



LEY CHOON GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198700318G)

LETTER TO SHAREHOLDERS

Directors:

Toh Choo Huat
Toh Chew Leong
Toh Swee Kim
Low Boon Hwee
Koh Tiam Teng
Tan Teck Wei
Lee Gee Aik
Ang Miah Kiang
Marcus Chow Wen Kwan

Registered Office:

3 Sungei Kadut Drive
Singapore 729556

Date: 14 May 2015

Dear Sir/Madam

RENEWAL OF THE SHAREHOLDERS' MANDATE FOR TRANSACTIONS WITH INTERESTED/RELATED PERSONS OF THE COMPANY

1. BACKGROUND

1.1 We refer to:

- (a) the Notice of the Annual General Meeting of Ley Choon Group Holdings Limited (the "**Company**") dated 14 May 2015 (the "**Notice**"), accompanying the Annual Report of the Company for its financial year ended 31 December 2014 (the "**2014 Annual Report**"), convening the Annual General Meeting of the Company ("**2015 AGM**") which is scheduled to be held on 29 May 2015 at 3 Sungei Kadut Drive Singapore 729556 at 10 a.m.; and
- (b) the Ordinary Resolution in relation to the renewal of the Interested Persons/Related Persons Transactions ("**IPT**") under the heading "Special Business" set out in the Notice.

1.2 The purpose of this Letter is to provide the shareholders of the Company ("**Shareholders**") with information pertaining to and reasons for the proposed renewal of the Shareholders' general mandate for IPT ("**IPT Mandate**") pursuant to Chapter 9 of the SGX-ST Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**SGX-ST Listing Manual**") for the purpose of seeking their approval at the 2015 AGM.

1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

- 2.1 **The Existing IPT Mandate.** At the Annual General Meeting of the Company held on 25 April 2014 (the “**2014 AGM**”), the Shareholders had approved the renewal of the IPT Mandate to enable the Company, its subsidiaries and associated companies which are considered “entities at risk” within the meaning of Rule 904 of the SGX-ST Listing Manual, to enter into any one of the categories of transactions falling within the types of interested person transactions described in the IPT Mandate with any person who falls within the classes of interested persons transaction described in the IPT Mandate, provided that such transactions are made on normal commercial terms and are not prejudicial to the Company or its minority Shareholders, and are made in accordance with the review procedures for interested person transactions as set out in the IPT Mandate.
- 2.2 **Proposed Renewal of the IPT Mandate.** The existing IPT Mandate was first approved by the Shareholders at the Extraordinary General Meeting of the Company held on 13 July 2012 and renewed at the 2014 AGM and will (unless revoked or varied by the Company at a general meeting) continue in force until the 2015 AGM scheduled to be held on 29 May 2015. Accordingly, the directors of the Company (the “**Directors**” or the “**Board**”) propose that the IPT Mandate be renewed at the forthcoming 2015 AGM in the terms of the Ordinary Resolution No 9 to be proposed at the AGM and (unless revoked or varied by the Company in a general meeting) to continue in force until the next AGM of the Company. Approval from the Shareholders will be sought for the renewal of the IPT Mandate on the day of the next AGM and each subsequent AGM of the Company, subject to satisfactory review by the audit committee of the Company (the “**Audit Committee**”) of the continued application to the IPT. The particulars of the IPT in respect of the existing IPT Mandate which is sought to be renewed remain unchanged. In addition, the review procedures in respect of the existing IPT Mandate which is sought to be renewed remain unchanged.
- 2.3 **Details of the IPT Mandate.** Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information relating to Chapter 9 of the SGX-ST Listing Manual, are set out in the Appendix to this Letter.
- 2.4 **Audit Committee.** The Audit Committee, comprising Mr Lee Gee Aik, Mr Ang Miah Kiang and Mr Marcus Chow Wen Kwan as at the date of this Letter, confirms that:
- (a) the methods and procedures for determining the transaction prices of the interested person transactions as set out in the Appendix of this Letter (“**Review Procedures**”) have not changed since Shareholders approved the IPT Mandate at the EGM; and
 - (b) the Review Procedures are sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

