

# **VISION**

To be a leading one-stop regional service provider of underground infrastructure construction, road and airfield construction and maintenance, asphalt premix production and construction waste recycling.

# **MISSION**

We aim to provide timely and reliable integrated solutions while building a strong team of in-house expertise and developing advanced machinery and technology to best serve the individual needs of our customers.

# **CONTENTS**

- 01 CORPORATE PROFILE
- **02** CHAIRMAN'S STATEMENT
- **04** OPERATIONS REVIEW
- **06** FINANCIAL HIGHLIGHTS
- **07** GROUP STRUCTURE
- **08** BOARD OF DIRECTORS
- **10** EXECUTIVE OFFICERS
- 12 SUSTAINABILITY REPORT
- **35** CORPORATE INFORMATION
- **36 RISK ASSESSMENT AND MANAGEMENT**
- **38** FINANCIAL CONTENTS

This annual report 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 (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Mr Nathaniel C.V., Registered Professional, RHT Capital Pte. Ltd. Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 Tel: 6381 6757



## **CORPORATE PROFILE**

Ley Choon Group Holdings Limited ("Ley Choon" or the "Group") is an established one-stop underground utilities infrastructure construction and road works service provider. Since our inception as Ley Choon Constructions and Engineering Pte Ltd in 1990, we have grown our spectrum of services to encompass:

- (1) Underground utilities infrastructure construction and maintenance services, which include water pipes, NEWater pipes, high-pressure gas pipes, high-voltage power cables, fibre optic cables and sewer pipeline rehabilitation;
- (2) Road and airfield pavement construction and maintenance services, which include the supplying and laying of graded stones, cement treated base and milling and laying of asphalt premix; and
- (3) Construction materials supply services, which include production of asphalt premix and recycled aggregates from construction and demolition waste and production of ready mix concrete and cement bricks.

As a one-stop underground utilities infrastructure construction service provider, our core strengths reside with our technical expertise in underground utilities infrastructure and the in-house supply of construction materials such as asphalt premix and recycled aggregates.

Ley Choon is one of the few asphalt plant operators in Singapore. Our 400 tonnes per hour asphalt plant is one of the largest in terms of production capacity in Singapore. The built-in recycling feature and the offering of various asphalt premix formulations to meet customer requirements provide us with a competitive advantage.

Our customers include Singapore government agencies such as Public Utilities Board ("PUB") and Land Transport Authority ("LTA"), as well as reputable companies such as Changi Airport Group and SP Group.

As a L6-registered contractor (the highest grade) with the Building and Construction Authority ("BCA"), Ley Choon is able to tender for Singapore's public sector contracts of unlimited value in the categories of cable/pipe-laying and road reinstatement, essential construction materials and other basic construction materials. The Group is also an A1-registered contractor in the category of civil engineering (CW02).

Leveraging on our expertise, the Group has been expanding overseas. The Group set up its first plant in China, engaging in the construction waste recycling and the development, production and sale of eco-green construction materials. Currently, the Group is undertaking a sewer pipeline rehabilitation project funded by Asian Development Bank (ADB) in Sri Lanka, and has since secured a second project.

Headquartered in Singapore with headcount of over 1000, we build our technology capabilities by investing in people, process and system optimization, such as the application of Enterprise Resource Planning (ERP) system and mobile CCTV monitoring system.

As a testament to our technological advantage and service quality, Ley Choon has been accredited with IMS-ISO 9001, BS-0HSAS 18001, ISO 14001 and Green And Gracious Builder Award.

Ley Choon was listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") in August 2012 via a reverse takeover of Ultro Technologies Limited and transferred to Catalist on 22 February 2017.

# **CHAIRMAN'S STATEMENT**





#### DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Ley Choon Group Holdings Limited (the "Company", and together with all its subsidiaries, collectively "the Group"), it gives me great pleasure to present to you the Annual Report for the financial year ended 31 March 2018 ("FY2018"). Our Group remained resilient in the face of margin pressure, and recorded its eighth consecutive quarter of profitability. Subsequent to the completion of the debt restructuring exercise in 2016, the Group has been consistently focusing on streamlining the operations while improving the quality of the order book level over the last three years. Not only have our indomitable efforts and measures demonstrated improvement in the Group's operational efficiencies, but they have also contributed to the financial performance of the Group.

#### **FINANCIAL PERFORMANCE**

The Group has reported a net profit after tax of S\$1.5 million for FY2018 as compared to S\$17.7 million for the previous year ended 31 March 2017 ("FY2017"). However, the net profit for FY2017 includes one-off gains on disposal of two properties of S\$11.4 million and the reversal of impairment losses of certain assets of S\$6.4 million. In other words, the Group has completely turned around to consistent profitability, generated from operations every quarter.

Revenue generated for FY2018 was \$\$105.7 million, which is lower by 8.4% as compared to \$\$115.4 million for FY2017. The decrease in revenue was largely due to the completion of airport and roadworks projects, but the increase in revenue from big diameter pipe projects has compensated partially.

Gross profit was \$\$16.6 million with a gross profit margin of 15.7% for FY2018 as compared to \$\$23.0 million and 19.9% respectively for FY2017. The decreases in gross profit and gross profit margin were largely attributable to lower profit margin projects because of the competitive pricing environment, certain projects being in the initial stage of execution where typically costs are incurred, the life cycle of certain projects being slow and, last but not least, rising direct operational costs. However, there was a considerable reduction in the administrative expenses mainly due to lower depreciation and staff costs, amongst others. Particularly, our fulfilment of repayment obligations in accordance with the debt restructuring agreement has significantly reduced our finance cost by 44.8%.

Our shareholders' equity has improved by 48.6%. The Group's borrowings have decreased by 16.7% to \$\$59.4 million as at 31 March 2018 as compared to \$\$71.3 million as at 31 March 2017. I am delighted to share that our borrowings have significantly dropped by 51.1% as compared to our pre-debt restructuring position as at 30 June 2015 mainly because of the deleveraging effect.

### **FOCUS ON CORE BUSINESS**

The Group has been placing key emphasis on the improvement of operational efficiencies. Key performance measurement tools have been implemented in our operations to monitor the utilisation of resources closely. Our determined efforts have shown positive results in terms of improvement in productivity and our various measures in progress will continue to contribute to further improvements.

#### SUSTAINABILITY FOR GROWTH

At Ley Choon, we are committed to uphold the highest standards of Economic, Social and Governance (ESG) practices within our organisation. The Group is an early adopter of good ESG practices to embrace our corporate social responsibility with conviction and fervour

We will endeavour to set ourselves on the journey of achieving a good balance between financial growth and ESG performance.

With the early adoption of sustainability reporting in FY2017, we are reaping the benefits of our concerted ESG efforts. We are delighted to note not only 32.1% and 26.2% improvement in reduction in water and electricity consumption respectively, but also the cost savings of 28.2% and 16.2% for our water and electricity consumption respectively in FY 2018.

Our commitment to invest in human capital is clearly reflected in the 16.7% increase in total training hours to 11,997 hours as well as the 18.8% increase in average training hours per employee to 11.4 hours in FY2018.

#### **BUSINESS OUTLOOK**

The demand from the infrastructure construction sector remains strong, supported by major infrastructure projects. Based on the news release from Building and Construction Authority ("BCA") on 11 January 2018, BCA projects the total construction demand or the value of construction contracts to be awarded in 2018 to range between S\$26.0 billion and S\$31.0 billion, up from the preliminary estimate of S\$24.5 billion last year. The public sector construction demand is expected to grow from S\$15.5 billion in 2017 to between S\$16.0 billion and S\$19.0 billion in 2018, contributing to about 60% of total projected demand.

BCA anticipates a steady improvement in construction demand and the public sector is expected to contribute S\$16.0 billion to S\$20.0 billion per annum in 2019 to 2022. The public sector construction demand will continue to be supported by major infrastructure projects, which include various developments for Changi Airport Terminal 5 and land transport projects such as Cross Island Line, Jurong Regional Line and Rapid Transit System. Despite concerns over cross-border rail projects in light of recent developments, Ley Choon believes that demand from the public sector remains strong.

Although the demand from the infrastructure construction sector is strong, the competitive pricing environment is imposing on the margins. However, the Group is very optimistic about securing more projects, as Ley Choon is an experienced player in the underground infrastructure construction sector as well as road works and airfield pavement. Apart from the above, the Group is also optimistic on current overseas infrastructure projects in the pipeline, in the countries where the Group has already established a firm presence.

#### **NOTE OF APPRECIATION**

On behalf of the Board, I would like to express my sincere thanks to the management team for their excellent leadership and our employees for their hard work and dedication. I would also like to thank our shareholders and various stakeholders for their continuing and unwavering support. Last, but not least, I would also like to express my heartfelt thanks and appreciation to our Board Members for their invaluable contributions.

Also, I take this opportunity to thank our former board member, Dr. Low Boon Hwee and our former Chief Financial Officer, Mr. Tan Kwang Hwee William, for their excellent contributions, particularly during the debt restructuring exercise. Further, I welcome our new Board Member, Mr. Chua Hock Thak, to our Ley Choon family. I sincerely believe that our combined effort and contributions will lead us to achieve greater heights in the future.

#### **TOH CHOO HUAT**

Executive Chairman & Chief Executive Officer

Although the demand from the infrastructure construction sector is strong, the competitive pricing environment is imposing on the margins. However, the Group is very optimistic about securing more projects, as Ley Choon is an experienced player in the underground infrastructure construction sector as well as road works and airfield pavement.



## **OPERATIONS REVIEW**



With the increased investment in public sector infrastructure and construction projects, the Group will focus on deepening its core competencies and capabilities in order to secure more projects and build a strong order book.

### **SEGMENTAL OVERVIEW**

#### **PIPES & ROADS**

Revenue from Pipes and Roads segment decreased by \$\$9.3 million to \$\$96.5 million or 91.3% of total revenue for the twelve months ended 31 March 2018 ("FY2018") compared to \$\$105.8 million or 91.7% for the corresponding period ended 31 March 2017 ("FY2017"). This was due mainly to completion of certain airport and roadwork projects during the year.

There were several ongoing projects which contributed to the revenue for FY2018. These projects consist of 1600mm diameter pipeline from AYE/Henderson Road to Keppel Road, 1600mm Diameter Pipeline from Keppel Road to Maxwell Road/Shenton Way, 2200 diameter pipeline from Murnane Service Reservoir (MNSR) at Jalan Kampong Chantek to PIE/Rifle Range Road and watermain repairs and other contract work for network services (East) division for 2016 to 2019.





Suctions excavation works

Despite competition in the current market, the Group managed to secure new projects from various customers for replacement of water mains for network renewal, cable installation, cable jointing and road reinstatement works for various branches and road resurfacing works.

The Group will continue to tender for more projects as construction demand in Singapore is expected to remain strong with major infrastructure projects which include various developments for Changi Airport Terminal 5 and land transport projects such as Cross Island Line, Jurong Regional Line and Rapid Transit System. The Group is also looking into opportunities to bid for more overseas projects in the year ahead.

With the increased investment in public sector infrastructure and construction projects, the Group will focus on deepening its core competencies and capabilities in order to secure more projects and build a strong order book.

### **CONSTRUCTION MATERIALS**

Revenue from Construction Materials segment decreased by \$\$0.5 million to \$\$9.1 million or 8.7% of the total revenue for FY2018 compared to \$\$9.6 million or 8.3% for FY2017. This was due mainly to the decline in sales to external customers during the year. Intersegment revenue which contributed about 47.3% of the segment revenue also decreased for FY2018 due mainly to lesser usage of asphalt premix for our Pipes and Roads segment as a result of completion of some of the projects.

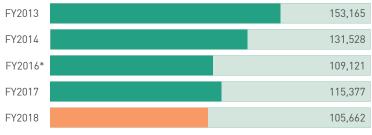
During the year, the Group faced strong competition in pricing as well as lower demand from existing customers. However the Group remains committed to improving the quality of asphalt premix to meet the demand of external and internal customers. In respect of the operation of the asphalt plant, the Group will look into ways to reduce wastage and operational cost by streamlining processes and maximizing output.

In view of the competitive environment and rising costs, the Group will continue to strive for better pricing and improve the utilization of the asphalt plant to yield better profit margin in future.

# **FINANCIAL HIGHLIGHTS**

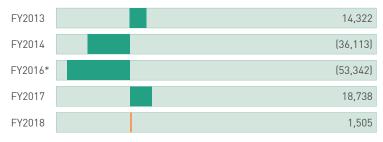
# REVENUE FROM CONTINUING OPERATIONS

(S\$'000)



<sup>\*</sup> FY2016 is for fifteen months period from 1 January 2015 to 31 March 2016

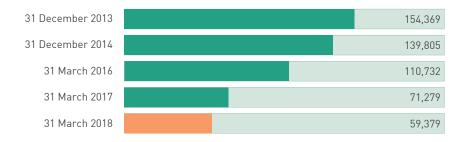
### PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER TAXATION (S\$'000)



<sup>\*</sup> FY2016 is for fifteen months period from 1 January 2015 to 31 March 2016

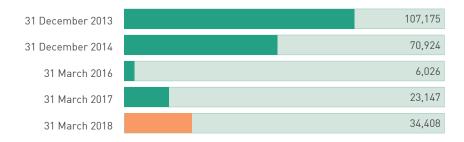
### **TOTAL BORROWINGS**

(S\$'000)

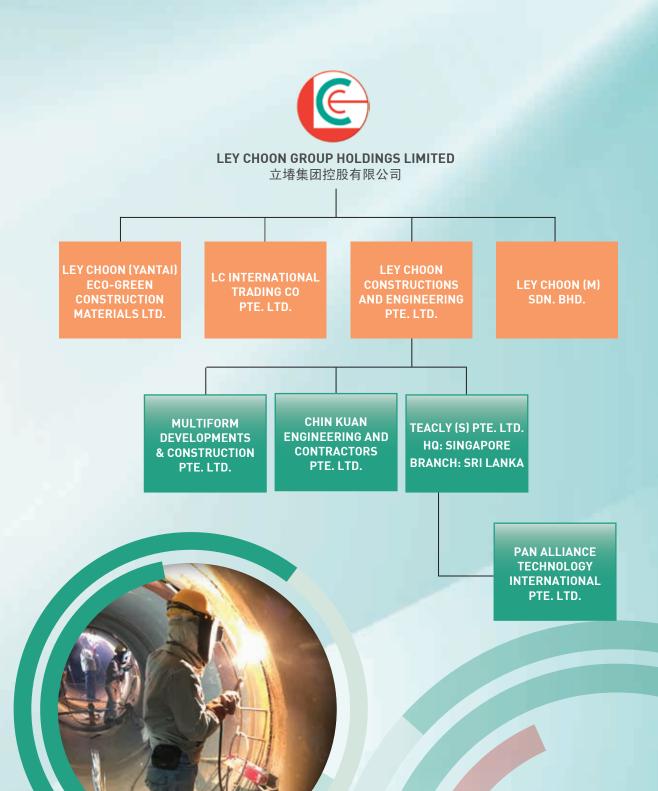


### **TOTAL EQUITY**

(S\$'000)



# **GROUP STRUCTURE**



Pipe joint welding works

## **BOARD OF DIRECTORS**



TOH CHOO HUAT
Executive Chairman and
Chief Executive Officer

Mr Toh Choo Huat is the Executive Chairman and Chief Executive Officer of Ley Choon Group Holdings Limited ("Ley Choon", the "Company" or together with all its subsidiaries, the "Group"). As one of the Group's founders, Mr Toh has played a pivotal role in the growth and development of the Group. He is responsible for the overall business development and general management of the Group. He also oversees the overall strategic direction and expansion plans for the growth and development of the Group.

Mr Toh has more than 26 years of experience in the business of Underground utilities infrastructure construction and maintenance, sewer pipeline rehabilitation, road and airfield construction and maintenance. Prior to the establishment of Ley Choon, Mr Toh worked as a maintenance technician in Fairchild Semiconductor Pte Ltd. In 1990, Mr Toh and his brothers incorporated Ley Choon Constructions and Engineering Pte Ltd ("LCCE").

Mr Toh holds a Diploma in Electrical & Electronic Engineering from Ngee Ann Technical College (in association with Central Polytechnic London).



PROF. LING CHUNG YEE ROY
Lead Independent Director

Professor Ling was appointed as Lead Independent Director on 28 September 2015. Prof. Ling is currently a Managing Director at RL Capital Management. Concurrently, he also serves as an Independent Board Director at several listed companies across Asia, as an Adjunct Professor in Finance at the EDHEC Business School, and as a Consultant for RHT Strategic Advisory and RHT Academy.

Prior to RL Capital Management, Prof. Ling spent more than 20 years in investment banking and held senior positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney. His expertise is in Asia real estate, REIT IPOs and capital markets, and he has worked in New York, Hong Kong, Tokyo and Singapore. Prof. Ling was a former Board Director of the CFA Society of Japan. He was honored as the Real Estate Executive of the Year by Singapore Business Review in 2016, and as one of 20 Rising Stars in Real Estate by Institutional Investor in 2008.

Prof. Ling graduated from INSEAD with a Global EMBA and from the National University of Singapore with a Bachelors degree in Business Administration.



**CHIA SOON HIN WILLIAM** 

Independent Director

Mr Chia Soon Hin William was appointed as Independent Director of the Company on 28 September 2015. He is also the Chairman of the Remuneration Committee and Member of Audit Committee and Nominating Committee.

Mr Chia provides training for financial institutions and business advisory to corporations through his company, Xie Capital Pte Ltd, and has more than 35 years of retail and commercial banking experience with Overseas Union Bank, Standard Chartered Finance, DBS Bank, Malayan Banking Berhad and United Overseas Bank. Prior to his retirement from United Overseas Bank in October 2014, he was Executive Director with the bank's Group Commercial Banking.

Mr Chia is a Chartered Secretary and Associate of the Governance Institute of Australia, Fellow with the Chartered Institute of Marketing UK, and Associate with the Chartered Institute of Bankers UK. He was conferred IBF Fellow by the Institute of Banking and Finance Singapore in November 2014.



CHUA HOCK THAK Independent Director

Mr Chua Hock Thak was appointed as Independent Director of the Company on 29 March 2018. He is also the Chairman of the Nominating Committee and Member of the Audit Committee and Remuneration Committee.

Mr Chua has some 40 years of experience in the development of water infrastructure projects. He was with PUB, Singapore's National Water Agency, for 34 years holding various positions and was involved in the development of water infrastructures such as water and NEWater treatment works, water transmission and distribution pipelines, raw water and treated water reservoirs and barrage structures for raw water intakes. Prior to that, he was with JKR Kelantan for 2 years and contractors for 4 years, during which he was involved in the development of rural water supply scheme in Kelantan.



TEO HO BENG

Non-Executive Director

Mr Teo Ho Beng was appointed as Non-Executive Director of the Company on 28 September 2015. He is also a Member of the Audit Committee, Remuneration Committee and Nominating Committee.

Mr Teo is presently the Chief Executive Officer of Hiap Hoe Group. Mr Teo has more than 39 years of experience in the construction and property industries, and over 24 years of experience in the leisure industry.

Mr Teo is responsible for the formulation of corporate strategies and policies for Hiap Hoe Group, and ensures their implementation by senior management at the operations level. Mr Teo also chairs the senior management meetings to monitor Hiap Hoe Group's performance, and oversees management, budgeting and forecasting procedures to ensure there is prudent financial management.

## **EXECUTIVE OFFICERS**

#### **TOH CHEW LEONG**

Deputy Chief Executive Officer

Mr Toh Chew Leong is the Deputy Chief Executive Officer of Ley Choon and is one of the founders of the Group. Mr Toh oversees the Group's underground utilities infrastructure construction and assists in the day to day operations of the Group's business. Mr Toh has an extensive experience of more than 26 years in the Group's pipe and cable laying as well as asphalt premix businesses.

#### **TOH SWEE KIM**

Chief Operating Officer

Mr Toh Swee Kim is the Chief Operating Officer ("COO") of Ley Choon. He oversees all operations for underground utilities infrastructure construction and maintenance business, including deployment of resources, manpower and operations management of the Group.

Mr Toh has extensive experience of more than 26 years in the Group's pipe and cable laying business. In 1990, Mr Toh joined the Group as an operations manager.

#### **TAN TECK WEI**

Chief Project Officer

Mr Tan Teck Wei is the Chief Project Officer of Ley Choon. He is responsible for the overall coordination and general management of the Group's projects. Mr Tan also oversaw the setting up of the Group's asphalt premix plant and construction waste recycling plant.

Mr Tan joined the Group in 1998 as a civil engineer and was promoted to general manager in 2003. Prior to joining the Group, he worked as a site engineer and project engineer for various civil work contractors.

Mr Tan graduated with a Bachelor of Engineering degree from the School of Civil and Structural Engineering of the National University of Singapore and has more than 26 years of experience in the business of civil engineering and building construction and maintenance, underground utilities infrastructure and sewer pipeline rehabilitation.

#### **TOH CHEW CHAI**

**Deputy Chief Operating Officer** 

Mr Toh Chew Chai joined Ley Choon since its establishment. As the Group's Deputy Chief Operating Officer, he oversees all operations for underground utilities infrastructure construction, deployment of resources and operations management of the Group.

Mr Toh has extensive experience of more than 26 years in the Group's pipe and cable laying business. In 1990, Mr Toh joined the Group as an operations manager.

#### **GOH SENG HUAT DANIEL**

#### Chief Financial Officer

A qualified Accountant, Mr Goh Seng Huat Daniel has 24 years of Accounting & Finance experience, including 18 years of Senior Manager/Controller roles in controllership, corporate planning, treasury, consolidation reporting, management & statutory compliance reporting, tax & assessing of tax planning, audit as well as preparation work for companies listing; from Manufacturing, Constructions, Oil & Gas, Healthcare, Engineering & Offshore & Marine, spread across in his earlier years of Big Six audit experience, to subsequently GLC, SGX-listed & MNC crossed industries.

Mr Goh graduated and became a member of The Association of Chartered Certified Accountants in the year 2001, just 4 months shortly after becoming an affiliated member. Mr Goh holds a Bachelor of Science (Hons) in Applied Accounting. Currently, Mr Goh is a Chartered Accountant of Singapore and a Fellow of the Association of Chartered Certified Accountants.

#### **TOH KAI SHENG ADAM**

Director, Operations & HR

Mr Toh Kai Sheng Adam joined the Group in 2009 as management executive, and has since worked under various departments within the group, including operations, finance, logistics, training centre and property development. He oversees Group HR and Administration, and assist the COO in managing the operations of the Group.

Mr Toh graduated from the Nanyang Technological University of Singapore with a Bachelor of Accountancy with First Class Honours and second specialisation in Banking and Finance. He also holds a Diploma in Management Accounting from Chartered Institute of Management Accountants, and is a Chartered Accountant of Singapore.

#### **TOH KAI HOCK**

IT Director & Deputy Chief Project Officer

Mr Toh Kai Hock joined the Group as IT Manager in 2011. His areas of responsibilities include all informational technology related matters and project management of the organisation.

Mr Toh graduated with a Bachelor of Engineering (Electrical Engineering) First Class Honours from National University of Singapore (NUS).

### **TOH KOK HEAN BRAYDEN**

Director

Mr Toh Kok Hean Brayden joined Ley Choon as Plant Manager since the inception of its asphalt plant in 2007. As the Group expanded into construction waste recycling in 2010, he was also tasked to be responsible for the overall procurement, production, quality and maintenance of the asphalt plant, construction waste recycling plant and other related machineries.

Mr Toh graduated with a Bachelor of Engineering (Honours) degree in Mechanical Engineering from Nanyang Technological University (NTU) in 2004.

#### **BOARD STATEMENT**

Sustainability is the crux of the success of any enterprise, especially enterprises with the conviction to achieve triple bottomline, namely People, Profit, Planet, for the benefit of both private enterprise and society.

At Ley Choon Group Holdings Limited, we are committed to upholding the highest standards of Economic, Social and Governance (ESG) practices within our organisation. While we are taking our first steps in the sustainability journey, we have embraced our corporate social responsibility with conviction and fervour.

We believe our sustainable growth and success is only possible with the sustainable development of the communities we operate in, be it social, business or national communities.

Driving long term sustainability is our vision. Centred on our key material issues, we will endeavour to set ourselves on the journey of achieving a good balance between financial growth and ESG performance.

We have taken the lead to implement several major key ESG initiatives in Workplace Health and Safety and Human Capital. To enhance our employee performance, we have also implemented the Performance Point System within our code of conduct for employees. Gearing our employees to meet the challenges of the digital economy will be our main thrust as we embrace technology innovation and greater employee engagement through the annual employee satisfaction survey.

Corporate social responsibility is in the DNA of our organisation. To reflect this commitment, the Group has a policy of matching our corporate donation and sponsorship to charitable organisations to our new business growth. Over the years, we have donated to support the local communities and sponsored to the sports events. These initiatives will be continued.

Moving forward, we believe that long term investment in human capital is the key to the long term sustainable success of Ley Choon Group. Therefore, we are committed to investing in order to strengthen our workplace health and safety practices as well as the staff training and development roadmap. Our three-year Human Capital roadmap is anchored upon 5 key pillars of 1) Fair Remuneration 2) Diversity and Equal Opportunities 3) Training and Development 4) Talent Performance Management 5) Employee Engagement and Excellence.

Since the adoption of sustainability reporting in financial year ended 31 March 2017 ("FY2017"), we are encouraged to witness the first fruits of our concerted ESG efforts. We are delighted to note not only 32.1% and 26.2% improvement in reduction in water and electricity consumption respectively, but also the cost savings of 28.2% and 16.2% for our water and electricity consumption respectively in the year ended 31 March 2018 ("FY2018").

Our commitment to invest in human capital is reflected in the 16.7% increase in total training hours to 11,997 hours as well as the 18.8% increase in average training hours per employee to 11.4 hours in FY2018.

Every journey begins with the first step. We are optimistic that the sustained drive to improve ESG performance will lead us on the path to sustainable growth and greater social accountability and contributions.

#### TOH CHOO HUAT

Executive Chairman & Chief Executive Officer



Best Employee Award Recipients with the Senior Management, Mr. Toh Chew Chai, Dy. Chief Operating Officer (fourth from left), Mr. Toh Choo Huat, Chief Executive Officer (fifth from left), Mr. Toh Chew Leong, Dy. Chief Executive Officer (sixth from left) and Mr. Toh Swee Kim, Chief Operating Officer (seventh from left)

Ley Choon Group Holdings Limited (the "Company"), and together with all its subsidiaries, collectively, (the "Group") recognises the importance of and seeks continuous improvement to our sustainability reporting. For the financial year ended 31 March 2018 ("FY2018"), the Group started our sustainability reporting journey by discussing the challenges and material issues that are important to our stakeholders, our strategy in managing these challenges and issues, and how we have performed in terms of our key performance indicators.

### Scope of this Report

In FY2018, we adopted the reporting approach by applying the international reporting framework, Global Reporting Initiative ("GRI") Standards, in preparing this sustainability report.

For reference to the GRI Content Index, please refer to pages 30-34.

Reporting Boundaries and Standards	The Report is also prepared in accordance with GRI Principles for defining report content, including:
	• Materiality: focusing on issues that impact business growth and are of utmost importance to our stakeholders;
	• Stakeholder Inclusiveness: responding to stakeholder expectations and interests;
	• Sustainability Context: presenting performance in the wider context of sustainability; and
	• Completeness: including all information that is of significant economic, environmental and social impact to enable stakeholders to assess the Company's performance.
	The Group uses a consolidated operating approach to determine organisational boundaries. Our data is an aggregation of our businesses globally. Our first sustainability report was issued for the year ended 31 March 2017 ("FY2017").
Report Period and Scope	This report covers data and information from 1 April 2017 to 31 March 2018 and discusses the Group's achievements and performance towards Environmental, Social and Governance ("ESG") issues.
	This report has been prepared in accordance with the GRI Standards: Core Option.
Accessibility	The Group continues to print only limited copies of this annual cum sustainability report as part of our environmental conservation efforts. A current electronic edition of the report is available at www.leychoon.com.

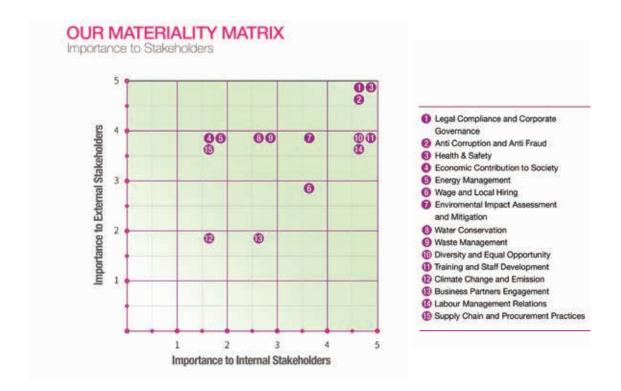
## **Accountability to Stakeholders**

Being a responsible corporate citizen, the Group works closely with our stakeholders to understand their concerns and feedback. The stakeholder engagement provides valuable feedback and information for the drafting of our sustainability report, particularly in determining the material environmental and social issues. We will continue to engage our external stakeholders more extensively to identify areas that are material, sustainable and necessary for future development.

Our Key Stakeholders	How We Engage Them	Key Topics
Customers	<ul><li>Formal meetings</li><li>Informal feedback</li></ul>	<ul> <li>Project timelines, requirements and specifications</li> <li>Work-in-progress and status</li> <li>Feedback on completed projects</li> </ul>
Shareholders and Financial Community	<ul><li>Annual General Meeting</li><li>Announcements through SGXNet</li><li>Emails</li></ul>	<ul> <li>Financial results</li> <li>Key developments such as contract wins, corporate actions, etc.</li> <li>Investor relations</li> </ul>
Employees	<ul> <li>Performance appraisals</li> <li>Team bonding and company events</li> <li>Internal communication through emails and intranet</li> <li>Annual appreciation dinner</li> </ul>	<ul> <li>Performance and skills</li> <li>Health and safety issues and necessary precautions to note</li> <li>New contract wins</li> <li>Project timelines and status updates</li> </ul>
Suppliers	<ul><li>Regular meetings</li><li>Emails</li></ul>	<ul><li>Feedback on their products and services</li><li>Information of their new products or services</li></ul>
Government and Regulatory Agencies	<ul><li>Consultations</li><li>Discussions</li><li>Legal counsel</li></ul>	Regulatory and industry standards and guidelines
Local Community	<ul> <li>Community outreach activities (such as community event sponsorships)</li> <li>Charity events</li> <li>Sponsor technical seminars</li> </ul>	Partner with local not-for-profit charitable organisations to identify the target beneficiaries
Media	Media releases	<ul> <li>Financial results</li> <li>Key developments such as contract wins, corporate actions, etc.</li> </ul>



Mr. Toh Hong Sin (Left), Employee Long Service Award recipient with Mr. Toh Choo Huat, Chief Executive Officer



### **MATERIALITY MATRIX**

#### **Defining Our Materiality Issues**

From the results of our stakeholders' engagement, the Group has adopted a materiality analysis to identify challenges and issues that are important to our stakeholders and which are relevant to our Group.

Our material issues are identified as those that are ranked as high and critical by both our internal and external stakeholders on the materiality matrix. We therefore focus our sustainability efforts and reporting on these issues.

We have identified and compiled 15 relevant sustainability issues for developing this report. These issues were further deliberated and narrowed down through our engagement process with stakeholders. The senior management then reviewed the list of issues and determined the material issues based on importance to our stakeholders and the sustainability impact to our businesses.

The importance of the material issues is ranked based on our meetings and interviews with our stakeholders.

#### Our Strategic Approach to Sustainability

With our vision and corporate values in mind, we are making an effort to integrate sustainability into the businesses of Ley Choon Group so that it is systematic and seamless. Where possible, we incorporate sustainability considerations in our decision-making processes.

Our sustainability efforts are led by our senior management who ensures that the Group's business objectives are in line with our commitments to sustainable development. Senior management is responsible for on-going communication to the Board of Directors.

