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LEY CHOON

**STAYING
ROOTED**

**ENGAGING
VALUES**

2019
ANNUAL
REPORT



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.

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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



Asphalt premix plant

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 asphalt plant is one of the largest in Singapore with production capacity of up to 400 tonnes per hour. 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 can 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 and completed a second project in FY2019.

Headquartered in Singapore with headcount of around 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-OHSAS 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 the Catalist Board on 22 February 2017.

CHAIRMAN'S STATEMENT

Despite the challenges the Group remained confident and focused on its strategies which include the strengthening of operational efficiencies and recalibration of resources to remain relevant and competitive.



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 2019 ("**FY2019**"). The business environment for the year under review was challenging mainly because of the intense competition and rising business costs. Despite these challenges the Group remained confident and focused on its strategies which include the strengthening of operational efficiencies and recalibration of resources to remain relevant and competitive.

FINANCIAL PERFORMANCE

The Group recorded a net loss after tax of S\$9.6 million for FY2019 compared to a net profit after tax of S\$1.5 million for the financial year ended 31 March 2018 ("**FY2018**"). This is largely attributed to the significant decline in gross profit by 71.5% in FY2019 compared to FY2018.

The substantial decrease is primarily due to certain existing higher margin projects nearing completion which resulted in lower revenue recognition, secondly, the margin for certain existing projects deteriorated during the year under review due to the increase in certain direct costs, and lastly fewer major new projects were secured during the year due to a competitive pricing environment.

While there was a decrease in selling & distribution and administrative expenses together by 12.2% in FY2019 compared to FY2018 as a result of lower administrative overheads, there was an increase in impairment loss on property, plant & equipment and trade receivables. Finance costs have also marginally increased due to higher interest expenses.

As a result of the net loss as described above, shareholders' equity as at 31 March 2019 has declined by 32.6% to S\$23.2 million as compared to S\$34.4 million as at 31 March 2018. The Group's cash and cash equivalent stood at S\$3.6 million as at 31 March 2019 as compared to S\$4.7 million as at 31 March 2018. Despite unfavourable financial results, the Group generated a positive operating cash flow in FY2019.

BUSINESS OUTLOOK

The Building and Construction Authority ("**BCA**") announced on 14 January 2019 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.

The outlook for the construction industry in 2019-20 is expected to be buoyant particularly in public sector construction which is encouraging news for the Group. However, the margins are expected to come under pressure due to competitive pricing and rising business costs. Nevertheless, the Group is confident and committed to improving productivity and operational efficiency in order to stay ahead of the competition.



Road resurfacing works

FOCUS ON OPERATIONAL EFFICIENCY

The Group has been consistently strengthening our operations in order to improve the overall performance of the Group. In addition to the existing quantitative performance measurement systems, a new platform has been introduced to allow management to have regular dialogue sessions with the ground level employees in order to understand their practical challenges in the operations and the impediments to improve the productivity, so as to modify the workflow and business processes appropriately. All these measures will enhance operational efficiency which will eventually improve the financial performance of the Group.

SUSTAINABILITY FOR GROWTH

In FY2019, we launched our first Environmental, Health & Safety ("EHS") monitoring plan for the Group. This programme aims to increase EHS ownership among employees in daily operations as well as to empower all employees to meet high EHS standards. As we endeavour to elevate our EHS management system and processes to the highest standards, we consistently review and upgrade our existing safety management system vigilantly.

We are also proud of our improvement in our environmental compliance in that we have successfully achieved 71.4% reduction of incidents of environmental violations.

Our continued commitment to investing in human capital is clearly reflected in the 5.3% increase in average training hours per employee to 12.0 hours in FY2019. Further, driving innovation is also one of the key goals of our human capital development.

The details of our goals and achievements in the above areas are discussed in the Sustainability Report.

NOTE OF THANKS

On behalf of the Board, I would like to thank our committed 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 continued 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 contribution.

TOH CHOO HUAT

Executive Chairman and Chief Executive Officer

OPERATIONS REVIEW

With increasing demand from the market, the Group will focus on strengthening the core business and improve on operational efficiencies to reduce cost and secure more projects in future.

SEGMENTAL OVERVIEW

PIPES AND ROADS

Revenue from Pipes and Roads segment decreased by S\$5.2 million to S\$91.3 million or 88.6% of total revenue for the twelve months ended 31 March 2019 ("FY2019") compared to S\$96.5 million or 91.3% for the corresponding period ended 31 March 2018 ("FY2018"). This was due mainly to completion of certain higher margin projects during the year. Profit from Pipes and Roads segment also decreased as a result of completion of these projects as well as the increase in direct costs.

The Group has several ongoing projects that contributed to the revenue streams for FY2019. Despite the overall decrease in revenue for FY2019, some of the projects that contributed to revenue include Strengthening of Taxiway Base, Cable Installation Turnkey Projects III, Replacement of Water Mains for Network Renewal Division for Year 2017 to 2020 Package 1B, Supply and Laying of NEWater Mains (2017) Contracts for the Eastern and Western Zones of Singapore and Cable Installation, Cable Jointing and Road Reinstatement Works for various branches.

During the year, the Group has been able to secure new projects such as infrastructure works in relation to the installation and maintenance of pipelines, installation of underground utilities and



Pipe jacking works

resurfacing services, supply and laying of pipes, and underground services. The Group is also looking into securing more projects so as to expand its market share in Singapore as well as in other countries where the Group has its presence.

Despite competition and rising costs, the Group will continue to tender for more projects in view of the strong demand from the public sector, with big infrastructure projects like the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5.

With increasing demand from the market, the Group will focus on strengthening the core business and improve on operational efficiencies to reduce cost and secure more projects in future.

CONSTRUCTION MATERIALS

Revenue from Construction Materials segment increased by S\$2.6 million to S\$11.7 million or 11.4% of the total revenue for FY2019 compared to S\$9.1 million or 8.7% for FY2018. This was due mainly to the increase in sales to external customers during the year. However, inter-segment revenue, which contributed about

40.5% of the segment revenue, decreased by S\$0.2 million to S\$8.0 million for FY2019 compared to S\$8.2 million for FY2018 due mainly to lesser usage of asphalt premix for our Pipes and Roads segment as a result of completion of some projects.

The margin from Construction Materials segment decreased due mainly to higher material cost incurred during the year. This is because of the increase in price of raw materials from suppliers which led to the increase in cost of production. As a result, profit margin decreased despite the increase in sales of asphalt premix.

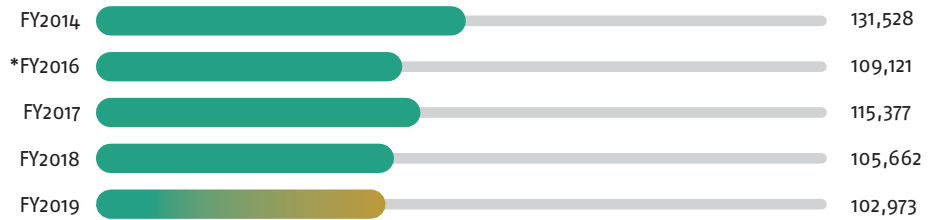
Due to strong competition in the market, the Group has to continue to strive for better pricing and meet the demand of customers. With better utilisation of the existing asphalt plant, the Group will look into ways to improve productivity and reduce production cost to achieve better profit margin.



Operations Command Centre

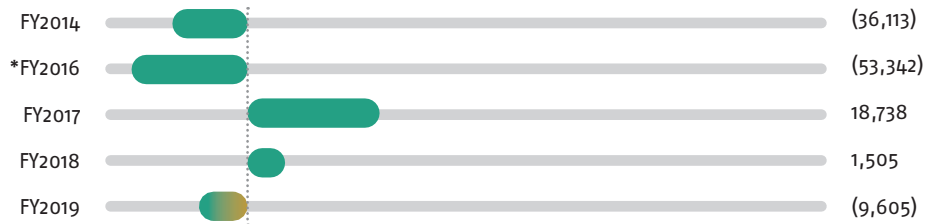
FINANCIAL HIGHLIGHTS

REVENUE FROM CONTINUING OPERATIONS (S\$'000)



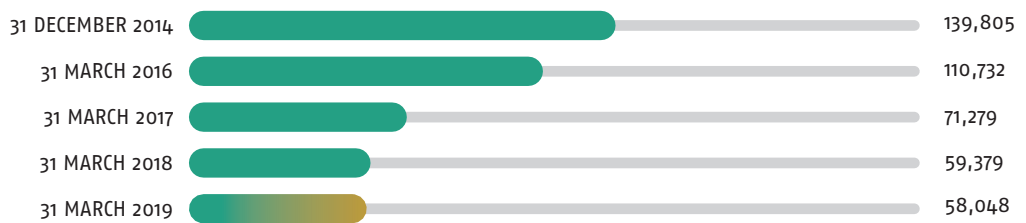
*FY2016 is for 15 months from 1 January 2015 to 31 March 2016

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

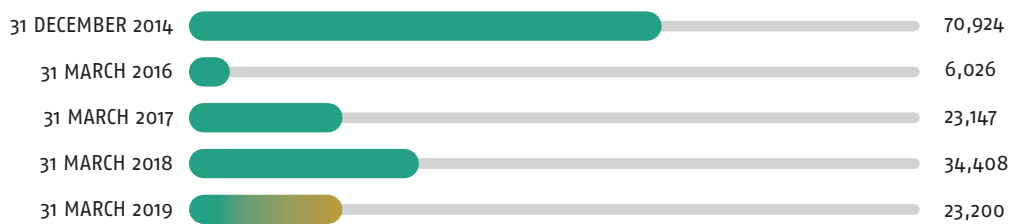


*FY2016 is for 15 months from 1 January 2015 to 31 March 2016

TOTAL BORROWINGS (S\$'000)



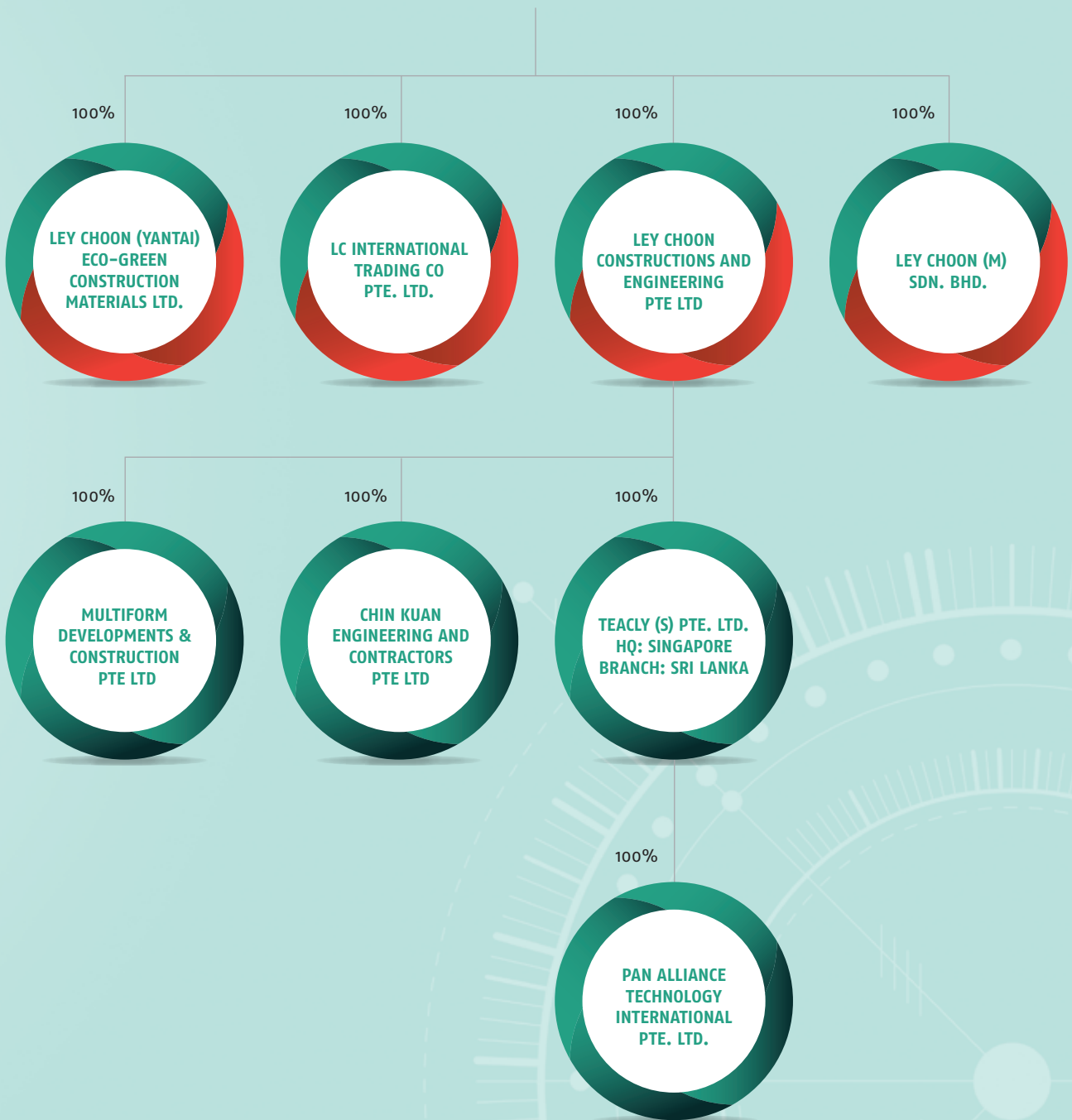
TOTAL EQUITY (S\$'000)



GROUP STRUCTURE



LEY CHOON GROUP HOLDINGS LIMITED
立堉集团控股有限公司



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

TOH CHOO HUATExecutive Chairman and
Chief Executive Officer

Mr Toh Choo Huat is the Executive Chairman and Chief Executive Officer of Ley Choon Group Holdings Limited. 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 27 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. He is also the Chairman of the Audit Committee and a Member of the Remuneration Committee and Nominating Committee. 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 a Member of the Audit Committee and Nominating Committee.

Mr Chia besides serving as Independent Board Director of another listed company, 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 a 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 27 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 27 years in the Group's pipe and cable laying business. In 1990, Mr Toh joined the Group as an operations manager.

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 27 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 about 25 years of Accounting & Finance experience, including 19 years of Senior Manager/Controller roles in corporate planning, treasury, consolidation reporting, management & statutory compliance reporting, tax & tax planning, audit as well as preparation work for companies listing. His range of experiences span from Manufacturing, Constructions, Oil & Gas, Healthcare, Engineering & Offshore & Marine, which extended across his earlier years of Big Six audit experience, to subsequently GLC, SGX-listed & MNC 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 Certified Chartered Accountants.



Roads and airfield pavement works

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 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 assists 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 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.



Power cable laying

SUSTAINABILITY REPORT

BOARD STATEMENT

INNOVATE FOR SUSTAINABILITY

At Ley Choon Group Holdings Limited ("Ley Choon" and together with all its subsidiaries, collectively "the Group"), we are united in upholding the highest standards of Environmental, Social and Governance ("ESG") practices within our organisation. Since we embarked on the sustainability journey, we have tackled the challenge of driving corporate sustainability with conviction and fervour.

Embracing sustainability reporting has challenged the Ley Choon management team to be introspective and re-calibrate the business *modus operandi* under which we have operated.

We have broadened our financial-centric business approach to incorporate non-financial parameters which has since sparked off a more effective management of a new spectrum of ESG parameters.

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.

While the Group continues to seek breakthroughs for new growth, we recognise the increasing importance of strengthening the sustainability and resilience of our current business operations.

We will continue to explore and evaluate business opportunities (including but not limited to strategic investments, partnerships, or mergers and acquisitions) that have potential to generate value for the shareholders.

EHS EXCELLENCE

In FY2019, we have launched our first Environmental, Health & Safety ("EHS") Monitoring Plan for the Ley Choon Group. This programme aims to increase EHS ownership among employees in daily operations as well as to empower all employees to meet high EHS standards.

As we endeavour to enhance our EHS management system and processes to the highest standards, we aim to review and revise our existing Safety Management System vigilantly. Apart from implementing quarterly internal and external audits, we have also introduced a Competency Skill Test for our site supervisors in order to maintain a balance between Productivity and Safety in our operation.

Another new outstanding Safety Enhancement Programme (SEP) was also introduced in FY2019. The key feature is the use of technology-based analytic tools to analyze the root causes of past incidents/accidents to determine preventive solutions and specific training needed for employees.

As a result, safety training hours have increased from 300 hours in FY2018 to 400 hours from FY2019.

In terms of environmental compliance, we have successfully achieved a 71.4% reduction of incidents in environmental violations.

In FY2019, we have invested in the installation of 10 renewable solar panel lights at our Ley Choon premises as our first attempt in harnessing energy-efficient renewable energy sources.

HUMAN CAPITAL AND INNOVATION

Driving innovation is one of the key goals of our human capital development. In FY2019, we are delighted to present the first Appreciation Award for Innovation that resulted in cost savings for the Company.

Our firm commitment to investing in human capital is reflected in a 5.3% increase in average training hours per employee to 12.0 hours in FY2019. For social impact, the Group plans to increase our contribution in business and community initiatives in the next 3 years.

We remain optimistic in driving the virtuous cycle of innovation and change management to drive greater financial and ESG returns for the Group.

TOH CHOO HUAT

Executive Chairman & Chief Executive Officer

ESG PERFORMANCE FY2019 HIGHLIGHTS

SOCIAL

- 5.3% increase in average training hours per employee to 12.0 hours in FY2019
- Attained 87.4% target for the Customer Satisfaction Index FY2019



GOVERNANCE

- Full adherence to Code of Corporate Governance and maintained the zero-rate for whistle-blowing incident
- Achieved 71.4% reduction of incidents in environmental violations



ENVIRONMENTAL

- Launched the first Environmental, Health & Safety ("EHS") Monitoring Plan to increase EHS ownership among employees in daily operations requirement as well as to empower all employees to meet high EHS standards
- Launched a Safety Enhancement Programme which leveraged technology analytic tool to analyze the root causes of past incidents/accidents to derive with preventive solutions & specific training needed for employees
- Introduced Competency Skill Test for our site supervisors to strive for a balance between Productivity and Safety in operations
- Installed 10 renewable solar panel lights at our Ley Choon premises as our first attempt in harnessing energy-efficient renewable energy sources



SUSTAINABILITY REPORT

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 2019 (“FY2019”), the Group deepened our discussion of the 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 FY2019, we maintained 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 33–38.

<p>Reporting Boundaries and Standards</p>	<p>The report is also prepared in accordance with GRI Principles for defining report content, including:</p> <ul style="list-style-type: none"> • 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. <p>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”).</p>
<p>Report Period and Scope</p>	<p>This report covers data and information from 1 April 2018 to 31 March 2019 and discusses the Group’s achievements and performance towards Environmental, Social and Governance (“ESG”) issues.</p> <p>This report has been prepared in accordance with the GRI Standards: Core Option.</p>
<p>Accessibility</p>	<p>The Group continues to print adequate copies of this annual-cum-sustainability report as part of our environmental conservation efforts.</p> <p>A current electronic edition of the report is available at www.leychoon.com.</p>



Best employee award recipients, Ms. Foo Siew Kuan (Left) and Ms. Wong Siew Yeng, Esther (Right) with Mr. Toh Swee Kim

Accountability to Stakeholders

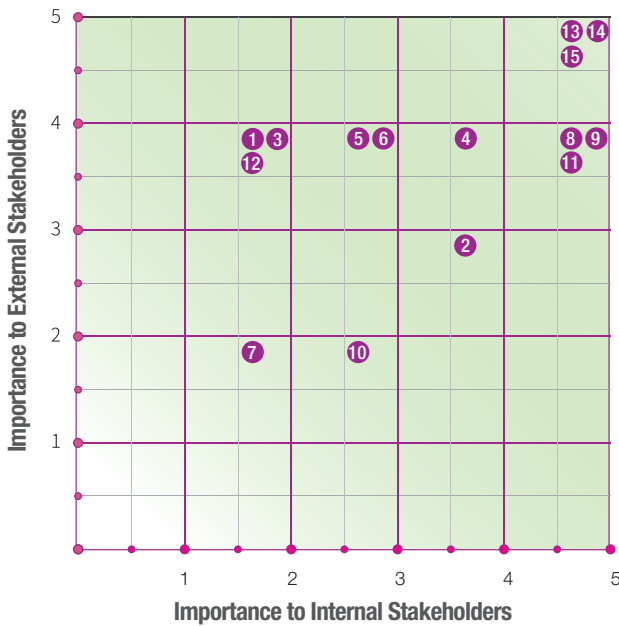
Being a responsible corporate citizen, the Group works closely with our stakeholders to understand their concerns and feedback. The stakeholder engagement provides valuable feedback and information for the preparation of our sustainability report.

