

CIRCULAR DATED 21 JUNE 2012

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION THAT YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

If you have sold or transferred all your ordinary shares in the capital of Ultra Technologies Limited (“**Ultra**” or the “**Company**”), please forward this Circular, the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**” or the “**Exchange**”) assumes no responsibility for the contents of this Circular, including the correctness of the statements or opinions made or reports contained in this Circular. The Exchange has not in any way considered the merits of the shares or units of shares being offered for investment. Approval in-principle granted by the SGX-ST for the listing and quotation of the Consolidated Shares, the Consideration Shares (including the Introducer Shares) and the Compliance Placement Shares on the SGX-ST is not to be taken as an indication of the merits of the Proposed Transactions, the Group, the LC Group, the Proforma Group, the Shares, the Consolidated Shares, the Consideration Shares (including Introducer Shares) and the Compliance Placement Shares. Terms appearing on the cover of this Circular have the same meanings as defined herein.

**YOUR ATTENTION IS DRAWN TO PARAGRAPH 24 ENTITLED “RISK FACTORS” SET OUT IN APPENDIX A - THE LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD OF THIS CIRCULAR WHICH YOU SHOULD REVIEW CAREFULLY.**



## **ULTRO TECHNOLOGIES LIMITED**

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

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO**

- (A) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD FOR A CONSIDERATION OF \$110 MILLION (“PROPOSED ACQUISITION”) AND THE PROPOSED ALLOTMENT AND ISSUE OF 3,928,571,429 ORDINARY SHARES IN THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY TO SATISFY IN FULL THE CONSIDERATION FOR THE PROPOSED ACQUISITION;
- (B) THE PROPOSED WHITEWASH RESOLUTION (AS DEFINED HEREIN);
- (C) THE PROPOSED CAPITAL REDUCTIONS (AS DEFINED HEREIN) AND PROPOSED CASH DISTRIBUTION (AS DEFINED HEREIN);
- (D) THE PROPOSED AMENDMENTS TO THE DEED POLL DATED 19 MAY 2010;
- (E) THE PROPOSED SHARE CONSOLIDATION OF EVERY 10 ORDINARY SHARES IN THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY INTO 1 CONSOLIDATED SHARE SUBSEQUENT TO COMPLETION OF THE PROPOSED ACQUISITION (“PROPOSED SHARE CONSOLIDATION”);
- (F) THE PROPOSED CHANGE OF THE COMPANY’S NAME SUBSEQUENT TO THE COMPLETION OF THE PROPOSED ACQUISITION;
- (G) THE PROPOSED APPOINTMENT OF NEW DIRECTORS SUBSEQUENT TO THE COMPLETION OF THE PROPOSED ACQUISITION;
- (H) THE PROPOSED CHANGE OF INDEPENDENT AUDITORS SUBSEQUENT TO THE COMPLETION OF THE PROPOSED ACQUISITION;
- (I) THE PROPOSED COMPLIANCE PLACEMENT;
- (J) THE PROPOSED NEW GENERAL SHARE ISSUE MANDATE; AND
- (K) THE PROPOSED IPT MANDATE (AS DEFINED HEREIN).

**Financial Adviser to the Company in relation to the Proposed Acquisition**

**OSK | DMG**

**DMG & PARTNERS SECURITIES PTE LTD**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 198701140E)

**Independent Financial Adviser in relation to  
the Proposed Whitewash Resolution and the Proposed IPT Mandate**

 **STIRLING COLEMAN**  
施霖高诚

**STIRLING COLEMAN CAPITAL LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200105040N)

#### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	11 July 2012 at 3.30 p.m.
Date and time of Extraordinary General Meeting	:	13 July 2012 at 3.30 p.m.
Place of Extraordinary General Meeting	:	Orchid Country Club Emerald Suite 1 Orchid Club Road Singapore 769162

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## CORPORATE INFORMATION

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### INFORMATION RELATING TO THE COMPANY

<b>BOARD OF DIRECTORS</b>	:	Lim Ee Ann Lim Ee Chuan Tan Siok Min Lee Keen Whye Timothy Teo Lai Wah	<i>(Executive Chairman)</i> <i>(Chief Executive Officer)</i> <i>(Non-executive Director)</i> <i>(Independent Director)</i> <i>(Independent Director)</i>
<b>PROPOSED DIRECTORS</b>	:	Toh Choo Huat Toh Swee Kim Toh Chew Leong Koh Tiam Teng Tan Teck Wei Lee Gee Aik Ang Miah Khiang Marcus Chow Wen Kwan	<i>(Executive Chairman &amp; CEO)</i> <i>(Executive Director)</i> <i>(Executive Director)</i> <i>(Executive Director)</i> <i>(Executive Director)</i> <i>(Lead Independent Director)</i> <i>(Independent Director)</i> <i>(Independent Director)</i>
<b>COMPANY SECRETARY</b>	:	Wee Woon Hong, LLB (Hons)	
<b>REGISTERED OFFICE OF THE COMPANY</b>	:	1 Changi Business Park Avenue 1 #05-01 Ultro Building Singapore 486058	
<b>SHARE REGISTRAR AND SHARE TRANSFER AGENT</b>	:	M&C Services Private Limited 138 Robinson Road #17-00 The Corporate Office Singapore 068906	
<b>FINANCIAL ADVISER TO THE COMPANY IN RELATION TO THE PROPOSED ACQUISITION</b>	:	DMG & Partners Securities Pte Ltd 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315	
<b>INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE PROPOSED WHITEWASH RESOLUTION AND PROPOSED IPT MANDATE</b>	:	Stirling Coleman Capital Limited 4 Shenton Way #07-03 SGX Centre 2 Singapore 068807	
<b>INDEPENDENT AUDITORS TO THE COMPANY</b>	:	LTC LLP Certified Public Accountants 1 Raffles Place #20-02 One Raffles Place Singapore 048616 Partner-in-charge: Tsang Siu For Thomas	
<b>INDEPENDENT REPORTING ACCOUNTANTS TO THE COMPANY</b>	:	KPMG LLP 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581 Partner-in-charge: Barry Lee Chin Siang	
<b>LEGAL ADVISER TO THE COMPANY ON SINGAPORE LAW</b>	:	Wong Tan & Molly Lim LLC 80 Robinson Road #17-02 Singapore 068898	

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## CORPORATE INFORMATION

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**LEGAL ADVISER TO THE COMPANY ON PRC LAW** : Shandong Qindao Law Firm  
(山东琴岛律师事务所)  
22/F, Northern Tower, Golden Square,  
20 Hong Kong Road (M),  
Qingdao,  
People's Republic of China  
(中国青岛市香港中路20号黄金广场北楼22层)

**LEGAL ADVISER TO THE COMPANY ON BRUNEI LAW** : Abrahams, Davidson & Co.  
1st & 2nd Floor, Units 1 & 2, Block B  
Bangunan Begawan Pehin Dato Hj Md Yusof  
Kg Kiulap, Bandar Seri Begawan BE1518  
Brunei Darussalam

**LEGAL ADVISER TO THE FINANCIAL ADVISER ON SINGAPORE LAW** : Drew & Napier LLC  
10 Collyer Quay  
#10-01 Ocean Financial Centre  
Singapore 049315

**PRINCIPAL BANKER(S) TO THE COMPANY** : United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

### INFORMATION RELATING TO LCCE

**REGISTERED OFFICE OF LCCE** : 4 Sungei Kadut Street 2  
Sungei Kadut Industrial Estate  
Singapore 729226  
Tel: 65-6757 0900  
Fax: 65-6757 0100

**INDEPENDENT AUDITORS TO LCCE** : KPMG LLP  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581  
Partner-in-charge: Mr Barry Lee Chin Siang

**PRINCIPAL BANKERS TO LCCE** : Standard Chartered Bank  
8 Marina Boulevard #27-01  
Marina Bay Financial Centre Tower 1  
Singapore 018981

Malayan Banking Berhad  
2 Battery Road  
Maybank Tower  
Singapore 049907

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza  
Singapore 048624

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## DEFINITIONS

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The following definitions apply throughout this Circular, unless the context requires otherwise:

### Companies within the Proforma Group

<i>“Chin Kuan”</i>	:	Chin Kuan Engineering and Contractors Pte Ltd (formerly known as Chin Kuan Engineering Construction Pte Ltd)
<i>“Company” or “Ultron”</i>	:	Ultron Technologies Limited
<i>“Group”</i>	:	Ultron, its subsidiaries and associated companies
<i>“LCCE” or “Target Company”</i>	:	Ley Choon Constructions and Engineering Pte Ltd
<i>“LC Development”</i>	:	Ley Choon Development Pte. Ltd. (formerly known as Ley Choon Technology Pte. Ltd.)
<i>“LC EWC”</i>	:	Ley Choon EWC Sdn Bhd
<i>“LC Group” or “Target Group”</i>	:	LCCE, its subsidiaries and associated companies
<i>“LC Yantai”</i>	:	Ley Choon (Yantai) Eco-Green Construction Materials Ltd. (立塔(烟台)环保建材科技有限公司)
<i>“Multiform”</i>	:	Multiform Developments & Construction Pte Ltd
<i>“Pan Alliance”</i>	:	Pan Alliance Technology International Pte. Ltd. (formerly known as New Alliance Pipelines Technology Pte. Ltd.)
<i>“Proforma Group”</i>	:	The group of companies comprising the Group and the LC Group, following the completion of the Proposed Disposal and the Proposed Acquisition, treated for the purpose of this Circular as if such a group structure had been in existence since 1 January 2009 on the basis described in the Unaudited Proforma Consolidated Financial Information of the Proforma Group set out in Appendix D of this Circular
<i>“Ranoda”</i>	:	Ranoda (M) Sdn Bhd
<i>“Teacly”</i>	:	Teacly (S) Pte. Ltd.

### Other agencies, corporations and organisations

<i>“ACRA”</i>	:	Accounting and Corporate Regulatory Authority
<i>“BCA”</i>	:	Building and Construction Authority
<i>“BTSL”</i>	:	Bermuda Trust (Singapore) Limited (which in the context of this Circular is acting as the trustee of Ascendas Real Estate Investment Trust)
<i>“CAAS”</i>	:	Civil Aviation Authority of Singapore
<i>“CAG”</i>	:	Changi Airport Group (Singapore) Pte. Ltd.
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“CI”</i>	:	Consumer International, a world federation of consumer groups
<i>“CPIB”</i>	:	Corrupt Practices Investigation Bureau

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## DEFINITIONS

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<i>“DBS”</i>	:	DBS Bank Ltd
<i>“EMA”</i>	:	Energy Market Authority
<i>“Financial Adviser” or “DMG”</i>	:	DMG & Partners Securities Pte Ltd
<i>“HDB”</i>	:	Housing Development Board
<i>“Hen Sheng”</i>	:	Hen Sheng Civil Engineering Pte. Ltd.
<i>“IFA” or “Independent Financial Adviser”</i>	:	Stirling Coleman Capital Limited
<i>“Intersino”</i>	:	Intersino Investments Limited
<i>“ISO”</i>	:	International Organisation for Standardisation, a world-wide federation of national standard bodies
<i>“JTC”</i>	:	JTC Corporation
<i>“Li Chun Dragon Fish”</i>	:	Li Chun Dragon Fish Industry Pte. Ltd. (formerly known as Ley Choon Dragon Fish Industry Pte. Ltd.)
<i>“LTA”</i>	:	Land Transport Authority
<i>“Maybank”</i>	:	Malayan Banking Berhad
<i>“MOM”</i>	:	Ministry of Manpower
<i>“MTI”</i>	:	Ministry of Trade and Industry
<i>“NEA”</i>	:	National Environment Agency
<i>“NParks”</i>	:	National Parks Board
<i>“OCBC”</i>	:	Oversea-Chinese Banking Corporation Limited
<i>“OHSAS”</i>	:	Occupational Health & Safety Advisory Services
<i>“Pan Asian”</i>	:	Pan Asian Holdings Limited (formerly known as Pan Asian Water Solutions Limited)
<i>“PowerGas”</i>	:	PowerGas Limited
<i>“PUB”</i>	:	Public Utilities Board
<i>“RHB Bank”</i>	:	RHB Bank Berhad, Singapore Branch
<i>“SCDF”</i>	:	Singapore Civil Defence Force
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“SIC”</i>	:	Securities Industry Council
<i>“Sing &amp; San”</i>	:	Sing & San Construction Pte Ltd

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## DEFINITIONS

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<i>“Singtel”</i>	:	Singapore Telecommunications Limited
<i>“SPRING”</i>	:	SPRING Singapore, an agency under the Ministry of Trade and Industry responsible for helping Singapore enterprises grow and build trust in Singapore products and services
<i>“UOB”</i>	:	United Overseas Bank Limited
<i>“URA”</i>	:	Urban Redevelopment Authority
<i>“WSHC”</i>	:	Workplace Safety and Health Council, a council that aims to improve safety and health standards in Singapore
<i>“Zheng Choon”</i>	:	Zheng Choon Holding Pte. Ltd.
<b>General</b>		
<i>“AC” or “Audit Committee”</i>	:	The audit committee of the Company from time to time
<i>“Accumulated Losses”</i>	:	Accumulated losses of the Company as at 31 March 2012
<i>“Amended SPA”</i>	:	The Sale-and-Purchase Agreement (as supplemented and amended by the First Supplemental Agreement, or the First and the Second Supplemental Agreements, as the case maybe)
<i>“Announcement Date”</i>	:	26 December 2011, being the date on which the Proposed Acquisition was first announced
<i>“Approved Bank”</i>	:	Any reputable bank or merchant bank in Singapore selected by the Directors
<i>“Associate”</i>	:	As defined in Paragraph 12.1 of the Ultro Letter
<i>“BCISPA”</i>	:	Building and Construction Industry Security of Payment Act, Cap. 30B of Singapore, as amended, modified or supplemented from time to time
<i>“Board”</i>	:	(a) in the case of the Company and when used in the Ultro Letter, the board of directors of the Company from time to time; or  (b) in the case of LCCE and when used in the LC Letter, the board of directors of LCCE from time to time
<i>“Brunei”</i>	:	State of Brunei Darussalam
<i>“Cash Distribution”</i>	:	\$0.00463 per Share or approximately \$2.0 million in aggregate, based on 431,908,656 Shares in the issued and paid-up share capital of the Company as at the Latest Practicable Date and assuming that no existing Warrants are exercised into Shares prior to the CD Books Closure Date

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## DEFINITIONS

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<i>“CD Books Closure Date”</i>	:	The books closure date for the purposes of determining the Entitled Shareholders’ entitlement under the Proposed Cash Distribution, which shall be determined by the Company, provided always that the CD Books Closure Date is before Completion but after the EGM
<i>“CEO”</i>	:	Chief Executive Officer
<i>“Circular”</i>	:	This circular to Shareholders dated 21 June 2012
<i>“Code”</i>	:	The Singapore Code on Take-overs and Mergers
<i>“Collection Receivables”</i>	:	The aggregate sum of balance receivables due to the Group prior to the Completion
<i>“Companies Act”</i>	:	The Companies Act, Cap. 50 of Singapore, as amended, modified or supplemented from time to time
<i>“Completion”</i>	:	The completion of the Proposed Acquisition
<i>“Completion Date”</i>	:	The date on which the Completion is to take place
<i>“Compliance Placement Shares”</i>	:	The proposed allotment and issue of up to 57,625,000 new Consolidated Shares for the purposes of the Proposed Compliance Placement
<i>“Concert Parties”</i>	:	Any person deemed to be acting in concert with the Vendors for the purposes of the Proposed Whitewash Resolution
<i>“Consideration”</i>	:	\$110 million payable by the Company to the Vendors as consideration for the Proposed Acquisition to be satisfied in full by the Consideration Shares
<i>“Consideration Shares”</i>	:	3,928,571,429 new Shares to be issued and allotted to the Vendors and/or their respective nominees at an issue price of \$0.028 each in satisfaction of the Consideration
<i>“Consolidated Share Capital”</i>	:	The issued and paid-up share capital of the Company subsequent to the completion of the Proposed Share Consolidation
<i>“Consolidated Shares”</i>	:	Ordinary shares in the issued and paid-up share capital of the Company subsequent to the completion of the Proposed Share Consolidation
<i>“Consolidated Warrants”</i>	:	Warrants in the Company subsequent to the completion of the Warrant Consolidation
<i>“Controlling Shareholder”</i>	:	As defined in Paragraph 12.1 of the Ultro Letter
<i>“Deed Poll”</i>	:	The deed poll dated 19 May 2010 executed by the Company for the purpose of constituting the Warrants and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrantholders
<i>“Directors”</i>	:	(a) in the case of the Company and when used in the Ultro Letter, the directors of the Company from time to time; or

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## DEFINITIONS

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	(b)	in the case of LCCE and when used in the LC Letter, the directors of LCCE from time to time
<i>“Effective Date”</i>	:	As defined in Paragraph 4.3(d) of the Ultro Letter
<i>“EGM”</i>	:	The extraordinary general meeting of the Company to be held on 13 July 2012, notice of which is set out on pages N-1 to N-5 of this Circular
<i>“Encumbrances”</i>	:	Any claim, charge, mortgage, security, lien, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind
<i>“Enlarged Share Capital”</i>	:	The issued and paid-up share capital of the Company immediately after the completion of the Proposed Capital Reductions, the Proposed Cash Distribution and the Proposed Acquisition Shares Issue but before the Proposed Share Consolidation and the Proposed Compliance Placement, provided always that no Warrants are exercised prior to Completion
<i>“Entitled Shareholders”</i>	:	Shareholders as at the CD Books Closure Date
<i>“EPS”</i>	:	Earnings per Share
<i>“Executive Officers”</i>	:	(a) in the case of the Company and when used in the Ultro Letter, the executive officers of the Company from time to time; or  (b) in the case of LCCE and when used in the LC Letter, the executive officers of LCCE as at the date of this Circular
<i>“Exercise Period”</i>	:	The period during which the Warrants may be exercised commencing on and including the date of issue of the Warrants and expiring on the Market Day immediately preceding the third anniversary of the date of issue of the Warrants
<i>“Exercise Price”</i>	:	\$0.10, the sum payable in respect of each new Share for which Warrant holders may subscribe upon exercise of a Warrant, subject to adjustments under certain circumstances as may for the time being be applicable in accordance with the Deed Poll
<i>“Final Share Capital”</i>	:	The issued and paid-up share capital of the Company immediately after the completion of the Proposed Compliance Placement
<i>“Final SPA”</i>	:	The Sale-and-Purchase Agreement as amended and supplemented by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement
<i>“First Supplemental Agreement”</i>	:	The supplemental agreement dated 15 February 2012 entered into between the Company and the Vendors

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## DEFINITIONS

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<i>“FY”</i>	:	Financial year of the respective entities as follows: <ul style="list-style-type: none"><li>(a) in the case of the Company, the financial period ended or ending 30 June for financial years prior to and including 30 June 2010 and 31 December for financial years after 30 June 2010, as the case may be; and</li><li>(b) in the case of the LC Group and the Proforma Group, the financial year ended or ending 31 December, as the case may be</li></ul>
<i>“FWL”</i>	:	Foreign Worker Levy
<i>“IFA Letter”</i>	:	The letter from the Independent Financial Adviser to the Directors of the Company as set out in Appendix C of this Circular
<i>“Independent Auditors”</i>	:	The independent auditors of the Company from time to time
<i>“Independent Directors”</i>	:	The independent Directors of the Company from time to time
<i>“Independent Shareholders”</i>	:	The Shareholders who are independent of the Vendors and the Concert Parties for the purposes of the Proposed Whitewash Resolution
<i>“Interested Person”</i>	:	As defined in Paragraph 12.1 of the Ultro Letter
<i>“Interested Person Transactions”</i>	:	As defined in Paragraph 12.1 of the Ultro Letter
<i>“Introducer Shares”</i>	:	137,500,000 Shares out of the 3,928,571,429 Consideration Shares to be issued and allotted to Intersino and/or its nominees in consideration of the services provided by Intersino in relation to the Proposed Acquisition
<i>“Latest Practicable Date”</i>	:	8 June 2012, being the latest practicable date prior to the printing of this Circular
<i>“LCCE Shares”</i>	:	Ordinary shares in the issued and paid-up share capital of LCCE, from time to time
<i>“LC Letter”</i>	:	The letter to the Shareholders from the Board of LCCE set out in Appendix A of this Circular
<i>“Lease Agreement”</i>	:	The lease agreement dated 30 October 2003 entered into between the Company and BTSL in relation to the Ultro Building
<i>“Letter”</i>	:	(a) when used in the Ultro Letter, the Ultro Letter; or (b) when used in the LC Letter, the LC Letter
<i>“Listing Manual”</i>	:	The Listing Manual of the SGX-ST as amended, modified or supplemented from time to time
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading of securities
<i>“Minimum Dividend Requirement”</i>	:	Minimum cash balance of S\$100,000 in the Special Account
<i>“MRT”</i>	:	Mass Rapid Transit

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## DEFINITIONS

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“NAV”	:	Net asset value
“MYE”	:	Man-year entitlement
“NTA”	:	Net tangible assets
“Parties”	:	The Company and the Vendors
“PBT”	:	Profit before tax
“Periods Under Review”	:	FY2009, FY2010 and FY2011
“PER”	:	Price to earnings ratio
“PRC”	:	People’s Republic of China
“Proforma Share Capital”	:	The issued and paid-up share capital of the Company following the completion of the Proposed Acquisition, the Proposed Acquisition Shares Issue, the Proposed Share Consolidation and the Proposed Compliance Placement
“Property”	:	The property located at 12 Jalan Dewani 4, Kawasan Perindustrian Dewani, 81100 Johor Bahru, Johor, Malaysia
“Proposed Acquisition”	:	The proposed acquisition of the entire issued and paid-up capital of LCCE for a consideration of \$110 million from the Vendors by the Company, in accordance with the terms and conditions of the Final SPA
“Proposed Acquisition Shares Issue”	:	The proposed issue of 3,928,571,429 Consideration Shares in satisfaction of the Consideration at \$0.028 per Consideration Share
“Proposed Capital Reductions”	:	The Proposed First Capital Reduction and the Proposed Second Capital Reduction
“Proposed Cash Distribution”	:	The proposed cash distribution of \$0.00463 per Share to the Entitled Shareholders in connection with the Proposed First Capital Reduction
“Proposed Compliance Placement”	:	The proposed issue of up to 57,625,000 Compliance Placement Shares, sale of up to 16,500,000 Consolidated Shares by Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan and Zheng Choon and 6,875,000 Consolidated Shares by Intersino subsequent to Proposed Share Consolidation for the purposes of, <i>inter alia</i> , meeting the public float requirements, the shareholding spread and distribution requirements of the Listing Manual
“Proposed Contingent Dividend”	:	As defined in Paragraph 2.4 of the Ultro Letter
“Proposed Deed Poll Amendments”	:	The proposed amendments to the Deed Poll
“Proposed Directors”	:	The Proposed EDs and the Proposed IDs
“Proposed Director Appointments”	:	The proposed appointment of the Proposed Directors subsequent to the Completion

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## DEFINITIONS

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<i>“Proposed Disposal”</i>	:	(a) The proposed disposal of all the businesses and assets in the Company save for the Retained Assets
<i>“Proposed EDs”</i>	:	The proposed new executive directors to be appointed by the Company following the Completion, namely Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim, Mr Koh Tiam Teng and Mr Tan Teck Wei
<i>“Proposed EOs”</i>	:	The proposed new executive officers to be appointed by the Company following the Completion, namely Mr Lim Fan, Mr Toh Geok Boon, Ms Seow Soon Kee and Mr Toh Chew Chai
<i>“Proposed First Capital Reduction”</i>	:	The proposed reduction of the Company’s issued and paid-up share capital by a sum of the amount equivalent to the Cash Distribution
<i>“Proposed IDs”</i>	:	The proposed new independent directors to be appointed to the Board of the Company following the Completion, namely Mr Lee Gee Aik, Mr Ang Miah Khiang and Mr Marcus Chow Wen Kwan
<i>“Proposed Independent Auditors”</i>	:	KPMG LLP
<i>“Proposed Independent Auditors Appointment”</i>	:	The proposed appointment of the Proposed Independent Auditors subsequent to the Completion
<i>“Proposed IPT Mandate”</i>	:	The proposed grant of an interested person transaction mandate for recurrent interested/related person transactions to be entered into by the Proforma Group following the Completion and/or the completion of the Proposed Director Appointments and as set out in Paragraph 12 of the Ultro Letter
<i>“Proposed Name Change”</i>	:	The proposed change of the Company’s name to “Ley Choon Group Holdings Limited” following the Completion
<i>“Proposed New General Share Issue Mandate”</i>	:	The proposed grant of a general mandate to allot and issue Shares (or Consolidated Shares) as set out in Paragraph 11 in the Ultro Letter
<i>“Proposed Second Capital Reduction”</i>	:	The proposed reduction of the Company’s issued and paid-up share capital by an amount equivalent to \$56,018,498 for the purposes of zeroing the Accumulated Losses
<i>“Proposed Share Consolidation”</i>	:	The proposed share consolidation of every ten (10) Shares into one Consolidated Share at the SC Books Closure Date
<i>“Proposed Transactions”</i>	:	The Proposed Acquisition, the Proposed Acquisition Shares Issue, the Proposed Whitewash Resolution, the Proposed Deed Poll Amendments, the Proposed Capital Reductions, the Proposed Cash Distribution, the Proposed Share Consolidation, the Proposed Name Change, the Proposed Director Appointments, the Proposed Independent Auditors Appointment, the Proposed Compliance Placement, the Proposed New General Share Issue Mandate and the Proposed IPT Mandate

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## DEFINITIONS

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- “Proposed Whitewash Resolution”* : The resolution proposed as Ordinary Resolution 16 in the Notice of EGM appended to this Circular, which if passed by Independent Shareholders would result in a waiver by Independent Shareholders of their rights to receive a mandatory take-over offer from the Vendors and the Concert Parties with them in relation to the Proposed Acquisition
- “RC” or “Remuneration Committee”* : The remuneration committee of the Company from time to time
- “Related Person”* : As defined in Paragraph 12.1 of the Ultro Letter
- “Related Person Transactions”* : As defined in Paragraph 12.1 of the Ultro Letter
- “Retained Assets”* : (a) If the Lease Agreement is not terminated prior to Completion:
- i. a net cash reserve of approximately \$1.8 million, comprising:
    - (aa) a margin money deposit of \$2.4 million placed by the Company as required by its bankers for the provision of a banker’s guarantee on the Lease Agreement and which will be released to the Company after the Lease Agreement expires); and
    - (bb) a liability of \$600,000 which relates to the security deposit paid by the sub-tenants of the Ultro Building and which will be refunded to these sub-tenants when their respective leases expire.
- In the event prior to the Completion any part of the security deposit has been refunded to any sub-tenant of the Ultro Building when that sub-tenant’s lease expires, an equivalent amount will be adjusted from the margin money deposit to maintain the net cash reserve of \$1.8 million by the Company such that as at Completion, the net cash reserve to be retained by the Company shall be \$1.8 million. For avoidance of doubt, if the actual gross cash reserve exceeds the net cash reserve as at Completion, the excess amount shall be placed in the Special Account;
- ii. the entire issued and paid-up share capital of its wholly-owned subsidiary, Ranoda, comprising 2,950,000 ordinary shares, provided that Ranoda has no other existing businesses and assets other than the Property; and
  - iii. any other cash which is held by the Company as at Completion and such cash shall be placed in the Special Account

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## DEFINITIONS

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- (b) If the Lease Agreement is terminated prior to Completion:
- i. the entire issued and paid-up share capital of its wholly-owned subsidiary, Ranoda, comprising 2,950,000 ordinary shares, provided that Ranoda has no other existing businesses and assets other than the Property
  - ii. any other cash which is held by the Company as at Completion and such cash shall be placed in the Special Account
- “Retention Fee”* : As defined in Paragraph 2.4(b) of the Ultro Letter
- “Revised Deed Poll”* : The Deed Poll which has been revised to include the Proposed Deed Poll Amendments
- “Sale-and-Purchase Agreement”* : The sale-and-purchase agreement entered into between the Company and the Vendors on 24 December 2011
- “Sale Shares”* : 30,000,000 ordinary shares in LCCE and which comprises the entire issued and paid-up share capital of the LCCE
- “SC Books Closure Date”* : The books closure date for the purposes of (a) determining the number of Shares held by each Shareholder which are to be consolidated under the Proposed Share Consolidation; and (b) determining the number Warrants held by each Warrantholder which are to be consolidated under the Warrant Consolidation
- “Second Supplemental Agreement”* : The second supplemental agreement dated 2 April 2012 entered into between the Company and the Vendors
- “Securities Account”* : Securities account maintained by a Depositor with CDP but does not include a securities sub-account
- “SGXNET”* : A broadcast network utilised by companies listed on the SGX-ST for the purpose of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)
- “Shares”* : The ordinary shares in the issued and paid-up share capital of the Company prior to the completion of the Proposed Share Consolidation
- “Shareholders”* : Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose securities account maintained with CDP are credited with Shares
- “SFA” or “Securities and Futures Act”* : The Securities and Futures Act, Cap. 289 of Singapore, as amended, modified or supplemented from time to time

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## DEFINITIONS

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<i>“Special Account”</i>	:	An account to be set up with a Singapore-licensed bank nominated by the Company or one of the Company’s existing bank accounts for the sole purpose of: <ul style="list-style-type: none"><li>(a) receiving cash, including cash held by the Company prior to the Completion, the consideration received by the Company for the Proposed Disposal, the Retention Fee, Collection Receivables which were received within 365 days from the CD Books Closure Date; and</li><li>(b) maintaining monies from which all costs incurred for the Proposed Capital Reductions, the Proposed Cash Distribution, the Proposed Contingent Dividend, the surrendering of the Ultro Building to BTSL (including but not limited to the costs for re-instating the Ultro Building) and all other operating costs will be deducted</li></ul>
<i>“Substantial Shareholder”</i>	:	A person who has an interest in Shares the nominal amount of which is 5% or more in the aggregate voting Shares of the Company
<i>“Third Supplemental Agreement”</i>	:	The third supplemental agreement dated 14 June 2012 entered into between the Company and the Vendors
<i>“Ultro Building”</i>	:	The property located at 1 Changi Business Park Avenue 1, Singapore 486058
<i>“Ultro Letter”</i>	:	The letter to the Shareholders from the Board of the Company contained in this Circular
<i>“Vendors”</i>	:	Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai, Mr Toh Swee Kim, Mr Koh Tiam Teng, Mr Tan Teck Wei and Mr Liang Say Juan
<i>“Vendor Shares”</i>	:	23,375,000 Consolidated Shares to be disposed by Intersino, Zheng Choon, Mr Koh Tiam Teng, Mr Tan Teck Wei and Mr Liang Say Juan during the Proposed Compliance Placement
<i>“Warrants”</i>	:	Warrants in the Company, each warrant entitling the Warrantholder to subscribe for one Share at the Exercise Price during the Exercise Period, subject to the terms of the warrants as set out in the Deed Poll
<i>“Warrant Consolidation”</i>	:	As defined in Paragraph 6.1 of the Ultro Letter
<i>“Warrantholders”</i>	:	In relation to a Warrant, a person for the time being registered in the Register of Warrantholders as the holder or joint holder of that Warrant, except that where the registered holder is CDP and the context so admits, the Depositor whose Securities Account(s) is credited with such Warrant

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## DEFINITIONS

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### Currencies and Units of Measurements

“\$” or “S\$” or “SGD” and “cents”	:	Singapore Dollars and cents respectively, the lawful currency of Singapore
“%” or “per cent.”	:	Per centum
“AUD”	:	Australian Dollars, the lawful currency of Australia
“BND”	:	Brunei Dollars, the lawful currency of Brunei
“Euro”	:	Euro, the lawful currency of European Union
“GBP”	:	Pound Sterling
“Japanese Yen”	:	Japanese Yen, the lawful currency of Japan
“km”	:	kilometre
“m”	:	metre
“mm”	:	millimetre
“RMB”	:	Renminbi, the lawful currency of PRC
“sq m”	:	square metre
“US\$”	:	United States Dollar, the lawful currency of United States of America

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Code, the Companies Act or the SFA or any statutory modification thereof and used in this Circular shall, where applicable have the meanings ascribed to it under the Code, the Companies Act or the SFA or any statutory modification thereof, as the case may be, unless the context requires otherwise.