Ley Choon's senior management determined focus areas where Ley Choon can have the greatest economic, environmental and social impact, as well as the areas that are most important to our stakeholders.

Ley Choon has taken efforts to seek the opinion of internal and external stakeholders either formally or informally. We aspire to understand the needs and expectations of our key stakeholders and strive to build mutual beneficial relationships

### **Governance Structure**



### **ECONOMIC**

#### **ECONOMIC CONTRIBUTION TO SOCIETY**

At present, the Group operates our businesses across two business segments in Singapore and another two overseas markets in China and Sri Lanka. We manage our one-stop underground utilities infrastructure construction and roadworks service in accordance with sustainability principles. We work closely with our business partners to identify and consider any sustainability opportunities and risks that may arise.

Sustainability trends such as climate change, resource scarcity and demographic changes shape the competitive environment in which companies like our Group operate by introducing long-term sustainability opportunities and recognising risks. We therefore view our business performance beyond short-term gains and financial bottom-line. Our conviction is to achieve a balanced triple bottom-line "People, Planet and Profit" both for sustainable growth for the organisation and the community it operates in.

More importantly, we strive to contribute positively to society through our economic presence by contributing to the efficient management of the public infrastructure, namely underground utilities infrastructure and roadworks, maintaining good stewardship of the resources we manage and generating good shareholders' value.

In FY2018, we have achieved S\$105.7 million revenue and created new employment opportunities within our organisation in the markets we operate in. We also seek to demonstrate our commitment to actively contribute to the communities and the charitable organisations in Singapore through a formal corporate philanthropy policy which is pegged to our annual contract wins.

For our financial performance, please refer to pages 85-150 of this report.



Laying of NEWater Mains

### **GOVERNANCE**

# LEGAL COMPLIANCE AND CORPORATE GOVERNANCE

Corporate governance and legal compliance have always been one of the top priorities for the Group. The decision-making process in the Group is strictly in line with legal and regulatory requirements and in compliance, including but not limited to, with the Code of Corporate Governance issued by Monetary Authority of Singapore and the guidelines of the Building and Construction Authority ("BCA"), Land Transport Authority ("LTA"), National Environmental Agency ("NEA") and Ministry of Manpower ("MOM").

The Company has not received any correspondences or notifications in relation to any material non-compliance of regulatory requirements in FY2018. The Audit Committee received no whistle-blowing letters during the year. There have been 9 incidents of environmental violations in response to which we have since stepped up the environmental protection programme to address the underlying issues effectively.

For further details on Corporate Governance, please refer to pages 39-75.

### **Ethics & Integrity**

To step up our corporate governance and productivity, we have adopted a Performance Point System (PPS) within our code of conduct for employees.

Under the PPS, each worker's individual work performance is rated and ranked according to three categories, namely Performance, Safety and Attendance. The top 30% performers are rewarded by cash incentive on a quarterly basis.

At the same time, we also manage a demerit framework for all workers, which is aimed to reduce misconduct rate among employees and encourage good performance through a fair and systematic framework to govern all disciplinary action.

Our management framework centres on achieving a balance in deterrence for undesirable offences or misconduct versus the reward programme under PPS to reward good and outstanding performance among employees.

### **Customer Privacy & Data Protection**

The nature of our businesses warrants high level of security and confidentiality of our clients' personal data as well as the business transactions they have undertaken.

We adhere strictly to the guidelines set by the Personal Data Protection Act (PDPA). We have invested to ensure our proprietary IT system meets the highest standards for IT security. Our confidential documents are disposed by waste disposal firms to ensure maximum security.



Ground probing radar scanning



Manhole construction works

#### **ENVIRONMENT**

#### **ENVIRONMENTAL HEALTH & SAFETY**

The Group recognises the promotion of quality, environmental, safety and health of its employees and the prevention of pollution as an important part of its operations and in meeting the requirements of customers, business partners, employees and the general public.

Guided by our Group's policy that "Safety is everybody's responsibility", we are driven by the steadfast commitment to our employees for a safe working environment in which one can work and excel with full confidence.

In support of our integrated management system policy, the Group commits itself to the provision of workplace, health and safety, prevention of damages to property, the promotion of pollution-free environment and noise reduction to the general public through:

- Reducing environmental impact through "Reduce, Reuse and Recycle".
- Prevention of environmental pollution, injury, ill health and accident that potentially affect our employees, stakeholders, contractors, suppliers, and the general public.
- Continuously improving our management system, process and performance.
- Ensuring compliance to applicable legal legislation and other requirements.
- Green and Gracious practices/code approaches to protect our mother earth and be gracious and considerate to general public.

#### Occupational Health & Safety

To enhance our Safety Standards and to lower the Accident Rate [AFR & ASR] within the Group, a new Safety Enhancement Programme [SEP] has been established to improve and enhance our safety standards.

Currently, we have two existing programmes well in place which are daily toolbox meeting and our monthly safety training.

In FY2018, we have introduced a new worker induction programme which provides a comprehensive training for all aspects of safety in different work environments.

We held our annual Safety Day to encourage workers to display good safety practices at sites as well as to maintain good housekeeping of equipment, machinery and vehicles. Top 3 winning teams were selected by Management and prizes were given out during our employees Annual Appreciation Dinner. To heighten safety consciousness, we have also integrated a safety-related quiz during our Annual Dinner.

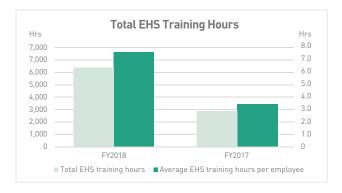
A new element in risk management training has been introduced in the form of a tie-in with SGSECURE Anti-Terrorism whereby our workers instilled the importance of protecting our worksite against terrorist sabotage.

Our senior management team demonstrated commitment through the regular Management walk down inspection as well as the new slogans for our Safety Campaign – "Safety is Everybody's Responsibility, Prevent All Injuries, Go Home Safe and Healthy, Do not let your loved ones worry".

In addition, a workplace fire safety drill was also organised to ensure that our employee are trained to respond during emergencies.

In FY2018, we have not only successfully reduced our safety and accident severity rate by 33.3%, but also maintained our average EHS training hours per employee at 7.6 hours.

EHS Training	FY2018	FY2017
Total EHS training hours	6,366.5	2,883
Average EHS training hours per employee (Based on SG (838))	7.6	3.44



#### Water Conservation & Energy Management

Given the fact that we are in the underground utilities infrastructure business, the intensity of water and electricity consumption is correspondingly high in keeping up with our business operations. The water supply to our businesses are drawn from the national water system provided by Public Utility Board. We have been actively monitoring our water and electricity to control consumption levels so as to maintain cost efficiencies.

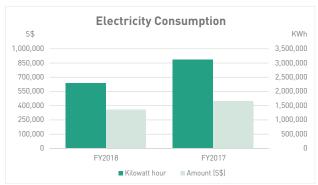
In FY2018, we have actively taken steps to reduce the water, energy and paper consumption within our organisation over the past year.

With the early adoption of sustainability reporting in FY2017, we are reaping the benefits of our concerted ESG efforts. We are delighted to note not only 32.1% and 26.2% improvement in reduction in water and electricity consumption respectively, but also the cost savings of 28.2% and 16.2% for our water and electricity consumption respectively in FY 2018.

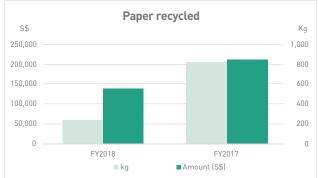
	FY2018		FY2017	
	Unit (cm³)	Amount (S\$)	Unit (cm³)	Amount (S\$)
Water Consumption	59,769	146,196	88,055	203,655



			Kilowatt hours	
<b>Electricity Consumption</b>	2,294,250	359,358	3,107,586	428,937



	FY2018	FY2017
Weight of paper recycled	239kg	820kg
Cost savings for paper consumption	\$5,612.50	\$8,505.00



#### **Biodiversity Conservation**

To kickstart our biodiversity conservation programme, we have commissioned an arborist to review the conditions of the vegetation around the circumference of first two pilot projects for our project sites. Through environmental monitoring and mitigation, we are incorporating biodiversity conservation within our worksite management process systematically.

During our first project site, we have successfully implemented the monitoring system to ensure the flora and fauna of our project site which is protected and untarnished by any of our construction activities.

/2010 EV2017





The procedure of monthly observation and preservation of biodiversity around our construction sites have been incorporated in the environmental process for our worksites

#### **Waste Management**

In line with our corporate motto of "Build, Renew, Recycle", proactive mitigation of the environmental impact and protection is deeply embedded within our business model, as aptly demonstrated by the built-in recycling feature of our asphalt premix plant that allows up to 70% of recycled components to be used.

As a strong green advocate of the use of recycled aggregates and asphalt, we have been doing our best to protect the environment through various initiatives to promote green environment and are also committed to comply with all applicable environmental regulations set by the BCA, NEA as well as building and construction industry locally and internationally.

Our subsidiary, Ley Choon Constructions and Engineering Pte Ltd, is an accredited recycled aggregate supplier under the Waste Management & Recycling Association of Singapore.

We have set for ourselves the mission to (1) review and implement waste management systems and processes to minimize wastage; and (2) to protect water bodies from being affected by contaminated water and waste discharge.

#### **Pursuing EHS Excellence**

We set ourselves the mandate to attain EHS excellence through meeting the stringent requirements of BCA, Green and Gracious Builder Award and bizSAFE STAR annually.

In FY2018, we have also received the BCA Green and Gracious Builder Award and bizSAFE STAR for the following subsidiaries of the Group:

Our subsidiary, Teacly (S) Pte Ltd, has won the Contractor Safety Recognition Award (above \$30m category) on PUB Safety Day 2018.

BCA Green & Gracious Awards	bizSAFE STAR
Ley Choon Constructions and Engineering Pte. Ltd.	Ley Choon Constructions and Engineering Pte. Ltd.
Teacly (S) Pte. Ltd.	Teacly (S) Pte. Ltd.
Chin Kuan Engineering and Contractors Pte. Ltd.	Chin Kuan Engineering and Contractors Pte. Ltd.
	Multiform Developments & Construction Pte. Ltd.
	Pan Alliance Technology International Pte. Ltd.



Contractor Safety Recognition Award from Public Utilities Board

We are proud to achieve the good performance of 200,000 Safe Man-hours for Package 1 project for Public Utilities Board.

The Package 1 project spans the proposed 2200mm diameter pipeline from Murnane Service Reservoir (MNSR) at Jalan Kg Chantek to PIE/Rifle Range Road.









Achievement of 200,000 Safe Man-hours of Package 1 project for Public Utilities Board

### Targets & Performance

We have charted for ourselves an Environmental, Health and Safety roadmap which we have embarked on since FY2018.

Aspects	Objective	Targets	Policy	
• Quality				
Meet & Exceed all customer's requirement	To benchmark customer satisfaction using. Customer Satisfaction Index	To meet the average target Score of 85% for Customer Satisfaction Index	<ol> <li>We aim for 100% on time, on budget completion rate for all our projects.</li> <li>We strive to achieve 100% customer satisfaction rating by our customers.</li> <li>We deliver the highest quality standards in accordance to the project specifications set by our clients.</li> </ol>	
Performance of services and products	To reduce the number of rework cases per year	• To reduce and miminise the major rework case by 20%	<ol> <li>We aim for zero defects for the performance of services and products delivered to our clients.</li> <li>We will reduce major reworks and related repair by 1%.</li> </ol>	
Occupational Health & Safety				
Prevention/Reduction of Accident or Incident	To provide safe working environment	To aim for zero accident rate at workplace	<ol> <li>We aim for zero accident rate at workplace.</li> <li>We provide for a safe and well designed workplace to ensure our employees are safeguarded against any foreseeable accidents.</li> </ol>	
Occupational Health	<ul> <li>To provide a healthy environment and protection for employees at workplace</li> </ul>	To aim for zero occupational health incident at workplace	We aim for zero occupational health incident rate at workplace.	
Prevention of damages to property	To prevent damages to property	To reduce and minimise the repair cost and reduce damages to property by 20%	We aim to reduce the repair costs to less than 5% of the project cost.	
Comply with Legal and Other Requirements	To comply with legal requirements	To reduce the cases of legal non-compliance by 20%	<ol> <li>We comply with all national and international legal regulations to uphold the highest level of health and safety standards at our worksites.</li> <li>We target to achieve zero non-compliance with any environmental regulations.</li> </ol>	

Aspects	Objective	Targets	Policy			
• Environmental	• Environmental					
Material (Recycling)	<ul> <li>To protect Earth's natural resources by maximizing the usage of recycled materials in daily operation works.</li> </ul>	To increase the usage of recycled material by 1% in Operation Works compared with previous year	<ol> <li>We embrace green principles of using more recycled materials in our daily operations.</li> </ol>			
Energy Conservation	<ul> <li>To protect our mother earth by reducing energy consumption and avoiding pollution</li> </ul>	<ul> <li>To reduce the total energy consumption by 2% per headcount in HQ building</li> </ul>	<ol> <li>We implement energy efficient practices, technology and equipment to reduce energy consumption within our premises.</li> <li>We target to reduce the pollution caused by our construction activities.</li> </ol>			
Water Conservation	<ul> <li>To preserve our environment by reducing the use of water for our activities</li> </ul>	To reduce the total water consumption by 2% per headcount in HQ building	We implement efficient practices, technology and equipment to reduce water consumption.			
Biodiversity	<ul> <li>To deploy the necessary resources to preserve biodiversity and ensuring the sustainability of ecosystems</li> </ul>	To engage specialist/ experts to set up the environmental programme for protected area prior to the commencement of works	We implement environmentally- friendly practices, technology and equipment to preserve biodiversity.			
Effluent & Waste	<ul> <li>To protect water bodies from being affected by contaminated water &amp; waste discharge</li> <li>To ensure all the contaminated waste are sent for proper disposal by NEA approved General Disposal Facilities</li> </ul>	To employ Environmental Control Office/Specialist for Environment Control Measure implementation	<ol> <li>We target to treat contaminated waste water before discharging all our projects.</li> <li>We implement effective waste management measures and technology to ensure we maximize the materials we use and the waste disposal/discharge is responsibly managed.</li> </ol>			
Environment Compliance	<ul> <li>To ensure we conform to environmental laws, regulations, standards and other industry requirements</li> </ul>	To reduce the number of case(s) for environmental related cases imposed by external authorities	We comply with all national and international legal regulations to uphold the highest level of environmental standards at our worksites.			

### **SOCIAL**

#### **OUR PEOPLE**

To underscore our care and commitment towards our employees, the Group adopts a holistic Human Resource ("**HR**") strategy focused on fair remuneration and equal opportunities, training and development, employee wellness and engagement, and work-life harmony.

We are fully committed to comply with all applicable labour laws where we operate and ensure compliance through on-going monitoring. We also ensure that we comply with all mandatory legal regulations and training requirements stipulated by BCA and MOM.

#### Fair Employment Opportunities

The Group currently has a headcount of over 1,000 employees. We provide fair employment opportunities to all, regardless of age, gender, race or nationality. Our Group advocates a policy of harnessing diversity in human resource as evidenced by a fair distribution of employees from varied nationalities and age groups to support our key markets in Singapore, China and Sri Lanka.

We have 58 new hires globally in FY2018.

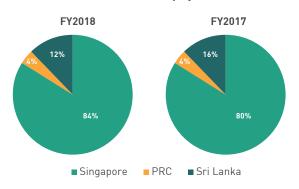


Annual employees appreciation night at our Sri Lanka Office

Staff Strength*	FY2018	FY2017
Singapore	888	800
People's Republic of China ("PRC")	44	41
Sri Lanka	122	155
Total	1,054	996

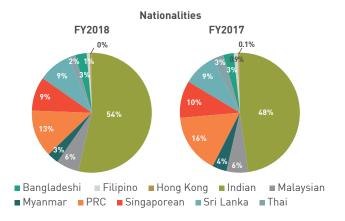
\* As at 31 March 2018

#### Number of Employees



Nationalities*	FY2018	FY2017
	Proportion (%)	Proportion (%)
Bangladeshi	3	3
Filipino	1	0.9
Hong Kong	0	0.1
Indian	54	48
Malaysian	6	6
Myanmar	3	4
PRC	13	16
Singaporean	9	10
Sri Lanka	9	9
Thai	2	3
Total	100	100

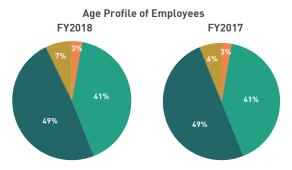
\* As at 31 March 2018



We maintain a policy of employee diversity through providing employment opportunities to young and older workers beyond the official retirement age of 62. As at 31 March 2018, the youngest staff is 19 years old while we have 28 senior staff of age 62 and above.

Age profile of employees*	FY2018 Proportion (%)	FY2017 Proportion (%)
All Employees (include workers)		
30 Years and below	41	41
31 to 50 Years	49	50
51 to 61 Years	7	6
62 Years and above	3	3
Total	100	100

\* As at 31 March 2018

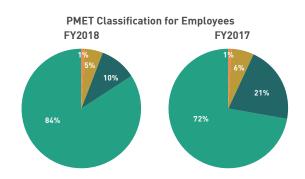


■ 30 Years and below ■ 31 to 50 Years ■ 51 to 61 Years ■ 62 Years and above

In terms of employee skills profile, we have maintained a fair proportion of professional and management team to lead and drive the business growth in our two business segments.

PMET* classification for staff**	FY2018	FY2017
	Proportion	Proportion
	(%)	(%)
Senior Management	1	1
Middle Management (Managers &	5	6
Professional)		
Executive	10	21
Workers	84	72
Total	100	100

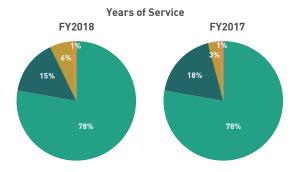
 $<sup>\ ^*\</sup>$  PMET refers to Professionals, Managers, Executives and Technicians





	FY2018	FY2017
Years of Service*	Proportion	Proportion
	(%)	(%)
5 years and below	78	78
6 to 9 years	15	18
10 to 20 years	6	3
Above 20 years	1	1
Total	100	100

\* As at 31 March 2018



- 5 years and below 6 to 9 years 10 to 20 years
- Above 20 years



Orientation for new workers before deployment to operations

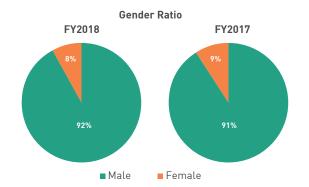
<sup>\*\*</sup> As at 31 March 2018

During FY2018, we have grown our employees' strength carefully in response to our business needs.

We advocate gender diversity and equal opportunities in our organisation. However, given the nature of our business is in the underground utilities infrastructure construction and roadworks services, it is inevitable that over 90% of our employees are male whilst the female employees are mainly engaged in the support functions at all levels.

	FY2018	FY2017
Gender Ratio*	Proportion (%)	Proportion (%)
Male	92	91
Female	8	9
Total	100	100

\* As at 31 March 2018



We ensure there are fair work practices and remuneration are ascertained based on individual work performance and not on any gender consideration. No form of discrimination is tolerated within our organisation. There is no incident of discrimination and corrective actions taken.

#### **Training & Development**

We are committed to investing in the training and further education of our employees as demonstrated by the fact that we have managed to improve our total training hours by 16.7% and average training hours per employee increased by 18.8% in FY2018.

Training & Education	FY2018	FY2017
Total training hours	11,997	10,284
Average training hours per employee	11.4	9.6



#### **Employee Satisfaction Survey**

In FY2018, we have launched our first employee satisfaction survey which was conducted among 476 employees within the Group to measure and benchmark our employee engagement and job satisfaction level within the organisation.

Through this survey, we have been able to systematically track the correlation between employee satisfaction with key factors such as staff's length of service, age group and organisational commitment.

In terms of organisational commitment, we have scored an average of over 83% satisfaction level for the employee satisfaction to the immediate reporting officer, team collaboration and career development.

#### **Embracing Technology Innovation**

The Group has also adopted Fareclock application as our first step to digitise our employee records. Fareclock is a complete time attendance system using facial recognition technology.

Through this implementation, we have enhanced the accuracy of our employee records and attendance system.

Another one of our new initiatives we have successfully introduced in FY2018 was the employee self-service system which allows our employees to access their leave records, check and apply for their leave as well as to file transportation claims on or offsite.



Annual team-building event to foster bonding across the organisation

#### **Employee Engagement and Wellness**

In appreciation of our employees' invaluable contribution to the organisation, the Group continued its annual appreciation events organised for employees of all levels to mingle and bond over social activities.

Other than our annual appreciation dinner, we also organised a badminton tournament in Singapore as part of our annual team building event. Staff across various organisational functions and levels participated in the competition in pairs whilst those who did not participate cheered their colleagues on. This has created a stronger collaborative spirit within the Group.

In addition, we organised a mega movie screening for our workers during Deepavali.



Movie screening for workers

#### **Business Partner & Stakeholder Engagement**

We actively engage our business partners and stakeholders regularly to keep them abreast of the developments of our businesses.

Please see the section on Accountability to Stakeholders on page 14 for more information.

#### **Labour-Management Relations**

It is important to have effective communication between management and employees, so that employees are more engaged with the organisation, and have a more positive attitude towards their work and loyalty to the Group. They are provided with frequent management updates and adequate notice period regarding operational changes.

We often engage our employees in the following ways:

Weekly/Monthly Meetings

Team Managers have weekly & monthly meetings with the management team to discuss about operations review and project progress.

• Quarterly Meetings

Management conducts quarterly meetings for Board of Directors to discuss on business development and finance.

• Informal Small Group

Meetings are often held by management to listen and understand our employees' concerns and grievances.



Long service award recipients with the senior management team

#### **CORPORATE SOCIAL RESPONSIBILITY**

#### Corporate Philanthropy

In Singapore, we have collaborated closely with our business partners to contribute to the less privileged in society through various charities.

Over the past years, we have supported the good causes of many charitable organisations. In FY2018, we have supported the following beneficiary:

Beneficiaries	Mission	What did we do?
Cairnhill Community Centre	Provide grassroot and community activities to residents living in the Cairnhill constituency	Donation

We have also participated in the Charity Golf tournament organised by Singapore Power.

#### **Academic Symposium**

The Group is actively supporting the academic and industry research for construction and roadworks engineering as well as asphalt recycling.

In FY2018, we were the Gold Sponsor of the first Symposium on Airfield Infrastructure of Airports Engineering and Future Development organised by Singapore Aviation Academy. Ley Choon presented the paper "Development of High Performance Asphalt Mix Using Performance-Related Tests".

### Targets & Performance

We strive for excellence to raise our investments and standards for our human capital.

We have set a three year roadmap along 6 key pillars of

- (1) Fair Remuneration
- (2) Diversity and Equal Opportunities
- (3) Training and Development
- (4) Talent Performance Management
- (5) Employee Engagement and Excellence.
- (6) Corporate Social Responsibility.

We are systematically reviewing and setting the key performance metrics for our human resource management system.



Dialogue with the shareholders by Mr. Toh Choo Huat, Chief Executive Officer (extreme left)

		Zassanie sinisti (sani			
Sustainability Issues	Objective	Targets	Policy		
Fair Remuneration			'		
Compensation & Benefits	To provide fair and competitive remuneration and staff benefits which meets the Company's goals of attracting and retaining good talents	To achieve fair and competitive remuneration packages for staff which commensurate with their work experience and skillset	<ol> <li>We aspire to position Ley Choon as the employer-of-choice for existing and potential employees.</li> <li>We strive to achieve fair, non-discriminatory and competitive remuneration packages for staff which commensurate with their work experience and skillset.</li> <li>We aim to achieve above 80% rating for satisfaction for remuneration and benefits by our employees in the exit interview responses.</li> </ol>		
Diversity and Equal Opp	oortunities				
Recruitment	<ul> <li>To embrace open recruitment approach to attract the best talent to serve in the Group</li> </ul>	<ul> <li>To effectively recruit good employees with the right profile and required skillsets for the Group</li> </ul>	We embrace an open recruitment policy to uphold the principle of fairness and meritocracy in our recruitment and selection process.		
Diversity	<ul> <li>To attain the strength in diversity in terms of gender, age and nationality</li> </ul>	<ul> <li>To achieve a fair proportion of diversity in terms of gender, age and nationality in our workforce</li> </ul>	We strive to achieve a fair proportion of diversity in terms of gender, age and nationality in our workforce.		
Training & Development					
Training	To implement training programmes which will upgrade and enhance the technical skillsets and professional competencies of our employees in order for them to excel in their current position	To support our employees to upgrade and enhance their professional competencies and technical skillset to meet the required scope of work	<ol> <li>We are committed to training and encouraging skills upgrading for all our employees.</li> <li>We provide training to our employees to upgrade and enhance their professional competencies and technical skillset to meet the required scope of work.</li> </ol>		

Sustainability Issues	Objective	Targets	Policy		
Employee Development	To implement training programmes which will upgrade and enhance the individual skillsets and interpersonal competencies of our employees for future career advancement	<ul> <li>To support our employees to upgrade and enhance their individual skillsets and interpersonal competencies</li> </ul>	We provide training to our employees to upgrade and enhance their individual skillsets and interpersonal competencies.		
Talent Performance Ma	nagement				
Recruitment & Workforce Planning	<ul> <li>To attract and recruit good talents which can meet the need of the Company's workforce planning</li> </ul>	<ul> <li>To recruit effectively good talents who can contribute to the talent mix and skillsets requirements of our workforce planning</li> </ul>	<ol> <li>We aim to recruit employees who possess the professional skillset and interpersonal skills that meet our workforce planning.</li> </ol>		
Employee Performance	<ul> <li>To motivate high employee performance through well-designed employee performance strategy &amp; programmes</li> </ul>	<ul> <li>To develop an employee performance system which will provide a fair evaluation and high motivation system for employees</li> </ul>	We adopt a fair employee     performance system which     provides a fair evaluation and high     motivation system for employees.		
Employee Engagement	and Excellence				
Employee Engagement	To achieve employee engagement through well-designed employee engagement strategy & programmes	To increase employee engagement to enhance the communication and cohesion of the organisation	<ol> <li>We strive to achieve 20% more employee engagement to enhance the communication and cohesion of the organization.</li> <li>We promote greater social interaction among employees via company-wide programmes and both external and internal communications channels.</li> </ol>		
Employee Loyalty	<ul> <li>To achieve employee loyalty through well- designed employee loyalty strategy &amp; programmes</li> </ul>	<ul> <li>To attain employee loyalty to enhance the employee morale, motivation and cohesion of the organisation</li> </ul>	1. We strive to attain 80% employee loyalty to enhance the employee morale, motivation and cohesion of the organisation.		
Corporate Social Responsibility					
Corporate Philanthropy and sponsorship	To position Ley Choon as an employer with strong Corporate Social Responsibility	To achieve 10% increase in our staff volunteering hours	<ol> <li>We strive to improve the welfare of the communities while we endeavour towards our business goals.</li> <li>We set a corporate philanthropy policy which is pegged to our annual contract wins.</li> </ol>		

### **GRI CONTENT INDEX**

Universal S	itandard Disclosure	Page reference and reasons for omissions, if applicable
Organisatio	nal Profile	
102-1	Name of the organisation	1
102-2	Activities, brands, products, and services	1
102-3	Location of headquarters	1
102-4	Location of operations	1
102-5	Ownership and legal form	1
102-6	Markets served	1
102-7	Scale of the organisation	1
102-8	Information on employees and other workers	23
102-9	Supply chain	16
102-10	Significant changes to the organisation and its supply chain	16
102-11	Precautionary Principle or approach	13
102-12	External initiatives	4-5, 27
102-13	Membership of associations	N.A.
Strategy		
102-14	Statement from senior decision-maker	12
102-15	Key impacts, risks, and opportunities	12,16, 36-37
Ethics and	Integrity	
102-16	Values, principles, standards, and norms of behavior	Cover page, 15
102-17	Mechanisms for advice and concerns about ethics	16
Governance		
102-18	Governance structure	15
102-19	Delegating authority	15
102-20	Executive-level responsibility for economic, environmental, and social topics	15
102-21	Consulting stakeholders on economic, environmental, and social topics	15
102-22	Composition of the highest governance body and its committees	15
102-23	Chair of the highest governance body	15
102-24	Nominating and selecting the highest governance body	15
102-25	Conflicts of interest	15-16
102-26	Role of highest governance body in setting purpose, values, and strategy	15
102-27	Collective knowledge of highest governance body	15
102-28	Evaluating the highest governance body's performance	15-16
102-29	Identifying and managing economic, environmental, and social impacts	16-27
102-30	Effectiveness of risk management processes	16
102-31	Review of economic, environmental, and social topics	16-27
102-32	Highest governance body's role in sustainability reporting	15
102-33	Communicating critical concerns	14
102-34	Nature and total number of critical concerns	15
102-35	Remuneration policies	16
102-36	Process for determining remuneration	16

Universal	Standard Disclosure	Page reference and reasons for omissions, if applicable
102-37	Stakeholders' involvement in remuneration	16
102-38	Annual total compensation ratio	N.A.
102-39	Percentage increase in annual total compensation ratio	N.A.
Stakehold	er Engagement	
102-40	List of stakeholder groups	14
102-41	Collective bargaining agreements	Our employees are not members of industry union members. Some employees and members of National Trade Union Congress (NTUC)
102-42	Identifying and selecting stakeholders	14
102-43	Approach to stakeholder engagement	14
102-44	Key topics and concerns raised	14
Reporting	Practice	
102-45	Entities included in the consolidated financial statements	7,16
102-46	Defining report content and topic Boundaries	13
102-47	List of material topics	15
102-48	Restatements of information	N.A.
102-49	Changes in reporting	N.A.
102-50	Reporting period	13
102-51	Date of most recent report	13
102-52	Reporting cycle	13
102-53	Contact point for questions regarding the report	35
102-54	Claims of reporting in accordance with the GRI Standards	13
102-55	GRI content index	30-34
102-56	External assurance	N.A.
Managem	ent Approach	
103-1	Explanation of the material topic and its Boundary	16-29
103-2	The management approach and its components	12
103-3	Evaluation of the management approach	12
Topic – Sp	ecific Standard Disclosures	
Category:	Economic	
Aspect: Ed	onomic Performance	
201-1	Direct economic value generated and distributed	16
201-2	Financial implications and other risks and opportunities due to climate change	16
201-3	Defined benefit plan obligations and other retirement plans	16
201-4	Financial assistance received from government	16
Aspect: Ma	arket Presence	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Our renumeration for employees is pegged against market benchmarks as there is no minimum wage in Singapore
202-2	Proportion of senior management hired from the local community	Our senior management is 100% hired from the local community