Our Key Stakeholders	How We Engage Them	Key Topics
Customers	<ul style="list-style-type: none"> • Formal meetings • Informal feedback 	<ul style="list-style-type: none"> • Project timelines, requirements and specifications • Work-in-progress and status • Feedback on completed projects
Shareholders and Financial Community	<ul style="list-style-type: none"> • Annual General Meeting • Announcements through SGXNet • Emails 	<ul style="list-style-type: none"> • Financial results • Key developments such as contract wins, corporate actions, etc. • Investor relations
Employees	<ul style="list-style-type: none"> • Performance appraisals • Team bonding and company events • Internal communication through emails and intranet • Annual appreciation dinner 	<ul style="list-style-type: none"> • Performance and skills • Health and safety issues and necessary precautions to note • New contract wins • Project timelines and status updates
Suppliers	<ul style="list-style-type: none"> • Regular meetings • Emails 	<ul style="list-style-type: none"> • Feedback on their products and services • Information of their new products or services
Government and Regulatory Agencies	<ul style="list-style-type: none"> • Consultations • Discussions • Legal counsel 	<ul style="list-style-type: none"> • Regulatory and industry standards and guidelines
Local Community	<ul style="list-style-type: none"> • Community outreach activities (such as community event sponsorships) • Charity events • Sponsor technical seminars 	<ul style="list-style-type: none"> • Partner with local not-for-profit charitable organisations to identify the target beneficiaries

SUSTAINABILITY REPORT

MATERIALITY MATRIX

Importance to Stakeholders



ECONOMIC	<ul style="list-style-type: none"> 1 Economic Contribution to Society 2 Wage and Local Hiring
ENVIRONMENT	<ul style="list-style-type: none"> 3 Energy Management 4 Environmental Impact Assessment and Mitigation 5 Water Conservation 6 Waste Management 7 Climate Change and Emission
SOCIAL	<ul style="list-style-type: none"> 8 Diversity and Equal Opportunity 9 Training and Staff Development 10 Business Partners Engagement 11 Labour Management Relations 12 Supply Chain and Procurement Practices
GOVERNANCE	<ul style="list-style-type: none"> 13 Legal Compliance and Corporate Governance 14 Anti Corruption and Anti Fraud 15 Health & Safety

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

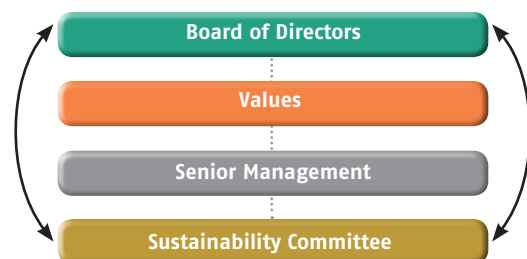
With our vision and corporate values in mind, we are making an effort to integrate sustainability into the businesses of Ley Choon Group, so that it is systematic and seamless. Where possible, we incorporate sustainability considerations in our decision-making processes.

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.

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, roadworks and maintaining good stewardship of the resources.

In FY2019, we have achieved S\$102.9 million revenue and generated new business opportunities within our organisation in the markets we operate in. Despite our business challenges, we still 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 page 92 onwards of this report.



Mooncake festival volunteering

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 FY2019. The Audit Committee received no whistleblowing letters during the year. There were only 4 incidents of environmental violations in FY2019 which reflected our success in achieving 71.4% reduction compared to 14 cases in FY2018.

For further details on Corporate Governance, please refer to pages 43-75.

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 centers 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 business 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.

There is no incident of substantiated complaints concerning breaches of customer privacy and losses of customer data.

SUSTAINABILITY REPORT

ENVIRONMENT

ENVIRONMENTAL HEALTH & SAFETY ("EHS")

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

Currently, we have two existing programmes well in place which are the daily toolbox meeting and our monthly safety training. A new worker induction programme is also in place to provide a comprehensive training for all aspects of safety in different work environments for all new employees.

We hold 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 are selected by Management and prizes are given out during our employees Annual Appreciation Dinner. To heighten safety consciousness, we have also integrated a safety related quiz during our Annual Dinner.

For risk management training, we have built in a tie-in with the national SGSECURE Anti-Terrorism programme whereby our workers are instilled with the importance of protecting our worksite against terrorist sabotage.

In addition, workplace fire safety drills are also organised to ensure that our employees are trained to respond effectively during emergencies.

In FY2019, we have launched our first Environmental, Health & Safety Monitoring Plan for the Group. This programme aims to increase EHS ownership among employees in daily operations requirement as well as to empower all employees to meet higher EHS standards.

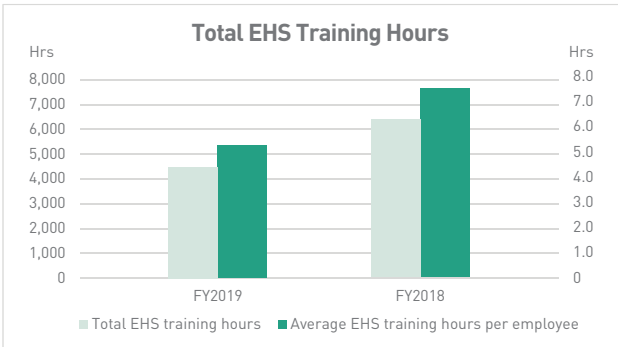
As we endeavour to elevate our EHS management system and processes to the highest standards, we review and revise our existing Safety Management System vigilantly. Other than implementing quarterly internal and external audits every year, we have also introduced a Competency Skill Test for our site supervisors. We strive to maintain a balance between Productivity and Safety in operation sites.

Another outstanding new Safety Enhancement Programme was also introduced in FY2019. This programme aims to enhance our Safety Standards and to lower the Accident Rate (AFR & ASR) within the Group. The key feature is the use of technology-based analytic tools to analyse the root causes of past incidents/accidents to determine preventive solutions and specific training needed for employees.

As a result, safety training hours have increased from 300 hours in FY2018 to 400 hours in FY2019.

ENVIRONMENT

EHS Training	FY2019	FY2018
Total EHS training hours	4,499	6,366
Average EHS training hours per employee	5.4	7.6



There is a decrease in total training hours in FY2019 because most of the workers had already attended the required external training courses in previous years to comply with the applicable law and regulations. In order to maintain the workers' competency, we had increased our internal training hours by conducting more in-house training to workers in FY2019 by 25% up to 400 hours in total.

However, we aim to maintain our average EHS training hours consistently despite the fluctuation in the volume of projects and staff strength every year.



Tool box meeting

Water Conservation & Energy Management

Given the fact that we are in the underground utilities infrastructure business, water and electricity consumption is correspondingly high in keeping up with our business operations.

The water supply to our businesses is drawn from the national water system provided by Public Utilities Board. We have been actively monitoring our water and electricity consumption to control consumption levels, so as to maintain cost efficiencies.

In FY2019, we have actively taken steps to reduce the water, energy and paper consumption within our organisation over the past year.

We have reaped the benefits of our concerted ESG efforts in the first two years. However, in FY2019, we noted that there are 16.9% and 20.5% increase in water and electricity consumption respectively. In terms of expenditure, we noted that there are 35.5% and 30.9% increase in water and electricity expenditure respectively.

The increase in electricity consumption is due to the increase of production in the asphalt recycling plant. The increase in water consumption is due to the increased volume of water used for maintenance of the fleet of vehicles within the Group.

In FY2019, we have also re-installed the use of NEWater at 8 waterpoints in Ley Choon premises.

In FY2019, we have invested in the installation of 10 renewable solar panel street lights at our Ley Choon premises in our first attempt in harnessing energy-efficient renewable energy sources in our premises.

In the light of the liberalisation of electricity market since 1 April 2018, we will be conducting a review on the likely cost saving through the switch of electricity service provider in the financial year ending 31 March 2020 ("FY2020").

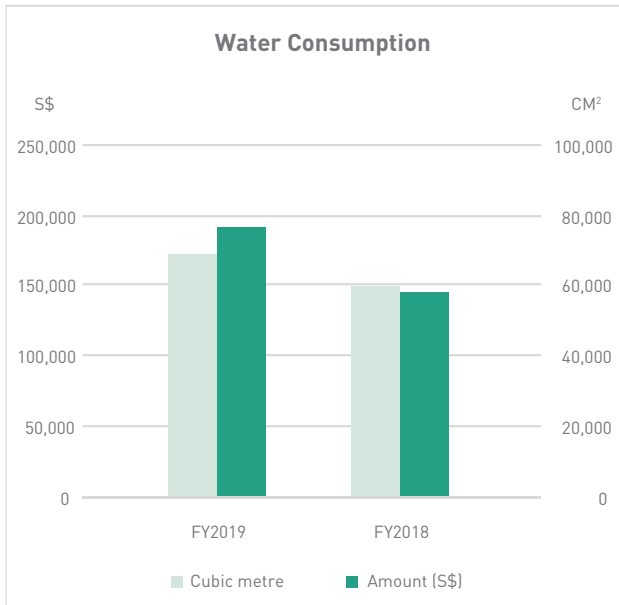


Solar panel lights at Ley Choon premises

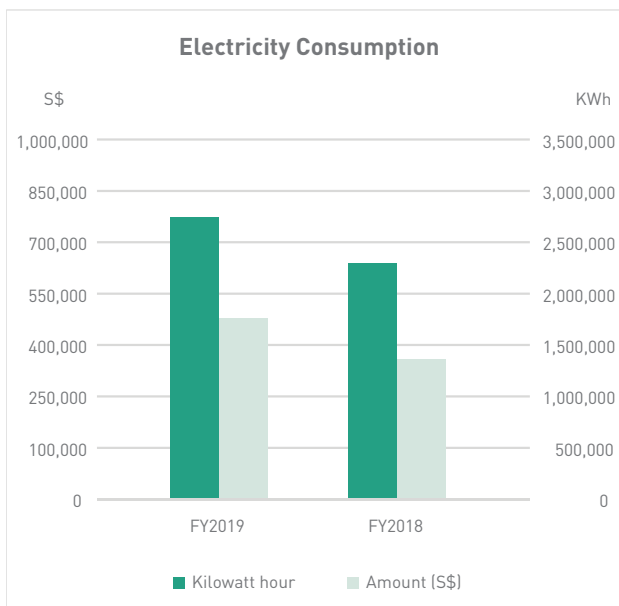
SUSTAINABILITY REPORT

ENVIRONMENT

	FY2019		FY2018	
	Unit (cm ³)	Amount (S\$)	Unit (cm ³)	Amount (S\$)
Water Consumption	69,853	198,097	59,769	146,196

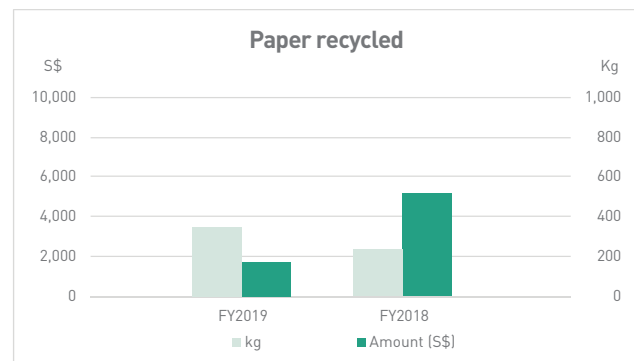


	FY2019		FY2018	
	Kilowatt hours	Amount (S\$)	Kilowatt hours	Amount (S\$)
Electricity Consumption	2,765,062	470,357	2,294,250	359,358



In terms of paper recycling, there was an one-off increase in total weight of recycled paper because of the disposal of old documents which consisted of mostly double-sided papers which could not be re-used in daily printing.

	FY2019	FY2018
Weight of paper recycled	384kg	239kg
Cost savings for paper consumption	\$1,973	\$5,613



Biodiversity Conservation

We practise environmental monitoring and mitigation by incorporating biodiversity conservation within our worksites.

Our biodiversity conservation programme centred on the review of the conditions of the vegetation around the circumference of first two pilot projects for our project sites.



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

ENVIRONMENT

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 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.

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.

In FY2019, we had labelled all the recycling containers with enhanced visibility for each category of recycled products, so that our staff and customers can have greater ease in their waste recycling management process.



Labelled containers

Pursuing EHS Excellence


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

In FY2019, we have also received the BCA Green and Gracious Builder Award and bizSAFE STAR for the following subsidiaries of the Group: Ley Choon Constructions and Engineering Pte Ltd, Teacly (S) Pte. Ltd. and Chin Kuan Engineering and Contractors Pte Ltd

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.

Customer Satisfaction Index

We have achieved a 87.4% target for the Customer Satisfaction Index FY2019 based on the survey results that were collected from 9 key clients in the private sector. Results shows that our major clients are generally satisfied with the services provided by the Group, especially in the area of working relationship between both parties which scored the highest rating of 4.6 out of 5.

Awards	Customer	Project
Contractor Safety Recognition Award (Construction)	Public Utilities Board	Proposed 2200mm Diameter Water Pipeline from MNSR – Package 1 
Safety Recognition Award	Changi Airport Group	ZERO Safety infringement for works at Changi Airport in 2018 
Safety Accomplishment Award	Samsung Engineering & Construction	T313 Project 2018 for achieving 5.0 million accident free man-hours 

SUSTAINABILITY REPORT

ENVIRONMENT

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	<ul style="list-style-type: none"> To benchmark customer satisfaction using Customer Satisfaction Index 	<ul style="list-style-type: none"> To meet the average target score of 85% for Customer Satisfaction Index 	<ol style="list-style-type: none"> We aim for 100% on time, on budget completion rate for all our projects. We strive to achieve 100% customer satisfaction rating by our customers. We deliver the highest quality standards in accordance to the project specifications set by our clients.
Performance of services and products	<ul style="list-style-type: none"> To reduce the number of rework cases per year 	<ul style="list-style-type: none"> To reduce and minimise major rework cases by 20% 	<ol style="list-style-type: none"> We aim for zero defects for the performance of services and products delivered to our clients. We will reduce major reworks and related repair by 1%.
• Occupational Health & Safety			
Prevention/Reduction of Accident or Incident	<ul style="list-style-type: none"> To provide safe working environment 	<ul style="list-style-type: none"> To aim for zero accident rate at workplace 	<ol style="list-style-type: none"> We aim for zero accident rate at workplace. We provide for a safe and well designed workplace to ensure our employees are safeguarded against any foreseeable accidents.
Occupational Health	<ul style="list-style-type: none"> To provide a healthy environment and protection for employees at workplace 	<ul style="list-style-type: none"> To aim for zero occupational health incident at workplace 	<ol style="list-style-type: none"> We aim for zero occupational health incident rate at workplace.
Prevention of damages to property	<ul style="list-style-type: none"> To prevent damages to property 	<ul style="list-style-type: none"> To reduce and minimise the repair cost and reduce damages to property by 20% 	<ol style="list-style-type: none"> We aim to reduce the repair costs to less than 5% of the project cost.
Comply with Legal and Other Requirements	<ul style="list-style-type: none"> To comply with legal requirements 	<ul style="list-style-type: none"> To reduce the cases of legal non-compliance by 20% 	<ol style="list-style-type: none"> We comply with all national and international legal regulations to uphold the highest level of health and safety standards at our worksites. We target to achieve zero non-compliance with any environmental regulations.
• Environmental			
Material (Recycling)	<ul style="list-style-type: none"> To protect Earth's natural resources by maximizing the usage of recycled materials in daily operation works. 	<ul style="list-style-type: none"> To increase the usage of recycled material by 1% in Operation Works compared with previous year 	<ol style="list-style-type: none"> We embrace green principles of using more recycled materials in our daily operations.

ENVIRONMENT

Aspects	Objective	Targets	Policy
Energy Conservation	<ul style="list-style-type: none"> To protect our Mother Earth by reducing energy consumption and avoiding pollution 	<ul style="list-style-type: none"> To reduce the total energy consumption by 2% per headcount in HQ building 	<ol style="list-style-type: none"> We implement energy efficient practices, technology and equipment to reduce energy consumption within our premises. We target to reduce the pollution caused by our construction activities.
Water Conservation	<ul style="list-style-type: none"> To preserve our environment by reducing the use of water for our activities 	<ul style="list-style-type: none"> To reduce the total water consumption by 2% per headcount in HQ building 	<ol style="list-style-type: none"> We implement efficient practices, technology and equipment to reduce water consumption.
Biodiversity	<ul style="list-style-type: none"> To deploy the necessary resources to preserve biodiversity and ensuring the sustainability of ecosystems 	<ul style="list-style-type: none"> To engage specialist/ experts to set up the environmental programme for protected area prior to the commencement of works 	<ol style="list-style-type: none"> We implement environmentally-friendly practices, technology and equipment to preserve biodiversity.
Effluent & Waste	<ul style="list-style-type: none"> To protect water bodies from being affected by contaminated water & waste discharge To ensure all the contaminated waste are sent for proper disposal by NEA approved General Disposal Facilities 	<ul style="list-style-type: none"> To employ Environmental Control Office/Specialist for Environment Control Measure implementation 	<ol style="list-style-type: none"> We target to treat contaminated waste water before discharging all our projects. We implement effective waste management measures and technology to ensure we maximize the materials we use and the waste disposal/discharge is responsibly managed.
Environment Compliance	<ul style="list-style-type: none"> To ensure we conform to environmental laws, regulations, standards and other industry requirements 	<ul style="list-style-type: none"> To reduce the number of environmental related cases brought by external authorities 	<ol style="list-style-type: none"> We comply with all national and international legal regulations to uphold the highest level of environmental standards at our worksites.



Construction waste recycling

SUSTAINABILITY REPORT

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 complying with all applicable labour laws where we operate as well as all mandatory legal regulations and training requirements stipulated by BCA and MOM in Singapore.

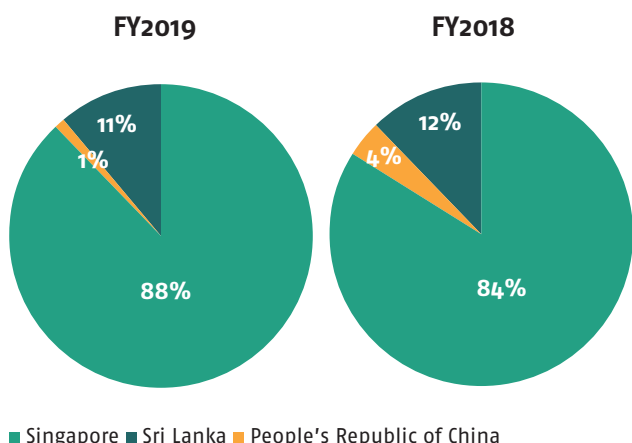
Fair Employment Opportunities

The Group currently has a headcount of around 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.

Emplooyees*	FY2019	FY2018
Singapore	810	888
People's Republic of China ("PRC")	5	44
Sri Lanka	99	122
Total	914	1,054

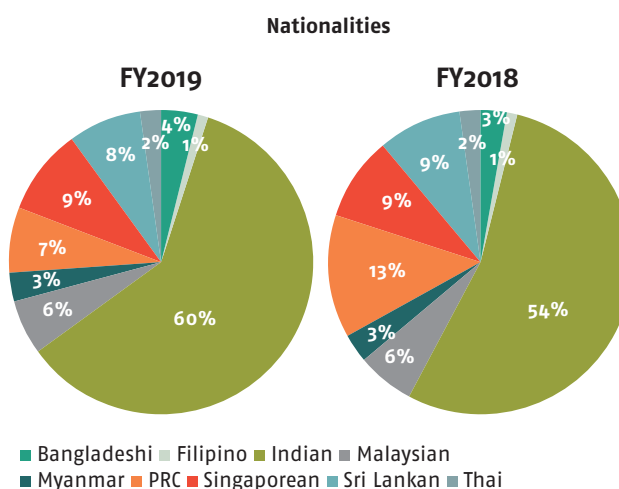
* As at 31 March 2019

Number of Employees



Nationalities*	FY2019 Proportion (%)	FY2018 Proportion (%)
Bangladeshi	4	3
Filipino	1	1
Indian	60	54
Malaysian	6	6
Myanmar	3	3
PRC	7	13
Singaporean	9	9
Sri Lankan	8	9
Thai	2	2
Total	100	100

* As at 31 March 2019



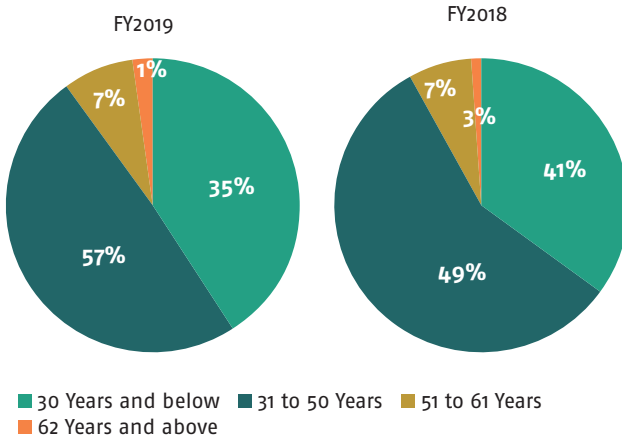
SOCIAL

We maintain a policy of employee diversity through providing employment opportunities to young and older workers beyond the official retirement age of 65. As at 31 March 2019, the youngest staff is 20 years old while we have only 8 senior staff of age 65 and above.