As at 21 April 2015, being the latest practicable date prior to the printing of this Letter (the "**Latest Practicable Date**"), the Directors who have an interest in the ordinary shares in the share capital of the Company are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Toh Choo Huat ⁽¹⁾	397,000	0.067	312,579,500	52.76
Toh Swee Kim ⁽²⁾	110,000	0.019	312,579,500	52.76
Toh Chew Leong ⁽³⁾	–	–	312,579,500	52.76
Koh Tiam Teng	29,008,571	4.90	–	–
Tan Teck Wei	15,011,935	2.53	–	–
Dr Low Boon Hwee	480,000	0.08	–	–
Substantial Shareholders (other than Directors)				
Zheng Choon Holding Pte. Ltd. ("Zheng Choon")	312,579,500	52.76	–	–
Toh Chew Chai ⁽⁴⁾	–	–	312,579,500	52.76
Seow Soon Kee ⁽⁵⁾	–	–	312,579,500	52.76
Hiap Hoe Investment Pte. Ltd.	88,268,000	14.9	–	–

Notes:

- (1) Mr Toh Choo Huat holds 26.4% of the shareholding in Zheng Choon. As such, Mr Toh Choo Huat is deemed to be interested in the Shares held by Zheng Choon. Ms Seow Soon Kee, the spouse of Mr Toh Choo Huat, holds 3.2% of the shares in Zheng Choon.
- (2) Mr Toh Swee Kim holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Swee Kim is deemed to be interested in the Shares held by Zheng Choon.
- (3) Mr Toh Chew Leong holds 24.6% of the shareholding in Zheng Choon. As such, Mr Toh Chew Leong is deemed to be interested in the Shares held by Zheng Choon.
- (4) Mr Toh Chew Chai holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Chew Chai is deemed to be interested in the Shares held by Zheng Choon.
- (5) Ms Seow Soon Kee is the spouse of Mr Toh Choo Huat, who is the Executive Chairman and Chief Executive Officer of the Company. Ms Seow Soon Kee holds 3.2% of the shareholding in Zheng Choon while Mr Toh Choo Huat holds 26.4% shareholding in Zheng Choon. As such, Ms Seow Soon Kee is deemed to be interested in the Shares held by Zheng Choon.

4. DIRECTORS' RECOMMENDATIONS

Proposed Renewal of the IPT Mandate.

In accordance with Rule 920(1)(b)(viii) of the SGX-ST Listing Manual, Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the SGX-ST Listing Manual, is deemed interested and shall abstain from making any recommendations in relation to the proposed renewal of the IPT Mandate. In addition, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong, being related persons ("**Related Persons**"), are deemed interested and shall also abstain from making any recommendations in relation to the proposed renewal of the IPT Mandate.

In view of this, the Directors who are deemed to be independent for the purposes of the IPT Mandate, being Mr Tan Teck Wei, Mr Lee Gee Aik, Mr Ang Miah Khiang, Mr Marcus Chow Wen Kwan and Dr Low Boon Hwee (“**Independent Directors**”) are of the opinion that the entry into the interested person transactions as described in the Appendix to this Letter between the classes of interested persons as described in the Appendix to this Letter, will enhance the efficiency of the Company, its subsidiaries and its associated companies and it is in the best interests of the Company. For the reasons set out in Paragraph 2 of the Appendix to this Letter, the Independent Directors recommend that the Shareholders vote **IN FAVOUR** of the ordinary resolution relating to the renewal of the IPT Mandate in the forthcoming 2015 AGM.

5. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excluded) from the date of this Letter up and including the date of the 2015 AGM:

- (a) the 2014 Annual Report; and
- (b) the Memorandum and Articles of Association of the Company.

6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading.

Where information in the Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Letter in its proper form and context.

7. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Yours faithfully

For and on behalf of the Board of Directors of
LEY CHOON GROUP HOLDINGS LIMITED

Mr Toh Choo Huat
Executive Chairman and Chief Executive Officer

APPENDIX

1. INTRODUCTION

- 1.1 Chapter 9 of the SGX-ST Listing Manual deals with transactions in which a listed company or any of its subsidiaries or associated companies (that are not listed on the SGX-ST or an approved exchange and which the listed company and/or any of its subsidiaries (the “**listed group**”), or the listed group and its interested person(s) have control over) proposes to enter into transactions with a party who is an interested person of the listed company, as defined in the SGX-ST Listing Manual and reiterated below (“**Interested Person Transactions**”).