Aspects: Indirect Economic Impacts 203-1 Infrastructure investments and services supported 203-2 Significant indirect economic impacts 204-1 Proportion of spending on local suppliers 204-1 Proportion of spending on local suppliers 205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures 16 205-3 Confirmed incidents of corruption and actions taken 205-3 Confirmed incidents of corruption and actions taken 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 207-1 Recycled input materials used 208-1 Recycled input materials used 208-2 Recycled input materials used 208-3 Reduction of energy consumption outside of the organization 208-3 Reduction of energy consumption 208-4 Reduction of energy consumption 208-4 Reduction of energy consumption 209-5 Reductions in energy requirements of products and services 209-6 Reduction of energy consumption 209-7 Reduction of energy consumption outside products and services 209-7 Reduction of energy consumption outside products and services on biodiversity 209-8 Reduction of input of the products, and services on biodiversity 209-8 Reduction of input of the products, and services on biodiversity 209-9 Regular impact	Universal	Standard Disclosure	Page reference and reasons for omissions, if applicable
203-2 Significant indirect economic impacts 16  Aspect: Procurement Practices 204-1 Proportion of spending on tocal supptiers We have 100% tocal supptiers Aspect: Anti-corruption 205-1 Operations assessed for risks related to corruption 16 205-2 Communication and training about anti-corruption policies and procedures 16 205-3 Confirmed incidents of corruption and actions taken 16 Aspect: Anti-competitive Behavior 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices N.A. Category: Environmental Aspect: Materials 301-1 Materials used by weight or volume N.A. 301-2 Recycled input materials used 18-19 301-3 Rectaimed products and their packaging materials N.A. Aspect: Energy 302-1 Energy consumption within the organization 18 302-2 Energy intensity N.A. 302-2 Energy intensity N.A. 302-3 Energy intensity N.A. 302-4 Reduction of energy consumption 3,18 302-5 Reductions in energy requirements of products and services 3,18 Aspect: Water 303-1 Water withdrawal by source 18 303-2 Water sources significantly affected by withdrawal of water N.A. Aspect: Browleds of the organization 18 303-3 Water recycled and reused N.A. Aspect: Blodiversity 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and and areas of high biodiversity value outside protected areas and areas and reas and protected by operations 18-19 304-2 Significant impacts of activities, products, and services on biodiversity 18-19 304-3 Habitats protected or restored 304-3 Habitats protected or prestored 304-4 protected by operations 305-4 protected by operations 305-4 protected by operations 305-4 protected by operations 305-5 As above 305-4 GHG emissions intensity 305-6 Emissions of ozone-depletin	Aspect: In	lirect Economic Impacts	
Aspect: Procurement Practices 204-1 Proportion of spending on local suppliers Aspect: Anti-corruption 205-1 Operations assessed for risks related to corruption 16 205-2 Communication and training about anti-corruption policies and procedures 16 205-3 Confirmed incidents of corruption and actions taken 16 Aspect: Anti-competitive Behavior 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 301-1 Materials used by weight or volume N.A. 301-1 Recycled input materials used 18-19 301-2 Recycled input materials used 18-19 301-3 Reclaimed products and their packaging materials N.A. Aspect: Energy 302-1 Energy consumption within the organization 18 302-2 Energy consumption outside of the organization 18 302-3 Energy intensity N.A. 302-4 Reduction of energy consumption 3.18 302-5 Reductions of energy requirements of products and services 3.18 Aspect: Water 303-1 Water withdrawal by source 18 303-2 Water sources significantly affected by withdrawal of water N.A. Aspect: Biodiversity 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas and areas affected by operations 304-2 Significant impacts of activities, products, and services on biodiversity 18-19 304-3 Habitats protected or restored 305-3 Ofter indirect (Scope 2) GHG emissions 305-2 Energy indirect (Scope 3) GHG emissions 305-4 OHG emissions intensity As above 305-6 (BHG emissions intensity As above 305-6 (Emissions of ozone-depleting substances (ODS)	203-1	Infrastructure investments and services supported	1,4-5
204-1         Proportion of spending on local suppliers         We have 100% local suppliers           Aspect: Anti-corruption         205-1         Operations assessed for risks related to corruption         16           205-2         Communication and training about anti-corruption policies and procedures         16           205-3         Confirmed incidents of corruption and actions taken         16           Aspect: Anti-competitive Behavior         206-1         Legal actions for anti-competitive behavior, anti-trust, and monopoly practices         N.A.           Category: Environmental         Aspect: Materials         N.A.           Aspect: Materials         N.A.         Aspect: Materials used by weight or volume         N.A.           301-1         Materials used by weight or volume         N.A.         N.A.           301-2         Recycled input materials used         18-19         N.A.           301-3         Reclaimed products and their packaging materials         N.A.         N.A.           302-1         Energy consumption within the organization         18         18           302-2         Energy consumption outside of the organization         18         18           302-3         Energy intensity         N.A.         A.           302-4         Reductions of energy consumption outside products and services         1	203-2	Significant indirect economic impacts	16
Aspect: Anti-corruption 205-1 Operations assessed for risks related to corruption 16 205-2 Communication and training about anti-corruption policies and procedures 16 205-3 Confirmed incidents of corruption and actions taken 16 205-3 Confirmed incidents of corruption and actions taken 16 205-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices N.A.  Category: Environmental  Aspect: Materials  301-1 Materials used by weight or volume N.A. 301-2 Recycled input materials used 18-19 301-3 Reclaimed products and their packaging materials N.A.  Aspect: Energy 302-1 Energy consumption within the organization 18 302-2 Energy consumption outside of the organization 18 302-2 Energy intensity N.A. 302-4 Reduction of energy consumption 3,18 302-5 Reductions in energy requirements of products and services 3,18  Aspect: Water 303-1 Water withdrawal by source 18 303-2 Water sources significantly affected by withdrawal of water N.A.  Aspect: Bodiversity N.A.  Aspect: Bodiversity 18-19 304-2 Significant impacts of activities, products, and services on biodiversity 18-19 304-3 Habitats protected or restored 18-19 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions 305-4 Energy indirect (Scope 2) GHG emissions As above 305-6 Emissions of ozone-depleting substances (ODS) As above 305-6 Emissions of ozone-depleting substances (ODS)	Aspect: Pr	ocurement Practices	
205-1         Operations assessed for risks related to corruption         16           205-2         Communication and training about anti-corruption policies and procedures         16           205-3         Confirmed incidents of corruption and actions taken         16           Aspect. Anti-competitive Behavior         206-1         Legal actions for anti-competitive behavior, anti-trust, and monopoly practices         N.A.           Category: Environmental         Aspect. Materials           301-1         Materials used by weight or volume         N.A.           301-2         Recycled input materials used         18-19           301-3         Reclaimed products and their packaging materials         N.A.           Aspect: Energy         302-1         Energy consumption within the organization         18           302-2         Energy consumption outside of the organization         18           302-3         Energy intensity         N.A.           302-4         Reduction of energy consumption         3,18           Aspect: Water         303-1         Water withdrawal by source         18           303-1         Water withdrawal by source         18           303-2         Water withdrawal by source         18           303-2         Water sources signifi	204-1	Proportion of spending on local suppliers	We have 100% local suppliers
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205-3     Confirmed incidents of corruption and actions taken     16       Aspect: Anti-competitive Behavior       206-1     Legal actions for anti-competitive behavior, anti-trust, and monopoly practices     N.A.       Aspects dations for anti-competitive behavior, anti-trust, and monopoly practices     N.A.       Aspects Havirals       301-1     Materials used by weight or volume     N.A.       301-2     Recycled input materials used     18-19       301-3     Reclaimed products and their packaging materials     N.A.       Aspect: Energy     N.A.       302-1     Energy consumption within the organization     18       302-2     Energy consumption outside of the organization     18       302-3     Reduction of energy consumption     3,18       302-4     Reduction of energy consumption     3,18       302-5     Reduction of energy requirements of products and services     18       303-1     Water withdrawal by source     18       303-2     Water sources significantly affected by withdrawal of water     N.A.       303-2     Water recycled and reused     N.A.       Aspect: Well     Separational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas     18-19       304-2     Significant impacts of activities, products, a	205-1	Operations assessed for risks related to corruption	16
Aspect: Anti-competitive Behavior  206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices  N.A.  Aspect: Materials  301-1 Materials used by weight or volume  301-2 Recycled input materials used  18-19  301-3 Reclaimed products and their packaging materials  N.A.  Aspect: Enerry  302-1 Energy consumption within the organization  18  302-2 Energy consumption within the organization  18  302-3 Energy intensity  N.A.  302-4 Reduction of energy consumption  3,18  302-5 Reductions in energy requirements of products and services  3,18  Aspect: Water  303-1 Water withdrawal by source  18  303-2 Water sources significantly affected by withdrawal of water  N.A.  Aspect: Blodiversity  304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas  304-2 Significant impacts of activities, products, and services on biodiversity  304-3 Habitats protected or restored  305-1 Direct (Scope 1) GHG emissions  Aspect: Emissions  305-2 Energy indirect (Scope 2) GHG emissions  As above  305-4 GHG emissions intensity  As above  306-6 Emissions of ozone-depleting substances (ODS)  As above  505-6 Emissions of ozone-depleting substances (ODS)	205-2	Communication and training about anti-corruption policies and procedures	16
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices  Category: Environmental  Aspect: Materials 301-1 Materials used by weight or volume N.A. 301-2 Recycled input materials used N.A. 301-3 Reclaimed products and their packaging materials N.A.  Aspect: Energy 302-1 Energy consumption within the organization 18 302-2 Energy consumption outside of the organization 18 302-3 Energy intensity N.A. 302-4 Reduction of energy consumption 18 302-5 Reduction of energy requirements of products and services 3,18 302-1 Water withdrawal by source 18 303-1 Water withdrawal by source 18 303-2 Water sources significantly affected by withdrawal of water N.A. Aspect: Biodiversity 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas 304-2 Significant impacts of activities, products, and services on biodiversity 18-19 304-3 Habitats protected or restored 18-19 304-4 Ilon Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions 305-1 Direct (Scope 1) GHG emissions Emissions Mas above 305-4 GHG emissions intensity As above 40-65 Reduction of GHG emissions As above 505-6 Emissions of ozone-depleting substances (ODS) As above	205-3	Confirmed incidents of corruption and actions taken	16
Category: Environmental         Aspect: Materials         301-1       Materials used by weight or volume       N.A.         301-2       Recycled input materials used       18-19         301-3       Reclaimed products and their packaging materials       N.A.         Aspect: Energy       Benergy consumption within the organization       18         302-2       Energy consumption outside of the organization       18         302-3       Energy intensity       N.A.         302-4       Reduction of energy consumption       3,18         302-5       Reductions in energy requirements of products and services       3,18         Aspect: Water       303-1       Water withdrawal by source       18         303-2       Water sources significantly affected by withdrawal of water       N.A.         303-3       Water recycled and reused       N.A.         Aspect: Blodiversity       18-19         304-1       Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas       18-19         304-2       Significant impacts of activities, products, and services on biodiversity       18-19         304-3       Habitats protected or restored       18-19         304-4       IUCN	Aspect: Ar	ti-competitive Behavior	
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301-1     Materials used by weight or volume     N.A.       301-2     Recycled input materials used     18-19       301-3     Reclaimed products and their packaging materials     N.A.       Aspect: Energy     N.B.       302-1     Energy consumption within the organization     18       302-2     Energy consumption outside of the organization     18       302-3     Energy intensity     N.A.       302-4     Reduction of energy consumption     3,18       302-5     Reductions in energy requirements of products and services     3,18       Aspect: Water     8       303-1     Water withdrawal by source     18       303-2     Water sources significantly affected by withdrawal of water     N.A.       303-3     Water recycled and reused     N.A.       Aspect: Biodiversity     N.A.       304-1     Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas and areas of high biodiversity value outside protected areas     18-19       304-2     Significant impacts of activities, products, and services on biodiversity     18-19       304-3     Habitats protected or restored     18-19       304-4     IUCN Red List species and national conservation list species with habitats in areas affected by operations     N.A.       Aspect: Emissions     Emis	Category:	Environmental	
301-2 Recycled input materials used 301-3 Reclaimed products and their packaging materials N.A.  Aspect: Energy 302-1 Energy consumption within the organization 302-2 Energy consumption outside of the organization 302-3 Energy intensity N.A. 302-4 Reduction of energy consumption 302-5 Reduction of energy requirements of products and services 302-6 Reductions in energy requirements of products and services 303-1 Water withdrawal by source 18 303-1 Water withdrawal by source 18 303-2 Water sources significantly affected by withdrawal of water N.A. 303-3 Water recycled and reused N.A.  Aspect: Biodiversity 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas 304-2 Significant impacts of activities, products, and services on biodiversity 18-19 304-3 Habitats protected or restored 11-0-1 Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions 305-1 Direct [Scope 1] GHG emissions Emissions will be reported in the FY 2019 305-2 Energy indirect [Scope 2] GHG emissions As above 305-3 Other indirect [Scope 3] GHG emissions As above 305-4 GHG emissions intensity As above 305-6 Emissions of ozone-depleting substances (ODS) As above	Aspect: Ma	nterials	
Reclaimed products and their packaging materials       N.A.         Aspect: Energy         302-1       Energy consumption within the organization       18         302-2       Energy intensity       N.A.         302-3       Energy intensity       N.A.         302-4       Reduction of energy consumption       3,18         302-5       Reductions in energy requirements of products and services       3,18         Aspect: Water         303-1       Water withdrawal by source       18         303-2       Water sources significantly affected by withdrawal of water       N.A.         303-3       Water recycled and reused       N.A.         48-pect: Biotiversity       8         304-1       Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas       18-19         304-2       Significant impacts of activities, products, and services on biodiversity       18-19         304-3       Habitats protected or restored       18-19         304-4       IUCN Red List species and national conservation list species with habitats in areas affected by operations       N.A.         305-1       Direct (Scope 1) GHG emissions       Emissions will be reported in the FY 2019         305-2       Energy indir	301-1	Materials used by weight or volume	N.A.
Aspect: Energy         302-1       Energy consumption within the organization       18         302-2       Energy consumption outside of the organization       18         302-3       Energy intensity       N.A.         302-4       Reduction of energy consumption       3,18         302-5       Reductions in energy requirements of products and services       3,18         Aspect: Water         303-1       Water withdrawal by source       18         303-2       Water sources significantly affected by withdrawal of water       N.A.         303-3       Water recycled and reused       N.A.         Aspect: Biodiversity         304-1       Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas       18-19         304-2       Significant impacts of activities, products, and services on biodiversity       18-19         304-3       Habitats protected or restored       18-19         304-4       IUCN Red List species and national conservation list species with habitats in areas affected by operations       N.A.         Aspect: Emissions         305-1       Direct (Scope 1) GHG emissions       Emissions will be reported in the FY 2019         305-2       Energy indirect (Scope 2) GHG emissions </td <td>301-2</td> <td>Recycled input materials used</td> <td>18-19</td>	301-2	Recycled input materials used	18-19
302-1       Energy consumption within the organization       18         302-2       Energy consumption outside of the organization       18         302-3       Energy intensity       N.A.         302-4       Reduction of energy consumption       3,18         302-5       Reductions in energy requirements of products and services       3,18         Aspect: Water         303-1       Water withdrawal by source       18         303-2       Water sources significantly affected by withdrawal of water       N.A.         303-3       Water recycled and reused       N.A.         Aspect: Biowiversity         304-1       Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas       18-19         304-2       Significant impacts of activities, products, and services on biodiversity       18-19         304-3       Habitats protected or restored       18-19         304-4       IUCN Red List species and national conservation list species with habitats in areas affected by operations       N.A.         Aspect: Emissions         305-1       Direct [Scope 1] GHG emissions       Emissions will be reported in the FY 2019         305-2       Energy indirect [Scope 2] GHG	301-3	Reclaimed products and their packaging materials	N.A.
302-2     Energy consumption outside of the organization     18       302-3     Energy intensity     N.A.       302-4     Reduction of energy consumption     3,18       302-5     Reductions in energy requirements of products and services     3,18       Aspect: Water       303-1     Water withdrawal by source     18       303-2     Water sources significantly affected by withdrawal of water     N.A.       303-3     Water recycled and reused     N.A.       Aspect: Biodiversity       304-1     Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas     18-19       304-2     Significant impacts of activities, products, and services on biodiversity     18-19       304-3     Habitats protected or restored     18-19       304-4     IUCN Red List species and national conservation list species with habitats in areas affected by operations     N.A.       Aspect: Emissions       305-1     Direct [Scope 1] GHG emissions     Emissions will be reported in the FY 2019       305-2     Energy indirect (Scope 2) GHG emissions     As above       305-3     Other indirect (Scope 3) GHG emissions     As above       305-4     GHG emissions intensity     As above       305-6     Emissions of ozone-depleting substances (ODS)	Aspect: Er	ergy	
302-3 Energy intensity N.A. 302-4 Reduction of energy consumption 3,18 302-5 Reductions in energy requirements of products and services 3,18  Aspect: Water 303-1 Water withdrawal by source 18 303-2 Water sources significantly affected by withdrawal of water N.A. 303-3 Water recycled and reused N.A.  Aspect: Biodiversity 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas 318-19 304-2 Significant impacts of activities, products, and services on biodiversity 18-19 304-3 Habitats protected or restored 18-19 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions 305-1 Direct (Scope 1) GHG emissions Emissions will be reported in the FY 2019 305-2 Energy indirect (Scope 2) GHG emissions As above 305-3 Other indirect (Scope 3) GHG emissions As above 305-4 GHG emissions intensity As above 304-5 Reduction of GHG emissions As above 305-6 Emissions of ozone-depleting substances (ODS) As above	302-1	Energy consumption within the organization	18
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Reductions in energy requirements of products and services   3,18	302-3	Energy intensity	N.A.
Aspect: Water  303-1 Water withdrawal by source  18 303-2 Water sources significantly affected by withdrawal of water  N.A. 303-3 Water recycled and reused  N.A.  Aspect: Biodiversity  304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas  Significant impacts of activities, products, and services on biodiversity  18-19 304-2 Significant impacts of activities, products, and services on biodiversity  18-19 304-3 Habitats protected or restored  10-10 N.A.  Aspect: Emissions  305-1 Direct (Scope 1) GHG emissions  Emissions will be reported in the FY 2019  305-2 Energy indirect (Scope 2) GHG emissions  As above  305-3 Other indirect (Scope 3) GHG emissions  As above  305-4 GHG emissions intensity  As above  304-5 Reduction of GHG emissions  As above  305-6 Emissions of ozone-depleting substances (ODS)	302-4	Reduction of energy consumption	3,18
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303-2Water sources significantly affected by withdrawal of waterN.A.303-3Water recycled and reusedN.A.Aspect: Biodiversity304-1Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas18-19304-2Significant impacts of activities, products, and services on biodiversity18-19304-3Habitats protected or restored18-19304-4IUCN Red List species and national conservation list species with habitats in areas affected by operationsN.A.Aspect: Emissions305-1Direct (Scope 1) GHG emissionsEmissions will be reported in the FY 2019305-2Energy indirect (Scope 2) GHG emissionsAs above305-3Other indirect (Scope 3) GHG emissionsAs above305-4GHG emissions intensityAs above304-5Reduction of GHG emissionsAs above305-6Emissions of ozone-depleting substances (ODS)As above	Aspect: W	ater	
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Aspect: Biodiversity  304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas  304-2 Significant impacts of activities, products, and services on biodiversity  18-19  304-3 Habitats protected or restored  18-19  304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions  305-1 Direct (Scope 1) GHG emissions  Emissions will be reported in the FY 2019  305-2 Energy indirect (Scope 2) GHG emissions  As above  305-3 Other indirect (Scope 3) GHG emissions  As above  305-4 GHG emissions intensity  As above  304-5 Reduction of GHG emissions  Emissions of ozone-depleting substances (ODS)  As above	303-2	Water sources significantly affected by withdrawal of water	N.A.
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas 304-2 Significant impacts of activities, products, and services on biodiversity 18-19 304-3 Habitats protected or restored 18-19 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions 305-1 Direct (Scope 1) GHG emissions Emissions will be reported in the FY 2019 305-2 Energy indirect (Scope 2) GHG emissions As above 305-3 Other indirect (Scope 3) GHG emissions As above 305-4 GHG emissions intensity As above 304-5 Reduction of GHG emissions Emissions of ozone-depleting substances (ODS) As above	303-3	Water recycled and reused	N.A.
and areas of high biodiversity value outside protected areas  304-2 Significant impacts of activities, products, and services on biodiversity  18-19  304-3 Habitats protected or restored  18-19  304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions  305-1 Direct (Scope 1) GHG emissions  Emissions will be reported in the FY 2019  305-2 Energy indirect (Scope 2) GHG emissions  As above  305-3 Other indirect (Scope 3) GHG emissions  As above  305-4 GHG emissions intensity  As above  304-5 Reduction of GHG emissions  As above  As above  As above  As above	Aspect: Bi	odiversity	
Habitats protected or restored  18-19  304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions  305-1 Direct (Scope 1) GHG emissions  Emissions will be reported in the FY 2019  305-2 Energy indirect (Scope 2) GHG emissions  As above  305-3 Other indirect (Scope 3) GHG emissions  As above  305-4 GHG emissions intensity  As above  304-5 Reduction of GHG emissions  As above  As above  As above  As above	304-1		18-19
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations  Aspect: Emissions  305-1 Direct (Scope 1) GHG emissions  Emissions will be reported in the FY 2019  305-2 Energy indirect (Scope 2) GHG emissions  As above  305-3 Other indirect (Scope 3) GHG emissions  As above  305-4 GHG emissions intensity  As above  304-5 Reduction of GHG emissions  As above  305-6 Emissions of ozone-depleting substances (ODS)  As above	304-2	Significant impacts of activities, products, and services on biodiversity	18-19
areas affected by operations  Aspect: Emissions  305-1 Direct (Scope 1) GHG emissions  Emissions will be reported in the FY 2019  305-2 Energy indirect (Scope 2) GHG emissions  As above  305-3 Other indirect (Scope 3) GHG emissions  As above  305-4 GHG emissions intensity  As above  304-5 Reduction of GHG emissions  As above  305-6 Emissions of ozone-depleting substances (ODS)	304-3	Habitats protected or restored	18-19
305-1Direct (Scope 1) GHG emissionsEmissions will be reported in the FY 2019305-2Energy indirect (Scope 2) GHG emissionsAs above305-3Other indirect (Scope 3) GHG emissionsAs above305-4GHG emissions intensityAs above304-5Reduction of GHG emissionsAs above305-6Emissions of ozone-depleting substances (ODS)As above	304-4		N.A.
the FY 2019  305-2 Energy indirect (Scope 2) GHG emissions As above  305-3 Other indirect (Scope 3) GHG emissions As above  305-4 GHG emissions intensity As above  304-5 Reduction of GHG emissions As above  305-6 Emissions of ozone-depleting substances (ODS)  As above	Aspect: Er	nissions	
305-3Other indirect (Scope 3) GHG emissionsAs above305-4GHG emissions intensityAs above304-5Reduction of GHG emissionsAs above305-6Emissions of ozone-depleting substances (ODS)As above	305-1	Direct (Scope 1) GHG emissions	
305-4 GHG emissions intensity As above 304-5 Reduction of GHG emissions As above 305-6 Emissions of ozone-depleting substances (ODS) As above	305-2	Energy indirect (Scope 2) GHG emissions	As above
304-5 Reduction of GHG emissions As above 305-6 Emissions of ozone-depleting substances (ODS) As above	305-3	Other indirect (Scope 3) GHG emissions	As above
305-6 Emissions of ozone-depleting substances (ODS) As above	305-4	GHG emissions intensity	As above
	304-5	Reduction of GHG emissions	As above
305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions As above	305-6	Emissions of ozone-depleting substances (ODS)	As above
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	As above

Universal	Standard Disclosure	Page reference and reasons for omissions, if applicable
Aspect: E	ffluents and Waste	
306-1	Water discharge by quality and destination	Emissions will be reported in the FY 2019
306-2	Waste by type and disposal method	As above
306-3	Significant spills	As above
306-4	Transport of hazardous waste	As above
306-5	Water bodies affected by water discharges and/or runoff	As above
Aspect: E	nvironmental Compliance	
307-1	Non-compliance with environmental laws and regulations	16
Aspect: S	upplier Environmental Assessment	
308-1	New suppliers that were screened using environmental criteria	N.A.
308-2	Negative environmental impacts in the supply chain and actions taken	N.A.
Category:	Social	
Aspect: E	mployment	
401-1	New employee hires and employee turnover	23
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	N.A.
401-3	Parental leave	25
Aspect: L	abor/Management Relations	
402-1	Minimum notice periods regarding operational changes	26
Aspect: 0	ccupational Health and Safety	
403-1	Workers representation in formal joint management-worker health and safety committees	17-18
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	17-18
403-3	Workers with high incidence or high risk of diseases related to their occupation	17-18
404-4	Health and safety topics covered in formal agreements with trade unions	17-18
Aspect: T	raining and Education	
404-1	Average hours of training per year per employee	25
404-2	Programs for upgrading employee skills and transition assistance programs	25
404-3	Percentage of employees receiving regular performance and career development reviews	25
Aspect: D	iversity and Equal Opportunity	
405-1	Diversity of governance bodies and employees	23-25
405-2	Ratio of basic salary and remuneration of women to men	All our employees are compensated according to their qualifications and job scope.
Aspect: N	on-discrimination	
406-1	Incidents of discrimination and corrective actions taken	25
Aspect: F	reedom of Association and Collective Bargaining	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N.A.

Universal	Standard Disclosure	Page reference and reasons for omissions, if applicable
Aspect: Cl	nild Labor	
408-1	Operations and suppliers at significant risk for incidents of child labor	All our employees are employed based on the legal age for employment in the respective country we operate in
Aspect: Fo	orced or Compulsory Labor	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N.A.
Aspect: Se	ecurity Practices	
410-1	Security personnel trained in human rights policies or procedures	N.A.
Aspect: Ri	ghts of Indigenous Peoples	
411-1	Incidents of violations involving rights of indigenous peoples	N.A.
Aspect: H	uman Rights Assessment	
412-1	Operations that have been subject to human rights reviews or impact assessments	N.A.
412-2	Employee training on human rights policies or procedures	N.A.
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	N.A.
Aspect: Lo	ocal Communities	
413-1	Operations with local community engagement, impact assessments, and development programs	27
413-2	Operations with significant actual and potential negative impacts on local communities	N.A.
Aspect: Su	upplier Social Assessment	
414-1	New suppliers that were screened using social criteria	N.A.
414-2	Negative social impacts in the supply chain and actions taken	N.A.
Aspect: Pu	ublic Policy	
415-1	Political contributions	N.A.
Aspect: Cu	ustomer Health and Safety	
416-1	Assessment of the health and safety impacts of product and service categories	17-18
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There is no incident of non-compliance reported
Aspect: M	arketing and Labeling	
417-1	Requirements for product and service information and labeling	N.A.
417-2	Incidents of non-compliance concerning product and service information and labeling	There is no incident of non-compliance reported
417-3	Incidents of non-compliance concerning marketing communications	There is no incident of non-compliance reported
Aspect: Cu	ustomer Privacy	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There is no incident of non-compliance reported
Aspect: So	ocioeconomic Compliance	
419-1	Non-compliance with laws and regulations in the social and economic area	There is no incident of non-compliance reported

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **TOH CHOO HUAT**

Executive Chairman and Chief Executive Officer

### **PROF. LING CHUNG YEE ROY**

Lead Independent Director

#### **CHIA SOON HIN WILLIAM**

Independent Director

#### **CHUA HOCK THAK**

Independent Director

#### **TEO HO BENG**

Non-Executive Director

### **AUDIT COMMITTEE**

Prof. Ling Chung Yee Roy (Chairman) Chia Soon Hin William Chua Hock Thak Teo Ho Beng

### **REMUNERATION COMMITTEE**

Chia Soon Hin William (Chairman) Prof. Ling Chung Yee Roy Chua Hock Thak Teo Ho Beng

### **NOMINATING COMMITTEE**

Chua Hock Thak (Chairman) Prof. Ling Chung Yee Roy Chia Soon Hin William Teo Ho Beng

### **COMPANY SECRETARIES**

Ong Beng Hong Tan Swee Gek

### **REGISTERED OFFICE**

No. 3 Sungei Kadut Drive Singapore 729556 Tel: (65) 6757 0900 Fax: (65) 6757 0100 Website: www.leychoon.com

#### **SHARE REGISTRAR**

#### RHT CORPORATE ADVISORY PTE LTD

9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619

#### **CATALIST SPONSOR**

#### RHT CAPITAL PTE LTD

9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619

### **INDEPENDENT AUDITORS**

#### **FOO KON TAN LLP**

#### PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS

24 Raffles Place #07-03 Clifford Centre Singapore 048621

Partner-in-charge: Robin Chin Sin Beng (with effect from 22 January 2016)

#### PRINCIPAL BANKERS

### **AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED**

10 Collyer Quay #30-00 Ocean Financial Centre Singapore 049315

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

6 Raffles Quay #23-01 Singapore 048580

### RHB BANK BERHAD, SINGAPORE BRANCH

90 Cecil Street #03-00 RHB Bank Building Singapore 069531

#### STANDARD CHARTERED BANK

Marina Bay Financial Centre (Tower 1) 8 Marina Boulevard Singapore 018981

### THE ISLAMIC BANK OF ASIA LIMITED

12 Marina Boulevard Level 46 Marina Bay Financial Centre Tower 3 Singapore 018982

### **SUSTAINABILITY**

For enquiries, please contact Tel: (65) 6757 0900 Email: ir@leychoon.com

## RISK ASSESSMENT AND MANAGEMENT

The Group has identified and listed below certain key business risks and they could adversely affect the Group. The possible measures to mitigate such risks are also briefly described. Risks are inherent in all business enterprises and therefore our Group monitors and manage our exposure to risks relating to its business and industry.

### 1. Downgrade or loss of the Building Construction Authority ("BCA") grades or builder's licences

We are required to register ourselves as licensed contractors and/or builders with the BCA for our business.

Based on the grades conferred to us as registered contractors, Ley Choon is allowed to tender for public sector projects, subject to the stipulated limit. To maintain the existing contractor grades for our subsidiaries, there are certain requirements stipulated by the BCA, including but not limited to the following:

- a) each registered company must meet the stipulated requirements with regards to the value of contracts undertaken by that company in the past three financial years;
- b) each registered company must meet the minimum paid-up share capital and the minimum net worth requirement; and
- c) each registered company must employ the required number of professionals or technical personnel and these professionals or technical personnel must have the minimum professional qualifications stipulated by BCA, being a recognised degree in Architecture, Building, Civil/Structural Engineering or the equivalent qualifications approved by the BCA and have the stipulated number of years of relevant experience.

If these requirements are not complied, it is possible that Ley Choon loses its BCA grades and/or builder's licences. If this happens, our ability to tender for projects, and thus our business operations, will be affected.

To ensure business sustainability, we are careful to ensure that our subsidiaries comply with the BCA requirements and our BCA grades and builder's licenses upheld.

#### 2. Dependency on public sector demand in Singapore

As Ley Choon is mainly engaged in the (i) underground utilities infrastructure construction and maintenance; (ii) sewer pipeline rehabilitation; and (iii) road and airfield construction and maintenance in Singapore, our business is vulnerable to the cyclical fluctuations of the construction industry in Singapore and is dependent on the general health of the Singapore economy as well as the availability of the government's civil engineering projects in Singapore.

To ensure business sustainability, we have diversified our revenue sources. We are also into the business of asphalt premix recycling and production and have taken on overseas projects.

### 3. Dependency on project tender success

All our businesses, except asphalt premix production and construction waste recycling, are mostly undertaken on a project basis and are non-recurring. Our income is therefore subject to the number, value and duration of projects successfully tendered.

We must therefore tender competitively to ensure a steady stream of projects coming on-board while at the same time be mindful about maintaining healthy margins for each project.

## RISK ASSESSMENT AND MANAGEMENT

#### 4. Potential shortage of labour and increase in labour cost

Ley Choon, like many construction companies in Singapore, relies heavily on foreign labour. Our foreign workers mostly come from India, China, Malaysia, Thailand, Myanmar and Bangladesh. The employment of foreign workers is subject to foreign workers' levy. We are thus vulnerable to any shortage in the supply of foreign workers or any increase in the cost of foreign labour. Any changes in the policies and regulations imposed by the authority may potentially affect the supply and cost of labour for Ley Choon.

Ley Choon constantly seeks ways to automate processes to increase productivity. We devised the Intelligent Stop & Go signalling, the off-site CCTV monitoring, and deployed the suction excavation machine, amongst others, to minimize the use of labour.

### 5. Inability to attract and retain key personnel

Ley Choon's success depends to a significant extent upon a number of key employees and senior management. Our continued success and growth are therefore dependent on the retention of our key personnel as well as our ability to continue to attract, retain and motivate other qualified personnel. Consequently, the loss of the services of one or more of these individuals without suitable and timely replacement or the inability to attract new qualified personnel could have an adverse impact on our operations.

To attract and retain talent, Ley Choon puts in place talent development initiatives to improve employee loyalty and staff cohesiveness.

### 6. Subject to regulations and guidelines imposed by various government and regulatory authorities

We are subject to regulations and guidelines, including safety regulations, imposed by various government and regulatory authorities in Singapore.

