

LEY CHOON GROUP HOLDINGS LIMITED

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015

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

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

	1 st Quarter ended		Change %
	31 Mar 2015	31 Mar 2014	
	\$'000	\$'000	
Revenue	29,086	44,898	(35.2)
Cost of sales	(26,063)	(38,735)	(32.7)
Gross profit	3,023	6,163	(50.9)
Other income	1,033	939	10.0
Distribution expenses	(299)	(391)	(23.5)
Administrative expenses	(5,464)	(3,689)	48.1
Other operating expenses	(39)	(2)	1850.0
Results from operating activities	(1,746)	3,020	n/m
Finance costs	(1,234)	(1,441)	(14.4)
(Loss)/Profit before tax	(2,980)	1,579	n/m
Tax expense	(351)	(534)	(25.5)
(Loss)/Profit for the period	(3,331)	1,045	n/m
Other comprehensive income / (loss)			
Foreign currency translation differences – foreign operations	684	(786)	n/m
Total comprehensive (loss)/income for the period	(2,647)	259	n/m

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

	1 st Quarter ended		Change %
	31 Mar 2015	31 Mar 2014	
	\$'000	\$'000	
(Loss)/Profit attributable to:			
Owners of the Company	(3,280)	1,007	n/m
Non-controlling interests	(51)	38	n/m
(Loss)/Profit for the period	(3,331)	1,045	n/m
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(2,596)	221	n/m
Non-controlling interests	(51)	38	n/m
Total comprehensive (loss)/income for the period	(2,647)	259	n/m

n/m – not meaningful

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

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

	1 st Quarter ended		Change %
	31 Mar 2015	31 Mar 2014	
	\$'000	\$'000	
Allowance for impairment loss on trade receivables	32	-	n/m
Amortisation of lease prepayment	19	17	11.8
Depreciation of property, plant and equipment	3,488	2,291	52.2
Depreciation of investment property	-	7	n/m
Foreign exchange loss, net	99	-	n/m
Interest income	(14)	(7)	100.0
(Gain)/Loss on disposal of property, plant and equipment	(127)	28	n/m
Finance costs	1,234	1,441	(14.4)
Operating lease expenses	415	696	(40.4)

n/m – not meaningful

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

	Group		Company	
	As at 31 Mar 2015 \$'000	As at 31 Dec 2014 \$'000	As at 31 Mar 2015 \$'000	As at 31 Dec 2014 \$'000
Assets				
Lease prepayment	3,556	3,477	-	-
Property, plant and equipment	87,329	89,616	-	-
Investments in subsidiaries	-	-	70,464	70,464
Club membership	229	229	-	-
Deferred tax assets	795	799	154	154
Non-current assets	91,909	94,121	70,618	70,618
Inventories	6,157	6,276	-	-
Development property	16,808	15,940	-	-
Contracts work-in-progress	85,942	95,697	-	-
Trade and other receivables	36,031	30,923	44,506	42,271
Financial assets designated at fair value through profit or loss	85	85	-	-
Cash and cash equivalents	15,405	20,195	13	52
Current assets	160,428	169,116	44,519	42,323
Total assets	252,337	263,237	115,137	112,941
Equity				
Share capital	71,117	71,117	137,336	137,336
Capital reserve	146	146	(981)	(981)
Foreign currency translation reserve	2,233	1,549	-	-
Accumulated losses	(5,628)	(2,348)	(38,931)	(38,481)
Equity attributable to owners of the Company	67,868	70,464	97,424	97,874
Non-controlling interests	409	460	-	-
Total equity	68,277	70,924	97,424	97,874
Liabilities				
Loans and borrowings	39,900	43,313	14,647	14,609
Non-current liabilities	39,900	43,313	14,647	14,609
Loans and borrowings	91,829	96,492	2,509	-
Trade and other payables	46,124	46,301	557	458
Provisions	6,207	6,207	-	-
Current liabilities	144,160	149,000	3,066	458
Total liabilities	184,060	192,313	17,713	15,067
Total equity and liabilities	252,337	263,237	115,137	112,941

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

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

	Group	
	As at 31 Mar 2015 \$'000	As at 31 Dec 2014 \$'000
<u>Unsecured</u>		
Loan from controlling shareholders	2,509	-
<u>Secured</u>		
Bank overdrafts	10,850	11,479
Bank loans	41,598	44,881
Bills payable	30,014	33,137
Finance lease liabilities	6,858	6,995
	<u>89,320</u>	<u>96,492</u>
Total	<u>91,829</u>	<u>96,492</u>

(b) Amount repayable after one year

	Group	
	As at 31 Mar 2015 \$'000	As at 31 Dec 2014 \$'000
<u>Unsecured</u>		
Convertible bond	14,647	14,609
<u>Secured</u>		
Bank loans	19,651	22,231
Finance lease liabilities	5,602	6,473
	<u>25,253</u>	<u>28,704</u>
Total	<u>39,900</u>	<u>43,313</u>

(c) Details of any collateral

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

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

The Group's lease obligations under finance lease are secured by the lessor's title to the leased assets. The carrying value of the assets under finance lease is \$22.1 million as at 31 March 2015.

