,000 was denominated in Singapore Dollars and bore interest at 1.5% per annum over the bank's prevailing 3-month SIBOR. The amount has been fully repaid during the year.

Other receivables that are impaired

The Group's other 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 | |
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Other receivables – nominal amounts | - | - | 2,987 | 38 |
| Less: Allowance for doubtful non-trade receivables | - | - | (2,987) | (38) |
| | - | - | - | - |
| <i>Movement in allowance accounts:</i> | | | | |
| At 1 June | - | - | 38 | 38 |
| Charge for the year | - | - | 2,949 | - |
| At 31 May | - | - | 2,987 | 38 |

Other 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

15. AMOUNTS DUE FROM/TO AFFILIATED COMPANIES, SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

(a) Amounts due from affiliated companies

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Amounts due from affiliated companies | - | 1 | - | - |

Amounts due from affiliated companies are interest-free, unsecured, repayable on demand, expected to be settled in cash and are denominated in Singapore Dollars.

(b) Amounts due from subsidiaries

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| <u>Current</u> | | | | |
| Non-trade | - | - | 169,927 | 258,607 |
| Less: Allowance for doubtful non-trade receivables | - | - | - | (1,360) |
| | - | - | 169,927 | 257,247 |
| <u>Non-current</u> | | | | |
| Non-trade | - | - | 33,783 | - |
| <i>Movement in allowance accounts:</i> | | | | |
| At 1 June | - | - | 1,360 | - |
| Charge for the year | - | - | - | 1,360 |
| Bad debt written off | - | - | (1,360) | - |
| At 31 May | - | - | - | 1,360 |

Amounts due from subsidiaries are interest-free, unsecured, repayable on demand and are expected to be settled in cash, except for an amount of \$33,783,000 (2017: \$Nil) which bears interest at 1.5% (2017: Nil%) per annum over the bank's prevailing 3-month SIBOR rate and is repayable on 20 April 2021. The amounts due from subsidiaries are denominated in Singapore Dollars.

(c) Amounts due from joint ventures

| | Group | | Company | |
|-----------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Trade | 5,793 | 13,377 | - | - |
| Non-trade | 63,834 | 23,883 | 50,521 | 10,897 |
| | 69,627 | 37,260 | 50,521 | 10,897 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

15. AMOUNTS DUE FROM/TO AFFILIATED COMPANIES, SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(c) Amounts due from joint ventures (continued)

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, repayable on demand, expected to be settled in cash, denominated in Singapore Dollars and are interest-free except for an amount of \$12,864,000 (2017: \$12,864,000) which bears interest at 2.3% (2017: 2.3%) per annum.

Trade amounts due from joint ventures that are past due but not impaired

The Group has trade amounts due from joint ventures of \$1,963,000 (2017: \$4,136,000), 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 | |
|------------------------------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Amounts past due but not impaired: | | |
| Less than 30 days | 216 | 568 |
| 30 to 60 days | 367 | 367 |
| 61 to 90 days | 638 | 499 |
| 91 to 120 days | 729 | 252 |
| More than 120 days | 13 | 2,450 |
| | 1,963 | 4,136 |

There are no trade amounts due from joint ventures that are impaired at the end of the reporting period.

(d) Amounts due to joint ventures

| | Group | | Company | |
|-----------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Trade | 119 | 107 | - | - |
| Non-trade | 4,500 | 17,710 | - | - |
| | 4,619 | 17,817 | - | - |

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.

The non-trade amounts due to joint ventures are unsecured, interest-free, repayable on demand, expected to be settled in cash and are denominated in Singapore Dollars.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

15. AMOUNTS DUE FROM/TO AFFILIATED COMPANIES, SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(e) Amounts due from associates

| | Group | | Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| <u>Current</u> | | | | |
| Trade (Note A) | 3,210 | 6,270 | - | - |
| Non-trade (Note B) | 160,400 | 93,825 | - | 18,843 |
| | 163,610 | 100,095 | - | 18,843 |
| <u>Non-current</u> | | | | |
| Non-trade (Note C) | 44,911 | 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.

Trade amounts due from associates that are past due but not impaired

The Group has trade amounts due from associates of \$1,132,000 (2017: \$ Nil) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

| | Group | |
|------------------------------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Amounts past due but not impaired: | | |
| Less than 30 days | 1,132 | - |

There are no trade amounts due from associates that are impaired at the end of the reporting period.

Note B

The non-trade amounts due from associates are unsecured, repayable on demand, expected to be settled in cash and are interest-free, except for an amount of \$34,356,000 (2017: \$36,833,000) which bears interest at 2.45% to 5.35% (2017: 2.37% to 5.00%) per annum.

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

| | Group | | Company | |
|----------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| British Pounds | 14,229 | 13,306 | - | - |
| China Renminbi | 4,179 | 4,048 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

15. AMOUNTS DUE FROM/TO AFFILIATED COMPANIES, SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

(e) Amounts due from associates (continued)

Note C

The amount due from associates is unsecured, bears interest at 1.5% (2017: 1.5%) 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.

(f) Amounts due to associates

| | Group | | Company | |
|-----------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Non-trade | 8,616 | 1,361 | 76 | 76 |

The amounts due to associates are unsecured, repayable on demand, expected to be settled in cash, denominated in Singapore Dollars and are interest-free.

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 | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Fixed deposits (Note 17) | 28,212 | 47,023 | 9,244 | 20,016 |
| Cash on hand and at banks | 181,002 | 140,781 | 25,895 | 19,410 |
| Cash and cash equivalents | 209,214 | 187,804 | 35,139 | 39,426 |

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

Included in cash and cash equivalents are amounts of \$24,877,000 (2017: \$16,727,000) maintained in project accounts, withdrawals from which are restricted to payments for expenditure incurred on projects.

Cash and cash equivalents denominated in foreign currencies as at 31 May are as follows:

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| United States Dollars | 2,987 | 1,509 | – | – |
| Malaysian Ringgit | 5,206 | 3,810 | – | – |
| British Pounds | 2,156 | 1,616 | – | – |
| Australian Dollars | 54,215 | 6,718 | 21,964 | – |
| Hong Kong Dollars | 23 | – | – | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

17. FIXED DEPOSITS

Fixed deposits earn interest of 0.31% to 2.03% (2017: 0.10% to 3.10%) per annum and have maturities ranging between 1 week and 12 months (2017: 1 week and 12 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.

18. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|----------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Trade payables | 130,173 | 111,368 | – | – |
| Other payables | 151,075 | 62,197 | 38 | 39 |
| | 281,248 | 173,565 | 38 | 39 |

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

Other payables

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Derivative liability | 91 | 449 | – | – |
| Progress billings | 125,356 | 33,248 | – | – |
| Deferred income | 383 | 337 | – | – |
| Refundable deposits | 4,056 | 3,950 | – | – |
| Deposit received for disposal of investment property | – | 3,607 | – | – |
| Other payables | 2,405 | 2,611 | 38 | 39 |
| Amounts due to non-controlling interests of subsidiaries (non-trade) | 18,784 | 17,995 | – | – |
| | 151,075 | 62,197 | 38 | 39 |

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

18. TRADE AND OTHER PAYABLES (CONTINUED)

Other payables (continued)

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

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| United States Dollars | 49 | 43 | - | - |
| Malaysian Ringgit | 1 | - | - | - |
| Australian Dollars | 80 | 3,885 | - | - |
| | 130 | 3,928 | - | - |

19. AMOUNTS DUE TO SUBSIDIARIES

| | Group | | Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| <u>Non-trade</u> | | | | |
| Current | - | - | 246,513 | 257,679 |
| Non-current | - | - | 5,892 | 10,103 |
| | - | - | 252,405 | 267,782 |

The amounts due to subsidiaries are unsecured, repayable on demand, expected to be settled in cash and are interest-free, except for an amount of \$5,892,000 (2017: \$10,103,000) which bears interest at 1.5% (2017: 1.5%) 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. The amounts due to subsidiaries are denominated in Singapore Dollars.