Age profile of Employees*	FY2019 Proportion (%)	FY2018 Proportion (%)
All Employees (include workers)		
30 Years and below	35	41
31 to 50 Years	57	49
51 to 65 Years	7	7
Above 65 years	1	3
Total	100	100

* As at 31 March 2019

Age Profile of Employees



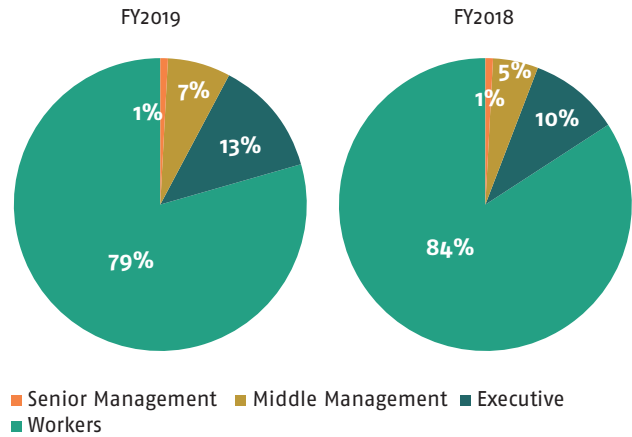
In terms of employee skills profile, we have maintained a fair proportion of professional and management team to lead and drive the business growth in our two business segments.

PMET* classification for Employees**	FY2019 Proportion (%)	FY2018 Proportion (%)
Senior Management	1	1
Middle Management (Managers & Professional)	7	5
Executive	13	10
Workers	79	84
Total	100	100

* PMET refers to Professionals, Managers, Executives and Technicians

** As at 31 March 2019

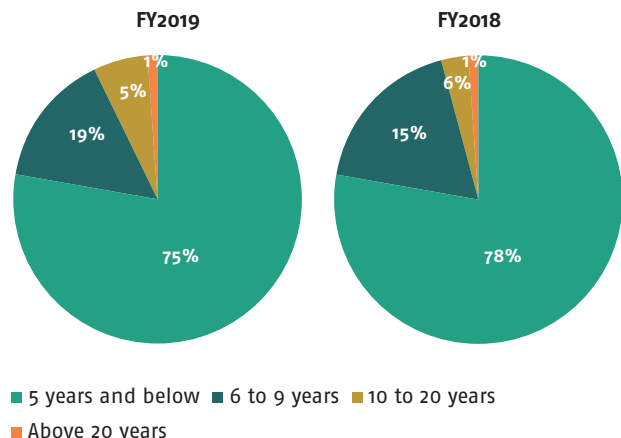
PMET Classification for Employees



Years of service*	FY2019 Proportion (%)	FY2018 Proportion (%)
5 years and below	75	78
6 to 9 years	19	15
10 to 20 years	5	6
Above 20 years	1	1
Total	100	100

* As at 31 March 2019

Years of Service



SUSTAINABILITY REPORT

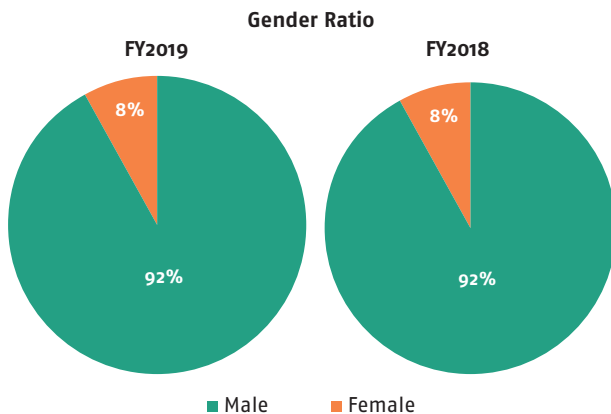
SOCIAL

During FY2019, we have adjusted our employees' strength carefully in response to our business needs.

The Group 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.

Gender Ratio*	FY2019 Proportion (%)	FY2018 Proportion (%)
Male	92	92
Female	8	8
Total	100	100

* As at 31 March 2019



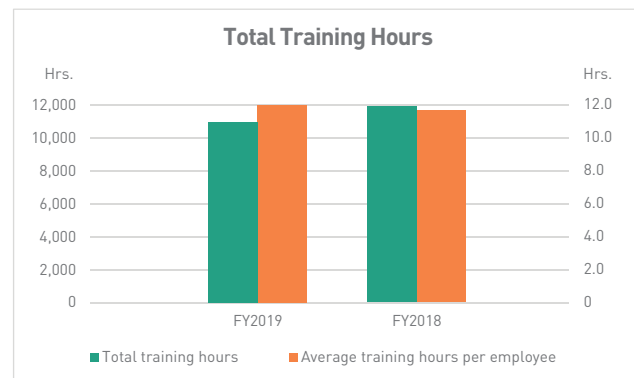
Fair work practices and remuneration are ascertained based on individual work performance and not on any gender consideration at Ley Choon. No form of discrimination is tolerated within our organisation. There is no incident of discrimination and corrective actions taken.

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 increase our average training hours per employee by 5.3% in FY2019.

Training & Education*	FY2019	FY2018
Total training hours	10,877	11,997
Average training hours per employee	12.0	11.4

* As at 31 March 2019



Embracing Technology Innovation

As our first step to digitise our employee records, we have adopted Fareclock which 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.

The employee self-service electronic 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, were well-received. This has greatly enhanced the productivity and data analytics for our leave management system.

E-pay slips for all employees have translated into higher productivity and convenience for employees through the paperless and electronic mechanism.

SOCIAL

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 bowling tournament in Singapore as part of our annual team building event. This has created a stronger collaborative spirit within the Group.

In addition, we organised a Ley Choon Talente Show 2019 for our workers during Deepavali in Singapore.

We have also organized our regular Workers Orientation Briefing by senior management with our working level employees to understand and identify their work issues and challenges. Such engagement initiatives will be rolled out to involve the middle management in the following years.



Orientation to newly joined employees



A Safety Promotion Campaign whereby staff and our customers like SP Power were invited to participate in driving awareness and the importance of strong safety management at worksites.

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 15 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:

- Bi-monthly management meeting primarily to review the physical & financial progress of the projects.
- Regular dialogue session between CEO & operation staff to understand their practical challenges in the operations and the impediments to improve the productivity, so as to modify the workflow and business processes appropriately.
- Weekly/Monthly Meetings
Team Managers have weekly and 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 business development and finance.
- Informal Small Group
Meetings are often held by management to listen to and understand our employees' concerns and grievances.

SUSTAINABILITY REPORT

SOCIAL

Appreciation Award for Innovation



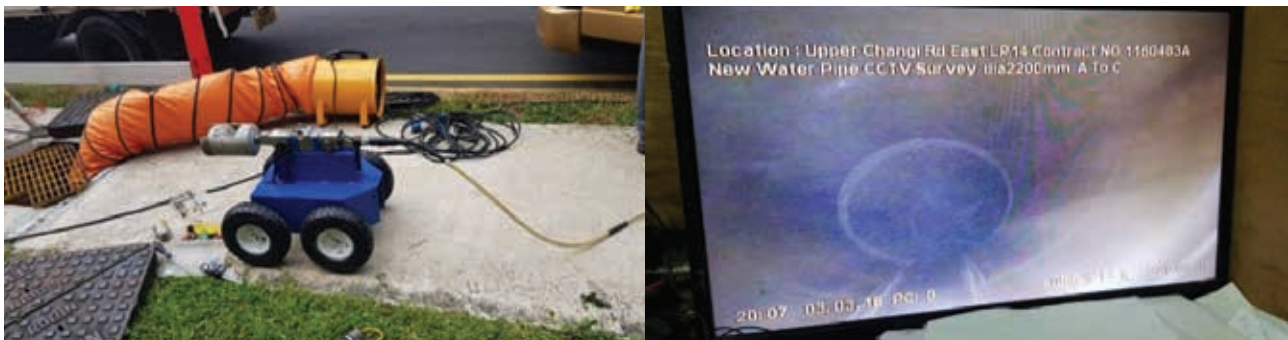
Mr Tevarajan Anbuselvan (second from right) receiving the first appreciation award for Innovation from Mr Toh Choo Huat, Executive Chairman & Chief Executive Officer

In FY2019, we set up an Appreciation Award for Innovation to staff who have contributed to the Group by thinking out of the box.

The first Appreciation Award for Innovation was awarded to Mr Tevarajan Anbuselvan from Ley Choon Construction and Engineering Pte Ltd for his ingenious innovation that resulted in significant cost savings for the Company.

He did a creative modification of an existing CCTV tractor used in big diameter CCTV survey for 500-3000mm diameter and also created a support for the same tractor to prevent it from toppling over when turning around inside the bigger sewers. PUB allowed the usage of this modified CCTV set.

As a result, his innovation brought a savings of S\$40,000 for the Group because the Group does not need to purchase another sewer robotic crawler. It also increased productivity by putting idling equipment into full use.



Modification to an existing CCTV tractor

SOCIAL

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 FY2019, we have supported the following beneficiaries:

Beneficiaries	Mission	What did we do?
Cairnhill Constituency Community Centre	Provide grassroot and community activities to residents living in the Cairnhill constituency	"Love Mooncake" Donation and volunteering Donation to Moulmein Cairnhill CCC Catalyst Awards
Soles4Souls	Collection of shoes for the needy in emerging economies	Collected over 100 pairs of shoes for donation



Soles4Souls – Shoe donation drive

SUSTAINABILITY REPORT

SOCIAL

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

We are systematically reviewing and setting the key performance metrics for our human resource management system in 1 to 5 years time.

Sustainability Issues	Objective	Targets	Policy
Employee Engagement and Excellence			
Employee Wellness	<ul style="list-style-type: none"> • To enhance employee wellness in both physical and mental state of well-being 	<ul style="list-style-type: none"> • To target employees' well-being by bringing in complimentary basic health screening services through appropriate medical intervention including medication and lifestyle modification • To support mental wellness through the promotion of work-life balance among the employees 	<ol style="list-style-type: none"> 1. We aspire to position Ley Choon as the employer-of-choice for existing and potential employees. 2. We strive to provide a healthy workplace as healthy employees contribute to the Company's growth and corporate culture such as productivity, energy, engagement and morale.
Employee Engagement	<ul style="list-style-type: none"> • To achieve employee engagement through well-designed employee engagement strategy & programmes 	<ul style="list-style-type: none"> • To increase employee engagement to enhance the communication and cohesion of the organisation 	<ol style="list-style-type: none"> 1. We strive to achieve 20% more employee engagement to enhance the communication and cohesion of the organisation. 2. We promote greater social interaction among employees via company-wide programmes and both external and internal communications channels.
Employee Loyalty	<ul style="list-style-type: none"> • To achieve employee loyalty through well-designed employee loyalty strategy & programmes 	<ul style="list-style-type: none"> • To attain employee loyalty to enhance employee morale, motivation and cohesion of the organisation 	<ol style="list-style-type: none"> 1. We strive to attain 80% employee loyalty to enhance the employee morale, motivation and cohesion of the organisation.

SOCIAL

Sustainability Issues	Objective	Targets	Policy
Fair Remuneration			
Compensation & Benefits	<ul style="list-style-type: none"> To provide fair and competitive remuneration and staff benefits which meets the Company's goals of attracting and retaining good talents 	<ul style="list-style-type: none"> To achieve fair and competitive remuneration packages for staff which commensurate with their work experience and skillset 	<ol style="list-style-type: none"> We aspire to position Ley Choon as the employer-of-choice for existing and potential employees. We strive to achieve fair, non-discriminatory and competitive remuneration packages for staff which commensurate with their work experience and skillset. We aim to achieve above 80% rating for satisfaction for remuneration and benefits by our employees in the exit interview responses.
Diversity and Equal Opportunities			
Recruitment	<ul style="list-style-type: none"> To embrace open recruitment approach to attract the best talent to serve in the Group 	<ul style="list-style-type: none"> To effectively recruit good employees with the right profile and required skillsets for the Group 	<ol style="list-style-type: none"> We embrace an open recruitment policy to uphold the principle of fairness and meritocracy in our recruitment and selection process.
Diversity	<ul style="list-style-type: none"> To attain the strength in diversity in terms of gender, age and nationality 	<ul style="list-style-type: none"> To achieve a fair proportion of diversity in terms of gender, age and nationality in our workforce 	<ol style="list-style-type: none"> We strive to achieve a fair proportion of diversity in terms of gender, age and nationality in our workforce.
Training & Development			
Training	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> To support our employees to upgrade and enhance their professional competencies and technical skillset to meet the required scope of work 	<ol style="list-style-type: none"> We are committed to training and encouraging skills upgrading for all our employees. We provide training to our employees to upgrade and enhance their professional competencies and technical skillset to meet the required scope of work.
Employee Development	<ul style="list-style-type: none"> To implement training programmes which will upgrade and enhance the individual skillsets and interpersonal competencies of our employees for future career advancement 	<ul style="list-style-type: none"> To support our employees to upgrade and enhance their individual skillsets and interpersonal competencies 	<ol style="list-style-type: none"> We provide training to our employees to upgrade and enhance their individual skillsets and interpersonal competencies.

SUSTAINABILITY REPORT

SOCIAL

Sustainability Issues	Objective	Targets	Policy
Talent Performance Management			
Recruitment & Workforce Planning	<ul style="list-style-type: none"> To attract and recruit good talents which can meet the need of the Company's workforce planning 	<ul style="list-style-type: none"> To recruit effectively good talents who can contribute to the talent mix and skillsets requirements of our workforce planning 	<ol style="list-style-type: none"> We aim to recruit employees who possess the professional skillset and interpersonal skills that meet our workforce planning.
Employee Performance	<ul style="list-style-type: none"> To motivate high employee performance through well-designed employee performance strategy & programmes 	<ul style="list-style-type: none"> To develop an employee performance system which will provide a fair evaluation and high motivation system for employees 	<ol style="list-style-type: none"> We adopt a fair employee performance system which provides a fair evaluation and high motivation system for employees.
Corporate Social Responsibility			
Corporate Philanthropy and sponsorship	<ul style="list-style-type: none"> To position Ley Choon as an employer with strong Corporate Social Responsibility 	<ul style="list-style-type: none"> To achieve 10% increase in our staff volunteering hours 	<ol style="list-style-type: none"> We strive to improve the welfare of the communities while we endeavour towards our business goals. We set a corporate philanthropy policy which is pegged to our annual contract wins.



Fire drill



Annual team building event



GRI CONTENT INDEX

Universal Standard Disclosure		Page reference and reasons for omissions, if applicable
Organisational Profile		
102-1	Name of the organization.	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 organization	1
102-8	Information on employees and other workers	1
102-9	Supply chain	15
102-10	Significant changes to the organization and its supply chain	N/A
102-11	Precautionary Principle or approach	14
102-12	External initiatives	LCG* has not adopted any external Initiatives.
102-13	Membership of associations	N/A
Strategy		
102-14	Statement from senior decision-maker	12
102-15	Key impacts, risks, and opportunities	12
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Cover Page
102-17	Mechanisms for advice and concerns about ethics	17
Governance		
102-18	Governance structure	16
102-19	Delegating authority	16
102-20	Executive-level responsibility for economic, environmental, and social topics	16
102-21	Consulting stakeholders on economic, environmental, and social topics	16
102-22	Composition of the highest governance body and its committees	16
102-23	Chair of the highest governance body	16
102-24	Nominating and selecting the highest governance body	16
102-25	Conflicts of interest	15-16
102-26	Role of highest governance body in setting purpose, values, and strategy	16
102-27	Collective knowledge of highest governance body	16
102-28	Evaluating the highest governance body's performance	16
102-29	Identifying and managing economic, environmental, and social impacts	16
102-30	Effectiveness of risk management processes	40-42
102-31	Review of economic, environmental, and social topics	17-32

* LCG: Ley Choon Group

SUSTAINABILITY REPORT

Universal Standard Disclosure		Page reference and reasons for omissions, if applicable
102-32	Highest governance body's role in sustainability reporting	16
102-33	Communicating critical concerns	15
102-34	Nature and total number of critical concerns	15-16
102-35	Remuneration Policies	26, 57
102-36	Process for determining remuneration	26, 57
102-37	Stakeholders' involvement in remuneration	26, 57
102-38	Annual total compensation ratio	N/A
102-39	Percentage increase in annual total compensation ratio	N/A
Stakeholder Engagement		
102-40	List of stakeholder groups	15
102-41	Collective bargaining agreements	N/A, our employees are not unionised
102-42	Identifying and selecting stakeholders	15
102-43	Approach to stakeholder engagement	15
102-44	Key topics and concerns raised	15
Reporting Practice		
102-45	Entities included in the consolidated financial statements	7
102-46	Defining report content and topic Boundaries	14, 16
102-47	List of material topics	16
102-48	Restatements of information	N/A
102-49	Changes in reporting	N/A
102-50	Reporting period	14
102-51	Date of most recent report	14
102-52	Reporting cycle	14
102-53	Contact point for questions regarding the report	39
102-54	Claims of reporting in accordance with the GRI Standards	14
102-55	GRI content index	33-38
102-56	External assurance	N/A
Management Approach		
103-1	Explanation of the material topic and its Boundary	14-16
103-2	The management approach and its components	14-16
103-3	Evaluation of the management approach	14-16

Universal Standard Disclosure		Page reference and reasons for omissions, if applicable
Topic – Specific Standard Disclosures		
Category: Economic		
Aspect: Economic Performance		
201-1	Direct economic value generated and distributed	1-6, 17
201-2	Financial implications and other risks and opportunities due to climate change	N/A
201-3	Defined benefit plan obligations and other retirement plans	26
202-4	Financial assistance received from government	N/A
Aspect: Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Disclosure is not applicable as there is no minimum wage system in Singapore. Furthermore, LCG's direct hires are skilled technical and professional employees whose pay is not linked to particular laws concerning minimum wage.
202-2	Proportion of senior management hired from the local community	8-11 Our senior management is 100% hired from the local community
Aspect: Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	1, 4-5
203-2	Significant indirect economic impacts	17
Aspect: Procurement Practices		
204-1	Proportion of spending on local suppliers	Majority of our business expenditure in Singapore is on locally-registered companies.
Aspect: Anti-corruption		
205-1	Operations assessed for risks related to corruption	17, 40-75
205-2	Communication and training about anti-corruption policies and procedures	17, 40-75
205-3	Confirmed incidents of corruption and actions taken	17, 40-75
Aspect Anti-Competitive Behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	N/A
Category: Environmental		
Aspect: Energy		
302-1	Energy consumption within the organization	20
302-2	Energy consumption outside the organization	20
302-3	Energy intensity	N/A
302-4	Reduction of energy consumption	19
302-5	Reduction of energy requirements of products and services	N/A

SUSTAINABILITY REPORT

Universal Standard Disclosure		Page reference and reasons for omissions, if applicable
Aspect: Water		
303-1	Water withdrawal by source	19
303-2	Water sources significantly affected by withdrawal of water	N/A
303-3	Water recycled and reused	19
Aspect: Biodiversity		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	20
304-2	Significant changes of activities, products, and services on biodiversity	20
304-3	Habitat protected or restored	20
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	N/A
305-2	Energy indirect (Scope 2) GHG emissions	N/A
305-3	Other indirect (Scope 3) GHG emissions	N/A
305-4	GHG emissions intensity	N/A
305-5	Reduction of GHG emissions	N/A
305-6	Emissions of ozone-depleting substances (ODS)	N/A
305-7	Significant air emissions	N/A
Aspect: Effluents and Waste		
306-1	Water discharge by quality and destination	N/A
306-2	Waste by type and disposal method	N/A
306-3	Significant spills	N/A
306-4	Transport of hazardous waste	N/A
306-5	Water bodies affected by water discharges and/or runoff	N/A
Aspect: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	12
Aspect: Supplier 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: Employment		
401-1	New employee hires and employee turnover	26
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	N/A
401-3	Parental leave	26

Universal Standard Disclosure		Page reference and reasons for omissions, if applicable
Aspect: Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	27
Aspect: Occupational Health and Safety		
403-1	Workers representation in formal joint management-worker health and safety committees	18
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	N/A
403-3	Workers with high incidence or high risk of diseases related to their occupation	N/A
404-4	Health and safety topics covered in formal agreements with trade unions	N/A, our employees are not unionised
Aspect: Training and Education		
404-1	Average hours of training per year per employee	26
404-2	Programs for upgrading employee skills and transition assistance programs	26
404-3	Percentage of employees receiving regular performance and career development reviews	26
Aspect: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	24-29
405-2	Ratio of basic salary and remuneration of women to men	N/A Workers' remuneration are ascertained based on work experience and academic qualifications. individual work performance and not on any gender consideration.
Aspect: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	26
Aspect Freedom 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
Aspect: Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	N/A. All our employees are of legal age for formal employment by law of MOM.
Aspect: Forced or Compulsory Labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A
Aspect: Security Practices		
410-1	Security personnel trained in human rights policies or procedures	N/A
Aspect: Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	N/A

SUSTAINABILITY REPORT

Universal Standard Disclosure		Page reference and reasons for omissions, if applicable
Aspect: Human 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: Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	27-28
413-2	Operations with significant actual and potential negative impacts on local communities	N/A
Aspect: Supplier 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: Public Policy		
415-1	Political contributions	N/A
Aspect: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	18
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	N/A There is no incident of non-compliance reported.
Aspect: Marketing and Labeling		
417-1	Requirements for product and service information and labeling	N/A There is no incident of non-compliance reported
417-2	Incidents of non-compliance concerning product and service information and labeling	N/A There is no incident of non-compliance reported
417-3	Incidents of non-compliance concerning marketing communications	N/A There is no incident of non-compliance reported
Aspect: Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	17
Aspect: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	There is no incident of non-compliance reported

Note:

LCG takes a phased approach to the adoption of GRI indicators and will review the relevance of indicators marked "N/A" to its operations annually.

