

## LEY CHOON GROUP HOLDINGS LIMITED

### THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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**

|   | 3 <sup>rd</sup> Quarter ended |                | Change | 9 Months<br>Period ended |                | Change |
|---|-------------------------------|----------------|--------|--------------------------|----------------|--------|
|   | 30 Sep<br>2015                | 30 Sep<br>2014 |        | 30 Sep<br>2015           | 30 Sep<br>2014 |        |
|   | \$'000                        | \$'000         | %      | \$'000                   | \$'000         | %      |
| Revenue   | 25,440                        | 48,707         | (47.8) | 58,957                   | 120,368        | (51.0) |
| Cost of sales   | (25,065)                      | (39,374)       | (36.3) | (80,887)                 | (126,038)      | (35.8) |
| <b>Gross profit/(loss)</b>  | 375                           | 9,333          | (96.0) | (21,930)                 | (5,670)        | 286.8  |
| Other income  | 799                           | 1,129          | (29.2) | 2,857                    | 2,758          | 3.6    |
| Distribution expenses   | (184)                         | (338)          | (45.6) | (668)                    | (1,061)        | (37.0) |
| Administrative expenses   | (4,349)                       | (5,181)        | (16.1) | (15,480)                 | (13,251)       | 16.8   |
| Other operating expenses<br>(Note 1)                                | (7,369)                       | (41)           | n/m    | (7,443)                  | (86)           | n/m    |
| <b>Results from operating<br/>activities</b>                        | (10,728)                      | 4,902          | n/m    | (42,664)                 | (17,310)       | 146.5  |
| Finance costs   | (1,130)                       | (1,653)        | (31.6) | (3,597)                  | (4,162)        | (13.6) |
| <b>(Loss)/profit before tax</b>                                     | (11,858)                      | 3,249          | n/m    | (46,261)                 | (21,472)       | 115.4  |
| Tax expense   | (369)                         | (363)          | 1.7    | (758)                    | (560)          | 35.4   |
| <b>(Loss)/profit for the period</b>                                 | (12,227)                      | 2,886          | n/m    | (47,019)                 | (22,032)       | 113.4  |
| <b>Other comprehensive<br/>income/(loss)</b>                        |                               |                |        |                          |                |        |
| Foreign currency translation<br>differences – foreign<br>operations | 459                           | 740            | (38.0) | 646                      | (218)          | n/m    |
| <b>Total comprehensive<br/>(loss)/income for<br/>the period</b>     | (11,768)                      | 3,626          | n/m    | (46,373)                 | (22,250)       | 108.4  |
| <u>Note 1</u>   |                               |                |        |                          |                |        |
| Impairment loss on<br>development property                          | (7,367)                       | -              | n/m    | (7,367)                  | -              | n/m    |
| Others  | (2)                           | (41)           | (95.1) | (76)                     | (86)           | (11.6) |
| Total   | (7,369)                       | (41)           | n/m    | (7,443)                  | (86)           | 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)**

|   | 3 <sup>rd</sup> Quarter ended |              | Change     | 9 Months Period ended |                 | Change       |
|---|-------------------------------|--------------|------------|-----------------------|-----------------|--------------|
|   | 30 Sep 2015                   | 30 Sep 2014  |            | 30 Sep 2015           | 30 Sep 2014     |              |
|   | \$'000                        | \$'000       | %          | \$'000                | \$'000          | %            |
| <b>(Loss)/profit attributable to:</b>                     |                               |              |            |                       |                 |              |
| Owners of the Company                                     | (12,227)                      | 2,762        | n/m        | (47,019)              | (22,282)        | 111.0        |
| Non-controlling interests                                 | -                             | 124          | n/m        | -                     | 250             | n/m          |
| <b>(Loss)/profit for the period</b>                       | <b>(12,227)</b>               | <b>2,886</b> | <b>n/m</b> | <b>(47,019)</b>       | <b>(22,032)</b> | <b>113.4</b> |
| <b>Total comprehensive (loss)/income attributable to:</b> |                               |              |            |                       |                 |              |
| Owners of the Company                                     | (11,768)                      | 3,502        | n/m        | (46,373)              | (22,500)        | 106.1        |
| Non-controlling interests                                 | -                             | 124          | n/m        | -                     | 250             | n/m          |
| <b>Total comprehensive (loss)/income for the period</b>   | <b>(11,768)</b>               | <b>3,626</b> | <b>n/m</b> | <b>(46,373)</b>       | <b>(22,250)</b> | <b>108.4</b> |