20. BANK LOANS AND BILLS PAYABLE

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Current liabilities | | | | |
| Short-term bank loans and bills payable | 317,694 | 243,833 | - | - |
| Current portion of long-term bank loans | 12,712 | 14,341 | - | - |
| Bills payable | 301 | - | - | - |
| | 330,707 | 258,174 | - | - |
| Non-current liabilities | | | | |
| Long-term bank loans | 309,194 | 422,325 | - | - |
| | 309,194 | 422,325 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

20. BANK LOANS AND BILLS PAYABLE (CONTINUED)

- (a) The Group's bank loans are denominated mainly in Singapore Dollars, United States Dollars and Australian Dollars. During the financial year, the interest rates for bank loans ranged from 1.30% to 3.90% (2017: 1.10% to 4.25%) per annum.
- (b) The Group's bills payable are denominated in Singapore Dollars and bears an interest of 1.68% (2017: Nil%) per annum.
- (c) There are no unsecured loan for the years ended 31 May 2018 and 2017. The Group's loans are generally secured by corporate guarantee provided by the Group and the assignment of rights, titles and benefits with respect to property, plant and equipment (Note 4), investment properties (Note 5), development properties (Note 11) and investment securities (Note 9).

A reconciliation of liabilities arising from financing activities is as follows:

| | 2017 \$'000 | Cash flows \$'000 | Acquisition \$'000 | Non-cash changes | | 2018 \$'000 |
|---|----------------|----------------------|-----------------------|---|-----------------|-----------------------|
| | | | | Foreign exchange movement \$'000 | Other \$'000 | |
| Bank loans and bills payable | | | | | | |
| – Current | 258,174 | (21,428) | – | (615) | 94,576 | 330,707 |
| – Non-current | 422,325 | (18,555) | – | – | (94,576) | 309,194 |
| Obligations under hire purchase (Note 21) | | | | | | |
| – Current | 3,780 | (4,116) | 1,235 | – | 2,425 | 3,324 |
| – Non-current | 3,224 | (104) | 1,632 | – | (2,425) | 2,327 |
| Loans from joint ventures (Note 15) | 17,710 | (13,210) | – | – | – | 4,500 |
| Loan from the non-controlling interests of subsidiaries (Note 18) | 17,995 | 789 | – | – | – | 18,784 |
| Total | <u>723,208</u> | <u>(56,624)</u> | <u>2,867</u> | <u>(615)</u> | <u>–</u> | <u>668,836</u> |

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under hire purchase due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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 |
|---|--|--------------------------------------|---|
| 2018 | | | |
| Not later than one year | 3,434 | (110) | 3,324 |
| Later than one year but not later than five years | 2,410 | (83) | 2,327 |
| | 5,844 | (193) | 5,651 |
| 2017 | | | |
| Not later than one year | 3,926 | (146) | 3,780 |
| Later than one year but not later than five years | 3,291 | (67) | 3,224 |
| | 7,217 | (213) | 7,004 |

Lease terms range from 2 to 8 years (2017: 2 to 8 years) with options to purchase at the end of the lease terms. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. Interest is charged at rates ranging from 2.42% to 5.26% (2017: 2.42% to 6.00%) per annum.

22. DEFERRED TAX ASSETS/LIABILITIES

| | Group | | | |
|---|---|------------------------|---|------------------------|
| | Consolidated statement of financial position | | Consolidated statement of comprehensive income | |
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Deferred tax assets | | | | |
| Provisions | 19 | 1 | (18) | 9 |
| Differences in depreciation for tax purposes | (503) | (677) | (174) | (15) |
| Productivity and Innovation Credit | 601 | 925 | 324 | 405 |
| Unutilised tax losses | 1,139 | - | (1,139) | - |
| <i>Total deferred tax assets</i> | 1,256 | 249 | | |
| Deferred tax liabilities | | | | |
| Differences in depreciation for tax purposes | (1,248) | (1,620) | (372) | (436) |
| Provisions | - | 16 | 16 | - |
| Productivity and Innovation Credit | 288 | 431 | 143 | 136 |
| Fair value gain on investment property held for sale | - | (134) | (134) | 134 |
| Unabsorbed capital allowance | - | 67 | 67 | (67) |
| <i>Total deferred tax liabilities</i> | (960) | (1,240) | | |
| Deferred income tax (credit)/expense (Note 29) | | | (1,287) | 166 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

22. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Unrecognised temporary differences relating to investments in subsidiaries, joint ventures and associates

At the end of the reporting period, no deferred tax liability (2017: \$Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's overseas subsidiaries, joint ventures and associates as:

- The Group has determined that either the undistributed earnings of its overseas subsidiaries will not be distributed in the foreseeable future or the undistributed earnings have been subjected to tax at a headline tax rates of more than 15% in the respective jurisdictions and are therefore tax exempted in accordance with Section 13(8) of the Singapore Income Tax Act; and
- There are no overseas joint ventures and associates with undistributed earnings.

Deferred income tax related to other comprehensive income

There is no (2017: \$Nil) deferred income tax related to other comprehensive income for the financial year ended 31 May 2018.

23. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

| | Group and Company | | | |
|--|--------------------|---------------|--------------------|--------|
| | 2018 | | 2017 | |
| | No. of shares '000 | \$'000 | No. of shares '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.

(b) Treasury shares

| | Group and Company | | | |
|--|--------------------|-----------------|--------------------|----------|
| | 2018 | | 2017 | |
| | No. of shares '000 | \$'000 | No. of shares '000 | \$'000 |
| At beginning and end of financial year | (30,071) | (17,777) | (30,071) | (17,777) |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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 | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| At 1 June | (3,102) | (97) | - | - |
| Foreign currency translation | 2,209 | (3,005) | - | - |
| At 31 May | (893) | (3,102) | - | - |

(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 | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| At 1 June | 5,539 | (2,138) | 5,700 | (1,869) |
| Net (loss)/gain on fair value changes of available-for-sale financial assets | (2,770) | 5,808 | 223 | 5,700 |
| Net fair value changes of available-for-sale financial assets reclassified to profit or loss | - | 1,869 | - | 1,869 |
| At 31 May | 2,769 | 5,539 | 5,923 | 5,700 |

(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 | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| At 1 June | (220) | (220) | - | - |
| Premium on dilution of interest in SLB without a change in control (Note 6(d)) | 15,361 | - | - | - |
| At 31 May | 15,141 | (220) | - | - |
| Total other reserves | 17,017 | 2,217 | 5,923 | 5,700 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

25. REVENUE

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Construction contract revenue | 106,223 | 103,286 | - | - |
| Revenue from sale of goods | 57,123 | 54,103 | - | - |
| Revenue from rendering of services | 1,761 | 403 | - | - |
| Rental and service income from dormitories | 22,302 | 22,867 | - | - |
| Rental income | | | | |
| – Third parties | 15,762 | 11,654 | - | - |
| – Joint venture | 7 | 30 | - | - |
| – Affiliated companies | 8 | 8 | - | - |
| Revenue from civil engineering and other works | | | | |
| – Third parties | 4 | 573 | - | - |
| – Joint venture | - | 110 | - | - |
| Interest income from corporate bonds | 4,896 | 960 | - | - |
| Dividend income from investment securities | 395 | 37 | - | - |
| Sale of development properties | 35,404 | 87,630 | - | - |
| Maintenance of plant and machinery | - | 4 | - | - |
| Dividend income from unquoted subsidiaries | - | - | 53,804 | 73,462 |
| | 243,885 | 281,665 | 53,804 | 73,462 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