In the event of an inadvertent breach of certain regulatory guidelines and regulations imposed by the regulatory authorities such as the NEA, PUB and LTA, we may be subject to administrative proceedings and unfavourable decrees that result in pecuniary liabilities and cause delays to our projects. In such instances, our financial performance might be affected. In addition, judgements and decrees awarded that are unfavourable to us would have a negative effect on our reputation.

Regulations and regulatory guidelines are subject to amendments from time to time. Any changes in government legislation, regulations or policies affecting our industry could adversely affect our business operations and/or have a negative effect on the demand for our services. There is also no assurance that we will be able to comply with any changes. There is also a possibility that such amendments to regulations could increase our operating costs.

Ley Choon adopts a prudent approach and strives to adapt to the changes in the operating environment to stay relevant.

### 7. Possibility of cost overruns

Our quotes are determined after careful evaluation of all related costs pertaining to subcontractors, labour cost, materials cost and other overheads. However, unforeseen circumstances such as adverse weather conditions and unanticipated construction constraints at the worksites may arise during the course of the project resulting in increase in the costs of labour, raw materials, equipment, rental and sub-contracting services, or other costs not previously anticipated and thus leading to cost overruns.

Ley Choon has been going through extensive organisational restructuring in areas of human resource management, strengthening accountability, optimizing asset utilisation, enhancing management oversight and monitoring of project progress through periodic and systematic project budgetary review and control. All these measures have been helping the senior management to mitigate the above risk.

# **FINANCIAL CONTENTS**

- 39 REPORT ON CORPORATE GOVERNANCE
- **76** DIRECTORS' STATEMENT
- **80** INDEPENDENT AUDITOR'S REPORT
- **85** STATEMENTS OF FINANCIAL POSITION
- **86** CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- 87 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 88 CONSOLIDATED STATEMENT OF CASH FLOWS
- 91 NOTES TO THE FINANCIAL STATEMENTS
- **151** SHAREHOLDINGS STATISTICS
- **153** NOTICE OF ANNUAL GENERAL MEETING PROXY FORM

The Board of Directors (the "Board") of Ley Choon Group Holdings Limited (the "Company" and together with its subsidiaries, the "Group"), is committed to high standards of corporate governance and adopting the corporate governance practices contained in the Code of Corporate Governance 2012 (the "Code"), issued by the Corporate Governance Committee, so as to ensure greater transparency and protection of shareholders' interests. The Board recognises the need for accountability, creating and preserving shareholder value and achieving its corporate vision for the Group. This report describes the Group's corporate governance practices and activities, with specific reference to the Code, during the financial year ended 31 March 2018 ("FY2018"), and is presented in a tabular form, stipulating each principle and guideline, and explaining any deviations from the Code and taking consideration the Disclosure Guide provided by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 29 January 2015.

#### (A) BOARD MATTERS

#### **Board's Conduct of its Affairs**

Principle 1 – Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

As at the date of this Annual Report, the Board comprises one (1) Executive Director, three (3) Independent Directors and one (1) Non-Executive Director. The contribution, experience and competency of each Director helps in the overall effective management of the Company and the Group.

The Board's principal duties include the following:

- Guideline 1.1 of the Code: The Board's role
- (i) protecting and enhancing long-term value and return to the Company's shareholders ("Shareholders");
- (ii) establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- (iii) ensuring the effectiveness and integrity of the Management;
- (iv) chartering the corporate strategy and direction of the Group and setting goals for the Management;
- (v) supervising and monitoring the Management's achievement of these goals;
- (vi) conducting periodic reviews of the Group's financial performance, internal controls and reporting compliance;
- (vii) approving nominations to the Board and the appointment of key personnel;
- (viii) ensuring the Group's compliance with all relevant and applicable laws and regulations;

- (ix) assuming responsibility for the corporate governance of the Group;
- (x) setting the values and standards for the Group (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met; and
- (xi) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders' interests and the Company's assets.

All Directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Guideline 1.2 of the Code: Directors to act in the interests of the Company

To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee (collectively referred herein as "Board Committees"). The Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board Committee is also monitored.

Guideline 1.3 of the Code: Disclosure on delegation of authority by Board to board committees

Board meetings are conducted regularly at least once every quarter to review the business affairs of the Group and approve the announcement of the quarterly financial results. When necessary, additional Board meetings will be held to deliberate on other substantive matters. Teleconferencing at meetings of the Board is allowed under the Company's Constitution. In addition to holding meetings, important matters concerning the Group are also put to the Board for its decision by way of written resolutions.

Guideline 1.4 of the Code: Board to meet regularly

In the financial year under review<sup>(1)</sup>, the attendance of the existing Directors at the scheduled meetings of the Board and Board Committees during FY2018 were as follows:

	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee	
No. of Meetings	4	4	1	1	
<u>Director</u>					
Toh Choo Huat	4/4	_	-	-	
Dr. Low Boon Hwee <sup>[2]</sup>	4/4	_	-	-	
Ling Chung Yee Roy	,		1/1	1/1	
Chia Soon Hin William			1/1	1/1	
Chua Hock Thak <sup>[3]</sup>	_	_	_	_	
Teo Ho Beng	o Beng 4/4		1/1	1/1	

### Notes:

- (1) The attendance of the Directors, including those also acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretaries prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company. If the Company Secretaries were not present at the meetings, the attendance of the Directors was recorded by the Management in the minutes of the meetings.
- (2) Dr. Low Boon Hwee stepped down from the Board with effect from 13 April 2018. Details of his resignation were contained in the announcement released via SGXNET on 13 April 2018.
- (3) As Chua Hock Thak was only appointed to the Board with effect from 29 March 2018, he did not attend any meetings of the Board and the Board Committees during FY2018. Details of his appointment were contained in an announcement released via SGXNET on 29 March 2018.

The Executive Director supervises the management of the business and affairs of the Group. However, meetings of the Board are still held and/or resolutions in writing of the Board are circulated for matters which require the Board's approval, including the following, but are not limited to:

Guideline 1.5 of the Code: Matters requiring Board approval

- (i) review of the annual budget and the performance of the Group;
- (ii) review of the key activities and business strategies;
- (iii) approval of the corporate strategy and direction of the Group;
- (iv) approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;
- (v) material acquisitions and disposals;
- (vi) corporate or financial restructuring and share issuances;
- (vii) declaration of dividends and other returns to Shareholders; and
- (viii) appointments of new Directors or key personnel.

A formal document setting out the following guidelines has been adopted by the Board:

- (a) the matters reserved for the Board's decision; and
- (b) clear directions to Management on matters that must be approved 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) major capital expenditure;
- (b) capital management;
- (c) banking facilities;
- (d) acquisition of entities/business;
- (e) diversifying into new business; and
- (f) any other significant material transaction.

In the event that a Director is involved in an interested person transaction with the Group, he shall inform the Board accordingly and abstain from making any recommendation or decision with regards to the transaction.

The Company has a formal training program for new Directors. The Board ensures that all the newly appointed Directors will be given a detailed introduction on the Company's history and development and an orientation on the operational procedures of the Company or attend relevant seminars conducted by the Singapore Institute of Directors to familiarise them with the Group's business and governance practices. Such seminars will be funded by the Company. When necessary, the Company will provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge as appropriate.

Guideline 1.6 of the Code: Directors to receive appropriate training

The Directors are updated, from time to time, when new laws or regulations affecting the Group are introduced. The Directors are encouraged to attend seminars and training courses that will assist them in executing their obligations and responsibilities as directors to the Company. During FY2018, Toh Choo Huat, attended the Singapore Institute of Directors ("SID") Conference 2017, Dr. Low Boon Hwee attended the SID Conference 2017 and the SID Corporate Governance Roundup, Chia Soon Hin William attended the SID Conference 2017, Sustainability Roundtable for Directors of Catalist Companies, and MCD4-Leading from the Chair: What it takes to be effective, and Ling Chung Yee Roy attended the ASEAN Summit 2017 "The Future Economy in ASEAN Narrative; Gearing your business for the REC".

All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties and obligations.

Guideline 1.7 of the Code: Formal letter to be provided to directors setting out their duties

#### **Board Composition and Balance**

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and any shareholder who has an interest or interests in not less than 10% of the total votes attached to all the voting shares in the Company. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises five (5) Directors, of which three (3) are Independent Directors. As at the date of the report, the composition of the Board is as follows:

#### **Executive Director**

Toh Choo Huat (Executive Chairman and Chief Executive Officer)

### **Independent Directors**

Ling Chung Yee Roy (Lead Independent Director)
Chia Soon Hin William (Independent Director)
Chua Hock Thak (Independent Director)

### Non-Executive Director

Teo Ho Beng (Non-Executive Director)

The Board considers a director to be "independent" if he has no relationship with the Company, its related companies, its shareholders who have an interest or interests in not less than 10% of the total votes attached to all the voting shares in the Company or the officers that could interfere, or be reasonably perceived to interfere, with the exercise of that director's independent judgment with the view to the best interests of the Company.

Guideline 2.3 of the Code: Disclosure of directors considered to be independent

As at least half of the Board comprises Independent Directors, the Company believes the Board is able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision-making process and the Board is satisfied that there is a strong and independent element on the Board.

Guideline 2.1 of the Code: One-third of directors to be independent

Guideline 2.2 of the Code recommends that independent directors make up at least half of the Board where: (a) the Chairman of the Board and the Chief Executive Officer (or equivalent) is the same person; (b) the Chairman and the Chief Executive Officer are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director. Under the present board composition, quideline 2.2 of the Code has been met.

Guideline 2.2 of the Code: Independent directors to make up at least half of the Board in certain circumstances

There are no Directors who have served on the Board beyond nine (9) years from the date of his first appointment.

Guideline 2.4 of the Code: Independence of director who has served on the Board beyond nine years should be subject to rigorous review'

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The Board has considered the present Board size and is satisfied that the current size facilitates effective decision making and is appropriate for the nature and scope of the Group's operations.

Guideline 2.5 of the Code: Board to determine its appropriate size

To maintain or enhance the Board's balance and diversity, the Nominating Committee conducts an annual assessment of the existing attributes and core competencies of the Board to ensure that the Board has the appropriate mix of diversity, expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making, taking into account the nature and scope of the Group's operations. The Nominating Committee is of the view that the Board has a good balance of Directors who come from diverse backgrounds and have extensive business, financial, accounting and management experience. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group. Details on the experiences, professional qualifications and responsibilities of the Directors are set out in pages 8 to 9 of this Annual Report.

Guideline 2.6 of the Code: Board to comprise directors with core competencies

The Non-Executive Directors (including the Independent Directors) will constructively challenge and assist in the development of proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Guideline 2.7 of the Code: Role of nonexecutive directors

The Non-Executive Directors will have discussions amongst themselves without the presence of the Management and the Executive Director at least once a year.

Guideline 2.8 of the Code: Regular meetings of non-executive directors

### **Executive Chairman and Chief Executive Officer**

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Executive Chairman and Chief Executive Officer, Toh Choo Huat, sets the tone for the conduct of the Board and leads the Board to ensure the effectiveness of the Board and its role. He also ensures the Group's adherence to the best corporate governance practices prescribed by the Code.

As Executive Chairman, Toh Choo Huat is also responsible for, amongst other things, the proper functioning of the Board. He ensures that the Board holds regular meetings and oversees the proper dissemination of corporate information to the relevant parties (including but not limited to the Directors and Shareholders). He sets the agenda for each meeting and ensures that adequate time is available for discussion and debate of all agenda items, in particular, strategic issues. He also encourages constructive relations between the Board and the Management, facilitating the effective contribution of Independent Directors, as well as encouraging constructive discussion and debate amongst the Directors and hence, promoting high standards of corporate governance.

Guideline 3.2 of the Code: Chairman's

All major decisions made by the Executive Chairman and the Chief Executive Officer are under the purview of review by the Audit Committee. His performance and appointment to the Board are also reviewed periodically by the Nominating Committee while his remuneration package is reviewed periodically by the Remuneration Committee. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Guideline 3.1 of the Code: Chairman and CEO should in principle be separate persons

The Board is of the view that power is not unduly concentrated in the hands of one (1) individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, all of which are chaired by Independent Directors.

In addition, the Board also believes that notwithstanding the Executive Chairman and the Chief Executive Officer being the same person, the Group's interest is well served by:

- (i) the benefit of an Executive Chairman and Chief Executive Officer who is very experienced and knowledgeable about the Group's businesses, thereby ensuring the smooth and efficient implementation of decisions on policy issues;
- (ii) the good balance of power and authority on the Board as all the Board Committees of the Board are chaired by the Independent Directors;
- (iii) at least half of the Board is made up of Independent Directors to ensure independent review of the Management's performance; and
- (iv) the benefit of the objective and independent views that the Group receives from the Independent Directors and the contributions of the Non-Executive Directors.

In view that the Executive Chairman and the Chief Executive Officer is the same person, the Company had appointed Ling Chung Yee Roy as the Lead Independent Director to adhere to the principles set out in the Code. As the Lead Independent Director, Ling Chung Yee Roy acts as the contact person for the Shareholders in the event that the Shareholders have concerns or issues for which communication with the Executive Chairman and Chief Executive Officer or the Chief Financial Officer is inappropriate or where such communication has failed to resolve the concerns or issues raised.

Guideline 3.3 of the Code: Appointment of lead independent director

For FY2018, the Independent Directors and Non-Executive Director met three (3) times in the absence of key management personnel and the Lead Independent Director provides feedback to the Executive Chairman after such meeting(s).

Guideline 3.4 of the Code: Led by the lead independent director, independent directors to meet periodically

### **Board Membership**

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

As at the date of this Annual Report, the Nominating Committee comprises the Company's three (3) Independent Directors, namely Chua Hock Thak (Chairman of the Nominating Committee), Ling Chung Yee Roy (Member of the Nominating Committee), Chia Soon Hin William (Member of the Nominating Committee) and one (1) Non-Executive Director, Teo Ho Beng (Member of the Nominating Committee). The Nominating Committee meets at least once annually.

The Nominating Committee is responsible for:

- (i) re-nominating the Directors having regard to the Directors' contribution and performance;
- (ii) determining annually whether or not an Independent Director is independent; and
- (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director, taking into consideration the Director's number of listed company board representations and other principal commitments.

The Nominating Committee also makes recommendations to the Board relating to:

- (i) the review of board succession plans for the Directors, in particular, the Chairman and the Chief Executive Officer;
- (ii) the development of a process for evaluation of the performance of the Board, its board committees and the Directors;
- (iii) the review of the training and professional development programs for the Board;
- (iv) the appointment and re-appointment of the Directors (including alternate directors, if applicable); and
- (v) the appointment and re-appointment of the Chief Executive Officer, the Chief Financial Officer or any other person who holds a similar position to the Chief Executive Officer or the Chief Financial Officer by any name.

Guideline 4.1 of the Code: Nominating Committee ("NC") should comprise at least three directors, the majority of whom, including the Chairman, are independent

Guideline 4.2 of the Code: NC to make recommendations to the Board on certain relevant matters

The Nominating Committee will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which addresses how the Board is to enhance long-term Shareholders' value. As part of its review, the Nominating Committee will recommend to the Board a process to assess the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board.

Each member of the Nominating Committee abstains from voting any resolutions and making recommendations and/or participating in any deliberations in respect of the assessment of his performance or re-nomination as a director.

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines in the Code. The Nominating Committee reviewed declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the Nominating Committee is of the view that Ling Chung Yee Roy, Chia Soon Hin William and Chua Hock Thak are independent of the Group and the Management.

Guideline 4.3 of the Code: NC to determine directors' independence annually

The Nominating Committee also reviews the performance of the Directors as well as their contribution to the Board.

The Nominating Committee has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments. The Board, with the concurrence of the Nominating Committee, has agreed that the Company shall not impose a maximum number of listed board representations on the Directors as the Board is of the opinion that setting a fixed number would not adequately take into account the varied circumstances of each Director and the Nominating Committee will instead focus on whether a Director has sufficient time to adequately discharge his duties to the Company.

Guideline 4.4 of the Code: Ensure directors with multiple board representations give sufficient time and attention to the Company

Toh Choo Huat does not hold any other existing directorships with other public listed companies and also did not hold such past directorships in the last three (3) years.

The present and past directorships (held in the last three (3) years) of the Independent Directors and Non-Executive Director with other public listed companies are set out in the following tables:

### **LING CHUNG YEE ROY**

Other existing directorships with public listed companies:

Company	Position		
Pine Capital Group Ltd	Lead Independent Director		
Chaswood Resources Holdings Ltd	Lead Independent Director		
United Food Holdings Ltd	Lead Independent Director		
Arion Entertainment Singapore Ltd (fka Elektromotive Group Ltd)	Independent Director		
Vingroup JSC (listed on Ho Chih Minh Stock Exchange)	Independent Director		

Other past directorships with public listed companies (held in the last three (3) years):

Company	Position		
JES International Holdings Ltd	Independent Director		
China Flexible Packaging Holdings Ltd	Lead Independent Director		
ChinaSing Investment Holdings Ltd	Lead Independent Director		
Aquaint Capital Holdings Ltd (listed on Australian Securities Exchange)	Independent Director		

#### **CHIA SOON HIN WILLIAM**

Other existing directorships with public listed companies:

Company	Position		
Nil	-		

Other past directorships with public listed companies (held in the last three (3) years):

Company	Position
Nil	-

#### **CHUA HOCK THAK**

Other existing directorships with public listed companies:

Company	Position		
Nil	-		

Other past directorships with public listed companies (held in the last three (3) years):

Company	Position
Nil	-

#### **TEO HO BENG**

Other existing directorships with public listed companies:

Company	Position		
Hiap Hoe Limited	Executive Chairman		

Other past directorships with public listed companies (held in the last three (3) years):

Company	Position		
Nil	-		

After conducting reviews, the Nominating Committee is also satisfied that the Directors have been able to devote adequate time and attention to the affairs of the Company and they are able to fulfil their duties as directors of the Company.

The Company does not have any alternate directors. The Board will generally avoid approving the appointment of alternate directors unless alternate directors are appointed for limited periods in exceptional cases such as when a director has a medical emergency.

Guideline 4.5 of the Code: Boards should avoid approving the appointment of alternate directors

For appointment of new Directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the then existing Board. The Nominating Committee may, if necessary, interview potential candidates and make recommendations to the Board for approval. The Board will then consider the potential candidates and Directors newly appointed by the Board are appointed by way of board resolution, following which they are subject to election by Shareholders at the next annual general meeting immediately following their appointment and thereafter, they are subject to the one-third rotation rule.

Guideline 4.6 of the Code: Description of process for selection and appointment of new directors to be disclosed

The dates of initial appointment of each Director are set out as follows:

Name of Directors	Date of initial appointment	Date of last re-election		
Toh Choo Huat	25 July 2012	28 July 2017		
Ling Chung Yee Roy	28 September 2015	-		
Chia Soon Hin William	28 September 2015	-		
Chua Hock Thak	29 March 2018	-		
Teo Ho Beng	28 September 2015	-		

Guideline 4.7 of the Code: Key information regarding directors

Under Article 107 of the Company's Constitution, at least one-third of the Directors (or if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third) is required to retire from the office of Director and stand for re-election at the Company's Annual General Meeting. Generally, the retiring Directors are Directors who have been the longest in office since their last election (unless otherwise nominated by the Nominating Committee). Accordingly, pursuant to Article 107 of the Constitution, Ling Chung Yee Roy and Chia Soon Hin William will be due for retirement and re-election at the forthcoming Annual General Meeting.

Under Article 117 of the Constitution, any newly appointed Director shall hold office only until the next Annual General Meeting of the Company, and shall be eligible for re-election. As Chua Hock Thak was newly appointed in March 2018, pursuant to Article 117 of the Constitution, he will be required to retire and stand for re-election at the forthcoming Annual General Meeting.

Details on the experiences, professional qualifications and responsibilities of the Directors are set out in pages 8 to 9 of this Annual Report. In addition, information on shareholdings in the Company and its related companies held by each Director is set out in the "Directors' Statement" section of this Annual Report.

Further to the above, it should also be noted that the Nominating Committee also reviews the appointment of any manager of the Company or any of its principal subsidiaries, who is a relative of a Director or Chief Executive Officer or Substantial Shareholder. Pursuant to Rule 704(8) of the Listing Manual – Section B: Rules of Catalist (the "Catalist Rules"), the Company confirms that, as far as the Company is aware and save as set out below, there are no other persons occupying managerial positions in the Company or any of its principal subsidiaries who are related to a director or chief executive officer or substantial shareholder of the Company or its principal subsidiaries:

	Name	Current Position in the Company	Family Relationship with any Directors and/or Substantial Shareholders of the Company		
1.	Toh Chew Leong	Deputy Chief Executive Officer	Brother of Toh Choo Huat ("TCH") who is the Executive Chairman and Chief Executive Officer		
2.	Toh Swee Kim	Chief Operating Officer	Brother of TCH		
3.	Toh Chew Chai	Deputy Chief Operating Officer	Brother of TCH		
4.	Toh Chiew Boon	Senior Construction Manager	Brother of TCH		
5.	Toh Kai Sheng Adam	Director, Operations & HR	Nephew of TCH		
6.	Toh Kai Hock	IT Director & Deputy Chief Project Officer	Nephew of TCH		
7.	Toh Kai Yang	Operations Manager	Nephew of TCH		
8.	Toh Ting Xuan	Senior Contracts Manager	Daughter of TCH		

#### **Board Performance**

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Nominating Committee has established a process for assessing the effectiveness of the Board as a whole and each of its Board Committees and for assessing the contribution of each individual Director to the effectiveness of the Board. This assessment is conducted by the Nominating Committee at least once a year. The Nominating Committee assesses the Board's effectiveness as a whole and the effectiveness of each of its Board Committees through the completion of a questionnaire by each member of the Nominating Committee which includes questions covering the above-mentioned areas of assessment. The Nominating Committee collates the results of these questionnaires and discusses the results collectively with other Board members to address any areas for improvement.

Guidelines 5.1 and 5.2 of the Code: Board to implement process to address how the Board's performance may be evaluated and disclose the process in Annual Report

Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director.

To assess the effectiveness of the Board as a whole, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) the size and composition of the Board;
- (ii) the discussion and decision-making processes of the Board (including the conduct of meetings by the Board);
- (iii) the Board's access to information;
- (iv) the accountability of the Board to the Shareholders;
- (v) the observation of risk management and internal control policies by the Board;and
- (vi) the performance of the Board (including the Board's performance in relation to the discharge of its principal responsibilities in terms of the financial indicators set out in the Code).

To assess the effectiveness of each Board Committee, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) the size and composition of the relevant Board Committee; and
- (ii) the performance of the relevant Board Committee in relation to the discharge of its duties set out in its terms of reference.

To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

- (i) his/her participation at the meetings of the Board;
- (ii) his/her ability to contribute to the discussion conducted by the Board;
- (iii) his/her ability to evaluate the Company's strength and weakness and make informed business decisions;
- (iv) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;
- (v) his/her compliance with the policies and procedures of the Group;
- (vi) his/her performance of specific tasks delegated to him/her;
- (vii) his/her disclosure of any related person transactions or conflicts of interest; and
- (viii) for Independent Directors, his/her independence from the Group and the Management.

The performance criteria include financial targets, contributions by the Board members as well as expertise, sense of independence and industry knowledge. This encourages feedback from the Board members and leads to an enhancement of the Board's performance over time. These performance criteria in the forms do not change from year to year, and where circumstances deem it necessary for any criteria to be changed, the onus will be on the Board to justify the change.

The Chairman of the Nominating Committee will act on the results of the performance evaluation, and in consultation with the Nominating Committee, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Directors.

The Board and the Nominating Committee have endeavoured to ensure that the Directors possess the experience, knowledge and expertise critical to the Group's business.

Based on the Nominating Committee's review, the Nominating Committee considered the performance and effectiveness of each individual current Director, the Board as a whole and each Board Committee, to be satisfactory and is of the view that the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

#### Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided 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.

To ensure that the Directors are able to effectively discharge their duties and be fully aware of the decisions and actions of the Management, the Directors have been given detailed information concerning the Group's business operations periodically. In particular, financial statements of the Group are also prepared on a quarterly basis and circulated to all Directors for their review, allowing the Directors to have an awareness of the Group's financial position. In addition, monthly summary management accounts and corporate updates are circulated to the Board for their review and for their information. When required, board papers are also prepared for meetings of the Board to provide information on financial, business and any other corporate issues to the Board. The Company recognises that information should be supplied to the Board in a timely manner and as far as possible, Board papers and agenda items are dispatched to the Directors before scheduled meetings. This is to give Directors sufficient time to review and consider the matters being tabled and/or discussed so that discussions can be more meaningful and productive.

Guideline 5.3 of the Code: Evaluation of each director as to whether he/she continues to contribute effectively

Guidelines 6.1 and 6.2 of the Code: Board should have separate and independent access to Management; Management obliged to provide Board with adequate and timely information and include background and explanatory information

In addition, the Directors have, at all times:

- (i) unrestricted access to the Company's records and information; and
- (ii) separate and independent unlimited access to the Company Secretaries and the Management.

At least one (1) of the Company Secretaries and/or his/her representatives attends all of the formal meetings held by the Board and/or the Board Committees and his/her responsibilities include ensuring that procedures for these meetings (including those stipulated in the Constitution) are followed and that applicable rules and regulations, including the requirements of the Singapore Companies Act (Cap. 50) (the "Companies Act") and the SGX-ST, are complied with.

Guideline 6.3 of the Code: Directors should have separate and independent access to Company Secretary; role of Company Secretary to be clearly defined

The appointment and the removal of the Company Secretaries rest with the Board as a whole.

Guidelines 6.4 of the Code: Appointment and removal of Company Secretary

The Board also supports the taking of independent professional advice, at the Company's expense, if necessary in order for it or an individual Director to effectively discharge his/her duties and responsibilities.

Guideline 6.5 of the Code: Procedure for Board to take independent professional advice at company's cost

### (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

As at the date of this Annual Report, the Remuneration Committee comprises the Company's three (3) Independent Directors, namely Chia Soon Hin William (Chairman of the Remuneration Committee), Ling Chung Yee Roy (Member of the Remuneration Committee), Chua Hock Thak (Member of the Remuneration Committee) and one (1) Non-Executive Director, Teo Ho Beng (Member of the Remuneration Committee). The Remuneration Committee meets at least once annually.

Guideline 7.1 of the Code: Remuneration Committee ("RC") should comprise at least three directors, all of whom should be non-executive and the majority of whom, including the Chairman, are independent

Guideline 7.2 of the

Code: RC to review and

a general framework

of remuneration for the Board and key

management personnel

recommend to the Board

## REPORT ON CORPORATE GOVERNANCE

The Remuneration Committee is principally responsible for:

- overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain our employees and the Board through competitive compensation and progressive policies;
- (ii) reviewing all aspects of remuneration including the Board's and Executive Officers' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits in kind as well as the remuneration of persons related to the Company's Board and Substantial Shareholders;
- (iii) implementing and administering any share option scheme, share performance scheme and other performance bonus scheme(s) that the Group may set up in the future; and
- (iv) reviewing the Group's obligations arising in the event of the termination of the Executive Director(s) and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Pursuant to its review, the Remuneration Committee will submit its recommendations to the entire Board for endorsement.

Each member of the Remuneration Committee abstains from the decision-making process and from voting on any resolutions in respect to his remuneration package.

The Remuneration Committee will be provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company. If so required, it may seek expert advice in the field of executive compensation outside the Company upon approval by the Board. The Remuneration Committee ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company has not appointed any remuneration consultants for FY2018.

Guideline 7.3 of the Code: If necessary, RC to seek expert advice

The Remuneration Committee reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Director and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Guideline 7.4 of the Code: RC to review the Company's obligations in event of termination of executive directors and key management personnel

#### Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Remuneration Committee carries out annual reviews of the remuneration packages of the Directors and the Management, having due regard to their contributions as well as the financial and commercial needs of the Group.

The Remuneration Committee takes into account the industry norms/standards by considering, *inter alia*, the remuneration packages and employment conditions within the industry, the Group's performance as well as the contribution and performance of each Director when determining the remuneration packages of the Directors. The Directors' fees are compared against industry standards to ensure that they are in line with industry norms.

Guideline 8.1 of the Code: Packages should align executive directors' and key management personnel's interests with shareholders' interests

The previous directors of the Company (when it was formerly known as Ultro Technologies Limited) had proposed a performance share plan (the "Ultro Performance Share Plan") which had been approved by the Shareholders at the Extraordinary General Meeting held on 30 October 2009. Please refer to pages 60 and 77 of this Annual Report for more details.

Guideline 8.2 of the Code: Long-term incentive schemes are encouraged

The Company is proposing the adoption of a new performance share plan and the termination of the Ultro Performance Share Plan at the forthcoming Annual General Meeting. Please refer to the Letter to Shareholders dated 13 July 2018 for more details.

Save for the Ultro Performance Share Plan and the new performance share plan, if adopted, the Company currently does not have any long-term incentive scheme.

The Independent Directors and Non-Executive Director receive directors' fees, in accordance with their contributions, taking into account factors such as effort and/or time spent, the responsibilities of the Independent Directors and Non-Executive Director and the need to pay competitive fees to attract, retain and motivate the Independent Directors and Non-Executive Director. The Independent Directors and Non-Executive Director are not over-compensated to the extent where their independence may be compromised. The Directors' fees are recommended by the Remuneration Committee and endorsed by the Board for approval by the Shareholders of the Company at annual general meetings.

Guideline 8.3 of the Code: Remuneration of non-executive directors to depend on contribution, effort, time spent and responsibilities

The Company had entered into a service agreement with Toh Choo Huat which sets out the framework of his remuneration. This service agreement provides, *inter alia*, that the Executive Director or the Company may terminate the service agreement upon giving written notice of not less than six (6) months.

In addition, the Board is of the view that there is no need to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Director's remuneration paid in prior years in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss, as he owes a fiduciary duty to the Company and the Company should be able to avail itself of remedies against the Executive Director in the event of such a breach of fiduciary duties.

Guideline 8.4 of the Code: To consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors

#### Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

In addition to its strict policies on bribery and money-laundering, the Group also maintains, under its code of ethics, strict policies on gifts and entertainment which apply to all employees (including Directors). In the event that gifts, entertainment or other benefits are offered to employees, they must be properly declined if there is a risk of there being an appearance of impropriety. Similarly, all employees must also not offer any gifts, entertainment or other benefits to others if it creates an appearance of impropriety.

The breakdown of remuneration (in percentage terms) of the Directors of the Company paid and payable for FY2018 is set out below:

Benefits-Remuneration Band Fees Salarv\* in-kind Allowances Total Bonus and Name of Directors [%] [%] [%] [%] [%] [%] Directors who receive S\$0 to S\$100.000 100% 100% Ling Chung Yee Roy Chia Soon Hin William 100% 100% Teo Ho Beng 100% 100% Directors who receive S\$100,000 to S\$249,999 Nil \_ \_ Directors who receive S\$250,000 to S\$499,999 79% 13% 100% Toh Choo Huat 8% Dr. Low Boon Hwee<sup>[1]</sup> 12% 10% 100%

Guidelines 9.1, 9.2 and 9.3 of the Code: Remuneration of directors and top five key management personnel

### Notes:

- (1) Dr. Low Boon Hwee stepped down from the Board with effect from 13 April 2018. Details of his resignation were contained in the announcement released via SGXNET on 13 April 2018.
- \* Salary includes gross salary and CPF contributions.

The breakdown of remuneration of the top five (5) Key Management (Executive Officers) for FY2018 is set out below:

Remuneration Band and Name of Key Management	Fees (%)	Salary*	Bonus (%)	Benefits- in-kind (%)	Allowances	Leave Pay (%)	Lump Sum Payment (%)	Total (%)
Key Management who receive \$\$250,000 to \$\$499,999								
Tan Kwang Hwee William <sup>(1)</sup>	-	67%	7%	-	2%	1%	23%	100%
Toh Chew Chai	-	85%	7%	-	8%	-	-	100%
Tan Teck Wei	_	74%	11%	_	15%	_	_	100%
Toh Chew Leong	-	78%	12%	-	10%	-	-	100%
Toh Swee Kim	-	77%	12%	-	11%	_	_	100%

#### Notes:

- (1) Tan Kwang Hwee William resigned from his position as the Chief Financial Officer of the Company with effect from 2 January 2018. Details of his resignation were contained in the announcement released via SGXNET on 29 December 2017.
- \* Salary includes gross salary and CPF contributions.