*n/m – not meaningful*

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

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

|  | 3 <sup>rd</sup> Quarter ended |             | Change | 9 Months Period ended |             | Change |
|--|-------------------------------|-------------|--------|-----------------------|-------------|--------|
|  | 30 Sep 2015                   | 30 Sep 2014 |        | 30 Sep 2015           | 30 Sep 2014 |        |
|  | \$'000                        | \$'000      | %      | \$'000                | \$'000      | %      |
| Bad debts written off  | -                             | -           | -      | -                     | 7           | n/m    |
| Impairment loss on trade receivables reversed  | (46)                          | -           | n/m    | (13)                  | -           | n/m    |
| Impairment loss on development property  | 7,367                         | -           | n/m    | 7,367                 | -           | n/m    |
| Amortisation of lease prepayment   | 20                            | 19          | 5.3    | 58                    | 52          | 11.5   |
| Depreciation of property, plant and equipment  | 3,132                         | 2,441       | 28.3   | 9,958                 | 7,088       | 40.5   |
| Depreciation of investment property  | -                             | 7           | n/m    | -                     | 21          | n/m    |
| Foreign exchange (gain)/loss, net  | (56)                          | 5           | n/m    | (164)                 | 5           | n/m    |
| Change in fair value of financial assets designated at fair value through profit or loss | 1                             | 2           | (50.0) | 36                    | 1           | n/m    |
| Interest income  | (5)                           | -           | n/m    | (36)                  | (16)        | 125.0  |
| Dividend income from quoted shares   | -                             | (1)         | n/m    | (2)                   | (2)         | -      |

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

|  | 3 <sup>rd</sup> Quarter ended |                |        | 9 Months       |                |        |
|--|-------------------------------|----------------|--------|----------------|----------------|--------|
|  | 30 Sep<br>2015                | 30 Sep<br>2014 | Change | 30 Sep<br>2015 | 30 Sep<br>2014 | Change |
|  | \$'000                        | \$'000         | %      | \$'000         | \$'000         | %      |
| Loss/(gain) on disposal of property, plant and equipment | 37                            | 36             | 2.8    | (255)          | 96             | n/m    |
| Finance costs  | 1,130                         | 1,653          | (31.6) | 3,597          | 4,162          | (13.6) |
| Provision for liquidated damages                         | 253                           | -              | n/m    | 842            | -              | n/m    |
| Gain on disposal of subsidiary                           | -                             | -              | -      | (7)            | -              | n/m    |
| Operating lease expenses                                 | 442                           | 556            | (20.5) | 1,259          | 1,781          | (29.3) |

*n/m – not meaningful*

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

|  | Group                |                      | Company              |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | As at<br>30 Sep 2015 | As at<br>31 Dec 2014 | As at<br>30 Sep 2015 | As at<br>31 Dec 2014 |
|  | \$'000               | \$'000               | \$'000               | \$'000               |
| <b>Assets</b>  |                      |                      |                      |                      |
| Lease prepayment   | 3,530                | 3,477                | -                    | -                    |
| Property, plant and equipment                                    | 76,264               | 89,616               | -                    | -                    |
| Investments in subsidiaries                                      | -                    | -                    | 95,904               | 70,464               |
| Club membership  | 229                  | 229                  | -                    | -                    |
| Deferred tax assets  | 915                  | 799                  | 154                  | 154                  |
| <b>Non-current assets</b>  | <b>80,938</b>        | <b>94,121</b>        | <b>96,058</b>        | <b>70,618</b>        |
| Inventories  | 5,999                | 6,276                | -                    | -                    |
| Development property   | 11,164               | 15,940               | -                    | -                    |
| Non-current assets held for sale                                 | 3,209                | -                    | -                    | -                    |
| Contracts work-in-progress                                       | 47,348               | 95,697               | -                    | -                    |
| Trade and other receivables                                      | 25,322               | 30,923               | 32,274               | 42,271               |
| Financial assets designated at fair value through profit or loss | 12                   | 85                   | -                    | -                    |
| Cash and cash equivalents  | 14,169               | 20,195               | 14                   | 52                   |
| <b>Current assets</b>  | <b>107,223</b>       | <b>169,116</b>       | <b>32,288</b>        | <b>42,323</b>        |
| <b>Total assets</b>  | <b>188,161</b>       | <b>263,237</b>       | <b>128,346</b>       | <b>112,941</b>       |
| <b>Equity</b>  |                      |                      |                      |                      |
| Share capital  | 71,117               | 71,117               | 137,336              | 137,336              |
| Capital reserve  | 146                  | 146                  | (981)                | (981)                |
| Foreign currency translation reserve                             | 2,195                | 1,549                | -                    | -                    |
| Accumulated losses   | (49,367)             | (2,348)              | (39,894)             | (38,481)             |
| <b>Equity attributable to owners of the Company</b>              | <b>24,091</b>        | <b>70,464</b>        | <b>96,461</b>        | <b>97,874</b>        |
| <b>Non-controlling interests</b>                                 | <b>-</b>             | <b>460</b>           | <b>-</b>             | <b>-</b>             |
| <b>Total equity</b>  | <b>24,091</b>        | <b>70,924</b>        | <b>96,461</b>        | <b>97,874</b>        |