In particular, the terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act. The terms such as “interest”, “subsidiary” and “related corporation” shall have the same meaning in this Circular as their respective definition in the Companies Act. The terms “acting in concert” and/or “concert parties” shall have the meaning ascribed to them respectively in the Code.

Words importing singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neutral genders and *vice versa*. Unless the context otherwise requires, any references to persons shall include individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships.

Any reference to time shall be to the time of the Republic of Singapore, unless otherwise stated. If a period of time dates from a given day or the day of an act or event, it is to be calculated to be exclusive of that day.

Any reference in this Circular to Shares being allotted to a person shall include allotment to CDP for the account of that person.

References in this Circular to Paragraphs, Appendix or Appendices are references to a paragraph, an appendix or appendices respectively to this Circular.

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## DEFINITIONS

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Certain names with Chinese characters have been translated into English names. Such translations are solely provided for the convenience and may not have been registered with the relevant PRC authorities and shall not be construed as representations that the English names actually represent the Chinese characters. In the event of any inconsistency between the official names with Chinese characters and the translated English names, the official names with Chinese characters shall prevail.

Any discrepancies in the tables included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, the figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

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## GLOSSARY OF TECHNICAL TERMS

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The following glossary contains explanation of certain technical terms and abbreviations used in this Circular in relation to the LC Group and its business operations. The term and their assigned meanings may not correspond to standard industry meanings or usage of these terms:

- “aggregates”* : Aggregates are a component of composite material such as concrete, asphalt pre-mix and recycled crushed concrete. The aggregate serves as reinforcement to add strength to the overall composite material
- “airfield”* : The location from which aircraft flight operations take place
- “CIPP Method” or “Cure-In-Place-Pipe Method”* : The Cure-In-Place-Pipe Method is a pipe rehabilitation system in which a flexible lining (saturated with either epoxy resin or polyester resin) is inverted into an existing sewer pipe and heat cured. The reformed pipe fits snugly into, and follows closely, the contours of the existing (host) pipe
- “construction waste recycling plant”* : A plant set up mainly to produce a combination of fine and coarse aggregates from construction waste salvaged from work sites. These fine and coarse aggregates will be used as basic material components for construction activities such as backfilling, pre-cast concrete products and ready-mix concrete
- “generator”* : A machine is used to generate electricity to power electrical work tools and lightings on site
- “hydraulic excavator”* : A hydraulic excavator is also called a backhoe. The main function of this equipment is to excavate the ground/earth/road pavement for installation of underground utilities e.g. water or gas pipelines. It is also commonly used for cutting or filling of earth to form embankment, slopes or platform
- “initial backfill”* : Materials such as quarry dust or equivalents used to fill a trench that has been excavated during the process of pipe laying
- “ISO Certification”* : A constituent part of the ISO 9000 series which covers the following areas: management responsibility; quality system; contract review; document and data control; purchasing; control of customer-supplied product; product identification and traceability; process control; inspection and testing; control of inspection, measuring and test equipment; inspection and test status; control of non-conforming products; corrective and preventive action; handling, storage, packaging, preservation and delivery; control of quality records; internal quality audits; training; servicing and statistical techniques
- “milling and patching machines”* : Milling machine is typically fitted with a cutting drum used for cutting off a horizontal plane section of an existing road pavement for a new layer of fresh asphalt pre-mix. Patching machine is a mechanical paver on steel track/wheel used for paving a new layer of fresh asphalt pre-mix on the newly milled road pavement surface

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## GLOSSARY OF TECHNICAL TERMS

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<i>“NEWater”</i>	:	NEWater is treated used water that has undergone stringent purification and treatment process
<i>“NIP”</i>	:	NEWater Infrastructure Plan
<i>“parking aprons”</i>	:	A hard surface area used for parking aircrafts
<i>“pipe jacking machine”</i>	:	A machine that is used for pushing in heavily reinforced pipes in a series of pipe sections to eventually form a pipeline from the bottom of a jacking pit to a receiving pit
<i>“polyethylene pipes”</i>	:	Pipes that are made out of polyethylene, which is a material that melts quickly when exposed to heat. Polyethylene pipes are typically used for gas distribution
<i>“PVC”</i>	:	Polyvinyl chloride
<i>“PVC pipes”</i>	:	Pipes that are made from PVC material. PVC pipes are durable, difficult to damage and long lasting
<i>“quarry dust”</i>	:	Dust particles obtained as a by-product from the crushing of boulders, rocks and stones during quarrying activities
<i>“recycled aggregates”</i>	:	Aggregates obtained from crushing concrete/rocks obtained from roads or buildings that have been demolished or excavated, as the case may be
<i>“SPR”</i>	:	Sewerage Pipe Renewal
<i>“SPR Method” or “Sewerage Pipe Renewal Method”</i>	:	The Sewerage Pipe Renewal Method is a pipe rehabilitation system in which a ribbed PVC strip (called profile) that is spirally wound by a winding machine to form a liner, the liner is grouted and cured in place
<i>“SPR profiles and accessories”</i>	:	Materials used in the SPR Method, including ribbed PVC strips and mortar
<i>“SPR rehabilitation machine”</i>	:	A machine that is used for sewer pipe rehabilitation between manholes in which a ribbed PVC strip is spirally wound by a winding machine to form a liner, the liner is grouted and cured in place
<i>“steam generator and boiler”</i>	:	Pressure vessel used to generate steam which is then channelled through a series of pipes to the pipes for pipes rehabilitation
<i>“subgrade”</i>	:	The level layer of stone or earth upon which the foundation of a road is laid
<i>“taxiways”</i>	:	A paved strip which links the runway to the different areas of the airfield
<i>“trench backfilling”</i>	:	Materials placed between the initial backfill and subgrade, in the excavated trench during the process of pipe laying

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## GLOSSARY OF TECHNICAL TERMS

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- “trenchless technology”* : Subsurface pipeline maintenance and construction works where fewer trenches or no continuous trenches are required to be dug as compared to the open cut method where comparatively more or continuous trenches are required to be dug
- “Underground Utilities Infrastructure”* : Water pipes, NEWater pipes, gas pipes, electricity cables, fibre optic cables, sewer pipeline, traffic light systems and telecommunication networks
- “variation orders”* : An addition or omission of scope of works in a project from the original contract
- “wheel loader”* : A machine that comes with a front steel shovel and is used to transport and load raw aggregates into cold feeder bins from the raw aggregate stockpile bunker

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## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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All statements contained in this Circular, statements made in the press releases and oral statements that may be made by the Company, LCCE or their respective Directors, executive officers, or employees acting on its behalf, that are not statements of historical fact, constitute “forward looking statements”. Some of these statements can be identified by words that have a bias towards, or are, forward-looking such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “will” and “would” or similar words. However, you should note that these words are not the exclusive means of identifying forward looking statements. All statements regarding the Company’s, the LC Group’s and the Proforma Group’s expected financial position, business strategy, financial position, business strategies, plans and prospects are forward looking statements. These forward looking statements, including but not limited to, statements as to:

- revenue and profitability;
- expected growth in demand;
- expected industry trends;
- anticipated completion and start-up dates for projects; and
- other matters discussed in this Circular regarding matters that are not historical fact,

are only predictions. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group’s, the LC Group’s and the Proforma Group’s actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risk factors and uncertainties are discussed in more detail in this Circular, in particular, but not limited to, discussions in the section entitled “Risk Factors” in Paragraph 24 of the LC Letter.

Given the risks and uncertainties that may cause the Group’s, the LC Group’s and/or the Proforma Group’s actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward looking statements in this Circular, undue reliance must not be placed on these statements.

None of the Company (including its Directors), LCCE (including its Directors), the Financial Adviser, or any other person is representing or warranting to you that the actual future results, performance or achievements of the Group, the LC Group and the Proforma Group will be as those discussed in those statements. The Group’s, the LC Group’s and/or the Proforma Group’s actual future results may differ materially from those anticipated in these forward looking statements as a result of the risks faced by the Group, the LC Group and the Proforma Group.

Further, the Company (including its Directors), LCCE (including its Directors) and the Financial Adviser disclaim any responsibility to update any of those forward looking statements or publicly announce any revisions to those forward looking statements to reflect their future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any regulatory or supervisory body or agency. Upon completion of the Proposed Acquisition, the Proforma Group will be subject to the listing rules of the SGX-ST regarding corporate disclosure.

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## INDICATIVE TIMETABLE

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The following indicative timetable assumes that approval for all the resolutions proposed at the EGM is obtained on 13 July 2012.

EGM	:	13 July 2012
Expected date for filing notice of Special Resolution for the Proposed Capital Reductions and Proposed Cash Distribution with the Comptroller of Income Tax	:	18 July 2012 (within 8 days from the date of EGM)
Expected date for the lodgement of solvency statement from Directors with ACRA	:	18 July 2012 (within 15 days from date of EGM)
Expected date for the lodgement of statement of compliance with Section 78C of the Companies Act with ACRA	:	7 September 2012 (no later than 8 weeks from date of EGM)
Expected date for completion of Proposed Capital Reductions (Effective Date)	:	7 September 2012 (no sooner than 6 weeks from date of EGM and no later than 8 weeks from date of EGM)
Announcement on CD Books Closure Date	:	10 September 2012
Expected CD Books Closure Date	:	5.00 p.m. on 18 September 2012 (not later than 14 days from the Effective Date)
Expected date of completion of the Proposed Acquisition/ Announcement on SC Books Closure Date	:	21 September 2012 ("C") <sup>(1)</sup>
Expected commencement date of suspension of trading in the Shares	:	26 September 2012 (C + 3 Market Days) ("S") <sup>(2)</sup>
Expected date of lodgement of the Offer Information Statement	:	26 September 2012
Expected SC Books Closure Date	:	1 October 2012
Expected date of completion of the Proposed Compliance Placement	:	25 October 2012
Expected date of lifting of suspension of trading in the Shares	:	29 October 2012

**Notes:**

- (1) Pursuant to the Final SPA, the Proposed Acquisition shall be completed no later than 5 business days from the Cut-Off Date. Cut-off Date shall mean nine (9) months from the date of the Sale-and-Purchase Agreement or such other date agreed by the parties in writing. As the Sale-and-Purchase Agreement is dated 24 December 2011, the Cut-Off Date shall be 24 September 2012, unless agreed otherwise.
- (2) The SGX-ST may suspend trading in the Shares immediately after but no later than two (2) Market Days after Completion if there is any disorderly trading.

Please note that the above timetable is indicative only and may be subject to change. Where any of the events cannot take place on the dates specified or changes are required thereto, an appropriate announcement stipulating an alternative date will be made by the Company prior thereto through a SGXNET announcement to be posted on the internet at the SGX-ST website, <http://www.sgx.com>. Please refer to future announcement(s) by the Company and/or the SGX-ST for the actual dates of these events.

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**LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF  
ULTRO TECHNOLOGIES LIMITED**

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**ULTRO TECHNOLOGIES LIMITED**

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

**Directors:**

Lim Ee Ann	(Executive Chairman)
Lim Ee Chuan	(Chief Executive Officer)
Tan Siok Min	(Non-executive Director)
Lee Keen Whye	(Independent Director)
Timothy Teo Lai Wah	(Independent Director)

**Registered Office:**

1 Changi Business Park Avenue 1  
#05-01 Ultro Building  
Singapore 486058

Date : 21 June 2012

To : Shareholders

Dear Sir/Madam

- (a) **Proposed Acquisition and Proposed Acquisition Shares Issue;**
- (b) **Proposed Whitewash Resolution;**
- (c) **Proposed Capital Reductions and Proposed Cash Distribution;**
- (d) **Proposed Deed Poll Amendments;**
- (e) **Proposed Share Consolidation;**
- (f) **Proposed Name Change;**
- (g) **Proposed Director Appointments;**
- (h) **Proposed Independent Auditors Appointment;**
- (i) **Proposed Compliance Placement;**
- (j) **Proposed New General Share Issue Mandate; and**
- (k) **Proposed IPT Mandate.**

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**1. INTRODUCTION**

The purpose of this Circular is to provide Shareholders with the relevant information pertaining to the Proposed Transactions (including but not limited to explaining the rationale for the Proposed Transactions) for the purposes of seeking the Shareholders' approval for the Proposed Transactions at the EGM. In particular, Shareholders' approval for all the Proposed Transactions shall be sought by way of ordinary resolutions, except for the Proposed Capital Reductions, the Proposed Cash Distribution, and the Proposed Name Change for which approval shall be sought by way of special resolutions.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to) or for any other purpose.

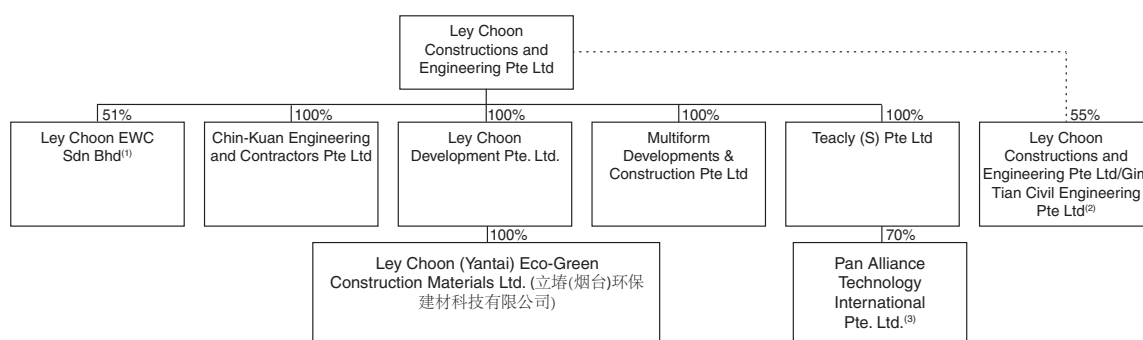
## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

### 2. PROPOSED ACQUISITION AND PROPOSED ACQUISITION SHARES ISSUE

#### 2.1 Introduction

On 26 December 2011, the Company announced that it had entered into the Sale-and-Purchase Agreement (which has been amended and supplemented by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement), pursuant to which the Company and the Vendors agreed that the Vendors shall sell and the Company shall acquire the entire issued and paid-up share capital of LCCE for the Consideration. The Consideration shall be fully satisfied by the allotment and issuance of 3,928,571,429 Consideration Shares to the Vendors, at the issue price of \$0.028 per Consideration Share. The Consideration Shares shall be free from all Encumbrances and together with all rights, entitlement and benefits attached thereto as at and from the date of their issuance and allotment. The Consideration Shares shall also rank *pari passu* and form a single class with the other existing Shares.

LCCE (Company Registration No. 199004441H) is a private company limited by shares incorporated in the Republic of Singapore and having its registered address at 4 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729226. LCCE's subsidiaries comprise Chin Kuan, LC Development, Multiform, Teacly, Pan Alliance, LC EWC and LC Yantai. The group structure of the LC Group as at the date of this Letter is as follows:



#### Notes:

- (1) The remaining 49% equity interest in LC EWC is held by Nur EWC Sdn Bhd, a company incorporated in Brunei and which is not related to LCCE's directors or substantial shareholders.
- (2) Ley Choon Constructions and Engineering Pte Ltd/Gim Tian Civil Engineering Pte Ltd is an unincorporated joint venture set up by LCCE and Gim Tian Civil Engineering Pte Ltd, which is an unrelated third-party company. For further information relating to the aforementioned unincorporated joint venture, please refer to Paragraph 1.3 of the LC Letter.
- (3) The remaining 30% equity interest in Pan Alliance is held by two other individuals who are not related to LCCE's directors or substantial shareholders.

The LC Group is engaged in the businesses of (i) Underground Utilities Infrastructure construction and maintenance; (ii) sewer pipeline rehabilitation; (iii) road and airfield construction and maintenance; (iv) production of asphalt pre-mixes; and (v) construction waste recycling. Additional information relating to the LC Group is set out in the LC Letter set out in Appendix A of this Circular.

On 15 February 2012, the Company announced that it had entered into the First Supplemental Agreement with the Vendors to amend and supplement the Sale-and-Purchase Agreement.

On 2 April 2012, the Company announced that it had entered into the Second Supplemental Agreement with the Vendors to amend and supplement the Amended SPA.

On 14 June 2012, the Company announced that it had entered into the Third Supplemental Agreement with the Vendors to amend and supplement the Amended SPA.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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The salient terms and conditions as well as the conditions precedent of the Final SPA are set out respectively in Paragraphs 2.4 and 2.5 of this Letter.

### 2.2 Rationale

As the Company incurred losses for each of the three consecutive financial years ended 30 June 2007, 2008 and 2009, it was placed on the SGX-ST's Watch-List on 3 December 2009.

The Company has within 24 months from 3 December 2009 to restore its financial health to the prescribed levels as provided in Rule 1314 of the Listing Manual, otherwise the SGX-ST may either:

- (a) remove the Company from the Official List of the SGX-ST; or
- (b) suspend trading of the listed securities of the Company (without the agreement of the Company) with a view to removing the Company from the Mainboard of the SGX-ST.

Under Rule 1314 of the Listing Manual, the Company may apply for its removal from the SGX-ST's Watch-List upon meeting either one of the following requirements:

- (a) it records consolidated pre-tax profit for the latest completed financial year and has an average daily market capitalisation of \$40 million or more over the last 120 Market Days, on which trading was not halted or suspended for the full market day; or
- (b) it satisfies the criteria for admission to the Mainboard of the SGX-ST as set out in Rule 210(2)(a) or 210(2)(b) of the Listing Manual.

In its effort to turn around its business such that it may apply to be removed from the SGX-ST's Watch-List, the Company has been actively pursuing various business opportunities, including venturing into the new core business relating to minerals and resource based products. Unfortunately, given the challenges and difficulties faced by the Company in the minerals and resource industry, the Company was of the view that more time would be required for it to achieve profitability, which is a requirement that the Company is required to fulfil before it may apply to be removed from the SGX-ST's Watch-List.

The Company has on 8 June 2012 received a notification from SGX-ST that it has no objections to the Company's request to extend the deadline for it to submit its application to exit the SGX-ST's Watch List to 31 October 2012 (the "**Extended Deadline**").

Accordingly, the Board of Directors of the Company decided in the best interests of the Shareholders, to undertake the Proposed Acquisition such that the Company may then apply to be removed from the SGX-ST's Watch-List before the Extended Deadline and continue to maintain its listing status.

The Company believes that the Proposed Acquisition is in the best interests of the Shareholders as it provides the Company with an opportunity to acquire an entity with a credible operating track record in the businesses of Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation as well as road and airfield construction and maintenance.

The LC Group is a one-stop Underground Utilities Infrastructure construction and maintenance service provider and it provides its customers with the full-range of construction, commission and maintenance services. In addition, it is also engaged in the businesses of production of asphalt pre-mixes and undertaking construction waste recycling, which complement its other business activities. The LC Group's asphalt plant produces asphalt pre-mixes, which is an essential raw material required for the construction and maintenance of roads and airfield as well as road resurfacing. The LC Group's construction waste recycling plant also allows it to recycle the construction waste generated from its other business activities. The concrete aggregates are then transported back to the site for re-use.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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The new businesses acquired by the Company under the Proposed Acquisition will meet the criteria for admission to the Mainboard of the SGX-ST set out in Rule 210(2)(a) and Rule 210(2)(b) of the Listing Manual. In view of the above, the Board is of the view that the Proposed Acquisition will support the Company's application to be removed from the SGX-ST's Watch-List, which would then allow the Company to maintain its listing status on the Mainboard of the SGX-ST.

**Shareholders should however note that there can be no assurance that SGX-ST will remove the Company's name from the SGX-ST's Watch-List pursuant to the Proposed Acquisition.**

### 2.3 Consideration

The Consideration for the Proposed Acquisition was determined at arm's length and on a "willing-buyer-willing seller" basis. The Consideration was also determined using the basis of the PER of approximately 8.2 times LCCE's audited profits for FY2010. The Consideration Shares will be issued at \$0.028 per Consideration Share, representing a premium of 64.7% to the Company's weighted average share price of \$0.017 on 21 December 2011, being the last trading day before the Sale-and-Purchase Agreement was signed on 24 December 2011. The Issue Price was arrived at after taking into account (i) the adjusted NAV of the Group upon completion of the Proposed Disposal, which will be undertaken by the Company in connection with the Proposed Acquisition, and (ii) the PER of approximately 8.2 times as stated above. As at 31 December 2010, the NTA of the LC Group is \$48,555,000. To fully satisfy the Consideration, the Company shall issue 3,928,571,429 Consideration Shares to the Vendors and/or their nominees at \$0.028 per Consideration Share as follows:

Name of Vendor and/or nominees	No. of Consideration Shares
Zheng Choon <sup>(1)</sup>	3,173,885,000
Koh Tiam Teng (and/or his nominees)	303,285,715
Tan Teck Wei (and/or his nominees)	156,950,357
Liang Say Juan (and/or his nominees)	156,950,357
Intersino (and/or its nominees) <sup>(2)</sup>	137,500,000

**Notes:**

- (1) Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai and Mr Toh Swee Kim have nominated Zheng Choon as their nominee to receive the aggregate of 3,173,885,000 Consideration Shares which were to be issued to them under the Final SPA. For the avoidance of doubt, Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai and Mr Toh Swee Kim were entitled to 1,024,383,389 Consideration Shares, 1,024,383,389 Consideration Shares, 562,559,111 Consideration Shares and 562,559,111 Consideration Shares respectively under the Final SPA. Zheng Choon (Company Registration No. 201009918C) is a company incorporated in Singapore and has the registered address of 61 Senoko Drive, Singapore 758238. The shareholders of Zheng Choon and their shareholdings are as follows:

Name	No. of ordinary shares in the issued and paid-up capital of Zheng Choon	Percentage of shareholding (% )
Toh Choo Huat	264	26.4
Toh Chew Leong	246	24.6
Toh Swee Kim	229	22.9
Toh Chew Chai	229	22.9
Seow Soon Kee (spouse of Toh Choo Huat)	32	3.2

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- (2) The Vendors and the Company have agreed to allot and issue 137,500,000 Introducer Shares out of the 3,928,571,429 Consideration Shares to Intersino and/or its nominees for Intersino's services in relation to, *inter alia*, the Proposed Acquisition. The Introducer Shares will represent 3.15% of the Enlarged Share Capital.

The Consideration Shares (including Introducer Shares) shall be free from all Encumbrances and together with all rights, entitlement and benefits attached thereto as at and from the Completion Date. The Consideration Shares (including Introducer Shares) shall also rank *pari passu* and form a single class with the other existing Shares save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Consideration Shares.

### 2.4 Salient terms and conditions

- (a) The Company and the Vendors have agreed under the Final SPA that prior to Completion and subject to obtaining all necessary approvals, the Company shall complete the Proposed Disposal in addition to fulfilling the condition precedents set out in this Paragraph 2.5 of this Letter.
- (b) For the Company's retention of the entire issued and paid-up share capital of Ranoda comprising 2,950,000 ordinary shares (provided that Ranoda has no businesses or assets other than the Property), the Vendors shall procure that LCCE pay to the Company Malaysian Ringgit 3.4 million (or equivalent in Singapore Dollars) in cash on Completion ("**Retention Fee**"). Pursuant to an independent valuation report dated 7 December 2011, the Property was estimated to have a value of approximately Malaysian Ringgit 4.5 million. The Retention Fee is equivalent to the net book value of the Property as at 31 December 2011 and was agreed pursuant to the negotiations conducted at arm's length, taking into account the abovementioned valuation of the Property and the prevailing market conditions.
- (c) The Company and the Vendors have also agreed under the Final SPA that following Completion and subject to having obtained all necessary approvals:
- i. the Company shall undertake the Proposed Share Consolidation;
  - ii. the Company shall undertake the Warrant Consolidation;
  - iii. the Company shall change its name to "Ley Choon Group Holdings Limited" or such other name chosen by the Vendors;
  - iv. the Vendors shall be entitled to appoint new Directors to the Board;
  - v. at the request of the Vendors, the Company shall procure its existing Directors to resign and reconstitute its Board in accordance with the Vendors' instructions; and
  - vi. the Company shall undertake the Proposed Cash Distribution by way of capital reduction after obtaining approval from, *inter alia*, SGX-ST and CDP.
- (d) For the Proposed Disposal, the Company shall:
- i. dispose of the entire issued and paid-up share capital of the Company's wholly-owned subsidiary PT Ultra Sumber Indonesia to a third-party buyer;
  - ii. dispose of the entire issued and paid-up share capital of the Company's wholly-owned subsidiary Ultra Technologies Sdn Bhd to a third party buyer; and
  - iii. strike off Ultra Resources Pte Ltd<sup>(1)</sup>.

**Note:**

- (1) On 1 February 2012, the Company submitted an application for the striking off of Ultra Resources Pte Ltd to ACRA.

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- (e) The Company shall procure its Directors and Substantial Shareholders, Mr Lim Ee Ann and Mr Lim Ee Chuan, to undertake that:
- i. they will procure persons who are independent of, not related to and are not Associates to themselves and their Concert Parties to acquire Ultron Resources Pte Ltd from the Company in the event that the striking off of Ultron Resources Pte Ltd fails;
  - ii. they will procure persons who are independent of, not related to and are not Associates to themselves and their Concert Parties to acquire Ultron Technologies Sdn Bhd from the Company if the Company is unable to find a third-party buyer;
  - iii. they will procure persons who are independent of, not related to and are not Associates to themselves and their Concert Parties to acquire PT Ultron Sumber Indonesia from the Company if the Company is unable to find a third-party buyer; and
  - iv. there will be no agreement, arrangement or understanding (formal or informal) entered into between them and each of the would-be purchasers of Ultron Resources Pte Ltd (if required), Ultron Technologies Sdn Bhd and PT Ultron Sumber Indonesia in relation to such companies.
- (f) Post-Completion, the Company shall declare and pay only to the Entitled Shareholders a special interim dividend, subject to the compliance with the relevant rules and regulations, including but not limited to the requirements of the Listing Manual ("**Proposed Contingent Dividend**").

The declaration and payment of the Proposed Contingent Dividend is subject to the following conditions:

- i. the fulfilment of the Minimum Dividend Requirement; and
- ii. if necessary, the Company obtaining approval from, *inter alia*, SGX-ST and CDP.

Provided always that the Minimum Dividend Requirement is met, the aggregate amount of the Proposed Contingent Dividend shall be at least an amount equivalent to any cash balance in the Special Account at the date which is 365 days after the CD Books Closure Date or the date on which all Collections Receivables are received, whichever is the earlier, less all costs which may be incurred for the Proposed Contingent Dividend which are to be deducted from the Special Account.

For the avoidance of doubt, all or any part of the Collection Receivables received by the Company after 365 days from the CD Books Closure Date shall not be placed in the Special Account and shall not be used for the declaration and payment for the Proposed Contingent Dividend.

The Parties acknowledged that the following persons shall not be entitled to receive any payments under the Proposed Cash Distribution and the Proposed Contingent Dividend:

- i. the Vendors;
- ii. Intersino; and
- iii. any persons who become shareholders of the Company after the CD Books Closure Date.