26. PROFIT BEFORE TAXATION

Profit before taxation includes the following:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| (a) Other operating income: | | | | |
| Dividend income | | | | |
| – Short-term quoted equity investments | – | 63 | – | – |
| – Long-term quoted equity investments | 972 | 802 | 959 | 760 |
| – Other securities | 520 | 183 | – | – |
| Interest income | | | | |
| – Fixed deposits | 506 | 651 | 63 | 39 |
| – Bank balances | 208 | 188 | 38 | 34 |
| – Associates | 4,002 | 3,528 | – | – |
| – Joint ventures | 296 | 952 | – | – |
| – Subsidiaries | – | – | 112 | – |
| – A director of a joint venture | 106 | 211 | 106 | 211 |
| – Bonds | 169 | 2,544 | – | – |
| – Others | 219 | 334 | – | – |
| Gain on disposal of plant and equipment | 695 | 412 | – | – |
| Rental income from investment properties (Note 5) | 877 | 381 | – | – |
| Other operating lease income | 416 | 1,061 | – | – |
| Management fee | 201 | 201 | – | – |
| Storage handling charges | – | 45 | – | – |
| Government grants and incentives | 465 | 525 | – | – |
| Gain on dilution of ownership interest in subsidiary | 1 | – | – | – |
| Gain on disposal of an associate | – | 137 | – | – |
| Gain on disposal of subsidiaries, joint ventures and associates (Note A) | – | – | 23,737 | – |
| Gain on foreign exchange, net | – | – | – | 50 |
| Gain on disposal of investment properties | 41,766 | – | – | – |
| Gain on disposal of investment securities | – | – | – | 4 |
| Fair value gain on derivative instrument | 358 | – | – | – |
| Fair value gain on investment securities | – | 128 | – | – |
| Bad debts recovered | 7 | – | – | – |
| Others | 2,538 | 1,929 | – | – |
| | 54,322 | 14,275 | 25,015 | 1,098 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

26. PROFIT BEFORE TAXATION (CONTINUED)

(a) Other operating income (continued)

Note A

In connection with the spin-off and listing of the Group's property development business on the Catalyst Board of the SGX, the Company had on 23 March 2018, entered into a Restructuring Agreement with SLB to dispose all the issued and paid-up ordinary shares held by the Company in Smooth Venture Pte Ltd, Goldprime Investment Pte Ltd, LBD (Midtown) Pte Ltd, Spottiswoode Development Pte Ltd, Luxe Development Pte Ltd, Starview Investment Pte Ltd, Wealth Development Pte Ltd, Wealth Property Pte Ltd, LBD (China) Pte Ltd, Goldprime Land Pte Ltd and Wellprime Pte Ltd. The disposal consideration was determined taking into account the unaudited net asset value of these companies as at 30 November 2017 and was satisfied by way of the allotment and issuance of an aggregate of 33,648,446 ordinary shares at \$1 per share in SLB to the Company. The effect of the disposal is as follows:

| | |
|--|----------------|
| | 2018 |
| | \$'000 |
| Consideration | 33,648 |
| Less: Cost of investment in subsidiaries, joint ventures and associate | (9,911) |
| Gain on disposal | 23,737 |

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| (b) Other operating expenses: | | | | |
| Loss on disposal of investment securities | 44 | 71 | - | - |
| Amortisation of other assets | 183 | 183 | - | - |
| Depreciation of property, plant and equipment | 4,312 | 5,401 | 1 | 2 |
| Loss on foreign exchange, net | 2,849 | 1,009 | 34 | - |
| Allowance for doubtful receivables | | | | |
| – Trade | 261 | 262 | - | - |
| – Non-trade | 2,949 | - | - | - |
| – Subsidiary | - | - | - | 1,360 |
| Bad debts written off | 10 | 1,751 | 3 | 13 |
| Property, plant and equipment written off | - | 3 | - | - |
| Management fees | 962 | 1,022 | - | - |
| Impairment loss on investment securities | - | 2,090 | - | 2,090 |
| Fair value loss on investment securities | 52 | - | - | - |
| Loss on liquidation of a subsidiary | - | - | - | 1 |
| Fair value loss on derivative instrument | - | 449 | - | - |
| Property tax | 1,536 | 1,552 | - | - |
| Others | 545 | 383 | - | - |
| | 13,703 | 14,176 | 38 | 3,466 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

26. PROFIT BEFORE TAXATION (CONTINUED)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| (c) Other expenses: | | | | |
| Non-audit fees | | | | |
| – Auditors of the Company* | 289 | 270 | 28 | 67 |
| – Other auditors | 180 | 57 | 26 | 44 |
| Depreciation of property, plant and equipment – others | 10,467 | 10,064 | – | – |
| Directors' fees to directors of the Company | 170 | 142 | 170 | 142 |
| Listing expenses of SLB | 1,233 | – | – | – |
| Operating lease expenses | 4,743 | 4,583 | – | – |
| Utility charges | 2,339 | 2,680 | – | 2 |
| Transportation charges | 1,360 | 919 | – | 1 |
| Legal and other professional fees | 3,549 | 4,336 | 378 | 241 |
| Write back of inventory | – | (48) | – | – |
| Staff costs (Note 27) | 47,725 | 50,456 | – | – |

* In addition to the fees disclosed, the Group paid \$200,000 (2017: \$nil) to the Auditor of the Company relating to the IPO of SLB during the year, of which \$128,000 was capitalised and \$72,000 was included under listing expenses.

27. STAFF COSTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Wages and salaries | 39,179 | 40,582 | – | – |
| Contributions to defined contribution plans | 2,325 | 2,483 | – | – |
| Others | 6,221 | 7,391 | – | – |
| | 47,725 | 50,456 | – | – |
| Included in staff costs are directors' remuneration payable to: | | | | |
| – Directors of the Company | 8,712 | 6,739 | – | – |
| – Directors of the subsidiaries | 3,617 | 3,159 | – | – |
| | 12,329 | 9,898 | – | – |

The directors' remuneration payable to directors of the Company excluded other benefits of \$137,000 (2017: \$174,000) and directors' fees of \$170,000 (2017: \$142,000). The directors' remuneration payable to directors of the subsidiaries excluded other benefits of \$217,000 (2017: \$148,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

28. FINANCE COSTS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Interest expense on: | | | | |
| – Bank loans and bills payable | 17,296 | 13,442 | – | – |
| – Hire purchase | 172 | 278 | – | – |
| – Loan from associates | 586 | 255 | – | – |
| – Loan from a subsidiary | – | – | 215 | 417 |
| | 18,054 | 13,975 | 215 | 417 |
| Less: Interest expense capitalised in: | | | | |
| – Development properties (Note 11) | (3,410) | (2,668) | – | – |
| – Investment property under construction (Note 5) | (240) | (1,330) | – | – |
| | 14,404 | 9,977 | 215 | 417 |

29. TAXATION

Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2018 and 2017 are:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Current taxation | | | | |
| – Current income taxation | 21,808 | 8,616 | 21 | 19 |
| – Over provision in respect of previous years | (177) | (1,405) | (5) | (2) |
| Deferred taxation | | | | |
| – Origination and reversal of temporary differences | (1,382) | 158 | – | – |
| – Under provision in respect of previous years | 95 | 8 | – | – |
| Withholding tax | 132 | 50 | – | – |
| Income tax expense recognised in the statement of comprehensive income | 20,476 | 7,427 | 16 | 17 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