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

	3 Months Period ended	
	31 Mar 2015	31 Mar 2014
	\$'000	\$'000
Cash flows from operating activities:		
(Loss)/Profit for the year	(3,331)	1,045
Adjustments for:		
Amortisation of lease prepayment	19	17
Depreciation of investment property	-	7
Depreciation of property, plant and equipment	3,488	2,291
Allowance for impairment loss on trade receivables	32	-
(Gain)/Loss on disposal of property, plant and equipment	(127)	28
Interest income	(14)	(7)
Finance costs	1,234	1,441
Tax expense	351	534
	<u>1,652</u>	<u>5,356</u>
Changes in working capital:		
Development property	(868)	(21)
Inventories	127	(270)
Contracts work-in-progress	9,755	334
Trade and other receivables	(5,017)	4,672
Trade and other payables	(157)	(3,906)
	<u>5,492</u>	<u>6,165</u>
Cash generated from/(used in) operating activities	<u>5,492</u>	<u>6,165</u>
Tax paid	(1)	(225)
Net cash generated from/(used in) operating activities	<u>5,491</u>	<u>5,940</u>
Cash flows from investing activities:		
Interest received	14	7
Acquisition of property, plant and equipment	(673)	(3,727)
Proceeds from disposal of property, plant and equipment	841	377
	<u>182</u>	<u>(3,343)</u>
Net cash generated from/(used in) investing activities	<u>182</u>	<u>(3,343)</u>
Cash flows from financing activities:		
Interest paid	(1,234)	(1,441)
Proceeds from bank borrowings	1,515	2,000
Proceeds from bills payable	28,063	27,929
Repayment of bank borrowings	(7,341)	(14,544)
Repayment of bills payable	(31,186)	(36,573)
Repayment of finance lease liabilities	(1,921)	(1,843)
Balances with related parties (non-trade)	(20)	95
Loan from controlling shareholders	2,509	-
Decrease in fixed deposits pledged with bank	796	7,000
	<u>(8,819)</u>	<u>(17,377)</u>
Net cash used in financing activities	<u>(8,819)</u>	<u>(17,377)</u>

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

	3 Months Period ended	
	31 Mar 2015	31 Mar 2014
	\$'000	\$'000
Net decrease in cash and cash equivalents	(3,146)	(14,780)
Cash and cash equivalents at beginning of period	1,530	19,768
Effect of exchange rate fluctuations on cash held	(219)	(186)
Cash and cash equivalents at end of period	<u>(1,835)</u>	<u>4,802</u>
 Cash and cash equivalents		
Cash at bank and on hand	9,015	12,941
Fixed deposits	<u>6,390</u>	<u>5,499</u>
	15,405	18,440
Bank overdrafts	(10,850)	(8,139)
Deposits pledged	<u>(6,390)</u>	<u>(5,499)</u>
Cash and cash equivalents in the unaudited consolidated statement of cash flows	<u>(1,835)</u>	<u>4,802</u>

During the 3 months period ended 31 March 2015, the Group acquired property, plant and equipment with an aggregate cost of \$1,585,000 (3 months period ended 31 March 2014: \$6,299,000), of which \$912,000 (3 months period ended 31 March 2014: \$2,572,000) were acquired under finance leases.

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

Actual Group	Share capital \$'000	Accumulated profits/(losses) \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2014	71,117	35,131	-	576	106,824	351	107,175
Total comprehensive income for the period							
Profit for the period	-	1,007	-	-	1,007	38	1,045
Other comprehensive loss							
Foreign currency translation differences	-	-	-	(786)	(786)	-	(786)
Total other comprehensive loss for the period	-	-	-	(786)	(786)	-	(786)
Total comprehensive income/(loss)	-	1,007	-	(786)	221	38	259
At 31 March 2014	71,117	36,138	-	(210)	107,045	389	107,434
At 1 January 2015	71,117	(2,348)	146	1,549	70,464	460	70,924
Total comprehensive loss for the period							
Loss for the period	-	(3,280)	-	-	(3,280)	(51)	(3,331)
Other comprehensive income							
Foreign currency translation differences	-	-	-	684	684	-	684
Total other comprehensive income for the period	-	-	-	684	684	-	684
Total comprehensive income/(loss)	-	(3,280)	-	684	(2,596)	(51)	(2,647)
At 31 March 2015	71,117	(5,628)	146	2,233	67,868	409	68,277

