

LEY CHOON GROUP HOLDINGS LIMITED

SECOND QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3, Q4), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	2 nd Quarter ended			6 Months		
	30 June	30 June		30 June	30 June	
	2015	2014	Change	2015	2014	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	4,431	26,763	(83.4)	33,517	71,661	(53.2)
Cost of sales	(29,759)	(47,929)	(37.9)	(55,822)	(86,664)	(35.6)
Gross loss	(25,328)	(21,166)	19.7	(22,305)	(15,003)	48.7
Other income	1,025	690	48.6	2,058	1,629	26.3
Distribution expenses	(185)	(332)	(44.3)	(484)	(723)	(33.1)
Administrative expenses	(5,667)	(4,381)	29.4	(11,131)	(8,070)	37.9
Other operating expenses	(35)	(43)	(18.6)	(74)	(44)	(68.2)
Results from operating activities	(30,190)	(25,232)	19.6	(31,936)	(22,211)	43.8
Finance costs	(1,233)	(1,068)	15.4	(2,467)	(2,509)	(1.7)
Loss before tax	(31,423)	(26,300)	19.5	(34,403)	(24,720)	39.2
Tax (expense)/credit	(38)	337	n/m	(389)	(197)	97.5
Loss for the period	(31,461)	(25,963)	21.2	(34,792)	(24,917)	39.6
Other comprehensive (loss)/income						
Foreign currency translation differences – foreign operations	(497)	(172)	189.0	187	(958)	n/m
Total comprehensive loss for the period	(31,958)	(26,135)	22.3	(34,605)	(25,875)	33.7

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	2nd Quarter ended			6 Months Period ended		
	30 June 2015	30 June 2014		30 June 2015	30 June 2014	
	\$'000	\$'000	Change %	\$'000	\$'000	Change %
(Loss)/Profit attributable to:						
Owners of the Company	(31,512)	(26,052)	21.0	(34,792)	(25,043)	38.9
Non-controlling interests	51	89	(42.7)	-	126	n/m
Loss for the period	(31,461)	(25,963)	21.2	(34,792)	(24,917)	39.6
Total comprehensive (loss)/income attributable to:						
Owners of the Company	(32,009)	(26,224)	22.1	(34,605)	(26,001)	33.1
Non-controlling interests	51	89	(42.7)	-	126	n/m
Total comprehensive loss for the period	(31,958)	(26,135)	22.3	(34,605)	(25,875)	33.7

n/m – not meaningful

1(a)(ii) Notes to consolidated statement of comprehensive income

The statement of comprehensive income is arrived at after charging/(crediting) the following:

	2nd Quarter ended			6 Months Period ended		
	30 June 2015	30 June 2014		30 June 2015	30 June 2014	
	\$'000	\$'000	Change %	\$'000	\$'000	Change %
Bad debts written off	-	7	n/m	-	7	n/m
Allowance for impairment loss on trade receivables	1	-	n/m	33	-	n/m
Amortisation of lease prepayment	19	16	18.8	38	33	15.2
Depreciation of property, plant and equipment	3,338	2,356	41.7	6,826	4,647	46.9
Depreciation of investment property	-	7	n/m	-	14	n/m
Foreign exchange gain, net	(207)	-	n/m	(108)	-	n/m
Change in fair value of financial assets designated at fair value through profit or loss	36	(1)	n/m	36	(1)	n/m
Interest income	(17)	(11)	54.5	(31)	(18)	72.2
Dividend income from quoted shares	(2)	(1)	100	(2)	(1)	100
(Gain)/Loss on disposal of property, plant and equipment	(165)	32	n/m	(292)	60	n/m
Finance costs	1,233	1,068	15.4	2,467	2,509	(1.7)

1(a)(ii) Notes to consolidated statement of comprehensive income (cont'd)