29. TAXATION (CONTINUED)

Relationship between income tax expense and accounting profit

The reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 May 2018 and 2017 are as follows:

| | Group | | Company | |
|---|----------------|----------------|-----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Profit before taxation | 77,124 | 70,208 | 77,380 | 69,712 |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 19,170 | 12,057 | 13,155 | 11,851 |
| Non-deductible expenses | 4,705 | 3,080 | 59 | 431 |
| Effect of partial tax exemption and tax relief | (970) | (956) | (31) | (28) |
| Over provision in respect of previous years, net | (82) | (1,397) | (5) | (2) |
| Withholding tax | 132 | 50 | - | - |
| Effects of tax incentive | | | | |
| - Productivity and Innovation Credit | - | (238) | - | - |
| - Others | (48) | (115) | - | - |
| Share of results of associates | (763) | (1,729) | - | - |
| Share of results of joint ventures | (1,482) | (949) | - | - |
| Income not subject to taxation | (1,836) | (2,493) | (13,162) | (12,235) |
| Others | 1,650 | 117 | - | - |
| Income tax expense recognised in the statement of comprehensive income | 20,476 | 7,427 | 16 | 17 |

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 | |
|----------------------------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Deductible temporary differences | 12,895 | 3,227 |
| Unutilised tax losses | 1,339 | 3,507 |
| | 14,234 | 6,734 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

29. TAXATION (CONTINUED)

Tax consequences of proposed dividends

There are no income tax consequences (2017: \$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 \$54,382,000 (2017: \$53,238,000) over 499,689,000 (2017: 499,689,000) 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 \$2,589,000 (2017: \$1,981,000) 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 \$4,020 (2017: \$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) A subsidiary, LB Property Pte Ltd, provided development management service amounting to \$3,500 (2017: \$26,000) to ROL Development Pte Ltd. The major shareholder of this company is a close family member of one of the directors of the Group.
- (iv) A subsidiary, LB Property Pte Ltd, provided development management service amounting to \$40,000 (2017: \$Nil) to Evergrande Realty & Development Pte Ltd. Certain directors of the Group have equity interests in this company and are also directors of this company.
- (v) The Group earned construction revenue of \$7,996,000 (2017: \$26,796,000) and \$3,015,000 (2017: \$207,000) from joint ventures and associates respectively. In addition, the Group earned project management fee of \$194,000 (2017: \$89,000) from joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel

| | Group | |
|---|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Short-term employee benefits | 12,796 | 9,963 |
| Contributions to defined contribution plans | 218 | 207 |
| | 13,014 | 10,170 |
| Comprise amounts paid to: | | |
| – Directors of the Company | 9,019 | 7,055 |
| – Other key management personnel | 3,995 | 3,115 |
| | 13,014 | 10,170 |

32. COMMITMENTS

(a) Capital commitment

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

| | Group | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| <i>Capital commitments in respect of:</i> | | |
| – Plant and equipment | 142 | 522 |
| – Freehold and leasehold properties | 25,650 | 4,042 |

Share of commitment to joint ventures

The Group has committed to provide working capital in the ratio of the shareholdings held by the Group in the respective joint ventures required to develop and complete the development properties.

(b) Operating lease commitment – as lessee

The Group has entered into commercial leases on certain land and equipment. These non-cancellable leases, including certain leases with renewal options, have remaining lease terms of between 1 to 89 months (2017: 2 to 101 months). Contingent rent provision is not included in the contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

32. COMMITMENTS (CONTINUED)

(b) Operating lease commitment – as lessee (continued)

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

| | Group | |
|---|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Not later than one year | 2,997 | 4,549 |
| Later than one year but not later than five years | 5,943 | 2,978 |
| Later than five years | 630 | 1,002 |
| | 9,570 | 8,529 |

(c) Operating lease commitment – as lessor

The Group has entered into commercial leases on its development properties, investment properties, leasehold property, tugboats and barges. These non-cancellable leases have remaining lease terms of between 1 to 56 months as at 31 May 2018 (2017: 1 to 58 months).

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

| | Group | |
|---|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Not later than one year | 27,997 | 24,846 |
| Later than one year but not later than five years | 29,831 | 25,635 |
| | 57,828 | 50,481 |

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 financial statements of the subsidiaries.

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. Inputs are obtained from various sources including market participants, dealers, fund managers and brokers, and
- Level 3 – Unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) Fair value hierarchy (continued)

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 2018 | | | | |
| <i>Financial assets measured at fair value:</i> | | | | |
| <u>Held for trading investments (Note 9)</u> | | | | |
| – Quoted equity investments (SGD) | 2,247 | – | – | 2,247 |
| – Quoted equity investments (HKD) | 854 | – | – | 854 |
| – Quoted equity investments (USD) | 366 | – | – | 366 |
| <u>Available-for-sale financial assets (Note 9)</u> | | | | |
| – Quoted equity investments (USD) | 1,005 | – | – | 1,005 |
| – Quoted equity investments (SGD) | 19,042 | – | – | 19,042 |
| – Quoted non-equity investments (SGD & USD) | – | 123,318 | – | 123,318 |
| | 23,514 | 123,318 | – | 146,832 |
| <i>Financial liability measured at fair value:</i> | | | | |
| Derivative liability (Note 18) | – | 91 | – | 91 |
| | – | 91 | – | 91 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value (continued)

| | 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 2017 | | | | |
| <i>Financial assets measured at fair value:</i> | | | | |
| <u>Held for trading investments (Note 9)</u> | | | | |
| – Quoted equity investments (SGD) | 615 | – | – | 615 |
| – Quoted index linked notes (SGD) | – | 1,000 | – | 1,000 |
| <u>Available-for-sale financial assets (Note 9)</u> | | | | |
| – Quoted equity investments (SGD) | 18,629 | – | – | 18,629 |
| – Quoted non-equity investments (SGD & USD) | – | 105,727 | – | 105,727 |
| – Structured notes (SGD & USD) | – | 888 | – | 888 |
| | <u>19,244</u> | <u>107,615</u> | <u>–</u> | <u>126,859</u> |
| <i>Financial liability measured at fair value:</i> | | | | |
| Derivative liability (Note 18) | – | 449 | – | 449 |
| | <u>–</u> | <u>449</u> | <u>–</u> | <u>449</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value (continued)

| | 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) |
|---|--|---|--|-------------------|
| Company | | | | |
| 2018 | | | | |
| <i>Financial assets measured at fair value:</i> | | | | |
| <u>Available-for-sale financial assets (Note 9)</u> | | | | |
| – Quoted equity investments (SGD) | 18,083 | – | – | 18,083 |
| | 18,083 | – | – | 18,083 |
| 2017 | | | | |
| <i>Financial assets measured at fair value:</i> | | | | |
| <u>Available-for-sale financial assets (Note 9)</u> | | | | |
| – Quoted equity investments (SGD) | 17,860 | – | – | 17,860 |
| | 17,860 | – | – | 17,860 |
| Group | | | | |
| 2018 | | | | |
| <i>Non-financial assets measured at fair value:</i> | | | | |
| <u>Investment properties (Note 5)</u> | | | | |
| – Commercial | – | – | 500,690 | 500,690 |
| – Residential | – | – | 28,782 | 28,782 |
| | – | – | 529,472 | 529,472 |
| 2017 | | | | |
| <i>Non-financial assets measured at fair value:</i> | | | | |
| <u>Investment properties (Note 5)</u> | | | | |
| – Commercial | – | – | 713,130 | 713,130 |
| – Residential | – | – | 17,013 | 17,013 |
| | – | – | 730,143 | 730,143 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(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 index linked notes, Quoted non-equity investments, Structured notes: Fair values are determined using quoted market prices in less active markets or quoted prices for similar assets/liabilities at the end of the reporting period.