For the purposes of Chapter 9 of the SGX-ST Listing Manual:

- (a) an “**interested person**” shall mean a director, chief executive officer or controlling shareholder of the listed company, or an associate of such director, chief executive officer or controlling shareholder;
 - (b) a “**controlling shareholder**” is a person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the listed company (unless otherwise excepted by the SGX-ST) or in fact exercises control over a company; and
 - (c) an “**Associate**” in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means his immediate family (i.e. spouse, children, adopted children, step-children, siblings and parents), the trustees of any trusts of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An “**associate**” in relation to a substantial shareholder or controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.
- 1.2 Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9 of the SGX-ST Listing Manual as well as any transactions that are below \$100,000, an immediate announcement and/or shareholders’ approval would be required in respect of transactions with interested persons if the designated financial thresholds are triggered. Specifically, an immediate announcement is required of transactions where:
- (a) the value of the proposed transaction is equal to or more than 3% of the latest audited Net Tangible Asset (“**NTA**”) of the listed group; or
 - (b) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year is equal to or more than 3% of the latest audited NTA of the listed group.

In addition to an immediate announcement, shareholders’ approval is required where:

- (a) the value of the proposed transaction is equal to or more than 5% of the latest audited NTA of the listed group; or

- (b) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year, is equal to or more than 5% of the latest audited NTA of the listed group.

For the purpose of aggregation, Interested/Related Person Transactions that are below \$100,000 each are to be excluded.

- 1.3 Part VIII of Chapter 9 of the SGX-ST Listing Manual permits a listed company to seek a general mandate from its shareholders for recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations such as the purchase or sale of supplies and materials, which may be carried out with interested persons of the listed company. It should be noted that no such mandate can be sought for the purchase or sale of assets, undertakings or businesses.
- 1.4 As at 31 December 2014, the NTA of the Ley Choon Group Holdings Limited, its subsidiaries and associated companies ("**LC Group**") was approximately S\$71 million. Accordingly, pursuant to the provisions of Chapter 9 of the SGX-ST Listing Manual, Shareholders' approval would be required where:
 - (a) the transaction is of a value equal to, or more than S\$3.5 million, being 5% of the NTA of the LC Group; or
 - (b) the transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is of a value equal to, or more than S\$3.5 million, being 5% of the NTA of the LC Group.
- 1.5 Any transactions between the LC Group and Interested Persons will be subject to such review procedures as described in Paragraph 7 of this Appendix. Details of the Interested Person Transactions which the Company is seeking the proposed renewal of the IPT Mandate for is set out in Paragraph 2 of this Appendix.
- 1.6 In addition to Interested Person Transactions, the LC Group may engage in transactions ("**Related Person Transactions**") with the following persons ("**Related Persons**"):
 - (a) Hen Sheng Civil Engineering Pte. Ltd. ("**Hen Sheng**") and its Associates;
 - (b) Mr Oh Kian Ann and his Associates. Mr Oh Kian Ann is the director and controlling shareholder of Hen Sheng. He is also the brother of Madam Oh Ah Ber, who is the spouse of Mr Toh Swee Kim who is one of the Executive Directors of the Company;
 - (c) Sing & San Construction Pte Ltd ("**Sing & San**") and its Associates; and
 - (d) Mr Toh Kah Sing and his Associates. Mr Toh Kah Sing is the director and substantial shareholder of Sing & San. He is also the son of the cousin of some of Executive Directors of the Company including, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim and the Company's Executive Officer, Mr Toh Chew Chai.

Details of the Related Person Transactions are set out in Paragraph 2 of this Appendix. The LC Group will also be subjecting Related Person Transactions to such review procedures as described in Paragraph 7 of this Appendix.

2. DETAILS OF INTERESTED/RELATED PERSON TRANSACTIONS

2.1 The Company intends to enter into recurrent interested/related person transactions as follows:

(a) Recurrent Interested Person Transactions with Interested Person

The LC Group is engaged in the business of pipe-laying and sewer pipeline rehabilitation. In connection with these businesses, the LC Group is required to purchase pipes and fittings such as valves, couplings and other related accessories.