	2 nd Quarter ended			6 Months		
	30 June	30 June	Change	30 June	30 June	Change
	2015	2014		2015	2014	
	\$'000	\$'000	%	\$'000	\$'000	%
Provision for liquidated damages	589	-	n/m	589	-	n/m
Gain on disposal of subsidiary	(7)	-	n/m	(7)	-	n/m
Operating lease expenses	402	528	(23.9)	817	1,225	(33.3)

n/m – not meaningful

1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	As at 30 June 2015 \$'000	As at 31 Dec 2014 \$'000	As at 30 June 2015 \$'000	As at 31 Dec 2014 \$'000
Assets				
Lease prepayment	3,473	3,477	-	-
Property, plant and equipment	82,796	89,616	-	-
Investments in subsidiaries	-	-	95,904	70,464
Club membership	229	229	-	-
Deferred tax assets	909	799	154	154
Non-current assets	<u>87,407</u>	<u>94,121</u>	<u>96,058</u>	<u>70,618</u>
Inventories	5,488	6,276	-	-
Development property	17,567	15,940	-	-
Contracts work-in-progress	51,853	95,697	-	-
Trade and other receivables	29,578	30,923	32,763	42,271
Financial assets designated at fair value through profit or loss	49	85	-	-
Cash and cash equivalents	<u>11,589</u>	<u>20,195</u>	<u>25</u>	<u>52</u>
Current assets	<u>116,124</u>	<u>169,116</u>	<u>32,788</u>	<u>42,323</u>
Total assets	<u>203,531</u>	<u>263,237</u>	<u>128,846</u>	<u>112,941</u>
Equity				
Share capital	71,117	71,117	137,336	137,336
Capital reserve	146	146	(981)	(981)
Foreign currency translation reserve	1,736	1,549	-	-
Accumulated losses	<u>(37,140)</u>	<u>(2,348)</u>	<u>(39,474)</u>	<u>(38,481)</u>
Equity attributable to owners of the Company	<u>35,859</u>	<u>70,464</u>	<u>96,881</u>	<u>97,874</u>
Non-controlling interests	<u>-</u>	<u>460</u>	<u>-</u>	<u>-</u>
Total equity	<u>35,859</u>	<u>70,924</u>	<u>96,881</u>	<u>97,874</u>

1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year (cont'd)

	Group		Company	
	As at 30 June 2015 \$'000	As at 31 Dec 2014 \$'000	As at 30 June 2015 \$'000	As at 31 Dec 2014 \$'000
Liabilities				
Loans and borrowings	48,861	43,313	14,685	14,609
Non-current liabilities	48,861	43,313	14,685	14,609
Loans and borrowings	72,501	96,492	2,542	-
Trade and other payables	39,514	46,301	14,738	458
Provisions	6,796	6,207	-	-
Current liabilities	118,811	149,000	17,280	458
Total liabilities	167,672	192,313	31,965	15,067
Total equity and liabilities	203,531	263,237	128,846	112,941

1(b)(ii) Aggregate amount of the Group's borrowing and debt securities

(a) Amount repayable in one year or less, or on demand

	Group	
	As at 30 June 2015 \$'000	As at 31 Dec 2014 \$'000
<u>Unsecured</u>		
Loan from controlling shareholders	2,542	-
<u>Secured</u>		
Bank overdrafts	8,850	11,479
Bank loans	30,910	44,881
Bills payable	23,370	33,137
Finance lease liabilities	6,829	6,995
	69,959	96,492
Total	72,501	96,492

(b) Amount repayable after one year

	Group	
	As at 30 June 2015 \$'000	As at 31 Dec 2014 \$'000
<u>Unsecured</u>		
Convertible bond	14,685	14,609
<u>Secured</u>		
Bank loans	27,483	22,231
Finance lease liabilities	6,693	6,473
	34,176	28,704
Total	48,861	43,313

(c) Details of any collateral

Bank overdrafts, bills payable and bank loans are secured by the following:

- (i) legal mortgage over the Group's leasehold properties;
- (ii) charge over certain of the Group's plant and equipment;
- (iii) legal mortgage over the Group's development property;
- (iv) joint and several guarantees by certain directors of the Company; and
- (v) fixed deposits of the Group.

