

LEY CHOON GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198700318G)

RESPONSE TO SGX-ST'S QUERIES ON 3QFY2021 FINANCIAL STATEMENTS

The Board of Directors of Ley Choon Group Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the SGX-ST's queries regarding the Company's announcement titled "Financial Statements and Related Announcement: Third Quarter Results" dated 9 February 2021 (the "**3QFY2021**"):

SGX-ST's Query 1

Please disclose the nature and breakdown of Contract Assets, with balance of S\$29.15m.

Company's Response

S No.	Nature	S\$'000
1.	Work-In-Progress (Lumpsum Projects)	15,021
2.	Work-In-Progress (Term Projects)	13,213
3.	Retention Receivable	914
	Total	29,148

SGX-ST's Query 2

Given the Group's significant liabilities of S\$83.7m of which S\$81.4m are current liabilities and the Group only has cash and cash equivalents of only S\$2.34m, and noting that the Group incurred net losses of S\$2.05m for 9MFY2021, please disclose the Board's assessment

- (i) on whether the Company's current assets are adequate to meet the Company's short term liabilities of S\$81.4m, including its bases of assessment; and
- (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months.

Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

Company's Response

Please note that a substantial part of the Group's liabilities is borrowings of S\$54.3m which are covered under the Debt Restructuring Agreement (the "**DRA**") entered into with Eligible Lenders in 2016. The material terms of the DRA were set out in the Company's announcement titled "General Announcement: DEBT RESTRUCTURING AGREEMENT FOR PROPOSED DEBT RESTRUCTURING OF THE COMPANY AND ITS SUBSIDIARIES" dated 26 September 2016. The Group has been fulfilling its debt repayment obligations as per the terms of the DRA and the above mentioned sum remains outstanding as at 31 December 2020 which will fall due for repayment on 31 March 2021.

Nonetheless, the Group has been in discussions with the Eligible Lenders for an extension of the DRA which includes the extension of the final repayment date to 31 March 2024. Subsequent to the various discussions with the Eligible Lenders, the finalized draft Term Sheet in relation to the extension of the DRA has already been circulated to the Eligible Lenders. As of the date of this announcement, one Eligible Lender has signed on the finalized draft Term Sheet and from our discussions with the other lenders, the Group is confident that the remaining approvals from the other Eligible Lenders will be forthcoming. The Group will make an announcement immediately upon the execution of the Term Sheet. Subsequent to the approval of the Term Sheet, the Group will reclassify the borrowings into current and non-current liabilities accordingly and will continue repaying the borrowings over the next three years.

SGX-ST's Query 3

As at 31 December 2020, the Company has net debt of S\$16.3m with cash and bank balances of S\$2.34m. The Group also incurred net losses of S\$2.05m for 9MFY2021. The Group's FY2020 Audited Financial Statements also included a material uncertainty related to going concern.

- (i) Please disclose the pro-active actions which management plans to take to ensure that the Group's financial position remains strong.
- (ii) Please assess the Company's ability to meet its short-term obligations when they fall due.
- (iii) Please assess the Board of Directors' assessment of the Company's ability to operate as a going concern and whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.
- (iv) Please provide the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.
- (v) Please assess the Company's ability to meet its debt covenants (if any).

Company's Response

The Group has so far secured contracts worth approximately S\$120m (*vide* our announcements dated 28 April 2020, 9 July 2020, 24 August 2020 and 9 November 2020) (collectively, the "**Secured Contracts**") in the current financial period up to 31 December 2020. With the Secured Contracts, the Group has a sustainable order book position of approximately S\$195.5m, as indicated in the Company's announcement dated 9 February 2021.

Subsequent to the Circuit Breaker and Phase-1 reopening period, the Group has progressively restarted its construction activities in the second quarter ended 30 September 2020. Further evidence of the Group's recovery in its construction activities can be observed in the third quarter ended 3QFY2021, with a strong year-on-year financial performance of S\$2.3m net profit after tax. The acceleration in the construction activities has improved the net assets position of the Group as at 31 December 2020. The Group is optimistic in continuing its progress.

The Operating Cash Flow of the Group has been consistently positive, and the Group has been meeting all its short-term obligations. The Group has been fulfilling its debt repayment obligations to the Eligible Lenders as per the terms of the DRA.

Although the Group was not able to meet the financial covenants tests for certain periods, the Group was able to obtain waiver for compliance of the financial covenants tests from the Eligible Lenders and some of these waivers were obtained in advance. The Term Sheet also provides for amendments to the financial covenants which the Group will be able to meet going forward.

From our response to Query 2, the Group has been closely following up with the Eligible Lenders for the approval of the Term Sheet in relation to the extension of the DRA. Subsequent to the Term Sheet approval, the majority of the borrowings will be reclassified from current into non-current liabilities which will improve the net current assets position of the Group.

In view of the above, the Board is of the view that the Group has the ability to operate as a going concern and to meet its ongoing obligations.

The Board confirms that sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner as all material information on the Group has been announced and will continue to be announced in a timely manner. The Company will continue to update its shareholders to any material development on the DRA and the Group.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer

16 February 2021

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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