The total remuneration paid to the top five (5) key management personnel (who are not Directors or the Chief Executive Officer) in FY2018 is approximately S\$1,514,700.

The Board is of the view that given the sensitive and confidential nature of the Directors' and employees' remuneration, detailed disclosure on the remuneration of the Directors and key management personnel is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may adversely affect the cohesion and spirit of team work prevailing among the Directors and the employees of the Group. The Board is also of the view that it is not necessary to present detailed disclosure on the Company's remuneration policy as the remuneration policy for executives is a management decision that the Board is generally entitled to make.

There are no termination, retirement and post-employment benefits granted to Directors or the key management personnel.

Pursuant to Rule 704(10) of the Catalist Rules, the Company has disclosed in its full year results announcement released via SGXNET on 28 May 2018, a list of persons occupying managerial positions who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Group ("Related Employees"). The breakdown of Related Employees whose remuneration exceeds \$\$50,000 for FY2018 is set out below:

Guideline 9.4 of the Code: Disclosure of remuneration of employees who are family members of directors and whose remuneration exceeds \$50,000

Remuneration Band and	Family Relationship with any Director and/or	Fees	Salary	Bonus	Benefits- in-kind	Allowances	Total
Name of Relative	Substantial Shareholder	(%)	(%)	(%)	(%)	(%)	(%)
S\$50,000 to S\$100,000	Nil	-	-	-	-	-	-
S\$100,000 to S\$150,000							
Toh Chiew Boon	Brother of Toh Choo Huat ("TCH") who is the Executive Chairman and Chief Executive Officer of the Company, and Toh Chew Leong ("TCL"), Toh Swee Kim ("TSK") and Toh Chew Chai ("TCC") who are substantial shareholders of the Company	-	58%	19%	-	23%	100%
Toh Ting Xuan	Daughter of TCH and niece of TCL, TSK and TCC	-	84%	11%	_	5%	100%
Toh Kai Yang	Son of TCC and nephew of TCH, TCL and TSK	-	77%	10%	_	13%	100%
S\$150,000 to S\$200,000		-	-	-	-	-	-
Toh Kai Hock	Son of TCC and nephew of TCH, TCL and TSK	-	89%	7%	-	4%	100%
S\$200,000 to S\$250,000							
Toh Kai Sheng Adam	Son of TCC and nephew of TCH, TCL and TSK	-	73%	18%	-	9%	100%
S\$250,000 to S\$300,000	-						
Toh Chew Chai	Brother of TCH, TCL and TSK	-	85%	7%	_	8%	100%
S\$300,000 to S\$350,000	Nil	-	-	-	-	-	-
S\$350,000 to S\$400,000							
Toh Chew Leong	Brother of TCH, TSK and TCC	-	78%	12%	-	10%	100%
Toh Swee Kim	Brother of TCH, TCL and TCC	-	77%	12%	-	11%	100%

<sup>\*</sup> Salary includes gross salary and CPF contributions.

The previous directors of the Company (when it was formerly known as Ultro Technologies Limited) had proposed the Ultro Performance Share Plan which had been approved by the Shareholders at the Extraordinary General Meeting held on 30 October 2009.

Guideline 9.5 of the Code: Details of employee share schemes

The objectives of the Ultro Performance Share Plan are as follows:

- (a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;
- (b) to provide an opportunity for participants of the Ultro Performance Share Plan to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;
- (c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and
- (d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The Ultro Performance Share Plan shall be administered by the Remuneration Committee with such discretion, powers and duties as are conferred on it by the Board of Directors. A member of the Remuneration Committee shall not be involved in the deliberations of the Committee in respect of the grant of Awards to him. In exercising its discretion, the Remuneration Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Remuneration Committee shall refer any matter not falling within the scope of its terms of reference to the Board of Directors. Shareholders who are eligible to participate in the Ultro Performance Share Plan shall abstain from voting on any resolution relating to the Ultro Performance Share Plan.

The Ultro Performance Share Plan shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years commencing on the date on which the Ultro Plan comes into effect, provided always that the Ultro Performance Share Plan may continue beyond the above stipulated period with the approval of the Company's Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

No performance shares have been allotted and issued to any employees or Directors of the Company since the Ultro Performance Share Plan's commencement.

The Company is proposing the adoption of a new performance share plan and the termination of the Ultro Performance Share Plan at the forthcoming Annual General Meeting. Please refer to the Letter to Shareholders dated 13 July 2018 for more details.

Save for the Ultro Performance Share Plan and the new performance share plan, if adopted, the Company currently does not have any long-term incentive scheme for its Directors and key management personnel.

The remuneration for the Executive Director and the Management comprise a basic salary component and a variable component, namely, the annual bonus. The latter is based on the performance of the Group as a whole, giving due regard to the profitability of the Group, its financial performance as well as general economic conditions under which the Group operates and their individual performance.

Guideline 9.6 of the Code: To disclose information on the link between remuneration paid to the executive directors and key management personnel, and performance

### (C) ACCOUNTABILITY AND AUDIT

### Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

One of the Board's principal duties is to protect and enhance the long-term value and returns to the Shareholders. This accountability to the Shareholders is demonstrated through the presentation of its periodic financial statements as well as the timely announcements and press releases of significant corporate developments and activities so that the Shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

Guideline 10.1 of the Code: Board's responsibility to provide balanced, understandable assessment of Company's performance and position on interim basis

The Management maintains close contact and communication with the Board by various means, including but not limited to holding meetings with the Board or via electronic means by which documents are circulated to the Board for their review or for their information. Monthly summary management accounts and corporate updates are circulated to the Board for their review and for their information. The Management prepares the financial results every quarter and meetings are held with the Audit Committee and the Board to review these financial results. The Management also prepares and updates the Company's budget and tables the same to the Board for their review. The abovementioned arrangement allows the Directors to monitor the Group's performance as well as the Management's achievements of the goals and objectives determined and set by the Board.

Guideline 10.3 of the Code: Management should provide Board with management accounts on a monthly basis

For further accountability, the announcements containing the quarterly interim financial statements in the course of FY2018 were signed jointly by the Executive Chairman and Chief Executive Officer, Toh Choo Huat and the Lead Independent Director, Ling Chung Yee Roy for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results contained in the announcement to be false or misleading in any material aspects. The Directors' Statement to the audited financial statements of the Company is also signed by the Executive Chairman and Chief Executive Officer, Toh Choo Huat and the Lead Independent Director Ling Chung Yee Roy.

The Company also completes and submits compliance checklists to its Sponsor (if applicable and when required) to ensure that all announcements, circulars or letters to our Shareholders comply with the minimum requirements set out in the Catalist Rules. For its annual reports, the Company also reviews the documents against the Governance and Transparency Index launched by The Business Times and the Singapore Corporate Governance & Financial Reporting Centre.

Guideline 10.2 of the Code: Board to take adequate steps to ensure compliance with legislative and regulatory requirements

#### Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

In line with the Singapore Standards on Auditing and the Committee of Sponsoring Organisations of the Treadway Commission Internal Controls-Integrated Framework, "internal controls" is broadly defined as "a process effected by an entity's board of directors and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

Guideline 11.1 of the Code: Board to determine the Company's levels of risk tolerance and risk policies

- (i) effectiveness and efficiency of operations;
- (ii) reliability of financial reporting; and
- (iii) compliance with applicable laws and regulations."

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of assets. The second category relates to the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements, such as earning releases, reported publicly. The third category deals with complying with those laws and regulations to which the entity is subject.

The Audit Committee, as well as the Board, conducts regular reviews of the effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems.

During FY2018, Ernst & Young Advisory Pte Ltd (the "Internal Auditors") conducted an independent review of the effectiveness and adequacy of the Group's internal controls and risk management policies and processes. Subsequent to the internal audit fieldwork and the detailed review of internal controls in specific identified areas with respect to FY2018, the Internal Auditors submitted a report to the Audit Committee covering their findings and recommendations to improve the internal controls in the respective identified areas. The Internal Auditors' recommendations were accepted and implementation of the recommendations is in progress. The Audit Committee and the Board monitors the Management's implementation of such recommendations.

Guideline 11.2 of the Code: Board to review adequacy of risk management and internal control systems

Based on the internal controls established and maintained by the Group, work performed by Messrs Foo Kon Tan LLP (the "External Auditors") and Internal Auditors and reviews performed by Management, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls and risk management systems are adequate and effective as at 31 March 2018.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer:

(a) that the financial records have been properly maintained and the financial

statements give a true and fair view of the Company's operations and finances;

(b) regarding the adequacy and the effectiveness of the Company's risk management and internal control systems.

The Board acknowledges that it is responsible for the overall internal control and risk management framework, but recognises that all internal control and risk management systems contain inherent limitations and that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board notes that all internal control systems can provide only reasonable and not absolute assurance against the occurrence of material misstatement or loss, poor judgement in decision making, human error, fraud or other irregularities.

Adequacy of Internal Controls (Catalist Rule 1204(10))

Guideline 11.3 of the Code: Board to comment on the adequacy and effectiveness of the internal controls

The Board of Directors oversees the Group's financial risk management policies. Where there are significant risks in respect of the Group's operations, risk management practices will be put in place to address these risks. The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to manage and mitigate these risks. The Management reviews all the significant control policies and procedures and highlights all significant findings to the Directors and the Audit Committee.

Risk Management (Catalist Rule 1204(4) (b)(iv))

Guideline 11.4 of the Code: Board to assess appropriate means to assist in carrying out its responsibility of overseeing the Company's risk management framework and policies

#### **Audit Committee**

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

As at the date of this Annual Report, the Audit Committee comprises the Company's three (3) Independent Directors, namely, Ling Chung Yee Roy (Chairman of the Audit Committee), Chia Soon Hin William (Member of the Audit Committee), Chua Hock Thak (Member of the Audit Committee) and one (1) Non-Executive Director, Teo Ho Beng (Member of the Audit Committee), who collectively bring with them invaluable managerial and professional expertise in the financial, accounting and business management spheres. The Board ensures that the Audit Committee's members have the appropriate qualifications to provide independent, objective and effective supervision.

The Company has appointed Ling Chung Yee Roy as the Chairman of the Audit Committee as he has strong financial management expertise, having held senior investment banking positions with JPMorgan, Lehman Brothers, Goldman Sachs and Salomon Smith Barney. Ling Chung Yee Roy was a former Board Director of the CFA Society of Japan. Further, he also serves on the board of directors of other listed companies.

The Audit Committee meets at least once every quarter to review the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained within the Group.

Guideline 12.1 of the Code: Audit Committee ("AC") should comprise at least three directors, all of whom should be non-executive and the majority of whom, including the Chairman, are independent

Guideline 12.2 of the Code: Board to ensure AC members are qualified

The Audit Committee's duties include, amongst others, the review of:

Guideline 12.4 of the

- (i) the financial and operating results and accounting policies of the Group;
- (ii) the co-operation given by the Group's officers to the external auditors;
- (iii) the half yearly and annual, and quarterly if applicable, financial statements of the Group and the results announcements before the submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;
- (iv) the Group's administrative, operating and internal accounting and financial control procedures;
- (v) the nomination of external auditors and internal auditors for appointment or re-appointment and matters relating to the resignation or dismissal of the external auditors and internal auditors before making recommendations to the Board;
- (vi) interested person transactions falling within Chapter 9 of the Catalist Rules, if any;
- (vii) any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Group's management's response;
- (viii) any potential conflicts of interest;
- (ix) the Group's key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review will be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;
- (x) the Group's significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- (xi) hedging policies and instruments, if any, to be implemented by the Group before recommending the same to the Board;
- (xii) review the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (xiii) the effectiveness of the Group's internal audit function;
- (xiv) the independence of the Group's external auditors annually;

- (xv) the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters; and
- (xvi) the suitability of the Group's Chief Financial Officer/Financial Controller.

As part of its review, the Audit Committee shall also:

- commission and review the findings of internal investigations into matters where
  there is any suspected fraud or irregularity, or failure of internal controls or
  infringement of any Singapore law, rule or regulation which has or is likely
  to have a material impact on the Group's operating results and/or financial
  position;
- (ii) ensure that all future transactions with related parties shall comply with the requirements of the Catalist Rules; and
- (iii) evaluate and report to the Board at least annually the effectiveness of the Group's internal accounting control systems, including financial, operational, compliance and information technology controls, ensuring co-ordination between the external auditors, the internal auditors and the Group's management, and reviewing the assistance given by the Group's management to the auditors, and discussing problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the Group's management, where necessary).

Under its terms of reference, the Audit Committee is entitled to obtain independent professional advice to execute its duties.

For FY2018, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same.

In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The Audit Committee reviewed the adequacy of the audit plans, with particular emphasis on the observations of the External Auditors, the scope and the results of their audits and the independence and objectivity of the External Auditors.

The Audit Committee has also reviewed the scope and quality of the External Auditors' work before recommending the External Auditors to the Board for re-appointment. The Company's External Auditors are Messrs Foo Kon Tan LLP. After taking into account the resources and experience of Messrs Foo Kon Tan LLP and the audit engagement partner assigned to the audit, Messrs Foo Kon Tan LLP's other audit engagements, all non-audit services provided by Messrs Foo Kon Tan LLP to the Group, the size and complexity of the audit for the Group as well as the number and experience of the staff assigned by Messrs Foo Kon Tan LLP for the audit, the Audit Committee is of the opinion that Messrs Foo Kon Tan LLP's independence has not been compromised and is able to meet its audit obligations. Together with the Board, the Audit Committee recommends the re-appointment of Messrs Foo Kon Tan LLP at the forthcoming Annual General Meeting. None of the members of the Audit Committee is a partner or director of Foo Kon Tan LLP.

Guideline 12.6 of the Code: AC to review independence of external auditors annually

Messrs Foo Kon Tan LLP is an audit firm registered with the Singapore Accounting & Corporate Regulatory Authority and was appointed on 22 January 2016. Messrs Foo Kon Tan LLP was also re-appointed in FY2018 to audit the accounts of the Company and its Singapore incorporated subsidiaries. The fees paid/payable to the External Auditors for their audit and non-audit (taxation advice) services in FY2018 are S\$255,000 [FY2017: S\$250,000] and S\$34,000 [FY2017: S\$34,000], respectively. The Company is in compliance with Rule 712 and Rule 715 of the Catalist Rules.

The Audit Committee has reviewed the arrangements by which the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are in place for independent investigations of such matters and for appropriate follow-up action as and when the need arises. As at the date of this Annual Report, the Company has put in place a whistle-blowing policy for this purpose. Under the Company's whistle-blowing policy, employees may submit a complaint (which may be on an anonymous basis) to the Independent Directors and Non-Executive Director, who also form the Audit Committee. The Audit Committee is obliged to review all reports received and take or approve the appropriate actions. There were no whistle blowing letters received during FY2018 and until the date of this report.

Guideline 12.7 of the Code: AC to review arrangements for staff to raise concerns/ possible improprieties to AC

The Audit Committee is also briefed by the External Auditors on any change in the accounting standards which has a direct impact on the Company's financial statements.

Guideline 12.8 of the Code: AC to keep updated on changes to accounting standards

No former partner or director of the Company's existing audit firm or auditing corporation is a member of the Audit Committee.

Guideline 12.9 of the Code: Director of Company's existing auditing firm should not act as member of the AC

The Audit Committee and External Auditors have, at all times, unrestricted access to each other. The Audit Committee also meets annually with the External Auditors and the Internal Auditors, without the presence of the Management and is authorised to have full and unrestricted access to the Management and all personnel, records, operations, properties and other informational sources of the Company as required or desirable to properly discharge its responsibilities.

Guideline 12.3 of the Code: AC to have explicit authority to investigate and have full access to Management and reasonable resources

Guideline 12.5 of the Code: AC to meet external and internal auditors without the presence of management, annually

The Audit Committee has reviewed and discussed the following significant matters affecting the financial statements with the Management and the External Auditors:

Significant Matters	Action				
Construction contracts revenue recognition and work in progress	The Audit Committee, with the assistance of the internal audit function, considered the internal controls established and maintained by the Management over project management, costing and revenue recognition. The Audit Committee noted the periodic reviews conducted by the Management in respect of construction contracts and work in progress, which include the assessment of reasonableness of the estimated total budgeted costs and stage of completion of each project, and whether any allowance for foreseeable losses is required.  Construction contracts revenue recognition and work in progress was also an area of focus for the external				
	auditors. The external auditors have included this item as a key audit matter in their report for the financial year ended 31 March 2018. Please refer to page 80 of this Annual Report.				
Impairment testing of non-financial assets (the Group's property, plant and equipment and the Company's investments in subsidiaries)	The Audit Committee considered the approach, methodology and inputs applied to the valuation model in assessing the impairment of non-financial assets (the Group's property, plant and equipment and the Company's investments in subsidiaries). The Audit Committee concurred with the assessment of the Management and the valuers.  The impairment of property, plant and equipment of the Group and investments in subsidiaries of the Company was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their report for the financial year				
	ended 31 March 2018. Please refer to page 81 of this Annual Report.				

#### Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. The Internal Auditors report directly to the Audit Committee and provide reports to the Audit Committee on a timely basis.

Guideline 13.1 of the Code: Internal auditors to report to AC Chairman

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. The effectiveness of the internal control systems and procedures are monitored by the Management and also by the internal audit function. During FY2018, the Company had in place an internal audit function, whereby the Company's finance team supports the Audit Committee in ensuring that the Company maintains a sound system of internal controls by monitoring and assessing the adequacy and the effectiveness of the key controls and procedures.

Guideline 13.2 of the Code: AC to ensure internal audit function is adequately resourced

As part of the Company's efforts to enhance the risk management process and internal control systems, the Audit Committee went through a due selection process and appointed Ernst & Young Advisory Pte Ltd, a suitably appointed qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IAA"), for the enterprise risk management and internal audit functions of the Group and to perform internal audit review on the operations of the Group. The internal audit methodology of Ernst & Young Advisory Pte Ltd has been mapped to the IAA's International Professional Practice Framework.

Guideline 13.3 of the Code: Internal audit function staffed with persons with the relevant qualifications and experience

Guideline 13.4 of the Code: Internal auditors should meet standards set by internationally recognised professional hodies

The Audit Committee meets at least once annually to ensure the adequacy of the internal audit functions. The Audit Committee also believes that the system of internal controls and risk management maintained by the Company is adequate to safeguard the Shareholders' investment and the Company's assets.

Guideline 13.5 of the Code: AC to ensure adequacy and effectiveness of the internal audit function

The findings from the reviews and checks on the adequacy of the internal control and risk management are rated and reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

### (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Catalist Rules.

Guideline 14.1 of the Code: To facilitate the exercise of ownership rights by all shareholders

Any notice of a general meeting of Shareholders is issued at least 14 clear days before the scheduled date of such meeting.

Guideline 14.2 of the Code: Company to ensure the shareholders have the opportunity to participate effectively in and vote at general meetings

A member of the Company who is a relevant intermediary may appoint more than two (2) proxies to attend and vote at general meetings, but such proxies must be appointed to exercise the rights attached to a specified number of shares. The term "relevant intermediary" for this purpose is defined under the Companies Act and includes the Central Provident Fund Board as well as banks and capital market services licence holders which provide custodial services.

Guideline 14.3 of the Code: Company to allow certain corporations to appoint more than two proxies

### Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company endeavours to maintain constant and effective communication with Shareholders through timely and comprehensive announcements. Price-sensitive information is released to all parties such as Shareholders, stakeholders and the public simultaneously to ensure a level playing field. Any material information or respective quarterly, half-yearly and full year results (all issued within the mandatory period) is disseminated through SGXNET.

The Company communicates regularly through the following channels:

- (i) the SGXNET;
- (ii) news and press releases;
- (iii) the annual report; and
- (iv) if it receives any email queries from Shareholders, replies by email.

The Group's material development and information shall also be disclosed in:

- (i) the Company's announcement of periodic financial results on the SGXNET;
- (ii) notices of and explanatory memoranda for Annual General Meetings and Extraordinary General Meetings;
- (iii) press releases for the Group's quarterly and full-year results as well as other briefings, as appropriate;
- (iv) press releases on major developments and corporate affairs of the Group (which the Company also releases as announcements via SGXNET and any supporting materials to these press release such as PowerPoint slides are also attached to these announcements); and
- (v) circulars or letters to shareholders to provide the Shareholders with more information on its major transactions.

In addition to the above, the Shareholders can access the Company's corporate website (<a href="http://www.leychoon.com">http://www.leychoon.com</a>) at their convenience to receive updates. The Company's corporate website also provides information about the Company, its products and its directors. In the investor relations section of the corporate website, we maintain announcements released on SGXNET by the Company, latest financial results released on SGXNET by the Company and latest annual report of the Company.

The Company currently adopts investor relations practices and considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to Shareholders. The Company will consider documenting its investor relations practices into a formal policy in due course.

Guidelines 15.1 and 15.2 of the Code: Company to devise an effective investor relations policy to regularly convey pertinent information to shareholders and disclose information on a timely basis through SGXNET

Guideline 15.3 of the Code: Company to establish and maintain regular dialogue with shareholders

Guideline 15.4 of the Code: Steps that the Company takes to solicit and understand the views of the shareholders

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. The Board is not recommending any dividends for FY2018 due to the financial position of the Company and the Company's commitment to reduce borrowings pursuant to the debt restructuring exercise.

Guideline 15.5 of the Code: Companies are encouraged to have a dividend policy

#### Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board supports the Code's principle to encourage shareholder participation at the Annual General Meetings of the Company.

The Board regards the Annual General Meeting as an opportunity to communicate directly with the Shareholders and encourages attendance and participative dialogue during the Annual General Meeting. The notice of the Annual General Meeting is dispatched to the Shareholders with the Annual Report (together with explanatory notes or a circular/letter to shareholders on items of special business, if applicable) at least 14 clear days before the Annual General Meeting if only ordinary resolutions are to be tabled at the meeting or at least 21 clear days before the meeting if any special resolutions are to be tabled at the meeting. The notice, first disseminated via SGXNET, is also advertised in newspapers.

Guideline 16.1 of the Code: Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders

It is crucial that the notice of the Annual General Meeting is disseminated to the Shareholders prior to the Annual General Meeting as it sets out the agenda that will be discussed, some of which may be of interest to the Shareholders. The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Board will explain the reasons and material implications.

Guideline 16.2 of the Code: Company should avoid "bundling" resolutions

The Chairman of the Annual General Meeting and the Directors will be available to answer questions from the Shareholders present. The Chairmen of the Audit Committee, Remuneration Committee and Nominating Committee are normally available at the Annual General Meeting as well to answer questions relating to the work of the Board Committees. The External Auditors are also invited to attend the Annual General Meeting and will assist the Directors in addressing relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of the External Auditors' report.

Guideline 16.3 of the Code: Chairman of Board, respective Chairman of board committees and external auditors to be present at AGM

The Company's Constitution allows a Shareholder to appoint one (1) or two (2) proxies to attend general meetings and vote in place of that Shareholder. A member of the Company who is a relevant intermediary may appoint more than two (2) proxies to attend and vote at general meetings, but such proxies must be appointed to exercise the rights attached to a specified number of shares. The term "relevant intermediary" for this purpose is defined under the Companies Act and includes the Central Provident Fund Board as well as banks and capital market services licence holders which provide custodial services. Allowing multiple proxies for such members will facilitate indirect investors attending and voting at shareholder meetings and encourages more active shareholder participation. The Board is of the view that voting in absentia can only be possible if there is absolute certainty that integrity of the information and authentication of the identity of such Shareholder are not compromised.

The Company also encourages all the Shareholders to attend the Annual General Meeting to grasp a better understanding of the Group's business and be informed of the strategic goals and objectives. The Board and Management are committed to an open dialogue with the Shareholders at the Annual General Meeting to address the Shareholders' issues, views and concerns.

The Company Secretary and/or representatives from the Company Secretary's office prepares the minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management. The minutes of such meetings are then circulated to the Board for approval. Thereafter, the minutes are available to Shareholders upon request.

Guideline 16.4 of the Code: Minutes to be available to shareholders

In compliance with Rule 730A(2) of the Catalist Rules, resolutions tabled at general meetings of Shareholders will be put to vote by poll, via electronic polling, the procedures of which will be explained by the appointed scrutineer(s) at the general meetings of Shareholders. The results of the Annual General Meeting will be released as an announcement via SGXNET.

Guideline 16.5 of the Code: Company to put all resolutions to vote by poll

#### (E) DEALING IN SECURITIES

The Group has adopted and implemented the best practices guidelines advised by SGX-ST in relation to the dealing of shares of the Company. The Group has in place procedures prohibiting the Directors and employees of the Group from dealing in the Company's shares during the periods commencing two (2) weeks before the Company's quarterly or half-year results until after the announcement and one (1) month prior to the announcement of the Group's full year financial results and ending on the date of the announcement of the results, or if they are in possession of unpublished material price-sensitive information of the Group.

The Directors and employees are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities on short term considerations.

The Board confirms that as at the date of this Report, the Company has complied with Rule 1204(19) of the Catalist Rules.

#### (F) INTERESTED PERSON TRANSACTIONS

To ensure compliance with the relevant rules under Chapter 9 of the Catalist Rules on interested person transactions, the Board and Audit Committee regularly reviews if the Company enters into any interested person transaction and if it does, to ensure that the Company complies with the requisite rules under Chapter 9.

As set out in the Company's circular to the Shareholders dated 25 July 2012 (the "Circular"), the Company has implemented, *inter alia*, the following procedures to ensure that all Interested/Related Person Transaction 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 Group shall require that quotations be obtained from such Interested Person or Related Person and at least two (2) other quotations from unrelated third parties; and
- (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 (2) latest similar transactions between the Group and unrelated third parties or (ii) if relevant market rates from independent sources are available, such market rates.

If the Company does enter into an Interested/Related Party Transaction, and a potential conflict of interest arises, the Director concerned will abstain from any discussions and will also refrain from exercising any influence over other members of the Board. In addition, the Audit Committee will carry out quarterly reviews to ensure that the established guidelines and procedures for Interested/Related Party Transaction have been complied with and the relevant approvals are obtained.

No interested person transactions were entered into during FY2018.

#### (G) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" in the announcements made on SGXNET, in the audited financial statements of this Annual Report and the service agreements entered into between the Company and the Executive Directors, there were no material contracts of the Company or its subsidiaries involving the interests of the Executive Chairman, Chief Executive Officer, any Director or Controlling Shareholder subsisting at the end of FY2018, or if not then subsisting, entered into since the end of the previous financial period.

#### (H) NON-SPONSOR FEES

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The current Continuing Sponsor of the Company is RHT Capital Pte Ltd ("RHT Capital"). RHT Capital was appointed as the Company's Continuing Sponsor with effect from 22 February 2017. No non-sponsor fees were paid to RHT Capital by the Company for FY2018.

#### (I) USE OF PROCEEDS

S/N	Intended Use of Proceeds	Amount Allocated (S\$'000)	Amount Utilised as at 31 March 2018 (S\$'000)	Amount Remaining as at 31 March 2018 (\$\$'000)
1	Offsetting the outstanding amounts owed to Zheng Choon Holding Pte Ltd by the Company of approximately S\$3.4 million pursuant to the loan agreement entered into between the same parties on 8 April 2015	3,400	3,400	-
2	Funding new projects or investments when opportunities arise for business expansion	2,100	2,100	-
3	General working capital <sup>[1]</sup>	3,100	3,100	-
TOTAL		8,600	8,600	_

#### Note:

(1) General working capital includes, inter alia, payment to suppliers and salary related expenses.

The Company completed a rights issue of 592,406,996 rights shares at an issue price of S\$0.015 per share and the rights shares were allotted and issued on 18 May 2017. As at 31 March 2018, the net proceeds of approximately S\$8.6 million (after deducting estimated expenses of approximately S\$0.2 million) had been fully utilised as above. The Company confirms that the use of proceeds is in accordance with the intended use as stated in the offer information statement dated 20 April 2017.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 March 2018.

In the opinion of the directors:

- (a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, 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 March 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

#### Names of directors

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

Toh Choo Huat (Executive Chairman and Chief Executive Officer)
Ling Chung Yee Roy (Independent Director)
Chia Soon Hin William (Independent Director)
Chua Hock Thak (Independent Director) (Appointed on 29 March 2018)
Teo Ho Beng (Non-Executive Director)

#### Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations except as follows:

	Holdings registered in the name of director		Holdings in whi deemed to hav		
		As at		As at	
	A.c. a.t	31.3.2018	A c a b	31.3.2018	
	As at 1.4.2017	and 21.4.2018#	As at 1.4.2017	and 21.4.2018#	
The Company –					
Ley Choon Group Holdings Limited	Number of ordinary shares				
Toh Choo Huat	397,000	794,000	296,379,500	585,959,000	
Low Boon Hwee (Resigned on 13 April 2018)	480,000	960,000	-	-	
Holding company –					
Zheng Choon Holding Pte. Ltd.		Number of ord	inary shares		
Toh Choo Huat	-	-	272	272	

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2018.

Toh Choo Huat, by virtue of the provisions of Section 7 of the Companies Act, Chapter 50, is deemed to have an interest in all shares of the subsidiaries of the Company.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### Share options

No options were granted during the financial year to take up issued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

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

#### Performance Share Plan

The Performance Share Plan ("PSP") was approved by the Company's members at an Extraordinary General Meeting held on 30 October 2009. The PSP is administered by the Committee with such discretion, powers and duties as will be conferred on it by the Board of Directors.

- (a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;
- (b) to provide an opportunity for participants of the PSP to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;
- (c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and
- (d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The PSP shall continue to be in force, subject to a maximum period of ten years commencing on the date on which the PSP comes into effect, provided always that the PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by an ordinary resolution in the general meeting and of any relevant authorities which may then be required.

No employee or director has received 5% or more of the total number of shares available under the PSP.

No performance shares have been allotted and issued to any employees or directors of the Company since its commencement.

#### **Audit Committee**

The Audit Committee at the date of this statement comprises the following members:

Ling Chung Yee Roy (Chairman) Chia Soon Hin William Chua Hock Thak Teo Ho Beng

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### Audit Committee (Continued)

The Audit Committee performs the functions set out in Section 201B(5) of the Companies Act, Chapter 50, the Listing Manual – Section B: Rules of Catalist (the "Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance. In performing those functions, the Audit Committee performed the following:

- (i) reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It also met with the Company's internal auditor to discuss the results of their examination and evaluation of the Group's system of internal accounting controls;
- (ii) reviewed the audit plan of the Company's external auditor and any recommendations on the Group's internal accounting controls arising from the statutory audit;
- (iii) reviewed the quarterly financial information, the statement of financial position of the Company as at 31 March 2018 and the consolidated financial statements of the Group for the financial year ended 31 March 2018, as well as the auditor's report thereon;
- (iv) reviewed and discussed with management and the external auditor the key audit matters communicated in the auditor's report;
- (v) reviewed the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditor;
- (vi) met with the external auditor, other committee, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vii) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (viii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- (ix) reviewed the nature and extent of non-audit services provided by the external auditor;
- (x) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- (xi) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xii) reviewed interested person transactions (as defined in Chapter 9 of the Catalist Rules).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the Catalist Rules.

#### Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

TOH CHOO HUAT

LING CHUNG YEE ROY

Dated: 2 July 2018

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Ley Choon Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 financial statements 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 consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated 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.

#### Kev audit matter

#### Construction contracts revenue recognition

Where services rendered are provided through long-term contracts and are not completed at the end of the reporting period, revenue is recognised by reference to the stage of completion measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. The level of total expected costs to be incurred on each contract is estimated by the Group and includes certain judgements as contracts may run over a number of accounting periods and include variations in contract work, claims and incentive payments, and forecasts in relation to future costs including labour and materials which are not yet contractually agreed. The nature of these judgements increases the risk of them being susceptible to management override.