The Group's lease obligations under finance lease are secured by the lessor's title to the leased assets. The carrying value of the assets under finance lease is \$23.7 million as at 30 June 2015.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	6 Months Period ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Cash flows from operating activities:		
Loss for the year	(34,792)	(24,917)
Adjustments for:		
Bad debts written off	-	7
Amortisation of lease prepayment	38	33
Depreciation of investment property	-	14
Depreciation of property, plant and equipment	6,826	4,647
Allowance for impairment loss on trade receivables	33	-
Provision for liquidated damages	589	-
Change in fair value of financial assets designated at fair value through profit or loss	36	(1)
(Gain)/loss on disposal of property, plant and equipment	(292)	60
Gain on disposal of subsidiary	(7)	-
Dividend income from quoted shares	(2)	(1)
Interest income	(31)	(18)
Finance costs	2,467	2,509
Tax expense	389	197
	(24,746)	(17,470)
Changes in working capital:		
Development property	(1,627)	(1,675)
Inventories	151	(925)
Contracts work-in-progress	40,501	11,264
Trade and other receivables	(10,701)	13,001
Trade and other payables	7,331	(3,120)
Cash generated from operations	10,909	1,075
Tax paid	(44)	(960)
Net cash generated from operating activities	10,865	115
Cash flows from investing activities:		
Interest received	31	18
Acquisition of property, plant and equipment	(1,367)	(7,752)
Proceeds from disposal of property, plant and equipment	821	765
Dividend income from quoted shares	2	1
Effect of disposal of a subsidiary (see Note 1)	(1,476)	-
Net cash used in investing activities	(1,989)	(6,968)
Cash flows from financing activities:		
Interest paid	(2,467)	(2,509)
Proceeds from issue of convertible bonds	-	14,700
Proceeds from bank borrowings	14,858	12,000
Proceeds from bill payables	46,696	52,427
Repayment of bank borrowings	(22,230)	(22,488)
Repayment of bill payables	(50,362)	(65,130)
Repayment of finance lease liabilities	(3,874)	(3,780)
Balances with related parties (non-trade)	-	519
Loan from controlling shareholders	2,605	-
Repayment of loan from controlling shareholders	(200)	-
Decrease in fixed deposits pledged with bank	159	4,778

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	6 Months Period ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Dividends paid	-	(1,482)
Net cash used in financing activities	(14,815)	(10,965)
Net decrease in cash and cash equivalents	(5,939)	(17,818)
Cash and cash equivalents at beginning of period	1,529	19,768
Effect of exchange rate fluctuations on cash held	121	(347)
Cash and cash equivalents at end of period	(4,289)	1,603
Cash and cash equivalents		
Cash at bank and on hand	4,561	13,502
Fixed deposits	7,028	7,721
	11,589	21,223
Bank overdrafts	(8,850)	(11,899)
Deposits pledged	(7,028)	(7,721)
Cash and cash equivalents in the unaudited consolidated statement of cash flows	(4,289)	1,603

During the 6 months period ended 30 June 2015, the Group acquired property, plant and equipment with an aggregate cost of \$2,143,000 (6 months period ended 30 June 2014: \$11,780,000), of which \$776,000 (6 months period ended 30 June 2014: \$4,028,000) were acquired under finance leases.

Note (1)

Summary of effect of disposal of a subsidiary

	2015 \$'000
<u>Ley Choon EWC Sdn Bhd</u>	
Property, plant and equipment	1,713
Trade and other receivables	11,516
Inventories	640
Contracts work-in-progress	4,266
Cash and cash equivalents	1,962
Trade and other payables	(11,491)
Loans and borrowings	(7,652)
Provision for income tax	(14)
Net assets	940
Group's share of net assets disposed	479
Gain on disposal of subsidiary	7
Consideration received	486
Less: Cash disposed	(1,962)
Net cash outflow	(1,476)