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Further to the above, the Company wishes to bring to the attention of the Shareholders and Entitled Shareholders that the amount distributed under the Proposed Contingent Dividend is dependent on whether the Company is able to collect the Collection Receivables successfully. There is no assurance that the Company will be able to receive the Collection Receivables in full or at all and accordingly, the actual amount payable under the Proposed Contingent Dividend may be nil.

In addition, any amount of the Collection Receivables received by the Company after 365 days from the CD Books Closure Date will be retained by the Company and may not be distributed to the Entitled Shareholders and/or the Shareholders under the Proposed Contingent Dividend.

When the Company receives payment for the Collection Receivables and determines the aggregate sum of the Collection Receivables and any cash balance in the Special Account after the Proposed Cash Distribution, the Company shall make a further announcement to update the Shareholders and Entitled Shareholders on the definitive amounts payable under the Proposed Contingent Dividend.

- (g) Nothing in the Final SPA shall constitute a profit guarantee given by the Vendors in relation to the companies in the LC Group.

### 2.5 Conditions Precedent

The Completion is subject to, amongst other matters, the satisfaction and/or waiver of the following conditions:

- (a) the completion of a financial and legal due diligence exercise on the LC Group by the Company, and the results of such due diligence exercise being satisfactory to the Company in its sole and absolute discretion;
- (b) the Company procuring or obtaining undertakings from its Substantial Shareholders, Lim Ee Chuan and Lim Ee Ann, that they will vote in favour of the resolutions for:
- i. Proposed Acquisition and Proposed Acquisition Shares Issue;
  - ii. Proposed Whitewash Resolution;
  - iii. Proposed Capital Reductions and Proposed Cash Distribution;
  - iv. Proposed Deed Poll Amendments;
  - v. Proposed Share Consolidation;
  - vi. Proposed Name Change;
  - vii. Proposed Director Appointments;
  - viii. Proposed Independent Auditors Appointment;
  - ix. Proposed Compliance Placement;
  - x. Proposed New General Share Issue Mandate; and
  - xi. Proposed IPT Mandate;

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- (c) the Directors and the Shareholders having approved of the transactions contemplated under the Final SPA, including:
  - i. Proposed Acquisition and Proposed Acquisition Shares Issue;
  - ii. Proposed Whitewash Resolution;
  - iii. Proposed Capital Reductions and Proposed Cash Distribution;
  - iv. Proposed Deed Poll Amendments;
  - v. Proposed Share Consolidation;
  - vi. Proposed Name Change;
  - vii. Proposed Director Appointments;
  - viii. Proposed Independent Auditors Appointment;
  - ix. Proposed Compliance Placement;
  - x. Proposed New General Share Issue Mandate; and
  - xi. Proposed IPT Mandate;
- (d) the Warrantholders and SGX-ST having approved the Proposed Deed Poll Amendments;
- (e) in-principle approval from SGX-ST for the issuance and admission of the Consideration Shares (including the Introducer Shares) on the Mainboard of the SGX-ST having been obtained on terms and conditions (if any) acceptable to the Company, and not having been withdrawn or amended on or before the Completion Date, and if required by the SGX-ST, such terms and conditions being fulfilled or satisfied before Completion;
- (f) subject to any such conditions that the SIC may impose which are acceptable to the Company and the Vendors, the waiver by the SIC of the obligation imposed upon the Vendors and their Concert Parties to make a general offer of all the Shares under Rule 14 of the Code and such waiver granted remaining in full force and effect on and before Completion;
- (g) the Company will submit an additional listing application to the SGX-ST for the listing and quotation of the Consideration Shares and Introducer Shares (if necessary) and that it will furnish any undertakings and do all such acts and things as may be within its powers and required for such purposes;
- (h) the Directors of the Company and the Independent Shareholders approving the Proposed Whitewash Resolution as a result of the transactions contemplated in the Final SPA, provided that they and any persons not independent of them, abstain from voting on the Proposed Whitewash Resolution;
- (i) as at the Completion, the Company shall have no assets and liabilities save for the Retained Assets;
- (j) the Company shall remain listed on the Mainboard of the SGX-ST. In particular, the Company is required to obtain, as a condition precedent, confirmation from the SGX-ST that in view of the proposed transactions with the Vendors under the Final SPA, the SGX-ST will extend the period on which the Company will be placed on the SGX-ST's watch-list for another six months and not delist the Company;

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- (k) the Company procuring or obtaining undertakings from its Directors and Substantial Shareholders, Lim Ee Chuan and Lim Ee Ann, that they will procure persons who are independent of, not related to and not associates of themselves to purchase the Company's entire interest in its subsidiary Ultron Resources Pte Ltd if the application for the striking off of Ultron Resources Pte Ltd submitted to ACRA on 1 February 2012 fails;
- (l) the Company fulfilling all the requirements stipulated under section 78C of the Companies Act for the Proposed Capital Reductions;
- (m) approval has been granted by SGX-ST and CDP for the Proposed Capital Reductions and the Proposed Cash Distribution;
- (n) the board of directors of LCCE approving the sale of the Sale Shares by the Vendors to the Company;
- (o) the Vendors procuring or obtaining all necessary consents or approvals required or necessary, if any, for the transactions contemplated in the Final SPA on terms satisfactory to the Company by governmental or regulatory bodies or competent authorities having jurisdiction over such transactions contemplated within one month from the date of the Final SPA, and such consent or approvals not being revoked or repealed on or before Completion. All such consents or approvals obtained shall be delivered to the Company within one month from the date of the Final SPA (or such other date that the Vendors and the Company may agree in writing);
- (p) the delivery of the disclosure letter disclosing information constituting exceptions to the warranties contained in the Final SPA (in the form and substance acceptable to the Company) by the Vendors to the Company within 7 days from the date of the Final SPA (or such other date as may be agreed between them);
- (q) all representations, warranties and undertakings of the Vendors under the Final SPA being complied with, and remaining true, accurate and correct in all material respects as at the Completion;
- (r) there not having been at any time hereafter any material adverse change or events, acts or omission likely to lead to changes in the businesses, assets, prospects, performance, financial positions or results of operations of the LC Group from that set forth in the audited accounts of the LC Group for the financial year ended 31 December 2010;
- (s) no litigation, action, suit or other proceedings shall be pending or threatened against the Vendors at the Completion where an unfavourable judgment, decree or order would prevent or make unlawful the carrying out of the transactions contemplated under the Final SPA; and
- (t) none of the following events have occurred at any time prior to or on Completion:
  - i. liquidation, bankruptcy or insolvency of any of the Vendors or companies in the LC Group;
  - ii. termination of substantially all or part of the business of any company in the LC Group by resolution of the general meetings of its shareholders;
  - iii. appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of any of the Vendors or any company in the LC Group; and/or
  - iv. attachment, sequestration, execution or seizure of substantially all or part of the assets of any of the Vendors or any company in the LC Group.

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### 2.6 Relative figures calculated using applicable bases of comparison under Rule 1006 of the Listing Manual

Based on the audited consolidated financial statements of the Group for the 18-month financial period ended 31 December 2011 and the audited consolidated financial statements of the LC Group for the financial year ended 31 December 2011, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Listing Manual Rule 1006(a)	NAV of assets to be disposed of	NAV of the Group ('000)	Relative figure
	Not applicable to an acquisition	\$5,413	Not applicable to an acquisition
Listing Manual Rule 1006(b)	Net profit/(loss) <sup>(1)</sup> attributable to assets acquired for the 12 months ended 31 December 2011 ('000)	Net profit/(loss) <sup>(1)</sup> of the Group for the 18 months ended 31 December 2011 ('000)	Relative figure
	\$15,863	(8,210)	-193.2%
Listing Manual Rule 1006(c)	Aggregate consideration given for assets acquired <sup>(2)</sup> ('000)	Market capitalisation <sup>(3)</sup> of the Company as at 21 December 2011, being the last traded market day immediately preceding the date of the Sale-and-Purchase Agreement ('000)	Relative figure
	66,786	7,342	909.7%
Listing Manual Rule 1006(d)	Number of Shares to be issued by the Company as Consideration	Number of Shares previously in issue	Relative figure
	3,928,571,429	431,908,656	909.6%

**Notes:**

- (1) Under Rule 1002(3)(b) of the Listing Manual, net profit is defined as profit or loss before income tax, minority interests and extraordinary items.
- (2) Pursuant to Rule 1003(3) of the Listing Manual, where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the NAV represented by such shares, whichever is higher. Based on the volume weighted average price of Shares of \$0.017 on the last trading day (which is 21 December 2011) prior to the date of the Sale-and-Purchase Agreement, the 3,928,571,429 Consideration Shares have a market value of \$66,785,714. Based on the audited financial statements of the Group for the 18-month period ended 31 December 2011, the NAV per Share is approximately \$0.012. The NAV represented by the 3,928,571,429 Consideration Shares would amount to approximately \$47.14 million. Hence, the market value of such Consideration Shares was used to compute the relative figure for Rule 1006(c).
- (3) The market capitalisation is derived from the volume weighted average price of \$0.017 per Share and 431,858,656 Shares in the issued and paid-up capital of the Company as at 21 December 2011.

On the assumption that no Warrants are exercised prior to Completion, the Company's Enlarged Share Capital shall be 4,360,480,085 Shares and the Vendors (and/or their nominees) will acquire an interest equivalent to 86.94% of the Company's Enlarged Share Capital, which will result in a change in the control in the Company.

Based on the relative figures calculated using the applicable bases of comparison under Rule 1006 of the Listing Manual as well as the change in control of the Company, the Proposed Acquisition constitutes a "very substantial acquisition or reverse takeover" as defined in Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the Shareholders by way of ordinary resolution at the EGM and the approval of the SGX-ST being obtained.

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### 2.7 In-principal Approval from the SGX-ST

On 17 May 2012, the SGX-ST granted in-principle approval for the listing and quotation of the Consideration Shares and the Consolidated Shares in its letter dated the same day ("**AIP Letter**"), subject to, *inter alia*, the following key conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) approval being obtained from the Shareholders for the Proposed Acquisitions and for all other necessary and relevant proposals to be put forth at the forthcoming EGM;
- (c) compliance with the shareholding spread requirements and distribution guidelines under Rules 210(1)(a) and 1015(3)(c) of the Listing Manual;
- (d) pre-quotation disclosure of information as required by the SGX-ST;
- (e) the Proposed Compliance Placement to be completed within one month from the date of suspension;
- (f) reviews by the Directors or the relevant Board committee of the Group's key financial risk areas, the outcome of such reviews being disclosed in the Annual Reports, and where the findings are material, immediately announced via SGXNET;
- (g) compliance with Rules 113 and 210(5)(a) of the Listing Manual in relation to sponsorship (2-year badging) and director disclosures respectively;
- (h) the commissioning of an annual internal controls and accounting systems audit (the "**Annual Internal Controls Audit**") until such time the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate its internal control weaknesses, and:
  - (i) prior to the decommissioning of the Annual Internal Controls Audit, the Board is required to report to SGX-ST on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the Annual Internal Controls Audit;
  - (ii) after decommissioning the Annual Internal Controls Audit, such audits may subsequently be initiated by the AC as and when it deems fit to satisfy itself that the Group's internal controls remain robust and effective; and
  - (iii) upon completion of each Annual Internal Controls Audit, appropriate disclosure must be made via SGXNET of any material, price-sensitive internal controls weaknesses and any follow-up to be taken by the Board; and
- (i) submission of various confirmations by the AC, Directors, Financial Adviser and Company pursuant to relevant Listing Rules of the SGX-ST.

The AIP Letter was valid for three calendar months from the date of the AIP Letter. However, on 8 June 2012, SGX-ST granted an extension of the validity period of the AIP Letter to 31 October 2012.

Please note that the SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Company, its securities, the Proposed Transactions, the Group, the LC Group, the Proforma Group, the Shares, the Consideration Shares (including the Introducer Shares), the Consolidated Shares and the Compliance Placement Shares.

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### 3. PROPOSED WHITEWASH RESOLUTION

#### 3.1 Introduction

The changes of the shareholding structure of the Company as at each of the following milestones are set out in Appendix B of this Circular:

- (a) as at the Latest Practicable Date;
- (b) as at the completion of the Proposed Acquisition Shares Issue but before the Proposed Share Consolidation and the Proposed Compliance Placement (assuming that no existing Warrants are exercised into Shares); and
- (c) at the completion of the Proposed Acquisition Shares Issue and the Proposed Share Consolidation but before the Proposed Compliance Placement (assuming that no existing Warrants are exercised into Shares).

As at the Latest Practicable Date, the Vendors do not hold any Shares or instruments convertible into Shares, rights to subscribe for Shares and/or options in respect of Shares. On Completion, the Vendors (and/or their nominees) will hold 3,791,071,429 Consideration Shares, representing approximately 86.94% in the Enlarged Share Capital. Pursuant to Rule 14.1 of the Code and Section 139 of the SFA, the Vendors and their Concert Parties shall be required to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by them.

#### 3.2 SIC waiver of the requirements of Rule 14 of the Code

On 17 April 2012, the SIC granted the Vendors and their Concert Parties a waiver of the requirement to make a mandatory general offer under Rule 14 of the Code in the event that the Vendors trigger an obligation to do so as a result of the Vendors' acquisition of the Consideration Shares pursuant to the Proposed Acquisition, subject to, *inter alia*, the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the Proposed Acquisition, approve the Proposed Whitewash Resolution by way of a poll, to waive their rights to receive a general offer from the Vendors and their Concert Parties;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Vendors, their Concert Parties as well as parties not independent of them abstain from voting on the Proposed Whitewash Resolution;
- (d) the Vendors and their Concert Parties did not acquire and are not to acquire any shares in the Company or instruments convertible into and options in respect of shares in the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in this Circular):
  - (i) during the period between the date of announcement of the Proposed Acquisition and the date shareholders' approval is obtained for the Proposed Whitewash Resolution;
  - (ii) in the six (6) months prior to the date of the announcement of the Proposed Acquisition, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Acquisition;

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- (e) the Company appoints an independent financial adviser to advise the independent Shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in this Circular:
  - (i) details of the Proposed Acquisition;
  - (ii) the dilution effect to existing holders of voting rights in Company upon the issue of the Consideration Shares to the Vendors and their Concert Parties;
  - (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares in the Company held by Vendors and their Concert Parties as at the Latest Practicable Date;
  - (iv) the number and percentage of voting rights to be acquired by LC Shareholders and their Concert Parties upon the issuance of the Consideration Shares;
  - (v) specific and prominent reference to the fact that the Proposed Acquisition would result in the Vendors and their Concert Parties holding shares carrying over 49.0% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Vendors and their Concert Parties will be free to acquire further the shares without incurring any obligation under Rule 14 to make a general offer to the Company;
  - (vi) a specific and prominent statement that the Company shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Vendors and their Concert Parties at the highest price paid or agreed to be paid by the Vendors and their Concert Parties for the voting rights in the Company (the “**General Offer**”) in the six (6) months preceding the commencement of the General Offer;
- (g) this Circular states that the waiver granted by SIC to the Vendors and their Concert Parties from the requirement to make the general offer under Rule 14 is subject to the conditions stated at 3.2(a) to 3.2(f) above;
- (h) the Company obtains SIC’s approval in advance for those parts of this Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Consideration Shares by the Vendors and their Concert Parties under the Proposed Acquisition must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

### 3.3 Compliance with SIC’s requirements

To comply with SIC’s requirements stated in Paragraph 3.2 of this Letter:

- (a) the Company has appointed Stirling Coleman Capital Limited as its independent financial adviser to advise the Independent Shareholders on *inter alia* the Proposed Whitewash Resolution. The letter from the IFA setting out its advice in relation to the Proposed Whitewash Resolution is set out in Appendix C of this Circular;
- (b) the details of the Consideration Shares (including the Introducer Shares) are set out in Paragraph 2.3 of this Letter;

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- (c) the dilution effect to the existing Shareholders upon the issue of the Consideration Shares (including the Introducer Shares) is as follows:

Shareholder	Before the Proposed Acquisition		After the Proposed Acquisition	
	No. of Shares	%	No. of Shares	%
Current Shareholders	431,908,656	100.00	431,908,656	9.91
Vendors	–	–	3,791,071,429	86.94
Intersino	–	–	137,500,000	3.15
Total	431,908,656	100.00	4,360,480,085	100.00

- (d) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Vendors pursuant to the Completion are set out in Appendix B of this Circular. Please also refer to Appendix B of this Circular for more details on the changes to the shareholding of the Company pursuant to the completion of the Proposed Transactions; and
- (e) the number and percentage of voting rights to be acquired by the Vendors pursuant to the Completion are set out in Appendix B of this Circular.

**Shareholders should note that the approval of the Proposed Whitewash Resolution is a condition precedent to the Completion. If the Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place.**

**Independent Shareholders should note that by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive the General Offer from the Vendors and their Concert Parties to acquire all other Shares not owned, controlled or agreed to be acquired by the Vendors and their Concert Parties at the highest price paid or agreed to be paid by them for any Share in the past 6 months preceding the General Offer.**

**Upon obtaining the Shareholders' approval for the Proposed Whitewash Resolution, the Proposed Acquisition will result in the Vendors and their Concert Parties holding Shares carrying more than 49.0% of the voting rights of the Company based on the Company's Enlarged Share Capital and the Vendors and their Concert Parties will thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.**

The Company will also be seeking the Independent Shareholders' approval for the Proposed Whitewash Resolution by way of poll at the EGM. For further details, please refer to Ordinary Resolution 16 in the Notice of EGM appended to this Circular.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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#### 4. PROPOSED CAPITAL REDUCTIONS AND PROPOSED CASH DISTRIBUTION

##### 4.1 Details of and Rationale for Proposed Capital Reductions and Proposed Cash Distribution

As disclosed in Paragraph 2.5 of this Letter, Shareholders should note that Shareholders' approval of the Proposed Capital Reductions and Proposed Cash Distribution is a condition precedent to the Completion. **If the Shareholders do not vote in favour of the Proposed Capital Reductions and the Proposed Cash Distribution, the Proposed Acquisition will not take place.** This may result in the Company being delisted as described in Paragraph 2.2 of this Letter.

The purpose of the Proposed First Capital Reduction and Proposed Cash Distribution is to simultaneously streamline the Company's capital structure as well as return the surplus capital to the Entitled Shareholders.

As at 31 March 2012, the Accumulated Losses of the Company was \$56,018,498. The purpose of the Proposed Second Capital Reduction is to cancel the paid-up share capital no longer represented by available assets due to the Accumulated Losses and to cancel the Accumulated Losses, amounting to \$56,018,498. This serves to rationalise the balance sheet to better reflect the financial position of the Company, to facilitate future equity-related fund raising, to recapitalise and strengthen the balance sheet of the Company and to facilitate the declaration of dividends in the future, if appropriate.

The Company intends to undertake:

- (a) the Proposed First Capital Reduction for the Proposed Cash Distribution; and
- (b) the Proposed Second Capital Reduction.

Based on the 431,908,656 Shares in the issued and paid-up share capital of the Company as at the Latest Practicable Date, and assuming that no existing Warrants are exercised into Shares prior to the CD Book Closure Date, each Entitled Shareholder is expected to receive \$4.63 per 1,000 Shares for the Proposed Cash Distribution.

For the Proposed Cash Distribution, the payment of the Cash Distribution to the Entitled Shareholders by the Company shall be made as soon as practicable after the CD Books Closure Date, and after the Proposed First Capital Reduction is executed.

**The following persons shall not be entitled to receive any payments under the Proposed Cash Distribution:**

- (a) **the Vendors, Intersino and/or their nominees; and**
- (b) **any persons who become Shareholders of the Company after the CD Books Closure Date.**

The Proposed Capital Reductions and the Proposed Cash Distribution will not result in a cancellation or change in the number of Shares held by Shareholders then immediately after (a) the Proposed First Capital Reduction and the Proposed Cash Distribution; and (b) the Proposed Second Capital Reduction.

The Proposed First Capital Reduction and Proposed Cash Distribution will be funded by the cash resources available by the Company and which are placed in the Special Account.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 4.2 Illustration

The following illustrates the position of an Entitled Shareholder who holds 1,000 Shares as at the CD Books Closure Date, based on 431,908,656 Shares in the issued and paid-up share capital of the Company as at the Latest Practicable Date:

#### Shareholding before the Proposed First Capital Reduction and Proposed Cash Distribution

Number of Shares held	1,000
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#### Shareholding after Proposed First Capital Reduction and Proposed Cash Distribution

Cash received under the Proposed Cash Distribution per 1,000 Shares held (\$)	4.63
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Number of Shares held after Proposed First Capital Reduction and Proposed Cash Distribution	1,000
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#### Shareholding before the Proposed Second Capital Reduction

Number of Shares held	1,000
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#### Shareholding after Proposed Second Capital Reduction

Number of Shares held after Proposed Second Capital Reduction	1,000
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### 4.3 Conditions for the Proposed Capital Reductions and the Proposed Cash Distribution

(a) The Company intends to undertake the Proposed First Capital Reduction and the Proposed Second Capital Reduction simultaneously. The Proposed Capital Reductions and the Proposed Cash Distribution are subject to the following conditions:

- i. the Shareholders approving by way of special resolution of the Proposed Capital Reductions and Proposed Cash Distribution;
- ii. the Company complying with the requirements stipulated under Section 78C of the Companies Act;
- iii. a waiting period of eight weeks from the date on which the special resolution of the Proposed Capital Reductions and Proposed Cash Distribution is passed where the creditors of the Company can apply to the court for the special resolution of the Proposed Capital Reductions and Proposed Cash Distribution to be cancelled (“**Objection Period**”); and
- iv. the approval of all other relevant authorities (if any and if necessary).

(b) To comply with the requirements of Section 78C, the Company is required to undertake the following:

- i. send the Comptroller of Income Tax a notice:
  - (aa) stating that the special resolution for the Proposed Capital Reductions and the Proposed Cash Distribution has been passed; and
  - (bb) containing the text of the special resolution for the Proposed Capital Reductions and the Proposed Cash Distribution and the date of the EGM,

within eight days beginning with the date of the EGM;

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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- ii. for the Proposed First Capital Reduction, meet the solvency requirements as set out below:
    - (aa) all the Directors of the Company have made a solvency statement in relation to the Proposed First Capital Reduction;
    - (bb) the statement is made:
      - (I) in time such that throughout the meeting at which the special resolution for the Proposed First Capital Reduction and the Proposed Cash Distribution is to be passed, the solvency statement or a copy of it is made available for inspection by the Shareholders; but
      - (II) not earlier than the beginning of the period of 22 days ending with the date of the EGM; and
    - (cc) a copy of the aforementioned statement is lodged with ACRA, together with the copy of the special resolution for the Proposed First Capital Reduction and the Proposed Cash Distribution, within 15 days beginning from the date of the EGM; and
  - iii. meet such publicity requirements as may be prescribed by ACRA.
- (c) After the Objection Period has passed and none of the Company's creditors has applied to the court for the special resolution of the Proposed Capital Reductions and Proposed Cash Distribution to be cancelled, the Company is required to lodge the following documents with ACRA before the end of eight weeks beginning with the date of the EGM:
- i. a statement made by the Directors confirming that all the requirements under Section 78C (including the solvency requirements for the Proposed First Capital Reduction) have been complied with, and that no application for cancellation of the resolution has been made; and
  - ii. a notice containing the information in relation to the Proposed Capital Reductions, (collectively the "**Prescribed Documents**").
- (d) The date on which each of the Proposed Capital Reductions will come into effect when the Company files a notice of local company of alteration in share capital under Section 71 of the Companies Act ("**Effective Date**").

#### 4.4 Payment Date

On the electronic filing of the Prescribed Documents with ACRA, the Proposed Capital Reductions shall take effect and the Proposed Cash Distribution shall be made thereafter as set out in Paragraph 4.1 of this Letter.

The CD Books Closure Date shall not be later than 14 days from the Effective Date.

For the Proposed Cash Distribution, the payment of the Cash Distribution to the Entitled Shareholders by the Company shall be made as soon as practicable from the CD Books Closure Date, which the Company will announce after the Effective Date.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Shareholders (including Entitled Shareholders) should take note that these are indicative dates and are subject to changes. The Company shall release announcements via SGXNET in due course for the following events once these dates can be conclusively determined:

- (a) the CD Books Closure Date on which the Share Transfer Books and Registers of Members of the Company will be closed to determine the Entitled Shareholders' entitlement to the Cash Distribution; and
- (b) the payment dates for the Cash Distribution.

### 4.5 Administrative Procedures for the Proposed Capital Reductions and Proposed Cash Distribution

The following paragraphs set out certain administrative procedures for the Proposed Capital Reductions and the Proposed Cash Distribution:

(a) *Entitled Shareholders at CD Books Closure Date*

Persons registered in the Register of Members of the Company and Depositors whose Securities Accounts are credited with Shares as at the CD Books Closure Date shall be deemed to be Entitled Shareholders and will be entitled to receive payment of the Cash Distribution declared under the Proposed Cash Distribution.

The Entitled Shareholders' entitlements will be determined on the basis of the number of such Shares registered in their names and/or standing to the credit of their Securities Account.

(b) *Shareholders holding scrip Shares*

Shareholders who hold scrip Shares registered in their own names in the Register of Members of the Company and who wish to deposit their Shares with CDP prior to the CD Books Closure Date must deliver their existing share certificates in respect of their Shares, together with the duly executed instruments of transfer in favour of CDP, not later than twelve (12) Market Days before the CD Books Closure Date, in order for their Securities Accounts maintained with CDP to be credited with the relevant Shares prior to the CD Books Closure Date.

(c) *Payment of the Proposed Cash Distribution*

Payment of the Proposed Cash Distribution pursuant to the Proposed First Capital Reduction will be made in the following manner:

i. Scripless Shareholders who are Entitled Shareholders

Payment to Entitled Shareholders (who are Depositors and who have Shares standing to the credit of their Securities Accounts as at the CD Books Closure Date) with respect to their respective entitlements to the Proposed Cash Distribution under the Proposed First Capital Reduction, shall be made in such other manner as they may have agreed with CDP for the payment of dividends or other distributions at their own risk.

ii. Entitled Shareholders holding scrip Shares

Entitled Shareholders who hold scrip Shares registered in their own names in the Register of Members of the Company as at the CD Books Closure Date will have the cheques for payment of the pro-rata Cash Distribution under the Proposed First Capital Reduction despatched to them by ordinary post at their own risk.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 4.6 Taxation

Section 10I of the Income Tax Act, Chapter 134 of Singapore provides that where a Singapore resident company makes a payment to its shareholders upon a reduction of its share capital and such a capital reduction is made out of “contributed capital” of the company, the payment to the shareholders will be treated as a return of capital and not as a payment of dividend. For Singapore income tax purposes, a return of capital would generally be treated as capital in nature and would not be taxable to the shareholders in Singapore, except in certain cases, such as shareholders who are traders in securities or who have classified their investments as trading stocks, marketable securities or short-term investments.

In relation to the Proposed Cash Distribution to be made to the Entitled Shareholders pursuant to the Proposed First Capital Reduction, the amounts are to be paid to Entitled Shareholders out of the contributed share capital of the Company and will be regarded as a return of capital and should not be treated as a distribution of dividend to Shareholders for purposes of Singapore income tax.

Shareholders (including Entitled Shareholders) should note that the above statements are not to be regarded as advice on the tax position of any Shareholder (including Entitled Shareholder) or on any tax implications arising from the Proposed Capital Reductions. Shareholders (including Entitled Shareholders) who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction outside Singapore should consult their own professional advisers.

### 4.7 Effects on the Exercise Price of the Warrants

(a) *Adjustments to number of Warrants*

Pursuant to the Deed Poll, the number of Warrants will not be adjusted in the event of a Capital Distribution (as defined in sub-paragraph (b) below).

(b) *Adjustments to Exercise Price*

Pursuant to the Deed Poll, if and whenever the Company shall makes a Capital Distribution (as defined below) to Shareholders whether on a reduction of capital or otherwise, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{(C - D)}{C} \times X$$

Where:

D = the fair market value as determined (with the concurrence of the Independent Auditors) by an Approved Bank of the portion of the Capital Distribution attributable to one Share;

C = the Current Market Price (as defined below) of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, any offer or invitation is announced publicly or (failing such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, the offer or invitation; and

X = existing Exercise Price of the Warrants.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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“Capital Distribution” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares, which is not by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund but excluding any issue of Shares made where the Shareholders had an option to take cash or other dividend in lieu of the relevant Shares). Any distribution out of profits or reserves (including any share premium account or capital redemption reserve fund) made after 30 September 2006 shall not be deemed to be a Capital Distribution unless the profits or reserves are attributable to profits or gains arising from the sale of assets owned by the Company or any of its subsidiaries on or before that date and any cancellation of capital which is lost or unrepresented by available assets shall not be deemed to be a Capital Distribution.

“Current Market Price” in relation to each Share for any relevant Market Day shall be the average of the last dealt prices (rounded down to the nearest \$0.01 per Share) of Shares quoted on the SGX-ST for the five (5) consecutive Market Days (on each of which trading of the Shares on the SGX-ST has been transacted) immediately preceding that Market Day or, if the Company so decides, the last dealt price of Shares quoted on the SGX-ST for the Market Day (on which trading of the Shares on the SGX-ST has been transacted) immediately preceding that Market Day.

Such adjustments will be effective (if appropriate retroactively) from the commencement of the next Market Day following the record date for such Capital Distribution or such offer or invitation, as the case may be.

(c) *Effect*

Pursuant to the completion of the Proposed First Capital Reduction and the Proposed Cash Distribution and/or the Proposed Second Capital Reduction, as the case may be:

- i. the number of the Warrants will not be adjusted;
- ii. the Exercise Price of the Warrants will be adjusted based on the formula set out in Paragraph 4.7(b) above of this Letter by the Directors in consultation with an Approved Bank;
- iii. the Independent Auditors shall also be appointed to certify that the adjustment of the Exercise Price of the Warrants is made in accordance with conditions of the Deed Poll; and
- iv. the new Exercise Price shall be announced via SGXNET.