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

|                                     | <b>Group</b>                            |   | <b>Company</b>                          |   |
|-------------------------------------|---|---|---|---|
|                                     | <b>As at<br/>30 Sep 2015<br/>\$'000</b> | <b>As at<br/>31 Dec 2014<br/>\$'000</b> | <b>As at<br/>30 Sep 2015<br/>\$'000</b> | <b>As at<br/>31 Dec 2014<br/>\$'000</b> |
| <b>Liabilities</b>                  |   |   |   |   |
| Loans and borrowings                | 46,954                                  | 43,313                                  | 14,724                                  | 14,609                                  |
| <b>Non-current liabilities</b>      | <u>46,954</u>                           | <u>43,313</u>                           | <u>14,724</u>                           | <u>14,609</u>                           |
| Loans and borrowings                | 69,056                                  | 96,492                                  | 2,091                                   | -                                       |
| Trade and other payables            | 41,011                                  | 46,301                                  | 15,070                                  | 458                                     |
| Provisions                          | 7,049                                   | 6,207                                   | -                                       | -                                       |
| <b>Current liabilities</b>          | <u>117,116</u>                          | <u>149,000</u>                          | <u>17,161</u>                           | <u>458</u>                              |
| <b>Total liabilities</b>            | <u>164,070</u>                          | <u>192,313</u>                          | <u>31,885</u>                           | <u>15,067</u>                           |
| <b>Total equity and liabilities</b> | <u><u>188,161</u></u>                   | <u><u>263,237</u></u>                   | <u><u>128,346</u></u>                   | <u><u>112,941</u></u>                   |

## 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<br>30 Sep 2015<br>\$'000 | As at<br>31 Dec 2014<br>\$'000 |
| <b><u>Unsecured</u></b>            |                                |                                |
| Loan from controlling shareholders | 2,091                          | -                              |
| <b><u>Secured</u></b>              |                                |                                |
| Bank overdrafts                    | 8,867                          | 11,479                         |
| Bank loans                         | 30,600                         | 44,881                         |
| Bills payable                      | 21,205                         | 33,137                         |
| Finance lease liabilities          | 6,293                          | 6,995                          |
|                                    | 66,965                         | 96,492                         |
| <b>Total</b>                       | 69,056                         | 96,492                         |

(b) Amount repayable after one year

|                           | Group                          |                                |
|---------------------------|--------------------------------|--------------------------------|
|                           | As at<br>30 Sep 2015<br>\$'000 | As at<br>31 Dec 2014<br>\$'000 |
| <b><u>Unsecured</u></b>   |                                |                                |
| Convertible bond          | 14,724                         | 14,609                         |
| <b><u>Secured</u></b>     |                                |                                |
| Bank loans                | 26,870                         | 22,231                         |
| Finance lease liabilities | 5,360                          | 6,473                          |
|                           | 32,230                         | 28,704                         |
| <b>Total</b>              | 46,954                         | 43,313                         |

(c) Details of any collateral

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

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

The Group's lease obligations under finance lease are secured by the lessor's title to the leased assets. The carrying value of the assets under finance lease is \$23.0 million as at 30 Sep 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**