1(d)(i) A statement showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Actual Group	Share capital \$'000	Accumulated profits/(losses) \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
At 1 January 2014	71,117	35,131	-	576	106,824	351	107,175
Total comprehensive (loss)/income for the period							
(Loss)/Profit for the period	-	(25,043)	-	-	(25,043)	126	(24,917)
Other comprehensive income							
Foreign currency translation differences	-	-	-	(958)	(958)	-	(958)
Total other comprehensive loss for the period	-	-	-	(958)	(958)	-	(958)
Total comprehensive (loss)/income	-	(25,043)	-	(958)	(26,001)	126	(25,875)
Transactions with owners recognised directly in equity							
One-tier tax exempt final dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2013	-	(1,482)	-	-	(1,482)	-	(1,482)
Issue of convertible bonds	-	-	146	-	146	-	146
Total transactions with owners	-	(1,482)	146	-	(1,336)	-	(1,336)
At 30 June 2014	71,117	8,606	146	(382)	79,487	477	79,964
At 1 January 2015	71,117	(2,348)	146	1,549	70,464	460	70,924
Total comprehensive loss for the period							
Loss for the period	-	(34,792)	-	-	(34,792)	-	(34,792)
Other comprehensive income							
Foreign currency translation differences	-	-	-	187	187	-	187
Total other comprehensive income for the period	-	-	-	187	187	-	187
Total comprehensive income/(loss)	-	(34,792)	-	187	(34,605)	-	(34,605)

1(d)(i) A statement showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Actual Group	Share capital \$'000	Accumulated profits/(losses) \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
Change in ownership interest in subsidiaries							
Disposal of non-controlling interest without a change in control	-	-	-	-	-	(460)	(460)
Total change in ownership interest in subsidiaries	-	-	-	-	-	(460)	(460)
At 30 June 2015	71,117	(37,140)	146	1,736	35,859	-	35,859

Company	Share capital \$'000	Capital reserve \$'000	Accumulated (losses)/profits \$'000	Total \$'000
At 1 January 2014	137,336	(1,127)	3,825	140,034
Total comprehensive loss for the period				
Loss for the period/Total comprehensive loss	-	-	(538)	(538)
Transactions with owners recognised directly in equity				
One-tier tax exempt final dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2013	-	-	(1,482)	(1,482)
Issue of convertible bonds	-	146	-	146
Total transactions with owners	-	146	(1,482)	(1,336)
At 30 June 2014	137,336	(981)	1,805	138,160
At 1 January 2015	137,336	(981)	(38,481)	97,874
Total comprehensive loss for the period				
Loss for the period/Total comprehensive loss	-	-	(993)	(993)
At 30 June 2015	137,336	(981)	(39,474)	96,881

1(d)(ii) Details of any changes in the company's share capital arising from right issues, bonus issue, share buy-back, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital since the end of the previous period reported on.

As at 30 June 2015 (and 31 December 2014), the Company's issued and paid-up share capital was S\$137,336,285 (and S\$137,336,285).

There was no treasury share held by the Company.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Actual	30 June 2015	31 December 2014
Total number of issued shares excluding treasury shares	592,406,996	592,406,996

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standards or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

There were no significant changes in accounting policies and methods of computation adopted in financial statements for the current reporting period as compared to the most recent audited annual financial statements for the period ended 31 December 2014.

5. **If there are any changes in the accounting policies and method of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per share (EPS)	2 nd Quarter ended		6 months Period ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
<u>Continuing operations</u>				
EPS based on weighted average number of ordinary shares on issue (cents)	(5.32)	(4.40)	(5.87)	(4.23)
EPS based on a fully diluted basis	(5.32)	(4.40)	(5.87)	(4.23)
Weighted average number of shares	592,406,996	592,406,996	592,406,996	592,406,996

As at the reporting date, convertible bonds were excluded from the diluted weighted average number of ordinary shares calculation as their effect is anti-dilutive.

7. **Net assets value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) **current financial period reported on; and**
(b) **immediately preceding financial year**

Net asset value (NAV)	Group		Company	
	As at 30 Jun 2015	As at 31 Dec 2014	As at 30 Jun 2015	As at 31 Dec 2014
NAV per ordinary share (cents)	6.05	11.89	16.35	16.52
Number of shares	592,406,996	592,406,996	592,406,996	592,406,996

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.**

Comprehensive income statement

Second quarter review – Q2FY15 vs Q2FY14

Revenue

Revenue decreased by approximately \$22.4 million or 83.4% to \$4.4 million for the second quarter ended 30 June 2015 ("Q2FY15") compared to the corresponding quarter ended 30 June 2014 ("Q2FY14") of \$26.8 million. The decrease was mainly attributable to adjustments in revenue previously recognized due to the followings:

