

LEY CHOON GROUP HOLDINGS LIMITED

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

INDEPENDENT AUDITOR'S COMMENT ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The Board of Directors of Ley Choon Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce, pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), that its Independent Auditor, Foo Kon Tan LLP, has issued its Independent Auditor’s Report for the Group’s audited financial statements for the financial year ended 31 March 2019 (“**FY2019**”) (the “**FY2019 Audited Financial Statements**”) and has, without qualifying its audit opinion, included a material uncertainty related to going concern in the Independent Auditor’s Report.

A copy of the Independent Auditor’s Report and an extract of the relevant Note 2(A), Note 14 and Note 31 to the FY2019 Audited Financial Statements are attached to this Announcement for the Shareholders’ reference.

The Independent Auditor’s Report and the FY2019 Audited Financial Statements may be found in the Company’s Annual Report for FY2019, which will be despatched to Shareholders and released on SGXNet in due course.

Board’s Comments

The Directors are of the view that the going concern assumption is appropriate for the preparation of the FY2019 Audited Financial Statements, due to the following:

- (i) For FY2019, the Group continued to generate net operating cash inflows of S\$2,462,000 (2018: S\$7,720,000). Having regard to measures to tighten controls over expenses and to better manage the Group’s working capital, the Directors believe that the Group is able to continue to generate sufficient cash flows from operations.
- (ii) As at 31 March 2019, the Group had net current assets and net assets of S\$23,674,000 (2018: S\$19,093,000) and S\$23,200,000 (2018: S\$34,408,000), respectively, which include cash and bank balances and fixed deposits amounting to S\$5,169,000 (2018: S\$7,202,000). In addition, the Company had net assets of S\$32,794,000 (2018: S\$43,917,000) as at 31 March 2019. The net current liabilities of the Company were mainly attributed to amounts owing to subsidiaries totalling S\$33,052,000 (2018: S\$26,575,000), 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. Excluding these amounts, the Company would have net current assets of S\$2,843,000 (2018: S\$3,152,000) as at 31 March 2019.
- (iii) In view of the continuing cash inflows generated from operations, the Group has been able to fulfil the repayment and interest payment obligations, and there has been no default on these in respect of the Group’s and the Company’s borrowings following the debt restructuring.

- (iv) As disclosed in Note 14 to the FY2019 Audited Financial Statements, the Group did not meet the financial covenants in respect of its restructured borrowings for the relevant period ended 31 December 2018. Nonetheless, the Group had obtained waivers of compliance with those financial covenants from the relevant lenders before the end of the financial year. The Group had also obtained waivers of compliance with the financial covenants relating to 30 June 2019 from the relevant lenders before the date of authorisation of the financial statements. Although the Group is still required to comply with the financial covenants for the subsequent relevant periods ending 31 December 2019, 30 June 2020 and 31 December 2020, the Group will work expeditiously with the lenders to obtain continuing support from the lenders and waivers of compliance with the financial covenants as and when they arise.
- (v) The Group is currently in discussions with the lenders on certain amendments to the terms, including the financial covenants, in the debt restructuring agreement.
- (vi) At the end of the reporting period, the Group's unfulfilled order book based on secured contracts stood at S\$128.0 million. In addition to that, as disclosed in Note 31 to the FY2019 Audited Financial Statements, subsequent to the end of the financial year, the Group has been awarded various contracts worth approximately S\$20.5 million in total by customers. In the press release dated 14 January 2019, Building and Construction Authority announced that it projects the total construction demand this year to range between S\$27 billion and S\$32 billion, which is similar to the S\$30.5 billion awarded last year. The projection is mainly based on the sustained public sector construction demand, which is expected to reach between S\$16.5 billion and S\$19.5 billion and contribute to about 60% of the projected demand for this year. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects. This demand will continue to be supported by big infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5, over the medium term, besides public residential developments.

Based on the above, 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.

Further, the Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner and the Board is not aware of any material information that requires disclosure but remains undisclosed as of the date of this announcement.

Shareholders and other investors are reminded to exercise caution while dealing in the shares of the Company. In the event that shareholders and other investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Toh Choo Huat

Executive Chairman and Chief Executive Officer

5 July 2019

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

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

The details of the contact person for the Sponsor is:

Name: 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