Derivative liability: Interest rate swap contracts are valued by discounting the estimated future cash flows based on a forward rate curve at an appropriate discount rate.

(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):

| <u>Location</u> | <u>Valuation method</u> | <u>Key unobservable inputs</u> | <u>Commercial</u> | <u>Residential</u> | <u>Inter-relationship between key unobservable inputs and fair value measurement</u> |
|-----------------|--------------------------|--------------------------------|-------------------|--------------------|---|
| Singapore | Direct comparison method | Floor area | -24% to +20% | -9% to +9% | The estimated fair value increases with higher comparable price. |
| | | Location | -15% to +18% | 0% to +3% | |
| | | Age & condition | -18% to +25% | – | |
| | | Tenure | -23% to +21% | – | |
| | | View | – | 0% to +3% | |
| | | Floor level | – | -12% to +15% | |
| | Income method | Capitalisation rate | 3.75% to 6.00% | – | The estimated fair value would increase if the capitalisation rate and discount rate decreased. |

(ii) Movements in Level 3 assets and liabilities measured at fair value

The disclosure of the movement in the investment properties in Note 5 to the financial statements constitutes a reconciliation of the movement of assets which are measured at fair value based on significant unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements (continued)

(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.

(e) 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

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 | | | |
|--------------------------------------|------|---------------------------|----------------------|---------------------------|----------------------|
| | | 2018 | | 2017 | |
| | | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets | | | | | |
| Unquoted equity investments, at cost | 9 | 150 | * | 150 | * |
| Financial liabilities | | | | | |
| Obligations under hire purchase | 21 | 5,651 | 5,642 | 7,004 | 7,269 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(e) 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 (continued)

* Unquoted equity investments carried at cost (Note 9)

Fair value information has not been disclosed for the Group's unquoted equity investments that are carried at cost because fair value cannot be measured reliably. These equity investments represent ordinary shares in a computer software company that are 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.

(f) Fair value of financial assets and liabilities 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 affiliated companies, subsidiaries, joint ventures and associates (Note 15), Cash and cash equivalents (Note 16), Trade and other payables (Note 18), Accruals, Amounts due to joint ventures and associates (Note 15) and Amounts due to subsidiaries (current) (Note 19)

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 and bills payable (Note 20), Amounts due from associates and subsidiaries (non-current) (Note 15) and Amounts due to subsidiaries (non-current) (Note 19)

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values as they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Refundable rental deposits (non-current)

The carrying amounts of this financial liability is a reasonable approximation of its fair value as the present value of the non-current liability is not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

35. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| <i>Fair value through profit or loss</i> | | | | |
| Investment securities | 3,467 | 1,615 | – | – |
| <i>Available-for-sale financial assets</i> | | | | |
| Investment securities | 143,515 | 125,394 | 18,083 | 17,860 |
| <i>Loans and receivables</i> | | | | |
| Trade receivables | 87,118 | 57,643 | – | – |
| Other receivables and deposits | 26,177 | 35,741 | 4,016 | 7,443 |
| Amounts due from affiliated companies | – | 1 | – | – |
| Amounts due from subsidiaries | – | – | 203,710 | 257,247 |
| Amounts due from joint ventures | 69,627 | 37,260 | 50,521 | 10,897 |
| Amounts due from associates | 208,521 | 145,095 | – | 18,843 |
| Cash and cash equivalents | 209,214 | 187,804 | 35,139 | 39,426 |
| | 600,657 | 463,544 | 293,386 | 333,856 |
| <i>Financial liabilities at amortised cost</i> | | | | |
| Trade and other payables | 278,061 | 137,971 | 38 | 39 |
| Accruals | 19,449 | 17,582 | 268 | 196 |
| Amounts due to subsidiaries | – | – | 252,405 | 267,782 |
| Amounts due to joint ventures | 4,619 | 17,817 | – | – |
| Amounts due to associates | 8,616 | 1,361 | 76 | 76 |
| Bank loans and bills payable | 639,901 | 680,499 | – | – |
| | 950,646 | 855,230 | 252,787 | 268,093 |
| Obligations under hire purchase | 5,651 | 7,004 | – | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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. 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 affiliated companies, subsidiaries, 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 \$523,071,000 (2017: \$262,662,000) relating to corporate guarantee provided by the Group to the banks on joint ventures and associates' bank loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Exposure to credit risk (continued)

- A nominal amount of \$511,334,000 (2017: \$547,843,000) relating to corporate guarantee provided by the Group to the banks on subsidiaries' bank loans and bills payable.
- A nominal amount of \$5,648,000 (2017: \$6,999,000) relating to corporate guarantee provided by the Group to the banks on subsidiaries' obligations under hire purchase.

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 | | Group | |
|--|---------------|------------|---------------|------------|
| | 2018 | | 2017 | |
| | \$'000 | % of total | \$'000 | % of total |
| <u>Trade receivables from third parties:</u> | | | | |
| By country: | | | | |
| Singapore | 87,568 | 99 | 59,093 | 100 |
| Australia | 1,265 | 1 | - | - |
| | 88,833 | 100 | 59,093 | 100 |
| By industry sectors: | | | | |
| Construction | 51,437 | 58 | 31,451 | 53 |
| Engineering and leasing of construction machinery | 89 | - | 177 | - |
| Property development | 20,429 | 23 | 11,072 | 19 |
| Investment holding | 1,709 | 2 | 976 | 2 |
| Manufacturing of concrete and asphalt | 15,154 | 17 | 15,327 | 26 |
| Dormitory | 15 | - | 90 | - |
| | 88,833 | 100 | 59,093 | 100 |
| <u>Amounts due from joint ventures and associates (trade):</u> | | | | |
| By country: | | | | |
| Singapore | 9,003 | 100 | 19,647 | 100 |
| By industry sectors: | | | | |
| Construction | 7,051 | 78 | 16,995 | 87 |
| Manufacturing of concrete and asphalt | 1,947 | 22 | 2,603 | 13 |
| Engineering and leasing of construction machinery | 5 | - | 49 | - |
| | 9,003 | 100 | 19,647 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Credit risk concentration profile (continued)

At the end of the reporting period, approximately:

- 45% (2017: 38%) 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 Notes 13, 14 and 15.

(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 52% (2017: 38%) 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 (2017: 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 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

| Group | 2018 | | | 2017 | | | | |
|---|-----------------------------|---------------------------|---------------------------|-----------------|-----------------------------|---------------------------|---------------------------|-----------------|
| | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
| Financial assets: | | | | | | | | |
| Trade receivables | 87,118 | - | - | 87,118 | 57,643 | - | - | 57,643 |
| Other receivables and deposits | 26,299 | - | - | 26,299 | 32,549 | 3,357 | - | 35,906 |
| Cash and cash equivalents | 209,214 | - | - | 209,214 | 187,804 | - | - | 187,804 |
| Amounts due from affiliated companies | - | - | - | - | 1 | - | - | 1 |
| Amounts due from joint ventures | 69,922 | - | - | 69,922 | 37,555 | - | - | 37,555 |
| Amounts due from associates | 166,542 | 28,748 | 20,488 | 215,778 | 102,291 | 21,065 | 29,104 | 152,460 |
| Investment securities | 17,885 | 119,347 | 9,750 | 146,982 | 7,515 | 119,494 | - | 127,009 |
| Total undiscounted financial assets | 576,980 | 148,095 | 30,238 | 755,313 | 425,358 | 143,916 | 29,104 | 598,378 |
| Financial liabilities: | | | | | | | | |
| Trade and other payables | 152,234 | 2,978 | - | 155,212 | 135,862 | 2,109 | - | 137,971 |
| Amounts due to joint ventures | 4,619 | - | - | 4,619 | 17,817 | - | - | 17,817 |
| Amounts due to associates | 8,616 | - | - | 8,616 | 1,361 | - | - | 1,361 |
| Accruals | 19,449 | - | - | 19,449 | 17,582 | - | - | 17,582 |
| Bank loans and bills payable | 342,517 | 151,904 | 220,592 | 715,013 | 272,480 | 254,066 | 227,577 | 754,123 |
| Obligations under hire purchase | 3,434 | 2,410 | - | 5,844 | 3,926 | 3,291 | - | 7,217 |
| Total undiscounted financial liabilities | 530,869 | 157,292 | 220,592 | 908,753 | 449,028 | 259,466 | 227,577 | 936,071 |
| Total net undiscounted financial assets/(liabilities) | 46,111 | (9,197) | (190,354) | (153,440) | (23,670) | (115,550) | (198,473) | (337,693) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