- i) work done but disagreed by customers due to deviation from the original scope of work and hence not claimable amounting to approximately \$3.6 million from five pipe projects;
- ii) variation in contract sum and budgeted cost for the following:
 - (a) approximately \$10.0 million for three cable projects due to reduction in quantity following final quantity surveying exercise at completion;
 - (b) approximately \$6.2 million for four roadwork projects due to extension of contract; and
 - (c) approximately \$1.9 million for two oil and gas projects due to change of work method which resulted in lower rate;
- iii) additional costs provided to complete certain on-going projects where as a result of our percentage of cost revenue recognition policy we are required to adjust revenue amounting to approximately \$2.7 million for a sewer diversion project due to extension of completion deadline as well as further aggravation of soil condition.

Excluding the effects of the above adjustments, the revenue would have been \$28.8 million.

Gross loss

Gross loss increased by approximately 19.7% to \$25.3 million for Q2FY15 compared to approximately \$21.2 million for Q2FY14 due to reasons explained above as well as the following:

- i) estimated liquidated damages due to delay in completion of a sewer diversion project amounting to approximately \$0.6 million;
- ii) estimated foreseeable losses for on-going projects due to additional work to be performed to complete the projects amounting to approximately \$1.4 million; and
- iii) provision for rectification work for a completed project amounting to approximately \$0.3 million

Excluding the effects of the above adjustments, the gross profit would have been \$1.4 million or 4.9%.

Other income

Other income for Q2FY15 increased by approximately \$0.3 million or 48.6% to \$1.0 million compared to Q2FY14 due mainly to gain on disposal of property, plant and equipment and foreign exchange gain.

Distribution expenses

Distribution expenses for Q2FY15 decreased by approximately \$0.1 million or 44.3% to \$0.2 million compared to Q2FY14 due mainly to less travelling and insurance expenses.

Administrative expenses

Administrative expenses for Q2FY15 increased by approximately \$1.3 million or 29.4% to \$5.7 million compared to Q2FY14 due mainly to increases in depreciation of the new office building and professional fees.

Finance costs

Finance costs for Q2FY15 increased by approximately \$0.2 million or 15.4% to \$1.2 million compared to Q2FY14 due to changes in borrowing mix during the period.

Income tax

Income tax expense for Q2FY15 amounted to \$0.1 million, as opposed to a tax credit of \$0.3 million in Q2FY14.

Net loss after tax

The Group reported a net loss after tax of \$31.4 million for Q2FY15 compared to a net loss after tax of \$26.0 million for Q2FY14 due to the various reasons as disclosed above.

Excluding the effects of the above adjustments, net loss after tax would have been \$4.7 million.

Six months review – 6MFY15 vs 6MFY14

Revenue

Revenue decreased by approximately \$38.2 million or 53.2% to \$33.5 million for the six months ended 30 June 2015 ("6MFY15") compared to the corresponding six months ended 30 June 2014 ("6MFY14") of \$71.7 million. The decrease was mainly attributable to adjustments in revenue previously recognized due to the following:

- i) work done but disagreed by customers due to deviation from the original scope of work and hence not claimable amounting to approximately \$3.6 million from five pipe projects;
- ii) variation in contract sum and budgeted cost for the following:
 - (a) approximately \$10.0 million for three cable projects due to reduction in quantity following final quantity surveying exercise at completion;
 - (b) approximately \$6.2 million for four roadwork projects due to extension of contract; and
 - (c) approximately \$1.9 million for two oil and gas projects due to change of work method which resulted in lower rate;
- iii) additional costs provided to complete certain on-going projects where as a result of our percentage of cost revenue recognition policy we are required to adjust revenue amounting to approximately \$2.7 million for a sewer diversion project due to extension of completion deadline as well as further aggravation of soil condition.

Excluding the effects of the above adjustments, the revenue would have been \$57.9 million.