#### 4.8 Compliance with Section 78C of the Companies Act

Pursuant to Section 78C of the Companies Act, the Directors will each make a solvency statement confirming that there is no ground on which the Company can be found to be unable to pay its debts as they fall due as at the date of the solvency statement and within the period of 12 months immediately following the date of the solvency statement and the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the Proposed First Capital Reduction, become less than the value of its liabilities (including contingent liabilities).

**Copies of the solvency statement to be signed by the Directors will be available for inspection at the EGM, as well as at the registered office of the Company from the date of the EGM to at least six (6) weeks after the date of the EGM.**

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 5. PROPOSED DEED POLL AMENDMENTS

#### 5.1 Introduction

On 26 December 2011, the Company announced, *inter alia*, that it had entered into the Sale-and-Purchase Agreement, pursuant to which the Company and the Vendors agreed that the Vendors shall sell and the Company shall acquire the entire issued and paid-up share capital of LCCE for the Consideration. The Consideration shall be fully satisfied by the allotment and issuance of the 3,928,571,429 Consideration Shares to the Vendors, at the issue price of \$0.028 per Consideration Share. The Consideration Shares shall be free from all Encumbrances and together with all rights, entitlement and benefits attached thereto as at and from the Completion Date. The Consideration Shares shall also rank *pari passu* and form a single class with the other existing Shares. The Proposed Share Consolidation is required to facilitate the Company in complying with Rule 1015(3)(d) of the Listing Manual.

Under the Final SPA, the Vendors and the Company have agreed, *inter alia*, that pursuant to the Proposed Acquisition Shares Issue, the Company shall undertake the Proposed Share Consolidation whereby every ten (10) Shares shall be consolidated into 1 Consolidated Share.

Without the Proposed Deed Poll Amendments, the Exercise Price and the number of Warrants cannot be adjusted following the Proposed Share Consolidation. Hence, the Proposed Deed Poll Amendments are proposed to the Shareholders and the Warranholders for their consideration. As the Proposed Deed Poll Amendments will alter the Warranholders' rights under the Warrants, a circular dated 21 June 2012 has been issued to the Warranholders of the Company to seek their approval for the Proposed Deed Poll Amendments in accordance with Condition 7 of the Deed Poll.

The Completion is subject to, amongst other matters, the Shareholders and the Warranholders approving the Proposed Deed Poll Amendments.

#### 5.2 Proposed Deed Poll Amendments

Pursuant to the Proposed Share Consolidation, every ten (10) Shares of the Company will be consolidated into one Consolidated Share. As at the Latest Practicable Date, the Company has an issued and paid-up share capital of \$59,318,320 divided into 431,908,656 Shares. The Company also has 143,902,885 outstanding Warrants. Following the completion of the Proposed Capital Reductions, the Proposed Cash Distribution and the Proposed Acquisition Shares Issue, the Company's Enlarged Share Capital will be approximately \$111,299,822 comprising 4,360,480,085 Shares<sup>(1)</sup>. Please refer to Paragraph 14.1 of this Letter for further details on the financial effects.

**Note:**

(1) After taking into account 50,000 Shares issued pursuant to the exercise of Warrants after 31 December 2011.

Upon completion of the Proposed Share Consolidation, the Exercise Price and the number of Warrants held by each Warranholder should be adjusted to ensure that the Warranholders and the Shareholders are put in similar positions as they would have been prior to the Proposed Share Consolidation. As the Deed Poll does not currently provide for adjustments upon a share consolidation, it is proposed that the Deed Poll be amended by way of a supplemental deed as follows:

(a) Condition 4(a) of the Terms and Conditions of the Warrants as set out in the Second Schedule to the Deed Poll be amended by the insertion of new condition 4(a)(v) as follows:

“(v) Consolidation, Subdivision or Conversion

an alteration of the value of the Shares by reason of any consolidation, subdivision or conversion.”

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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- (b) Condition 4(d) of the Terms and Conditions of the Warrants as set out in the Second Schedule to the Deed Poll be amended by the insertion of new condition 4(d)(v) as follows:

“(v) Consolidation, Subdivision or Conversion

If and whenever a Share by reason of any consolidation, subdivision or conversion shall have a different value, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{B} \times X$$

and the number of Warrants shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants} = \frac{B}{A} \times W$$

where:

A = the aggregate number of issued and fully paid-up Shares as at the record date for such consolidation, subdivision or conversion;

B = the aggregate number of issued and fully paid-up Shares immediately after the record date for such consolidation, subdivision or conversion;

W = existing number of Warrants; and

X = existing Exercise Price.

Such adjustments will be effective from the close of the Market Day immediately preceding the date on which the consolidation, subdivision or conversion becomes effective.”

**The Shareholders should note that the approval of the Warrantheolders and Shareholders for the Proposed Deed Poll Amendments is a condition precedent to the Completion. If the Warrantheolders and Shareholders do not vote in favour of the Proposed Deed Poll Amendments, the Proposed Acquisition will not take place.**

## 6. PROPOSED SHARE CONSOLIDATION

### 6.1 Introduction

Under the Final SPA, the Vendors and the Company agreed that in connection with the Proposed Acquisition Shares Issue and prior to the Proposed Compliance Placement, the Company shall consolidate every ten (10) Shares into one (1) Consolidated Share.

A circular dated 21 June 2012 to Warrantheolders in relation to the Proposed Deed Poll Amendments has been issued. Following the Shareholders and Warrantheolders approving the Proposed Deed Poll Amendments, every ten (10) Warrants will also be consolidated into one (1) Consolidated Warrant in accordance with the Revised Deed Poll (“**Warrant Consolidation**”).

**The Shareholders should note that the approval of the Proposed Share Consolidation is a condition precedent to the Completion. If the Shareholders do not vote in favour of the Proposed Share Consolidation, the Proposed Acquisition will not take place.**

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Shareholders should note that the number of Consolidated Shares which Shareholders shall hold following the completion of the Proposed Share Consolidation will be determined using the number of Shares that they hold on the SC Books Closure Date. Such number of Consolidated Shares shall be rounded down to the nearest whole Consolidated Shares and any fractions of Consolidated Shares arising from the Proposed Share Consolidation will be disregarded.

Shareholders should note that the Proposed Share Consolidation may not result in the desired outcome in terms of Share price post-consolidation, that is, the price of the Shares may not increase in proportion to the Share Consolidation ratio following the completion of the Proposed Share Consolidation.

Warrantheolders should note that assuming that the Shareholders' and Warrantheolders' approval has been obtained for the Proposed Deed Poll Amendments, the number of Consolidated Warrants which Warrantheolders shall hold pursuant to the Warrant Consolidation will be determined using the number of Warrants that they hold on the SC Books Closure Date. Such number of Consolidated Warrants shall be rounded down to the nearest whole Consolidated Warrants and any fractions of Consolidated Warrants arising from the Warrant Consolidation will be disregarded.

Each Consolidated Share will rank *pari passu* in all respects with each other and the Proposed Share Consolidation will not involve the domination of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up share capital of the Company and has no effect on the Shareholders' funds of the Group.

Shareholders are also not required to make any payment to the Company in respect of the Proposed Share Consolidation. Warrantheolders are also not required to make any payment to the Company in respect of the Warrant Consolidation.

### 6.2 Rationale

Under Rule 1015(3)(d) of the Listing Manual, the issue price of each Share is required to be at least \$0.20. Accordingly, the Proposed Share Consolidation is to comply with Rule 1015(3)(d) of the Listing Manual. Resulting from the completion of the Proposed Share Consolidation, the Warrant Consolidation will take place in accordance with the terms and conditions of the Revised Deed Poll.

### 6.3 Administrative Procedures

#### (a) General

Fractional Shares will be disregarded such that the aggregate number of Consolidated Shares after the completion of the Proposed Share Consolidation, will be approximately 436,048,005 Consolidated Shares. Please refer to Appendix B of this Circular for more details.

The Proposed Share Consolidation has no effect on the Shareholders' equity of the Group. Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation.

Subject to Shareholders' approval being obtained for the Proposed Share Consolidation at the EGM, Shareholders' holdings of the Consolidated Shares arising from the Proposed Share Consolidation will be ascertained based on the number of Shares that they hold on the SC Books Closure Date.

The Company will, in due course, issue an announcement to notify Shareholders of the SC Books Closure Date and the date on which the Consolidated Shares will commence trading on the SGX-ST.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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(b) Updating of Register of Members and Depository Register

If the Shareholders approve the Proposed Share Consolidation at the EGM, the Register of Members of the Company and the Depository Register will be updated to reflect the number of Consolidated Shares held by Shareholders and Depositors based on their shareholdings in the Company as at the SC Books Closure Date.

(c) Deposit of share certificates with CDP

Shareholders who hold old physical share certificates in their own names (the “**Old Share Certificates**”) and wish to deposit them with CDP and have their Consolidated Shares (after the Proposed Share Consolidation) credited to their Securities Account, must deposit the Old Share Certificates, together with the duly executed instruments of transfer in favour of CDP, at least 12 Market Days before the SC Books Closure Date.

After the SC Books Closure Date, CDP will only accept for deposit new share certificates of Consolidated Shares (the “**New Share Certificates**”). Shareholders who wish to deposit their New Share Certificates with CDP after the SC Books Closure Date must first deliver their Old Share Certificates to the Share Registrar and Share Transfer Office, M&C Services Private Limited, 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906, for cancellation and issue of replacement New Share Certificates as described below.

(d) Issue of New Share Certificates

Shareholders who have deposited their Old Share Certificates with CDP at least 12 Market Days before the SC Books Closure Date need not take any action. The Company will arrange with CDP to facilitate the exchange of New Share Certificates. Shareholders who have not deposited or do not wish to deposit their Old Share Certificates with CDP are advised to forward all such Old Share Certificates to the Share Registrar as soon as possible after they have been notified of the SC Books Closure Date, and preferably, not later than five Market Days after the SC Books Closure Date for cancellation and exchange for New Share Certificates. No receipt will be issued by the Share Registrar for the receipt of the Old Share Certificate. The New Share Certificates will be sent by ordinary mail to the Shareholders’ registered addresses at their own risk within ten Market Days from the SC Books Closure Date or the date of receipt of the Old Share Certificates, whichever is the later.

The New Share Certificates will not be issued to Shareholders unless Shareholders have tendered their Old Share Certificates to the Share Registrar for cancellation. Shareholders should notify the Share Registrar if they have lost any of their existing Old Share Certificates or if there is a change in their address from that reflected in the Register of Members.

(e) Share Certificates Not Valid for Settlement of Trades on the SGX-ST

Shareholders are reminded that their Old Share Certificates are not valid for settlement of trading in the Consolidated Shares on the SGX-ST, as the Company is under a book-entry (scripless) settlement system. After the date on which the Proposed Share Consolidation becomes effective, their Old Share Certificates will continue to be accepted by the Share Registrar for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period. Notwithstanding, the New Share Certificates will also not be valid for delivery for trades done on the SGX-ST although they will continue to be prima facie evidence of legal title.

No fees will be payable by Shareholders for the update of the Register of Members and Depository Register for the Consolidated Shares and for the issue of the New Share Certificates.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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(f) Trading Arrangements for the Consolidated Shares and Odd Lots

i. *Trading Arrangements for the Consolidated Shares*

Subject to the Shareholders' approval for the Proposed Share Consolidation, trading in the Consolidated Shares will be in board lots of 1,000 Consolidated Shares.

ii. *Trading arrangements for odd lots of Consolidated Shares*

All fractional entitlements arising upon the implementation of the Proposed Share Consolidation will be consolidated and dealt with in such manner as the Board may, in its absolute discretion, deem fit in the interest of the Company.

The Shares are currently traded in board lots of 1,000 Shares in the ready market. Following the Proposed Share Consolidation, the Securities Account maintained with CDP of Shareholders may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of 1,000 Consolidated Shares). Shareholders who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade in odd lots on the SGX-ST should note that the unit share market has been set up to allow trading in odd lots with a minimum size of one (1) share on the SGX-ST.

The unit share market will enable trading in odd lots in any quantity less than one board lot of the underlying shares in the ready market.

### 6.4 Other details relating to the Proposed Share Consolidation and the Warrant Consolidation

The Company shall release an announcement via SGXNET in due course on:

- (a) the SC Books Closure Date;
- (b) the date on which the Consolidated Shares will commence trading on the SGX-ST; and
- (c) the date on which the Consolidated Warrants will commence trading on the SGX-ST.

### 7. PROPOSED NAME CHANGE

The LC Group is an established service provider of Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation as well as road and airfield construction and maintenance in Singapore and the brand name "Ley Choon" is well regarded in the industry.

In view of the Proposed Acquisition and the Proposed Disposal, the Company is also seeking the approval of the Shareholders to change the name of the Company from "Ultron Technologies Limited" to "Ley Choon Group Holdings Limited" to better reflect the status of the Proforma Group as well as to capitalise on the "Ley Choon" brand name.

**Shareholders should note that the Shareholders' approval of the Proposed Name Change to the Company's name is a condition precedent to the Final SPA. If the Shareholders do not vote in favour of the Proposed Name Change, the Proposed Acquisition will not take place.**

Upon obtaining the Shareholders' approval, the Company shall update its Memorandum and Articles of Association to reflect the new name of "Ley Choon Group Holdings Limited". Accordingly, the name "Ultron Technologies Limited" will be substituted with "Ley Choon Group Holdings Limited" wherever the name "Ultron Technologies Limited" appears in the Company's Memorandum and Articles of Association.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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In connection with the Proposed Change of Name, the Company intends to adopt the corporate logo of the LC Group as shown below:



The Proposed Name Change is expected to take place after the Completion. Accordingly, the Company seeks to obtain the Shareholders' approval for the Proposed Name Change at the EGM.

### 8. PROPOSED DIRECTOR APPOINTMENTS

#### 8.1 Introduction

Under the Final SPA, the Company has agreed that:

- (a) the Vendors shall have the right to appoint new Directors to the Board; and
- (b) at the request of the Vendors, the Company shall also procure its existing Directors to resign and reconstitute the Board in accordance with the Vendors' instructions.

The Vendors have since indicated to the Company that they wish to appoint the following Proposed Directors to the Board:

<b>Name</b>	<b>Age</b>	<b>Address</b>	<b>Position to be held in Proforma Group</b>
Toh Choo Huat	55	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	Executive Chairman & CEO
Toh Swee Kim	49	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	Executive Director
Toh Chew Leong	53	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	Executive Director
Koh Tiam Teng	57	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	Executive Director
Tan Teck Wei	48	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	Executive Director
Lee Gee Aik	53	c/o 100 Beach Road #25-06 Shaw Tower Singapore 189702	Lead Independent Director
Ang Miah Khiang	58	c/o 72 Bendemeer Road #04-28, Luzerne Singapore 339141	Independent Director
Marcus Chow Wen Kwan	38	c/o 2 Shenton Way #18-01 SGX Centre 1 Singapore 068804	Independent Director

Further details relating to the Proposed Directors are set out in this Paragraph 8.2 of this Letter.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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The remaining Directors of the Company, namely Mr Lim Ee Ann, Mr Lim Ee Chuan, Ms Tan Siok Min, Mr Lee Keen Whye and Mr Timothy Teo Lai Wah will resign from the Company's Board following the Completion.

The Company intends to seek the Shareholders' approval for the Proposed Director Appointments at the EGM.

**Shareholders should note that the Shareholders' approval of the Proposed Director Appointments is a condition precedent to the Final SPA. If the Shareholders do not vote in favour of the Proposed Director Appointments, the Proposed Acquisition will not take place.**

### 8.2 Details and Work Experience of Proposed Directors

(a) Mr Toh Choo Huat

Mr Toh Choo Huat is the Executive Chairman and CEO of the LC Group. Mr Toh Choo Huat is one of the LC Group's founders and he has played a pivotal role in the growth and development of the LC Group. He is responsible for the overall business development and general management of the LC Group. He also oversees the overall strategic directions and expansion plans for the growth and development of the LC Group. He has more than 20 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 the LC Group, Mr Toh Choo Huat worked as a maintenance technician in Fairchild Semiconductor Pte Ltd, an electronic company producing integrated circuitry from 1981 to 1983. In 1983, Mr Toh Choo Huat and his brother Mr Toh Swee Kim started a partnership Kim & Huat Construction Engineering Company which engaged in the business of laying water pipes for PUB. Kim & Huat Construction Engineering Company has since ceased its operations. In 1990, Mr Toh Choo Huat and Mr Toh Chew Leong incorporated LCCE, which took over the business of the partnership Ley Choon Constructions & Engineering Co. (which was previously set up by Mr Toh Chew Leong and Madam Chua Lay Ching, the sister-in-law of Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim). He graduated with a Diploma in Electrical & Electronic from Ngee Ann Technical College (in association with Central Polytechnic London).

Pursuant to his appointment as Executive Director to the Board, Mr Toh Choo Huat will assume the position of Executive Chairman and CEO of the Proforma Group and he will be responsible for the overall business development and general management of the Proforma Group. He also oversees the overall strategic directions and expansion plans for the growth and development of the Proforma Group.

(b) Mr Toh Swee Kim

Mr Toh Swee Kim is the Executive Director of the LC Group. As the Executive Director of the LC Group, he oversees all operations for its Underground Utilities Infrastructure construction and maintenance business, including deployment of resources, purchasing, equipment maintenance, and manpower and operation management of the LC Group. In 1983, Mr Toh Swee Kim and his brother Mr Toh Choo Huat started a partnership Kim & Huat Construction Engineering Company which engaged in the business of laying water pipes for PUB and which terminated in 2003. In the 1990s, Mr Toh Swee Kim joined Ley Choon Construction Engineering Co, the predecessor of LCCE, as an operation manager and he has been responsible for overseeing the day to day operations of the pipe laying and cable laying business. Mr Toh Swee Kim has an extensive experience of more than 20 years in the LC Group's pipe and cable laying business. Mr Toh Swee Kim is currently the President of Yin Gah Dian Temple.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Pursuant to his appointment as Executive Director to the Board, Mr Toh Swee Kim will assume the position of Executive Director of the Proforma Group and he will be responsible for overseeing all operations of the Underground Utilities Infrastructure construction and maintenance business which the Proforma Group will be engaged in, including deployment of resources, purchasing, equipment maintenance, and manpower and operation management of the Proforma Group.

(c) Mr Toh Chew Leong

Mr Toh Chew Leong is the Executive Director of the LC Group. Mr Toh Chew Leong is one of the founders of the LC Group. As an Executive Director of the LC Group, he is mainly responsible for overseeing the day-to-day operations of the LC Group's asphalt plant and construction waste recycling plant. Mr Toh Chew Leong also assists in the day-to-day operations of its business in sewer pipeline rehabilitation and road resurfacing. Mr Toh Chew Leong, together with Mr Tan Teck Wei oversaw the setting up of LC Group's asphalt pre-mix plant and construction waste recycling plant. In 1983, Mr Toh Chew Leong and his brother Mr Toh Chew Chai set up a partnership, Toh Kai Hock Construction Engineering Co, which engaged in, *inter alia*, the business of renting industrial machinery and equipment and plumbing. In 1986, Mr Toh Chew Leong and his sister-in-law Madam Chua Lay Ching set up another partnership Ley Choon Construction Engineering Co, the predecessor of LCCE. The partnership Toh Kai Hock Construction Engineering Co was terminated in 2003. Mr Toh Chew Leong has more than 20 years of experience in the business of Underground Utilities Infrastructure construction and maintenance and sewer pipeline rehabilitation.

Pursuant to his appointment as Executive Director to the Board, Mr Toh Chew Leong will assume the position of Executive Director of the Proforma Group and he will be responsible for overseeing all operations in the construction materials business, which the Proforma Group will be engaged in. Mr Toh Chew Leong will also continue to assist in the day-to-day operations of the sewer pipeline rehabilitation and road resurfacing business which the Proforma Group will be engaged in.

(d) Mr Koh Tiam Teng

Mr Koh Tiam Teng is the Executive Director of the LC Group. As an Executive Director of the LC Group, he is responsible for the overall management of the LC Group's business, which includes formulating business strategies and policies, marketing and charting the growth of the LC Group as well as overseas market expansion and development. Mr Koh Tiam Teng has more than 28 years of experience in the business of water related fields, including sewer pipeline rehabilitation, drinking water and waste water systems. Mr Koh Tiam Teng is experienced in regional operations, including operations in Shanghai, Hong Kong, Indonesia, Malaysia, and Vietnam. Prior to his appointment as Executive Director of the LC Group, Mr Koh Tiam Teng was the managing director and chief executive officer of Pan Asian, a company listed on the SGX Catalist, from 1992 to 2009. In 1999, he was named as one of the top ten finalists of the Entrepreneur of the Year, an award given by Rotary-ASME (Association of Small and Medium Enterprises). Mr Koh Tiam Teng holds a Bachelor of Arts degree (major in government administration and politics) from Nanyang University of Singapore. Mr Koh Tiam Teng is currently the Vice-President of the Singapore Khoh Clan Association, the Patron of Kaki Bukit Citizens' Consultative Committee in Aljunied Group Representation Constituency, Vice-Chairman of the School Advisory Committee of Yu Neng Primary School and since 2004, a member of Singapore Institute of Directors.

Pursuant to his appointment as Executive Director to the Board, Mr Koh Tiam Teng will assume the position of Executive Director of the Proforma Group and he will be responsible for the overall management of the business undertaken by the Proforma Group and this includes formulating business strategies and policies, marketing and charting the growth of the Proforma Group.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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(e) Mr Tan Teck Wei

Mr Tan Teck Wei is the Executive Director of the LC Group. As an Executive Director of the LC Group, he is responsible for the overall coordination and general management of the LC Group's projects. In addition, Mr Tan Teck Wei, together with Mr Toh Chew Leong, also oversaw the setting up of LC Group's asphalt plant and construction waste recycling plant. Mr Tan Teck Wei joined the LC Group in 1998 as a civil engineer and was promoted to General Manager in 2003. Prior to joining the LC Group, he worked as a site engineer and project engineer for local civil work contractors. Mr Tan Teck Wei graduated with a Bachelor of Engineering degree from the School of Civil and Structural Engineering of the National University of Singapore and has more than 20 years of experience in the business of civil engineering and building construction and maintenance, Underground Utilities Infrastructure and sewer pipeline rehabilitation.

Pursuant to his appointment as Executive Director to the Board, Mr Tan Teck Wei will assume the position of Executive Director of the Proforma Group and he will be responsible the overall coordination and general management of the Proforma Group's projects.

(f) Mr Lee Gee Aik

Mr Lee Gee Aik is a Proposed ID of the Proforma Group. He is currently a director of R Chan & Associates PAC, a member firm of the KS International network of accountants and is an independent director of four other Singapore-listed companies. Mr Lee Gee Aik started his career as an auditor in KPMG Singapore in 1979 and was subsequently seconded to KPMG USA Executive Office from 1986 to 1988, specialising in professional development and research work in audit methodologies and financial reporting. In 1988, he was promoted to senior audit manager in KPMG Singapore responsible for the audit of a portfolio of clients. Thereafter, from 1993 to 1998, Mr Lee Gee Aik was the regional controller of Omni Marco Polo Hotel Singapore. In 1998, Mr Lee Gee Aik founded G A Lee & Associates, a certified public accounting firm, which subsequently merged with R Chan & Co.

Mr Lee Gee Aik was qualified as a Chartered Certified Accountant with The Association of Chartered Certified Accountants, United Kingdom in 1989. He obtained a master degree in Business Administration from Henley Management College, United Kingdom in 2004. He is currently a Fellow with The Association of Chartered Certified Accountants, United Kingdom and The Institute of Certified Public Accountants of Singapore.

Pursuant to his appointment as Independent Director to the Board, Mr Lee Gee Aik will also assume the position of Lead Independent Director and the Chairman of the Audit Committee of the Proforma Group. Mr Lee Gee Aik will also be a member of the Remuneration Committee and the Nominating Committee.

(g) Mr Ang Miah Khiang

Mr Ang Miah Khiang is a Proposed ID of the Proforma Group. He holds a Bachelor of Accountancy degree from the University of Singapore and is a non-practising Fellow of the Institute of Certified Public Accountants of Singapore. He spent a greater part of his career in small-medium enterprise financing business, having held the position of Managing Director of GE Commercial Financing (S) Ltd (formerly known as Heller Financial (S) Ltd) ("**GECF**") from 1991 to 2004 and was also concurrently the regional director of other businesses related to GECF in the Asia Pacific region. Following Mr Ang's resignation from GECF, he joined DP Information Network Pte Ltd as executive director in 2004, where he was responsible for supporting its corporate development activities. Since 2009, he was re-designated as non-executive director, and continues to serve at the board level. From late 2010 to 2011, he was appointed as Director, Corporate Advisory of Stone Forest Corporate Advisory Pte Ltd, where he provided support in areas of corporate and strategic

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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development. Mr Ang is currently not engaged in any full-time employment, and aside from having various directorships in non-executive roles, he provides advisory services to clients from time to time. Mr Ang Miah Khiang is also an independent director of Uni-Asia Finance Corporation, a listed company on SGX-ST.

Pursuant to his appointment as Independent Director to the Board, Mr Ang Miah Khiang will also assume the position of Chairman of the Nominating Committee of the Proforma Group. Mr Ang Miah Khiang will also be a member of the Remuneration Committee and the Audit Committee.

(h) Mr Marcus Chow Wen Kwan

Mr Marcus Chow Wen Kwan is a Proposed ID of the Proforma Group and has more than ten years of experience in legal practice. From 1999 to 2000, he joined Fried, Frank, Harris, Shriver & Jacobson in New York in the foreign associate program, securitisation practice group. From 2000 to 2001, he was an associate, with the corporate practice group at White & Case LLP in Singapore. He was at Stamford Law Corporation first as a senior associate from 2003 to 2004 and as an associate director from 2005 to 2006. From 2004 to 2005, he was an assistant vice-president in Merrill Lynch International Bank (private banking division) in Singapore focusing on trust products for high net worth individuals in the Asia Pacific region. From 2006 to 2007, he practised with Hogan Lovells in Hong Kong as a senior associate. From 2007 to 2008, he was an assistant vice president at the Singapore Exchange Securities Trading Limited. From 2008 to March 2012, he was a director of Drew & Napier LLC. Mr Marcus Chow Wen Kwan is currently a partner in ATMD Bird & Bird LLP. Mr Marcus Chow Wen Kwan graduated with a LL.B. (Hons) from the National University of Singapore in 1998, and was admitted as an advocate and solicitor of the High Court of Singapore in 2003. He obtained his LL.M. from the University of Virginia School of Law, USA in 1999. He is also a member of the Law Society of Singapore and Singapore Academy of Law and is an Attorney at Law, New York State, USA. He has also obtained a certificate in governance as leadership from Harvard University, Kennedy School of Government, in 2010. Mr Marcus Chow Wen Kwan is also an independent director of other listed companies.

Pursuant to his appointment as Independent Director to the Board, Mr Marcus Chow Wen Kwan will also assume the position of Chairman of the Remuneration Committee of the Proforma Group. Mr Marcus Chow Wen Kwan will also be a member of the Audit Committee and the Nominating Committee.