| | 2018 | | | 2017 | | | | |
|--|-----------------------------|---------------------------|---------------------------|-----------------|-----------------------------|---------------------------|---------------------------|-----------------|
| | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
| Company | | | | | | | | |
| Financial assets: | | | | | | | | |
| Other receivables and deposits | 4,035 | - | - | 4,035 | 7,462 | - | - | 7,462 |
| Cash and cash equivalents | 35,139 | - | - | 35,139 | 39,426 | - | - | 39,426 |
| Amounts due from subsidiaries | 170,899 | 35,615 | - | 206,514 | 257,247 | - | - | 257,247 |
| Amounts due from joint ventures | 50,521 | - | - | 50,521 | 10,897 | - | - | 10,897 |
| Amounts due from associates | - | - | - | - | 18,843 | - | - | 18,843 |
| Investment securities | - | 18,083 | - | 18,083 | - | 17,860 | - | 17,860 |
| Total undiscounted financial assets | <u>260,594</u> | <u>53,698</u> | <u>-</u> | <u>314,292</u> | <u>333,875</u> | <u>17,860</u> | <u>-</u> | <u>351,735</u> |
| Financial liabilities: | | | | | | | | |
| Trade and other payables | 38 | - | - | 38 | 39 | - | - | 39 |
| Accruals | 268 | - | - | 268 | 196 | - | - | 196 |
| Amounts due to associates | 76 | - | - | 76 | 76 | - | - | 76 |
| Amounts due to subsidiaries | 246,627 | 5,905 | - | 252,532 | 257,879 | 10,211 | - | 268,090 |
| Total undiscounted financial liabilities | <u>247,009</u> | <u>5,905</u> | <u>-</u> | <u>252,914</u> | <u>258,190</u> | <u>10,211</u> | <u>-</u> | <u>268,401</u> |
| Total net undiscounted financial assets | <u>13,585</u> | <u>47,793</u> | <u>-</u> | <u>61,378</u> | <u>75,685</u> | <u>7,649</u> | <u>-</u> | <u>83,334</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

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 |
|--------------------------|--|---|---------------------------------------|-------------------------|
| 2018 | | | | |
| Group and Company | | | | |
| Financial guarantees | 306,517 | 569,595 | 163,941 | 1,040,053 |
| 2017 | | | | |
| Group and Company | | | | |
| Financial guarantees | 349,728 | 250,359 | 210,418 | 810,505 |

(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.

As at 31 May 2018, the Group has an interest rate swap instrument with notional amount totalling \$25,750,000 (2017: \$25,750,000). The negative fair value is recognised as derivative liability of \$91,000 (2017: \$449,000) (Note 18).

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD, AUD, HKD and USD interest rates had been 75 (2017: 75) basis points lower/higher with all other variables held constant, the Group's profit net of taxation would have been \$3,499,000 (2017: \$3,374,000) 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 \$312,100 (2017: \$602,800) and \$Nil (2017: \$72,800) lower/higher respectively. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(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, Malaysia, China and United Kingdom. The Group's net investments in Australia, Malaysia, China and United Kingdom are not hedged as currency positions in AUD, MYR, RMB and GBP are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, USD, MYR, RMB, GBP and HKD exchange rates (against SGD), with all other variables held constant, on the Group's profit net of taxation.

| | | 2018 \$'000 Profit net of taxation | 2017 \$'000 Profit net of taxation |
|-----|------------------------------|---|---|
| AUD | – strengthened 5% (2017: 5%) | 1,162 | 99 |
| | – weakened 5% (2017: 5%) | (1,162) | (99) |
| USD | – strengthened 5% (2017: 5%) | 102 | 141 |
| | – weakened 5% (2017: 5%) | (102) | (141) |
| MYR | – strengthened 5% (2017: 5%) | 713 | 713 |
| | – weakened 5% (2017: 5%) | (713) | (713) |
| RMB | – strengthened 5% (2017: 5%) | 209 | 202 |
| | – weakened 5% (2017: 5%) | (209) | (202) |
| GBP | – strengthened 5% (2017: 5%) | 936 | 858 |
| | – weakened 5% (2017: 5%) | (936) | (858) |
| HKD | – strengthened 5% (2017: 5%) | 3 | – |
| | – weakened 5% (2017: 5%) | (3) | – |

(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.

Sensitivity analysis for equity price risk

At the end of reporting period, if the prices for the quoted equity investments had been 5% (2017: 5%) higher/lower with all other variables held constant, the Group's other reserve in equity would have been \$1,002,000 (2017: \$931,000) 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 \$173,000 (2017: \$31,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as held for trading.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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 2018 and 31 May 2017. 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 Company less the fair value adjustment reserve.

The Group is in compliance with externally imposed financial covenants as at 31 May 2018 and 31 May 2017.

| | Group | |
|--|------------------|---------------|
| | 2018 | 2017 |
| | \$'000 | \$'000 |
| Amounts due to joint ventures (Note 15) | 4,619 | 17,817 |
| Amounts due to associates (Note 15) | 8,616 | 1,361 |
| Bank loans and bills payable (Note 20) | 639,901 | 680,499 |
| Obligations under hire purchase (Note 21) | 5,651 | 7,004 |
| Trade and other payables (Note 18) | 281,248 | 173,565 |
| Accruals | 19,449 | 17,582 |
| Less: Cash and cash equivalents (Note 16) | (209,214) | (187,804) |
| <i>Net debt</i> | 750,270 | 710,024 |
| Equity attributable to the owners of the Company | 646,158 | 588,219 |
| Less: Fair value adjustment reserve (Note 24) | (2,769) | (5,539) |
| <i>Total capital</i> | 643,389 | 582,680 |
| Capital and net debt | 1,393,659 | 1,292,704 |
| Gearing ratio | 53.8% | 54.9% |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

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 properties 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 2018