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

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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.

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REPORT ON CORPORATE GOVERNANCE

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 2019 (“**FY2019**”), 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. On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance 2018 (the “**2018 Code**”) and an accompanying Practice Guidance. The Company will review and set out its corporate governance practices in place, to comply with the 2018 Code, in its next Annual Report.

(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.

REPORT ON CORPORATE GOVERNANCE

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⁽¹⁾, the attendance of the Directors at the scheduled meetings of the Board and Board Committees during FY2019 were as follows:

	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
No. of Meetings	4	4	1	1
Director				
Toh Choo Huat	4/4	–	–	–
Ling Chung Yee Roy	4/4	4/4	1/1	1/1
Chia Soon Hin William	4/4	4/4	1/1	1/1
Chua Hock Thak	4/4	4/4	1/1	1/1
Teo Ho Beng	4/4	4/4	1/1	1/1
Dr. Low Boon Hwee	– ⁽²⁾	–	–	–

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) As Dr. Low Boon Hwee stepped down from the Board with effect from 13 April 2018, he did not attend any Board meetings held after his cessation.

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;

REPORT ON CORPORATE GOVERNANCE

- (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

REPORT ON CORPORATE GOVERNANCE

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 FY2019, Ling Chung Yee Roy attended the ACRA Directors Training Programme, CG Briefing 2018, Sustainability Reporting Workshop and Singapore Budget Seminar 2019, Chia Soon Hin William attended Executive and Directors Remuneration, CG Briefing 2018, Rebooting Globalisation and Governance in an Era of Disruption, Launch of 2018 Singapore Directorship Report & CG Guides, Straits Times – 2019 Trade Wars And Tensions – Navigating Global Turbulence and ACRA-SGX-SID Audit Committee Seminar 2019, and Chua Hock Thak attended Board of Directors Fundamentals.

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

REPORT ON CORPORATE GOVERNANCE

As the majority 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, guideline 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 page 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 non-executive directors

The Non-Executive Directors had engaged in regular discussions amongst themselves without the presence of the Management and the Executive Director throughout the year.

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

REPORT ON CORPORATE GOVERNANCE

Executive Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business, 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 role

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) the majority 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.

REPORT ON CORPORATE GOVERNANCE

In view that the Executive Chairman and the Chief Executive Officer are 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 FY2019, the Independent Directors and Non-Executive Director met five (5) 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.

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

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

- (i) the review of board succession plans for the Directors, in particular, the Executive 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 4.2 of the Code: NC to make recommendations to the Board on certain relevant matters

REPORT ON CORPORATE GOVERNANCE

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 on 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 reviews 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.



REPORT ON CORPORATE GOVERNANCE

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
Ace Achieve Infocom Ltd	Independent Director
Amplefield Ltd	Independent Director
Debao Property Development Ltd	Lead Independent Director
United Food Holdings Ltd	Lead 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
Arion Entertainment Singapore Ltd	Independent Director
Chaswood Resources Holdings Ltd	Lead Independent Director
China Flexible Packaging Holdings Ltd	Lead Independent Director
ChinaSing Investment Holdings Ltd	Lead Independent Director
Pine Capital Group Ltd	Lead Independent Director

CHIA SOON HIN WILLIAM

Other existing directorships with public listed companies:

Company	Position
Asiatic Group (Holdings) Ltd	Independent Director

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	-

REPORT ON CORPORATE GOVERNANCE

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	Chief Executive Officer

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	30 July 2018
Chia Soon Hin William	28 September 2015	30 July 2018
Chua Hock Thak	29 March 2018	30 July 2018
Teo Ho Beng	28 September 2015	22 July 2016

Guideline 4.7 of the Code: Key information regarding directors



REPORT ON CORPORATE GOVERNANCE

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, Toh Choo Huat and Teo Ho Beng 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.

Details on the experiences, professional qualifications and responsibilities of the Directors are set out in page 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. Pursuant to Rule 720(5) of the Listing Manual – Section B: Rules of Catalist (the "**Catalist Rules**"), the information as set out in Appendix 7F of the Catalist Rules relating to Toh Choo Huat and Teo Ho Beng, who are the Directors seeking re-election at the forthcoming Annual General Meeting, is set out in pages 76 to 82 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 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 ⁽¹⁾	Operations Manager	Nephew of TCH
8.	Toh Ting Xuan	Senior Contracts Manager	Daughter of TCH
9.	Toh Wei Jie	Assistant Project Manager	Nephew of TCH

Note:

(1) Toh Kai Yang resigned with effect from 28 February 2019.

REPORT ON CORPORATE GOVERNANCE

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.

REPORT ON CORPORATE GOVERNANCE

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 are not usually changed from year to year. However, where circumstances deem it necessary for any of the criteria to be changed, the onus will be on the Board to justify this decision.

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.

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

The Board and the Nominating Committee have ensured 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.

REPORT ON CORPORATE GOVERNANCE

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.

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.

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

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.

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

(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

The Remuneration Committee is principally responsible for:

- (i) 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.

Guideline 7.2 of the Code: RC to review and recommend to the Board a general framework of remuneration for the Board and key management personnel

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 FY2019.

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

REPORT ON CORPORATE GOVERNANCE

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.

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

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.

The Remuneration Committee administers the Company's performance share plan (the "Ley Choon Performance Share Plan 2018"), which was approved by the Shareholders at the Annual General Meeting held on 30 July 2018. Please refer to pages 62 and 84 of this Annual Report for more details.

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

Save for the Ley Choon Performance Share Plan 2018, 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.

REPORT ON CORPORATE GOVERNANCE

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 FY2019 is set out below:

Remuneration Band and Name of Directors	Fees (%)	Salary* (%)	Bonus (%)	Allowances (%)	Leave Pay** (%)	Total (%)
<i>Directors who receive S\$0 to S\$100,000</i>						
Ling Chung Yee Roy	100%	–	–	–	–	100%
Chia Soon Hin William	100%	–	–	–	–	100%
Chua Hock Thak	100%	–	–	–	–	100%
Teo Ho Beng	100%	–	–	–	–	100%
Dr. Low Boon Hwee ⁽¹⁾	–	33%	12%	3%	52%	100%
<i>Directors who receive S\$250,000 to S\$499,999</i>						
Toh Choo Huat	–	80%	12%	8%	–	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.

** Leave pay includes encashment of leave due to resignation.

REPORT ON CORPORATE GOVERNANCE

The breakdown of remuneration of the top five (5) Key Management (Executive Officers) for FY2019 is set out below:

Remuneration Band and Name of Key Management	Salary* (%)	Bonus (%)	Allowances (%)	Total (%)
<i>Key Management who receive S\$0 to S\$250,000</i>				
Goh Seng Huat Daniel	84%	10%	6%	100%
Toh Kai Sheng Adam	80%	9%	11%	100%
<i>Key Management who receive S\$250,001 to S\$499,999</i>				
Toh Chew Chai	87%	5%	8%	100%
Toh Swee Kim	78%	11%	11%	100%
Toh Chew Leong	78%	11%	11%	100%

* Salary includes gross salary and CPF contributions.

In aggregate, the total remuneration paid to the top five (5) key management personnel (who are not Directors or the Chief Executive Officer) in FY2019 is approximately S\$1,421,000.

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.



REPORT ON CORPORATE GOVERNANCE

Pursuant to Rule 704(10) of the Catalist Rules, the Company has disclosed in its full year results announcement released via SGXNET on 29 May 2019, 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 S\$50,000 for FY2019 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 Name of Relative	Family Relationship with any Director and/or Substantial Shareholder	Salary* (%)	Bonus (%)	Allowances (%)	Total (%)
S\$50,001 to S\$100,000					
Toh Wei Jie	Son of Toh Chew Leong (" TCL ") (a substantial shareholder of the Company), nephew of Toh Choo Huat (" TCH ") (the Executive Chairman and Chief Executive Officer of the Company) and nephew of Toh Swee Kim (" TSK ") and Toh Chew Chai (" TCC ") (substantial shareholders of the Company)	85%	8%	7%	100%
S\$100,001 to S\$150,000					
Toh Ting Xuan	Daughter of TCH and niece of TCL, TSK and TCC	84%	9%	7%	100%
Toh Kai Yang ⁽¹⁾	Son of TCC and nephew of TCH, TCL and TSK	81%	5%	14%	100%
S\$150,001 to S\$200,000					
Toh Chiew Boon	Brother of TCH, TCL, TSK and TCC	60%	12%	28%	100%
Toh Kai Hock	Son of TCC and nephew of TCH, TCL and TSK	86%	10%	4%	100%
Toh Kai Sheng Adam	Son of TCC and nephew of TCH, TCL and TSK	80%	9%	11%	100%
S\$200,001 to S\$250,000					
Nil					
S\$250,001 to S\$300,000					
Toh Chew Chai	Brother of TCH, TCL and TSK	87%	5%	8%	100%
S\$300,001 to S\$350,000					
Nil					
S\$350,001 to S\$400,000					
Toh Chew Leong	Brother of TCH, TSK and TCC	78%	11%	11%	100%
Toh Swee Kim	Brother of TCH, TCL and TCC	78%	11%	11%	100%

Notes:

(1) Toh Kai Yang resigned with effect from 28 February 2019.

* Salary includes gross salary and CPF contributions.

REPORT ON CORPORATE GOVERNANCE

The Ley Choon Performance Share Plan 2018 was approved by the Shareholders at the Annual General Meeting held on 30 July 2018.

Guideline 9.5 of the Code: Details of employee share schemes

The objectives of the Ley Choon Performance Share Plan 2018 are as follows:

- (a) to give the Company the option and flexibility to pay eligible employees' bonuses in the form of cash, shares or a combination of cash and shares, resulting in a better and more flexible salary and cash-flow management for the Company;
- (b) to give the Company the flexibility to impose specific or medium-term performance targets or to impose time-based service conditions, or a combination of both, as a means to reward and steer its executives to better performance and to retain employees with suitable skill sets and talents to drive the growth of the Group;
- (c) to incentivise participants of the Ley Choon Performance Share Plan 2018 to excel in their performance and encourage greater dedication and loyalty to the Company;
- (d) to recognise and reward past contributions and services and motivate participants of the Ley Choon Performance Share Plan 2018 to continue to strive for the Company's long-term prosperity;
- (e) to further strengthen and enhance the Company's competitiveness in attracting and retaining employees with suitable talents; and
- (f) to foster an ownership culture within the Company, and align the interests of participants of the Ley Choon Performance Share Plan 2018 with the interests of the Shareholders.

The Ley Choon Performance Share Plan 2018 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 or decisions of the Committee in respect of the grant of Awards to him or his associate. Shareholders who are eligible to participate in the Ley Choon Performance Share Plan 2018 shall abstain from voting on any resolution relating to the Ley Choon Performance Share Plan 2018.

The Ley Choon Performance Share Plan 2018 shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date on which the Ley Choon Performance Share Plan 2018 is adopted by Shareholders, provided always that the Ley Choon Performance Share Plan 2018 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 Ley Choon Performance Share Plan 2018's commencement.

Save for the Ley Choon Performance Share Plan 2018, the Company currently does not have any long-term incentive scheme for its Directors and key management personnel.

REPORT ON CORPORATE GOVERNANCE

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 FY2019 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

REPORT ON CORPORATE GOVERNANCE

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:

- (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 FY2019, 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 FY2019, 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 11.1 of the Code: Board to determine the Company's levels of risk tolerance and risk policies

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

REPORT ON CORPORATE GOVERNANCE

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 (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective as at 31 March 2019.

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; and
- (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.

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.

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.

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

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

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

REPORT ON CORPORATE GOVERNANCE

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.

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

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.

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

Guideline 12.4 of the Code: Duties of AC

- (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 quarterly and annual 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;

REPORT ON CORPORATE GOVERNANCE

- (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:

- (i) 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 FY2019, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the effectiveness and adequacy 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.

REPORT ON CORPORATE GOVERNANCE

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, any 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 FY2019 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 FY2019 are S\$255,000 [FY2018: S\$255,000] and S\$55,000 [FY2018: 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 FY2019 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

REPORT ON CORPORATE GOVERNANCE

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
<p>Revenue recognition over time</p>	<p>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 long-term projects where the Group satisfies its performance obligations over time, which include the assessment of reasonableness of the estimated total budgeted costs of each project, and whether any provision for onerous contracts is required.</p> <p>Revenue recognition over time was also an area of focus for the External Auditors. The External Auditors had included this item as a key audit matter in their report for FY2019. Please refer to page 88 of this Annual Report.</p>
<p>Impairment testing of non-financial assets (the Group's property, plant and equipment and the Company's investments in subsidiaries)</p>	<p>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.</p> <p>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 had included this item as a key audit matter in their report for FY2019. Please refer to page 89 of this Annual Report.</p>

REPORT ON CORPORATE GOVERNANCE

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 FY2019, 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 bodies

The Audit Committee meets at least once annually to ensure the adequacy of the internal audit functions. The AC reviewed the independence, adequacy and effectiveness of the Internal Auditors as required under Rule 1204(10C) of the Catalist Rules and determined that the Internal Auditors are independent, effective and adequately resourced. 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.

REPORT ON CORPORATE GOVERNANCE

(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.

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

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.

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; and
- (iii) the annual report.

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

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 releases 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 (<http://www.leychoon.com>) 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 has adopted an investor relations policy, which describes the principles and practices that the Company applies in order to provide current and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The Company also considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to 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 FY2019 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

REPORT ON CORPORATE GOVERNANCE

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.

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.

The Directors, Senior Management and the Company Secretary will be available to answer questions from the Shareholders present. The Chairman 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.

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.

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

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

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

REPORT ON CORPORATE GOVERNANCE

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

REPORT ON CORPORATE GOVERNANCE

- (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 FY2019.

(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 FY2019, 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 FY2019.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Toh Choo Huat and Mr Teo Ho Beng are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 July 2019 ("AGM") (collectively, the "Retiring Directors" and each a "Retiring Director").

Pursuant to Rule 720(5) of the SGX-ST Listing Manual Section B: Rules of Catalist (the "Catalist Rules"), the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules is set out below:

	MR TOH CHOO HUAT	MR TEO HO BENG
Date of Appointment	25 July 2012	28 September 2015
Date of last re-appointment	28 July 2017	22 July 2016
Age	62	64
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr Toh Choo Huat for re-appointment as an Executive Director of the Company. The Board has reviewed and concluded that Mr Toh Choo Huat possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the qualification, work experience and suitability of Mr Teo Ho Beng for re-appointment as a Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Teo Ho Beng possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Toh Choo Huat 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.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Chief Executive Officer	Non-Executive Director and member of the Audit, Remuneration and Nominating Committees
Professional qualifications and working experience and occupation(s) during the past 10 years	Mr Toh Choo Huat is presently the Chief Executive Officer of the Company. Mr Toh has more than 27 years of experience in the business of Underground utilities infrastructure construction and maintenance, sewer pipeline rehabilitation, road and airfield construction and maintenance.	Mr Teo Ho Beng is presently the Chief Executive Officer of Hiap Hoe Group. Mr Teo Ho Beng has more than 42 years of experience in the construction and property industries and over 27 years of experience in the leisure industry.



ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TOH CHOO HUAT	MR TEO HO BENG
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 794,000 shares Deemed interest: 586,759,000 shares	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	<p>Yes. Mr Toh Choo Huat is the brother of Mr Toh Chew Leong (Deputy Chief Executive Officer and a substantial shareholder of the Company), Mr Toh Swee Kim (Chief Operating Officer and a substantial shareholder of the Company), Mr Toh Chew Chai (Deputy Chief Operating Officer and a substantial shareholder of the Company) and Mr Toh Chiew Boon (Senior Construction Manager of the Company).</p> <p>Mr Toh Choo Huat is the father of Ms Toh Ting Xuan (a director of the Company's subsidiaries, Multiform Developments & Construction Pte Ltd and LC International Trading Co Pte. Ltd.) and the uncle of Mr Toh Kai Sheng Adam (a director of the Company's subsidiaries, Ley Choon Constructions and Engineering Pte Ltd and Pan Alliance Technology International Pte. Ltd.), Mr Toh Kai Hock (a director of the Company's subsidiary, Teacly (S) Pte. Ltd.) and Ms Toh Qiu Ling (a director of the Company's subsidiary, Pan Alliance Technology International Pte. Ltd.).</p>	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TOH CHOO HUAT	MR TEO HO BENG
<p>Other Principal Commitments* Including Directorships#</p> <p>* "Principal Commitments" has the same meaning as defined in the Code.</p> <p># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)</p>	<p>Past (for the last 5 years):</p> <p>Director of Multiform Developments & Construction Pte Ltd</p> <p>Director of Pan Alliance Technology International Pte. Ltd.</p> <p>Director of Teacly (S) Pte. Ltd.</p> <p>Director of Ley Choon EWC Sdn Bhd</p> <p>Director of Ley Choon Development Pte. Ltd.</p> <p>Present:</p> <p>Director of LC International Trading Co Pte. Ltd.</p> <p>Director of Ley Choon Constructions and Engineering Pte Ltd</p> <p>Director of Li Chun Dragon Fish Industry Pte. Ltd.</p> <p>Director of Zheng Choon Holding Pte. Ltd.</p> <p>Director of Ley Choon (M) Sdn Bhd</p> <p>Director of Ley Choon (Yantai) Eco-Green Constructions Materials Ltd</p>	<p>Past (for the last 5 years):</p> <p>Nil</p> <p>Present:</p> <p>Chief Executive Officer and Executive Director of Hiap Hoe Limited</p>
<p>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</p>	<p>No</p>	<p>No</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TOH CHOO HUAT	MR TEO HO BENG
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TOH CHOO HUAT	MR TEO HO BENG
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TOH CHOO HUAT	MR TEO HO BENG
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TOH CHOO HUAT	MR TEO HO BENG
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N.A.	N.A.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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 2019.

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 2019 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)
 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 which director is deemed to have an interest	
	As at 1.4.2018	As at 31.3.2019 and 21.4.2019 [#]	As at 1.4.2018	As at 31.3.2019 and 21.4.2019 [#]
The Company - <u>Ley Choon Group Holdings Limited</u>				
Toh Choo Huat	794,000	794,000	585,959,000	585,959,000
Holding company - <u>Zheng Choon Holding Pte Ltd</u>				
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 2019.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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 Ley Choon Performance Share Plan 2018 was approved by the Shareholders at the Annual General Meeting held on 30 July 2018.