The LC Group intends to purchase such pipes and fittings such as valves, couplings and other related accessories from Pan Asian Holdings Limited (formerly known as Pan Asian Water Solutions Limited) ("**Pan Asian**"), a company incorporated in Singapore. Pan Asian, a company listed on Catalist, the sponsor-supervised listing platform of the SGX-ST, is principally engaged in the provision of piping system solutions, primarily for the water purification and waste water treatment industry. It also supplies pipes (ductile iron pipes), fittings, valves, couplings and other accessories.

Pan Asian's executive chairman Mr Richard Koh Chye Heng is the brother of Mr Koh Tiam Teng, one of the Executive Directors of the Company. In addition, Mr Koh Tiam Teng was the managing director/chief executive officer of Pan Asian from 8 August 1992 to 28 May 2009. As at 8 August 2010, Mr Richard Koh Chye Heng was deemed to have a substantial interest in Pan Asian as he held 50% of the total issued shares in Xu Jia Zu Holdings Pte. Ltd. then, which in turn holds 75% of the total issued shares in Pan Asian. Accordingly, Mr Richard Koh Chye Heng, Xu Jia Zu Holdings Pte. Ltd. and Pan Asian are deemed to be Associates of Mr Koh Tiam Teng, a Director of the Company.

From time to time, the LC Group purchases pipes and fittings such as valves, couplings and other related accessories from Pan Asian.

Pan Asian's executive chairman, Mr Richard Koh Chye Heng is an Associate of Mr Koh Tiam Teng. In addition, Mr Koh Tiam Teng was the managing director/chief executive officer of Pan Asian from 8 August 1992 to 28 May 2009. Given the relationship between Mr Koh Tiam Teng and Mr Richard Koh Chye Heng, Pan Asian is considered an interested person of the LC Group under the definition of Chapter 9 of the SGX-ST Listing Manual. As such, the Company intends to renew the IPT mandate for future recurrent transactions with Pan Asian and its Associates.

(b) Recurrent Related Person Transactions with Related Persons

i. ***Sub-contracting and supply of goods and services between Hen Sheng and the LC Group***

The LC Group will continue to engage in the business of asphalt pre-mix production, provision of milling and patching services as well as construction and maintenance of roads and airfield.

In connection with these businesses, the LC Group intends to enter into the following transactions with Hen Sheng:

(aa) the sale of asphalt pre-mixes and the provision of milling and patching services to Hen Sheng; and

- (bb) the engagement of Hen Sheng as a sub-contractor for the provision of certain civil engineering services such as the construction of drains and roads.

Hen Sheng is a company incorporated in Singapore and is principally engaged in the provision of infrastructure engineering services and general building construction services. Hen Sheng's director and controlling shareholder, Mr Oh Kian Ann is the brother of Madam Oh Ah Ber, who is the spouse of the Mr Toh Swee Kim, one of the Executive Directors of the Company. Hen Sheng is principally engaged in the provision of infrastructure engineering services and general building construction services.

From time to time and in the ordinary course of business, the LC Group engaged and will continue to engage Hen Sheng as a sub-contractor for the provision of certain civil engineering services such as the construction of drains and roads for the projects which the LC Group has been awarded.

In addition, from time to time and in the ordinary course of business, the LC Group sold and may continue to sell asphalt pre-mixes and provide milling and patching services to Hen Sheng for projects which Hen Sheng has been awarded.

To ensure that any future sales transactions with Hen Sheng are conducted at arm's length and on normal commercial terms, the LC Group will subject the sales transactions with Hen Sheng, if any, to the review procedures set out in Paragraphs 7 and 8 of this Appendix.

The LC Group intends to continue transacting with Hen Sheng as long as the LC Group benefits commercially from such transactions. To ensure that any future appointments of Hen Sheng as a sub-contractor are conducted at arm's length and on normal commercial terms, the LC Group will subject the aforesaid future appointments, if any, to the review procedures set out in Paragraph 7 of this Appendix.

ii. ***Goods and services supplied to Sing & San***

The LC Group is engaged in the business of asphalt pre-mix production. In connection with its business, the LC Group intends to enter into transactions with Sing & San.

Sing & San is a company incorporated in Singapore and is principally engaged in the provision of non-building construction services. Its director and substantial shareholder, Mr Toh Kah Sing is the son of the cousin of some of the Directors namely, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim as well as one of the Executive Officers, Mr Toh Chew Chai.