|  | 9 Months Period ended |                       |
|--|-----------------------|-----------------------|
|  | 30 Sep 2015<br>\$'000 | 30 Sep 2014<br>\$'000 |
| <b>Cash flows from operating activities:</b>   |                       |                       |
| Loss for the year  | (47,019)              | (22,032)              |
| Adjustments for:   |                       |                       |
| Bad debts written off  | -                     | 7                     |
| Amortisation of lease prepayment   | 58                    | 52                    |
| Depreciation of investment property  | -                     | 21                    |
| Depreciation of property, plant and equipment  | 9,958                 | 7,088                 |
| Impairment loss on trade receivables reversed  | (13)                  | -                     |
| Impairment loss on development property  | 7,367                 | -                     |
| Provision for liquidated damages   | 842                   | -                     |
| Change in fair value of financial assets designated at fair value through profit or loss   | 36                    | 1                     |
| (Gain)/loss on disposal of property, plant and equipment                                   | (255)                 | 96                    |
| Gain on disposal of subsidiary   | (7)                   | -                     |
| Dividend income from quoted shares   | (2)                   | (2)                   |
| Interest income  | (36)                  | (16)                  |
| Finance costs  | 3,597                 | 4,162                 |
| Tax expense  | 758                   | 560                   |
|  | (24,716)              | (10,063)              |
| <b>Changes in working capital:</b>   |                       |                       |
| Development property   | (2,591)               | (1,717)               |
| Inventories  | (353)                 | (342)                 |
| Contracts work-in-progress   | 45,013                | 8,566                 |
| Trade and other receivables  | (7,153)               | 11,726                |
| Trade and other payables   | 8,547                 | 515                   |
|  | 18,747                | 8,685                 |
| <b>Cash generated from operations</b>  | 18,747                | 8,685                 |
| Tax refunded/(paid)  | 541                   | (1,621)               |
| <b>Net cash generated from operating activities</b>  | 19,288                | 7,064                 |
| <b>Cash flows from investing activities:</b>   |                       |                       |
| Interest received  | 36                    | 16                    |
| Acquisition of lease prepayment  | -                     | (10)                  |
| Acquisition of property, plant and equipment   | (2,382)               | (10,245)              |
| Proceeds from disposal of property, plant and equipment                                    | 2,119                 | 861                   |
| Proceeds from disposal of financial assets designated at fair value through profit or loss | 37                    | -                     |
| Dividend income from quoted shares   | 2                     | 2                     |
| Effect of disposal of a subsidiary (Note 2)  | (1,476)               | -                     |
| <b>Net cash used in investing activities</b>   | (1,664)               | (9,376)               |
| <b>Cash flows from financing activities:</b>   |                       |                       |
| Interest paid  | (3,032)               | (4,162)               |
| Proceeds from issue of convertible bonds   | -                     | 14,700                |
| Proceeds from bank borrowings  | 14,858                | 12,000                |
| Proceeds from bill payables  | 48,816                | 79,421                |
| Repayment of bank borrowings   | (23,415)              | (31,066)              |
| Repayment of bill payables   | (54,646)              | (90,696)              |
| Repayment of finance lease liabilities   | (5,743)               | (5,747)               |
| Balances with related parties (non-trade)  | -                     | 429                   |

**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)**

|   | 9 Months Period ended |                       |
|---|-----------------------|-----------------------|
|   | 30 Sep 2015<br>\$'000 | 30 Sep 2014<br>\$'000 |
| Loan from controlling shareholders  | 2,018                 | -                     |
| Cash restricted-in-use  | (943)                 | -                     |
| Decrease in fixed deposits pledged with bank                                    | 156                   | 5,512                 |
| Dividends paid  | -                     | (1,481)               |
| <b>Net cash used in financing activities</b>                                    | <u>(21,931)</u>       | <u>(21,090)</u>       |
| <b>Net decrease in cash and cash equivalents</b>                                | (4,307)               | (23,402)              |
| <b>Cash and cash equivalents at beginning of period</b>                         | 1,529                 | 19,768                |
| Effect of exchange rate fluctuations on cash held                               | 107                   | (290)                 |
| <b>Cash and cash equivalents at end of period</b>                               | <u>(2,671)</u>        | <u>(3,924)</u>        |
| <b>Cash and cash equivalents</b>  |                       |                       |
| Cash at bank and on hand  | 7,139                 | 7,804                 |
| Fixed deposits  | <u>7,030</u>          | <u>6,987</u>          |
|   | 14,169                | 14,791                |
| Bank overdrafts   | (8,867)               | (11,728)              |
| Cash restricted-in-use  | (943)                 | -                     |
| Deposits pledged  | <u>(7,030)</u>        | <u>(6,987)</u>        |
| Cash and cash equivalents in the unaudited consolidated statement of cash flows | <u>(2,671)</u>        | <u>(3,924)</u>        |

During the 9 months period ended 30 Sep 2015, the Group acquired property, plant and equipment with an aggregate cost of \$3,044,000 (9 months period ended 30 Sep 2014: \$16,461,000), of which \$662,000 (9 months period ended 30 Sep 2014: \$6,216,000) were acquired under finance leases.

**Note 2**

Summary of effect of disposal of a subsidiary

|                                      | 2015<br>\$'000 |
|--------------------------------------|----------------|
| <u>Ley Choon EWC Sdn Bhd</u>         |                |
| Property, plant and equipment        | 1,713          |
| Trade and other receivables          | 11,516         |
| Inventories                          | 640            |
| Contracts work-in-progress           | 3,345          |
| Cash and cash equivalents            | 1,962          |
| Trade and other payables             | (10,570)       |
| Loans and borrowings                 | (7,652)        |
| Provision for income tax             | <u>(14)</u>    |
| Net assets                           | 940            |
| Group's share of net assets disposed | 479            |
| Gain on disposal of subsidiary       | <u>7</u>       |
| Consideration received               | 486            |
| Less: Cash disposed                  | <u>(1,962)</u> |
| Net cash outflow                     | <u>(1,476)</u> |