The objectives of the Ley Choon Performance Share Plan 2018 are as follows:

- (a) to give the Company the option and flexibility to pay eligible employees' bonuses in the form of cash, shares or a combination of cash and shares, resulting in a better and more flexible salary and cash-flow management for the Company;
- (b) to give the Company the flexibility to impose specific or medium-term performance targets or to impose time-based service conditions, or a combination of both, as a means to reward and steer its executives to better performance and to retain employees with suitable skill sets and talents to drive the growth of the Group;
- (c) to incentivise participants of the Ley Choon Performance Share Plan 2018 to excel in their performance and encourage greater dedication and loyalty to the Company;
- (d) to recognise and reward past contributions and services and motivate participants of the Ley Choon Performance Share Plan 2018 to continue to strive for the Company's long-term prosperity;
- (e) to further strengthen and enhance the Company's competitiveness in attracting and retaining employees with suitable talents; and
- (f) to foster an ownership culture within the Company, and align the interests of participants of the Ley Choon Performance Share Plan 2018 with the interests of the Shareholders.

The Ley Choon Performance Share Plan 2018 shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date on which the Ley Choon Performance Share Plan 2018 is adopted by Shareholders, provided always that the Ley Choon Performance Share Plan 2018 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 Ley Choon Performance Share Plan 2018's commencement.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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

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 2019 and the consolidated financial statements of the Group for the financial year ended 31 March 2019, 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 committees 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).

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

Audit Committee (Continued)

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.

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: 5 July 2019

INDEPENDENT AUDITOR'S REPORT

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 2019, 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 Singapore Financial Reporting Standards International ("SFRS(I)s") 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 2019 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(A) to the financial statements. The Group incurred net loss and total comprehensive loss of S\$9,605,000 and S\$10,074,000, respectively, for the financial year ended 31 March 2019. In addition, the Company had net current liabilities of S\$30,209,000 as at 31 March 2019.

As disclosed in Note 14 to the financial statements, the Group did not meet the financial covenants in respect of its restructured borrowings for the relevant period ended 31 December 2018. These borrowings amounted to S\$55,968,000 as at 31 March 2019. The Group had obtained from the relevant lenders waivers of compliance with the financial covenants relating to 31 December 2018 before the end of the reporting period. 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. Nonetheless, 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. In the event that these financial covenants are not met by the Group and not waived by the lenders, the borrowings may be called for repayment at any time upon notification by the lenders. The appropriateness of the use of the going concern assumption in the financial statements is dependent on the factors disclosed in Note 2(A), including the continuing goodwill from the relevant lenders to waive the financial covenants if they are not met.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as going concern.

If the Group and the Company were unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

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.

Key audit matter

Our responses and work performed

Revenue recognition over time

For the long-term projects where the Group satisfies its performance obligations over time, the Group has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred on the projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the projects.

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 audit procedures included testing the Group's internal controls over revenue. We assessed whether the revenue recognition policies adopted complied with SFRS(I) 15 as detailed in Note 2(F) 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 losses from onerous contracts. 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.

INDEPENDENT AUDITOR'S REPORT

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 significant losses incurred by the Group for the current financial year, management has assessed that there are indications of impairment of the property, plant and equipment of the Group and the investments in subsidiaries of the Company. 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 for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

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 SFRS(I), 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEY CHOON GROUP HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.

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

5 July 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	The Group			The Company		
		31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
ASSETS							
Non-Current Assets							
Property, plant and equipment	3	46,981	55,913	62,164	-	-	-
Land use rights	4	2,930	3,105	3,085	-	-	-
Subsidiaries	5	-	-	-	78,734	82,954	77,383
Club membership		229	229	229	-	-	-
Deferred tax assets	6	-	625	1,036	-	-	154
		<u>50,140</u>	<u>59,872</u>	<u>66,514</u>	<u>78,734</u>	<u>82,954</u>	<u>77,537</u>
Current Assets							
Inventories	7	6,882	12,839	9,960	-	-	-
Contract assets	8	35,147	27,115	26,318	-	-	-
Trade and other receivables	9	15,836	18,515	18,030	4,118	4,142	5,916
Prepayments		3,669	3,603	3,520	15	15	26
Other investments	10	49	58	56	-	-	-
Cash and bank balances	11	3,568	4,665	6,638	5	6	110
Fixed deposits	11	1,601	2,537	1,720	-	-	-
		<u>66,752</u>	<u>69,332</u>	<u>66,242</u>	<u>4,138</u>	<u>4,163</u>	<u>6,052</u>
Total assets		<u>116,892</u>	<u>129,204</u>	<u>132,756</u>	<u>82,872</u>	<u>87,117</u>	<u>83,589</u>
EQUITY AND LIABILITIES							
Capital and Reserves							
Share capital	12	79,807	79,807	71,117	146,026	146,026	137,336
Accumulated losses		(57,214)	(46,475)	(47,980)	(112,348)	(101,225)	(104,673)
Other reserves	13	607	1,076	10	(884)	(884)	(884)
Total equity		<u>23,200</u>	<u>34,408</u>	<u>23,147</u>	<u>32,794</u>	<u>43,917</u>	<u>31,779</u>
Non-Current Liabilities							
Deferred tax liabilities	6	35	48	314	-	-	-
Borrowings	14	50,579	44,509	53,017	15,731	15,614	15,500
		<u>50,614</u>	<u>44,557</u>	<u>53,331</u>	<u>15,731</u>	<u>15,614</u>	<u>15,500</u>
Current Liabilities							
Contract liabilities	8	-	-	479	-	-	-
Borrowings	14	7,469	14,870	18,262	-	-	3,465
Trade and other payables	15	33,083	32,816	35,236	34,347	27,586	32,845
Provisions	16	2,441	2,441	2,241	-	-	-
Current tax payable		85	112	60	-	-	-
		<u>43,078</u>	<u>50,239</u>	<u>56,278</u>	<u>34,347</u>	<u>27,586</u>	<u>36,310</u>
Total liabilities		<u>93,692</u>	<u>94,796</u>	<u>109,609</u>	<u>50,078</u>	<u>43,200</u>	<u>51,810</u>
Total equity and liabilities		<u>116,892</u>	<u>129,204</u>	<u>132,756</u>	<u>82,872</u>	<u>87,117</u>	<u>83,589</u>

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 2019

	Note	2019 S\$'000	2018 S\$'000
Revenue	17	102,973	105,662
Cost of sales		<u>(98,236)</u>	<u>(89,070)</u>
Gross profit		4,737	16,592
Other income	18	3,086	2,122
Selling and distribution expenses		(238)	(816)
Administrative expenses		(12,074)	(13,206)
Impairment losses on trade receivables (made)/reversed, net	9	(858)	419
Other operating expenses	19	(744)	(1,243)
Finance costs	20	<u>(3,040)</u>	<u>(2,213)</u>
(Loss)/Profit before taxation		(9,131)	1,655
Taxation	21	<u>(474)</u>	<u>(150)</u>
(Loss)/Profit for the year	22	<u>(9,605)</u>	<u>1,505</u>
Other comprehensive income after tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		<u>(469)</u>	<u>1,066</u>
Other comprehensive (loss)/income for the year, net of tax of nil		<u>(469)</u>	<u>1,066</u>
Total comprehensive (loss)/income for the year attributable to owners of the Company		<u>(10,074)</u>	<u>2,571</u>
(Loss)/Earnings per share attributable to owners of the Company (Singapore cent)			
- basic and diluted	23	<u>(0.81)</u>	<u>0.14</u>

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 2019

	← Attributable to owners of the Company →				Total equity S\$'000
	Share capital S\$'000	Accumulated losses S\$'000	Foreign currency translation reserve S\$'000	Equity component of convertible bonds S\$'000	
Balance at 1 April 2017	71,117	(47,980)	(233)	243	23,147
Profit for the year	–	1,505	–	–	1,505
Other comprehensive income for the year					
– 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
Balance at 1 April 2018	79,807	(46,475)	833	243	34,408
Adjustment on initial application of SFRS(I) 9 (net of tax) (Note 2(C))	–	(1,134)	–	–	(1,134)
Adjusted balance at 1 April 2018	79,807	(47,609)	833	243	33,274
Loss for the year	–	(9,605)	–	–	(9,605)
Other comprehensive loss for the year					
– Currency translation differences	–	–	(469)	–	(469)
Total comprehensive loss for the year	–	(9,605)	(469)	–	(10,074)
Balance at 31 March 2019	79,807	(57,214)	364	243	23,200

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019 S\$'000	2018 S\$'000
Cash Flows from Operating Activities			
(Loss)/Profit before taxation		(9,131)	1,655
Adjustments for:			
Amortisation of land use rights	4	69	72
Depreciation of property, plant and equipment	3	8,645	9,337
Dividend income from other investments	18	(1)	(1)
Fair value loss/(gain) on other investments	10	9	(2)
Loss on disposal of property, plant and equipment	19	171	13
Impairment losses on property, plant and equipment	3	121	–
Impairment losses on trade receivables made/(reversed), net	9	858	(419)
Interest expense		3,040	2,213
Interest income	18	(32)	(31)
Provision for onerous contracts	22	107	30
Provision for fines and penalty	16	–	200
Write-down on inventories	22	–	85
Operating profit before working capital changes		3,856	13,152
Changes in inventories		5,918	(2,990)
Changes in contract assets		(8,279)	(1,222)
Changes in trade and other receivables		(1,272)	219
Changes in prepayments		(66)	(83)
Changes in contract liabilities		–	479
Changes in trade and other payables		2,141	(1,802)
Cash generated from operations		2,298	7,753
Income taxes refunded/(paid)		164	(33)
Net cash generated from operating activities		2,462	7,720
Cash Flows from Investing Activities			
Dividends received from other investments		1	1
Interest received		32	31
Proceeds from disposal of property, plant and equipment		336	586
Purchase of property, plant and equipment	3	(651)	(3,683)
Net cash used in investing activities		(282)	(3,065)
Cash Flows from Financing Activities			
Fixed deposits pledged with banks		936	(817)
Interest paid		(2,597)	(2,518)
Proceeds from bank loan		1,240	1,251
Proceeds from rights issue		–	8,886
Share issuance expense		–	(196)
Repayment of finance lease liabilities		(794)	(1,761)
Repayment of loans from controlling shareholders		–	(3,465)
Repayment of loans from financial institutions		(2,029)	(7,961)
Net cash used in financing activities		(3,244)	(6,581)
Net decrease in cash and cash equivalents		(1,064)	(1,926)
Cash and cash equivalents at beginning of year		4,665	(3,398)
Restructuring of bank overdrafts to loans from financial institutions		–	10,036
Exchange differences on translation of cash and cash equivalents at beginning of year		(33)	(47)
Cash and cash equivalents at end of year	11	3,568	4,665

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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)
- Proceeds from loans from financial institutions	-	1,251	-	-	-	-	1,251
- Repayment of finance lease liabilities	(1,761)	-	-	-	-	-	(1,761)
- Repayment of loans from controlling shareholders	-	-	-	-	(3,465)	-	(3,465)
- Repayment of loans from financial institutions	-	(7,961)	-	-	-	-	(7,961)
Total changes from financing cash flows	(1,827)	(8,509)	-	(641)	(3,477)	-	(14,454)
Effect of changes in foreign exchange rates	-	36	-	-	-	-	36
Other changes							
- Interest expense	66	1,685	-	688	12	(238)	2,213
- Restructuring of bank overdrafts to loans from 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	<u>1,520</u>	<u>42,245</u>	<u>-</u>	<u>15,614</u>	<u>-</u>	<u>652</u>	<u>60,031</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Obligations under finance leases S\$'000	Loans from financial institutions S\$'000	Convertible bonds S\$'000	Interest payable S\$'000	Total S\$'000
Balance at 1 April 2018	1,520	42,245	15,614	652	60,031
Changes from financing cash flows					
- Interest paid	(41)	(1,833)	(723)	-	(2,597)
- Proceeds from loans from financial institutions	-	1,240	-	-	1,240
- Repayment of finance lease liabilities	(794)	-	-	-	(794)
- Repayment of loans from financial institutions	-	(2,029)	-	-	(2,029)
Total changes from financing cash flows	(835)	(2,622)	(723)	-	(4,180)
Effect of changes in foreign exchange rates	-	(43)	-	-	(43)
Other changes					
- Interest expense	41	1,866	772	361	3,040
- New finance lease liabilities	145	-	-	-	145
- Others	-	-	68	-	68
Total liability-related other changes	186	1,866	840	361	3,253
Balance at 31 March 2019	871	41,446	15,731	1,013	59,061

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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 2019 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 Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST").

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) GOING CONCERN

For the financial year ended 31 March 2019, the Group incurred a net loss of S\$9,605,000 (2018: net profit of S\$1,505,000). In addition, as at 31 March 2019, Company had net current liabilities of S\$30,209,000 (2018: S\$23,423,000). Notwithstanding this, the directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements, due to the following:

- (i) For the financial year ended 31 March 2019, the Group continues 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 make significant repayments, and there has been no default on repayments in respect of the Group's and the Company's borrowings following the debt restructuring.
- (iv) As disclosed in Note 14 to the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(A) GOING CONCERN (CONTINUED)

- (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 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.

The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that would be required if the going concern basis is found to be inappropriate.

2(B) BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") promulgated by the Accounting Standards Council ("ASC"). SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in preparing these financial statements. These are the first financial statements of the Group and the Company prepared in accordance with SFRS(I).

The financial statements until 31 March 2018 had been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). FRS differs in certain respects from SFRS(I). An explanation of how the transition to SFRS(I) has affected the reported financial position, financial performance and cash flows is provided in Note 2(C).

The financial statements have been prepared under the historical cost convention except as otherwise described in the notes below.

The preparation of financial statements in conformity with SFRS(I) requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2(E).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(C) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the ASC issued SFRS(I). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. 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.

As stated in Note 2(B), these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 2(F) have been applied in preparing the financial statements for the year ended 31 March 2019, the comparative information presented in these financial statements for the year ended 31 March 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 April 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1. In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective from the same date:

- SFRS(I) 15 *Revenue from Contracts with Customers*;
- SFRS(I) 9 *Financial Instruments*;
- Classification and Measurement of Share-based Payment Transactions (Amendments to SFRS(I) 2);
- Transfers of Investment Property (Amendments to SFRS(I) 1-40);
- Deletion of short-term exemptions for first-time adopters (Amendments to SFRS(I) 1);
- Measuring an Associate or Joint Venture at Fair Value (Amendments to SFRS(I) 1-28);
- Applying SFRS(I) 9 *Financial Instruments* with SFRS(I) 4 *Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position, where applicable, is set out below.

The following reconciliations summarise the impact on initial application of SFRS(I) 15 and SFRS(I) 9 on the Group's statement of financial position as at 1 April 2017, 31 March 2018 and 1 April 2018. There were no material adjustments to the Group's statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 March 2018 and the Company's statement of financial position as at 1 April 2017, 31 March 2018 and 1 April 2018 arising from SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(C) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity Consolidated statement of financial position

	31 March 2018		1 April 2018	
	FRS framework S\$'000	SFRS(I) 15 S\$'000	SFRS(I) framework S\$'000	SFRS(I) framework S\$'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	55,913	–	55,913	55,913
Land use rights	3,105	–	3,105	3,105
Club membership	229	–	229	229
Deferred tax assets	625	–	625	625
	<u>59,872</u>	<u>–</u>	<u>59,872</u>	<u>59,872</u>
Current Assets				
Inventories	12,839	–	12,839	12,839
Contract assets	–	27,115	27,115	27,115
Contracts work in progress	17,690	(17,690)	–	–
Trade and other receivables	27,940	(9,425)	18,515	17,381
Prepayments	3,603	–	3,603	3,603
Other investments	58	–	58	58
Cash and bank balances	4,665	–	4,665	4,665
Fixed deposits	2,537	–	2,537	2,537
	<u>69,332</u>	<u>–</u>	<u>69,332</u>	<u>68,198</u>
Total assets	<u>129,204</u>	<u>–</u>	<u>129,204</u>	<u>128,070</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	79,807	–	79,807	79,807
Accumulated losses	(46,475)	–	(46,475)	(47,609)
Other reserves	1,076	–	1,076	1,076
Total equity	<u>34,408</u>	<u>–</u>	<u>34,408</u>	<u>33,274</u>
Non-Current Liabilities				
Deferred tax liabilities	48	–	48	48
Borrowings	44,509	–	44,509	44,509
	<u>44,557</u>	<u>–</u>	<u>44,557</u>	<u>44,557</u>
Current Liabilities				
Borrowings	14,870	–	14,870	14,870
Trade and other payables	32,816	–	32,816	32,816
Provisions	2,441	–	2,441	2,441
Current tax payable	112	–	112	112
	<u>50,239</u>	<u>–</u>	<u>50,239</u>	<u>50,239</u>
Total liabilities	<u>94,796</u>	<u>–</u>	<u>94,796</u>	<u>94,796</u>
Total equity and liabilities	<u>129,204</u>	<u>–</u>	<u>129,204</u>	<u>128,070</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(C) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity (Continued)
Consolidated statement of financial position (Continued)

	FRS framework S\$'000	1 April 2017 SFRS(I) 15 S\$'000	SFRS(I) framework S\$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	62,164	-	62,164
Land use rights	3,085	-	3,085
Club membership	229	-	229
Deferred tax assets	1,036	-	1,036
	<u>66,514</u>	<u>-</u>	<u>66,514</u>
Current Assets			
Inventories	9,960	-	9,960
Contract assets	-	26,318	26,318
Contracts work in progress	19,782	(19,782)	-
Trade and other receivables	24,566	(6,536)	18,030
Prepayments	3,520	-	3,520
Other investments	56	-	56
Cash and bank balances	6,638	-	6,638
Fixed deposits	1,720	-	1,720
	<u>66,242</u>	<u>-</u>	<u>66,242</u>
Total assets	<u>132,756</u>	<u>-</u>	<u>132,756</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	71,117	-	71,117
Accumulated losses	(47,980)	-	(47,980)
Other reserves	10	-	10
Total equity	<u>23,147</u>	<u>-</u>	<u>23,147</u>
Non-Current Liabilities			
Deferred tax liabilities	314	-	314
Borrowings	53,017	-	53,017
	<u>53,331</u>	<u>-</u>	<u>53,331</u>
Current Liabilities			
Contract liabilities	-	479	479
Borrowings	18,262	-	18,262
Trade and other payables	35,715	(479)	35,236
Provisions	2,241	-	2,241
Current tax payable	60	-	60
	<u>56,278</u>	<u>-</u>	<u>56,278</u>
Total liabilities	<u>109,609</u>	<u>-</u>	<u>109,609</u>
Total equity and liabilities	<u>132,756</u>	<u>-</u>	<u>132,756</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(C) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 April 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 March 2019 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The Group did not elect any of the optional exemptions available under SFRS(I) 1. Therefore, the adoption of SFRS(I) does not have a material effect on the financial statements.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. The application of SFRS(I) 15 did not have any significant impact on the financial statements, except for the following:

Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group has changed the presentation of the following amounts:

- (a) "Contracts work in progress" of S\$17,690,000 and S\$19,782,000 as at 31 March 2018 and 1 April 2017, respectively, were reclassified to "Contract assets".
- (b) "Accrued receivables" of S\$9,425,000 and S\$6,536,000 included in "Trade and other receivables" as at 31 March 2018 and 1 April 2017, respectively, were reclassified to "Contract Assets".
- (c) "Excess of progress billings over contracts work in progress" of S\$479,000 included in "Trade and other payables" as at 1 April 2017 were reclassified to "Contract liabilities".

SFRS(I) 9

SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("ECL") model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 April 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated losses as at 1 April 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(C) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 9 (Continued)

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, refer to Note 2(F).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 April 2018.

	Original classification under FRS 39	New classification under SFRS(I) 9	1 April 2018	
			Original carrying amount under	New carrying amount under
			FRS 39 S\$'000	SFRS(I) 9 S\$'000
The Group				
Trade and other receivables	Loans and receivables	Amortised cost	18,515	17,381
Other investments	Designated as at FVTPL	Mandatorily at FVTPL	58	58
Cash and bank balances	Loans and receivables	Amortised cost	4,665	4,665
Fixed deposits	Loans and receivables	Amortised cost	2,537	2,537
Total financial assets			25,775	24,641
The Company				
Trade and other receivables	Loans and receivables	Amortised cost	4,142	4,142
Cash and bank balances	Loans and receivables	Amortised cost	6	6
Total financial assets			4,148	4,148

Under FRS 39, other investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured under FVTPL under SFRS(I) 9.

Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified as at amortised cost.

Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(C) FULL CONVERGENCE WITH SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 9 (Continued)

Impairment of financial assets (Continued)

The application of SFRS(I) 9 impairment requirements at 1 April 2018 results in additional allowance for impairment as follows:

	2018 S\$'000
The Group	
Loss allowance as at 31 March 2018 under FRS 39	1,186
Additional impairment recognised at 1 April 2018 on:	
– Trade receivables as at 31 March 2018	1,134
Loss allowance at 1 April 2018 under SFRS(I) 9	<u>2,320</u>

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 28.1.

SFRS(I) INT 22

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.

2(D) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following are the new or amended SFRS(I) and SFRS(I) INT issued that are not yet effective but may be early adopted for the current financial year. However, the Group has not early adopted the new or amended SFRS(I) and SFRS(I) INT in preparing these financial statements:

<u>Reference</u>	<u>Description</u>	<u>Effective date (Annual periods beginning on or after)</u>
SFRS(I) 16	Leases	1 January 2019
SFRS(I) 17	Insurance Contracts	1 January 2021
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	Definition of Material	1 January 2020
Amendments to SFRS(I) 1-19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to SFRS(I) 1-28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to SFRS(I) 3	Definition of a Business	1 January 2020
Amendments to SFRS(I) 9	Prepayment Features with Negative Compensation	1 January 2019
Various	Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Annual Improvements to SFRS(I)s 2015–2017 Cycle:		
– Amendments to SFRS(I) 3 and SFRS(I) 11	Previously Held Interest in a Joint Operation	1 January 2019
– Amendments to SFRS(I) 1-12	Income Tax Consequences of Payments on Financial Instruments Classified as Equity	1 January 2019
– Amendments to SFRS(I) 1-23	Borrowing Costs Eligible for Capitalisation	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(D) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

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) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. The Group has office and factory premises under operating leases, which the Group expects to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. This would increase the gearing ratio of the Group. As at 1 April 2019, the Group expects an increase in ROU assets of S\$5,030,000 and a corresponding increase in liabilities of S\$4,399,000.

The Group plans to apply SFRS(I) 16 on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 April 2019, with no restatement of comparative information.

SFRS(I) INT 23

SFRS(I) INT 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under SFRS(I) 1-12 *Income Taxes*. The interpretation does not apply to taxes or levies outside the scope of SFRS(I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Under SFRS(I) INT 23, an entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. The uncertainty should be reflected using the measure that provides the better prediction of the resolution of the uncertainty either the most likely amount or the expected value. The most likely amount method might be appropriate if the possible outcomes are binary or are concentrated on one value while the expected value method might be appropriate if there is a range of possible outcomes that are neither binary nor concentrated on one value.

The interpretation also requires consistent judgements and estimates to be applied to current and deferred taxes. In addition, entities are to reassess the judgements and estimates applied if facts and circumstances change.

SFRS(I) INT 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in accordance with SFRS(I) 1-1 *Presentation of Financial Statements*, about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(D) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

SFRS(I) INT 23 (Continued)

On transition, SFRS(I) INT 23 provides two options:

Retrospective method

Entities apply the amendments retrospectively, but only if it does not involve the use of hindsight.

Cumulative effect method

Entities recognise the cumulative effect of applying SFRS(I) INT 23 at the date of initial application, with no restatement of the comparative periods presented. Instead, the entity recognises the cumulative effect as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate). The date of initial application is the beginning of the annual reporting period in which the entity first applies SFRS(I) INT 23.

2(E) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with SFRS(I) 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.

Significant judgements in applying accounting policies

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(E) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Significant judgements in applying accounting policies (Continued)

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.

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 2 to 30 years. In particular, management estimates the useful life of plant and equipment to be 2 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 results for the year will decrease/increase by S\$865,000 (2018: S\$934,000).

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 valuation techniques and inputs used in fair value measurement and the 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 could materially affect the recoverable amount determined 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(E) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (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 results for the year will decrease/increase by S\$688,000 (2018: S\$1,284,000).

Revenue recognition over time

For the long-term projects where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred on the projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the projects. Significant judgement is required in determining 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. An onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. The estimated total costs for each project are 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 provision for onerous contracts is required. Actual costs could differ from the estimates.

The carrying amount of the Group's contract assets 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 S\$19,928,000 (2018: S\$19,510,000). If the contract costs of uncompleted contracts to be incurred had been higher/lower by 5% from management's estimates, the Group's results for the year would have been lower/higher by S\$832,000 (2018: S\$1,003,000) and S\$861,000 (2018: S\$1,054,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(E) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At the end of each reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information relating to ECLs on the Group's trade receivables is disclosed in Note 28.1. If the loss rates increase/decrease by 10% from management's estimates, the Group's allowance for impairment of trade receivables will increase/decrease by S\$1,664,000 (2018: S\$1,744,000).

2(F) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

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 SFRS(I)).

Consolidation of the subsidiary in the PRC is based on the subsidiary's financial statements prepared in accordance with SFRS(I). Profits reflected in the financial statements prepared in accordance with SFRS(I) 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 properties	8 to 30 years
Plant and equipment	2 to 20 years
Office equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) 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

Initial recognition and measurement

Financial assets are recognised when, only when the entity becomes party to the contractual provisions of the instruments. Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets, at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition. Refer to the accounting policy on "Revenue from contracts with customers".

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The Group does not hold any financial assets at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at amortised cost (debt instruments)

Subsequent measurement of debt instruments depends on the Group's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

The Group's financial assets at amortised cost comprise trade and other receivables and cash and bank balances and fixed deposits.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Financial assets at FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in the finance income.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity instruments are also recognised as other income in profit or loss when the right of payment has been established.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

For trade and other receivables, the Group measures the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- * significant financial difficulty of the borrower or issuer;
- * a breach of contract such as a default or being more than 90 days past due;
- * the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- * it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- * the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting of financial assets under FRS 39 before 1 April 2018

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting of financial assets under FRS 39 before 1 April 2018 (Continued)

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.

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

The Group's financial liabilities comprise borrowings and trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss, such as interest-bearing borrowings, are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Borrowings

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.

Financial guarantees

The Company has issued corporate guarantees to financial institutions for the borrowings of its subsidiaries. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are recognised initially as liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantees.

Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of the loss allowance determined in accordance with the impairment model under SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised. Before 1 April 2018, financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Convertible bonds (Continued)

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 derecognition 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.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from a customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liability is recognised as revenue when the Group performs under the contract.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. 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.

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".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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.

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 from contracts with customers

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

The Group performs laying of pipes and roads on long-term contracts. The Group has assessed that these construction contracts qualify for recognition of revenue over time as (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the Group's performance creates or enhances an asset (work in progress) that the customer controls as the asset is created or enhanced; and (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.

Revenue from short-term projects and maintenance services is recognised at a point in time when the services are rendered.

Revenue from sale of construction materials is recognised by the Group at a point in time when the goods are delivered to the customer, all criteria for acceptance have been satisfied, and the customer obtains control of the goods.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(F) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 27 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

3 PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties S\$'000	Plant and equipment S\$'000	Office equipment, furniture and fittings S\$'000	Motor vehicles S\$'000	Construction in progress S\$'000	Total S\$'000
The Group						
<u>Cost</u>						
At 1 April 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
Additions	–	447	30	281	38	796
Disposals	–	(717)	–	(1,714)	–	(2,431)
Exchange difference on translation	(176)	(427)	(7)	(27)	(12)	(649)
At 31 March 2019	29,346	68,722	2,401	14,614	355	115,438
<u>Accumulated depreciation and impairment losses</u>						
At 1 April 2017	6,762	34,616	1,676	11,327	–	54,381
Depreciation (Note 22)	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
Depreciation (Note 22)	2,336	4,782	153	1,374	–	8,645
Disposals	–	(495)	–	(1,429)	–	(1,924)
Impairment losses made/(reversed) (Note 19)	–	297	22	(198)	–	121
Exchange difference on translation	(20)	(150)	(4)	(20)	–	(194)
At 31 March 2019	11,396	43,239	2,238	11,584	–	68,457
<u>Carrying amount</u>						
At 31 March 2019	17,950	25,483	163	3,030	355	46,981
At 31 March 2018	20,442	30,614	311	4,217	329	55,913
At 1 April 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\$2,502,000 (2018: S\$3,023,000; 2017: S\$10,080,000) and S\$140,000 (2018: S\$nil; 2017: S\$178,000), respectively (Note 14).

The carrying amount of property, plant and equipment mortgaged or pledged to financial institutions to secure loans and overdrafts comprises leasehold properties, plant and equipment and motor vehicles of S\$13,719,000 (2018: S\$15,857,000; 2017: S\$17,995,000), S\$23,311,000 (2018: S\$27,979,000; 2017: S\$30,797,000) and S\$3,029,000 (2018: S\$4,215,000; 2017: S\$4,897,000), respectively (Note 14).

During the financial year, the Group purchased plant and equipment with an aggregate cost of S\$796,000 (2018: S\$3,683,000), of which S\$145,000 (2018: S\$nil) was acquired by means of finance lease. Cash payment of S\$651,000 (2018: S\$3,683,000) was used to purchase plant and equipment.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment testing of property, plant and equipment

The Group's businesses in Singapore had incurred significant operating losses and cash outflows for the financial year ended 31 March 2019, while the business in the PRC had incurred significant operating losses and cash outflows for the financial years ended 31 March 2019 and 2018. Accordingly, management assessed that there were indications of impairment of the related property, plant and equipment, and 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, net impairment losses amounting to S\$121,000 were recognised by the Group for the financial year ended 31 March 2019. 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:

<u>Valuation method</u>	<u>Basis</u>	<u>Key unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
Leasehold properties			
Market comparison and income approach	Industrial property when selling prices per square metre ("psm") for comparable properties are available	Selling price at S\$766 (2018: S\$329 to S\$1,402) for Singapore and S\$254 to S\$310 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

4 LAND USE RIGHTS

	2019 S\$'000	2018 S\$'000
The Group		
<u>Cost</u>		
At beginning of year	3,487	3,387
Exchange difference on translation	(119)	100
At end of year	<u>3,368</u>	<u>3,487</u>
<u>Accumulated amortisation</u>		
At beginning of year	382	302
Amortisation (Note 22)	69	72
Exchange difference on translation	(13)	8
At end of year	<u>438</u>	<u>382</u>
<u>Carrying amount</u>		
At beginning of year	<u>3,105</u>	<u>3,085</u>
At end of year	<u>2,930</u>	<u>3,105</u>

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:

	<u>Commencement date</u>	<u>Period of lease</u>
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 2019 and 2018 as the recoverable amount based on fair value less costs of disposal was higher than the carrying amount.

5 SUBSIDIARIES

	2019 S\$'000	2018 S\$'000
The Company		
<u>Unquoted equity investments, at cost</u>		
At beginning of year	180,540	180,440
Capital contribution in a subsidiary	5,000	–
Incorporation of a subsidiary	–	100
At end of year	<u>185,540</u>	<u>180,540</u>
<u>Allowance for impairment losses</u>		
At beginning of year	97,586	103,057
Allowance made/(reversed)	9,220	(5,471)
At end of year	<u>106,806</u>	<u>97,586</u>
<u>Carrying amount</u>		
At beginning of year	<u>82,954</u>	<u>77,383</u>
At end of year	<u>78,734</u>	<u>82,954</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

5 SUBSIDIARIES (CONTINUED)

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.

On 28 February 2019, the Company contributed S\$5,000,000 in the capital of Ley Choon Constructions and Engineering Pte Ltd, comprising 5,000,000 shares of S\$1 each, amounting to S\$5,000,000.

Impairment testing of investments in subsidiaries

In view of the operating losses and cash outflows incurred by the subsidiaries in Singapore for the financial year ended 31 March 2019 and the subsidiary in the PRC for the financial years ended 31 March 2019 and 2018, management has assessed that there are indications of impairment of the Company's investments in the subsidiaries. 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 recognised impairment losses amounting to S\$9,220,000 for the financial year ended 31 March 2019. Impairment losses previously recognised amounting to S\$5,471,000 were reversed for the financial year ended 31 March 2018 as the subsidiaries in Singapore had generated operating profits and cash inflows during that period.

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	Percentage of equity held		
			31 March 2019 %	31 March 2018 %	1 April 2017 %
<u>Held by the Company</u>					
Ley Choon Constructions and Engineering Pte Ltd ⁽¹⁾	Non-building construction and manufacture of asphalt premix	Singapore	100	100	100
LC International Trading Co Pte. Ltd. ⁽¹⁾	Trading of building materials, consumable tools, machinery and equipment spare parts and accessories (inactive)	Singapore	100	100	–
Ley Choon (Yantai) Eco-Green Construction Material Ltd. ⁽³⁾	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	100
Ley Choon (M) Sdn. Bhd. ⁽⁴⁾	Dormant	Malaysia	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

5 SUBSIDIARIES (CONTINUED)

Impairment testing of investments in subsidiaries (Continued)

Name	Principal activities	Country of incorporation/ Principal place of business	Percentage of equity held		
			31 March 2019 %	31 March 2018 %	1 April 2017 %
<u>Held by Ley Choon Constructions and Engineering Pte Ltd</u>					
Multiform Developments & Construction Pte Ltd ⁽¹⁾	Road construction and mixed construction activities	Singapore	100	100	100
Chin Kuan Engineering and Contractors Pte Ltd ⁽¹⁾	Mixed construction activities and civil engineering	Singapore	100	100	100
Teacly (S) Pte. Ltd. ⁽²⁾	Non-building construction, building cleaning and maintenance services	Singapore	100	100	100
<u>Held by Teacly (S) Pte. Ltd.</u>					
Pan Alliance Technology International Pte. Ltd. ⁽¹⁾	Water and gas pipe-line and sewer construction	Singapore	100	100	100

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

(2) 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

(3) Audited by Foo Kon Tan LLP for the purpose of consolidation

(4) Audited by other auditor

6 DEFERRED TAXATION

	The Group		The Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
At beginning of year	577	722	–	154
Recognised in profit or loss (Note 21)	(603)	(142)	–	(154)
Exchange difference on translation	(9)	(3)	–	–
At end of year	(35)	577	–	–



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

6 DEFERRED TAXATION (CONTINUED)

Deferred taxation comprises the following:

	The Group			The Company		
	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
Deferred tax assets	-	625	1,036	-	-	154
Deferred tax liabilities	(35)	(48)	(314)	-	-	-
	(35)	577	722	-	-	154

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

	Property, plant and equipment S\$'000	Unutilised tax losses S\$'000	Unabsorbed capital allowances S\$'000	Total S\$'000
The Group				
At 1 April 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
Recognised in profit or loss	(214)	(370)	(19)	(603)
Exchange difference on translation	(9)	-	-	(9)
At 31 March 2019	(3,003)	2,965	3	(35)
The Company				
At 1 April 2017	-	154	-	154
Recognised in profit or loss	-	(154)	-	(154)
At 31 March 2018 and 31 March 2019	-	-	-	-

Unrecognised temporary differences relating to unused tax losses and credits

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

	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
The Group			
Unutilised tax losses	51,361	35,949	34,321
Unabsorbed capital allowances	450	431	431
	51,811	36,380	34,752

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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:

	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
The Group			
Expiring in:			
– 2018	–	–	242
– 2019	–	278	270
– 2020	823	852	828
– 2021	225	233	226
– 2022	465	481	467
– 2023	555	574	–
– 2024	1,416	–	–
	<u>3,484</u>	<u>2,418</u>	<u>2,033</u>

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 SFRS(I) 1–12 *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

	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
The Group			
Construction materials	<u>6,882</u>	<u>12,839</u>	<u>9,960</u>

The costs of inventories recognised in cost of sales amounted to S\$38,048,000 (2018: S\$28,498,000) for the financial year ended 31 March 2019 (Note 22).

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 of the inventories to their net realisable values (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

8 CONTRACT ASSETS AND LIABILITIES

	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
The Group			
Contract assets	35,147	27,115	26,318
Contract liabilities	–	–	479

The contract assets relate to the Group's rights to consideration for work completed but are not billed or are held by customers as retention at the end of the reporting period. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

The contract liabilities relate to the Group's obligations to perform services to customers for which considerations are due from the customers. Contract liabilities are recognised as revenue when the Group performs under the contracts.

Significant changes in contract assets and contract liabilities balances during the financial year are as follows:

	2019 S\$'000	2018 S\$'000
The Group		
Contract assets		
Contract assets reclassified to trade receivables	78,008	89,690
Contract liabilities		
Revenue recognised that was included in contract liabilities at beginning of year	–	17,416

Significant judgements are used to estimate total contract costs to complete. In making these estimates, the Group has relied on historical experience and contractual arrangements with contractors/suppliers. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding adjustment to profit margin being recognised prospectively from the date of change.

9 TRADE AND OTHER RECEIVABLES

	The Group			The Company		
	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
Trade receivables from third parties	16,636	17,435	17,476	–	–	–
Less: Allowance for impairment losses	(3,178)	(1,186)	(1,605)	–	–	–
	13,458	16,249	15,871	–	–	–
Amounts due from subsidiaries (non-trade)	–	–	–	4,118	4,142	5,916
Deposits	1,670	1,815	1,827	–	–	–
Staff loans	32	23	22	–	–	–
Other receivables	676	428	310	–	–	–
	15,836	18,515	18,030	4,118	4,142	5,916

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in allowance for impairment losses in respect of trade receivables is as follows:

	Allowance for impairment losses S\$'000
The Group	
At 1 April 2017 under FRS 39	1,605
Allowance made	13
Allowance reversed	(432)
	(419)
At 31 March 2018 under FRS 39	1,186
Allowance made	1,134
At 1 April 2018 under SFRS(I) 9	2,320
Allowance made	1,138
Allowance reversed	(280)
	858
At 31 March 2019 under SFRS(I) 9	3,178

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 Group			The Company		
	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
Singapore dollar	14,929	14,764	14,460	4,118	4,142	5,916
Renminbi	644	2,939	3,186	-	-	-
Sri Lankan rupee	263	812	384	-	-	-
	<u>15,836</u>	<u>18,515</u>	<u>18,030</u>	<u>4,118</u>	<u>4,142</u>	<u>5,916</u>

The Group generally extends credit period of 30 to 60 days (2018: 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:

	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
The Group			
<u>By geographical area</u>			
Singapore	13,303	13,032	14,200
PRC	-	2,699	1,430
Sri Lanka	155	518	241
	<u>13,458</u>	<u>16,249</u>	<u>15,871</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables is as follows:

	Impairment		Impairment		Impairment	
	Gross 2019 S\$'000	losses 2019 S\$'000	Gross 2018 S\$'000	losses 2018 S\$'000	Gross 2017 S\$'000	losses 2017 S\$'000
Not past due	8,383	(18)	10,946	–	6,256	–
Past due 0 to 30 days	1,781	(3)	993	–	5,783	–
Past due 31 to 60 days	1,640	(2)	663	–	1,227	–
Past due 61 to 90 days	1,429	(53)	699	–	746	–
Past due over 90 days	3,403	(3,102)	4,134	(1,186)	3,464	(1,605)
	<u>16,636</u>	<u>(3,178)</u>	<u>17,435</u>	<u>(1,186)</u>	<u>17,476</u>	<u>(1,605)</u>

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.

Trade and other 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

	2019 S\$'000	2018 S\$'000
The Group		
Financial assets designated at fair value through profit or loss:		
At beginning of year	58	56
Fair value loss recognised in profit or loss (Note 19)	(9)	–
Fair value gain recognised in profit or loss (Note 18)	–	2
At end of year	<u>49</u>	<u>58</u>
Represented by:		
Quoted equity investments	<u>49</u>	<u>58</u>

The fair value of quoted equity investments is determined by reference to stock exchange quoted bid prices at the end of the reporting period.

The other investments are denominated in Singapore dollar.