From time to time and in the ordinary course of business:

- (aa) the LC Group sold and the LC Group may continue to sell asphalt pre-mixes to Sing & San; and
- (bb) the LC Group provided and the LC Group may continue to provide milling and patching services to Sing & San.

The LC Group intends to continue transacting with Sing & San as long as the LC Group benefits commercially from such transactions. To ensure that any future transactions with Sing & San are conducted at arm's length and on normal commercial terms, the LC Group will subject the aforesaid future transactions, if any, to the review procedures as set out in Paragraph 7 of this Appendix.

3. THE IPT MANDATE

3.1 The Company is proposing to obtain the Shareholders' approval for the renewal of the IPT Mandate at the 2015 AGM for the LC Group to enter into the following recurrent transactions with Interested Persons and/or Related Persons:

- (a) the purchase of ductile iron pipes, valves, gates, couplings and other related accessories from Interested Persons, namely Pan Asian and its Associates;
- (b) the sale of asphalt pre-mixes and provision of milling and patching services to Related Persons, namely Hen Sheng and its Associates and Sing & San and its Associates; and
- (c) the engagement of Related Persons, namely Hen Sheng and its Associates, as subcontractors for civil engineering services.

3.2 To the best of the LC Group's knowledge, it is not aware of any Associates of Hen Sheng or Sing & San with whom it or the LC Group might have cause to trade or carry on any other form of business activity and/or relationship with in their respective ordinary course of businesses. The LC Group has not traded or carried on any other form of business activity and/or relationship with any Associates of Hen Sheng and Sing & San in their last three financial years. As at the Latest Practicable Date, it is not expected that the LC Group will trade with or carry on any other form of business activity and/or relationship with any Associates of Hen Sheng and Sing & San. The inclusion of the Associates of Hen Sheng and Sing & San within the class of Related Persons is as a matter of completeness, such inclusion being consistent with the spirit of Chapter 9 of the SGX-ST Listing Manual.

4. RATIONALE FOR AND BENEFITS OF THE IPT MANDATE

4.1 Timely delivery is an essential element in the LC Group's business. If the LC Group were to announce and/or convene separate general meetings to seek Shareholders' approval on each occasion as and when potential transactions with Interested Persons or Related Persons arise, the LC Group may not be able to undertake such time sensitive commercial transactions with the Interested Persons or Related Persons. In addition, the LC Group will have to expend administrative time and resources as well as incur additional expenses associated with the convening of general meetings of Shareholders. The proposed renewal of the IPT Mandate allows companies in the LC Group to carry out potential transactions with Interested Persons or Related Persons in a timely manner and allows resources and time to be channelled towards the LC Group's other corporate objectives while ensuring such transactions are carried out on normal commercial terms that will not be prejudicial to the interest of the LC Group and its minority Shareholders.

4.2 The IPT Mandate and the renewal thereof on an annual basis, is intended to facilitate the Interested/Related Person Transactions in the ordinary course of business of the LC Group, which the Directors envisage are likely to be transacted with some frequency and from time to time with the specified classes of Interested Persons and/or Related Persons, provided that they are carried out on the LC Group's normal commercial terms and will not be prejudicial to the interests of the LC Group and the LC Group's minority Shareholders.

5. VALIDITY PERIOD OF THE IPT MANDATE

- 5.1 In accordance with Rule 920(1)(b)(viii) of the SGX-ST Listing Manual, Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the SGX-ST Listing Manual, will abstain and will procure his Associates to abstain from voting on the resolution(s) which approved, *inter alia*, the adoption of the proposed renewal of the IPT Mandate. In addition, the Directors, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong and the Executive Officer, Mr Toh Chew Chai, being Related Persons, will abstain and will procure their Associates to abstain from voting on the resolutions which approved, *inter alia*, the adoption of the proposed renewal of the IPT Mandate.
- 5.2 The proposed renewal of the IPT Mandate will take effect from the date of receipt of the Shareholders' approval, and will (unless revoked or varied by the LC Group in general meeting) continue in force until the next annual general meeting of the Company.
- 5.3 The Company will seek the approval of the Shareholders for the renewal of the IPT Mandate at every subsequent annual general meeting of the Company. The renewal of the IPT Mandate shall be subject to satisfactory review by the Audit Committee of its continued application to the Interested/Related Person Transactions. Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the SGX-ST Listing Manual, will abstain and procure his Associates to abstain from voting on the resolution(s) which approved, *inter alia*, the renewal of the IPT Mandate. The Directors, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong and the Executive Officer, Mr Toh Chew Chai, being related persons, will also abstain and procure their Associates to abstain from voting on the resolutions which approved, *inter alia*, the renewal of the IPT Mandate.