Gross loss

Gross loss increased by approximately 48.7% to \$22.3 million for 6MFY15 compared to approximately \$15.0 million for 6MFY14 due to reasons explained above as well as the following:

- i) estimated liquidated damages due to delay in completion of a sewer diversion project amounting to approximately \$0.6 million;
- ii) estimated foreseeable losses for on-going projects due to additional work to be performed to complete the projects amounting to approximately \$1.4 million; and
- iii) provision for rectification work for a completed project amounting to approximately \$0.3 million

Excluding the effects of the above adjustments, the gross profit would have been \$4.4 million or 7.6%.

Other income

Other income for 6MFY15 increased by approximately \$0.4 million or 26.3% to \$2.0 million compared to 6MFY14 due mainly to gain on disposal of property, plant and equipment and foreign exchange gain.

Distribution expenses

Distribution expenses for 6MFY15 decreased by approximately \$0.2 million or 33.1% to \$0.5 million compared to 6MFY14 mainly to less travelling and insurance expenses.

Administrative expenses

Administrative expenses for 6MFY15 increased by approximately \$3.0 million or 37.9% to \$11.1 million compared to 6MFY14 due mainly to increases in depreciation of the new office building, administrative staff costs, professional fees and office overheads.

Finance costs

Finance costs for 6MFY15 decreased marginally by 1.7% to \$2.5 million compared to 6MFY14 due mainly to decline in short-term borrowings during the period.

Income tax

Income tax for 6MFY15 increased by approximately \$0.2 million or 97.5% to \$0.4 million compared to 6MFY14 due mainly to more taxable profit for certain entities.

Net loss after tax

The Group reported a net loss after tax of \$34.8 million for 6MFY15 compared to a net loss after tax of \$24.9 million for 6MFY14 due to the various reasons as disclosed above.

Excluding the effects of the above adjustments, net loss after tax would have been \$8.1 million

Consolidated Statement of financial position

Non-current assets

The Group's property, plant and equipment decreased by \$6.8 million from \$89.6 million as at 31 December 2014 to \$82.8 million as at 30 June 2015, mainly due to the following:

- (a) disposal of certain property, plant and equipment;
- (b) depreciation of new office building located at No. 3 Sungei Kadut Drive, Singapore; as well as
- (c) disposal of subsidiary in Brunei.

Current assets

The Group's current assets decreased by \$53.0 million from \$169.1 million as at 31 December 2014 to \$116.1 million as at 30 June 2015, mainly attributable to the following:

- (a) decrease in cash and cash equivalents by \$8.6 million to \$11.6 million as at 30 June 2015 compared to \$20.2 million as at 31 December 2014 due to disposal of subsidiary in Brunei and repayment of bank borrowings;
- (b) decrease in contract work-in-progress by \$43.8 million to \$51.9 million as at 30 June 2015 compared to \$95.7 million as at 31 December 2014 due to the following:
 - (i) disagreement on certain scope of works for some completed projects by the customers; and
 - (ii) additional costs provided to complete certain on-going projects.
- (c) decrease in inventories by \$0.8 million to \$5.5 million as at 30 June 2015 compared to \$6.3 million as at 31 December 2014 due to disposal of subsidiary in Brunei and less materials purchased for projects; and
- (d) decrease in trade and other receivables by \$1.3 million to \$29.6 million as at 30 June 2015 compared to \$30.9 million as at 31 December 2014 due to disposal of subsidiary in Brunei and decrease in billing for projects;

which have been partially offset by the following:

- (e) increase in development property by \$1.6 million to \$17.5 million as at 30 June 2015 compared to \$15.9 million as at 31 December 2014 due to additional development cost incurred in respect of the property at No.241 Pasir Panjang Road, Singapore.

Current liabilities

The Group's current liabilities decreased by \$30.2 million from \$149.0 million as at 31 December 2014 to \$118.8 million as at 30 June 2015 mainly due to disposal of subsidiary in Brunei and decrease in short-term borrowings as a result of repayment.

Non-current liabilities

The Group's non-current liabilities increased by \$5.5 million from \$43.3 million as at 31 December 2014 to \$48.9 million as at 30 June 2015 mainly due to additional proceeds from bank borrowings.