### 8.3 Directorships of the Proposed Directors

The list of present and past directorships of each Proposed Director over the past five (5) years, excluding that to be held in the Company pursuant to their appointment, is set out below:

Name	Present Directorships	Past Directorships
Toh Choo Huat	<u>Companies within the Proforma Group</u>  Ley Choon Constructions and Engineering Pte Ltd  Ley Choon Development Pte. Ltd. (formerly known as Ley Choon Technology Pte. Ltd.)  Ley Choon EWC Sdn Bhd  Multiform Developments & Construction Pte Ltd	<u>Companies within the Proforma Group</u>  Nil

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Name	Present Directorships	Past Directorships
	<p>Pan Alliance Technology International Pte. Ltd.</p> <p>Teacly (S) Pte. Ltd.</p> <p>Ley Choon (Yantai) Eco-Green Construction Materials Ltd. (立塔(烟台)环保建材科技有限公司)</p> <p><u>Other Companies</u></p> <p>Ley Choon Holding Pte. Ltd. (in the process of striking off)</p> <p>Li Chun Dragon Fish Industry Pte. Ltd. (formerly known as Ley Choon Dragon Fish Industry Pte. Ltd.)</p> <p>Zheng Choon Holding Pte. Ltd.</p>	<p><u>Other Companies</u></p> <p>Sin Ming Traffic Pte. Ltd. (formerly known as Ley Choon Traffic Pte Ltd)</p>
Toh Swee Kim	<p><u>Companies within the Proforma Group</u></p> <p>Chin Kuan Engineering and Contractors Pte Ltd</p> <p>Ley Choon Constructions and Engineering Pte Ltd</p> <p><u>Other Companies</u></p> <p>Ley Choon Holding Pte. Ltd. (in the process of striking off)</p> <p>Zheng Choon Holding Pte. Ltd.</p>	<p><u>Companies within the Proforma Group</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Nil</p>
Toh Chew Leong	<p><u>Companies within the Proforma Group</u></p> <p>Ley Choon Constructions and Engineering Pte Ltd</p> <p>Ley Choon Development Pte. Ltd. (formerly known as Ley Choon Technology Pte. Ltd.)</p> <p>Multiform Developments &amp; Construction Pte Ltd</p> <p>Teacly (S) Pte. Ltd.</p> <p><u>Other Companies</u></p> <p>Ley Choon Holding Pte. Ltd. (in the process of striking off)</p> <p>Li Chun Dragon Fish Industry Pte. Ltd. (formerly known as Ley Choon Dragon Fish Industry Pte. Ltd.)</p> <p>Zheng Choon Holding Pte. Ltd.</p> <p>Dragon Village Co. Ltd (Vietnam)</p>	<p><u>Companies within the Proforma Group</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Sin Ming Traffic Pte. Ltd. (formerly known as Ley Choon Traffic Pte Ltd)</p>

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<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Koh Tiam Teng	<p><u>Companies within the Proforma Group</u></p> <p>Ley Choon Constructions and Engineering Pte Ltd</p> <p>Pan Alliance Technology International Pte. Ltd.</p> <p>Teacly (S) Pte. Ltd.</p> <p><u>Other Companies</u></p> <p>Ley Choon Holding Pte. Ltd. (in the process of striking off)</p>	<p><u>Companies within the Proforma Group</u></p> <p>Nil</p> <p><u>Other Companies</u></p> <p>Associated Pan Asian Metal Sdn Bhd</p> <p>AVK Valves Pte Ltd</p> <p>Duvalco Valves &amp; Fittings Pte. Ltd. (formerly known as Pan Asian Engineering Pte Limited)</p> <p>PA Water (Shanghai) Limited</p> <p>PA Waterteach Pte Ltd</p> <p>Pamtech Asia Holdings Pte Ltd (struck off)</p> <p>Pan Asian Holdings Limited (formerly known as Pan Asian Water Solutions Limited)</p> <p>Pan Asian Water Solutions (HK) Limited</p> <p>P.T. Pan Asian Water Solutions Limited</p> <p>Richard Valves Sdn Bhd</p> <p>Sinzhong Valves &amp; Fitting (Wuxi) Co., Ltd</p> <p>Tricaftan Environmental Technology Pte. Ltd.</p> <p>Xu Jia Zu Holdings Pte. Ltd.</p>
Tan Teck Wei	<p><u>Companies within the Proforma Group</u></p> <p>Ley Choon Constructions and Engineering Pte Ltd</p> <p>Multiform Developments and Construction Pte Ltd</p> <p><u>Other Companies</u></p> <p>Ley Choon Holding Pte. Ltd. (in the process of striking off)</p>	<p><u>Companies within the Proforma Group</u></p> <p>Ley Choon Development Pte. Ltd. (formerly known as Ley Choon Technology Pte. Ltd.)</p> <p><u>Other Companies</u></p> <p>Nil</p>

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<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Lee Gee Aik	<u>Companies within the Proforma Group</u>	<u>Companies within the Proforma Group</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Anchun International Holdings Ltd	China Wines Group Limited
	Leader Environment Technologies Limited	Econat Fiber Limited
	Max Management Pte. Ltd.	Healthbiz Resources Pte Ltd
	R Chan & Associates PAC	
	Sinostar Pec Holdings Limited	
	Westminster Travel Limited	
Ang Miah Khiang	<u>Companies within the Proforma Group</u>	<u>Companies within the Proforma Group</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	DP Information Network Pte Ltd	Anwell Technologies Limited
	SPRING Equity Investments Pte Ltd	Asia Enterprises Holdings Ltd Avaplas Ltd (now known as Cal-comp Precision (Singapore) Limited)
	SPRING SEEDS Capital Pte. Ltd.	
	Uni-Asia Finance Corporation	BRIS Information Services Sdn Bhd
		DP Credit Bureau Pte. Ltd.
		Heller Factoring (Malaysia) Sdn Bhd
		Heng Long International Ltd
		Pan Asian Holdings Limited (formerly known as Pan Asian Water Solutions Limited)
		RAM Credit Information Sdn Bhd
		Rotol Singapore Ltd
	SEF Group Ltd	
	Sei Woo Technologies Ltd	

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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Name	Present Directorships	Past Directorships
Marcus Chow Wen Kwan	<u>Companies within the Proforma Group</u>	<u>Companies within the Proforma Group</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Hafary Holdings Limited	Esmart Holdings Limited (currently known as Duty Free International Limited)
		Drew & Napier LLC
		Weiye Holdings Limited (formerly known as Kyodo-Allied Industries Ltd)

### 8.4 Remuneration of the Proposed Directors on a proforma basis

The remuneration (including salary, bonus, contributions to CPF, directors' fees and benefits in kind) paid or payable to the Proposed Directors for services rendered to the Proforma Group in remuneration bands during FY2010, FY2011 and an estimate of the remuneration payable for FY2012 are as follows:

Directors	FY2010	FY2011	Estimated for FY2012
Toh Choo Huat	Band B	Band B	Band B
Toh Swee Kim	Band B	Band B	Band B
Toh Chew Leong	Band B	Band B	Band B
Koh Tiam Teng	Band A	Band A	Band A
Tan Teck Wei	Band A	Band A	Band A
Lee Gee Aik	–	–	Band A
Ang Miah Khiang	–	–	Band A
Marcus Chow Wen Kwan	–	–	Band A

**Notes:**

- (1) Band A means between \$0 and \$249,999
- (2) Band B means between \$250,000 and \$499,999
- (3) The estimated remuneration for FY2012 excludes the performance bonus for each Proposed Director as set out in Paragraph 8.5 of this Letter

Save for CPF contributions, the Company has not set aside or accrued any amounts for the Proposed Directors to provide for pension, retirement or similar benefits.

### 8.5 Service Agreements with Proposed EDs

Pursuant to the appointments of the Proposed EDs, the Company will enter into separate service agreements with each of them for an initial period of three years and renewable thereafter unless otherwise terminated by either party giving not less than six (6) months' notice in writing to the other, and the Company is not required to compensate the appointees for such termination in accordance with the terms of the service agreements. The service agreements will take effect from the date of the Completion.

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The service agreements may be terminated by the Company or the Proposed EDs (as the case may be) giving to the other not less than six (6) months' notice in writing or payment in lieu of notice. In addition, the Company may terminate the relevant service agreement at any time without any notice or payment in lieu of notice if the relevant Proposed EDs (as the case may be):

- (a) is guilty of dishonesty or serious or persistent misconduct; or
- (b) becomes bankrupt or has a receiving order made against him or makes any general composition with his creditors; or
- (c) becomes of unsound mind; or
- (d) does any act or thing which may bring serious discredit on the Group; or
- (e) neglects or refuses, without reasonable cause, to attend to the business of the Group; or
- (f) flagrantly or persistently fails to observe and perform any of the duties and responsibilities imposed by the service agreement or which are imposed by law; or
- (g) becomes unable (owing to illness, accident or otherwise) to properly perform his duties hereunder for a period or periods totalling 180 days in any period of 12 consecutive calendar months; or
- (h) is convicted of a criminal offence which results in the imposition of a term of imprisonment (other than a motoring offence); or
- (i) conducts himself in a manner prejudicial to the interest or reputation of the Group; or
- (j) ceases to be or becomes prohibited from being or is removed from holding office as a director of the Company (i) pursuant to any provision in the Companies Act for the time being in force or the rules and regulations promulgated thereunder or (ii) by virtue of his not being elected or re-elected or being removed from office by the shareholders of the Company in a general meeting.

Under the terms of the service agreements, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and Mr Tan Teck Wei will be paid an annual basic salary of \$372,000, \$288,000, \$312,000, \$264,000 and \$180,000 respectively which may be borne by the Company or any of the subsidiaries in the Group to which they perform services. The Proposed EDs will also be entitled to a one-month fixed bonus annually. These salaries are subject to review annually by the RC.

The Proposed EDs will be entitled to be reimbursed for all travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by them respectively in the discharge of their duties on behalf of the Proforma Group.

The Proposed EDs will also each be entitled to medical, dental and hospitalisation, travel and life insurance coverage.

The Proposed EDs will be entitled to the use of a car provided by the Company and transport reimbursement for all expenses incurred in connection with the car, such as petrol, car park, Electronic Road Pricing charges, maintenance and repair as well as road tax and car insurance for the said car.

The Proposed EDs will be entitled to be reimbursed for the monthly country club membership subscription fees (subject to a maximum of one golf club membership) and all other expenses incurred by them at or in relation to the golf club.

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The Proposed EDs will therefore be required to undertake that, during his employment, for one year after his employment with the Company ceases (if he serves out the notice period of six months) and for 18 months after his employment with the Company ceases (if payment in lieu of six months' notice is made instead):

- (a) he shall not, and shall procure his Associates do not, whether alone or jointly with another and whether directly or indirectly, carry on, be engaged or concerned in, be interested in, any business within which competes with any business within Singapore and Malaysia now carried on by the Proforma Group;
- (b) he shall not, and shall procure his Associates do not, whether on his own account or otherwise and whether directly or indirectly, solicit or entice the custom in relation to any goods or services supplied by the Proforma Group of any person who was a customer of the Proforma Group at any time during his employment or if he ceases to be employed by the Proforma Group, during the one year from the date on which the employment ceases (if he serves out the notice period of six months) or the 18 months from the date on which the employment ceases (if payment in lieu of six months' notice is made instead); and
- (c) he shall not, and shall procure his Associates do not, directly or indirectly, solicit or endeavour to entice away, offer employment to or employ, or offer or conclude any contract for services with, any person who was employed by the Proforma Group in skilled or managerial work, at any time during his employment or if he ceases to be employed by the Proforma Group, during the one year from the date on which the employment ceases (if he serves out the notice period of six months) or the 18 months from the date on which the employment ceases (if payment in lieu of six months' notice is made instead).

The Proposed EDs will further undertake that he shall treat as secret and confidential and shall not at any time:

- (a) disclose to any person or persons (except to those authorised by the Company to know or as otherwise required by law);
- (b) use for his own purpose or for any purpose other than those of the Company; or
- (c) through any failure to exercise all due care and diligence cause any unauthorised disclosure of any confidential information of the Proforma Group (including without limitation lists or details of customers, suppliers, agents of the Proforma Group) relating to the organisation, business, operations, finances, transactions or affairs of the Proforma Group or relating to the working of any process, technology, invention or methods carried on or used by the Proforma Group or in respect of which the Proforma Group is bound by an obligation of confidence to a third party or any financial or trading information or trade secrets relating to Proforma Group and such other information as the Company may consider to be of value to Proforma Group and shall deliver up to Proforma Group all working papers, computer disks, tapes or other material and copies provided to the Appointee relating to any confidential information during the employment.

The Proposed EDs will be paid a variable performance bonus based on the Proforma Group's PBT. For this purpose, "**PBT**" shall refer to the consolidated audited profit before tax of the Proforma Group in each financial year, provided always that:

- (a) the PBT shall not include:
  - i. profits or losses arising from the revaluation of fixed assets;
  - ii. profits or losses arising from the sale of fixed assets;
  - iii. extraordinary items; and
  - iv. profits or losses attributable to minority interests.

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- (b) the PBT is calculated prior to the payment of any variable performance bonus to the Proposed EDs. The amount of variable performance bonus payable to each of the Proposed EDs will be determined as follows:

<b>PBT</b>	<b>Variable Performance Bonus</b>
PBT ≤ \$5 million	Nil
\$5 million < PBT ≤ \$10 million	1% to 2% of the excess of PBT over \$5 million (PBT not exceeding \$10 million)
\$10 million < PBT ≤ \$15 million	\$50,000 to \$100,000 plus 0.5% to 2.5% of the excess of PBT over \$10 million (PBT not exceeding \$15 million)
\$15 million < PBT ≤ \$20 million	\$75,000 to \$225,000 plus 0.7% to 3.0% of the excess of PBT over \$15 million (PBT not exceeding \$20 million)
\$20 million < PBT ≤ \$25 million	\$110,000 to \$375,000 plus 1.2% to 3.5% of the excess of PBT over \$20 million (PBT not exceeding \$25 million)
\$25 million < PBT ≤ \$30 million	\$170,000 to \$550,000 plus 1.7% to 4.0% of the excess of PBT over \$25 million (PBT not exceeding \$30 million)
\$30 million < PBT ≤ \$35 million	\$255,000 to \$750,000 plus 1.7% to 4.0% of the excess of PBT over \$30 million (PBT not exceeding \$35 million)
PBT > \$35 million	\$340,000 to \$950,000 plus 1.7% to 4.0% of the excess of PBT over \$35 million

Save as disclosed above, there are no other existing or proposed service agreements to be entered into between the Company or its subsidiary and any of the Proposed Directors. There is no existing or proposed service contract entered or to be entered into by the Proposed Directors with the Company which provide for benefits upon termination of employment.

## **8.6 Corporate Governance**

The Company recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders, and will follow closely the best practice outlined in the Code of Corporate Governance (including any subsequent revisions (if any)).

Following the Proposed Director Appointments the Company will have eight Directors, of which three are Independent Directors. The Proposed IDs do not have any existing business or professional relationship of a material nature with the Group, the LC Group and the other Directors, the Proposed EDs and/or Substantial Shareholders, save as disclosed in this Circular. The Proposed IDs are also not related to other Directors, the Proposed Directors and/or Substantial Shareholders.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Following the completion of the Proposed Director Appointments, the Company will continue to have three committees: (a) the Audit Committee, (b) the Remuneration Committee and (c) the Nominating Committee.

(a) Audit Committee

Following the completion of the Proposed Director Appointments, the re-constituted Audit Committee will comprise Mr Lee Gee Aik, Mr Ang Miah Khiang and Mr Marcus Chow Wen Kwan. The Chairman of the re-constituted Audit Committee is Mr Lee Gee Aik.

Mr Lee Gee Aik founded G A Lee & Associates, a certified public accounting firm, which subsequently merged with R Chan & Co. Mr Lee Gee Aik is currently a director of R Chan & Associates PAC and an independent director of four other companies listed on the SGX-ST. Mr Lee Gee Aik has the relevant knowledge and experience in reviewing financial statements and/or reports of listed companies.

Mr Ang Miah Khiang has the knowledge and experience on the business of companies which engage in business of providing pipe rehabilitation services. This is because Mr Ang Miah Khiang was previously an independent director and audit committee member of Pan Asian and during his tenure with Pan Asian, Mr Ang was involved in reviewing the financial health and performance of Teacly (which was then a 51.0% owned subsidiary of Pan Asian) with the other directors and/or audit committee members of Pan Asian, as the case may be. Teacly has since become a wholly-owned subsidiary of our Group and it continues to be engaged in the business of providing pipe rehabilitation services. Mr Ang is currently an independent director of another company listed on the SGX-ST.

Mr Marcus Chow Wen Kwan has in his practice advised, *inter alia*, listed companies on matters concerning corporate governance and legal compliance with relevant corporate and securities laws in Singapore and the requirements of the Listing Manual. Further to the above, he is currently an independent director of another company listed on the SGX-ST.

Following the Proposed Director Appointments, the re-constituted Audit Committee will meet, at a minimum, on a quarterly basis. The Company recognises the importance of corporate governance and the offering of high standards of accountability to the Shareholders and accordingly, the re-constituted Audit Committee shall meet periodically to perform the following functions:

- i. review the financial and operating results and accounting policies of the Proforma Group;
- ii. review the audit plans of the Proforma Group's external auditors and/or internal auditors (where applicable), the scope of work and the results of our auditors' review and evaluation of our internal accounting control systems (including reviewing management letters and management responses);
- iii. evaluating our internal accounting control systems and ensuring co-ordination between the external auditors, the internal auditors and our management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);
- iv. review our external auditors' reports;
- v. review the co-operation given by the Proforma Group's officers to the external auditors;

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- vi. review the half yearly and annual, and if applicable, quarterly financial statements of the Proforma Group and the results announcements before the submission of the same 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 Listing Manual and any other relevant statutory or regulatory requirements;
- vii. review and evaluate administrative, operating and internal accounting and financial control procedures;
- viii. review and make recommendation to the Directors on 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;
- ix. review interested person transactions falling within Chapter 9 of the Listing Manual, if any;
- x. review and discuss with our external auditors and internal auditors 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 Proforma Group's operating results or financial position and the management's response;
- xi. review any potential conflicts of interest;
- xii. review our key financial risk areas, with a view to providing an independent oversight on the Proforma Group's financial reporting and the outcome of such review will be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;
- xiii. review the hedging policies and instruments, if any, to be implemented by the Proforma Group;
- xiv. undertake such reviews and projects as may be requested by the Directors and report to them its findings from time to time on matters arising and requiring the attention of the re-constituted Audit Committee;
- xv. generally undertake such other functions and duties which may be required by statute or the rules of the Listing Manual, and by such amendments made thereto from time to time; and
- xvi. reviewing the suitability of the Chief Financial Officer/Financial Controller.

Apart from the duties listed above, the re-constituted Audit Committee shall 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 Proforma Group's operating results and/or financial position. In addition, all future transactions with related parties shall comply with the requirements of the Listing Manual. Each member of the re-constituted Audit Committee shall abstain from voting on any resolution in respect of matters in which he is or may be interested in.

Following the completion of the Proposed Acquisition, the Proforma Group will engage an independent external audit or accounting firm to conduct a review of the internal control processes and procedures, including review of the Proforma Group's sub-contracting process and procedures and on the internal control processes and procedures in view of the family relationships within the ranks of the Proforma Group. The re-constituted Audit

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Committee will be presented with a copy of the findings of the review, which shall include a commentary and/or report on the adequacy of the internal controls, by the independent external auditors or accounting firm and shall be advised by these independent external auditors or accounting firm on how to improve on the Proforma Group's internal control weakness, if any.

(b) Remuneration Committee

Following the Proposed Director Appointments, the re-constituted Remuneration Committee will comprise Mr Lee Gee Aik, Mr Ang Miah Khiang and Mr Marcus Chow Wen Kwan. The Chairman of the re-constituted Remuneration Committee is Mr Marcus Chow Wen Kwan. The Remuneration Committee will have the responsibility of overseeing the general compensation for the Directors and Executive Officers of the Proforma Group with a goal to motivate, recruit and retain them and Directors through competitive compensation and progressive policies. In addition, all aspects of remuneration including the Directors' and Executive Officers' fees, salaries, allowances, bonuses and benefits as well as the remuneration of persons related to the Directors and Substantial Shareholders shall be considered by the Remuneration Committee. In particular, the Remuneration Committee is responsible for implementing and administering any share option scheme and other performance bonus scheme(s) that the Proforma Group may set up in the future.

In the event that any member of the re-constituted Remuneration Committee is interested in a decision to be made by the re-constituted Remuneration Committee, he will abstain from the decision-making process and shall abstain from voting on any resolution and making any recommendations and/or participating in any deliberations of the re-constituted Remuneration Committee.

(c) Nominating Committee

Following the Proposed Director Appointments, the re-constituted Nominating Committee will comprise Mr Lee Gee Aik, Mr Ang Miah Khiang and Mr Marcus Chow Wen Kwan. The Chairman of the re-constituted Nominating Committee is Mr Ang Miah Khiang. The re-constituted Nominating Committee will be responsible for:

- i. re-nomination of 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.

The re-constituted 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. Following the Proposed Director Appointments, the new Board will also implement a process to be recommended by the re-constituted Nominating Committee for assessing 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 re-constituted Nominating Committee shall abstain from voting any resolutions and making recommendations and/or participating in any deliberations of the re-constituted Nominating Committee in respect of the assessment of his performance or re-nomination as a Director.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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For appointment of new Directors to the Board, the re-constituted 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 re-constituted Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, assess the likely future needs of the Board, assess whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons. The re-constituted Nominating Committee will interview all potential candidates and make recommendations to the Board for approval.

The Board will 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.

### 8.7 Internal Controls

The Proposed Directors, after making all reasonable enquiries, with the concurrence of the re-constituted Audit Committee, are of the opinion that the internal controls of the LC Group are adequate to address operational, financial and compliance risks. In arriving at such adequacy opinion, the Proposed Directors are of the view that the internal controls of the LC Group have reasonable assurance about achieving the objectives of the categories (a), (b) and (c) as set out below.

For purpose of the above paragraph and in line with the Singapore Standards on Auditing and the Committee of Sponsoring Organisations of the Treadway Commission (“**COSO**”) 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:

- (a) effectiveness and efficiency of operations;
- (b) reliability of financial reporting; and
- (c) 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 Company will put in place a whistle-blowing framework endorsed by the Audit Committee where employees of the Company may, without fear of reprisals or victimisation, and in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters. The details of the whistle-blowing policies and arrangements will be made available to all employees. The Audit Committee is obliged to review all reports received and take or approve the appropriate actions. The objective for such arrangement is to ensure independent investigation of such matters and appropriate follow-up action.

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 transaction.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 9. PROPOSED INDEPENDENT AUDITORS APPOINTMENT

The present Independent Auditor is Messrs LTC LLP. Messrs LTC LLP has, by its letter dated 15 June 2012 to the Company stated its intention to withdraw its consent to act as Independent Auditors with effect from the Completion Date.

The Company intends to appoint Messrs KPMG LLP to act as the Independent Auditors of the Company following the resignation of Messrs LTC LLP. Messrs KPMG LLP is the independent auditors of the LC Group. Messrs KPMG LLP has by its letter dated 18 June 2012 to the Company, indicated to the Directors that they will provide their formal consent to act as Independent Auditors of the Company with effect from the Completion Date.

The proposed change of Independent Auditors has been reviewed and is recommended by the new proposed AC following Completion, comprising Mr Lee Gee Aik, Mr Ang Miah Khiang and Mr Marcus Chow Wen Kwan. The Directors have confirmed that there are no circumstances connected with the change of Independent Auditors that need to be brought to the attention of the Shareholders. The Company has confirmed that there were no disagreements with Messrs LTC LLP on the accounting treatment within the last 12 months from the date of this Circular. The Company has also confirmed that it has complied with Rule 712 and Rule 715 of the Listing Manual in relation to the appointment of Messrs KPMG LLP. Messrs LTC LLP has also confirmed that they are not aware of any professional reasons except for matters contained in their audit report dated 2 April 2012 with respect to the period ended 31 December 2011, why Messrs KPMG LLP should not accept appointment as Independent Auditors.

The relevant paragraphs in the said report dated 2 April 2012 is reproduced below for ease of reference:

*“Emphasis of Matter*

*We draw attention to Note 2.1 (iv) to the consolidated financial statements. For the financial period ended 31 December 2011 the Group has recorded a comprehensive loss of \$4,094,000 (2010: \$6,431,000). In its effort to turnaround the business, the Group has been actively pursuing various business opportunities, including a potential injection of new business from the acquisition of Ley Choon Constructions and Engineering Pte Ltd. The Company is in the process of seeking clearance from the regulatory authorities and Shareholders’ approval on this proposed acquisition.*

*These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Management continues to adopt the going concern assumption in preparing the consolidated financial statements on the basis that new businesses will be injected into the Group through the proposed acquisition of Ley Choon Constructions and Engineering Pte Ltd.*

*The validity of the going concern assumption on which these consolidated financial statements are prepared depends on the successful completion of the proposed acquisition. In the event that the use of the going concern assumption is inappropriate, adjustments may have to be made to reflect the situations that assets may need to be realised other than in the normal course of business and that amount could differ significantly from the amounts at which they are currently recorded in the consolidated statement of financial position of the Group. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities and to provide for further liabilities that might arise. No such adjustments have been made to the consolidated financial statements of the Group. Our audit opinion on the consolidated financial statements of the Group is not qualified in respect of this matter.”*

Accordingly, the Company intends to seek the Shareholders’ approval of the appointment of Messrs KPMG LLP as the Independent Auditors following the resignation of Messrs LTC LLP by way of ordinary resolution at the EGM. Upon receiving Shareholders’ approval for the Proposed Independent Auditors Appointment, Messrs KPMG LLP shall act as the Independent Auditors of the Company with effect from the date of such approval and will hold office until the conclusion of the next annual general meeting of the Company.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Shareholders should note that the Proposed Independent Auditors Appointment is conditional upon the Shareholders approving of the Proposed Acquisition, the Proposed Acquisition Shares Issue, the Proposed Whitewash Resolution, the Proposed Capital Reductions and Proposed Cash Distribution, the Proposed Deed Poll Amendments, the Proposed Share Consolidation, the Proposed Name Change, the Proposed Director Appointments and the Proposed Compliance Placement and the Proposed General Shares Issue Mandate. If the Shareholders do not vote in favour of the Proposed Acquisition, the Proposed Acquisition Shares Issue, the Proposed Whitewash Resolution, the Proposed Capital Reductions and Proposed Cash Distribution, the Proposed Deed Poll Amendments, the Proposed Share Consolidation, the Proposed Name Change, the Proposed Director Appointments, the Proposed Compliance Placement and Proposed General Shares Issue Mandate, the Proposed Independent Auditors Appointment will not take place.

### 10. PROPOSED COMPLIANCE PLACEMENT

#### 10.1 Proposed Compliance Placement

Upon completion of the Proposed Acquisition Shares Issue and the Proposed Share Consolidation, the Vendors and their nominees will hold approximately 86.9% of the Consolidated Share Capital (assuming that no existing Warrants are exercised prior to the Proposed Share Consolidation).

Under Rule 210(1)(a) of the Listing Manual, an issuer with market capitalisation of less than \$300 million, at least 25% of the issued share capital of the company must be held in the hands of at least 500 public shareholders.

In order to, *inter alia*, meet the public float requirement, the shareholding spread and the distribution requirements under of the Listing Manual, the Company proposes to undertake the Proposed Compliance Placement within one month from the date of suspension of the Shares on SGX-ST.

**Trading of the Shares on the SGX-ST will be suspended following Completion. Please refer to the indicative timetable set out in this Circular. The suspension will continue during the period allowed for the Proposed Compliance Placement.**

**In the event that the Proposed Compliance Placement is not or is unable to be carried out within one month from the date of suspension of trading so as to meet the applicable shareholding spread and distribution requirements of the Listing Manual, the listing of the Consolidated Shares may continue to be suspended.**

For the purposes of the Proposed Compliance Placement, the Company proposes to issue up to 57,625,000 Compliance Placement Shares. In connection with the Proposed Compliance Placement, there will also be sale of up to 16,500,000 Consolidated Shares by Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan and Zheng Choon and 6,875,000 Consolidated Shares by Intersino. In aggregate, there will be up to 81,000,000 Consolidated Shares available for the Proposed Compliance Placement.

Pursuant to Rule 1015(3)(d) of the Listing Manual, the issue price of Compliance Placement Shares shall not be less than \$0.20. In addition, Rule 811(1) of the Listing Manual requires that issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. Rule 811(3) provides that Rule 811(1) is not applicable if specific Shareholders' approval is obtained for the issuance of shares at a greater discount.

**In order for the Company to comply with the rules set out above and in view of the uncertain market conditions, the Company is seeking Shareholders' approval for the Company to issue the new Compliance Placement Shares at such discount to be determined by the Directors in their absolute discretion, provided that such issue price shall not be less than \$0.20.**

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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The above approval from Shareholders is necessary to ensure smooth execution of the Proposed Compliance Placement and to avoid prolonged suspension of the trading of the Consolidated Shares.

**Please note that the approval in-principle granted by the SGX-ST for the listing and quotation of the Consolidated Shares, the Consideration Shares and the Compliance Placement Shares on the Mainboard of the SGX-ST is not to be taken as an indication of the merits of the Proposed Transactions, the Group, the LC Group, the Proforma Group, the Shares, the Consolidated Shares, the Consideration Shares and/or the Compliance Placement Shares.**

The price upon which the Compliance Placement Shares are to be issued pursuant to the Compliance Placement shall be determined and confirmed by the new Board at its absolute discretion while taking into consideration, *inter alia*, prevailing market conditions and the response from investors pursuant to investors road shows to be conducted.

For the avoidance of doubt, Consolidated Shares to be sold by Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan, Zheng Choon and Intersino pursuant to the Proposed Compliance Placement (if any) shall not be subject to the moratorium described in Paragraph 15 of this Letter.

### 10.2 Use of proceeds from the Proposed Compliance Placement

For illustrative purposes, information in this section has been presented on the basis that the Proposed Compliance Placement of 57,625,000 Compliance Placement Shares and sale of up to 16,500,000 Consolidated Shares by Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan and Zheng Choon and 6,875,000 Consolidated Shares by Intersino will be made on a projected placement price of \$0.21 per Compliance Placement Share. Shareholders should note that the foregoing terms are only indicative, and should not be construed as a representation that the Proposed Compliance Placement will be made on those terms or at all, or that if made, the Proposed Compliance Placement will be successfully completed for the purpose of fulfilling the shareholding spread requirements as set out in the Listing Manual.

The Company expects to raise net proceeds of approximately \$10.285 million (after deducting estimated expenses) from the issue of the Compliance Placement Shares. The new Board intends to apply such net proceeds for the following purposes with priority given to business expansion over working capital:

Use of Proceeds	Estimated amount (\$'000)	As a percentage of gross proceeds allocated for each dollar
Funding capital expenditure in Singapore	6,000	49.6
Funding capital expenditures in Brunei and PRC	2,000	16.5
General working capital purposes	2,285	18.9
	10,285	85.0
<b>Expenses</b>		
Professional fees	1,228	10.1
Placement commission <sup>(1)</sup>	388	3.2
Miscellaneous expenses <sup>(2)</sup>	200	1.7
<b>Gross Proceeds from Placement</b>	12,101	100.0

**Notes:**

- (1) For illustrative purposes, we have assumed that the placement commission and brokerage is 3.0%.
- (2) Miscellaneous expenses include printing fees, out-of-pocket expenses and fees payable to the SGX-ST in connection with the Proposed Transactions.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Pending the specific deployment of funds, the proceeds may be placed as deposits with financial institutions or used for investment in short-term money market instruments as may be determined by the new Board in its absolute discretion.

The Company will make periodic announcements as and when the proceeds from the issue of the Compliance Placement Shares are materially disbursed and whether such usage is in accordance with the stated use and in accordance with the percentage allocated in this Circular. Where there is any material deviation from the stated use of proceeds, the Company will comply with the Listing Manual and appropriate announcements will be made by the Company on the SGX-ST. The Company will also provide a status report on the use of the net proceeds in its annual report.

In the event that any part of the proposed uses of the net proceeds from the issue of the Compliance Placement Shares does not materialise or proceed as planned, the new Board will carefully evaluate the situation and may reallocate the intended funding to other purposes and/or hold such funds on short-term deposits for so long as the new Board deems it to be in the interest of the Proforma Group and Shareholders, taken as a whole.