38. SEGMENT INFORMATION (CONTINUED)

| | Construction | | Dormitory | | Engineering and leasing of construction machinery | |
|--|----------------|----------------|----------------|----------------|---|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Revenue: | | | | | | |
| External customers | 106,385 | 103,464 | 22,302 | 22,866 | 35 | 1,092 |
| Inter-segment | 70,240 | 100,913 | 111 | 148 | 11,198 | 14,912 |
| Total revenue | 176,625 | 204,377 | 22,413 | 23,014 | 11,233 | 16,004 |
| Results: | | | | | | |
| Interest income | 307 | 2,996 | 1,737 | 267 | 119 | 107 |
| Dividend income | 533 | 288 | - | - | - | - |
| Finance cost | 391 | 780 | 4,495 | 2,534 | 16 | 24 |
| Depreciation and amortisation | 4,406 | 5,202 | 288 | 274 | 2,196 | 2,435 |
| Share of results of joint ventures | (1) | (22) | - | - | - | - |
| Share of results of associates | - | - | 6,130 | 2,449 | - | - |
| Fair value (loss)/gain on investment properties | (10) | (60) | - | (1,800) | - | - |
| <i>Other non-cash expenses:</i> | | | | | | |
| Impairment loss on investment securities | - | - | - | - | - | - |
| Amortisation of other assets | 183 | 183 | - | - | - | - |
| Write back of inventories | - | - | - | - | - | - |
| Allowance for doubtful trade and non-trade receivables | 10 | 175 | - | - | - | - |
| Bad debts written off | 7 | 1,448 | 3 | - | - | - |
| Segment profit/(loss) | 32,410 | 24,425 | 20,259 | 17,771 | 104 | 829 |
| Assets: | | | | | | |
| Investment in joint ventures | 282 | 433 | - | - | - | - |
| Investment in associates | - | - | 14,618 | 8,488 | - | - |
| Additions to non-current assets | 5,596 | 1,483 | 55 | 186 | 620 | 312 |
| Segment assets | 456,688 | 468,180 | 351,597 | 285,139 | 36,664 | 37,450 |
| Segment liabilities | 183,447 | 223,239 | 176,135 | 183,439 | 4,770 | 5,350 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

38. SEGMENT INFORMATION (CONTINUED)

| Property development | | Investment holding | | Manufacturing of concrete and asphalt | | Adjustments and eliminations | | Notes | Per consolidated financial statements | |
|----------------------|----------------|--------------------|----------------|---------------------------------------|----------------|------------------------------|----------------|-------|---------------------------------------|----------------|
| 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | | 2018 \$'000 | 2017 \$'000 |
| 35,404 | 87,809 | 20,271 | 10,212 | 59,488 | 56,222 | - | - | A | 243,885 | 281,665 |
| - | 518 | 54,514 | 74,139 | 10,998 | 4,390 | (147,061) | (195,020) | | - | - |
| 35,404 | 88,327 | 74,785 | 84,351 | 70,486 | 60,612 | (147,061) | (195,020) | | 243,885 | 281,665 |
| 188 | 3,427 | 8,263 | 2,951 | 116 | 37 | (328) | (417) | | 10,402 | 9,368 |
| - | - | 1,354 | 797 | - | - | - | - | | 1,887 | 1,085 |
| 612 | 2,269 | 8,689 | 4,200 | 529 | 586 | (328) | (416) | | 14,404 | 9,977 |
| 23 | 140 | 878 | 24 | 7,019 | 7,417 | (31) | (27) | | 14,779 | 15,465 |
| 2,247 | 3,940 | 577 | (1) | 5,893 | 1,666 | - | - | | 8,716 | 5,583 |
| (1,380) | 2,773 | (259) | 4,949 | - | - | - | - | | 4,491 | 10,171 |
| - | - | 5,489 | 7,144 | - | - | 4,178 | 9,279 | | 9,657 | 14,563 |
| - | - | - | 2,090 | - | - | - | - | | - | 2,090 |
| - | - | - | - | - | - | - | - | | 183 | 183 |
| - | - | - | - | - | (48) | - | - | | - | (48) |
| - | - | 2,950 | 15 | 250 | 72 | - | - | | 3,210 | 262 |
| - | 303 | - | - | - | - | - | - | | 10 | 1,751 |
| 6,366 | 18,109 | 42,148 | 15,505 | (1,562) | (5,609) | (22,601) | (822) | B | 77,124 | 70,208 |
| 9,710 | 28,830 | (2,472) | (4) | 11,175 | 5,281 | (65) | - | | 18,630 | 34,540 |
| 7,788 | 8,479 | 27,436 | 27,003 | - | - | (74) | - | | 49,768 | 43,970 |
| 311 | 3 | 3,334 | 286,907 | 246 | 558 | (270) | (8,959) | C | 9,892 | 280,490 |
| 445,946 | 345,040 | 907,294 | 870,368 | 54,191 | 61,627 | (503,741) | (430,600) | D | 1,748,639 | 1,637,204 |
| 320,023 | 242,406 | 623,335 | 693,155 | 42,797 | 44,053 | (363,413) | (422,088) | E | 987,094 | 969,554 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

38. SEGMENT INFORMATION (CONTINUED)

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 deducted from segment profit to arrive at "Profit before taxation" presented in the consolidated statement of comprehensive income:

| | Group | |
|---------------------------------|-----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Profit from inter-segment sales | <u>(22,601)</u> | <u>(822)</u> |

- C. Additions to non-current assets consist of additions to property, plant and equipment, investment property and investment properties under construction.
- 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 | |
|------------------------------|------------------|------------------|
| | 2018 \$'000 | 2017 \$'000 |
| Investment in associates | 49,768 | 43,970 |
| Investment in joint ventures | 18,630 | 34,540 |
| Inter-segment assets | (573,395) | (509,359) |
| Deferred tax assets | 1,256 | 249 |
| | <u>(503,741)</u> | <u>(430,600)</u> |

- E. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | Group | |
|---------------------------|------------------|------------------|
| | 2018 \$'000 | 2017 \$'000 |
| Deferred tax liabilities | 960 | 1,240 |
| Provision for taxation | 19,377 | 8,673 |
| Inter-segment liabilities | (383,750) | (432,001) |
| | <u>(363,413)</u> | <u>(422,088)</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

38. SEGMENT INFORMATION (CONTINUED)

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 | |
|-----------|----------------|----------------|--------------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Singapore | 207,214 | 280,156 | 688,828 | 711,251 |
| Australia | 36,671 | 1,509 | – | 56,186 |
| | 243,885 | 281,665 | 688,828 | 767,437 |

Non-current assets information presented above consists of property, plant and equipment and investment properties as presented in the consolidated statement of financial position.

Information about major customers

Revenue from one (2017: one) major customer arising from the construction segment amounted to \$72,787,000 (2017: \$31,352,000).

39. DIVIDENDS

| | Group and Company | |
|--|-------------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Declared and paid during the year | | |
| <i>Dividends on ordinary shares:</i> | | |
| – Exempt (one-tier) dividend for 2017: Final dividend of 1.25 cent per share (2016: Final dividend of 1.00 cent and special dividend of 1.00 cent per share) | 6,246 | 9,994 |
| – Exempt (one-tier) dividend for 2018: Interim dividend of 1.00 cent per share (2017: Interim dividend of 1.00 cent per share) | 4,997 | 4,996 |
| | 11,243 | 14,990 |
| 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 2018: Final dividend of 1.25 cent per share (2017: Final dividend of 1.25 cent, exempt (one-tier) per share) | 6,246 | 6,246 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2018

40. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the financial year end:

- (i) On 18 June 2018, the Group's 50% owned joint venture, Lian Beng-Apricot (Sembawang) Pte Ltd completed the acquisition of an investment property, Sembawang Shopping Centre, for a purchase consideration of \$248,000,000.
- (ii) On 25 June 2018, the Company entered into a sale and purchase agreement with the shareholder of United Tec Construction Pte. Ltd. ("UTC"), an unrelated third party, for the acquisition of 180,000 ordinary shares in the capital of UTC, representing 60% shareholding interest in UTC. The purchase consideration was \$180,000 and UTC became a 60% owned subsidiary of the Company. UTC is principally engaged in general construction business specialising in the design for manufacturing and assembly construction.