6. DISCLOSURE IN ANNUAL REPORT

- 6.1 The Company will announce the aggregate value of transactions conducted with Interested Persons and/or Related Persons pursuant to the IPT Mandate for each financial period on which the Company is required to report pursuant to the SGX-ST Listing Manual and within the time required for the announcement of such report in accordance with Rule 920(1)(a)(ii) of the SGX-ST Listing Manual.
- 6.2 The Company is required, under Rule 920(1)(a)(i) of the SGX-ST Listing Manual, to disclose in the Company's annual report the aggregate value of transactions conducted pursuant to the IPT Mandate during the current financial year, as well as in the annual reports for the subsequent financial years during which the IPT Mandate is in force. The names of the Interested Persons and/or Related Persons and the corresponding aggregate value of the Interested/Related Person Transactions will be presented in the following format:

Name of Interested Person and/or Related Person	Aggregate value of all Interested/Related Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under IPT Mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all Interested/Related Person Transactions conducted under the IPT Mandate (excluding transactions less than \$100,000) pursuant to Rule 920 of the SGX-ST Listing Manual
[Name]	[Value]	[Value]

7. REVIEW PROCEDURES FOR ALL INTERESTED/RELATED PERSON TRANSACTIONS

- 7.1 To ensure that the Interested/Related Person Transactions are conducted on normal commercial terms consistent with the LC Group's usual business practices and on terms which are generally no more favourable than those extended to unrelated third parties, as a general practice, the LC Group will only enter into transactions with an Interested Person or a Related Person if the terms offered by/extended to the Interested Person or Related Person are no less/more favourable than that offered by/extended to unrelated third parties.
- 7.2 In particular, the following procedures will be implemented to ensure that all Interested/Related Person Transactions are undertaken on normal commercial terms:
- (a) In the case of a purchase from or procurement of services from an Interested Person or a Related Person, the LC Group shall require that quotations be obtained from such Interested Person or Related Person and at least two other quotations from unrelated third parties.
 - (b) In the case of a sale to or provision of services to an Interested Person or a Related Person, comparison will be made with reference to (i) at least two latest similar transactions between the LC Group and unrelated third parties or (ii) if relevant market rates from independent sources are available, such market rates.
- 7.3 The LC Group will only enter into transactions with such Interested Person or Related Person provided the quotation offered by the Interested Person or Related Person (in the case of a purchase from or procurement of services from an Interested Person or a Related Person) and/or the sales terms offered to the Interested Person or Related Person (in the case of a sale to or provision of services to an Interested Person or a Related Person), after taking into consideration various factors including, *inter alia*, credit standing, volume of transactions, delivery requirements, age of products, product attachments, tenure of business relationship and potential for future repeat business, are no less/more favourable than that offered by unrelated/or extended to third parties.
- 7.4 In addition to the procedures set out above, the LC Group will monitor the Interested/Related Person Transactions covered by the proposed IPT Mandate by categorising the transactions as follows:
- (a) a "Category 1 Interested/Related Person Transaction" is one where the value thereof is in excess 3% of consolidated NTA of the LC Group, which as at 31 December 2014 was approximately S\$2.1 million; and
 - (b) a "Category 2 Interested/Related Person Transaction" is one where the value is below or equal to 3% of consolidated NTA of the LC Group, which as at 31 December 2014 was approximately S\$2.1 million.

Category 1 Interested/Related Person Transactions must be approved by the Audit Committee prior to their entry.

Category 2 Interested/Related Person Transactions need not have the prior approval of the Audit Committee but shall be reviewed on a quarterly basis by the Audit Committee to ensure that they are carried out on normal commercial terms, in accordance with the procedures outlined above. All relevant non-quantitative factors such as the nature of services provided and prevailing market conditions will also be taken into account and recorded accordingly.

- 7.5 Where the aggregate value of a Category 2 Interested/Related Person Transaction and prior Interested/Related Person Transactions with the same Interested Person or Related Person in the current financial year is equal to or more than 3% of the LC Group's latest NTA, the latest and all future transactions which are equal to or above \$100,000 must be approved by the Audit Committee prior to entry.