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

<u>Company</u>	Share Capital \$'000	Capital reserve \$'000	Accumulated (losses)/profits \$'000	Total \$'000
At 1 January 2014	137,336	(1,127)	3,825	140,034
Total comprehensive loss for the period				
Loss for the period/Total comprehensive loss	-	-	(209)	(209)
At 31 March 2014	137,336	(1,127)	3,616	139,825
At 1 January 2015	137,336	(981)	(38,481)	97,874
Total comprehensive loss for the period				
Loss for the period/Total comprehensive loss	-	-	(450)	(450)
At 31 March 2015	137,336	(981)	(38,931)	97,424

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

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

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

There was no treasury share held by the Company.

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

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

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

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

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

Not applicable.

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

Earnings per share (EPS)	1 st Quarter ended	
	31 Mar 2015	31 Mar 2014
<u>Continuing operations</u>		
EPS based on weighted average number of ordinary shares on issue (cents)	(0.55)	0.17
EPS based on a fully diluted basis	(0.55)	0.17
Weighted average number of shares	592,406,996	592,406,996

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

7. **Net assets value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
- (a) **current financial period reported on; and**
(b) **immediately preceding financial year**

Net asset value (NAV)	Group		Company	
	As at 31 Mar 2015	As at 31 Dec 2014	As at 31 Mar 2015	As at 31 Dec 2014
NAV per ordinary share (cents)	11.46	11.89	16.45	16.52
Number of shares	592,406,996	592,406,996	592,406,996	592,406,996

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

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

Comprehensive income statement

Revenue

Revenue decreased by approximately \$15.8 million or 35.2% to \$29.1 million for the three months ended 31 March 2015 ("Q1FY15") compared to the corresponding period ended 31 March 2014 ("Q1FY14") of \$44.9 million. The decrease was due mainly to lower percentage of completion for on-going projects and lesser sale of construction materials to customers.

Gross profit

Gross profit decreased by approximately 32.7% to \$3.0 million for Q1FY15 compared to approximately \$6.2 million for Q1FY14 mainly due to lower revenue as explained above.

Gross profit margin also decreased from approximately 13.7% for Q1FY14 to approximately 10.4% for Q1FY15 due to lower margin for some projects.

Other income

Other income for Q1FY15 increased by approximately \$0.1 million or 10.0% to \$1.0 million compared to Q1FY14 due mainly to gain on disposal of property, plant and equipment and receipt of wage credits from the tax authority.

Distribution expenses

Distribution expenses for Q1FY15 decreased by approximately \$0.1 million or 23.5% to \$0.3 million compared to Q1FY14 due mainly to less travelling and insurance expenses.

Administrative expenses

Administrative expenses for Q1FY15 increased by approximately \$1.8 million or 48.1% to \$5.5 million compared to Q1FY14 due mainly to increases in depreciation of the new office building, administrative staff costs, professional fees and office overheads.

Other operating expenses

Other operating expense for Q1FY15 increased by approximately \$0.04 million compared to Q1FY14 due mainly to allowance for doubtful debts.

Finance costs

Finance costs for Q1FY15 decreased by approximately \$0.2 million or 14.4% to \$1.2 million compared to Q1FY14 due mainly to decline in short-term borrowings during the period.

Income tax

Income tax for Q1FY15 decreased by approximately \$0.2 million or 34.3% to \$0.4 million compared to Q1FY14 due mainly to less taxable profit for certain entities.

Net (loss)/profit after tax

The Group reported a net loss after tax of \$3.3 million for Q1FY15 compared to a net profit after tax of \$1.0 million for Q1FY14 due to the various reasons as explained above.

Consolidated Statement of financial position

Non-current assets

The Group's property, plant and equipment decreased by \$2.3 million from \$89.6 million as at 31 December 2014 to \$87.3 million as at 31 March 2015, mainly due to the following:

- (a) disposal of certain property, plant and equipment in 1QFY15; and
- (b) depreciation of new office building located at No. 3 Sungei Kadut Drive, Singapore in 1QFY15

Current assets

The Group's current assets decreased by \$8.7 million from \$169.1 million as at 31 December 2014 to \$160.4 million as at 31 March 2015, mainly attributable to the following:

- (a) decrease in cash and cash equivalents by \$4.8 million to \$15.4 million as at 31 March 2015 compared to \$20.2 million as at 31 December 2014 due to repayment of bank borrowings;
- (b) decrease in contract work-in-progress by \$9.8 million to \$85.9 million as at 31 March 2015 compared to \$95.7 million as at 31 December 2014 due to lower percentage of completion and increase in billing for projects; and
- (c) decrease in inventories by \$0.1 million to \$6.2 million as at 31 March 2015 compared to \$6.3 million as at 31 December 2014 due to less materials purchased for projects

which have been partially offsetted by the following:

- (d) increase in development property by \$0.9 million to \$16.8 million as at 31 March 2015 compared to \$15.9 million as at 31 December 2014 due to additional development cost incurred in respect of the property at No.241 Pasir Panjang Road, Singapore; and
- (e) increase in trade and other receivables by \$5.1 million to \$36.0 million as at 31 March 2015 compared to \$30.9 million as at 31 December 2014 due to increase in billing for projects

Current Liabilities

The Group's current liabilities decreased by \$4.8 million from \$149.0 million as at 31 December 2014 to \$144.2 million as at 31 March 2015, mainly due to decline in (a) short-term borrowings as a result of increase in settlement of bills payable and (b) term loans.

Non-current Liabilities

The Group's non-current liabilities decreased by \$3.4 million from \$43.3 million as at 31 December 2014 to \$39.9 million as at 31 March 2015, mainly due to repayment of bank borrowings.

Consolidated Statement of Cash flow

The Group's cash and cash equivalents was a deficit of \$1.8 million for Q1FY15 compared to a surplus of \$4.8 million for Q1FY14.

Net cash from operating activities

Net cash generated from operating activities was \$5.5 million, comprising cash from operating activities before working capital changes of \$1.7 million and net working capital inflow of \$3.8 million.

The net working capital inflow of \$3.8 million was due mainly to the following:

- (a) decrease in contract work-in-progress of approximately \$9.8 million due to increase in billing for projects,
- (b) decrease in inventories of approximately \$0.1 million due to less materials purchased for projects.
- (c) decrease in trade and other payables of approximately \$0.2 million mainly due to more payment to the creditors during the period;
- (d) increase in development property of approximately \$0.9 million due to additional development cost incurred in respect of the property at No.241 Pasir Panjang Road, Singapore; and
- (e) increase in trade and other receivables of approximately \$5.0 million mainly due to increase in billing for projects

Net cash from investing activities

Net cash generated from investing activities of approximately \$0.2 million was due mainly to proceeds from disposal of motor vehicles and plant and equipment.

Net cash used in financing activities

Net cash used in financing activities of approximately \$8.8 million was due mainly to repayment of bank borrowings, bills payable and finance lease liabilities amounting to

approximately \$40.4 million and was offset by the proceed from bank borrowings and bills payable amounting to approximately \$29.6 million and loan from controlling shareholders of approximately \$2.5 million.

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

No forecast or prospect statement has been previously disclosed.

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

The public sector construction demand is expected to remain strong. In its press release dated 8 January 2015, the Building and Construction Authority's ("BCA") forecast of public construction demand for 2015 remains strong at S\$18 billion to S\$21 billion, which compares favourably to S\$19.7 billion for 2014. For 2016 to 2019, the BCA's public sector construction forecast is also strong at S\$16 billion to S\$20 billion. The public sector construction demand is expected to remain strong in view of mega public sector infrastructure projects required to meet the long-term needs of Singapore's population growth, with upcoming projects such as the Thomson-East Coast MRT Line, Changi Airport expansion.

These mega construction projects require the diversion of underground services of power cable, water mains and gas pipeline. The Group will aim to tender for more projects from PUB and LTA to continue strengthening its order book. It has recently secured a S\$25 million contract in May 2015 from PUB for supply, laying and installation of water transmission pipeline in Dunearn Road vicinity.

The Group expects the business environment to remain challenging with rising subcontractor and labour costs. With this in mind, the Group will be cautious and prudent in its tendering process to protect its margins.

The Group's unfulfilled order book based on secured contracts stands at approximately \$163.6 million (after adjusting for the order book value of Brunei subsidiary which was disposed recently) as at 31 March 2015, with projects completing from 2015 to 2018.

11. Dividends

(a) Current financial period

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

(b) Previous corresponding financial period

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

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

Not applicable

(d) The date the dividend is payable

Not applicable

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

Not applicable

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

No dividend has been declared.

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

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

The aggregate values of such transactions are as follow:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Name of Interested Person and/or Related Person	1st Quarter ended 31 Mar 2015 \$'000	1st Quarter ended 31 Mar 2015 \$'000
Purchases from: Pan Asian Holdings Limited	Nil	1,347
Sales to: Sing & San Construction Pte Ltd	Nil	171

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

On behalf of the Board of Directors of the Company, we, Toh Choo Huat and Koh Tiam Teng, being Directors of the Company, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the three-months period ended 31 March 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer

10 June 2015