### 11. PROPOSED NEW GENERAL SHARE ISSUE MANDATE

The Company had, at its annual general meeting held on 27 April 2012, passed a resolution pursuant to Section 161 of the Companies Act and Rule 806(1) of the Listing Manual granting the Directors a general mandate (the “**Old General Share Issue Mandate**”) to allot and issue Shares whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit. In light of the changes to the capital structure of the Company brought about by, *inter alia*, the Proposed Acquisition, it is proposed that, the Old General Share Issue Mandate be revoked and a Proposed New General Share Issue Mandate be adopted pursuant to Section 161 of the Companies Act and Rule 806(1) of the Listing Manual.

The Proposed New General Share Issue Mandate, if approved, will authorise the Directors to issue new Shares (or Consolidated Shares) or convertible securities in the capital of the Company (whether by way of bonus issue, rights issue or otherwise), subject to the following limitations namely, that the aggregate number of Shares and convertible securities that may be issued must not be more than 50% of the Final Share Capital, of which the aggregate number of Shares (or Consolidated Shares) and convertible securities issued other than on a pro-rata basis to Shareholders must be not more than 20% of the Final Share Capital. For the purpose of determining the aggregate number of Shares (or Consolidated Shares) and convertible securities that may be issued, the percentage of issued share capital shall be based on the Company's issued share capital as at the time of passing of the resolution approving the Proposed New General Share Issue Mandate, after adjusting for:

- (a) the Consideration Shares (including Introducer Shares) to be allotted and issued to the Vendors, Intersino and/or their nominee(s) pursuant to the Proposed Acquisition;
- (b) the Compliance Placement Shares to be allotted and issued pursuant to the Proposed Compliance Placement; and
- (c) new Shares (or Consolidated Shares) arising from the conversion or exercise of any convertible securities in issue when the Proposed New General Share Issue Mandate is approved.

The Proposed New General Share Issue Mandate, once approved, will continue in force until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier, unless revoked or varied by the Company in a general meeting.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 12. PROPOSED IPT MANDATE

#### 12.1 Introduction

Chapter 9 of the Listing Manual deals with transactions in which a listed company or any of its subsidiaries or associated companies (that are not listed on the SGX-ST or an approved exchange and which the listed company and/or any of its subsidiaries (the “**listed group**”), or the listed group and its interested person(s) have control over) proposes to enter into transactions with a party who is an interested person of the listed company, as defined in the SGX-ST Listing Manual and reiterated below (“**Interested Person Transactions**”).

For the purposes of Chapter 9 of the Listing Manual:

- (a) an “interested person” shall mean a director, chief executive officer or controlling shareholder of the listed company, or an associate of such director, chief executive officer or controlling shareholder;
- (b) a “Controlling Shareholder” is a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the listed company (unless otherwise excepted by the SGX-ST) or in fact exercises control over a company; and
- (c) an “Associate” in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means his immediate family (i.e. spouse, children, adopted children, step-children, siblings and parents), the trustees of any trusts of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An “Associate” in relation to a substantial shareholder or controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9 of the Listing Manual as well as any transactions that are below \$100,000, an immediate announcement and/or shareholders’ approval would be required in respect of transactions with interested persons if the designated financial thresholds are triggered. Specifically, an immediate announcement is required of transactions where:

- (a) the value of the proposed transaction is equal to or more than 3% of the latest audited NTA of the listed group; or
- (b) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year is equal to or more than 3% of the latest audited NTA of the listed group.

In addition to an immediate announcement, shareholders’ approval is required where:

- (a) the value of the proposed transaction is equal to or more than 5% of the latest audited NTA of the listed group; or
- (b) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year, is equal to or more than 5% of the latest audited NTA of the listed group.

For the purpose of aggregation, Interested Person Transactions that are below \$100,000 each are to be excluded.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Part VIII of Chapter 9 of the Listing Manual permits a listed company to seek a general mandate from its shareholders for recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations such as the purchase or sale of supplies and materials, which may be carried out with interested persons of the listed company. It should be noted that no such mandate can be sought for the purchase or sale of assets, undertakings or businesses.

As at 31 December 2011, the NTA of the Proforma Group was approximately \$56.9 million. Accordingly, pursuant to the provisions of Chapter 9 of the Listing Manual, Shareholders' approval would be required where:

- (a) the transaction is of a value equal to, or more than \$2.8 million, being 5% of the NTA of the Proforma Group; or
- (b) the transaction, when aggregated with other transactions entered into with the same Interested Person during the same financial year, is of a value equal to, or more than \$2.8 million, being 5% of the NTA of the Proforma Group.

Pursuant to the Completion and the Proposed Director Appointments, any transactions between the Proforma Group and Interested Persons will be subject to such review procedures as described in Paragraph 12.4.5 of this Letter. Details of the Interested Person Transactions which the Company is seeking the Proposed IPT Mandate for is set out in Paragraph 12.2 of this Letter.

In addition to Interested Person Transactions, the LC Group has and the Proforma Group may engage in transactions ("**Related Person Transactions**") with the following persons ("**Related Persons**"):

- (a) Hen Sheng and its Associates;
- (b) Mr Oh Kian Ann and his Associates. Mr Oh Kian Ann is the director and controlling shareholder of Hen Sheng. He is also the brother of Madam Oh Ah Ber, who is the spouse of the Proposed ED, Mr Toh Swee Kim;
- (c) Sing & San and its Associates; and
- (d) Mr Toh Kah Sing and his Associates. Mr Toh Kah Sing is the director and substantial shareholder of Sing & San. He is also the son of the cousin of the Proposed Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim and the Proposed EO, Mr Toh Chew Chai (whose details are set out in the LC Letter).

Details of the Interested/Related Person Transactions are set out in Paragraph 12.2 of this Letter. The Proforma Group will also be subjecting Interested/Related Person Transactions to such review procedures as described in Paragraph 12.4.5 of this Letter.

### 12.2 Details of Interested/Related Person Transactions

Following the Completion and/or the completion of the Proposed Director Appointments, the Company intends to enter into recurrent interested/related person transactions as follows:

- (a) Recurrent Interested Person Transactions with Interested Person

The Proforma Group will be engaging in the business of pipe-laying and sewer pipeline rehabilitation. In connection with these businesses, the Proforma Group is required to purchase pipes and fittings such as valves, couplings and other related accessories.

The Proforma Group intends to purchase such pipes and fittings such as valves, couplings and other related accessories from Pan Asian, a company incorporated in Singapore. Pan Asian, a company listed on Catalist, the sponsor-supervised listing platform of the SGX-ST, is principally engaged in the provision of piping system solutions, primarily for the water purification and waste water treatment industry. It also supplies pipes (ductile iron pipes), fittings, valves, couplings and other accessories.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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Pan Asian's executive chairman, Mr Richard Koh Chye Heng, is the brother of Mr Koh Tiam Teng, a Proposed ED. In addition, Mr Koh Tiam Teng was the managing director/CEO of Pan Asian from 8 August 1992 to 28 May 2009. As at 8 August 2010, Mr Richard Koh Chye Heng was deemed to have a substantial interest in Pan Asian as he held 50% of the total issued shares in Xu Jia Zu Holdings Pte. Ltd. then, which in turn held 75% of the total issued shares in Pan Asian. Accordingly, Mr Richard Koh Chye Heng, Xu Jia Zu Holdings Pte. Ltd. and Pan Asian are deemed to be Associates of Mr Koh Tiam Teng.

From time to time, the LC Group, which will be part of the Proforma Group following the Completion, purchases pipes and fittings such as valves, couplings and other related accessories from Pan Asian. The approximate value of such sales made between the LC Group and Pan Asian in FY2009, FY2010, FY2011 and from 1 January 2012 up to Latest Practicable Date were as follows:

\$'000	FY2009	FY2010	FY2011	1 January 2012 to the Latest Practicable Date
Purchases	5,710	4,003	6,326	1,905
NTA	34,734	48,513	58,369	60,662
% of purchases over NTA	16.4%	8.3%	10.8%	3.1%

The Directors and the Proposed Directors are of the opinion that the above transactions with Pan Asian were conducted on an arm's length basis and were entered into between the parties on normal commercial terms as the LC Group's purchasing department will usually obtain comparison quotes from other suppliers before deciding on the purchases. However, there might be occasions where the LC Group omitted to obtain comparison quotes for various reasons, including without limitation, where the purchases were required urgently. In future, the Proforma Group will adhere to the review procedures set out in the Paragraph 12.4.5 of this Letter for transactions with Pan Asian. The Proforma Group intends to continue transacting with Pan Asian as long as the Proforma Group benefits commercially from such transactions.

Pan Asian's executive chairman, Mr Richard Koh Chye Heng, is an Associate of the Proposed ED, Mr Koh Tiam Teng. In addition, Mr Koh Tiam Teng was the managing director/CEO of Pan Asian from 8 August 1992 to 28 May 2009. Given the relationship between Mr Koh Tiam Teng and Mr Richard Koh Chye Heng, Pan Asian is considered an interested person of the Proforma Group under the definition of Chapter 9 of the Listing Manual. As such, the Company intends to obtain a Shareholders' mandate for future recurrent transactions with Pan Asian and its Associates.

(b) Recurrent Related Person Transactions with Related Persons

i. *Sub-contracting and supply of goods and services between Hen Sheng and the Proforma Group*

The Proforma Group will be engaging in the business of asphalt pre-mix production, provision of milling and patching services as well as construction and maintenance of roads and airfield.

In connection with these businesses, the Proforma Group intends to enter into the following transactions with Hen Sheng:

- (aa) the sale of asphalt pre-mixes and the provision of milling and patching services to Hen Sheng; and
- (bb) the engagement of Hen Sheng as a sub-contractor for the provision of certain civil engineering services such as the construction of drains and roads.

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**LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF  
ULTRO TECHNOLOGIES LIMITED**

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Hen Sheng is a company incorporated in Singapore and is principally engaged in the provision of infrastructure engineering services and general building construction services. Hen Sheng's director and controlling shareholder, Mr Oh Kian Ann is the brother of Madam Oh Ah Ber, who is the spouse of the Proposed ED, Mr Toh Swee Kim. Hen Sheng is principally engaged in the provision of infrastructure engineering services and general building construction services.

From time to time and in the ordinary course of business, the LC Group, which will be part of the Proforma Group following the Completion, engaged and the Proforma Group will continue to engage Hen Sheng as a sub-contractor for the provision of certain civil engineering services such as the construction of drains and roads for the projects which the LC Group has been awarded.

In addition, from time to time and in the ordinary course of business, the LC Group sold and the Proforma Group may continue to sell asphalt pre-mixes and provide milling and patching services to Hen Sheng for projects which Hen Sheng has been awarded. The contribution by the LC Group's aforementioned sales to LC Group's revenue in FY2009, FY2010 and FY2011 is not material and Hen Sheng is not a major customer of the LC Group.

The approximate value of such services provided by Hen Sheng and the value of such sales and services provided by the LC Group to Hen Sheng in FY2009, FY2010, FY2011 and from 1 January 2012 to the Latest Practicable Date were as follows:

(\$'000)	FY2009	FY2010	FY2011	1 January 2012 to the Latest Practicable Date
Value of services provided by Hen Sheng to the LC Group	7,223	1,270	2,370	–
NTA	34,734	48,513	58,369	60,662
% of NTA	20.8%	2.6%	4.1%	0.0%

(\$'000)	FY2009	FY2010	FY2011	1 January 2012 to the Latest Practicable Date
Value of sales and services provided by the LC Group to Hen Sheng	1,000	226	380	13
NTA	34,734	48,513	58,369	60,662
% of NTA	2.88%	0.47%	0.65%	0.02%

The Directors and the Proposed Directors are of the view that the sales of asphalt pre-mixes and the provision of milling and patching services to Hen Sheng were not conducted at arm's length as there were no alternative quotations obtained by the LC Group prior to the sale and/or provision of services to Hen Sheng. To ensure that any future sales transactions with Hen Sheng are conducted at arm's length and on normal commercial terms, the Proforma Group will subject the aforesaid sales transactions, if any, to certain methods and procedures for price determination as well as other internal controls.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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The Directors and the Proposed Directors are of the opinion that the sub-contracting arrangements with Hen Sheng, other than the sub-contracting services offered by Hen Sheng for the LC Group's airfield and taxiway aprons construction project, were not conducted on an arm's length basis as there were no alternative quotations obtained by the LC Group prior to Hen Sheng's engagement. Further, Hen Sheng was the only sub-contractor engaged by the LC Group in respect of the type of engineering works provided by Hen Sheng to the LC Group. For the sub-contracting services in respect of our airfield and taxiway aprons construction project, the LC Group obtained comparison quotes from other sub-contractors before deciding on the sub-contractors.

The Proforma Group intends to continue transacting with Hen Sheng as long as the Proforma Group benefits commercially from such transactions. The Proforma Group is proposing the Proposed IPT Mandate as set in Paragraph 12.4 of this Letter.

To ensure that any future appointments of Hen Sheng as a sub-contractor are conducted at arm's length and on normal commercial terms, the Proforma Group will subject the aforesaid future appointments, if any, to the review procedures set out in Paragraph 12.4.5 of this Letter.

ii. *Goods and services supplied to Sing & San*

The Proforma Group will be engaging in the business of asphalt pre-mix production. In connection with its business, the Proforma Group intends to enter into transactions with Sing & San.

Sing & San is a company incorporated in Singapore and is principally engaged in the provision of non-building construction services. Its director and substantial shareholder, Mr Toh Kah Sing is the son of the cousin of the Proposed EDs, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim as well as the Proposed EO, Mr Toh Chew Chai.

From time to time and in the ordinary course of business:

- (aa) the LC Group sold and the Proforma Group may continue to sell asphalt pre-mixes to Sing & San; and
- (bb) the LC Group provided and the Proforma Group may continue to provide milling and patching services to Sing & San.

The approximate aggregate value of such sales and services by the LC Group in FY2009, FY2010, FY2011 and from 1 January 2012 to the Latest Practicable Date were as follows:

(\$'000)	FY2009	FY2010	FY2011	1 January 2012 to the Latest Practicable Date
Value of sales and services	748	343	509	180
NTA	34,734	48,513	58,369	60,662
% of sales and services over NTA	2.2%	0.7%	0.9%	0.3%

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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The Directors and the Proposed Directors are of the opinion that the above transactions with Sing & San were conducted on an arm's length basis and were entered into between the parties on normal commercial terms as the LC Group's selling price to Sing & San are comparable to LC Group's selling prices to other unrelated third parties, taking into consideration the order volume and frequency of sales transaction, and the credit terms granted to Sing & San were also comparable to those granted to other unrelated third parties.

The Proforma Group intends to continue transacting with Sing & San as long as the Proforma Group benefit commercially from such transactions. The Proforma Group is proposing the Proposed IPT Mandate as set in Paragraph 12.4 of this Letter.

To ensure that any future transaction with Sing & San are conducted at arm's length and on normal commercial terms, the Proforma Group will subject the aforesaid future transactions, if any, to the review procedures set out in Paragraph 12.4.5 of this Letter.

### **12.3 Past as well as present and on-going Interested Person Transactions other than those under the Proposed IPT Mandate**

Save for the Interested Person Transactions set out in Paragraph 12.2 of this Letter, details of the past as well as the present and on-going Interested Person Transactions of the LC Group for FY2009, FY2010, FY2011 and from 1 January 2012 to the Latest Practicable Date are set out in Paragraphs 29 and 30 of the LC Letter set out in Appendix A of this Circular.

### **12.4 Proposed IPT Mandate**

#### **12.4.1 Introduction**

The Company is proposing to obtain the Shareholders' approval for the Proposed IPT Mandate at the EGM for the Proforma Group to enter into the following recurrent transactions with Interested Persons and/or Related Persons:

- (a) the purchase of ductile iron pipes, valves, gates, couplings and other related accessories from Interested Persons, namely Pan Asian and its Associates;
- (b) the sale of asphalt pre-mixes and provision of milling and patching services to Related Persons, namely Hen Sheng and its Associates and Sing & San and its Associates; and
- (c) the engagement of Related Persons, namely Hen Sheng and its Associates, as subcontractors for civil engineering services.

To the best of the LC Group's knowledge, it is not aware of any Associates of Hen Sheng or Sing & San with whom it or the LC Group might have cause to trade or carry on any other form of business activity and/or relationship with in their respective ordinary course of businesses. The LC Group has not traded or carried on any other form of business activity and/or relationship with any Associates of Hen Sheng and Sing & San in their last three financial years. As at the Latest Practicable Date, it is not expected that the Proforma Group will trade with or carry on any other form of business activity and/or relationship with any Associates of Hen Sheng and Sing & San. The inclusion of the Associates of Hen Sheng and Sing & San within the class of Related Persons is as a matter of completeness, such inclusion being consistent with the spirit of Chapter 9 of the Listing Manual.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 12.4.2 Rationale for and benefits of the Proposed IPT Mandate

Timely delivery is an essential element in the Proforma Group's business. If the Proforma Group were to announce and/or convene separate general meetings to seek Shareholders' approval on each occasion as and when potential transactions with Interested Persons or Related Persons arise, the Proforma Group may not be able to undertake such time sensitive commercial transactions with the Interested Persons or Related Persons. In addition, the Proforma Group will have to expend administrative time and resources as well as incur additional expenses associated with the convening of general meetings of Shareholders. The adoption of the Proposed IPT Mandate allows companies in the Proforma Group to carry out potential transactions with Interested Persons or Related Persons in a timely manner and allows resources and time to be channelled towards the Proforma Group's other corporate objectives while ensuring such transactions are carried out on normal commercial terms that will not be prejudicial to the interests of the Proforma Group and its minority Shareholders.

The Proposed IPT Mandate and the renewal thereof on an annual basis, is intended to facilitate the Interested/Related Person Transactions in the ordinary course of business of the Proforma Group, which the Directors and the Proposed Directors envisage are likely to be transacted with some frequency and from time to time with the specified classes of Interested Persons and/or Related Persons, provided that they are carried out on the Proforma Group's normal commercial terms and will not be prejudicial to the interests of the Proforma Group and the Proforma Group's minority Shareholders.

### 12.4.3 Validity Period of the Proposed IPT Mandate

In accordance with Rule 920(1)(b)(viii) of the Listing Manual, the Proposed ED, Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the Listing Manual, had abstained and had procured his Associates to abstain from voting on the resolution(s) which approved, *inter alia*, the adoption of the Proposed IPT Mandate. In addition, the Proposed EDs, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong and the Proposed EO Mr Toh Chew Chai, being Related Persons, had abstained and had procured their Associates to abstain from voting on the resolutions which approved, *inter alia*, the adoption of the Proposed IPT Mandate.

The Proposed IPT Mandate will take effect from the date of receipt of the Shareholders' approval, and will (unless revoked or varied by the Proforma Group in general meeting) continue in force until the next annual general meeting of the Company.

The Company will seek the approval of the Shareholders for the renewal of the Proposed IPT Mandate at every subsequent annual general meeting of the Company. The renewal of the Proposed IPT Mandate shall be subject to satisfactory review by the AC of its continued application to the Interested/Related Person Transactions. Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the Listing Manual, will abstain and procure his Associates to abstain from voting on the resolution(s) which approved, *inter alia*, the renewal of the Proposed IPT Mandate. The Proposed EDs, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong and the Proposed Executive Officer, Mr Toh Chew Chai, being related persons, will also abstain and procure their Associates to abstain from voting on the resolutions which approved, *inter alia*, the renewal of the Proposed IPT Mandate.

### 12.4.4 Disclosure in Annual Report

The Company will announce the aggregate value of transactions conducted with Interested Persons and/or Related Persons pursuant to the Proposed IPT Mandate for each financial period on which the Company is required to report pursuant to the Listing Manual and within the time required for the announcement of such report in accordance with Rule 920(1)(a)(ii) of the Listing Manual.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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The Company is required, under Rule 920(1)(a)(i) of the Listing Manual, to disclose in the Company's annual report the aggregate value of transactions conducted pursuant to the Proposed IPT Mandate during the current financial year, as well as in the annual reports for the subsequent financial years during which the Proposed IPT Mandate is in force. The names of the Interested Persons and/or Related Persons and the corresponding aggregate value of the Interested/Related Person Transactions will be presented in the following format:

Name of Interested Person and/or Related Person	Aggregate value of all Interested /Related Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Proposed IPT Mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all Interested /Related Person Transactions conducted under the Proposed IPT Mandate (excluding transactions less than \$100,000) pursuant to Rule 920 of the Listing Manual
[Name]	[Value]	[Value]

### 12.4.5 Review procedures for all Interested/Related Person Transactions

To ensure that the Interested/Related Person Transactions are conducted on normal commercial terms consistent with the Proforma Group's usual business practices and on terms which are generally no more favourable than those extended to unrelated third parties, as a general practice, the Proforma Group will only enter into transactions with an Interested Person or Related Person if the terms offered by/extended to the Interested Person or Related Person are no less/more favourable than that offered by/extended to unrelated third parties.

In particular, the following procedures will be implemented to ensure that all Interested/Related Person Transactions 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 Proforma Group shall require that quotations be obtained from such Interested Person or Related Person and at least two other quotations from unrelated third parties.
- (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 latest similar transactions between the Proforma Group and unrelated third parties or (ii) if relevant market rates from independent sources are available, such market rates.

The Proforma Group will only enter into transactions with such Interested Person or Related Person provided the quotation offered by the Interested Person or Related Person (in the case of a purchase from or procurement of services from an Interested Person or a Related Person) and/or the sales terms extended to the Interested Person or Related Person (in the case of a sale to or provision of services to an Interested Person or a Related Person), after taking into consideration various factors including, *inter alia*, credit standing, volume of transactions, delivery requirements, age of products, product attachments, tenure of business relationship and potential for future repeat business, are no less/more favourable than that offered by/or extended to unrelated third parties.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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In addition to the procedures set out above, the Proforma Group will monitor the Interested/Related Person Transactions covered by the Proposed IPT Mandate by categorising the transactions as follows:

- (a) a “Category 1 Interested/Related Person Transaction” is one where the value thereof is in excess of 3% of consolidated NTA of the Proforma Group, which as at 31 December 2011 was approximately \$1.7 million; and
- (b) a “Category 2 Interested/Related Person Transaction” is one where the value is below or equal to 3% of consolidated NTA of the Proforma Group, which as at 31 December 2011 was approximately \$1.7 million.

Category 1 Interested/Related Person Transactions must be approved by the AC prior to their entry.

Category 2 Interested/Related Person Transactions need not have the prior approval of the AC but shall be reviewed on a quarterly basis by the AC to ensure that they are carried out on normal commercial terms, in accordance with the procedures outlined above. All relevant non-quantitative factors such as the nature of services provided and prevailing market conditions will also be taken into account and recorded accordingly.

Where the aggregate value of a Category 2 Interested/Related Person Transaction and prior Interested/Related Person Transactions with the same Interested Person or Related Person in the current financial year is equal to or more than 3% of the Proforma Group’s latest NTA, the latest and all future transactions which are equal to or above \$100,000 must be approved by the AC prior to entry.

### **12.4.6 General administration procedures for all Interested/Related Person Transactions**

The Proforma Group has also implemented the following procedures for the identification of Interested Persons and/or Related Persons and the record of all Interested/Related Person Transactions:

- (a) The Company’s finance department will maintain a master list of Interested Persons and Related Persons, which is to be updated on a quarterly basis and disclose the list to relevant personnel of the Proforma Group (such as the Board, Human Resource Manager, Procurement Manager and Marketing Manager) to enable the identification of Interested Persons and Related Persons. This master list of Interested Persons and Related Persons will be reviewed by the AC on a quarterly basis.
- (b) Subsidiaries and associated companies of the Proforma Group are required to inform the Company’s Finance Department of any significant upcoming transactions with Interested Persons or Related Persons so as to obtain the prior approval of the AC or Shareholders, where necessary.
- (c) All Interested/Related Person Transactions (entered into pursuant to the Proposed IPT Mandate) (including the factors that have been taken into account in arriving at the purchase or sales terms) shall be recorded and maintained in a register by the Company’s Finance Department and submitted to the AC for review on a quarterly basis. Transactions below \$100,000 shall be recorded and maintained in a separate register and submitted to the AC for review upon request. The Financial Controller (not being an “Interested Person” within the meaning of Chapter 9 of the Listing Manual) will be responsible to ensure that the registers of the Interested/Related Person Transactions are properly updated.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- (d) All Interested/Related Person Transactions, including the review procedures established in respect thereof, will be reviewed by the Proforma Group's internal auditors or compliance officers as part of the Proforma Group's standard internal audit process. Such compliance review will be performed on a quarterly basis and a quarterly report on such transactions will be forwarded to the AC. Save for Interested/Related Person Transactions for which approval of the AC will be required prior to the entry thereof, the Interested/Related Person Transactions set out in the quarterly report of the Proforma Group's internal auditors or compliance officers will be reviewed by the AC at quarterly meetings.
- (e) As mentioned in sub-paragraph (d) above, the AC will carry out quarterly reviews to ensure that the established guidelines and procedures for Interested/Related Person Transactions have been complied with and the relevant approvals obtained. If during these quarterly reviews, the AC is of the view that the above guidelines and procedures are not sufficient to ensure that the Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Proforma Group and the Company's minority Shareholders, the Proforma Group will revert to the Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Interested Persons and/or Related Persons. During the period prior to obtaining a fresh mandate from the Shareholders, all transactions with Interested Persons and/or Related Persons will be subject to prior review and approval by the AC.
- (f) In the event that a member of the AC (where applicable) is interested in any Interested/Related Person Transactions, he/she will abstain from reviewing that particular transaction to ensure that the Interested/Related Person Transaction will be carried out on normal commercial terms. Approval of that transaction will accordingly be undertaken by the remaining members of the AC.
- (g) The Board will ensure that all disclosure, approval and other requirements on Interested/Related Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, will be complied with.
- (h) The AC shall have overall responsibility for the determination of the review procedures and shall have the authority to delegate such responsibility to individuals or committees within the Company as they deem appropriate.

### 12.4.7 Statement from the Audit Committee

The Audit Committee has reviewed the review and general administration procedures, as set out in Paragraphs 12.4.5 and 12.4.6 of this Letter, as proposed by the Company for determining the terms of the Interested/Related Person Transactions, and having also considered, *inter alia*, the terms, the rationale and the benefits of the proposed IPT Mandate as set out in Paragraph 12.4.2 of this Letter, the Audit Committee is satisfied that the review procedures for the Interested/Related Person Transactions, as well as the quarterly reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that the recurrent Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders.

The Audit Committee has not taken a different view from the Independent Financial Adviser's opinion as set out in Paragraph 17 of this Letter and the IFA Letter.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 12.5 Potential conflicts of interests

In general, a conflict of interest arises when any of the Directors, Controlling Shareholders or their Associates is carrying on or has any interest in any other corporation carrying on the same business or dealing in similar products as the Proforma Group.

Pan Asian is a company incorporated in Singapore and its executive chairman Mr Richard Koh Chye Heng is the brother of the Proposed ED Mr Koh Tiam Teng. In addition, Mr Koh Tiam Teng was the managing director/CEO of Pan Asian from 8 August 1992 to 28 May 2009. As at 8 August 2010, Mr Richard Koh Chye Heng is deemed to have a substantial interest in Pan Asian as he held 50% of the total issued shares in Xu Jia Zu Holdings Pte. Ltd. then, which in turn holds 75% of the total issued shares in Pan Asian. Accordingly, Mr Richard Koh Chye Heng, Xu Jia Zu Holdings Pte. Ltd. and Pan Asian are deemed to be Associates of the Proposed Director, Mr Koh Tiam Teng.

Pan Asian is principally engaged in the provision of piping system solutions, primarily for the water purification and waste water treatment industry. It also supplies pipes (ductile iron pipes), fittings, valves, couplings and other accessories.

To the best of the Directors' and the Proposed Directors' knowledge, Pan Asian does not carry out the business of providing the services of sewer pipeline rehabilitation or pipe/cable laying. Further, to the best of the Directors' and the Proposed Directors' knowledge, the provision of piping system solutions by Pan Asian does not involve the provision of piping installation and/or construction services.

Accordingly, the Directors and the Proposed Directors are of the view that the businesses of Pan Asian are currently not in conflict with the businesses of the Proforma Group. However, as none of the Directors and the Proposed Directors is currently involved with the management of Pan Asian's businesses, the Directors and the Proposed Directors may not be aware of certain circumstances which might result in the businesses of Pan Asian coming into conflict with the businesses of the Proforma Group. The Shareholders, as investors, are advised to consult their legal, financial, tax or other professional adviser should they wish to find out more about the businesses of Pan Asian.

Save as disclosed in this Circular:

- (a) none of the Directors (including the Proposed Directors), Executive Officers (including Executive Officers of LCCE) or Controlling Shareholders or their respective Associates has any interest, direct or indirect, in any transaction to which the Proforma Group was or is to be a party;
- (b) none of the Directors (including the Proposed Directors), Executive Officers (including Executive Officers of LCCE) or Controlling Shareholders or their respective Associates has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as the Proforma Group; and
- (c) none of the Directors (including the Proposed Directors), Executive Officers (including Executive Officers of LCCE) or Controlling Shareholders or their respective Associates has any interest, direct or indirect, in any enterprise or company that is a customer of, or a supplier of goods or services to, the Proforma Group.

### 12.6 Interests of the Independent Financial Adviser

In the reasonable opinion of our Directors and Proposed Directors, the Independent Financial Adviser does not have a material relationship with the Proforma Group.