**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**

| <b>Group</b>  | <b>Share capital<br/>\$'000</b> | <b>Accumulated profits/(losses)<br/>\$'000</b> | <b>Capital reserve<br/>\$'000</b> | <b>Foreign currency translation reserve<br/>\$'000</b> | <b>Equity attributable to owners of the Company<br/>\$'000</b> | <b>Non-controlling interests<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|---------------------------------|--|-----------------------------------|--|--|---|-------------------------|
| At 1 January 2014   | 71,117                          | 35,131   | -                                 | 576  | 106,824  | 351   | 107,175                 |
| <b>Total comprehensive (loss)/income for the period</b>   |                                 |  |                                   |  |  |   |                         |
| (Loss)/profit for the period  | -                               | (22,282)                                       | -                                 | -  | (22,282)   | 250   | (22,032)                |
| <b>Other comprehensive income</b>   |                                 |  |                                   |  |  |   |                         |
| Foreign currency translation differences  | -                               | -  | -                                 | (218)  | (218)  | -   | (218)                   |
| Total other comprehensive loss for the period   | -                               | -  | -                                 | (218)  | (218)  | -   | (218)                   |
| <b>Total comprehensive (loss)/income</b>  | -                               | (22,282)                                       | -                                 | (218)  | (22,500)   | 250   | (22,250)                |
| <b>Transactions with owners recognised directly in equity</b>   |                                 |  |                                   |  |  |   |                         |
| One-tier tax exempt final dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2013 | -                               | (1,482)  | -                                 | -  | (1,482)  | -   | (1,482)                 |
| Issue of convertible bonds  | -                               | -  | 146                               | -  | 146  | -   | 146                     |
| Total transactions with owners  | -                               | (1,482)  | 146                               | -  | (1,336)  | -   | (1,336)                 |
| <b>At 30 Sep 2014</b>   | <b>71,117</b>                   | <b>11,367</b>                                  | <b>146</b>                        | <b>358</b>   | <b>82,988</b>  | <b>601</b>                                  | <b>83,589</b>           |
| At 1 January 2015   | 71,117                          | (2,348)  | 146                               | 1,549  | 70,464   | 460   | 70,924                  |
| <b>Total comprehensive loss for the period</b>  |                                 |  |                                   |  |  |   |                         |
| Loss for the period   | -                               | (47,019)                                       | -                                 | -  | (47,019)   | -   | (47,019)                |
| <b>Other comprehensive income</b>   |                                 |  |                                   |  |  |   |                         |
| Foreign currency translation differences  | -                               | -  | -                                 | 646  | 646  | -   | 646                     |
| Total other comprehensive income for the period   | -                               | -  | -                                 | 646  | 646  | -   | 646                     |
| <b>Total comprehensive (loss)/income</b>  | -                               | (47,019)                                       | -                                 | 646  | (46,373)   | -   | (46,373)                |

**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>Group</u>   | Share capital<br>\$'000 | Accumulated profits/(losses)<br>\$'000 | Capital reserve<br>\$'000 | Foreign currency translation reserve<br>\$'000 | Equity attributable to owners of the Company<br>\$'000 | Non-controlling interests<br>\$'000 | Total<br>\$'000 |
|--|-------------------------|--|---------------------------|--|--|-------------------------------------|-----------------|
| <b>Change in ownership interest in subsidiaries</b>              |                         |  |                           |  |  |                                     |                 |
| Disposal of non-controlling interest without a change in control | -                       | -                                      | -                         | -  | -  | (460)                               | (460)           |
| Total change in ownership interest in subsidiaries               | -                       | -                                      | -                         | -  | -  | (460)                               | (460)           |
| <b>At 30 Sep 2015</b>  | 71,117                  | (49,367)                               | 146                       | 2,195  | 24,091   | -                                   | 24,091          |

| <u>Company</u>  | Share capital<br>\$'000 | Capital reserve<br>\$'000 | Accumulated (losses)/profits<br>\$'000 | Total<br>\$'000 |
|---|-------------------------|---------------------------|--|-----------------|
| At 1 January 2014   | 137,336                 | (1,127)                   | 3,825                                  | 140,034         |
| <b>Total comprehensive loss for the period</b>  |                         |                           |  |                 |
| Loss for the period/Total comprehensive loss  | -                       | -                         | (993)                                  | (993)           |
| <b>Transactions with owners recognised directly in equity</b>   |                         |                           |  |                 |
| One-tier tax exempt final dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2013 | -                       | -                         | (1,482)                                | (1,482)         |
| Issue of convertible bonds  | -                       | 146                       | -                                      | 146             |
| Total transactions with owners  | -                       | 146                       | (1,482)                                | (1,336)         |
| <b>At 30 Sep 2014</b>   | 137,336                 | (981)                     | 1,350                                  | 137,705         |
| At 1 January 2015   | 137,336                 | (981)                     | (38,481)                               | 97,874          |
| <b>Total comprehensive loss for the period</b>  |                         |                           |  |                 |
| Loss for the period/Total comprehensive loss  | -                       | -                         | (1,413)                                | (1,413)         |
| <b>At 30 Sep 2015</b>   | 137,336                 | (981)                     | (39,894)                               | 96,461          |