#### Our responses and work performed

Our audit procedures included testing the Group's internal controls over revenue. We assessed whether the revenue recognition policies adopted complied with FRS as detailed in Note 2(d) to the financial statements. We inspected the terms of significant sales contracts to assess whether they were consistent with the detailed calculations being considered. We agreed amounts recognised to contract sums and variation orders. Our testing also included evaluating customer acceptance of the work done. When assessing the stage of completion on contracts, we agreed amounts recognised to documentary evidence on a sample basis. This included the agreement of actual costs incurred to invoices and other supporting documents, and the assessment of any judgements applied in the projection of total contract costs through consideration of the Group's historical experience of costs on similar contracts. Our audit procedures also included reviewing for variation orders and enquiring of key personnel regarding adjustments for job costing and expected contract losses. We also considered the adequacy of disclosures in the financial statements, including management's sensitivity analysis to assess the impact from reasonably possible changes to estimates of expected costs of uncompleted contracts and revenue.

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

#### **Key Audit Matters (Continued)**

#### Key audit matter

# Impairment testing of non-financial assets (the Group's property, plant and equipment and the Company's investments in subsidiaries)

In view of the operating losses and cash outflows incurred by certain business of the Group for the current financial year, management has assessed that there are indications of impairment of the related property, plant and equipment of the Group and the investment in subsidiary of the Company. Conversely, due to the operating profits and cash inflows generated by other businesses of the Group, management has assessed that there are indications that the impairment losses recognised in prior years in respect of the related property, plant and equipment of the Group and the investment in subsidiary of the Company may no longer exist or may have decreased. Accordingly, these assets are tested for impairment.

The impairment testing of the Group's property, plant and equipment and the Company's investments in subsidiaries is considered to be a significant risk area due to the judgemental nature of key assumptions and the significance of the carrying amounts of these assets in the statements of financial position of the Group and the Company.

An impairment loss is recognised or reversed for the amount by which an asset's or cash-generating unit's carrying amount exceeds or falls short of its recoverable amount, respectively. The recoverable amount is the higher of value in use and fair value less costs of disposal.

Fair value less costs of disposal encompasses estimating the expected selling prices of the underlying assets by identifying the comparable assets and determining the current market selling/purchase prices of these assets, and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Input inaccuracies or inappropriate bases used to determine the level of impairment, including the comparable assets used in the fair value measurements, could result in material misstatement in the financial statements.

The valuation techniques and inputs to the impairment tests based on fair value less costs of disposal are disclosed in Note 3 and Note 5 to the financial statements.

#### Our responses and work performed

Our procedures in relation to management's testing of impairment and determination of the recoverable amount of the Group's property, plant and equipment and the Company's investments in subsidiaries based on fair value less costs of disposal included:

- Assessing the methodologies and appropriateness of the key assumptions used by the management's experts;
- Understanding and reviewing the assumptions in the input data from management and the management's experts through discussions, comparisons to industry peers and independent external data sources and where available to agreement with supporting documentation and historical trends; and
- Evaluating the competence, capabilities and objectivity of the management's experts.

We involved auditor's expert to assist us in the above. We evaluated the competence, capabilities and objectivity of the auditor's expert, and the adequacy of the work performed by the experts.

We also considered the adequacy of disclosures in the financial statements, describing the methodologies used, degree of subjectivity and key assumptions used in the estimates.

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, which we obtained prior to the date of this auditor's 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 identified above 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.

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

#### 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.

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

#### 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 auditor 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 Chin Sin Beng.

Foo Kon Tan LLP Public Accountants and Chartered Accountants Singapore

2 July 2018

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2018

		The Group		The Co	mpany
		2018	2017	2018	2017
	Note	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	55,913	62,164	_	_
Land use rights	4	3,105	3,085	-	_
Subsidiaries	5	_	-	82,954	77,383
Club membership		229	229	-	-
Deferred tax assets	6	625	1,036		154
		59,872	66,514	82,954	77,537
Current Assets					
Inventories	7	12,839	9,960	-	_
Contracts work in progress	8	17,690	19,782	-	_
Trade and other receivables	9	31,543	28,086	4,157	5,942
Other investments	10	58	56	-	_
Cash and bank balances	11	4,665	6,638	6	110
Fixed deposits	11	2,537	1,720		
		69,332	66,242	4,163	6,052
Total assets		129,204	132,756	87,117	83,589
<b>EQUITY AND LIABILITIES</b>					
Capital and Reserves					
Share capital	12	79,807	71,117	146,026	137,336
Accumulated losses		(46,475)	(47,980)	(101,225)	(104,673)
Other reserves	13	1,076	10	[884]	[884]
Total equity		34,408	23,147	43,917	31,779
Non-Current Liabilities					
Deferred tax liabilities	6	48	314	-	_
Borrowings	14	44,509	53,017	15,614	15,500
		44,557	53,331	15,614	15,500
Current Liabilities					
Borrowings	14	14,870	18,262	_	3,465
Trade and other payables	15	32,816	35,715	27,586	32,845
Provisions	16	2,441	2,241	-	-
Current tax payable		112	60		
		50,239	56,278	27,586	36,310
Total liabilities		94,796	109,609	43,200	51,810
Total equity and liabilities		129,204	132,756	87,117	83,589

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 S\$'000	2017 S\$'000
Continuing operations			
Revenue	17	105,662	115,377
Cost of sales		[89,070]	[92,348]
Gross profit		16,592	23,029
Other income	18	2,554	20,903
Selling and distribution expenses		(816)	(841)
Administrative expenses		(13,206)	(16,867)
Other operating expenses	19	(1,256)	(3,674)
Finance costs	20	(2,213)	[4,009]
Profit from continuing operations before taxation		1,655	18,541
Taxation	21	(150)	197
Profit from continuing operations after taxation		1,505	18,738
Loss from discontinued operation, net of tax	22		[992]
Profit for the year	23	1,505	17,746
Other comprehensive income after tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		1,066	[722]
Other comprehensive income/(loss) for the year, net of tax of nil		1,066	[722]
Total comprehensive income for the year		2,571	17,024
Profit attributable to:			
Owners of the Company			
– profit from continuing operations, net of tax		1,505	18,738
– loss from discontinued operation, net of tax	22		[992]
		1,505	17,746
Total comprehensive income attributable to:			
Owners of the Company			
– total comprehensive income from continuing operations, net of tax		2,571	18,016
– total comprehensive loss from discontinued operation, net of tax	22		[992]
		2,571	17,024
Earnings per share attributable to owners of the Company (Singapore cent)			
From continuing and discontinued operations			
- basic and diluted	24	0.14	3.00
From continuing operations			
- basic and diluted	24	0.14	3.16
From discontinued operation			
- basic and diluted	24	_	(0.16)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Share capital S\$'000	Accumulated losses S\$'000	Foreign currency translation reserve S\$'000	Equity component of convertible bonds S\$'000	Total equity S\$'000
Balance at 1 April 2016	71,117	(65,726)	489	146	6,026
Profit for the year Other comprehensive loss for the year	-	17,746	-	-	17,746
- Currency translation differences	-	_	(722)	-	(722)
Total comprehensive income/(loss) for the year	_	17,746	(722)	-	17,024
Contributions by and distributions to owners - Changes in convertible bonds	-	-	-	97	97
Transactions with owners in their capacity as owners				97	97
Balance at 31 March 2017	71,117	[47,980]	(233)	243	23,147
Balance at 1 April 2017	71,117	[47,980]	(233)	243	23,147
Profit for the year Other comprehensive income for the year	-	1,505	-	-	1,505
– Currency translation differences	-	_	1,066	-	1,066
Total comprehensive income for the year	_	1,505	1,066	-	2,571
Contributions by and distributions to owners					
– Issue of shares (Note 12)	8,886	-	-	-	8,886
– Share issuance costs	(196)	_	_	_	(196)
Transactions with owners in their					
capacity as owners	8,690				8,690
Balance at 31 March 2018	79,807	(46,475)	833	243	34,408

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 S\$'000	2017 S\$'000
Cash Flows from Operating Activities			
Profit before taxation from continuing operations		1,655	18,541
Loss before taxation from discontinued operation	22		[992]
Total profit before taxation		1,655	17,549
Adjustments for:			
Amortisation of land use rights	4	72	70
Depreciation of property, plant and equipment	3	9,337	9,797
Dividend income from other investments	18	(1)	(1)
Fair value gain on other investments	18	(2)	(45)
Gain on disposal of non-current assets classified as held for sale	18	_	(11,356)
Loss on disposal of a subsidiary	22	_	45
Loss on disposal of property, plant and equipment	19	13	14
Impairment losses on property, plant and equipment reversed, net	3	-	(4,289)
Impairment losses on trade receivables (reversed)/made, net	9	(419)	1,339
Interest expense		2,213	4,058
Interest income	18	(31)	(18)
Provision for foreseeable losses	23	30	434
Provision made/(reversed)	16	200	[122]
Write-down on development property		-	957
Write-down on inventories	23	85	
Operating profit before working capital changes		13,152	18,432
Changes in inventories		(2,990)	(4,777)
Changes in contracts work in progress		1,667	4,736
Changes in trade and other receivables		(2,753)	4,423
Changes in trade and other payables		(1,323)	(17,559)
Cash generated from operations		7,753	5,255
Income taxes paid		(33)	[31]
Net cash generated from operating activities		7,720	5,224
Cash Flows from Investing Activities			
Disposal of a subsidiary, net of cash disposed of	А	_	11,500
Dividends received from other investments		1	1
Interest received		31	18
Proceeds from disposal of non-current assets		_	19,010
Proceeds from disposal of property, plant and equipment		586	1,743
Purchase of property, plant and equipment	3	(3,683)	(4,771)
Net cash (used in)/generated from investing activities		(3,065)	27,501

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 S\$'000	2017 S\$'000
Cash Flows from Financing Activities			
Cash restricted in use		_	3,262
Fixed deposits pledged with banks		(817)	2,090
Interest paid	В	(2,518)	(2,806)
Proceeds from loans from financial institutions	В	1,251	1,215
Proceeds from rights issue		8,886	-
Share issuance expense		(196)	-
Repayment of bills payable		-	(12,758)
Repayment of finance lease liabilities	В	(1,761)	(4,449)
Repayment of loans from controlling shareholders	В	(3,465)	-
Repayment of loans from financial institutions	В	(7,961)	(25,221)
Net cash used in financing activities		(6,581)	[38,667]
Net decrease in cash and cash equivalents		(1,926)	(5,942)
Cash and cash equivalents at beginning of year		(3,398)	2,572
Restructuring of bank overdrafts to loans from financial institutions		10,036	_
Exchange differences on translation of cash and cash equivalents at			
beginning of year		(47)	[28]
Cash and cash equivalents at end of year	11	4,665	(3,398)

#### A. DISPOSAL OF A SUBSIDIARY

On 30 November 2016, the Company completed the disposal of a wholly-owned subsidiary, Ley Choon Development Pte. Ltd, for a cash consideration of S\$11,500,000.

The effects of the disposals on the cash flows of the Group are as follows:

The Group	2017 S\$'000
The Group	3\$ 000
Development property	8,344
Trade and other receivables	3,201
Net assets	11,545
Loss on disposal of subsidiary	[45]
Cash consideration received	11,500
Less: Cash disposed of	
Net cash inflow	11,500

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### B. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Obligations under finance leases S\$'000	Loans from financial institutions S\$'000	Bank overdrafts S\$'000	Convertible bonds S\$'000	Loans from controlling shareholders S\$'000	Interest payable S\$'000	Total S\$'000
Balance at 1 April 2017	3,281	38,997	10,036	15,500	3,465	890	72,169
Changes from financing cash flows							
- Interest paid	(66)	(1,799)	-	(641)	(12)	-	(2,518)
<ul> <li>Proceeds from loans from financial</li> </ul>							
institutions  - Repayment of finance	-	1,251	-	-	-	-	1,251
lease liabilities	(1,761)	-	-	-	-	-	(1,761)
<ul> <li>Repayment of loans from controlling</li> </ul>							
shareholders	-	-	-	-	(3,465)	-	(3,465)
<ul> <li>Repayment of loans from financial</li> </ul>							
institutions	-	(7,961)	_	-	-	_	(7,961)
Total changes from financing cash flows	(1,827)	(8,509)		(641)	(3,477)		(14,454)
Effect of changes in	(1,027)	(0,507)	-	(041)	(3,477)	_	(14,454)
foreign exchange rates	_	36	-	-	_	-	36
Other changes							
- Interest expense	66	1,685	-	688	12	(238)	2,213
<ul> <li>Restructuring of bank overdrafts to loans from</li> </ul>							
financial institutions	_	10,036	(10,036)	_	_	_	_
- Others	_	-	-	67	_	-	67
Total liability-related							
other changes	66	11,721	[10,036]	755	12	[238]	2,280
Balance at 31 March 2018	1,520	42,245	_	15,614	_	652	60,031

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 1 GENERAL INFORMATION

The financial statements of Ley Choon Group Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is incorporated as a limited liability company and is domiciled in Singapore.

The Company was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company was transferred to the Catalist of the SGX-ST with effect from 22 February 2017.

The registered office and principal place of business of the Company is located at No. 3 Sungei Kadut Drive, Singapore 729556.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

The immediate and ultimate holding company is Zheng Choon Holding Pte Ltd, a company incorporated in Singapore.

#### 2(A) BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information is presented in Singapore dollar, unless otherwise stated.

#### Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are described below

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(A) BASIS OF PREPARATION (CONTINUED)

#### Significant judgements in applying accounting policies

#### Going concern

The Company had net current liabilities of \$\$23,423,000 (2017: \$\$30,258,000) as at 31 March 2018. Notwithstanding this, the directors are of the view that the going concern assumption is appropriate for the preparation of the Company's financial statements. The Company had net assets of S\$43,917,000 (2017: S\$31,779,000) as at 31 March 2018. The net current liabilities of the Company were mainly attributed to amounts owing to subsidiaries totalling S\$26,575,000 (2017: S\$31,399,000), which the Company has the power and authority to manage the payment obligations to the wholly-owned subsidiaries and between the group entities if the need ever arises. For the financial year ended 31 March 2018, the Group continues to generate net profit and net operating cash inflows of S\$1,505,000 (2017: S\$17,746,000) and S\$7,720,000 (2017: S\$5,224,000), respectively. As at 31 March 2018, the Group had net current assets and net assets of \$\$19,093,000 (2017: \$\$9,964,000) and \$\$34,408,000 (2017: \$\$23,147,000), respectively. Accordingly, the directors believe that the Group and Company have sufficient working capital and financial resources to enable them to meet their liabilities as and when they fall due and continue as going concern for 12 months from the end of the reporting period. There was no default on repayments or breach in covenants in respect of the Group's and the Company's borrowings following the debt restructuring which will render the associated borrowings to be demanded for immediate repayments by the lenders. Consequently, the directors consider that there is no material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concern.

#### Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

#### Classification of land use rights

Within the People's Republic of China ("PRC"), it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use right certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of this arrangement is an operating lease over the land, and that the upfront payment represents prepaid lease rental. As such a prepayment is recognised in the consolidated statement of financial position, and the prepayment is amortised to spread the lease cost over the duration of the term of the land use right, as specified in the land use right certificate. The carrying amount of the Group's land use rights at the end of the reporting period is disclosed in Note 4 to the financial statements.

#### Income taxes

The Group and the Company have exposure to income taxes in various jurisdictions. Significant judgement and estimates are involved in determining group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's and the Company's deferred taxation at the end of the reporting period and the Group's income taxes for the year are disclosed in Note 6 and Note 21, respectively, to the financial statements.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(A) BASIS OF PREPARATION (CONTINUED)

#### Significant assumptions used and accounting estimates in applying accounting policies

#### Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the estimated economic useful lives of the assets. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. Management estimates the useful lives of property, plant and equipment to be within 3 to 30 years. In particular, management estimates the useful life of plant and equipment to be 5 to 20 years. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 3 to the financial statements. The estimation of useful lives is based on assumptions about wear and tear, ageing, changes in demand and the Group's historical experience with similar assets. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, maintenance programmes and technological developments could affect the economic useful lives and the residual values of these assets, future depreciation charges could be revised. If depreciation on the Group's property, plant and equipment increases/decreases by 10% from management's estimates, the Group's profit for the year will decrease/increase by \$\$934,000 (2017: \$\$980,000).

#### Impairment of property, plant and equipment

Property, plant and equipment are assessed at the end of each reporting period whether there is any indication of impairment or that an impairment loss recognised in prior periods no longer exists or may have decreased. If any such indication exists, the recoverable amounts of the assets are estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Such impairment loss is recognised in profit or loss.

Significant judgement and estimates by management are required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by its market value based on comparable assets or the net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are extrapolated using a suitable growth rate and then discounted using an appropriate discount rate. Changing the assumptions selected by management to determine the level of impairment, including the growth rate and discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result may potentially affect the Group's results. The carrying amount of the Group's property, plant and equipment at the end of the reporting period, and the basis used to determine fair value less costs of disposal or the assumptions used to estimate value in use as the recoverable amount, are disclosed in Note 3 to the financial statements.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(A) BASIS OF PREPARATION (CONTINUED)

Significant assumptions used and accounting estimates in applying accounting policies (Continued)

#### Impairment of investments in subsidiaries

The Company assesses at the end of each reporting period whether there is any indication that the investments in subsidiaries may be impaired or that impairment losses recognised in prior periods may no longer exist or may have decreased. If any indication exists, the investment in subsidiary is tested for impairment. The determination of the recoverable amount requires an estimation of the fair value less costs of disposal of the underlying assets or the value in use of the cash-generating units. Estimating the fair value less costs of disposal requires the Company to make an estimate of the expected selling prices of the underlying assets and the estimated cash outflows to settle the obligations in respect of the underlying liabilities. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units, a suitable growth rate to extrapolate the future cash flows, and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amount of the Company's investments in subsidiaries at the end of the reporting period, and the basis used to determine fair value less costs of disposal or the assumptions used to estimate value in use as the recoverable amount, are disclosed in Note 5 to the financial statements.

#### Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at the end of each reporting period, and applies judgement and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 7 to the financial statements. If the net realisable values of the inventories decrease/increase by 10% below cost from management's estimates, the Group's profit for the year will decrease/increase by \$\$1,284,000 (2017: \$\$996,000).

#### Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the stage of completion method depending on whether the outcome of the contract can be estimated reliably. The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs for the contract. Significant judgement is required in determining the stage of completion, the estimated total contract revenue and estimated total contract costs, as well as the recoverability of the contract costs incurred.

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of relevant professionals.

The estimation of total contract costs is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs for each project is reviewed on a regular basis by the Group in order to determine the costs to be recognised in profit or loss at the end of each reporting period and to assess whether any allowance for foreseeable losses is required. Actual costs could differ from the estimates.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(A) BASIS OF PREPARATION (CONTINUED)

#### Significant assumptions used and accounting estimates in applying accounting policies (Continued)

#### Construction contracts (Continued)

The carrying amount of the Group's contracts work in progress at the end of the reporting period and the Group's contract revenue for the year are disclosed in Note 8 and Note 17, respectively, to the financial statements. If the contract revenue from uncompleted contracts at the end of the reporting period had been higher/lower by 5% from management's estimates, the Group's revenue would have been higher/lower by \$\$19,510,000 (2017: \$\$16,589,000). If the contract costs of uncompleted contracts to be incurred had been higher/lower by 5% from management's estimates, the Group's profit for the year would have been lower/higher by \$\$1,003,000 (2017: \$\$1,196,000) and \$\$1,054,000 (2017: \$\$1,252,000), respectively.

#### Impairment of loans and receivables

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 amounts of the Group's and the Company's loans and receivables at the end of the reporting period are disclosed in Note 9 to the financial statements. If the present value of estimated future cash flows decreases/increases by 10% from management's estimates, the Group's and the Company's allowance for impairment of loans and receivables will increase/decrease by \$\$2,794,000 (2017: \$\$2,457,000) and \$\$414,000 (2017: \$\$592,000), respectively.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

#### 2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2018

On 1 April 2017, the Group adopted the following FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

# ReferenceDescriptionAmendments to FRS 7Statement of Cash Flows: Disclosure InitiativeAmendments to FRS 12Recognition of Deferred Tax Assets for Unrealised LossesINT FRS 121LeviesImprovements to FRSs (December 2016):Investments in Associates and Joint Ventures- Amendment to FRS 28Investments in Associates and Joint Ventures- Amendment to FRS 101First-time Adoption of Financial Reporting Standards- Amendment to FRS 112Disclosure of Interests in Other Entities

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(B) INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2018 (CONTINUED)

The adoption of these new and amended FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these financial statements except for the following:

#### Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

Under Amendments to FRS 7, an entity would need to reconcile cash flows arising from financing activities as reported in the statement of cash flows, excluding contributed equity, to the corresponding liabilities in the opening and closing statements of financial position. Additional disclosures are also required about information that is relevant to an understanding of the liquidity of an entity. This includes any restrictions over the decisions of an entity to use cash and cash equivalent balances, e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. As this is a disclosure standard, it affects the disclosures in the consolidated statement of cash flows but does not affect the financial position and performance of the Group.

#### 2(C) SFRS(I) NOT YET EFFECTIVE

In December 2017, the ASC issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018. SFRS(I) comprise standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

The Group's financial statements for the financial year ending 31 March 2019 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 April 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRS applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

The assessment made by the Group is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

#### Foreign currency translation reserve

The Group plans to elect the optional exemption in SFRS(I) 1 to zerorise its cumulative foreign currency translation reserve ("FCTR") for all foreign operations at the date of transition, and reclassify the cumulative FCTR of S\$233,000 as at 1 April 2017 determined in accordance with FRS at that date to accumulated losses. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(C) SFRS(I) NOT YET EFFECTIVE (CONTINUED)

#### Foreign currency translation reserve (Continued)

The Group expects the reclassification to result in a decrease in cumulative FCTR by S\$833,000 and an increase in accumulated losses by the same amount as at 31 March 2018.

The following are the new or amended SFRS(I) and SFRS(I) INT issued that are not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 9	Financial Instruments	1 January 2018
SFRS(I) 15	Revenue from Contracts with Customers	1 January 2018
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

Management does not anticipate that the adoption of the above SFRS(I) in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

#### SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

Under SFRS(I) 9, an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument shall be measured at fair value at the date of initial application. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group applies SFRS(I) 9.

The Group is adopting SFRS(I) 9 in its financial statements for the financial year ending 31 March 2019. Retrospective application is required. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of SFRS(I) 9.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(C) SFRS(I) NOT YET EFFECTIVE (CONTINUED)

#### SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SFRS(I) 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

SFRS(I) 15 also includes clarifications on how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The Group is adopting SFRS(I) 15 in its financial statements for the financial year ending 31 March 2019. Retrospective application is required. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of SFRS(I) 15.

#### SFRS(I) 16 Leases

SFRS(I) 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

For a lessee, SFRS(I) 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying SFRS(I) 1-7 Statement of Cash Flows.

For a lessor, SFRS(I) 16 substantially carries forward the lessor accounting requirements in SFRS(I) 1-17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

SFRS(I) 16 is effective for the Group's financial statements for the financial year ending 31 March 2020.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(C) SFRS(I) NOT YET EFFECTIVE (CONTINUED)

#### SFRS(I) INT 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. It is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

SFRS(I) INT 22 is effective for the Group's financial statements for the financial year ending 31 March 2019.

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries 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 and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

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. Thus, the Group controls an investee, if and only if, the Group has all of the following:

- (i) power over the investee;
- (ii) exposure, or rights or variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRS).

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Consolidation (Continued)

Consolidation of the subsidiary in the PRC is based on the subsidiary's financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the statutory financial statements of the subsidiary prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the subsidiary, if any, are based on the amounts stated in the statutory financial statements.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Leasehold properties8 to 30 yearsPlant and equipment5 to 20 yearsOffice equipment, furniture and fittings3 to 10 yearsMotor vehicles5 to 10 years

No depreciation is provided for construction in progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits in excess of the standard of performance of the asset before the expenditure was made will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is recognised in profit or loss from the month that the property, plant and equipment are installed and are available for use, and to the month of disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period as a change in estimates.

#### Land use rights

Land use rights represent upfront payments to acquire long-term interest in the usage of land. Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on the straight-line basis to write off the cost of the land use rights over the lease period of 50 years.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Subsidiaries**

In the Company's separate statement of financial position, subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

#### Club membership

Club membership represents transferable membership in recreational club. The club membership is assessed as having an indefinite useful life as it entitles the members to enjoy the club facilities for its lifetime, and there is no foreseeable limit to the period over which the membership is expected to be used by the Group. Since it is with an indefinite useful life, it is tested for impairment annually or more frequently if the events and circumstances indicate that its carrying value may be impaired either individually or at the cash-generating unit level. The useful life of the club membership with an indefinite life is reviewed annually to determine whether the assessment of useful life continues to be supportable.

#### Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the end of the reporting period with the exception that a financial asset shall not be reclassified into or out of the fair value through profit or loss category while it is held or issued.

All financial assets are recognised on their trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any held-to-maturity investments or available-for-sale financial assets.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial assets (Continued)

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables (excluding prepayments) and cash and bank balances and fixed deposits. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in profit or loss.

#### Determination of fair value

The fair values of quoted financial assets are based on current bid prices.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Contracts work in progress

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contracts costs are recognised when incurred. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the percentage of completion method. Contract costs comprise materials, direct labour, subcontractors' costs and an appropriate proportion of overheads.

The stage of completion is based on the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, irrespective of whether or not work has commenced.

The aggregated costs incurred and the profit or loss recognised on each contract are compared against progress billings up to the end of the financial year. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction contracts under "contracts work in progress". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as "excess of progress billings over contracts work in progress" under "trade and other payables". Advances from customers are presented as "trade and other payables" in the statement of financial position.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude cash restricted in use and fixed deposits pledged, and are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

#### Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial liabilities

The Group's financial liabilities comprise borrowings and trade and other payables (excluding excess of progress billings over contracts work in progress).

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in "finance cost" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled. 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.

Financial liabilities and financial assets are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled more than 12 months after the end of the reporting period are included in current borrowings in the statement of financial position if the loan facility agreements include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at its sole discretion and irrespective of whether a default event has occurred, or when the Group has defaulted or breached a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the borrowings become payable on demand, even if the lender agreed after the reporting period and before the authorisation of the financial statements for issue not to demand payment as a consequence of the breach. These borrowings are classified as current because, at the end of the reporting period, the Group does not have an unconditional right to defer its settlement for at least twelve months after that date.

However, those borrowings with breaches or defaults of loan agreement terms are classified as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the Group can rectify the breach and/or during which the lender cannot demand immediate repayment. Other borrowings due to be settled more than 12 months after the end of the reporting period are included in non-current borrowings in the statement of financial position.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial liabilities (Continued)

#### Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

#### Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on finance leases).

#### Convertible bonds

When convertible bonds are issued at fair value, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised net of income tax effects and included in shareholders' equity. The carrying amount of the conversion option is not changed in subsequent periods. Any directly attributable transaction costs are allocated to the liability portion and conversion option in proportion to their initial carrying amounts.

When the conversion option is exercised, the carrying amount of the conversion option will be reclassified to share capital. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be reclassified to retained earnings.

Interest and gains and losses relating to the liability portion are recognised in profit or loss. On conversion, the liability portion is reclassified to equity; no gain or loss is recognised on conversion.

A gain or loss is recognised on the extinguishment of convertible bonds. The consideration paid is allocated to the debt and equity components of the existing convertible bonds at the date of the transaction using the same allocation method as on initial recognition. The amount of gain or loss relating to the liability component is recognised in profit or loss, while the amount of consideration relating to the equity component is recognised in equity.

#### 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 a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

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. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial guarantees

The Company has issued corporate guarantees to financial institutions for the borrowings of certain subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the financial institutions if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts, if assessed to be material, are initially recognised at their fair value plus transaction costs in the statement of financial position.

Financial guarantee contracts are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless the Group has incurred an obligation to reimburse the financial institutions for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the financial institutions.

#### Leases

Where the Group is the lessee,

#### Finance leases

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment".

#### Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

#### Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income taxes (Continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

### **Employee benefits**

### Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. The subsidiary in the PRC is required to provide certain staff pension contributions to its employees under existing PRC regulations. Pension contributions are provided at rates stipulated by the PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees. The Company and its Singapore-incorporated subsidiaries make contributions to the Central Provident Fund, a defined contribution pension scheme regulated and managed by the Government of Singapore.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Employee benefits (Continued)

Pension obligations (Continued)

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension schemes are charged to profit or loss in the period to which the contributions relate.

#### Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

#### Discontinued operation

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and:

- (i) represents a separate major line of business or geographical area of operations;
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

### **Related parties**

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Related parties (Continued)

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

#### Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management executives are considered key management personnel.

### Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Impairment of non-financial assets (Continued)

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value in use, based on an internal discounted cash flow evaluation. Impairment loss recognised for a cash-generating unit is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is recognised as income in profit or loss.

#### Revenue recognition

#### Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Contract revenue is recognised based on the percentage of completion method over the period taken to complete the work. Revenue from short-term projects is recognised when the services have been rendered.

#### Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For local sale of goods, transfer usually occurs when the product is received at the customer's warehouse.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Revenue recognition (Continued)

#### Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

#### Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease

#### Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established.

#### Income from training services

Income from training services is recognised when the service is rendered.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

#### Functional currencies

#### Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

### Conversion of foreign currencies

### Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either other income or other expenses depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 2(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Conversion of foreign currencies (Continued)

#### Group entities

The results and financial positions of all the entities (none of which has the currency of a hyperinflationary economy) within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of each reporting period;
- (ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised as other comprehensive income in the currency translation reserve in equity.

#### Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 28 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

### Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise convertible bonds.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 3 PROPERTY, PLANT AND EQUIPMENT

			Office			
	Leasehold	Plant and	equipment, furniture	Motor	Construction	
	properties	equipment	and fittings	vehicles	in progress	Total
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost						
At 1 April 2016	30,596	65,434	2,064	18,092	310	116,496
Additions	-	4,265	231	137	138	4,771
Disposals	(1,000)	(747)	(57)	(1,960)	-	(3,764)
Exchange difference						
on translation	[188]	[750]	[4]	(10)	[6]	[958]
At 31 March 2017	29,408	68,202	2,234	16,259	442	116,545
Additions	7	2,455	158	1,011	52	3,683
Disposals	(220)	(1,072)	(10)	(1,170)	_	(2,472)
Transfers	178	_	-	-	(178)	-
Exchange difference						
on translation	149	[166]	[4]	[26]	13	[34]
At 31 March 2018	29,522	69,419	2,378	16,074	329	117,722
Accumulated depreciation						
and impairment losses						
At 1 April 2016	10,611	28,880	1,192	10,808	-	51,491
Depreciation (Note 23)	2,219	5,584	518	1,476	-	9,797
Disposals	(80)	(317)	(17)	(1,593)	-	(2,007)
Impairment losses						
(reversed)/made, net	(5,979)	1,066	(16)	640	-	(4,289)
Exchange difference						
on translation	[9]	[597]	[1]	[4]		[611]
At 31 March 2017	6,762	34,616	1,676	11,327	_	54,381
Depreciation (Note 23)	2,334	5,162	396	1,445	_	9,337
Disposals	(28)	(938)	(4)	(903)	_	(1,873)
Exchange difference						
on translation	12	(35)	[1]	[12]		[36]
At 31 March 2018	9,080	38,805	2,067	11,857	_	61,809
Net book value						
At 31 March 2018	20,442	30,614	311	4,217	329	55,913
At 31 March 2017	22,646	33,586	558	4,932	442	62,164

The carrying amount of property, plant and equipment held under finance leases for the Group comprises plant and equipment and motor vehicles of S\$3,023,000 (2017: S\$10,080,000) and S\$nil (2017: S\$178,000), respectively (Note 14).

The carrying amount of property, plant and equipment mortgaged to financial institutions to secure loans and overdrafts comprises leasehold properties of S\$15,857,000 (2017: S\$17,995,000) (Note 14).