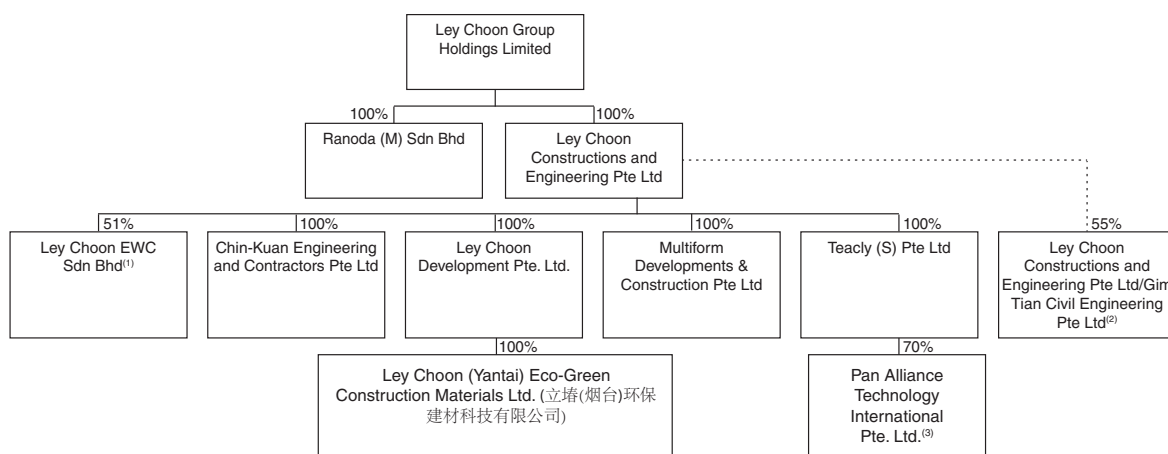
# LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRo TECHNOLOGIES LIMITED

## 12.7 Concurrence from the Proposed IDs

The Proposed IDs have reviewed the guidelines and review procedures for determining the transaction process of the recurrent Interested/Related Person Transactions covered under the IPT Mandate as set out in the IFA Letter and do not object to the opinion stated therein.

## 13. THE PROFORMA GROUP UPON COMPLETION

Upon the Completion, the Proforma Group will be as follows:



### Notes:

- (1) The remaining 49% equity interest in LC EWC is held by Nur EWC Sdn Bhd, a company incorporated in Brunei and which is not related to LC Group's Directors or Substantial Shareholders.
- (2) Ley Choon Constructions and Engineering Pte Ltd / Gim Tian Civil Engineering Pte Ltd is an unincorporated joint venture set up by LCCE and Gim Tian Civil Engineering Pte Ltd, which is an unrelated third-party company. For further information relating to the aforementioned unincorporated joint venture, please refer to Paragraph 1.3 of the LC Letter.
- (3) The remaining 30% equity interest in Pan Alliance is held by two other individuals who are not related to LC Group's Directors or Substantial Shareholders.

Further to the above, the Proforma Group's businesses and operations will comprise mainly the existing businesses and operations of the LC Group as set out in the LC Letter.

Further to the above, Shareholders should note, *inter alia*, that the following details are also set out in the LC Letter:

- (a) the risk factors set out in Paragraph 24 of the LC Letter;
- (b) the management discussion and analysis of results of operations and financial position of the LC Group as set out in Paragraph 27 of the LC Letter;
- (c) the prospects, trends and future plans of the LC Group (which will also be applicable to the Proforma Group);
- (d) the details of the Proposed EDs and Proposed EOs;
- (e) the proposed management structure of the LC Group (which will also be applicable to the Proforma Group); and
- (f) the dividend policy of the LC Group.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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Accordingly, Shareholders are advised to review the LC Letter set out in Appendix A of this Circular and if any Shareholder are in any doubt as to the action that he should take, he should consult his legal, financial, tax or other professional adviser immediately.

### 14. FINANCIAL EFFECTS OF THE PROPOSED CAPITAL REDUCTIONS AND PROPOSED CASH DISTRIBUTION, PROPOSED ACQUISITION, PROPOSED SHARE CONSOLIDATION AND PROPOSED COMPLIANCE PLACEMENT

The proforma financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement on the Company are set out below. The objective is to illustrate what the historical information might have been had the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement been completed at an earlier date. However, such information is not necessarily indicative that the results of operations or the financial position as illustrated would have been attained had the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement been completed at an earlier date.

The proforma financial effects in this section are based on the audited financial statements of the Company for the financial year ended 31 December 2011, which covers an 18-months period from 1 July 2010 to 31 December 2011, and the audited financial statements of the LC Group for the financial year ended 31 December 2011. The financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement have been prepared based on the following assumptions and anticipated events:

- (a) for the purpose of computing the financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement on the earnings of the Proforma Group, the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement are assumed to have been completed on 1 July 2010;
- (b) for the purpose of computing the financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement on the NTA of the Proforma Group, the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement are assumed to have been completed on 31 December 2011;
- (c) share consolidation of every ten (10) Shares into one (1) Consolidated Share, fractional entitlements to be disregarded;
- (d) 57,625,000 Compliance Placement Shares to be allotted and issued pursuant to the Proposed Compliance Placement;
- (e) the Compliance Placement Shares are fully subscribed for and gross proceeds of approximately \$12.1 million based on an illustrative issue price of \$0.21 for each Placement Share; and
- (f) no existing Warrants are exercised into Shares or Consolidated Shares, as the case may be.

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**LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF  
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**14.1 Financial effects on issued share capital**

The proforma financial effects on the issued share capital of the Company after the Proposed Capital Reductions and Proposed Cash Distribution, allotment and issuance of the Consideration Shares, the Proposed Share Consolidation and the Compliance Placement Shares to be allotted and issued pursuant to the Proposed Compliance Placement are as follows:

	<b>No. of Shares</b>	<b>Share Capital</b>
Issued share capital of the Company as at 31 December 2011 <sup>(1)</sup>	431,858,656	59,313,320
Less: Proposed Capital Reductions and Proposed Cash Distribution <sup>(2)</sup>	–	58,018,498
Issued share capital of the Company after the Proposed Capital Reductions and Proposed Cash Distribution	431,858,656	1,294,822
Add: Issue of Consideration Shares pursuant to the Proposed Acquisition	3,928,571,429	110,000,000
Issued share capital of the Company after the Proposed Acquisition	4,360,430,085	111,294,822
Issued share capital of the Company after the Proposed Share Consolidation	436,043,005	111,294,822
Add: Issue of Compliance Placement Shares pursuant to the Proposed Compliance Placement	57,625,000	11,713,250 <sup>(3)</sup>
Issued share capital immediately after the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition and Proposed Compliance Placement	493,668,005	123,008,072

**Notes:**

- (1) This does not include 50,000 Shares issued pursuant to the exercise of Warrants after 31 December 2011.
- (2) Based on the Accumulated Losses of \$56,018,498 as at 31 March 2012 and the Proposed Cash Distribution of approximately \$2,000,000.
- (3) For illustrative purposes only, this is based on an indicative placement price of \$0.21 per Share and net of estimated placement commission of \$388,000.

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**LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF  
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#### 14.2 Financial Effects on NTA

The proforma financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement on the NTA per Share are as follows:

	<b>Before the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement</b>	<b>After the Proposed Capital Reductions and Proposed Cash Distribution but before the Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement</b>	<b>After the Proposed Capital Reductions and Proposed Cash Distribution and Proposed Acquisition but before the Proposed Share Consolidation and the Proposed Compliance Placement</b>	<b>After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation but before the Proposed Compliance Placement</b>	<b>After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement</b>
NTA of the Group as at 31 December 2011	5,413,000	5,413,000	5,413,000	5,413,000	5,413,000
Less: Proposed Capital Reductions and the Proposed Cash Distribution <sup>(1)</sup>	–	(2,020,000)	(2,020,000)	(2,020,000)	(2,020,000)
NTA of the LC Group as at 31 December 2011 <sup>(2)</sup>	–	–	58,369,763	58,369,763	58,369,763
Add: Net proceeds from Proposed Compliance Placement	–	–	–	–	10,285,250 <sup>(3)</sup>
NTA of the Proforma Group	–	3,393,000	61,762,763	61,762,763	72,048,013
Number of issued shares <sup>(4)</sup>	431,858,656	431,858,656	4,360,430,085	436,043,005	493,668,005
NTA per share (Cents)	1.25	0.79	1.42	14.16	14.59

**Notes:**

- (1) For illustration purposes only, this is inclusive of transaction costs of approximately \$20,000 in relation to the Proposed Capital Reductions and Proposed Cash Distribution.
- (2) Based on the audited financial statements of the LC Group as at 31 December 2011.
- (3) For illustrative purposes only, this is based on an indicative placement price of \$0.21 per Share and net of placement commission, professional fees and miscellaneous expenses of approximately \$1,816,000 in total.
- (4) This does not include 50,000 Shares issued pursuant to the exercise of Warrants after 31 December 2011.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 14.3 Financial Effects on Earnings and EPS<sup>(1)</sup>

The proforma financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Share Consolidation, Proposed Acquisition and Proposed Compliance Placement on the earnings per Share of the Company are as follows:

	Before the Proposed Capital Reductions and Proposed Cash Distributions, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distributions but before the Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution and Proposed Acquisition but before the Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation but before the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement
Net Profit for the Group for the financial year ended 31 December 2011 <sup>(2)</sup>	(8,210,000)	(8,210,000)	(8,210,000)	(8,210,000)	(8,210,000)
Add: Net profit for the LC Group for the financial year ended 31 December 2011	—	—	15,863,531	15,863,531	15,863,531
Net profit for Proforma Group	—	—	7,653,531	7,653,531	7,653,531
Number of issued shares <sup>(2)</sup>	431,858,656	431,858,656	4,360,430,085	436,043,005	493,668,005
EPS (Cents)	(1.90)	(1.90)	0.18	1.76	1.55

**Notes:**

- (1) Pursuant to Rule 1006 of the Listing Manual, "net profits" used in the section for the computation of the financial effects shall mean profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on weighted average number of shares and does not include 50,000 Shares issued pursuant to the Warrants after 31 December 2011.

### 14.4 Unaudited Proforma Group Financial Information

*The unaudited proforma consolidated financial information of the Proforma Group set out herein has been prepared for illustrative purposes only to show what the financial results of the Proforma Group for FY2009, FY2010, and FY2011 would have been, based on certain assumptions and financial position of the Proforma Group for FY2011. The Directors, for the purpose of preparing this set of unaudited proforma consolidated financial information, have not considered the effects of other events.*

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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*The unaudited proforma consolidated financial information of the Proforma Group for FY2009, FY2010, and FY2011 has been prepared for inclusion in the Circular in connection with the Proposed Acquisition and should be read in conjunction with the Unaudited Proforma Consolidated Financial Information of the Proforma Group set out in Appendix D and the Audited Consolidated Financial Statements of LCCE and its subsidiaries for FY2009, FY2010 and FY2011 set out in Appendix E of this Circular. Shareholders should note that the Unaudited Proforma Consolidated Financial Information of the Proforma Group, because of its nature, may not give a true picture of the Proforma Group's actual financial position, financial results and cash flows of the Proforma Group.*

*The figures in this section are approximate figures and have been rounded to the nearest one decimal place for ease of reference.*

### Unaudited Proforma Operating Results of the Proforma Group

	← Year ended 31 December →		
	2009 \$'000	2010 \$'000	2011 \$'000
<b>Continuing operations</b>			
Revenue	110,330	110,714	126,843
Cost of sales	(78,952)	(84,202)	(97,783)
<b>Gross profit</b>	<u>31,378</u>	<u>26,512</u>	<u>29,060</u>
Other income	5,132	4,723	5,021
Distribution expenses	(252)	(368)	(377)
Administrative expenses	(8,880)	(12,239)	(15,313)
Other expenses	(1,305)	(1,455)	(706)
<b>Results from operating activities</b>	<u>26,073</u>	<u>17,173</u>	<u>17,685</u>
Finance costs	(1,828)	(2,136)	(2,129)
	<u>24,245</u>	<u>15,037</u>	<u>15,556</u>
Share of profit of associates (net of tax)	466	–	–
<b>Profit before tax</b>	<u>24,711</u>	<u>15,037</u>	<u>15,556</u>
Income tax expense	(4,949)	(2,379)	(829)
<b>Profit from continuing operations</b>	<u>19,762</u>	<u>12,658</u>	<u>14,727</u>
<b>Discontinued operation</b>			
Loss from discontinued operation (net of tax)	(498)	–	–
<b>Profit/Total comprehensive income for the year</b>	<u><u>19,264</u></u>	<u><u>12,658</u></u>	<u><u>14,727</u></u>
<b>Profit/Total comprehensive income attributable to:</b>			
Owners of the Company	19,379	12,540	14,567
Non-controlling interests	(115)	118	160
	<u><u>19,264</u></u>	<u><u>12,658</u></u>	<u><u>14,727</u></u>
<b>Earnings per Share attributable to owners of the Company:</b>			
Basic and diluted (cents)	<u>6.7</u>	<u>3.4</u>	<u>3.4</u>

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**LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF  
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**Unaudited Proforma Consolidated Financial Position of the Proforma Group**

	<b>31 December 2011 \$'000</b>
<b>Non-current assets</b>	
Investment property	1,410
Property, plant and equipment	48,554
Club membership	42
	50,006
<b>Current assets</b>	
Inventories	4,302
Contracts work-in-progress	51,534
Trade and other receivables	15,209
Financial assets designated at fair value through profit or loss	77
Cash and cash equivalents	27,408
	98,530
<b>Total assets</b>	148,536
<b>Equity</b>	
Share capital	43,229
Reserves	13,730
<b>Equity attributable to owners of the Company</b>	56,959
<b>Non-controlling interests</b>	420
<b>Total equity</b>	57,379
<b>Non-current liabilities</b>	
Loans and borrowings	24,424
Deferred tax liabilities	3,893
	28,317
<b>Current liabilities</b>	
Loans and borrowings	34,159
Trade and other payables	26,591
Provisions	106
Current tax payable	1,984
	62,840
<b>Total liabilities</b>	91,157
<b>Total equity and liabilities</b>	148,536

**14.5 Management's Discussion and Analysis of Financial Condition and Results of Operations of the Proforma Group**

**14.5.1 Operating Results of the Proforma Group**

As it is part of the salient terms of the Final SPA that the Company shall complete the Proposed Disposal before the Completion, the principal activities of the Proforma Group will be those of the LC Group. The Proforma Group will consist of the group companies of the LC Group and Ranoda, which has no other existing businesses and assets other than the Property. Please refer to Paragraph 13 entitled "The Proforma Group Upon Completion" of the Ultra Letter for details of the Proforma Group structure upon Completion.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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The table below sets out the revenue and profit/(loss) before tax from the continuing operations of the Ultron Group in relation to the Proforma Group's revenue and PBT respectively for the Periods Under Review:

	FY2009 \$'000	FY2010 \$'000	FY2011 \$'000
Revenue of the Proforma Group	110,330	110,714	126,843
Revenue of Ultron's continuing operations	–	–	–
Percentage of revenue of Ultron's continuing operations over revenue of the Proforma Group	0.0%	0.0%	0.0%
PBT of the Proforma Group	24,711	15,037	15,556
Profit/(loss) before tax of Ultron's continuing operations	(673)	(802)	(307)
Percentage of PBT of Ultron's continuing operations over PBT of the Proforma Group <sup>(1)</sup>	2.7%	5.3%	2.0%

**Note:**

(1) Based on absolute numbers.

As shown in the table above, the Ultron Group's continuing operations did not contribute to the Proforma Group's revenue during the Periods Under Review and only accounted for less than 5% of the Proforma Group's profit before tax, save for FY2010, in which the loss before tax from the continuing operations of the Ultron Group accounted for 5.3% of the Proforma Group's profit before tax. Hence, revenue and profit from the Ultron Group's continuing operations are insignificant to the financial results of the Proforma Group. Please refer to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the LC Letter for the detailed analysis of the LC Group's operating results.

### 14.5.2 Review of Financial Position of the Proforma Group

#### Non-Current Assets

Our non-current assets comprise mainly investment property and property, plant and equipment.

As at 31 December 2011, our non-current assets totalled approximately \$50.0 million, representing approximately 33.7% of our total assets. Investment property amounted to approximately \$1.4 million. Property, plant and equipment comprise (a) leasehold buildings of approximately \$9.0 million; (b) plant and equipment of approximately \$31.7 million; (c) motor vehicles of approximately \$7.4 million; and (d) construction in progress for leasehold building at No. 55 Kranji Crescent Singapore 728662 of approximately \$404,000 and development of Enterprise Resource Planning ("ERP") software of approximately \$116,000.

#### Current Assets

Our current assets comprise cash and cash equivalents, trade and other receivables, contract work-in-progress, inventories and financial assets designated at fair value through profit or loss.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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As at 31 December 2011, our current assets amounted to approximately \$98.5 million, representing approximately 66.3% of our total assets and comprised mainly the following:

- (a) cash and cash equivalents of approximately \$27.4 million, comprising cash at bank and on hand of approximately \$20.8 million and fixed deposits of approximately \$6.6 million;
- (b) trade and other receivables of approximately \$15.2 million, comprising trade receivables of approximately \$13.2 million and other receivables amounting to approximately \$2.0 million;
- (c) construction contracts work-in-progress of approximately \$51.5 million;
- (d) financial assets designated at fair value through profit or loss comprising investment in quoted securities of approximately \$77,000; and
- (e) inventories comprising raw materials amounting to approximately \$4.3 million.

### **Non-Current Liabilities**

Our non-current liabilities comprise loans and borrowings and deferred tax liabilities.

As at 31 December 2011, our total non-current liabilities amounted to approximately \$28.3 million, representing approximately 31.1% of our total liabilities and comprised mainly the following:

- (a) loans and borrowings amounting to approximately \$24.4 million; and
- (b) deferred income tax liabilities amounting to approximately \$3.9 million.

### **Current Liabilities**

Our current liabilities comprise loans and borrowings, trade and other payables, provisions and current tax payable.

As at 31 December 2011, our total current liabilities amounted to approximately \$62.8 million, representing approximately 68.9% of our total liabilities and comprised mainly the following:

- (a) loans and borrowings amounting to approximately \$34.1 million, comprising approximately bills payable of \$16.1 million, the current portion of bank loans of approximately \$13.7 million, the current portion of finance lease of \$4.0 million and bank overdraft of approximately \$318,000;
- (b) trade and other payables amounting to approximately \$26.6 million, mainly comprising trade payables of approximately \$18.1 million and accruals of approximately \$6.5 million, listing expenses of approximately \$1.4 million and excess of progress billings over contract work-in-progress amounting to approximately \$566,000;
- (c) current tax payable of approximately \$2.0 million; and
- (d) provisions of approximately \$106,000 in relation to the estimated compensation to be made for damages to third parties' property as a result of pipe burst at one of our work sites in June 2009.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### Shareholders' Equity

Total equity attributable to owners of the Company comprises share capital, retained earnings and non-controlling interests.

As at 31 December 2011, total equity attributable to owners of the Company amounted to approximately \$57.0 million. The equity attributable to non-controlling interests is approximately \$420,000.

### 14.5.3 Liquidity and Capital Resources

Our operations are funded through a combination of capital contributions from our shareholders, cash generated from operating activities and bank borrowings. The principal uses of these funds are for working capital, capital expenditures, operating expenses and repayment of bank borrowings and finance expenses. The Proforma Group has been able to service the loan repayments on a timely basis.

The following table sets out a summary of the Proforma Group's cash flow statements for FY2011:

	<b>FY2011</b>
	<b>\$'000</b>
Net cash from operating activities	8,823
Net cash used in investing activities	(7,089)
Net cash from financing activities	7,632
Net increase in cash and cash equivalents	9,366
Cash and cash equivalents at beginning of the financial year	11,473
Cash and cash equivalents at end of the financial year	20,839

### **FY2011**

#### **Net cash from operating activities**

In FY2011, our net cash from operating activities was approximately \$8.8 million which comprised operating cash flow before working capital changes of approximately \$23.6 million and offset by a net working capital outflow of approximately \$14.9 million and income tax refund of approximately \$122,000.

The net working capital outflow of approximately \$14.9 million was the result of:

- (a) an increase in contracts work-in-progress of approximately \$18.3 million due to an increase in revenue recognised from projects which were pending certification by consultants; and
- (b) an increase in trade and other receivables of approximately \$1.6 million due to a decrease in billings raised in the fourth quarter of FY2011 in respect of the completed stages of our projects.

The above cash outflows were partially offset by:

- (a) an increase in trade and other payables of approximately \$4.1 million due to an increase in purchases of materials during the financial year; and
- (b) a decrease in inventories of approximately \$937,000 mainly due to increased utilisation of pipes during FY2011 for the sewer pipeline rehabilitation works.

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### **Net cash used in investing activities**

Net cash used in investing activities of approximately \$7.1 million was mainly due to purchases of plant and equipment. The purchases amounting to approximately \$7.8 million, are mainly made up of asphalt plant machineries, excavators and lorries and the construction of a new headquarter building and dormitory at No. 4 Sungei Kadut Street 2, Singapore 729226, to support our business activities. The outflow was partially offset by the proceeds from the disposal of plant and equipment such as hydraulic excavators and lorries of approximately \$711,000.

### **Net cash from financing activities**

Net cash from financing activities was approximately \$7.6 million which was mainly due to the repayment of bank borrowings of approximately \$11.3 million, repayment of finance leases of approximately \$5.0 million, repayment of interest on borrowings of \$2.1 million and dividend paid of \$3.0 million, partially offset by proceeds from bank borrowings of approximately \$29.0 million for project financing purposes.

## **15. MORATORIUM**

Upon completion of the Proposed Compliance Placement, Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan, Zheng Choon, Intersino and/or their nominees (if any) will hold 369,482,141 Consolidated Shares constituting 74.8% of the Final Share Capital (assuming no Warrants were exercised prior to the completion of the Proposed Compliance Placement).

Save for the Consolidated Shares to be disposed pursuant to the Proposed Compliance Placement, each of Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan, Zheng Choon, Intersino and/or their nominees (if any) has undertaken not to, for a period of six months from the date on which the trading of Consolidated Shares on SGX-ST commences after the completion of the Proposed Compliance Placement, transfer, dispose of or realise any part of the Consideration Shares (including the Introducer Shares) held by him/it.

Each of Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai, Mr Toh Swee Kim and Ms Seow Soon Kee has undertaken not to, for a period of six months from the date on which the trading of Consolidated Shares on SGX-ST commences after the completion of the Proposed Compliance Placement, transfer, dispose of or realise any part of the ordinary shares in the issued and paid-up share capital of Zheng Choon held by him/her.

Mr Koh Kwee Ngee, being the sole shareholder of Intersino, has undertaken not to for a period of six months from the date on which the trading of Consolidated Shares on SGX-ST commences after the completion of the Proposed Compliance Placement, transfer, dispose of or realise any part of the ordinary shares in the issued and paid-up share capital of Intersino held by him.

## **16. DIRECTORS' AND THE SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE PROPOSED TRANSACTIONS**

None of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Transactions.

Details of the shareholding of each Director and Substantial Shareholder are set out in Appendix B of this Circular.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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### 17. **ADVICE OF IFA TO THE PROPOSED WHITEWASH RESOLUTION AND THE PROPOSED IPT MANDATE**

The Board wishes to advise the Shareholders that as none of the current Directors are interested in the Proposed Whitewash Resolution and the Proposed IPT Mandate, they shall all be deemed to be unaffected Directors for the purposes of the IFA Letter (“**Unaffected Directors**”).

Stirling Coleman Capital Limited has been appointed as the Independent Financial Adviser to advise the Unaffected Directors in respect of the Proposed Whitewash Resolution and the Proposed IPT Mandate. Shareholders should consider carefully the recommendation of the Unaffected Directors and the advice of the Independent Financial Adviser to the Unaffected Directors.

Having carefully considered the information available to it, and based upon the monetary, industry, market economic and other relevant conditions subsisting on the Latest Practicable Date and taking into consideration the factors set out in its letter, Stirling Coleman Capital Limited is of the opinion that, on balance:

- (a) the Proposed Whitewash Resolution is not prejudicial to the interests of the Company and its Independent Shareholders and accordingly Stirling Coleman Capital Limited advises the Unaffected Directors to recommend the Independent Shareholders to vote for the Proposed Whitewash Resolution; and
- (b) the review and administration procedures for determining the transaction prices of the recurrent Interested/Related Person Transactions with Interested Persons and/or Related Persons covered under the IPT Mandate as set out in Paragraphs 12.4.5 and 12.4.6 of this Letter, if adhered to, are sufficient to ensure that the Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders.

The IFA letter to the Unaffected Directors of the Company, containing their advice in full, is reproduced and set out in Appendix C of this Circular.

### 18. **DIRECTORS’ RECOMMENDATION**

Having considered and reviewed, amongst others, the terms of the Final SPA, the rationale for and the financial effects of the Proposed Transactions, the risk factors and other investment considerations, and all relevant facts set out in this Circular, and having considered and concurred with the advice of the IFA in relation to the Proposed Whitewash Resolution and the Proposed IPT Mandate, the Directors are of the opinion that:

- (a) Proposed Acquisition and Proposed Acquisition Shares Issue;
- (b) Proposed Whitewash Resolution;
- (c) Proposed Capital Reductions and Proposed Cash Distribution;
- (d) Proposed Deed Poll Amendments;
- (e) Proposed Share Consolidation;
- (f) Proposed Name Change;
- (g) Proposed Director Appointments;

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- (h) Proposed Independent Auditors Appointment;
- (i) Proposed Compliance Placement;
- (j) Proposed New General Share Issue Mandate; and
- (k) Proposed IPT Mandate,

are in the best interest of the Company, and accordingly, they recommend that Shareholders vote in favour of all the resolutions relating to the abovementioned matters to be proposed at the EGM.

### 19. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N1 to N5 of this Circular, will be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on 13 July 2012 at 3.30 p.m. for the purpose of considering and, if thought fit, passing the resolutions (with or without modifications) set out in the notice of the EGM.

### 20. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM are requested to complete and sign the Proxy Form which is attached to this Circular in accordance with the instructions printed thereon and in any event so as to arrive at the Company's registered office at 1 Changi Business Park Avenue 1, #05-01, Ultro Building, Singapore 486058 not less than 48 hours before the time fixed for the holding of the EGM. The completion and return of the Proxy Form by a Member will not preclude him from attending the EGM and voting in person in place of his proxy should he subsequently wish to do so.

A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

### 21. ABSTENTION FROM VOTING - PROPOSED WHITEWASH RESOLUTION AND THE PROPOSED IPT MANDATE

#### 21.1 Proposed Whitewash Resolution

In accordance with the conditions of the waiver from the Securities Industry Council, the Vendors and their Concert Parties will abstain from voting at the EGM on the Ordinary Resolution relating to the Proposed Whitewash Resolution.

The Vendors and their Concert Parties presumed to be acting in concert with them will also decline to accept appointment as proxies for any Shareholder to vote in respect of the Ordinary Resolution relating to the Proposed Whitewash Resolution, unless the Shareholder concerned shall have given specific instructions in his proxy form as to the manner in which his votes are to be cast in respect of the said resolution.

#### 21.2 Proposed IPT Mandate

In accordance with Rule 920(1)(b)(viii) of the Listing Manual, the Proposed ED, Mr Koh Tiam Teng and his Associates shall abstain from voting at the EGM on the Ordinary Resolution relating to the Proposed IPT Mandate.

In addition, the Proposed EDs, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong and the Proposed EO, Mr Toh Chew Chai, being Related Persons, and their Associates shall abstain from voting at the EGM on the Ordinary Resolution relating to the Proposed IPT Mandate.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 22. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

### 23. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

DMG & Partners Securities Pte Ltd, as Financial Adviser to the Company in relation to the Proposed Acquisition, acknowledges that, having made due and careful enquiries and to the best of its knowledge and belief and based on the information provided by or on behalf of the Group, the LC Group and the Vendors, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition and the LC Group as at the date of this Circular. DMG & Partners Securities Pte Ltd is not aware of any other material facts, the omission of which would make any statement in this Circular (other than the IFA Letter set out in Appendix C, the Unaudited Proforma Consolidated Financial Information of the Proforma Group set out in Appendix D, the Consolidated Financial Statements of Ley Choon Constructions and Engineering Pte. Ltd. and its subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011 set out in Appendix E of this Circular) misleading in any material respect as at the date of this Circular.

While information has been extracted from published or otherwise publicly available sources, the sole responsibility of DMG & Partners Securities Pte Ltd has been to ensure that such information has been accurately and correctly extracted from these sources or as the case may be, reflected or reproduced in this Circular.

### 24. CONSENTS

DMG & Partners Securities Pte Ltd, the Financial Adviser to the Company in relation to the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

Stirling Coleman Capital Limited, the independent financial adviser to the unaffected Directors on the Proposed Whitewash Resolution and the Proposed IPT Mandate, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular. The Board wishes to advise the Shareholders that as none of the current Directors is interested in the Proposed Whitewash Resolution and the Proposed IPT Mandate, they shall all be deemed to be unaffected Directors for the purposes of the IFA Letter.

KPMG LLP, the independent auditors to LCCE and the independent reporting accountants to the Company have given and have not withdrawn its written consent to the issue of this Circular with the inclusion of the Consolidated Financial Statements of LCCE and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011 set out in Appendix E of this Circular and the Unaudited Proforma Consolidated Financial Information of the Proforma Group set out in Appendix D of this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

LTC LLP, the Independent Auditors to the Company have given and have not withdrawn their consent to the issue of this Circular with the inclusion of the Paragraph entitled "Emphasis of Matter" set out in Paragraph 9 entitled "Proposed Independent Auditors Appointment" of this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

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## LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF ULTRON TECHNOLOGIES LIMITED

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Each of Abrahams, Davidson & Co, Drew & Napier LLC, Shandong Qindao Law Firm (中国山东青岛律师事务所) and Wong Tan & Molly Lim LLC has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

Each of Abrahams, Davidson & Co, Drew & Napier LLC, Shandong Qindao Law Firm (中国山东青岛律师事务所) and Wong Tan & Molly Lim LLC does not make or purport to make any statement in this Circular or any statement upon which a statement in this Circular is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any persons which is based on, or arises out of this statements, information or opinions of this Circular.