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

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

As at 30 Sep 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.**

| <b>Actual</b>   | <b>30 September<br/>2015</b> | <b>31 December<br/>2014</b> |
|---|------------------------------|-----------------------------|
| Total number of issued shares excluding treasury shares | 592,406,996                  | 592,406,996                 |

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

Not applicable.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

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

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

Not applicable.

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

| Earnings per share (EPS)   | 3 <sup>rd</sup> Quarter ended |             | 9 months Period ended |             |
|--|-------------------------------|-------------|-----------------------|-------------|
|  | 30 Sep 2015                   | 30 Sep 2014 | 30 Sep 2015           | 30 Sep 2014 |
| <b><u>Continuing operations</u></b>                                      |                               |             |                       |             |
| EPS based on weighted average number of ordinary shares on issue (cents) | (2.06)                        | 0.47        | (7.94)                | (3.76)      |
| EPS based on a fully diluted basis                                       | (2.06)                        | 0.47        | (7.94)                | (3.76)      |
| Weighted average number of shares  | 592,406,996                   | 592,406,996 | 592,406,996           | 592,406,996 |

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

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

| Net asset value (NAV)          | Group             |                   | Company           |                   |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                | As at 30 Sep 2015 | As at 31 Dec 2014 | As at 30 Sep 2015 | As at 31 Dec 2014 |
| NAV per ordinary share (cents) | 4.07              | 11.89             | 16.28             | 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) seasonal 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**

### **Third quarter review – Q3FY15 vs Q3FY14**

#### Revenue

Revenue decreased by approximately \$23.3 million or 47.8% to \$25.4 million for the third quarter ended 30 Sep 2015 ("**Q3FY15**") compared to the corresponding quarter ended 30 Sep 2014 ("**Q3FY14**") of \$48.7 million. The decrease was mainly attributable to decreased percentage of work completed for ongoing projects and adjustments in revenue in relation to certain projects as below:

- a) decrease in contract sum as a result of disagreement in scope of work by the customers, amounting to approximately \$3.0 million; and
- b) decrease in percentage of completion as a result of increase in estimated cost to complete, amounting to approximately \$1.1 million.

Excluding the effects of the above adjustments, the revenue would have been \$29.5 million.

#### Gross profit

Gross profit decreased by approximately 96.0% to \$0.4 million for Q3FY15 compared to approximately \$9.3 million for Q3FY14 due to lower revenue recognized as explained above. The gross profit margin also decreased from approximately 19.2% for Q3FY14 to approximately 1.5% for Q3FY15 due to higher labour and subcontractor cost.

Excluding the effects of the above adjustments, the gross profit would have been \$4.5 million or 15.3%.

#### Other income

Other income for Q3FY15 decreased by approximately \$0.3 million or 29.2% to \$0.8 million compared to Q3FY14 due mainly to decrease in scrap sales and absence of sponsorship received in relation to opening ceremony for new office building in FY2014.

#### Distribution expenses

Distribution expenses for Q3FY15 decreased by approximately \$0.2 million or 45.6% to \$0.2 million compared to Q3FY14 due mainly to less commission expenses incurred.

#### Administrative expenses

Administrative expenses for Q3FY15 decreased by approximately \$0.8 million or 16.1% to \$4.3 million compared to Q3FY14 due mainly to decrease in office expenses, property tax and administrative staff cost, partially offset by increases in depreciation of the new office building.

#### Other operating expenses

Other operating expenses for Q3FY15 increased by approximately \$7.3 million compared to Q3FY14 due mainly to impairment loss on development property at No.241 Pasir Panjang Road, Singapore.

### Finance costs

Finance costs for Q3FY15 decreased by approximately \$0.5 million or 31.6% to \$1.1 million compared to Q3FY14 due to less bills payable during the period.

### Net loss after tax

The Group reported a net loss after tax of \$12.2 million for Q3FY15 compared to a net profit after tax of \$2.9 million for Q3FY14 due to the various reasons as disclosed above.