11 CASH AND BANK BALANCES AND FIXED DEPOSITS

	The Group			The Company		
	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
Cash in banks	3,510	4,565	6,530	5	6	110
Cash on hand	58	100	108	–	–	–
	<u>3,568</u>	<u>4,665</u>	<u>6,638</u>	<u>5</u>	<u>6</u>	<u>110</u>
Fixed deposits	1,601	2,537	1,720	–	–	–
	<u>5,169</u>	<u>7,202</u>	<u>8,358</u>	<u>5</u>	<u>6</u>	<u>110</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

11 CASH AND BANK BALANCES AND FIXED DEPOSITS (CONTINUED)

The fixed deposits of S\$1,601,000 (2018: 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 19 days (2018: 68 days; 2017: 91 days) from the end of the reporting period with a weighted average effective interest rate of 1.09% (2018: 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		
	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
Singapore dollar	4,811	6,749	7,570	5	6	110
Malaysian ringgit	34	39	39	–	–	–
Renminbi	34	72	103	–	–	–
Sri Lankan rupee	290	342	646	–	–	–
	<u>5,169</u>	<u>7,202</u>	<u>8,358</u>	<u>5</u>	<u>6</u>	<u>110</u>

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2019 S\$'000	2018 S\$'000
The Group		
Cash and bank balances	3,568	4,665
Fixed deposits	1,601	2,537
	5,169	7,202
Less: Fixed deposits pledged	(1,601)	(2,537)
	<u>3,568</u>	<u>4,665</u>

12 SHARE CAPITAL

	The Group		The Company	
	2019 S\$'000	2018 S\$'000	2019 S\$'000	2018 S\$'000
<u>Issued and fully paid, with no par value</u>				
At beginning of year	79,807	71,117	146,026	137,336
Issuance of shares	–	8,690	–	8,690
At end of year	<u>79,807</u>	<u>79,807</u>	<u>146,026</u>	<u>146,026</u>
		31 March 2019	31 March 2018	1 April 2017
Comprising:				
Number of ordinary shares		<u>1,184,813,992</u>	<u>1,184,813,992</u>	<u>592,406,996</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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		
	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
Foreign currency translation reserve	364	833	(233)	–	–	–
Equity component of convertible bonds	243	243	243	243	243	243
Assets distributed to entitled shareholders	–	–	–	(1,127)	(1,127)	(1,127)
	<u>607</u>	<u>1,076</u>	<u>10</u>	<u>(884)</u>	<u>(884)</u>	<u>(884)</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 BORROWINGS

	The Group			The Company		
	31 March	31 March	1 April	31 March	31 March	1 April
	2019	2018	2017	2019	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Non-current						
Obligations under finance leases	112	746	1,364	-	-	-
Loans from financial institutions	34,736	28,149	26,117	-	-	-
Bank overdrafts	-	-	10,036	-	-	-
Convertible bonds	15,731	15,614	15,500	15,731	15,614	15,500
	<u>50,579</u>	<u>44,509</u>	<u>53,017</u>	<u>15,731</u>	<u>15,614</u>	<u>15,500</u>
Current						
Obligations under finance leases	759	774	1,917	-	-	-
Loans from financial institutions	6,710	14,096	12,880	-	-	-
Loans from controlling shareholders	-	-	3,465	-	-	3,465
	<u>7,469</u>	<u>14,870</u>	<u>18,262</u>	<u>-</u>	<u>-</u>	<u>3,465</u>
	<u>58,048</u>	<u>59,379</u>	<u>71,279</u>	<u>15,731</u>	<u>15,614</u>	<u>18,965</u>

Obligations under finance leases

	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
The Group			
Minimum lease payments payable:			
Due not later than one year	777	812	1,981
Due later than one year and not later than five years	113	758	1,416
	<u>890</u>	<u>1,570</u>	<u>3,397</u>
Less: Finance charges allocated to future periods	(19)	(50)	(116)
Present value of minimum lease payments	<u>871</u>	<u>1,520</u>	<u>3,281</u>
Present value of minimum lease payments:			
Due not later than one year	759	774	1,917
Due later than one year and not later than five years	112	746	1,364
	<u>871</u>	<u>1,520</u>	<u>3,281</u>
Represented by:			
Current	759	774	1,917
Non-current	112	746	1,364
	<u>871</u>	<u>1,520</u>	<u>3,281</u>

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 S\$2,502,000 (2018: S\$3,023,000; 2017: S\$10,080,000) and S\$140,000 (2018: S\$nil; 2017: S\$178,000), respectively, for the Group (Note 3) and corporate guarantees by the Company.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 BORROWINGS (CONTINUED)

Convertible bonds

	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
The Group and the Company			
Liability component at beginning of year	15,614	15,500	15,390
Add: Accreted interest	117	114	110
Liability component at end of year	15,731	15,614	15,500

The amount of convertible bonds classified as equity of S\$243,000 is net of attributable transaction costs of S\$5,000.

The convertible bonds are in an aggregate amount of 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 on which they shall be fully repaid.

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
31 March 2019					
Obligations under finance leases	SGD	2.69% to 6.14%	2020 to 2021	890	871
Loans from financial institutions	SGD	4.89%	2021	40,237	40,237
Bank loan	RMB	5.78%	2020	1,209	1,209
Convertible bonds	SGD	6.50%	2021	15,975	15,731
				<u>58,311</u>	<u>58,048</u>
31 March 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
				<u>59,790</u>	<u>59,379</u>
1 April 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
				<u>71,870</u>	<u>71,279</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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
31 March 2019					
Convertible bonds	SGD	6.50%	2021	15,975	15,731
31 March 2018					
Convertible bonds	SGD	6.50%	2021	15,975	15,614
1 April 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 (Note 3);
- (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.

Financial covenants

The Group had entered into a Debt Restructuring Agreement ("DRA") 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;



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 BORROWINGS (CONTINUED)

Financial 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.

Under the DRA, the Group is required to comply with financial covenants for each six-month testing period as of 31 December 2016 to 31 December 2020. During the financial year, the Group did not meet the financial covenants for the period ended 31 December 2018, which the Group had subsequently obtained waivers of compliance 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.

As described in the preceding paragraph, 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. In the event that these financial covenants are not met by the Group and not waived by the lenders, the borrowings may be called for repayment at any time upon notification by the lenders. Notwithstanding this, the Group is reasonably confident that it is able to obtain continuing support from the lenders and waivers of compliance with the financial covenants as and when they arise.

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 S\$'000	Fair value S\$'000
The Group		
31 March 2019		
Obligations under finance leases	871	908
Loans from financial institutions	40,237	39,752
Convertible bonds	15,731	15,803
	<u>56,839</u>	<u>56,463</u>
31 March 2018		
Obligations under finance leases	1,520	1,555
Loans from financial institutions	40,994	40,543
Convertible bonds	15,614	15,726
	<u>58,128</u>	<u>57,824</u>
1 April 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
	<u>66,599</u>	<u>67,003</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

14 BORROWINGS (CONTINUED)

Carrying amounts and fair values (Continued)

	Carrying amount S\$'000	Fair value S\$'000
The Company		
31 March 2019		
Convertible bonds	15,731	15,803
31 March 2018		
Convertible bonds	15,614	15,726
1 April 2017		
Convertible bonds	15,500	15,654

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 Company		
	31 March 2019 %	31 March 2018 %	1 April 2017 %	31 March 2019 %	31 March 2018 %	1 April 2017 %
Obligations under finance leases	4.28	2.32	2.51	-	-	-
Loans from financial institutions and bank overdrafts	4.89	4.45	3.95	-	-	-
Convertible bonds	6.90	6.90	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 Company		
	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000	1 April 2017 S\$'000
Trade payables to third parties	26,338	26,138	29,739	199	238	950
Amounts due to subsidiaries (non-trade)	-	-	-	33,052	26,575	31,399
Accrued expenses	4,329	3,425	2,566	16	20	140
Interest payable	1,013	652	890	967	652	254
Other payables	718	1,730	1,409	113	101	102
Financial liabilities at amortised cost	32,398	31,945	34,604	34,347	27,586	32,845
Output taxes, net	685	871	632	-	-	-
	<u>33,083</u>	<u>32,816</u>	<u>35,236</u>	<u>34,347</u>	<u>27,586</u>	<u>32,845</u>

The average credit period taken to settle trade payables is approximately 60 days (2018: 60 days; 2017: 60 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

15 TRADE AND OTHER PAYABLES (CONTINUED)

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% (2018: 3.3% to 6%; 2017: 3.3% to 6%) per annum.

Trade and other payables are denominated in the following currencies:

	The Group			The Company		
	31 March 2019	31 March 2018	1 April 2017	31 March 2019	31 March 2018	1 April 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Singapore dollar	28,145	24,879	23,458	34,347	27,586	32,845
Malaysian ringgit	2	2	3	-	-	-
Renminbi	4,101	5,471	4,339	-	-	-
Sri Lankan rupee	835	2,464	7,436	-	-	-
	<u>33,083</u>	<u>32,816</u>	<u>35,236</u>	<u>34,347</u>	<u>27,586</u>	<u>32,845</u>

16 PROVISIONS

	31 March 2019	31 March 2018	1 April 2017
	S\$'000	S\$'000	S\$'000
The Group			
Provision for legal claims and damages	541	541	541
Provision for liquidated damages	1,700	1,700	1,700
Provision for fines and penalty	200	200	-
	<u>2,441</u>	<u>2,441</u>	<u>2,241</u>

The movement in provisions is as follows:

	Provision for legal claims and damages	Provision for liquidated damages	Provision for fines and penalty	Total
	S\$'000	S\$'000	S\$'000	S\$'000
The Group				
At 1 April 2017	541	1,700	-	2,241
Provision made (Note 22)	-	-	200	200
At 31 March 2018 and 31 March 2019	<u>541</u>	<u>1,700</u>	<u>200</u>	<u>2,441</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

17 REVENUE

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax and value-added tax, are detailed as follows:

	2019 S\$'000	2018 S\$'000
The Group		
Revenue from contracts with customers		
– Rendering of services	90,849	96,152
– Sale of construction materials	11,700	9,157
– Rental of motor vehicles and machinery	424	353
	<u>102,973</u>	<u>105,662</u>
Timing of transfer of goods and services		
– At a point in time	56,252	45,984
– Over time	46,721	59,678
	<u>102,973</u>	<u>105,662</u>

18 OTHER INCOME

	2019 S\$'000	2018 S\$'000
The Group		
Dividend income from other investments	1	1
Fair value gain on other investments (Note 10)	–	2
Government grants	312	265
Income from repair work	–	161
Income from training services	541	597
Insurance compensation received	45	213
Interest income	32	31
Rental income	671	360
Reversal of other payables	124	–
Sale of scrap materials	845	362
Subcontract income	352	–
Sundry income	163	130
	<u>3,086</u>	<u>2,122</u>

19 OTHER OPERATING EXPENSES

	2019 S\$'000	2018 S\$'000
The Group		
Fair value loss on other investments (Note 10)	9	–
Foreign exchange loss, net	422	1,126
Impairment losses on property, plant and equipment (Note 3)	121	–
Miscellaneous expenses	21	19
Loss on disposal of property, plant and equipment	171	13
Write-down on inventories	–	85
	<u>744</u>	<u>1,243</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

20 FINANCE COSTS

	2019 S\$'000	2018 S\$'000
The Group		
Interest expenses on:		
– loans from financial institutions	1,910	1,050
– finance leases	41	66
– convertible bonds	1,089	1,085
– loans from controlling shareholders	–	12
	<u>3,040</u>	<u>2,213</u>

21 TAXATION

	2019 S\$'000	2018 S\$'000
The Group		
Current taxation		
– current year	–	76
– changes in estimates related to prior years	(129)	(68)
	<u>(129)</u>	<u>8</u>
Deferred taxation (Note 6)		
– origination and reversal of temporary differences	311	1,129
– recognition of tax effect of previously unrecognised tax losses	–	(987)
– changes in estimates related to prior years	292	–
	<u>603</u>	<u>142</u>
	<u>474</u>	<u>150</u>

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 (losses)/profits as a result of the following:

	2019 S\$'000	2018 S\$'000
The Group		
(Loss)/Profit before taxation	(9,131)	1,655
Tax at statutory rates applicable to different jurisdictions	(1,554)	107
Tax effect on non-deductible expenses	1,006	833
Tax effect on non-taxable income	(205)	(125)
Tax exempt income and incentives	–	(24)
Deferred tax assets on temporary differences not recognised	1,072	407
Recognition of tax effect of previously unrecognised tax losses	–	(987)
Changes in estimates of current taxation related to prior years	(129)	(68)
Changes in estimates of deferred taxation related to prior years	292	–
Others	(8)	7
	<u>474</u>	<u>150</u>

Singapore

The corporate income tax rate applicable to the Company and the Singapore-incorporated subsidiaries is 17% (2018: 17%) for the financial year ended 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

21 TAXATION (CONTINUED)

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% (2018: 25%) for the financial year ended 31 March 2019.

Malaysia

The corporate income tax rate applicable to Ley Choon (M) Sdn. Bhd. is 24% (2018: 24%) for the financial year ended 31 March 2019.

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% (2018: 12%) for the financial year ended 31 March 2019.

For the financial years ended 31 March 2019 and 2018, non-deductible expenses mainly relate to depreciation of non-qualifying property, plant and equipment, private motor vehicles and related expenses, and foreign exchange losses.

22 (LOSS)/PROFIT FOR THE YEAR

The Group	Note	2019 S\$'000	2018 S\$'000
(Loss)/Profit for the year has been arrived at after charging:			
Amortisation of land use rights	4	69	72
Cost of inventories recognised in cost of sales	7	38,048	28,498
Depreciation of property, plant and equipment	3	8,645	9,337
Operating lease expenses		2,107	1,589
Provision for fines and penalty	16	–	200
Provision for onerous contracts		107	30
Write-down on inventories	7	–	85
Audit fees paid/payable to:			
– auditor of the Company		255	255
– other auditors		10	10
<u>Staff costs</u>			
Directors:			
Directors' fees		190	145
Directors' remuneration other than fees:			
– salaries and other related costs		514	828
– contributions to defined contribution plans		21	33
		<u>725</u>	<u>1,006</u>
Key management personnel (other than directors):			
– salaries and other related costs		1,819	2,057
– contributions to defined contribution plans		127	167
		<u>1,946</u>	<u>2,224</u>
Total key management personnel compensation		<u>2,671</u>	<u>3,230</u>
Other than key management personnel:			
– salaries and other related costs		28,011	30,246
– contributions to defined contribution plans		1,014	1,114
		<u>29,025</u>	<u>31,360</u>
		<u>31,696</u>	<u>34,590</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

23 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share was based on the loss attributable to ordinary shareholders of S\$9,605,000 (2018: profit of S\$1,505,000), and a weighted average number of ordinary shares outstanding of 1,184,814,000 (2018: 1,108,531,000), calculated as follows:

Loss attributable to ordinary shareholders (basic and diluted)

	2019 S\$'000	2018 S\$'000
The Group		
(Loss)/Profit for the year attributable to ordinary shareholders	(9,605)	1,505

Weighted average number of ordinary shares

	2019 '000	2018 '000
The Group		
Issued ordinary shares at beginning of year (Note 12)	1,184,814	592,407
Effect of shares issued during the year	–	516,124
Weighted average number of ordinary shares at end of year	1,184,814	1,108,531

As at 31 March 2019, the convertible bonds were excluded from the calculation of the diluted weighted average number of ordinary shares in issue as their effect would have been anti-dilutive.

As at 31 March 2018, the convertible bonds do not have a dilutive effect because the average market price of the Company's ordinary shares for the financial year ended 31 March 2018 during which the bonds are convertible does not exceed the conversion price.

24 EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Ley Choon Performance Share Plan 2018 was approved by the Shareholders at the Annual General Meeting held on 30 July 2018.

The objectives of the Ley Choon Performance Share Plan 2018 are as follows:

- (a) to give the Company the option and flexibility to pay eligible employees' bonuses in the form of cash, shares or a combination of cash and shares, resulting in a better and more flexible salary and cash-flow management for the Company;
- (b) to give the Company the flexibility to impose specific or medium-term performance targets or to impose time-based service conditions, or a combination of both, as a means to reward and steer its executives to better performance and to retain employees with suitable skill sets and talents to drive the growth of the Group;
- (c) to incentivise participants of the Ley Choon Performance Share Plan 2018 to excel in their performance and encourage greater dedication and loyalty to the Company;
- (d) to recognise and reward past contributions and services and motivate participants of the Ley Choon Performance Share Plan 2018 to continue to strive for the Company's long-term prosperity;
- (e) to further strengthen and enhance the Company's competitiveness in attracting and retaining employees with suitable talents; and
- (f) to foster an ownership culture within the Company, and align the interests of participants of the Ley Choon Performance Share Plan 2018 with the interests of the Shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

24 EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The Ley Choon Performance Share Plan 2018 shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years from the date on which the Ley Choon Performance Share Plan 2018 is adopted by Shareholders, provided always that the Ley Choon Performance Share Plan 2018 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 Ley Choon Performance Share Plan 2018's commencement.

25 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:

	2019 S\$'000	2018 S\$'000
The Group		
Rental paid to an entity with a common director as the Company	23	34

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.

26 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:

	2019 S\$'000	2018 S\$'000
The Group		
Not later than one year	1,589	1,143
Later than one year and not later than five years	2,458	1,598
Later than five years	454	775
	4,501	3,516

The leases on which rentals are payable will expire between 30 April 2019 and 8 September 2025, and the current rent payable on the leases ranges from S\$1,000 to S\$44,000 per month.

The leases have no renewal option or contingent rent provision included in the contracts.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

27 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.

	Pipes and roads S\$'000	Construction materials S\$'000	Others S\$'000	Total S\$'000
2019				
External revenue	91,273	11,700	–	102,973
Inter-segment revenue	33,259	7,976	–	41,235
Total revenue	<u>124,532</u>	<u>19,676</u>	<u>–</u>	<u>144,208</u>
Interest income	–	–	32	32
Interest expenses	(41)	(108)	(2,891)	(3,040)
Depreciation and amortisation	(5,091)	(1,019)	(2,604)	(8,714)
Impairment losses on property, plant and equipment	(55)	(44)	(22)	(121)
Reportable segment profit/(loss) before tax	994	668	(10,793)	(9,131)
Reportable segment assets	72,431	13,112	31,349	116,892
Capital expenditure	688	–	108	796
Reportable segment liabilities	<u>23,647</u>	<u>7,507</u>	<u>62,538</u>	<u>93,692</u>

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

27 OPERATING SEGMENTS (CONTINUED)

	Pipes and roads S\$'000	Construction materials S\$'000	Others S\$'000	Total S\$'000
2018				
External revenue	96,505	9,157	–	105,662
Inter-segment revenue	37,280	8,228	–	45,508
Total revenue	<u>133,785</u>	<u>17,385</u>	<u>–</u>	<u>151,170</u>
Interest income	–	–	31	31
Interest expenses	(66)	(121)	(2,026)	(2,213)
Depreciation and amortisation	(5,528)	(1,047)	(2,834)	(9,409)
Reportable segment profit/(loss) before tax	12,202	1,210	(11,757)	1,655
Reportable segment assets	77,818	14,830	36,556	129,204
Capital expenditure	3,442	3	238	3,683
Reportable segment liabilities	<u>23,925</u>	<u>7,980</u>	<u>62,891</u>	<u>94,796</u>

Reconciliations of segment amounts to consolidated financial statements

	2019 S\$'000	2018 S\$'000
Revenue		
Total revenue for reportable segments	144,208	151,170
Elimination of inter-segment revenue	(41,235)	(45,508)
Consolidated revenue	<u>102,973</u>	<u>105,662</u>
Profit or loss		
Total profit for reportable segments	1,662	13,412
Other corporate expenses	(10,793)	(11,757)
Consolidated (loss)/profit before tax	<u>(9,131)</u>	<u>1,655</u>
Assets		
Total assets for reportable segments	85,543	92,648
Property, plant and equipment	18,452	21,074
Other unallocated assets	12,897	15,482
Consolidated total assets	<u>116,892</u>	<u>129,204</u>
Liabilities		
Total liabilities for reportable segments	31,154	31,905
Borrowings	57,177	57,859
Other unallocated liabilities	5,361	5,032
Consolidated total liabilities	<u>93,692</u>	<u>94,796</u>

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

27 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.

	2019 S\$'000	2018 S\$'000
Revenue		
Singapore	97,745	93,815
PRC	531	3,734
Sri Lanka	4,697	8,113
Consolidated revenue	<u>102,973</u>	<u>105,662</u>
Non-current assets*		
Singapore	38,691	46,030
PRC	9,852	10,968
Sri Lanka	1,597	2,249
Consolidated non-current assets	<u>50,140</u>	<u>59,247</u>

* Non-current assets comprise property, plant and equipment, land use rights and club membership.

Major customers

During the financial year ended 31 March 2019, revenue from two customers (2018: one customer) in respect of the Group's pipes and roads segment amounted to S\$70,435,000 (2018: S\$48,044,000). The details of these customers which individually contributed 10 percent or more of the Group's revenue are as follows:

	2019 S\$'000	2019 %	2018 S\$'000	2018 %
Customer A	60,263	59	48,044	45
Customer B	10,172	10	*	*
Total	<u>70,435</u>	<u>69</u>	<u>48,044</u>	<u>45</u>

* Below 10 percent

28 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 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 28.3) and foreign currency risk (Note 28.4).

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.

28.1 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.

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.

The Group's trade receivables comprise two major debtors (2018: four major debtors; 2017: five major debtors) that represented 61% (2018: 60%; 2017: 70%) of net trade receivables.