Consolidated Statement of Cash flow

The Group's cash and cash equivalents was a deficit of \$4.3 million as at 30 June 2015 compared to a surplus of \$1.6 million as at 30 June 2014.

Net cash generated from operating activities

Net cash generated from operating activities was \$10.9 million, comprising cash used in operating activities before working capital changes of \$24.7 million, net working capital inflow of \$35.7 million and net income tax paid of \$0.04 million.

The net working capital inflow of \$35.7 million was due mainly to the following:

- (a) decrease in contract work-in-progress of approximately \$40.5 million due to the following:
 - (i) disagreement on certain scope of works for some completed projects by the customers; and
 - (ii) additional costs provided to complete certain on-going projects.
- (b) increase in trade and other payables of approximately \$7.3 million mainly due to less payment to the creditors during the period;
- (c) increase in development property of approximately \$1.6 million due to additional development cost incurred for the property at No.241 Pasir Panjang Road, Singapore;
- (d) decrease in trade and other receivables of approximately \$10.7 million mainly due to decrease in billings for projects; and
- (e) decrease in inventories of approximately \$0.2 million due to less materials purchased for projects.

Net cash used in investing activities

Net cash used in investing activities of approximately \$2.0 million was due mainly to effect of disposal of subsidiary in Brunei.

Net cash used in financing activities

Net cash used in financing activities of approximately \$14.8 million was due mainly to repayment of bank borrowings, bills payable and finance lease liabilities amounting to approximately \$76.4 million and was offset by the proceed from bank borrowings and bills payable amounting to approximately \$61.6 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The public sector construction demand is expected to remain strong in view of mega public sector infrastructure projects required to meet the long-term needs of Singapore's population growth, with upcoming projects such as the Thomson-East Coast MRT Line, Changi Airport expansion.

The Group has secured a contract in June 2015 worth approximately S\$24.8 million by the Changi Airport Group for the resurfacing of taxiways at Singapore Changi Airport, and also secured a few contracts worth approximately S\$7.2 million in Aug 2015. The Group will continue to tender for more projects from PUB and LTA to strengthen its order book. The Group's unfulfilled order book based on secured contracts stands at approximately \$183.7 million, with projects completing from 2015 to 2018.

In a recent announcement dated 16 July 2015, the Group has engaged professional advisors to conduct a review of its business, overall financial position and commitments with the objective of deciding on and implementing strategies and plans to address potential business and financial challenges moving forward. As part of this restructuring exercise, the Group, together with its professional advisors, has commenced and continues to be in discussions with its key financial creditors and will provide an update at the appropriate time.

11. Dividends

(a) Current financial period

Any dividend declared for the current financial period reported on? No.

(b) Previous corresponding financial period

Any dividend declared for the previous corresponding financial period reported on? No.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable

(d) The date the dividend is payable

Not applicable.

- (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has originally obtained a general mandate for the recurrent interested/related party transactions from the shareholders in the extraordinary general meeting held on 13 July 2012 and it was subsequently renewed in the recent Annual General Meeting held on 29 May 2015. The approved interested/related parties are a) Pan Asian Holdings Limited (formerly known as Pan Asia Water Solutions Limited), b) Hen Sheng Civil Engineering Pte. Ltd., and c) Sing & San Construction Pte Ltd and their respective Associates.

The aggregate values of such transactions are as follow:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
Name of Interested Person and/or Related Person	2nd Quarter ended 30 June 2015 \$'000	6 Months Period ended 30 June 2015 \$'000	2nd Quarter ended 30 June 2015 \$'000	6 Months Period ended 30 June 2015 \$'000
Purchases from: Pan Asian Holdings Limited	Nil	Nil	1,323	2,670
Sales to: Sing & San Construction Pte Ltd	Nil	Nil	86	257

14. Confirmation pursuant to Rule 705(5) of the listing manual

On behalf of the Board of Directors of the Company, we, Toh Choo Huat and Koh Tiam Teng, being Directors of the Company, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the

Company which may render the unaudited financial statements for the six-months period ended 30 June 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Toh Choo Huat

Executive Chairman and Chief Executive Officer

11 August 2015