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

## **Nine months review – 9MFY15 vs 9MFY14**

### Revenue

Revenue decreased by approximately \$61.4 million or 51.0% to \$59.0 million for the nine months ended 30 Sep 2015 ("**9MFY15**") compared to the corresponding nine months ended 30 Sep 2014 ("**9MFY14**") of \$120.4 million. The decrease was mainly attributable to decreased percentage of work completed for ongoing projects and adjustments in revenue previously recognized as follow:

- i) work done but disagreed by customers due to deviation from the original scope of work and hence not claimable amounting to approximately \$4.9 million from six pipe projects;
- ii) variation in contract sum and budgeted cost for the following:
  - (a) approximately \$10.7 million for four cable projects due to reduction in quantity following final quantity surveying exercise at completion;
  - (b) approximately \$7.2 million for five roadwork projects due to extension of contract; and
  - (c) approximately \$2.2 million for five oil and gas pipes projects due to change of work method which resulted in lower rate;
- iii) additional costs provided to complete certain on-going projects where as a result of our percentage of cost revenue recognition policy we are required to adjust revenue amounting to approximately \$3.6 million for a sewer diversion project due to extension of completion deadline as well as further aggravation of soil condition.

Excluding the effects of the above adjustments, the revenue would have been \$87.6 million.

### Gross loss

Gross loss increased by approximately 286.8% to \$21.9 million for 9MFY15 compared to approximately \$5.7 million for 9MFY14 due to reasons explained above as well as the following adjustments:

- i) estimated liquidated damages due to delay in completion of a sewer diversion project amounting to approximately \$0.8 million;
- ii) estimated foreseeable losses for on-going projects due to additional work to be performed to complete the projects amounting to approximately \$0.2 million; and
- iii) provision for rectification work for a completed project amounting to approximately \$0.3 million

Excluding the effects of the above adjustments, the gross profit would have been \$8.0 million or 9.1%.

#### Other income

Other income for 9MFY15 increased by approximately \$0.1 million or 3.6% to \$2.9 million compared to 9MFY14 due mainly to gain on disposal of property, plant and equipment and foreign exchange gain, partially offset by decrease in scrap sales and absence of sponsorship received in relation to opening ceremony for new office building in FY2014.

#### Distribution expenses

Distribution expenses for 9MFY15 decreased by approximately \$0.4 million or 37.0% to \$0.7 million compared to 9MFY14 due mainly to less travelling and insurance expenses.

#### Administrative expenses

Administrative expenses for 9MFY15 increased by approximately \$2.2 million or 16.8% to \$15.5 million compared to 9MFY14 due mainly to increases in depreciation of the new office building, partially offset by decrease in administrative staff cost, property tax and office expenses.

#### Other operating expenses

Other operating expenses for 9MFY15 increased by approximately \$7.4 million compared to 9MFY14 due mainly to impairment loss on development property at No.241 Pasir Panjang Road, Singapore.

#### Finance costs

Finance costs for 9MFY15 decreased by 13.6% to \$3.6 million compared to 9MFY14 due mainly to decline in short-term borrowings during the period.

#### Income tax

Income tax for 9MFY15 increased by approximately \$0.2 million or 35.4% to \$0.8 million compared to 9MFY14 due mainly to more taxable profit for certain entities.

#### Net loss after tax

The Group reported a net loss after tax of \$47.0 million for 9MFY15 compared to a net loss after tax of \$22.0 million for 9MFY14 due to the various reasons as disclosed above.

Excluding the effects of the above adjustments, net loss after tax would have been \$17.1 million.

### **Consolidated Statement of financial position**

#### Non-current assets

The Group's property, plant and equipment decreased by \$13.4 million from \$89.6 million as at 31 December 2014 to \$76.3 million as at 30 September 2015, mainly due to the following:

- (a) reclassification to non-current assets held for sale for a office building located at No. 4 Sungei Kadut Street 2, Singapore;
- (b) depreciation of new office building located at No. 3 Sungei Kadut Drive, Singapore;
- (c) disposal of subsidiary in Brunei; and
- (d) disposal of certain property, plant and equipment.

#### Current assets

The Group's current assets decreased by \$61.9 million from \$169.1 million as at 31 December 2014 to \$107.2 million as at 30 September 2015, mainly attributable to the following:

- (a) decrease in contract work-in-progress by \$48.3 million to \$47.3 million as at 30 September 2015 compared to \$95.7 million as at 31 December 2014 due to work being completed and the following:
  - (i) disagreement on certain scope of works for some completed projects by the customers; and
  - (ii) additional costs provided to complete certain on-going projects;
- (b) decrease in cash and cash equivalents by \$6.0 million to \$14.2 million as at 30 September 2015 compared to \$20.2 million as at 31 December 2014 due to disposal of subsidiary in Brunei and repayment of bank borrowings;
- (c) decrease in trade and other receivables by \$5.6 million to \$25.3 million as at 30 September 2015 compared to \$30.9 million as at 31 December 2014 due to disposal of subsidiary in Brunei and decrease in billing for projects;
- (d) decrease in development property by \$4.8 million to \$11.2 million as at 30 September 2015 (after adjusting for additional development cost of \$2.6 million prior to impairment) compared to \$15.9 million as at 31 December 2014 mainly due to impairment loss on development property at No.241 Pasir Panjang Road, Singapore;
- (e) decrease in inventories by \$0.3 million to \$6.0 million as at 30 September 2015 compared to \$6.3 million as at 31 December 2014 due to disposal of subsidiary in Brunei; and partially offset by