The Group and the Company have contract assets, trade and other receivables and cash and bank balances that are subject to the expected credit loss model. While contract assets, other receivables and cash and bank balances are subject to the impairment requirements of SFRS(I) 9, the identified impairment loss is insignificant.

Trade receivables

The Group and the Company apply the SFRS(I) 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime ECL allowance for all trade receivables.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables. The Group has identified the GDP and the unemployment rate of the countries in which it operates to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

28.1 Credit risk (Continued)

Trade receivables (Continued)

On that basis, below is the information about the credit risk exposure on the Group's trade receivables as at 31 March 2019 using provision matrix:

	Current	Past due 0 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due 90 days more than	Total
The Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Gross carrying amount	8,383	1,781	1,640	1,429	3,403	16,636
Expected credit loss rate (%)	0.22	0.17	0.13	3.7	91.15	
Loss allowance	18	3	2	53	3,102	3,178

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group and the Company.

Contract assets and other receivables

Loss allowance for contract assets and other receivables is measured at an amount equal to lifetime ECLs which is consistent with the approach adopted for trade receivables. The ECLs on contract assets and other receivables are estimated by reference to track record of the counterparties, their business and financial conditions where information is available, and knowledge of any events or circumstances impeding recovery of the amounts. At the end of the reporting period, no loss allowance for contract assets and other receivables was required.

Amounts due from subsidiaries (non-trade)

The amounts due from subsidiaries are considered to have low credit risk as the Company has control over the operating, investing and financing activities of its subsidiaries. The use of advances to assist with the subsidiaries' cash flow management is in line with the Group's capital management. There has been no significant increase in the credit risk of the amounts due from subsidiaries since initial recognition. In determining the ECLs, management has taken into account the financial position of the subsidiaries, and a forward-looking analysis of the financial performance of operations of the subsidiaries.

Management has assessed that the Company is not exposed to significant credit losses in respect of the amounts due from subsidiaries.

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 guarantees issued by the Company to and on behalf of subsidiaries.

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\$42,317,000 (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

28.1 Credit risk (Continued)

Exposure to credit risk (Continued)

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.

28.2 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.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows:

	Carrying amount S\$'000	Contractual undiscounted cash flows S\$'000	Less than 1 year S\$'000	Between 1 and 5 years S\$'000
The Group				
31 March 2019				
<u>Non-derivative financial liabilities</u>				
Trade and other payables* (Note 15)	32,398	32,398	32,398	-
Borrowings (Note 14)	58,048	66,031	10,793	55,238
	<u>90,446</u>	<u>98,429</u>	<u>43,191</u>	<u>55,238</u>
31 March 2018				
<u>Non-derivative financial liabilities</u>				
Trade and other payables* (Note 15)	31,945	31,945	31,945	-
Borrowings (Note 14)	59,379	67,333	17,784	49,549
	<u>91,324</u>	<u>99,278</u>	<u>49,729</u>	<u>49,549</u>
1 April 2017				
<u>Non-derivative financial liabilities</u>				
Trade and other payables* (Note 15)	34,604	34,604	34,604	-
Borrowings (Note 14)	71,279	82,544	16,306	66,238
	<u>105,883</u>	<u>117,148</u>	<u>50,910</u>	<u>66,238</u>



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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

28.2 Liquidity risk (Continued)

	Carrying amount S\$'000	Contractual undiscounted cash flows S\$'000	Less than 1 year S\$'000	Between 1 and 5 years S\$'000
The Company				
31 March 2019				
<u>Non-derivative financial liabilities</u>				
Trade and other payables (Note 15)	34,347	34,347	34,347	-
Borrowings (Note 14)	15,731	19,277	973	18,304
Intragroup financial guarantees	42,317	46,754	9,820	36,934
	<u>92,395</u>	<u>100,378</u>	<u>45,140</u>	<u>55,238</u>
31 March 2018				
<u>Non-derivative financial liabilities</u>				
Trade and other payables (Note 15)	27,586	27,586	27,586	-
Borrowings (Note 14)	15,614	19,920	888	19,032
Intragroup financial guarantees	43,765	47,413	16,896	30,517
	<u>86,965</u>	<u>94,919</u>	<u>45,370</u>	<u>49,549</u>
1 April 2017				
<u>Non-derivative financial liabilities</u>				
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
	<u>104,124</u>	<u>115,389</u>	<u>49,151</u>	<u>66,238</u>

* Excluding output taxes

Except for the Company's cash flows arising from its intra-group corporate guarantees (Note 28.1), 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.

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.

28.3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

28.3 Interest rate risk (Continued)

At the end of the reporting period, the carrying amount of the interest-bearing financial instruments is as follows:

	The Group			The Company		
	31 March	31 March	1 April	31 March	31 March	1 April
	2019	2018	2017	2019	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Fixed rate instruments						
Financial assets						
– fixed deposits	1,601	2,537	1,720	–	–	–
Financial liabilities						
– obligations under finance leases	(871)	(1,520)	(3,281)	–	–	–
– convertible bonds	(15,731)	(15,614)	(15,500)	(15,731)	(15,614)	(15,500)
– loans from controlling shareholders	–	–	(3,465)	–	–	(3,465)
	<u>(16,602)</u>	<u>(17,134)</u>	<u>(22,246)</u>	<u>(15,731)</u>	<u>(15,614)</u>	<u>(18,965)</u>
	<u>(15,001)</u>	<u>(14,597)</u>	<u>(20,526)</u>	<u>(15,731)</u>	<u>(15,614)</u>	<u>(18,965)</u>
Variable rate instruments						
Financial assets						
– bank balances	3,510	4,565	6,530	5	6	110
Financial liabilities						
– loans from financial institutions	(41,446)	(42,245)	(38,997)	–	–	–
– bank overdrafts	–	–	(10,036)	–	–	–
	<u>(41,446)</u>	<u>(42,245)</u>	<u>(49,033)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>(37,936)</u>	<u>(37,680)</u>	<u>(42,503)</u>	<u>5</u>	<u>6</u>	<u>110</u>

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 (2018: 100) basis points higher/lower with all other variables held constant, the Group's results net of tax and equity would have been S\$379,000 (2018: S\$377,000) 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

28.4 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 S\$'000
The Group	
31 March 2019	
Trade and other receivables	25,991
Cash and bank balances	4
Trade and other payables	(25,212)
Net exposure	<u>783</u>
31 March 2018	
Trade and other receivables	23,506
Cash and bank balances	4
Trade and other payables	(22,651)
Net exposure	<u>859</u>
1 April 2017	
Trade and other receivables	10,962
Cash and bank balances	4
Trade and other payables	(9,670)
Net exposure	<u>1,296</u>

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.

	2019 S\$'000	2018 S\$'000
The Group		
SGD – strengthened 5% (2018: 5%)	39	43
– weakened 5% (2018: 5%)	(39)	(43)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

28.5 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% (2018: 5%) higher/lower with all other variables held constant, the Group's results net of tax and equity would have been S\$2,000 (2018: S\$3,000) higher/lower, arising as a result of an increase/decrease in the fair value of the quoted equity securities.

29 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

29 CAPITAL MANAGEMENT (CONTINUED)

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 Company		
	31 March 2019	31 March 2018	1 April 2017	31 March 2019	31 March 2018	1 April 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Trade and other payables (Note 15)	33,083	32,816	35,236	34,347	27,586	32,845
Borrowings (Note 14)	58,048	59,379	71,279	15,731	15,614	18,965
Total debt	91,131	92,195	106,515	50,078	43,200	51,810
Less: Cash and bank balances and fixed deposits (Note 11)	(5,169)	(7,202)	(8,358)	(5)	(6)	(110)
Net debt	85,962	84,993	98,157	50,073	43,194	51,700
Equity attributable to owners of the Company	23,200	34,408	23,147	32,794	43,917	31,779
Total capital	23,200	34,408	23,147	32,794	43,917	31,779
Total capital and net debt	109,162	119,401	121,304	82,867	87,111	83,479
Gearing ratio	79%	71%	81%	60%	50%	62%

30 FINANCIAL INSTRUMENTS

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Amortised cost S\$'000	Mandatorily at FVTPL S\$'000	Other financial liabilities at amortised cost S\$'000	Total S\$'000
The Group				
31 March 2019				
<u>Financial assets</u>				
Trade and other receivables (Note 9)	15,836	–	–	15,836
Other investments (Note 10)	–	49	–	49
Cash and bank balances (Note 11)	3,568	–	–	3,568
Fixed deposits (Note 11)	1,601	–	–	1,601
	<u>21,005</u>	<u>49</u>	<u>–</u>	<u>21,054</u>
<u>Financial liabilities</u>				
Borrowings (Note 14)	–	–	58,048	58,048
Trade and other payables* (Note 15)	–	–	32,398	32,398
	<u>–</u>	<u>–</u>	<u>90,446</u>	<u>90,446</u>

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30 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications of financial assets and financial liabilities (Continued)

	Loans and receivables at amortised cost S\$'000	Designated at FVTPL S\$'000	Other financial liabilities at amortised cost S\$'000	Total S\$'000
The Group				
31 March 2018				
<u>Financial assets</u>				
Trade and other receivables (Note 9)	18,515	–	–	18,515
Other investments (Note 10)	–	58	–	58
Cash and bank balances (Note 11)	4,665	–	–	4,665
Fixed deposits (Note 11)	2,537	–	–	2,537
	<u>25,717</u>	<u>58</u>	<u>–</u>	<u>25,775</u>
<u>Financial liabilities</u>				
Borrowings (Note 14)	–	–	59,379	59,379
Trade and other payables* (Note 15)	–	–	31,945	31,945
	<u>–</u>	<u>–</u>	<u>91,324</u>	<u>91,324</u>
	Loans and receivables at amortised cost S\$'000	Designated at FVTPL S\$'000	Other financial liabilities at amortised cost S\$'000	Total S\$'000
The Group				
1 April 2017				
<u>Financial assets</u>				
Trade and other receivables (Note 9)	18,030	–	–	18,030
Other investments (Note 10)	–	56	–	56
Cash and bank balances (Note 11)	6,638	–	–	6,638
Fixed deposits (Note 11)	1,720	–	–	1,720
	<u>26,388</u>	<u>56</u>	<u>–</u>	<u>26,444</u>
<u>Financial liabilities</u>				
Borrowings (Note 14)	–	–	71,279	71,279
Trade and other payables* (Note 15)	–	–	34,604	34,604
	<u>–</u>	<u>–</u>	<u>105,883</u>	<u>105,883</u>

* Excluding output taxes



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications of financial assets and financial liabilities (Continued)

	Amortised cost S\$'000	Other financial liabilities at amortised cost S\$'000	Total S\$'000
The Company			
31 March 2019			
<u>Financial assets</u>			
Trade and other receivables (Note 9)	4,118	–	4,118
Cash and bank balances (Note 11)	5	–	5
	<u>4,123</u>	<u>–</u>	<u>4,123</u>
<u>Financial liabilities</u>			
Borrowings (Note 14)	–	15,731	15,731
Trade and other payables (Note 15)	–	34,347	34,347
	<u>–</u>	<u>50,078</u>	<u>50,078</u>
	Loans and receivables at amortised cost S\$'000	Other financial liabilities at amortised cost S\$'000	Total S\$'000
The Company			
31 March 2018			
<u>Financial assets</u>			
Trade and other receivables (Note 9)	4,142	–	4,142
Cash and bank balances (Note 11)	6	–	6
	<u>4,148</u>	<u>–</u>	<u>4,148</u>
<u>Financial liabilities</u>			
Borrowings (Note 14)	–	15,614	15,614
Trade and other payables (Note 15)	–	27,586	27,586
	<u>–</u>	<u>43,200</u>	<u>43,200</u>
	Loans and receivables at amortised cost S\$'000	Other financial liabilities at amortised cost S\$'000	Total S\$'000
The Company			
1 April 2017			
<u>Financial assets</u>			
Trade and other receivables (Note 9)	5,916	–	5,916
Cash and bank balances (Note 11)	110	–	110
	<u>6,026</u>	<u>–</u>	<u>6,026</u>
<u>Financial liabilities</u>			
Borrowings (Note 14)	–	18,965	18,965
Trade and other payables (Note 15)	–	32,845	32,845
	<u>–</u>	<u>51,810</u>	<u>51,810</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

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, cash and bank balances and fixed deposits, borrowings (which are short-term or repayable on demand), and trade and other payables, 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 data.

Financial assets measured at fair value

The Group	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
31 March 2019				
Quoted equity investments at FVTPL	49	–	–	49
31 March 2018				
Quoted equity investments at FVTPL	58	–	–	58
1 April 2017				
Quoted equity investments at FVTPL	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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

30 FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Financial assets and liabilities not measured at fair value but for which fair values are disclosed*

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
The Group				
31 March 2019				
Obligations under finance leases	-	908	-	908
Loans from financial institutions	-	39,752	-	39,752
Convertible bonds	-	15,803	-	15,803
	-	56,463	-	56,463
31 March 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
1 April 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
The Company				
31 March 2019				
Convertible bonds	-	15,803	-	15,803
31 March 2018				
Convertible bonds	-	15,726	-	15,726
1 April 2017				
Convertible bonds	-	15,654	-	15,654

* 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.

31 EVENTS AFTER THE REPORTING PERIOD

On 24 April 2019, the Company announced that its wholly-owned subsidiaries, Teacly (S) Pte. Ltd. and Chin Kuan Engineering and Contractors Pte Ltd, have successfully secured four contracts worth approximately S\$20.5 million in aggregate for supply and laying of pipes and underground services.

SHAREHOLDINGS STATISTICS

AS AT 21 JUNE 2019

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 21 June 2019.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-99	48	1.48	494	0.00
100-1,000	1,373	42.19	714,283	0.06
1,001-10,000	774	23.79	3,176,846	0.27
10,001-1,000,000	999	30.70	142,822,229	12.05
1,000,001 and above	60	1.84	1,038,100,140	87.62
	3,254	100.00	1,184,813,992	100.00

SHAREHOLDINGS HELD IN THE HAND OF PUBLIC SHAREHOLDERS

As at 21 June 2019, approximately 35.12% 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	586,759,000	49.52
2.	HIAP HOE INVESTMENT PTE LTD	176,536,000	14.90
3.	DBS NOMINEES (PRIVATE) LIMITED	39,408,701	3.33
4.	OCBC SECURITIES PRIVATE LIMITED	27,541,142	2.32
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	25,450,900	2.15
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.	RAFFLES NOMINEES (PTE.) LIMITED	9,018,300	0.76
11.	DB NOMINEES (SINGAPORE) PTE LTD	8,849,330	0.75
12.	SHALLYNE SHYIOW	7,515,600	0.63
13.	SIM TOCK MANG	5,896,000	0.50
14.	TOH KENG HONG	4,548,000	0.38
15.	WONG NYUK LIAN	4,220,000	0.36
16.	MAYBANK KIM ENG SECURITIES PTE. LTD	3,936,430	0.33
17.	CHEN JET HOW	3,860,000	0.33
18.	LIM EE CHUAN	3,714,886	0.31
19.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,612,550	0.30
20.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,397,650	0.29
		974,550,424	82.24

SHAREHOLDINGS STATISTICS

AS AT 21 JUNE 2019

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	Number of shares held		%
		%	Deemed Interest	
Zheng Choon Holding Pte. Ltd.	586,759,000	49.52%	-	-
Toh Choo Huat ⁽¹⁾	794,000	0.07%	586,759,000	49.52%
Toh Swee Kim ⁽²⁾	220,000	0.02%	586,759,000	49.52%
Toh Chew Leong ⁽³⁾	-	-	586,759,000	49.52%
Toh Chew Chai ⁽⁴⁾	-	-	586,759,000	49.52%
Hiap Hoe Investment Pte. Ltd.	176,536,000	14.9%	-	-
Hiap Hoe Limited ⁽⁵⁾	-	-	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 OF ANNUAL GENERAL MEETING

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 2019 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 2019 together with the Directors' Statement and the Auditors' Report of the Company. (Resolution 1)
2. To re-elect as a Director, Mr Toh Choo Huat who is retiring under Article 107 of the Company's Constitution.

Mr Toh Choo Huat will, upon re-election as a Director of the Company, remain an Executive Director of the Company. (Resolution 2)

[See Explanatory Note (I)]
3. To re-elect as a Director, Mr Teo Ho Beng who is retiring under Article 107 of the Company's Constitution.

Mr Teo Ho Beng will, upon re-election as a Director of the Company, remain a Non-Executive Director of the Company. (Resolution 3)

[See Explanatory Note (I)]
4. To approve the payment of Directors' fees of S\$190,000 for the financial year ending 31 March 2020, to be paid quarterly in arrears. (Resolution 4)
5. To re-appoint Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 5)
6. To transact any other business that may be transacted at an Annual General Meeting.

SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following Ordinary Resolution with or without any 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

NOTICE OF ANNUAL GENERAL MEETING

- (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 Catalyst 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 6)

[See Explanation Note (II)]

8. To consider and, if thought fit, pass the following Ordinary Resolution with or without any modifications:

"Resolved that the Board of Directors of the Company be and is hereby authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Ley Choon Performance Share Plan 2018 (the "**PSP**") and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued pursuant to the vesting of Awards under the PSP, provided always that the total number of new shares to be allotted and issued pursuant to an Award granted under the PSP, when added to the number of shares issued and issuable in respect of all Awards granted under the PSP and any other share scheme, shall not exceed 15% of the issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) on the day preceding the date of the Award."

(Resolution 7)

[See Explanatory Note (III)]

NOTICE OF ANNUAL GENERAL MEETING

All capitalised terms in the Special Resolution 8 below and defined in the Letter to Shareholders dated 8 July 2019 (the "Letter") shall, unless otherwise defined herein, have the respective meanings ascribed thereto in the Letter.

9. To consider and, if thought fit, pass the following Special Resolution with or without any modifications:

"Resolved that:

- (a) the New Constitution be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the Existing Constitution; and
- (b) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to this Resolution.

(Resolution 8)

[See Explanatory Note (IV)]

By Order of the Board

Ong Beng Hong/Tan Swee Gek
 Joint Company Secretaries
 8 July 2019

Explanatory Notes:

- I. For details of Mr Toh Choo Huat and Mr Teo Ho Beng's disclosures pursuant to Rule 720(5) of the Catalist Rules, please refer to pages 76 to 82 of the Company's Annual Report for the financial year ended 31 March 2019.
- II. The Ordinary Resolution 6 in item 7 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.
- III. The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company pursuant to the vesting of awards granted under the PSP of up to a number which when added to the number of new shares issued and issuable in respect of all awards granted under the PSP or any other share scheme shall not exceed in total 15% of the issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) from time to time. The PSP was first approved by the shareholders of the Company at the Annual General Meeting held on 30 July 2018. Please refer to the Company's Letter to Shareholders dated 13 July 2018 for further details.
- IV. The Special Resolution 8 proposed in item 9 above, is to seek the shareholders' approval for the proposed adoption of the New Constitution. Detailed information on the proposed adoption of the New Constitution, including the rationale for the same, is set out in the Letter.

NOTICE OF ANNUAL GENERAL MEETING

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 CDP 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.
- (6) 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, compilation and publication 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**"), (ii) 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.

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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.
2. 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.

I/We _____ (Name)

of _____ (Address)

being a member/members of Ley Choon Group Holdings Limited (the "Company") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of my/our Shareholding (%)	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of my/our Shareholding (%)	
			No. of shares	%

and/or such other persons as furnished by us in accordance with Note 3 of this proxy form, or failing which, the Chairman of the Annual General Meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556 on 30 July 2019 at 10 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions Relating To:	For	Against
	Ordinary Business		
1.	Adoption of the Audited Financial Statements for the financial year ended 31 March 2019 together with the Directors' Statement and Auditors' Report of the Company		
2.	Re-election of Mr Toh Choo Huat as a Director of the Company		
3.	Re-election of Mr Teo Ho Beng as a Director of the Company		
4.	Approval of Directors' fees for the financial year ending 31 March 2020, to be paid quarterly in arrears		
5.	Re-appointment of Messrs Foo Kon Tan LLP as the Company's Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
6.	Authority to allot and issue new shares		
7.	Authority to allot and issue shares under the Ley Choon Performance Share Plan 2018		
	Special Resolution		
8.	Proposed adoption of the New Constitution		

(If you wish to exercise all your votes "For" or "Against", please indicate your vote "For" or "Against" with "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.)

Dated this _____ day of _____ 2019.

Total number of Shares held

Signature of Shareholder(s) or Common Seal

Important: Please read notes overleaf

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.

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LEY CHOON

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