8. GENERAL ADMINISTRATION PROCEDURES FOR ALL INTERESTED/RELATED PERSON TRANSACTIONS

- 8.1 The LC Group has also implemented the following procedures for the identification of Interested Persons and/or Related Persons and the record of all Interested/Related Person Transactions:

- (a) The Company's finance department will maintain a master list of Interested Persons and Related Persons, which is to be updated on a quarterly basis and disclose the list to relevant personnel of the LC Group (such as the Board, Human Resource Manager, Procurement Manager and Marketing Manager) to enable the identification of Interested Persons and Related Persons. This master list of Interested Persons and Related Persons will be reviewed by the Audit Committee on a quarterly basis.
- (b) Subsidiaries and associated companies of the LC Group are required to inform the Company's Finance Department of any significant upcoming transactions with Interested Persons or Related Persons so as to obtain the prior approval of the Audit Committee or Shareholders, where necessary.
- (c) All Interested/Related Person Transactions (entered into pursuant to the Proposed IPT Mandate) (including the factors that have been taken into account in arriving at the purchase or sales terms) shall be recorded and maintained in a register by the Company's Finance Department and submitted to the Audit Committee for review on a quarterly basis. Transactions below \$100,000 shall be recorded and maintained in a separate register and submitted to the Audit Committee for review upon request. The Chief Financial Officer (not being an "Interested Person" within the meaning of Chapter 9 of the SGX-ST Listing Manual) will be responsible to ensure that the registers of the Interested/Related Person Transactions are properly updated.
- (d) All Interested/Related Person Transactions, including the review procedures established in respect thereof, will be reviewed by the LC Group's internal auditors or compliance officers as part of the LC Group's standard internal audit process. Such compliance review will be performed on a quarterly basis and a quarterly report on such transactions will be forwarded to the Audit Committee. Save for Interested/Related Person Transactions for which approval of the Audit Committee will be required prior to the entry thereof, the Interested/Related Person Transactions set out in the quarterly report of the LC Group's internal auditors or compliance officers will be reviewed by the Audit Committee at quarterly meetings.
- (e) As mentioned in sub-paragraph (d) above, the Audit Committee will carry out quarterly reviews to ensure that the established guidelines and procedures for Interested/Related Person Transactions have been complied with and the relevant approvals obtained. If during these quarterly reviews, the Audit Committee is of the view that the above guidelines and procedures are not sufficient to ensure that the Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the LC Group and the Company's minority Shareholders, the LC Group will revert to the Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Interested

Persons and/or Related Persons. During the period prior to obtaining a fresh mandate from the Shareholders, all transactions with Interested Persons and/or Related Persons will be subject to prior review and approval by the Audit Committee.

- (f) In the event that a member of the Audit Committee (where applicable) is interested in any Interested/Related Person Transactions, he/she will abstain from reviewing that particular transaction to ensure that the Interested/Related Person Transaction will be carried out on normal commercial terms. Approval of that transaction will accordingly be undertaken by the remaining members of the Audit Committee.
- (g) The Board will ensure that all disclosure, approval and other requirements on Interested/Related Person Transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting standards, will be complied with.
- (h) The Audit Committee shall have overall responsibility for the determination of the review procedures and shall have the authority to delegate such responsibility to individuals or committees within the Company as they deem appropriate.

9. STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee has reviewed the review procedures, as set out in Paragraph 7 of this Appendix, as proposed by the Company for determining the terms of the Interested/Related Person Transactions, and having also considered, *inter alia*, the terms, the rationale and the benefits of the proposed IPT Mandate as set out in Paragraph 4 of this Letter, the Audit Committee is satisfied that the review procedures for the Interested/Related Person Transactions, as well as the quarterly reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that the recurrent Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders.