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Impairment testing of property, plant and equipment

In view of the significant operating losses and cash outflows incurred by the business in the PRC, management assessed that there are indications of impairment of the related property, plant and equipment. Conversely, due to the operating profits and cash inflows generated by the businesses in Singapore, management assessed that that the impairment losses recognised in prior years in respect of the related property, plant and equipment may no longer exist or may have decreased. Accordingly, the assets were tested for impairment.

Management engaged independent professional valuers to carry out valuations on the property, plant and equipment to determine their fair values, having considered the appropriate professional qualifications and recent experience of the valuers in the location and category of the property, plant and equipment being valued. In determining the fair values of the leasehold properties, the valuers used the market comparison and income approach. In determining the fair values of the remaining plant and equipment, the valuers used the market comparison and depreciated replacement cost approach. Accordingly, impairment losses amounting to \$\$6,377,000 were reversed and additional impairment losses amounting to \$\$2,088,000 were made by the Group to increase and decrease the carrying amount of the classes of property, plant and equipment, respectively, for the financial year ended 31 March 2017. No impairment losses were made or reversed for the financial year ended 31 March 2018 as there were no material differences between the recoverable amounts and carrying amounts of the related property, plant and equipment.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the Level 3 fair value hierarchy, as well as the significant unobservable inputs used:

Valuation method	Basis	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Leasehold properties			
Market comparison and income approach	Industrial property when selling prices per square metre ("psm") for comparable properties are available	Selling prices ranging from S\$329 to S\$1,402 (for Singapore) and S\$229 to S\$290 (for the PRC)	A significant increase in average selling prices would result in a significantly higher fair value measurement, and vice versa
Plant and equipment, office equipment, furniture and fittings, motor vehicles and construction in progress			
Market comparison and depreciated replacement cost approach	Current market selling/ purchase prices of comparable assets are available	Current market selling/purchase prices	A significant increase in market selling/purchase prices would result in a significantly higher fair value measurement, and vice versa

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 4 LAND USE RIGHTS

The Group	2018 S\$'000	2017 S\$'000
•		<u>5</u> \$ 000
Cost At beginning of year	3,387	3,492
	100	(105)
Exchange difference on translation		(100)
At end of year	3,487	3,387
Accumulated amortisation		
At beginning of year	302	239
Amortisation (Note 23)	72	70
Exchange difference on translation	8	[7]
At end of year	382	302
Net book value		
At beginning of year	3,085	3,253
At end of year	3,105	3,085

The land use rights represent lease prepayments for two parcels of land located in the PRC on which the plant and equipment of the PRC subsidiary are erected. The land use rights are as follows:

	Commencement date	Period of lease
Land use right I	December 2012	50 years
Land use right II	April 2013	50 years

Due to the significant operating losses and cash outflows incurred by the business in the PRC, the land use rights were included for impairment testing as disclosed in Note 3 to the financial statements. No impairment losses were made for the financial years ended 31 March 2018 and 2017 as the recoverable amount based on fair value less costs of disposal was higher than the carrying amount.

## 5 SUBSIDIARIES

	2018	2017
The Company	S\$'000	S\$'000
Unquoted equity investments, at cost		
At beginning of year	180,440	180,440
Incorporation of a subsidiary	100	
At end of year	180,540	180,440
Allowance for impairment losses		
At beginning of year	103,057	125,356
Allowance reversed	[5,471]	[22,299]
At end of year	97,586	103,057
Carrying amount	82,954	77,383

On 2 August 2017, the Company incorporated a wholly-owned subsidiary in Singapore, LC International Trading Co Pte. Ltd., comprising 100,000 shares of S\$1 each, amounting to S\$100,000.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 5 SUBSIDIARIES (CONTINUED)

## Impairment testing of investments in subsidiaries

In view of the operating losses and cash outflows incurred by the subsidiary in the PRC, management has assessed that there are indications of impairment of the Company's investment in the related subsidiary. Conversely, due to the operating profits and cash inflows generated by the subsidiaries in Singapore, management has assessed that there are indications that the impairment losses recognised in prior years in respect of the Company's investment in the related subsidiary may no longer exist or may have decreased. Accordingly, the assets are tested for impairment.

The recoverable amount is determined based on fair value less costs of disposal, which is based on the revalued net assets of the subsidiaries. In deriving the revalued net assets of the subsidiaries, the fair values of the underlying assets are estimated based on their expected selling prices, and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. Based on the assessment, the Company reversed impairment losses amounting to \$\$5,471,000 (2017: \$\$22,299,000) in aggregate for the financial year ended 31 March 2018.

The valuation techniques used in measuring the Level 3 fair value hierarchy of the property, plant and equipment of the subsidiaries, as well as the significant unobservable inputs used are disclosed in Note 3 to the financial statements.

Details of the subsidiaries are:

Name	Principal activities	Country of incorporation/ Principal place of business		entage ity held 2017 %
Held by the Company				
Ley Choon Constructions and Engineering Pte. Ltd. <sup>[1]</sup>	Non-building construction and manufacture of asphalt premix	Singapore	100	100
LC International Trading Co Pte. Ltd. <sup>(1)</sup>	Trading of building materials, consumable tools, machinery and equipment spare parts and accessories (currently inactive)	Singapore	100	-
Ley Choon (Yantai) Eco-Green Construction Material Ltd. <sup>[3]</sup>	Recycling of construction waste and development of eco-green construction products; and production and sale of asphalt concrete, dry mortar concrete, concrete block and sands	People's Republic of China	100	100
Ley Choon (M) Sdn. Bhd. <sup>[4]</sup>	Inactive	Malaysia	100	100

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 5 SUBSIDIARIES (CONTINUED)

Name	Principal activities	Country of incorporation/ Principal place of business		entage ity held 2017 %
Held by Ley Choon Construction	s and Engineering Pte. Ltd.			
Multiform Developments & Construction Pte. Ltd. <sup>(1)</sup>	Road construction and mixed construction activities	Singapore	100	100
Chin Kuan Engineering and Contractors Pte. Ltd. <sup>[1]</sup>	Mixed construction activities and civil engineering	Singapore	100	100
Teacly (S) Pte. Ltd. <sup>[2]</sup>	Non-building construction, building cleaning and maintenance services	Singapore	100	100
Held by Teacly (S) Pte. Ltd.				
Pan Alliance Technology International Pte. Ltd. <sup>[1]</sup>	Water and gas pipe-line and sewer construction	Singapore	100	100

<sup>(1)</sup> Audited by Foo Kon Tan LLP, principal member firm of HLB International in Singapore

## 6 DEFERRED TAXATION

	The Group		The Co	Company	
	2018	2017	2018	2017	
	S\$'000	S\$'000	S\$'000	S\$'000	
At beginning of year	722	890	154	154	
Recognised in profit or loss					
(Note 21)	[142]	(168)	(154)	-	
Exchange difference on translation	(3)				
At end of year	577	722		154	
Comprising:					
Deferred tax assets	625	1,036	-	154	
Deferred tax liabilities	[48]	[314]			
	577	722		154	

<sup>(2)</sup> Audited by Foo Kon Tan LLP, with the branch office in Sri Lanka audited by Nihal Hettiarachchi & Company, a member firm of HLB International in Sri Lanka

<sup>(3)</sup> Audited by Foo Kon Tan LLP for the purpose of consolidation

<sup>(4)</sup> Audited by other auditor

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 6 DEFERRED TAXATION (CONTINUED)

Deferred tax assets/(liabilities) are attributable to the following:

	Property, plant and equipment	Unutilised tax losses	Unabsorbed capital allowances	Total
The Group	S\$'000	S\$'000	S\$'000	S\$'000
At 1 April 2016	(3,616)	4,038	468	890
Recognised in profit or loss	(140)	[28]		[168]
At 31 March 2017	(3,756)	4,010	468	722
Recognised in profit or loss	979	(675)	(446)	(142)
Exchange difference on translation	(3)			(3)
At 31 March 2018	(2,780)	3,335	22	577
The Company				
At 1 April 2016 and 31 March 2017	-	154	-	154
Recognised in profit or loss		(154)		(154)
At 31 March 2018	_		_	

#### Unrecognised temporary differences relating to unused tax losses and credits

Deferred tax assets have not been recognised in respect of the following items:

2018	2017	
S\$'000	S\$'000	
35,949	34,321	
431	431	
36,380	34,752	
	35,949 431	S\$'000     S\$'000       35,949     34,321       431     431

The unutilised tax losses and unabsorbed capital allowances are allowed to be carried forward and used to offset against future taxable profits of the Company and its subsidiaries in which the items arose, subject to agreement by the relevant tax authorities and compliance with the applicable tax regulations in the respective countries in which the Company and its subsidiaries operate. Deferred tax assets have not been recognised in respect of these items due to the uncertainty whether future taxable profits will be available against which the Company and its subsidiaries can utilise the benefits.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 6 DEFERRED TAXATION (CONTINUED)

#### Unrecognised temporary differences relating to unused tax losses and credits (Continued)

The unutilised tax losses and unabsorbed capital allowances have no expiry date under the respective tax jurisdictions, except for the following amounts of unutilised tax losses:

	2018	2017
The Group	S\$'000	S\$'000
Expiring in:		
- 2018	-	242
- 2019	278	270
- 2020	852	828
- 2021	233	226
- 2022	481	467
- 2023	574	
	2,418	2,033

### Unrecognised temporary differences relating to investments in subsidiaries

On 22 February 2008, the Ministry of Finance and the State Administration of Taxation of the PRC issued a joint circular Caishui [2008] No. 1 which states that the distribution of dividends after 1 January 2008 from profits derived before 1 January 2008 will be exempted from withholding tax on distribution to non-resident shareholders. Whereas, dividends distributed out of profits generated thereafter, shall be subject to Enterprise Income Tax ("EIT") at 10% and withheld by foreign invested enterprises, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Detailed Implementation Regulations. Non-resident shareholders in countries under double tax treaty with the PRC may enjoy a reduced withholding tax at 5% if certain conditions are met.

Accordingly, there would be no deferred tax liabilities arising from any undistributed profits accumulated up till 31 December 2007 (the "exemption period"). After the exemption period, deferred tax liabilities would be required to the extent per FRS 12 *Income Taxes* on profits accumulated from 1 January 2008.

At the end of the reporting period, no deferred tax liabilities have been recognised as the subsidiary in the PRC does not have undistributed earnings.

### 7 INVENTORIES

	2018	2017
The Group	S\$'000	S\$'000
Construction materials	12,839	9,960

The costs of inventories recognised in cost of sales amounted to S\$28,498,000 (2017: S\$24,249,000) for the financial year ended 31 March 2018 (Note 23).

For the financial year ended 31 March 2018, due to the decline in selling prices and the obsolescence of certain inventories, the Group wrote down S\$85,000 (2017: S\$nil) of the inventories to their net realisable values (Note 23).

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 8 CONTRACTS WORK IN PROGRESS

	2018	2017
The Group	S\$'000	S\$'000
Contract costs incurred	385,079	342,017
Attributable profits less recognised losses to date	5,083	(10,699)
	390,162	331,318
Less: Progress billings	(372,472)	(312,015)
	17,690	19,303
Represented by:		
Contracts work in progress	17,690	19,782
Excess of progress billings over contracts work in progress (Note 15)		[479]
	17,690	19,303

Retention sums on construction contracts included in trade and other receivables amount to S\$2,026,000 (2017: S\$1,153,000).

## 9 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables from				
third parties	17,435	17,476	-	-
Less: Allowance for				
impairment losses	(1,186)	(1,605)		
	16,249	15,871	_	_
Accrued receivables	9,425	6,536	-	-
Amounts due from subsidiaries				
(non-trade)	-	-	4,142	5,916
Deposits	1,815	1,827	-	-
Staff loans	23	22	-	-
Other receivables	428	310		
Loans and receivables	27,940	24,566	4,142	5,916
Prepayments	3,603	3,520	15	26
	31,543	28,086	4,157	5,942

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in allowance for impairment losses in respect of trade receivables is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
At beginning of year	1,605	266	_	
Allowance made (Note 19)	13	1,475	-	-
Allowance reversed (Note 18)	(432)	(136)	_	_
	[419]	1,339		
At end of year	1,186	1,605	_	_

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

The non-trade amounts due from subsidiaries, which represent advances to and payments on behalf of the subsidiaries, are unsecured, interest-free and repayable on demand.

Trade and other receivables are denominated in the following currencies:

	The 0	The Group		mpany
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Singapore dollar	24,343	22,298	4,157	5,942
Renminbi	4,305	4,214	-	-
Sri Lankan rupee	2,895	1,574		
	31,543	28,086	4,157	5,942

The Group generally extends credit period of 30 to 60 days (2017: 30 to 60 days) to customers, depending on the length of business relationship, payment history, background and financial strength of the customers. The Group actively reviews the trade receivable balances and follow up on outstanding debts with the customers.

The credit risk for trade receivables based on the information provided to key management is as follows:

The Group	2018 S\$'000	2017 S\$'000
By geographical area		
Singapore	13,032	14,200
PRC	2,699	1,430
Sri Lanka	518	241
	16,249	15,871

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables is as follows:

	Impairment			Impairment
	Gross	losses	Gross	losses
	2018	2018	2017	2017
The Group	S\$'000	S\$'000	S\$'000	S\$'000
Not past due	10,946	_	6,256	-
Past due 0 to 30 days	993	-	5,783	-
Past due 31 to 60 days	663	-	1,227	-
Past due over 60 days	4,833	(1,186)	4,210	(1,605)
	17,435	[1,186]	17,476	(1,605)

Based on historical default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables as they mainly arise from customers that have a good credit record with the Group.

Loans and receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group and the Company.

## 10 OTHER INVESTMENTS

	2018	2017
The Group	S\$'000	S\$'000
Financial assets designated at fair value through profit or loss:		
At beginning of year	56	11
Net change in fair value recognised in profit or loss (Note 18)	2	45
At end of year	58	56
Represented by:		
Quoted equity investments	58	56

The fair value of quoted equity investments is determined by reference to stock exchange quoted bid prices.

The other investments are denominated in Singapore dollar.

#### 11 CASH AND BANK BALANCES AND FIXED DEPOSITS

	The Group		The Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash in banks	4,565	6,530	6	110
Cash on hand	100	108		
	4,665	6,638	6	110
Fixed deposits	2,537	1,720		
	7,202	8,358	6	110

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 11 CASH AND BANK BALANCES AND FIXED DEPOSITS (CONTINUED)

The fixed deposits of S\$2,537,000 (2017: S\$1,720,000) for the Group were pledged to financial institutions to secure loans and overdrafts (Note 14) and other banking facilities, such as bankers' guarantees.

The fixed deposits had a weighted average maturity of 68 days (2017: 91 days) from the end of the reporting period with a weighted average effective interest rate of 0.65% (2017: 0.65%) per annum at the end of the reporting period.

Cash and bank balances and fixed deposits are denominated in the following currencies:

	The Group		The Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore dollar	6,749	7,570	6	110
Malaysian ringgit	39	39	-	-
Renminbi	72	103	-	-
Sri Lankan rupee	342	646		
	7,202	8,358	6	110

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

The Group	2018 S\$'000	2017 S\$'000
Cash and bank balances	4,665	6,638
Fixed deposits	2,537	1,720
	7,202	8,358
Less: Bank overdrafts (Note 14)	_	(10,036)
Less: Fixed deposits pledged	(2,537)	[1,720]
	4,665	[3,398]

## 12 SHARE CAPITAL

	The Group		The Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Issued and fully paid, with no				
par value				
592,406,996 ordinary shares at				
beginning of year	71,117	71,117	137,336	137,336
592,406,996 new rights shares				
issued during the year	8,690		8,690	
1,184,813,992 ordinary shares at				
end of year	79,807	71,117	146,026	137,336

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 12 SHARE CAPITAL (CONTINUED)

On 18 May 2017, the Company issued 592,406,996 new ordinary shares via a renounceable non-underwritten rights issue at an issue price of S\$0.015 for each rights share, on the basis of one rights share for every one existing ordinary share held in the issued and paid-up capital of the Company. The total share proceeds amounted to S\$8,886,000. Share issuance expenses amounted to S\$196,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

#### 13 OTHER RESERVES

	The Group		The Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Foreign currency translation				
reserve	833	(233)	-	-
Equity component of convertible				
bonds	243	243	243	243
Assets distributed to entitled				
shareholders			[1,127]	[1,127]
	1,076	10	[884]	(884)

## Foreign currency translation reserve

Foreign currency translation reserve arises from the translation of financial statements of foreign entities whose functional currencies are different from the Group's presentation currency.

## Equity component of convertible bonds

This represents the residual amount of convertible bonds after deducting the fair value of the liability component. This amount is presented net of tax and any transaction costs arising from the convertible bonds.

#### Assets distributed to entitled shareholders

Entitled shareholders are shareholders of the Company as at 24 July 2012, prior to the completion of the reverse takeover ("RTO") exercise in 2012. Net assets distributed to entitled shareholders relate to trade and other receivables due to the Company prior to the completion of the RTO, which were collected and distributed to the entitled shareholders.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 14 BORROWINGS

	The	Group	The Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current				
Obligations under finance leases	746	1,364	-	_
Loans from financial institutions	28,149	26,117	-	-
Bank overdrafts (Note 11)	_	10,036	_	_
Convertible bonds	15,614	15,500	15,614	15,500
	44,509	53,017	15,614	15,500
Current				
Obligations under finance leases	774	1,917	_	_
Loans from financial institutions	14,096	12,880	-	-
Loans from controlling				
shareholders		3,465		3,465
	14,870	18,262		3,465
	59,379	71,279	15,614	18,965
Obligations and or Green lease.				
Obligations under finance leases				
			2018	2017
The Group			S\$'000	S\$'000
Minimum lease payments payable:				
Due not later than one year			812	1,981
Due letenthen and west leten	Ohan Character		750	1 /1/

	2018	2017
The Group	S\$'000	S\$'000
Minimum lease payments payable:		
Due not later than one year	812	1,981
Due later than one year and not later than five years	758	1,416
	1,570	3,397
Less: Finance charges allocated to future periods	(50)	[116]
Present value of minimum lease payments	1,520	3,281
Present value of minimum lease payments:		
Due not later than one year	774	1,917
Due later than one year and not later than five years	746	1,364
	1,520	3,281
Represented by:		
Current	774	1,917
Non-current	746	1,364
	1,520	3,281

It is the Group's policy to lease certain property, plant and equipment under finance leases. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The finance leases are secured by the underlying assets, comprising plant and equipment and motor vehicles with carrying amount of \$\$3,023,000 (2017: \$\$10,080,000) and \$\$nil (2017: \$\$178,000), respectively, for the Group (Note 3) and corporate guarantees by the Company.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 14 BORROWINGS (CONTINUED)

#### Convertible bonds

	2018	2017
The Group and the Company	S\$'000	S\$'000
Liability component at beginning of year	15,500	15,390
Add: Accreted interest	114	110
Liability component at end of year	15,614	15,500

The amount of convertible bonds classified as equity of \$\$243,000 is net of attributable transaction costs of \$\$5,000.

The convertible bonds are in an aggregate amount of up to S\$15,975,000. They are convertible into fully-paid ordinary shares of the Company at a fixed conversion price of S\$0.081 per share at the option of the holder, at any time until 31 March 2021.

#### Terms and debt repayment schedule

The terms and conditions of borrowings at the end of the reporting period are as follows:

The Group	Currency	Nominal interest rate	Year of maturity	Face value S\$'000	Carrying amount S\$'000
2018					
Obligations under finance leases	SGD	1.95% to 2.69%	2019 to 2020	1,570	1,520
Loans from financial institutions	SGD	4.50%	2021	40,994	40,994
Bank loan	RMB	5.78%	2019	1,251	1,251
Convertible bonds	SGD	6.50%	2021	15,975	15,614
				59,790	59,379
2017					
Obligations under finance leases	SGD	1.95% to 3.82%	2018 to 2020	3,397	3,281
Loans from financial institutions	SGD	3.97%	2021	37,782	37,782
Bank loan	RMB	5.16%	2018	1,215	1,215
Bank overdrafts	SGD	3.97%	2021	10,036	10,036
Convertible bonds	SGD	6.50%	2021	15,975	15,500
Loans from controlling shareholders	SGD	6.00%	2018	3,465	3,465
				71,870	71,279

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 14 BORROWINGS (CONTINUED)

## Terms and debt repayment schedule (Continued)

The Company	Currency	Nominal interest rate	Year of maturity	Face value S\$'000	Carrying amount S\$'000
2018				<u> </u>	
Convertible bonds	SGD	6.50%	2021	15,975	15,614
2017					
Convertible bonds	SGD	6.50%	2021	15,975	15,500
Loans from controlling shareholders	SGD	6.00%	2018	3,465	3,465
				19,440	18,965

Loans from financial institutions and bank overdrafts are secured by the following:

- (a) legal mortgages over the Group's leasehold properties (Note 3);
- (b) charges over certain of the Group's plant and equipment;
- (c) charges over shares in the Company's subsidiaries;
- (d) charges over certain of the Group's bank accounts;
- (e) fixed deposits of the Group (Note 11);
- (f) floating charges over all other assets; and/or
- (g) corporate guarantees by the Company.

#### Default on repayments and breach in covenants

On 8 June 2016, the Group and the Lenders agreed on and signed a term sheet setting out the key terms of restructuring the debt obligations of the Group, which was subsequently encapsulated in a Debt Restructuring Agreement ("DRA") entered into on 23 September 2016. The material terms of the DRA include, inter alia, the following:

- (a) Eligible Lenders with existing securities over earnings from the Group's ongoing projects shall release current and future Project Proceeds into the Group's operating bank accounts subject to the terms of the DRA:
- (b) The DRA provides for a mechanism for the repayment of the Project Proceeds, as well as other amounts owed to the Eligible Lenders;
- (c) During the tenor of the DRA, the Group shall repay the principal and interest owing to Eligible Lenders according to a cash sweep mechanism. There will be a bullet repayment for all outstanding amounts due to Eligible Lenders on the final repayment date, being 31 March 2021;

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 14 BORROWINGS (CONTINUED)

## Default on repayments and breach in covenants (Continued)

- (d) The Group has granted a security package over the Group's operating bank accounts, fixed assets, and shares in the Company's subsidiaries in favour of the Eligible Lenders whose rights over the security are held and will be exercised through a Security Trustee subject to the terms of, inter alia, the DRA;
- (e) The Group shall continue to dispose of its non-core assets and utilise the proceeds received to repay the Eligible Lenders with security over such assets subject to the terms of the DRA; and
- (f) Interest continues to be payable to the Eligible Lenders until 31 March 2021.

## Carrying amounts and fair values

The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts and fair values of long-term borrowings at the end of the reporting period are as follows:

	Carrying amount	Fair value
The Group	S\$'000	S\$'000
2018		
Obligations under finance leases	1,520	1,555
Loans from financial institutions	40,994	40,543
Convertible bonds	15,614	15,726
	58,128	57,824
2017		
Obligations under finance leases	3,281	3,363
Loans from financial institutions and bank overdrafts	47,818	47,986
Convertible bonds	15,500	15,654
	66,599	67,003
The Company		
2018		
Convertible bonds	15,614	15,726
2017		
Convertible bonds	15,500	15,654

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 14 BORROWINGS (CONTINUED)

## Carrying amounts and fair values (Continued)

The fair values are determined from the discounted cash flow analyses, using the discount rates based on the borrowing rates which the directors expect would be available to the Group and the Company at the end of the reporting period, as follows:

	The Group		The Com	pany
	2018	2017	2018	2017
	%	%	<u></u>	%
Obligations under finance leases  Loans from financial institutions	2.32	2.51	-	-
and bank overdrafts	4.45	3.95	_	-
Convertible bonds	6.90	6.90	6.90	6.90

The fair value hierarchy of the above long-term borrowings is Level 2.

#### 15 TRADE AND OTHER PAYABLES

	The Group		The Co	mpany
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables to third parties	26,138	29,739	238	950
Amounts due to subsidiaries				
(non-trade)	-	-	26,575	31,399
Accrued expenses	3,425	2,566	20	140
Output taxes, net	871	632	-	-
Interest payable	652	890	652	254
Other payables	1,730	1,409	101	102
Excess of progress billings over				
contracts work in progress				
(Note 8)		479		
	32,816	35,715	27,586	32,845

The average credit period taken to settle trade payables is approximately 60 days (2017: 60 days).

The non-trade amounts due to subsidiaries, which represent advances from and payments on behalf by the subsidiaries, are unsecured, interest-free and repayable on demand.

Other payables of the Group bear interest ranging from 3.3% to 6% (2017: 3.3% to 6%) per annum.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 15 TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables are denominated in the following currencies:

	The 0	The Group		mpany
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore dollar	24,879	23,937	27,586	32,845
Malaysian ringgit	2	3	-	-
Renminbi	5,471	4,339	-	-
Sri Lankan rupee	2,464	7,436		
	32,816	35,715	27,586	32,845

#### 16 PROVISIONS

	2018	2017
The Group	S\$'000	S\$'000
Provision for legal claims and damages	541	541
Provision for liquidated damages	1,700	1,700
Provision for fines and penalty	200	
	2,441	2,241

The movement in provisions is as follows:

The Group	Provision for legal claims and damages S\$'000	Provision for liquidated damages S\$'000	Provision for fines and penalty S\$'000	Total S\$'000
At 1 April 2016	741	1,700	_	2,441
Provision reversed (Note 18)	(122)	_	-	(122)
Provision utilised	(78)			[78]
At 31 March 2017	541	1,700	-	2,241
Provision made (Note 23)			200	200
At 31 March 2018	541	1,700	200	2,441

## Provision for legal claims and damages

The provision relates to a claim by a subcontractor for its work done on a project for the construction of aircraft parking apron, which the Group is disputing and has not made payment. The provision made represents management's estimate of the settlement consideration.

## Provision for liquidated damages

Provision for liquidated damages is estimated based on the expected potential claim from a customer of the Group.

## Provision for fines and penalty

The provision for fines and penalty is estimated based on the amount expected to be paid to a customer.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 17 REVENUE

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax and value-added tax, are detailed as follows:

	2018	2017
The Group	S\$'000	S\$'000
Contract revenue	96,152	105,572
Sale of construction materials	9,157	9,616
Rental of motor vehicles and machinery	353	189
	105,662	115,377

## 18 OTHER INCOME

	2018	2017
The Group	S\$'000	S\$'000
Dividend income from other investments	1	1
Gain on disposal of non-current assets classified as held for sale	-	11,356
Fair value gain on other investments (Note 10)	2	45
Foreign exchange gain, net	-	631
Government grants	265	364
Income from repair work	161	-
Income from training services	597	401
Insurance compensation received	213	116
Interest income	31	18
Rental income	360	228
Reversal of impairment losses on property, plant and equipment	-	6,377
Reversal of impairment losses on trade receivables (Note 9)	432	136
Reversal of provision for legal claims and damages (Note 16)	-	122
Sale of scrap materials	362	624
Sundry income	130	484
	2,554	20,903

## 19 OTHER OPERATING EXPENSES

	2018	2017
The Group	S\$'000	S\$'000
Foreign exchange loss, net	1,126	-
Impairment losses on property, plant and equipment	-	2,088
Impairment losses on trade receivables (Note 9)	13	1,475
Miscellaneous expenses	19	97
Loss on disposal of property, plant and equipment	13	14
Write-down on inventories	85	
	1,256	3,674

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 20 FINANCE COSTS

	2018	2017
The Group	S\$'000	S\$'000
Interest expenses on:		
– loans from financial institutions	1,050	2,141
– bank overdrafts	-	927
– finance leases	66	144
– convertible bonds	1,085	610
– loans from controlling shareholders	12	187
	2,213	4,009

## 21 TAXATION

The Group	2018 S\$'000	2017 S\$'000
Current taxation		
– current year	76	97
– changes in estimates related to prior years	[68]	[462]
	8	[365]
Deferred taxation (Note 6)		
– origination and reversal of temporary differences	1,129	140
– recognition of tax effect of previously unrecognised tax losses	(987)	-
– changes in estimates related to prior years		28
	142	168
	150	[197]

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the applicable rate of income tax on profits as a result of the following:

The Group	2018 S\$'000	2017 S\$'000
Profit before taxation from continuing operations Loss before taxation from discontinued operation (Note 22)	1,655 -	18,541 (992)
Profit before taxation	1,655	17,549
Tax at statutory rates applicable to different jurisdictions	107	2,806
Tax effect on non-deductible expenses	833	321
Tax effect on non-taxable income	(125)	(1,234)
Tax exempt income and incentives	(24)	(91)
Deferred tax assets on temporary differences not recognised	407	_
Utilisation of deferred tax assets on temporary differences		
not recognised in prior years	-	(1,557)
Recognition of tax effect of previously unrecognised tax losses	(987)	-
Changes in estimates of current taxation related to prior years	(68)	(462)
Changes in estimates of deferred taxation related to prior years	_	28
Others	7	[8]
	150	[197]

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 21 TAXATION (CONTINUED)

#### Singapore

The corporate income tax rate applicable to the Company and the Singapore-incorporated subsidiaries is 17% (2017: 17%) for the financial year ended 31 March 2018.

#### PRC

In accordance with the Enterprise Income Tax ("EIT") Law of the PRC, Ley Choon (Yantai) Eco-Green Construction Material Ltd. is subject to the applicable EIT rate of 25% (2017: 25%) for the financial year ended 31 March 2018.

#### Malaysia

The corporate income tax rate applicable to Ley Choon (M) Sdn. Bhd. is 24% (2017: 24%) for the financial year ended 31 March 2018.

#### Sri Lanka

The corporate income tax rate applicable to Sri Lanka branch office of Teacly (S) Pte. Ltd. in respect of construction works is 12% (2017: 12%) for the financial year ended 31 March 2018.

For the financial year ended 31 March 2018, non-deductible expenses mainly relate to depreciation of non-qualifying property, plant and equipment.

For the financial year ended 31 March 2017, non-taxable income mainly relates to reversal of impairment losses on property, plant and equipment, while non-deductible expenses mainly relate to impairment losses on plant and equipment.

### 22 DISCONTINUED OPERATION

On 23 September 2016, Ley Choon Constructions and Engineering Pte. Ltd. ("LCCE") entered into a sale and purchase agreement with TEE Land Limited, pursuant to which LCCE agreed to sell the whole of the issued and paid-up capital of Ley Choon Development Pte. Ltd. ("LCD") for a cash consideration of S\$11,500,000. LCD, whose principal activities relate to those of property development, represents a separate line of business of the Group. The disposal was undertaken as part of the Group's debt restructuring programme. The disposal of LCD was completed on 30 November 2016.

Accordingly, the results relating to LCD have been presented in the consolidated statement of profit or loss and other comprehensive income as "loss from discontinued operation, net of tax".

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 22 DISCONTINUED OPERATION (CONTINUED)

## Results of discontinued operation

The Group	Note	2017 S\$'000
Other income		200
Administrative expenses		(113)
Other operating expenses		(28)
Finance costs		(49)
Write-down on development property		(957)
Loss on disposal of subsidiary		(45)
Loss before taxation		[992]
Taxation		
Loss from discontinued operation, net of tax		(992)
Loss and total comprehensive loss attributable to:		
Owners of the Company		(992)
Basic and diluted loss per share (Singapore cent)	24	(0.16)

### Earnings per share from discontinued operation

The basic and diluted loss per share from discontinued operation for the financial year ended 31 March 2017 was calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company of \$\$992,000, by the weighted average number of ordinary shares outstanding of \$92,407,000 [Note 24].