On 3 August 2018, UTC increased its share capital from 300,000 ordinary shares to 1,000,000 ordinary shares by the issuance of 700,000 ordinary shares at \$1 each. The Company subscribed for 420,000 new ordinary shares in UTC at \$420,000, which was satisfied by cash payment. Following the aforesaid subscription, UTC remains as a 60% owned subsidiary of the Company.

- (iii) On 25 July 2018, the Group's 32% owned associate, Epic Land Pte. Ltd., entered into a sale and purchase agreement with an unrelated third party, to dispose the entire issued and paid-up capital of its 6 wholly-owned subsidiaries, which hold a total of 7 strata office units in Prudential Tower. The sale consideration will be determined based on the Net Asset Value ("NAV") of the said subsidiaries at completion date, which is estimated to be on or before 20 September 2018. The NAV will be computed based on an agreed property valuation of \$130,068,000.

41. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 May 2018 were authorised for issue in accordance with a resolution of the directors on 21 August 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 15 AUGUST 2018

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%) |
| Subsidiary holdings | – | Nil |
| 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 59.18% of the issued ordinary shares of the Company (excluding 30,070,800 treasury shares) were held in the hands of the public as at 15 August 2018 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 | 0.12 | 78 | 0.00 |
| 100 – 1,000 | 239 | 4.94 | 203,202 | 0.04 |
| 1,001 – 10,000 | 2,600 | 53.79 | 16,382,779 | 3.28 |
| 10,001 – 1,000,000 | 1,958 | 40.51 | 112,739,481 | 22.56 |
| 1,000,001 and above | 31 | 0.64 | 370,363,660 | 74.12 |
| Total | 4,834 | 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 | 92,614,800 | 18.53 |
| 2 | DBS Nominees Pte Ltd | 48,330,300 | 9.67 |
| 3 | Citibank Nominees Singapore Pte Ltd | 35,958,100 | 7.20 |
| 4 | HSBC (Singapore) Nominees Pte Ltd | 34,423,100 | 6.89 |
| 5 | Ong Pang Aik | 27,370,800 | 5.48 |
| 6 | United Overseas Bank Nominees Pte Ltd | 19,639,200 | 3.93 |
| 7 | UOB Kay Hian Pte Ltd | 13,655,600 | 2.73 |
| 8 | Ong Bee Dee | 12,637,000 | 2.53 |
| 9 | Ong Lay Huan | 11,583,200 | 2.32 |
| 10 | OCBC Securities Private Limited | 10,307,629 | 2.06 |

STATISTICS OF SHAREHOLDINGS

AS AT 15 AUGUST 2018

| No | Name of Shareholder | Number of Shares Held | Percentage |
|----|------------------------------------|-----------------------|--------------|
| 11 | Maybank Kim Eng Securities Pte Ltd | 9,493,605 | 1.90 |
| 12 | Ong Lay Koon | 8,539,200 | 1.71 |
| 13 | Raffles Nominees (Pte) Ltd | 5,603,400 | 1.12 |
| 14 | DBS Vickers Securities (S) Pte Ltd | 4,764,900 | 0.95 |
| 15 | Ang Mui Geok | 4,428,799 | 0.89 |
| 16 | Phillip Securities Pte Ltd | 4,343,400 | 0.87 |
| 17 | Yeo Wei Huang | 2,700,000 | 0.54 |
| 18 | Sik Soo Ching Susan | 2,359,000 | 0.47 |
| 19 | Sik Pei Shan (Xue Peishan) | 2,336,600 | 0.47 |
| 20 | Lim & Tan Securities Pte Ltd | 2,291,300 | 0.46 |
| | | 353,379,933 | 70.72 |

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⁾ | 92,614,800 | 18.53 | 55,000,000 | 11.01 |
| Ong Pang Aik ⁽³⁾ | 27,370,800 | 5.48 | 147,614,800 | 29.54 |
| Ong Lay Huan ⁽⁴⁾ | 11,583,200 | 2.32 | 147,614,800 | 29.54 |

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 55,000,000 ordinary shares registered in the name of nominee accounts.
- ⁽³⁾ Ong Pang Aik's deemed interest refer to 147,614,800 shares held by Ong Sek Chong & Sons Pte. Ltd. by virtue of Section 7 of the Companies Act.
- ⁽⁴⁾ Ong Lay Huan's deemed interest refer to 147,614,800 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 Twentieth Annual General Meeting of LIAN BENG GROUP LTD (the “**Company**”) will be held at 29 Harrison Road, Lian Beng Building, Singapore 369648 on Thursday, 27 September 2018 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 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final (tax exempt one-tier) dividend of 1.25 cents per ordinary share for the financial year ended 31 May 2018. **(Resolution 2)**
3. To re-elect the following Directors retiring under Regulation 107 of the Company’s Constitution:
 - Ms Ong Lay Koon *[see explanatory note 1]* **(Resolution 3)**
 - Mr Low Beng Tin *[see explanatory note 2]* **(Resolution 4)**
4. To approve the payment of Directors’ fees of S\$170,000 for the financial year ended 31 May 2018 (2017: S\$141,868) **(Resolution 5)**
5. To approve the payment of Directors’ fees up to S\$170,000 for the financial year ending 31 May 2019 to be paid quarterly in arrears *[see explanatory note 3]*. **(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 (excluding treasury shares and subsidiary holdings) (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 and subsidiary holdings) 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 and subsidiary holdings) 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 4]*

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:
 - (i) market purchases (each a “**Market Purchase**”) on the SGX-ST; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (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 may be 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
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

NOTICE OF ANNUAL GENERAL MEETING

“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 5]
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

11 September 2018

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. Further information on Ms Ong Lay Koon can be found in the Company's Annual Report 2018.
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 of the Company. Mr Low Beng Tin holds 900,000 ordinary shares of the Company registered in the name of a nominee account. Mr Low Beng Tin is considered by the Board to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Low Beng Tin does not have any relationships including immediate family relationships between himself and the Directors, the Company, its related corporations, its 10% shareholders or its officers. Further information on Mr Low Beng Tin can be found in the Company's Annual Report 2018.
3. The proposed Ordinary Resolution 6 proposed in item 5 above is to seek approval for the payment of up to S\$170,000 as directors' fees on a current year basis, that is for the financial year ending 31 May 2019. In the event that the amount proposed is insufficient, approval will be sought at the next year's annual general meeting for payments to meet the shortfall.
4. 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.
5. 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 and subsidiary holdings) 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.

NOTICE OF ANNUAL GENERAL MEETING

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) All resolutions put to vote at the AGM shall be decided by way of poll.
- (vii) 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.

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)

ANNUAL GENERAL MEETING PROXY FORM

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 11 September 2018.

"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.

I/We, _____ (Name)

NRIC/Passport No./Company Registration No.* _____
_____ (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, 27 September 2018 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.

| | |
|--------------------------|---|
| <input type="checkbox"/> | 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. |
|--------------------------|---|

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 2018 | | |
| 2. | Payment of proposed final dividend of 1.25 cents per ordinary share for the financial year ended 31 May 2018 | | |
| 3. | Re-election of Ms Ong Lay Koon as a Director of the Company | | |
| 4. | Re-election of Mr Low Beng Tin as a Director of the Company | | |
| 5. | Approval of Directors' fees amounting to S\$170,000 for the financial year ended 31 May 2018 | | |
| 6. | Approval of Directors' fees of up to S\$170,000 for the financial year ending 31 May 2019 to be paid quarterly in arrears | | |
| 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 _____ 2018.

| 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.

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LIAN BENG GROUP LTD

29 HARRISON ROAD, LIAN BENG BUILDING

SINGAPORE 369648

TEL : +65 6283 1468

FAX : +65 6280 9360

EMAIL : lianbeng@singnet.com.sg

www.lianbeng.com.sg