10. POTENTIAL CONFLICTS OF INTERESTS

- 10.1 In general, a conflict of interest arises when any of the Directors, Controlling Shareholders or their Associates is carrying on or has any interest in any other corporation carrying on the same business or dealing in similar products as the LC Group.
- 10.2 Pan Asian is a company incorporated in Singapore and its executive chairman Mr Richard Koh Chye Heng is the brother of one of the Directors, Mr Koh Tiam Teng. In addition, Mr Koh Tiam Teng was the managing director/chief executive officer of Pan Asian from 8 August 1992 to 28 May 2009. As at 8 August 2010, Mr Richard Koh Chye Heng was deemed to have a substantial interest in Pan Asian as he held 50% of the total issued shares in Xu Jia Zu Holdings Pte. Ltd. then which in turn holds 75% of the total issued shares in Pan Asian. Accordingly, Mr Richard Koh Chye Heng, Xu Jia Zu Holdings Pte. Ltd. and Pan Asian are deemed to be Associates of Mr Koh Tiam Teng.
- 10.3 Pan Asian is principally engaged in the provision of piping system solutions, primarily for the water purification and waste water treatment industry. It also supplies pipes (ductile iron pipes), fittings, valves, couplings and other accessories.

- 10.4 To the best of the Directors' knowledge, Pan Asian does not carry out the business of providing the services of sewer pipeline rehabilitation or pipe/cable laying. Further, to the best of the Directors' knowledge, the provision of piping system solutions by Pan Asian does not involve the provision of piping installation and/or construction services.
- 10.5 Accordingly, the Directors are of the view that the businesses of Pan Asian are currently not in conflict with the businesses of the LC Group. However, as none of the Directors is currently involved with the management of Pan Asian's businesses, the Directors may not be aware of certain circumstances which might result in the businesses of Pan Asian coming into conflict with the businesses of the LC Group. The Shareholders, as investors, are advised to consult their legal, financial, tax or other professional adviser should they wish to find out more about the businesses of Pan Asian.
- 10.6 Save as disclosed in this Letter:
- (a) none of the LC Group's Directors, Executive Officers or Controlling Shareholders or their respective Associates has any interest, direct or indirect, in any transaction to which the LC Group was or is to be a party;
 - (b) none of the LC Group's Directors, Executive Officers or Controlling Shareholders or their respective Associates has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as the LC Group; and
 - (c) none of the LC Group's Directors, Executive Officers or Controlling Shareholders or their respective Associates has any interest, direct or indirect, in any enterprise or company that is a customer of, or a supplier of goods or services to, the LC Group.

11. DIRECTORS' RECOMMENDATIONS

- 11.1 In accordance with Rule 920(1)(b)(viii) of the SGX-ST Listing Manual, Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the SGX-ST Listing Manual, is deemed interested and shall abstain from making any recommendations in relation to the proposed renewal of the IPT Mandate. In addition, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong, being Related Persons, are deemed interested and shall also abstain from making any recommendations in relation to the proposed renewal of the IPT Mandate.
- 11.2 In view of the above, the Directors who are considered independent for the purpose of the proposed renewal of the IPT Mandate are Mr Tan Teck Wei, Mr Lee Gee Aik, Mr Ang Miah Khiang, Mr Marcus Chow Wen Kwan and Dr Low Boon Hwee (the "**Independent Directors**"). The Independent Directors are of the opinion, after taking into account, *inter alia*, the rationale and the benefits of the IPT Mandate and the statement of the Audit Committee, that it is in the interests of the Company to enter into Interested Person Transactions in its normal course of business with the Interested Persons/Related Persons described in Paragraph 4 of the Appendix provided that such transactions are made at arm's length, and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures set out in Paragraphs 7 and 8 of this Appendix. The Independent Directors accordingly recommend that Shareholders vote **IN FAVOUR** of the Ordinary Resolution set out in the Notice of AGM.

12. SHAREHOLDERS WHO SHOULD ABSTAIN FROM VOTING

- 12.1 Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the SGX-ST Listing Manual, is deemed interested and accordingly, he and his Associate(s) shall abstain from voting on the Ordinary Resolution set out in the Notice of AGM. In addition, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong and Mr Toh Chew Chai being Related Persons, are deemed interested and accordingly, they and their Associate(s) shall also abstain from voting on the Ordinary Resolution set out in the Notice of AGM.
- 12.2 Each of Mr Koh Tiam Teng, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong and Mr Toh Chew Chai and their respective Associates will also decline to accept appointment as proxies for any Shareholder to vote in respect of the Ordinary Resolution relating to the IPT Mandate that is proposed to be renewed, unless the Shareholder concerned shall have given specific instructions in his/her proxy form as to the manner in which his/her votes are to be cast in respect of the said resolution.