## Cash flows attributable to discontinued operation

	2017
The Group	S\$'000
Net cash used in operating activities	[3,129]
Net cash generated from investing activities	3,179
Net cash used in financing activities	(49)
Net cash inflows for the year	1

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

## 23 PROFIT FOR THE YEAR

The Group	Note	2018 S\$'000	2017 S\$'000
·	Note	3\$ 000	3\$ 000
Profit for the year has been arrived at after charging:	,	F.O.	70
Amortisation of land use rights	4	72	70
Cost of inventories recognised in cost of sales	7	28,498	24,249
Depreciation of property, plant and equipment	3	9,337	9,797
Operating lease expenses		1,589	1,741
Provision for fines and penalty	16	200	-
Provision for foreseeable losses		30	434
Write-down on inventories	7	85	-
Audit fees paid/payable to:			
– auditor of the Company		255	250
- other auditors		10	11
Staff costs			
Directors:			
Directors' fees		145	145
Directors' remuneration other than fees:			
- salaries and other related costs		775	924
– contributions to defined contribution plans		33	37
		953	1,106
Key management personnel (other than directors):			
– salaries and other related costs		1,955	2,037
– contributions to defined contribution plans		167	144
		2,122	2,181
Total key management personnel compensation		3,075	3,287
Other than key management personnel:			
- salaries and other related costs		30,238	33,825
– contributions to defined contribution plans		1,281	1,176
		31,519	35,001
		34,594	38,288

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 24 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share was based on the profit attributable to ordinary shareholders of S\$1,505,000 (2017: S\$17,746,000), and a weighted average number of ordinary shares outstanding of 1,108,531,000 (2017: 592,407,000), calculated as follows:

### Profit attributable to ordinary shareholders

The Group	Continuing operations S\$'000	Discontinued operation S\$'000	Total S\$'000
2018			
Profit attributable to ordinary shareholders	1,505		1,505
2017			
Profit/(Loss) attributable to ordinary shareholders	18,738	(992)	17,746
Weighted average number of ordinary shares			
The Group		2018 '000	2017 '000
Issued ordinary shares at beginning of year (Note 12)		592,407	592,407
Effect of shares issued during the year		516,124	
Weighted average number of ordinary shares at end of	year	1,108,531	592,407
Earnings per share attributable to ordinary sharehold	ers		
	Continuing	Discontinued	
The Group	operations	operation	Total
2018			
Earnings per share attributable to ordinary	0.17		0.17
shareholders (Singapore cent)	0.14		0.14
2017			
Earnings/(Loss) per share attributable to ordinary shareholders (Singapore cent)	3.16	(0.16)	3.00

As at 31 March 2018 and 2017, the convertible bonds do not have a dilutive effect because the average market price of the Company's ordinary shares for the financial years ended 31 March 2018 and 2017 during the period which the bonds are convertible does not exceed the conversion price.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 25 EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Performance Share Plan ("PSP") was approved by the Company's members at an Extraordinary General Meeting held on 30 October 2009. The PSP is administered by the Committee with such discretion, powers and duties as will be conferred on it by the Board of Directors.

The objectives of the PSP are as follows:

- (a) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;
- (b) to provide an opportunity for participants of the PSP to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;
- (c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and
- (d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The PSP shall continue to be in force, subject to a maximum period of ten years commencing on the date on which the PSP comes into effect, provided always that the PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by an ordinary resolution in the general meeting and of any relevant authorities which may then be required.

No employee or director has received 5% or more of the total number of shares available under the PSP.

No performance shares have been allotted and issued to any employees or directors of the Company since its commencement.

#### 26 SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the financial statements, transactions with related parties based on terms agreed between parties are as follows:

	2018	2017
The Group	S\$'000	S\$'000
Rental paid to an entity with a common director as the Company	34	-
Purchases from an entity with a common director as the Company	_	176

The directors are of the opinion that the transactions above have been entered in normal course of businesses and have been established on terms and conditions that are not materially different from those obtainable in transactions with third parties.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 27 OPERATING LEASE COMMITMENTS (NON-CANCELLABLE)

At the end of the reporting period, the Group was committed to making the following payments in respect of non-cancellable operating leases of land, buildings and offices:

	2018	2017
The Group	S\$'000	S\$'000
Not later than one year	1,036	1,368
Later than one year and not later than five years	1,580	2,247
Later than five years	775	833
	3,391	4,448

The leases on which rentals are payable will expire between 30 April 2018 and 8 September 2025, and the current rent payable on the leases ranges from S\$1,000 to S\$37,000 per month.

The leases have no renewal option or contingent rent provision included in the contracts.

#### 28 OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies.

For each of the strategic business unit, the Group's CEO, who is the chief operating decision maker, monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. The Group's CEO reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- (i) Pipes and roads segment which comprises underground utilities infrastructure construction and maintenance; sewer pipeline rehabilitation; and road and airfield construction and maintenance.
- (ii) Construction materials segment which comprises asphalt pre-mix production; and construction waste recycling.

There are no operating segments that have been aggregated to form the above reportable operating segments.

Other operations relate to general corporate activities and others.

Information regarding the results of each reportable segment is included in the following tables. Performance is measured based on segment profit (before taxation and unallocated expenses), as included in the internal management reports that are reviewed by the Group's CEO, which in certain respects, as explained in the following tables, is different from profit in the consolidated financial statements. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis.

The Group's income taxes are managed on a group basis and are not allocated to operating segments.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

## 28 OPERATING SEGMENTS (CONTINUED)

	Pipes and roads S\$'000	Construction materials S\$'000	Others S\$'000	Total S\$'000
2018				
External revenue Inter-segment revenue	96,505 37,280	9,157 8,228		105,662 45,508
Total revenue	133,785	17,385	-	151,170
Interest income Interest expenses Depreciation and amortisation	- (66) (5,528)	- (121) (1,047)	31 (2,026) (2,834)	31 (2,213) (9,409)
Reportable segment profit/(loss) before tax Reportable segment assets Capital expenditure Reportable segment liabilities	12,202 77,818 3,442 23,925	1,210 14,830 3 7,980	(11,757) 36,556 238 62,891	1,655 129,204 3,683 94,796
2017				
External revenue Inter-segment revenue	105,761 51,603	9,616 9,164		115,377 60,767
Total revenue	157,364	18,780		176,144
Interest income Interest expenses Depreciation and amortisation Impairment losses on property, plant and equipment (made)/ reversed, net Write-down on development property	- (144) (5,796) (1,505)	(139) (1,147) (169)	18 (3,775) (2,924) 5,963 (957)	18 (4,058) (9,867) 4,289 (957)
Reportable segment profit/(loss) before tax Reportable segment assets Capital expenditure Reportable segment liabilities	18,378 74,789 4,338 30,414	1,077 17,151 69 6,750	(1,906) 40,816 364 72,445	17,549 132,756 4,771 109,609

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 28 OPERATING SEGMENTS (CONTINUED)

## Reconciliations of segment amounts to consolidated financial statements

	2018 S\$'000	2017 S\$'000
Revenue		
Total revenue for reportable segments	151,170	176,144
Elimination of inter-segment revenue	(45,508)	(60,767)
Consolidated revenue	105,662	115,377
Profit or loss		
Total profit for reportable segments	13,412	19,455
Reversal of impairment losses on property, plant and equipment	-	5,979
Other corporate expenses	(11,757)	(6,893)
Profit before tax from continuing operations	1,655	18,541
Loss before tax from discontinued operation		[992]
Consolidated profit before tax	1,655	17,549
Assets		
Total assets for reportable segments	92,648	91,940
Property, plant and equipment	21,074	23,683
Other unallocated assets	15,482	17,133
Consolidated total assets	129,204	132,756
Liabilities		
Total liabilities for reportable segments	31,905	37,164
Borrowings	57,859	67,998
Other unallocated liabilities	5,032	4,447
Consolidated total liabilities	94,796	109,609

## Geographical information

The pipes and roads and construction materials businesses are managed on a worldwide basis and the Group operates principally in Singapore, PRC and Sri Lanka.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 28 OPERATING SEGMENTS (CONTINUED)

#### Geographical information (Continued)

In presenting information on the basis of geographical areas of operations, segment revenue is based on the geographical locations of customers and segment assets are based on the geographical locations of the assets.

	2018	2017
	S\$'000	S\$'000
Revenue		
Singapore	93,815	105,094
PRC	3,734	2,450
Sri Lanka	8,113	7,833
Consolidated revenue	105,662	115,377
Non-current assets*		
Singapore	46,030	51,005
PRC	10,968	11,560
Sri Lanka	2,249	2,913
Consolidated non-current assets	59,247	65,478

<sup>\*</sup> Non-current assets comprise property, plant and equipment, land use rights and club membership.

### Major customers

During the financial year ended 31 March 2018, revenue from two customers in respect of the Group's pipes and roads segment amounted to \$\$56,157,000 (2017: \$\$62,757,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue for either the current financial year or previous financial period are as follows:

	2018	2018	2017	2017
	S\$'000	<u></u>	S\$'000	%
Customer A	48,044	45	48,751	42
Customer B	*	*	14,006	12
Customer C	8,113	8	*	*
Total	56,157	53	62,757	54

<sup>\*</sup> Below 10 percent

## 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group is 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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. Market risk exposures are measured using sensitivity analysis for interest rate risk (Note 29.3) and foreign currency risk (Note 29.4).

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

#### 29.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. For trade receivables, the Group adopts the practice of dealing only with those customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group has established a credit policy under which the creditworthiness of each new customer is evaluated individually before the Group grants credit to the customer. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the directors. Payments will be required to be made upfront by customers which do not meet the Group's credit requirements.

Amounts due from customers are closely monitored and reviewed on a regular basis to identify any non-payment or delay in payment, and to understand the reasons, so that appropriate actions can be taken promptly. Through on-going credit monitoring and existing collection procedures in place, credit risk is mitigated substantially.

The Group's trade receivables comprise four major debtors (2017: five major debtors) that represented 60% (2017: 70%) of net trade receivables.

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivable balances, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the end of the reporting period.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 29.1 Credit risk (Continued)

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

#### Exposure to credit risk

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position, except for letters of financial support and corporate guarantee issued by the Company to and on behalf of a subsidiary.

At the end of the reporting period, the Company has issued corporate guarantees to financial institutions for the borrowings undertaken by its subsidiaries (Note 14). These borrowings amounted to S\$43,765,000 (2017: S\$52,314,000) at the end of the reporting period. The credit risk, being the principal risk to which the Company is exposed, represents the loss that would be recognised upon a default by the subsidiaries.

The current interest rates charged by the lenders on the loans to the subsidiaries are at market rates and are consistent with the borrowing costs of the subsidiaries without any corporate guarantee.

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the corporate guarantees.

To mitigate credit risk arising from corporate guarantees, management continually monitors the risk and has established processes including performing credit evaluations of the parties for which the Group provides corporate guarantees. Corporate guarantees are only for intra-group financing purposes and given by the Company on behalf of its subsidiaries.

The Group's and the Company's major classes of financial assets are bank deposits and/or trade receivables. Cash is held with established financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 9.

#### 29.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

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.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 29.2 Liquidity risk (Continued)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

		Contractual		
	Carrying	undiscounted	Less than	Between 1
	amount	cash flows	1 year	and 5 years
The Group	S\$'000	S\$'000	S\$'000	S\$'000
2018				
Non-derivative financial liabilities				
Trade and other payables* (Note 15)	32,816	32,816	32,816	_
Borrowings (Note 14)	59,379	67,155	17,298	49,857
	92,195	99,971	50,114	49,857
2017				
Non-derivative financial liabilities				
Trade and other payables* (Note 15)	35,236	35,236	35,236	_
Borrowings (Note 14)	71,279	82,544	16,306	66,238
	106,515	117,780	51,542	66,238
The Company				
2018				
Non-derivative financial liabilities				
Trade and other payables* (Note 15)	27,586	27,586	27,586	-
Borrowings (Note 14)	15,614	19,742	710	19,032
Intragroup financial guarantees	43,765	47,413	16,588	30,825
	86,965	94,741	44,884	49,857
2017				
Non-derivative financial liabilities				
Trade and other payables* (Note 15)	32,845	32,845	32,845	_
Borrowings (Note 14)	18,965	23,802	4,712	19,090
Intragroup financial guarantees	52,314	58,742	11,594	47,148
	104,124	115,389	49,151	66,238
	104,124	110,507	47,131	00,230

<sup>\*</sup> Exclude excess of progress billings over contracts work in progress.

Except for the Company's cash flows arising from its intra-group corporate guarantees (Note 29.1), it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 29.2 Liquidity risk (Continued)

At the end of the reporting period, the Company does not consider it probable that a claim will be made against it under the intra-group corporate guarantees.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The Group and the Company ensure that there are adequate funds to meet all their obligations in a timely and cost-effective manner. The Group and the Company maintain sufficient level of cash and bank balances to meet their working capital requirements.

#### 29.3 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 loans from financial institutions, bank overdrafts, and bank balances at floating rates. Finance leases, convertible bonds, loans from controlling shareholders and fixed deposits bear interest at fixed rates. All other financial assets and liabilities are interest-free.

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group		The Cor	mpany
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Fixed rate instruments				
Financial assets				
– fixed deposits	2,537	1,720	-	-
Financial liabilities				
– obligations under finance leases	(1,520)	(3,281)	-	-
– convertible bonds	(15,614)	(15,500)	(15,614)	(15,500)
– loans from controlling				
shareholders		(3,465)		(3,465)
	(17,134)	(22,246)	[15,614]	(18,965)
	(14,597)	(20,526)	(15,614)	(18,965)
Variable rate instruments				
Financial assets				
– bank balances	4,565	6,530	6	110
Financial liabilities				
– loans from financial institutions	(42,245)	(38,997)	-	-
– bank overdrafts		(10,036)		
	(42,245)	(49,033)		
	(37,680)	(42,503)	6	110

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 29.3 Interest rate risk (Continued)

### Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

At the end of the reporting period, if interest rates had been 100 (2017: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been S\$377,000 (2017: S\$425,000) lower/ higher, arising mainly as a result of higher/lower interest expenses on floating rate loans from financial institutions and bank overdrafts, offset by higher/lower interest income from floating rate bank balances.

The magnitude represents management's assessment of the likely movement in interest rates under normal economic conditions. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's and the Company's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

### 29.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when transactions are denominated in foreign currencies.

The Group has transactional currency exposures arising from transactions that are denominated in a currency other than the respective functional currencies of group entities, namely Sri Lankan rupee, Malaysian ringgit and Renminbi for the branch office in Sri Lanka and subsidiaries in Malaysia and the PRC, respectively, and Singapore dollar for the Company and its Singapore-incorporated subsidiaries. The foreign currency in which these transactions are denominated is primarily Singapore dollar for the branch office in Sri Lanka and subsidiary in the PRC. Consequently, the Group is exposed to movements in foreign currency exchange rates.

The Group's exposures in financial instruments (including intra-group balances) to the various foreign currencies (other than the respective functional currencies of group entities) are mainly as follows:

	Singapore dollar
The Group	S\$'000
2018	
Trade and other receivables	23,506
Cash and bank balances	4
Trade and other payables	(22,651)
Net exposure	859
2017	
Trade and other receivables	10,962
Cash and bank balances	4
Trade and other payables	(9,670)
Net exposure	1,296

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 29.4 Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Singapore dollar ("SGD") exchange rate (against Renminbi and Sri Lankan rupee), with all other variables held constant, of the Group's profit net of tax and equity.

			2018	2017
The Gr	oup		<u>S\$'000</u>	S\$'000
SGD	_	strengthened 5% (2017: 5%)	43	65
	-	weakened 5% (2017: 5%)	(43)	(65)

### 29.5 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group is exposed to market price risks arising from its investment in equity securities listed on the Singapore Exchange Securities Trading Limited and Bursa Malaysia Securities Berhad. Such investments are designated at fair value through profit or loss. The Group does not actively trade the investments.

#### Market price sensitivity

At the end of the reporting period, if the Straits Times Index and Bursa Malaysia KLCI Index had been 5% [2017: 5%] higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been \$\$3,000 (2017: \$\$3,000) higher/lower, arising as a result of an increase/decrease in the fair value of the quoted equity securities.

#### 30 CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are:

- (a) To safeguard the Group's and the Company's ability to continue as going concern;
- (b) To support the Group's and the Company's stability and growth;
- (c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company, and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 30 CAPITAL MANAGEMENT (CONTINUED)

There were no changes in the Group's and the Company's approach to capital management during the financial year.

The Group and the Company are not subject to externally imposed capital requirements, except as disclosed below.

In accordance with the relevant laws and regulations of the PRC, the subsidiary in the PRC is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory net profit for each year, as determined in accordance with the applicable PRC accounting standards and regulations, must be allocated to the SRF until the cumulative total of the SRF reaches at least 50% of the registered capital. Subject to approval from the relevant PRC authority, the SRF may be used to offset any accumulated losses or increase the registered capital. The SRF is not available for dividend distribution to owners. The directors have decided that 10% of the net profit, if any, reported in the statutory financial statements of the PRC subsidiary, be appropriated each year to the SRF. As the PRC subsidiary has not generated any profits, there have been no contributions to the SRF.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises trade and other payables and borrowings, less cash and bank balances and fixed deposits. Total capital represents equity attributable to owners of the Company.

	The Group		The Co	mpany
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Trade and other payables*				
(Note 15)	32,816	35,236	27,586	32,845
Borrowings (Note 14)	59,379	71,279	15,614	18,965
Total debt	92,195	106,515	43,200	51,810
Less: Cash and bank balances				
and fixed deposits (Note 11)	[7,202]	(8,358)	[6]	[110]
Net debt	84,993	98,157	43,194	51,700
Equity attributable to owners of				
the Company	34,408	23,147	43,917	31,779
Total capital	34,408	23,147	43,917	31,779
Total capital and net debt	119,401	121,304	87,111	83,479
Gearing ratio	71%	81%	50%	62%

<sup>\*</sup> Exclude excess of progress billings over contracts work in progress.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 31 FINANCIAL INSTRUMENTS

#### Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

However, the Group and the Company do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, comprising trade and other receivables (excluding prepayments), cash and bank balances and fixed deposits, borrowings (which are short-term or repayable on demand), and trade and other payables (excluding excess of progress billings over contracts work in progress), are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group and the Company for similar financial instruments.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as is prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market date.

#### Financial assets measured at fair value

The Group	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
2018				
Financial assets designated at fair value through profit or loss				
– Quoted equity investments	58			58
2017				
Financial assets designated at fair value through profit or loss				
– Quoted equity investments	56			56

The fair value of financial instruments traded in active markets (quoted equity investments) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

#### 31 FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value hierarchy (Continued)

Financial assets and liabilities not measured at fair value but for which fair values are disclosed\*

The Group	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
•	<u></u>	<u> </u>	<u> </u>	<u> </u>
2018				
Obligations under finance leases	-	1,555	-	1,555
Loans from financial institutions	-	40,543	-	40,543
Convertible bonds		15,726		15,726
	_	57,824	_	57,824
2017				
Obligations under finance leases	_	3,363	_	3,363
Loans from financial institutions				
and bank overdrafts	-	47,986	-	47,986
Convertible bonds		15,654		15,654
	-	67,003	-	67,003

<sup>\*</sup> Exclude financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term or repayable on demand nature and where the effect of discounting is immaterial.

The carrying amounts of interest-bearing loans that reprice within six months of the end of the reporting period approximate their fair values. The fair values of all other interest-bearing loans are calculated based on discounted expected future principal and interest cash flows.

# SHAREHOLDINGS STATISTICS

AS AT 28 JUNE 2018

No of Issued Shares : 1,184,813,992 Class of Shares : Ordinary shares

Voting Rights : 1 vote for each ordinary share (excluding treasury shares and subsidiary holdings)

There are no treasury shares held by the Company or subsidiary holdings as at 28 June 2018.

#### **ANALYSIS OF SHAREHOLDINGS**

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	48	1.46	494	0.00
100 – 1,000	1,391	42.37	729,149	0.06
1,001 - 10,000	771	23.48	3,170,346	0.27
10,001 - 1,000,000	1,015	30.92	143,610,392	12.12
1,000,001 and above	58	1.77	1,037,303,611	87.55
	3,283	100.00	1,184,813,992	100.00

#### SHAREHOLDINGS HELD IN THE HAND OF PUBLIC SHAREHOLDERS

As at 28 June 2018, approximately 35.23% of the shareholdings is held in the hand of public. At least 10% of the Company's issued ordinary shares are held in the hands of the public at all times and the Company is in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist.

#### **TOP 20 SHAREHOLDERS**

S/No	Name of Shareholder	No. of Shares	%
1.	ZHENG CHOON HOLDING PTE LTD	585,959,000	49.46
2.	HIAP HOE INVESTMENT PTE LTD	176,536,000	14.90
3.	DBS NOMINEES (PRIVATE) LIMITED	34,376,301	2.90
4.	OCBC SECURITIES PRIVATE LIMITED	33,610,642	2.84
5.	RAFFLES NOMINEES (PTE.) LIMITED	29,985,100	2.53
6.	KOH TIAM TENG	20,074,000	1.69
7.	ANG LAY LEONG	18,000,000	1.52
8.	CHUA SIEW TIAN	11,500,000	0.97
9.	TAN TECK WEI	10,711,935	0.90
10.	DB NOMINEES (SINGAPORE) PTE LTD	8,649,330	0.73
11.	SHIRLEY SEOW SOON KEE	7,815,600	0.66
12.	UOB KAY HIAN PRIVATE LIMITED	5,247,500	0.44
13.	TOH KENG HONG	4,548,000	0.38
14.	MAYBANK KIM ENG SECURITIES PTE LTD	4,473,103	0.38
15.	WONG NYUK LIAN	4,220,000	0.36
16.	CITIBANK NOMINEES SINGAPORE PTE LTD	4,187,542	0.35
17.	SIM TOCK MANG	3,970,000	0.34
18.	CHEN JET HOW	3,860,000	0.33
19.	PHILLIP SECURITIES PTE LTD	3,763,253	0.32
20.	LIM EE CHUAN	3,714,886	0.31
		975,202,192	82.31

# SHAREHOLDINGS STATISTICS

AS AT 28 JUNE 2018

#### SUBSTANTIAL SHAREHOLDERS

Number	of shar	es Held
--------	---------	---------

Name	Direct Interest	%	Deemed Interest	%
Zheng Choon Holding Pte. Ltd.	585,959,000	49.46%	_	-
Toh Choo Huat <sup>[1]</sup>	794,000	0.07%	585,959,000	49.46%
Toh Swee Kim <sup>[2]</sup>	220,000	0.02%	585,959,000	49.46%
Toh Chew Leong <sup>(3)</sup>	_	_	585,959,000	49.46%
Toh Chew Chai <sup>(4)</sup>	-	_	585,959,000	49.46%
Hiap Hoe Investment Pte. Ltd.	176,536,000	14.9%	_	_
Hiap Hoe Limited <sup>(5)</sup>	-	_	176,536,000	14.9%

#### Notes

- [1] Mr Toh Choo Huat holds 27.2% of the shareholding in Zheng Choon Holding Pte. Ltd. As such, Mr Toh Choo Huat is deemed to be interested in the Shares held by Zheng Choon Holding Pte. Ltd.
- (2) Mr Toh Swee Kim holds 23.7% of the shareholding in Zheng Choon Holding Pte. Ltd. As such, Mr Toh Swee Kim is deemed to be interested in the Shares held by Zheng Choon Holding Pte. Ltd.
- (3) Mr Toh Chew Leong holds 25.4% of the shareholding in Zheng Choon Holding Pte. Ltd. As such, Mr Toh Chew Leong is deemed to be interested in the Shares held by Zheng Choon Holding Pte. Ltd.
- [4] Mr Toh Chew Chai holds 23.7% of the shareholding in Zheng Choon Holding Pte. Ltd. As such, Mr Toh Chew Chai is deemed to be interested in the Shares held by Zheng Choon Holding Pte. Ltd.
- (5) Hiap Hoe Investment Pte. Ltd. is 100% owned by Hiap Hoe Limited. As such, Hiap Hoe Limited is deemed to be interested in the Shares held by Hiap Hoe Investment Pte. Ltd.

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556 on 30 July 2018 at 10 a.m. to transact the following:

#### **ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2018 together with the Directors' Statement and the Auditors' Report of the Company. (Re.

(Resolution 1)

2. To re-elect as a Director, Prof. Ling Chung Yee Roy who is retiring under Article 107 of the Company's Constitution.

Prof. Ling Chung Yee Roy will, upon re-election as a Director of the Company, remain an Independent Director of the Company.

(Resolution 2)

3. To re-elect as a Director, Mr Chia Soon Hin William who is retiring under Article 107 of the Company's Constitution.

Mr Chia Soon Hin William will, upon re-election as a Director of the Company, remain an Independent Director of the Company.

(Resolution 3)

4. To re-elect as a Director, Mr Chua Hock Thak who is retiring under Article 117 of the Company's Constitution.

Mr Chua Hock Thak will, upon re-election as a Director of the Company, remain an Independent Director of the Company.

(Resolution 4)

5. To approve the payment of Directors' fees of S\$190,000 for the financial year ending 31 March 2019, to be paid quarterly in arrears.

(Resolution 5)

6. To approve the payment of additional Director's fees of S\$10,000 each to Prof. Ling Chung Yee Roy, Mr Chia Soon Hin William and Mr Teo Ho Beng for their additional time spent in relation to the Company's debt restructuring exercise.

(Resolution 6)

7. To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

(Resolution 7)

8. To transact any other business that may be transacted at an Annual General Meeting.

### SPECIAL BUSINESS

9. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution, with or without modifications:

"That pursuant to Section 161 of the Companies Act, Cap. 50 ("Act") and Rule 806 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist (the "Catalist Rules"), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation or issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions, for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

#### provided always that:

- (I) the aggregate number of shares (including shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of shares to be issued other than on a pro rata basis to the Shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (II) below);
- (II) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in 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;
  - (bb) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (cc) any subsequent bonus issue, consolidation or subdivision of shares;
- (III) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (IV) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is the earlier."

(Resolution 8)

[See Explanation Note (I)]

All capitalised terms in the Ordinary Resolutions 9 and 10 below and defined in the Letter to Shareholders dated 13 July 2018 (the "Letter") shall, unless otherwise defined herein, have the respective meanings ascribed thereto in the Letter.

- To consider and, if thought fit, pass the following Ordinary Resolution with or without any modifications:
  - "Resolved that the performance share plan to be known as the Ley Choon Performance Share Plan 2018 (the "PSP"), the rules of which have been set out in the Letter, be and is hereby approved and adopted substantially in the form set out in the Rules of the PSP, and the remuneration committee and/or board of directors of the Company be and are hereby authorised:
  - (a) to establish and administer the PSP:
  - (b) to modify and/or amend the PSP from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the PSP and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the PSP;

- (c) to grant Awards in accordance with the Rules of the PSP;
- (d) to, from time to time, allot and issue, pursuant to Section 161 of the Act and in accordance with the Rules of the PSP, such number of new shares (credited as fully paid) in the capital of the Company or deliver such number of treasury shares as may be required to be issued or delivered pursuant to the vesting and release of Awards under the PSP, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to the PSP and any other share-based incentive scheme of the Company shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company from time to time."

(Resolution 9)

[See Explanatory Note (II)]

11. To consider and, if thought fit, pass the following Ordinary Resolution with or without any modifications:

"Resolved that subject to and contingent upon the passing of Ordinary Resolution 9, the Ultro Performance Share Plan (the "**Previous PSP**") approved by Shareholders on 30 October 2009 be and is hereby terminated, such termination not to affect awards which have been vested pursuant to the Previous PSP prior to termination, whether such shares comprised in such awards have been allotted and issued and/or delivered (as the case may be) or transferred (in the case of treasury shares) or not."

(Resolution 10)

[See Explanatory Note (III)]

By Order of the Board

Ong Beng Hong/Tan Swee Gek Joint Company Secretaries 13 July 2018

#### **Explanatory Notes:**

- 1. The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.
  - For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for 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 when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
- II. The Ordinary Resolution 9 proposed under item 10 above is to seek the Shareholders' approval for the proposed adoption of the PSP. If passed, the Ordinary Resolution 9 will also authorise the Directors to offer and grant Awards in accordance with the provisions of the PSP and pursuant to Section 161 of the Act to allot and issue shares under the PSP. Detailed information on the proposed adoption of the PSP, including the rationale for the same, is set out in the Letter.
- III. The Ordinary Resolution 10 proposed under item 11 above is to seek the Shareholders' approval for the proposed termination of the Previous PSP. The Previous PSP was first approved by the Shareholders of the Company (when it was formerly known as Ultro Technologies Limited) in the Extraordinary General Meeting on 30 October 2009. Detailed information on the proposed termination of the Previous PSP, including the rationale for the same, is set out in the Letter. Please refer to the Company's (when it was formerly known as Ultro Technologies Limited) circular to the shareholders dated 7 October 2009 for further details on the Previous PSP.

#### Notes:

- (1) Save for a member who is a relevant intermediary as defined in Note 2, a member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- (2) A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, 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 two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) 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;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (3) The Proxy Form must be deposited at the registered office of the Company at No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556, not less than 48 hours before the time fixed for holding the Annual General Meeting in order to be entitled to attend and to vote at the Annual General Meeting. The sending of a Proxy Form by a member does not preclude him from attending and voting in person if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
- (4) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order to be entitled to attend and vote at the Annual General Meeting.
- (5) The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 seal or under the hand of an officer or attorney duly authorised.
- By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member'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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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"), (iii) 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 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, and (iii) 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.

### **PROXY FORM**

### LEY CHOON GROUP HOLDINGS LIMITED

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

#### IMPORTANT:

- 1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
- This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

			purported	to be used by then	l.		
I/We							. (Name)
of							Addressi
	member/members of Ley Ch	oon Group Holdings Lim	ited (the "Com	pany") hereby ap	point	(/	Auui ess)
Name		Address		NRIC/ Passport	Proporti Sharel		
				No.	No. of sh	i	%
and/or	(delete as appropriate)						
Name Address NRIC/ Passport		Proporti Sharel					
				No.	No. of sh	ares	%
10 a.m propos abstair	Company, to be held at No. 3 ., and at any adjournment the ed at the Meeting as indicated from voting at his/their discr	ereof. I/We direct my/ou hereunder. If no specific retion, as he/they will on	r proxy/proxies c direction as to any other mat	s to vote for or a o voting is given,	igainst the Res the proxy/prox Meeting.	solutio ies wil	ns to be I vote or
No.		Resolutions Relating T	Го:		For	Ag	jainst
	Ordinary Business						
1.	Adoption of the Audited Fina 2018 together with the Direc				ו		
2.	Re-election of Prof. Ling Ch	ung Yee Roy as a Directo	or of the Comp	any			
3.	Re-election of Mr Chia Soon			any			
4.	Re-election of Mr Chua Hoc						
5.	Approval of Directors' fees quarterly in arrears	for the financial year en	nding 31 March	1 2019, to be paid	l b		
6.	Approval of payment of ad Mr Chia Soon Hin William relation to the Company's d	and Mr Teo Ho Beng fo	r their addition				
7.	Re-appointment of Messrs authorise the Directors to fi			Auditors and to	)		
	Special Business						
8.	Authority to allot and issue	new shares					
9.	Proposed adoption of the Le	y Choon Performance Sh	hare Plan 2018				
10.	Proposed termination of the	Ultro Performance Sha	re Plan				
	wish to exercise all your vote ovided. Alternatively, please in				"Against" with	"X" w	ithin the
Dated t	his day of	2018.					
				Tot	al number of S	hares	held



#### 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, Cap. 289), 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 registered in your name in the Depository Register and Shares registered in your name in 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. Save for a member who is a relevant intermediary as defined in Note 3, a member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
- 3. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, 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 two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

#### "Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) 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;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- 4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
- 5. A proxy need not be a member of the Company.
- 6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556, not less than 48 hours before the time set for the Meeting.
- 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his 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.
- 8. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of 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.
- 9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
- 10. 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, Cap. 50 of Singapore.
- 11. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him from attending and voting in person at the Annual General Meeting if he is able to do so.
- 12. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
- 13. A Depositor's name must appear in the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time appointed for the holding of the Annual General Meeting in order for him to be entitled to vote at the Annual General Meeting.
- 14. By attending the Annual General Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.









LEY CHOON GROUP HOLDINGS LIMITED (Company Registration No. 198700318G) No 3 Sungei Kadut Drive Singapore 729556 Tel: (65) 6757 0900 Fax: (65) 6757 0100

Email: www.leychoon.com