- (f) increase in non-current assets held for sale by \$3.2 million as at 30 September 2015 compared to nil as at 31 December 2014 mainly due to commitment of a plan to sell office building at No. 4 Sungei Kadut Street 2, Singapore.

#### Current liabilities

The Group's current liabilities decreased by \$31.9 million from \$149.0 million as at 31 December 2014 to \$117.1 million as at 30 September 2015 mainly due to disposal of subsidiary in Brunei and decrease in short-term borrowings as a result of repayment.

#### Non-current liabilities

The Group's non-current liabilities increased by \$3.6 million from \$43.3 million as at 31 December 2014 to \$47.0 million as at 30 September 2015 mainly due to additional proceeds from bank borrowings.

### **Consolidated Statement of Cash flow**

The Group's cash and cash equivalents was a deficit of \$2.7 million as at 30 September 2015 compared to \$3.9 million as at 30 September 2014.

#### Net cash generated from operating activities

Net cash generated from operating activities was \$19.3 million, comprising cash used in operating activities before working capital changes of \$24.7 million, net working capital inflow of \$43.5 million and net income tax refund of \$0.5 million.

The net working capital inflow of \$43.5 million was due mainly to the following:

- (a) decrease in contract work-in-progress of approximately \$45.0 million due to work being completed and the following:
  - (i) disagreement on certain scope of works for some completed projects by the customers; and
  - (ii) additional costs provided to complete certain on-going projects;
- (b) increase in trade and other payables of approximately \$8.5 million mainly due to less payment to the creditors during the period; and partially offset by
- (c) decrease in trade and other receivables of approximately \$7.2 million mainly due to decrease in billings for projects;
- (d) increase in development property of approximately \$2.6 million due to additional development cost incurred for the property at No.241 Pasir Panjang Road, Singapore;
- (e) increase in inventories of approximately \$0.4 million due to less material used for projects.

#### Net cash used in investing activities

Net cash used in investing activities of approximately \$1.7 million was due mainly to effect of disposal of subsidiary in Brunei.

## Net cash used in financing activities

Net cash used in financing activities of approximately \$21.9 million was due mainly to repayment of bank borrowings, bills payable, finance lease liabilities and interest amounting to approximately \$86.8 million and was offset by the proceed from bank borrowings and bills payable amounting to approximately \$63.7 million and loan from controlling shareholder of approximately \$2.0 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.**

Due to high demand from public sector on infrastructure projects, the Group continue to tender for more projects to strengthen its order book. In Oct 2015, the Group has secured a contract worth approximately S\$2.5 million from PUB. To date, the Group's unfulfilled order book based on secured contracts stands at approximately S\$151 million.

Amidst an environment of rising costs and increasing uncertainty in the economy, the Group is conducting an ongoing review of its business, overall financial position and commitments with the objective of deciding on and implementing strategies and plans to address potential business and financial challenges moving forward. The Company has engaged professional advisors as part of this exercise in July 2015. The professional advisors upon completion of the review of Group's businesses, overall financial position and commitments, prepared a draft debt restructuring plan in consultation with the Company and proposed the plan to the lenders. The Company will update the shareholders on the plan at an appropriate time when the proposed draft debt restructuring plan is finalised and accepted by the lenders.

**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) HS E&C Pte Ltd (formerly known as 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) |   |
|--|---|---|---|---|
| <b>Name of Interested Person and/or Related Person</b> | <b>3<sup>rd</sup> Quarter ended 30 Sep 2015 \$'000</b>  | <b>9 Months Period ended 30 Sep 2015 \$'000</b> | <b>3<sup>rd</sup> Quarter ended 30 Sep 2015 \$'000</b>  | <b>9 Months Period ended 30 Sep 2015 \$'000</b> |
| Purchases from: Pan Asian Holdings Limited             | Nil   | Nil   | 1,716   | 4,386   |
| Sales to: Sing & San Construction Pte Ltd              | Nil   | Nil   | 83  | 340   |
| Sales to: HS E&C Pte Ltd                               | 375   | 375   | -   | -   |

**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 nine-months period ended 30 Sep 2015 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

Toh Choo Huat  
Executive Chairman and Chief Executive Officer  
9 November 2015