### 25. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during normal business hours up to the completion of the Proposed Acquisition:

- (a) the Final SPA (i.e. the Sale-and-Purchase Agreement as amended and supplemented by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement);
- (b) the Deed Poll;
- (c) the Letter from the IFA to the Independent Directors as set out in Appendix C of this Circular;
- (d) the Unaudited Proforma Consolidated Financial Information of the Proforma Group as set out in Appendix D of this Circular;
- (e) the Consolidated Financial Statements of LCCE and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011 set out in Appendix E of this Circular;
- (f) the existing Memorandum and Articles of Association of the Company; and
- (g) the letters of consent referred to in Paragraph 24 of this Letter.

### 26. ADDITIONAL INFORMATION

The Shareholders' attention is drawn to the additional information set out in the Appendices of this Circular.

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# APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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## LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

(Incorporated in the Republic of Singapore on 7 September 1990)

(Company Registration No. 199004441H)

### Directors:

Toh Choo Huat (Executive Chairman & CEO)  
Toh Swee Kim (Executive Director)  
Toh Chew Leong (Executive Director)  
Koh Tiam Teng (Executive Director)  
Tan Teck Wei (Executive Director)

### Registered Office:

4 Sungei Kadut Street 2  
Sungei Kadut Industrial Estate  
Singapore 729226

Date : 21 June 2012

To : Shareholders of Ultron Technologies Limited

Dear Sir/Madam

### INFORMATION PERTAINING TO THE LC GROUP

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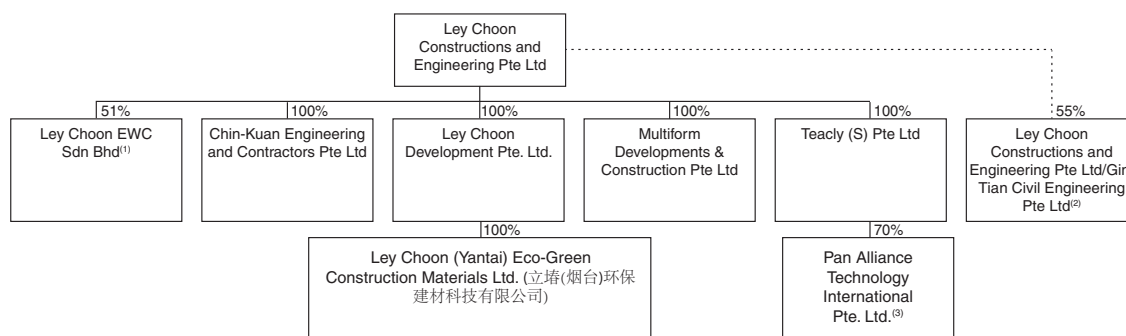
#### 1. GROUP STRUCTURE

##### 1.1 Introduction

For the purposes of this Letter, the definitions set out in the Circular to the Shareholders of Ultron Technologies Limited dated 21 June 2012 shall apply throughout unless the context otherwise requires or unless otherwise stated.

LCCE was incorporated in Singapore on 7 September 1990 under the Companies Act as a private company limited by shares and our subsidiaries are namely, Chin Kuan, LC Development, LC EWC, LC Yantai, Multiform, Pan Alliance and Teacly. We are an established contractor for (i) Underground Utilities Infrastructure construction and maintenance; (ii) sewer pipeline rehabilitation; and (iii) road and airfield construction and maintenance. The LC Group's business also includes the production of asphalt pre-mixes and construction waste recycling.

Our current group structure is as follows:



#### Notes:

- (1) The remaining 49% equity interest in LC EWC is held by Nur EWC Sdn Bhd, a company incorporated in Brunei and which is not related to our directors or substantial shareholders.
- (2) Ley Choon Constructions and Engineering Pte Ltd/Gim Tian Civil Engineering Pte Ltd is an unincorporated joint venture set up by LCCE and Gim Tian Civil Engineering Pte Ltd, which is an unrelated third-party company. For further information relating to the aforementioned unincorporated joint venture, please refer to Paragraph 1.3 of this Letter.
- (3) The remaining 30% equity interest in Pan Alliance is held by two other individuals who are not related to our Directors or substantial shareholders.

**APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS  
OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD**

**1.2 Companies within the LC Group**

The details of our subsidiaries as at the Latest Practicable Date are as follows<sup>(1)</sup>:

<b>Name</b>	<b>Date and place of incorporation</b>	<b>Principal business</b>	<b>Principal place of business</b>	<b>Issued and paid-up share capital/Registered share capital</b>	<b>Effective equity interest held by LCCE</b>
Chin Kuan Engineering and Contractors Pte Ltd	2 March 1995, Singapore	Mixed construction activities and civil engineering <sup>(2)</sup>	4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate, Singapore 729226	\$3,000,000	100%
Ley Choon Development Pte. Ltd.	11 March 2002, Singapore	Mixed construction activities <sup>(2)</sup>	4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate, Singapore 729226	\$500,000	100%
Ley Choon EWC Sdn Bhd	29 November 2011, Brunei Darussalam	Non-building construction (civil engineering construction) and manufacture of asphalt pre-mix	No. 22, Simpang 323 Jalan Jerudong Bandar Seri Begawan BG3122, Brunei	BND100,000 (issued and paid-up share capital) / BND5 million (registered share capital)	51%
Multiform Developments & Construction Pte Ltd	17 December 1994, Singapore	Road construction, mixed construction activities <sup>(2)</sup>	4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate, Singapore 729226	\$300,000	100%
Teacly (S) Pte. Ltd.	26 May 1982, Singapore	Non-building construction, building cleaning and maintenance services	4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate, Singapore 729226	\$3,000,000	100%
<b>Held by Teacly (S) Pte. Ltd.</b>					
Pan Alliance Technology International Pte. Ltd.	2 September 2002, Singapore	Water and gas pipe-line and sewer construction	4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate, Singapore 729226	\$100,000	70% <sup>(3)</sup>

**APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS  
OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD**

<b>Name</b>	<b>Date and place of incorporation</b>	<b>Principal business</b>	<b>Principal place of business</b>	<b>Issued and paid-up share capital/Registered share capital</b>	<b>Effective equity interest held by LCCE</b>
<b>Held by Ley Choon Development Pte. Ltd.</b>					
Ley Choon (Yantai) Eco-Green Construction Materials Ltd. (立睿 (烟台) 环保建材科技有限公司)	15 September 2011, PRC	1. Recycling of construction waste and development of eco-green construction products  2. Production and sale of asphalt concrete, ready-mix concrete, dry mortar, concrete blocks and sand	No.1 of 12th Building in Haiqing Garden Villa, No.166, Huanghe Road, Yantai (烟台开发区黄河路166号海情花园别墅12号楼内1号)	US\$3,097,400 (issued and paid-up share capital) / US\$20,000,000 (registered share capital) <sup>(4)</sup>	100%

**Notes:**

- (1) The above list does not include the unincorporated joint venture set up by LCCE and Gim Tian Civil Engineering Pte Ltd, which is an unrelated third-party company. For further information relating to the aforementioned unincorporated joint venture, please refer to Paragraph 1.3 of this Letter.
- (2) The mixed construction activities include water pipes maintenance works, water pipe leak detection and repair, sluice valve tracing works, telecom cable recovery works and CCTV for pipelines works.
- (3) The remaining 30% equity interest in Pan Alliance is held by two other individuals who are not related to LCCE's directors or substantial shareholders.
- (4) Pursuant to the investment agreement entered into between LC Development and Yantai Economic and Technological Development Area Investment Promotion Bureau (烟台经济技术开发区投资促进局) on 11 July 2011, LC Development is required to increase the issued and paid-up share capital of LC Yantai further as follows:
  - (a) increase by another US\$3,000,000 within one month from the date that LC Yantai is granted land use rights over the property located to the south of Taipei Road and to the west of Hengyang Road in the Yantai Development Area, PRC;
  - (b) increase by another US\$5,000,000 within one year from being granted the abovementioned land use rights; and
  - (c) increase by another US\$9,000,000 within two years from LC Yantai's incorporation date.

None of our subsidiaries is listed on any stock exchange. Save as disclosed above, we do not have any other subsidiaries or associated companies.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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### 1.3 Unincorporated Joint Venture undertaken by LCCE

In addition to the above, LCCE and an unrelated third-party company, Gim Tian Civil Engineering Pte Ltd, set up a partnership in July 2010 under the name of Ley Choon Constructions and Engineering Pte Ltd/Gim Tian Civil Engineering Pte Ltd Joint Venture (“**LCGT-JV**”). While LCCE and Gim Tian Civil Engineering Pte Ltd have an interest of 55% and 45% respectively in LCGT-JV, LCCE is entitled to 41.25% of the profit generated by LCGT-JV. LCGT-JV was used by LCCE and Gim Tian Civil Engineering Pte Ltd to jointly submit tenders for LTA’s roads and bridges maintenance contracts and jointly execute the aforementioned contracts if the tenders are successful.

This joint venture is a contractual arrangement. LCGT-JV has been registered as a business with ACRA but no separate company was incorporated.

To date, LCGT-JV has successfully secured two contracts for which tenders were jointly submitted. The two contracts had an aggregate value of approximately \$43.7 million. Under this joint venture, LCCE will carry out the road milling and patching works required under LTA contracts while Gim Tian Civil Engineering Pte Ltd will undertake the general road maintenance and other related works. Each of LCCE and Gim Tian Civil Engineering Pte Ltd is expected to fund its own respective working capital requirements in respect of such works undertaken by them.

In relation to billing to customers upon the completion of works done, the respective joint venture partners will issue their billing for such completed works to the LCGT-JV who will onward bill the customer. Consequently, upon the receipt of payment from the customer, LCGT-JV will make payment to the respective joint venture partners who issued the billing.

The LC Group will account for its share of revenue and profits from LCGT-JV based on the proportional consolidation method. This is in line with the requirements of FRS 31 – Interests in Joint Ventures.

LCGT-JV employs its own administrative staff to oversee its financial and administrative affairs.

### 1.4 Information with regards to non-founding shareholders of LCCE

#### (a) Information on our shareholder and Director Mr Koh Tiam Teng

Our Executive Director, Mr Koh Tiam Teng was originally the managing director/CEO of Pan Asian which (a) was a supplier of the LC Group and (b) held 51% of the shareholding of Teacly before Teacly became a wholly-owned subsidiary of the LC Group. In May 2009, Mr Koh Tiam Teng left Pan Asian and purchased Pan Asian’s 51% shareholding interest in Teacly for a cash consideration of approximately \$784,337. Pursuant to this purchase, Mr Koh Tiam Teng became the majority shareholder of Teacly and he also took on the role of chairman and managing director of Teacly.

On 8 October 2009, Mr Koh Tiam Teng entered into a sale and purchase agreement with LCCE to sell his 51% interest in the issued and paid-up share capital of Teacly to our subsidiary LCCE for a total cash consideration of \$782,100. The consideration was satisfied by the issuance of 162,938 new LCCE Shares, representing approximately 5.15% of LCCE’s enlarged issued and paid up share capital then. Pursuant to this sale, Teacly became a wholly owned subsidiary of the LC Group. After Mr Koh Tiam Teng became a shareholder of LCCE, he was also appointed as a director of LCCE.

On 27 July 2010, LCCE capitalised its profits and issued shares to all its then existing shareholders (including Mr Koh Tiam Teng) on a pro-rata basis. After the aforementioned allotment of LCCE Shares, Mr Koh Tiam Teng’s interest in LCCE still remained at approximately 5.15%.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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On 12 August 2010, Mr Koh Tiam Teng purchased 427,278 LCCE Shares from the other then existing shareholders of LCCE for a total cash consideration of \$989,393.95 (translating to approximately \$2.32 per LCCE Share) as follows:

- i. Mr Koh Tiam Teng purchased 125,495 LCCE Shares from Mr Toh Choo Huat for a total cash consideration of \$290,593.00 (translating to approximately \$2.32 per LCCE Share);
- ii. Mr Koh Tiam Teng purchased 125,495 LCCE Shares from Mr Toh Chew Leong for a total cash consideration of \$290,593.00 (translating to approximately \$2.32 per LCCE Share);
- iii. Mr Koh Tiam Teng purchased 68,917 LCCE shares from Mr Toh Chew Chai for a total cash consideration of \$159,582.43 (translating to approximately \$2.32 per LCCE Share);
- iv. Mr Koh Tiam Teng purchased 68,917 LCCE shares from Mr Toh Swee Kim for a total cash consideration of \$159,582.43 (translating to approximately \$2.32 per LCCE Share);
- v. Mr Koh Tiam Teng purchased 19,227 LCCE shares from Mr Tan Teck Wei for a total cash consideration of \$44,521.55 (translating to approximately \$2.32 per LCCE Share); and
- vii. Mr Koh Tiam Teng purchased 19,227 LCCE shares from Mr Liang Say Juan for a total cash consideration of \$44,521.55 (translating to approximately \$2.32 per LCCE Share).

The consideration amount was determined based on LCCE's statutory audited consolidated NAV of approximately \$34,734,000 as at 31 December 2009 (translating to a NAV per LCCE Share of approximately \$2.32).

As a result of the aforementioned purchase of LCCE Shares, Mr Koh Tiam Teng's shareholding in LCCE then increased from approximately 5.15% to 8.00%. The abovementioned transfer of LCCE Shares from the other existing shareholders of LCCE to Mr Koh Tiam Teng was because these shareholders believed that it would be an incentive to Mr Koh Tiam Teng to stay on with the LC Group if he had a larger shareholding in LCCE and the LC Group would then benefit from Mr Koh Tiam Teng's regional experience and expertise in business development and marketing of the LC Group's business in overseas markets. To increase Mr Koh Tiam Teng's shareholding, the other then existing shareholders of LCCE elected to transfer their existing LCCE Shares to Mr Koh Tiam Teng instead of issuing new LCCE shares.

(b) Information on our shareholder Mr Tan Teck Wei

Our Executive Director, Mr Tan Teck Wei was employed by LCCE as an engineer in December 1998. Mr Tan Teck Wei has been and continues to be involved in the tendering process, the planning and the execution of many projects awarded to the LC Group. Taking into consideration his contributions to the LC Group, the then existing Directors and shareholders of LCCE then invited Mr Tan Teck Wei to subscribe for LCCE Shares as well as to join the board of directors of LCCE. On 13 January 2005, Mr Tan Teck Wei accepted the invitation from the Directors and shareholders of LCCE and he subscribed for 50,000 LCCE Shares at \$1 per LCCE Share (representing approximately 3.23% of LCCE's enlarged issue and paid-up share capital then) for a total cash consideration of \$50,000 and he also joined the board of directors of LCCE.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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In December 2006, Mr Toh Chew Leong wanted to sell some of his LCCE Shares to raise funds for personal reasons. Accordingly, on 8 December 2006, Mr Tan Teck Wei purchased a further 23,250 LCCE Shares (which represented 1.50% of LCCE's issue and paid-up share capital then) from Mr Toh Chew Leong for \$2.15 per LCCE Share, amounting to a total cash consideration of \$50,000. As a result of the abovementioned purchase of LCCE Shares, Mr Tan Teck Wei's shareholding in LCCE increased from approximately 3.23% to 4.73%. Correspondingly, Mr Toh Chew Leong's shareholding in LCCE decreased from 32.26% to 30.76%.

On 30 November 2007, he sold 1,750 LCCE Shares to Mr Toh Choo Huat for a cash consideration of \$1.00 and 1,750 LCCE Shares to Mr Toh Chew Leong for a cash consideration of \$1.00. This was because of an error of under-statement of the transfer price resulting in more LCCE Shares transferred over to Mr Tan Teck Wei. As a result of the aforementioned sale of LCCE Shares, Mr Tan Teck Wei's equity interest in LCCE decreased from 4.73% to 4.50%.

On 31 December 2007, Mr Tan Teck Wei applied for a further allotment of 14,400 LCCE Shares at \$1.00 per LCCE Share for a total cash consideration of \$14,400.00. The aforementioned allotment of new LCCE Shares was in connection with an issue of LCCE Shares on a pro-rata basis to all the then existing shareholders of LCCE for the purposes of raising funds for use as working capital. After the abovementioned subscription of LCCE Shares, Mr Tan Teck Wei's shareholding in LCCE remained at 4.50%.

On 31 December 2008, LCCE capitalised its profits and issued new LCCE Shares to its then existing shareholders (including Mr Tan Teck Wei who was allotted 50,850 LCCE Shares) on a pro-rata basis. After the abovementioned allotment of LCCE Shares, Mr Tan Teck Wei's shareholding in LCCE remained at 4.50%.

On 8 October 2009, pursuant to the issuance of 162,938 new LCCE Shares to Mr Koh Tiam Teng for Mr Koh Tiam Teng's 51.0% interest in the issued and paid-up share capital of Teacly, Mr Tan Teck Wei's shareholdings in LCCE decreased from 4.50% to 4.27%.

On 27 July 2010, LCCE capitalised its profits again and issued new LCCE Shares to its then existing shareholders (including Mr Tan Teck Wei who was allotted 505,227 LCCE Shares) on a pro-rata basis. After the abovementioned allotment of LCCE Shares, Mr Tan Teck Wei's shareholding in LCCE still remained at 4.27%.

On 12 August 2010, Mr Tan Teck Wei sold 19,227 LCCE Shares to Mr Koh Tiam Teng for a cash consideration of \$44,521.55 which translates to approximately \$2.32 per LCCE Share. The consideration was determined based on the LC Group's statutory audited NAV of approximately \$34,734,000 as at 31 December 2009 (translating to an NAV per LCCE Share of approximately \$2.32). As a result of the abovementioned sale of LCCE Shares, Mr Tan Teck Wei's shareholding in LCCE decreased from 4.27% to 4.14%. The abovementioned sale of LCCE Shares to Mr Koh Tiam Teng was in conjunction with the concurrent sales of LCCE Shares to Mr Koh Tiam Teng by the other then existing shareholders of LCCE, namely Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai, Mr Toh Swee Kim and Mr Liang Say Juan. These transfers were effected because the then existing shareholders of LCCE believed that it would be an incentive to Mr Koh Tiam Teng to stay on with the LC Group if he had a larger shareholding in LCCE and the LC Group would then benefit from Mr Koh Tiam Teng's regional experience and expertise in business development and marketing of the LC Group's business in overseas markets.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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(c) Information on our shareholder Mr Liang Say Juan

Mr Liang Say Juan was originally a director and shareholder of Teacly prior to LCCE's purchase of the entire share capital of Teacly on 31 December 2004. Mr Liang Say Juan sold his then shareholding of 85.43% in Teacly to LCCE for a total consideration of \$85,432.10 after taking into account the net worth of Teacly as at 31 December 2004. This sale was also concurrent with the sales made by the other then existing shareholders of Teacly who sold their shares in the issued and paid-up capital of Teacly to LCCE at the same price.

Teacly was then specialising in the business of cable laying, a business which LCCE wanted to engage in but did not have the necessary expertise. Accordingly, LCCE purchased Teacly with a view towards entering the cable laying industry. Subsequent to LCCE's purchase of Teacly, the directors of LCCE invited Mr Liang Say Juan to postpone his then intended retirement and continue running Teacly's cable laying business for the LC Group as he had the required expertise. Accordingly, Mr Liang Say Juan continued his employment with Teacly from 31 December 2004 up to his eventual retirement in 4 August 2010 at the age of 62. Subsequent to LCCE's purchase of Teacly, Mr Liang Say Juan ceased to be a director of Teacly and he was also not appointed to hold any directorship in our subsidiaries. Immediately prior to his retirement, Mr Liang Say Juan was employed as a project manager of the LC Group and he was in charge of overseeing the LC Group's cable laying projects.

In December 2006, Mr Toh Choo Huat and Mr Toh Chew Leong wanted to sell some of their LCCE Shares to raise funds for personal reasons. Accordingly, after discussions with the other directors of LCCE then, Mr Toh Choo Huat and Mr Toh Chew Leong invited Mr Liang Say Juan to purchase their LCCE Shares. At the same time, the then existing shareholders of LCCE wanted to invite Mr Liang Say Juan to invest in LCCE in order to incentivise him to remain with the LC Group. Accordingly, on 8 December 2006, Mr Liang Say Juan purchased 46,500 LCCE Shares from Mr Toh Choo Huat for a cash consideration of \$200,000 (which translates to \$4.30 per LCCE Share) and 23,250 LCCE Shares from Mr Toh Chew Leong for a cash consideration of \$100,000 (which translates to \$4.30 per LCCE Share). The consideration prices for both of the abovementioned purchases were based on agreed willing buyer and willing seller prices. As a result of the aforementioned purchase of 69,750 LCCE Shares, Mr Liang Say Juan's became a shareholder of LCCE and he had a shareholding of approximately 4.50% in LCCE. Correspondingly, Mr Toh Choo Huat's and Mr Toh Chew Leong's shareholding in LCCE decreased from 32.26% to 29.26% and from 30.76% to 29.26% respectively.

On 31 December 2007, Mr Liang Say Juan applied for a further allotment of 14,400 LCCE Shares for a total cash consideration of \$14,400.00. The aforementioned allotment of new LCCE Shares was in connection with an issue of LCCE Shares on a pro rata basis to all the then existing shareholders then of LCCE for the purposes of raising funds for use as working capital. After the abovementioned subscription of LCCE Shares, Mr Liang Say Juan's shareholding in LCCE remained at 4.50%.

On 31 December 2008, LCCE capitalised its profits and issued new LCCE Shares to its then existing shareholders (including Mr Liang Say Juan who was allotted 50,850 LCCE Shares) on a pro-rata basis. After the abovementioned allotment of LCCE Shares, Mr Liang Say Juan's shareholding in LCCE remained at 4.50%.

On 8 October 2009, pursuant to the issuance of 162,938 new LCCE Shares to Mr Koh Tiam Teng for Mr Koh Tiam Teng's 51% interest in the issued and paid-up share capital of Teacly, Mr Liang Say Juan's shareholdings in LCCE decreased from 4.50% to 4.27%.

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## **APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD**

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On 27 July 2010, LCCE capitalised its profits again and issued new LCCE Shares to its then existing shareholders (including Mr Liang Say Juan who was allotted 505,227 LCCE Shares) on a pro-rata basis. After the abovementioned allotment of LCCE Shares, Mr Liang Say Juan's shareholding in LCCE remained at 4.27%.

On 12 August 2010, Mr Liang Say Juan sold 19,227 LCCE Shares to Mr Koh Tiam Teng for a cash consideration of \$44,521.55 which translates to approximately \$2.32 per LCCE Share. The consideration was determined based on the LC Group's statutory audited NAV of approximately \$34,734,000 as at 31 December 2009 (translating to a NAV per LCCE Share of approximately \$2.32). As a result of the abovementioned sale of LCCE Shares, Mr Liang Say Juan's shareholding in LCCE decreased from 4.27% to 4.14%.

### **2. HISTORY AND DEVELOPMENT OF THE LC GROUP**

In 1990, Mr Toh Choo Huat and Mr Toh Chew Leong incorporated LCCE, which took over the business of the partnership Ley Choon Constructions & Engineering Co. LCCE was at the time of its incorporation, mainly engaged in the business of laying water pipes and undertook projects as a sub-contractor. Their brothers, Mr Toh Chew Chai and Mr Toh Swee Kim, also assisted them in the business of LCCE, which operated from a small container office in Woodlands Industrial Park E. In the same year, LCCE was registered as a L1 contractor with the BCA in the category of pipe laying and road reinstatement.

Between 1991 and 1994, LCCE secured contracts from PUB as the main contractor for the provision of services to supply and lay either water pipes or gas mains while continuing to act as sub-contractor for other projects. By the end of 1993, LCCE was registered as a L4 contractor in the category of pipe laying and road reinstatement.

In 1994, LCCE was awarded our first 24-hour services contract for urgent repairs of water mains in the eastern part of Singapore by PUB. We believe that our successful completion of this contract established LCCE as a capable contractor able to provide round-the-clock services to our customers and to meet the challenges of providing urgent repair services of water mains.

In December 1994, Multiform was incorporated by Mr Toh Choo Huat and two other unrelated third parties to provide the services of milling and patching of asphalt to LCCE. As LCCE excavates roads in connection with its pipe laying business, we require the services of milling and patching of asphalt for the reinstatement and resurfacing of roads after the pipes are laid. To reduce the need to outsource the milling and patching of asphalt and to strengthen our competitive strength in pipe laying, LCCE acquired the entire issued share capital of Multiform from its shareholders in 1996.

Between 1997 and 1999, we continued to diversify our businesses with the provision of repair services for gas mains and upgraded LCCE to a L5 contractor in the category of pipe laying and road reinstatement. Both LCCE and Multiform were also awarded the ISO 9002:1994 certificates in November 1999.

In 2000, PUB started a five-year programme for the replacement of old pipelines in Singapore. Five contracts were put up for tender annually over the five-year period and the LC Group managed to secure the majority of such contracts offered by PUB.

In 2001, the LC Group purchased our existing factory premises at 61 Senoko Drive, Singapore 758228 to house our head office and to meet the needs of our growing business operations.

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In 2002, the ISO 9002:1994 certifications previously awarded to LCCE and Multiform were upgraded to ISO 9001:2000. LCCE was also upgraded to a L6 contractor in the category of pipe laying and road reinstatement. The LC Group also secured our first NEWater pipeline contract awarded by PUB.

In the same year, Mr Toh Choo Huat and his brother, Mr Toh Chew Chai, entered into a joint venture with two unrelated parties to set up New Alliance Pipelines Technology Pte. Ltd. (which changed its name to Pan Alliance Technology International Pte. Ltd. in 2006) to undertake high pressure gas pipeline construction contracts. New Alliance Pipelines Technology Pte. Ltd. was incorporated under the Companies Act on 2 September 2002 in Singapore as a private limited company. As at the date of incorporation, Mr Toh Choo Huat and Mr Toh Chew Chai held in aggregate 50.0% shareholding interest in New Alliance Pipelines Technology Pte. Ltd. In addition, the LC Group diversified our business to include the provision of water leakage detection services. The LC Group also incorporated Ley Choon Technology Pte. Ltd. (which changed its name to Ley Choon Development Pte. Ltd. in 2009) under the Companies Act on 11 March 2002 in Singapore as a private limited company. Ley Choon Technology Pte. Ltd. engaged primarily in the business of water leakage detection services.

In 2003, LCCE acquired 50.0% of the entire issued share capital of New Alliance Pipelines Technology Pte. Ltd. from Mr Toh Choo Huat and Mr Toh Chew Chai.

In 2004, LCCE expanded its business activities to be registered as a C1 contractor in the category of civil engineering workhead, allowing us to bid for public sector civil engineering projects with a value of up to \$3.0 million each. In the same year, LCCE also diversified its business into cable laying through the acquisition of the entire issued and paid-up share capital of Teacly from Mr Liang Say Juan and the other two then shareholders of Teacly for a total consideration of \$100,000. Teacly is a private limited company incorporated under the Companies Act on 26 May 1982 in Singapore. Teacly was then engaged primarily in the business of cable laying, a business which LCCE wanted to carry but did not have the necessary expertise. Accordingly, LCCE purchased Teacly with a view to venture into the cable laying industry.

In 2005, the LC Group diversified its business to include the provision of traffic light maintenance. We secured a five-year contract of approximately \$25.0 million, from the LTA for the provision of services to maintain and install the traffic signal system in the western part of Singapore.

In 2006, LCCE acquired the entire issued share capital of Chin Kuan from unrelated third parties, which was engaged in the business of pipe laying. Chin Kuan was incorporated under the Companies Act on 2 March 1995 in Singapore as a private limited company. In the same year, LCCE also acquired the remaining 50% issued share capital of New Alliance Pipelines Technology Pte. Ltd. Pursuant to the acquisition, New Alliance Pipelines Technology Pte. Ltd. became a wholly owned subsidiary of LCCE. New Alliance Pipelines Technology Pte. Ltd. changed its name to Pan Alliance Technology International Pte. Ltd.

In 2007, LCCE entered into a subscription agreement with Pan Asian and under the subscription agreement, Pan Asian acquired 51% of the entire issued share capital in Teacly and Teacly became our associated company. Pursuant to the subscription agreement, Teacly's business was changed to sewer pipeline rehabilitation using trenchless technology. This marked our foray into the sewer pipeline rehabilitation business. In the same year, LCCE and Teacly secured two sewer pipeline rehabilitation projects each, worth a total of approximately \$36.0 million which was awarded by PUB for the rehabilitation of more than 100 km of sewer pipeline network in Singapore. Subsequent to the change in Teacly's business to that of sewer pipeline rehabilitation, LCCE took over Teacly's previous business of cable laying.

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In the same year, LCCE built a new asphalt plant with recycling facilities (to support its business activities) and office at 55 Kranji Crescent, Singapore 728662. The asphalt plant commenced operations in the fourth quarter of 2007.

In 2008, Teacly, as main contractor and sub-contractor for LCCE, completed the rehabilitation of approximately 100 km of sewer pipeline network in Singapore for the four sewer pipeline rehabilitation projects previously awarded in 2007. In the same year, LCCE was awarded our first two NIP projects worth a total of approximately \$48.0 million. LCCE also decided to venture into the gas pipeline business with Pan Asian and sold 60% of the entire share capital of Pan Alliance to Teacly (which was 51% owned by Pan Asian and 49% owned by LCCE) and the remaining 40% to three unrelated individuals, being Mr Liew Chee Kian, Mr Tan Hui and Mr Ng Chee Seong. LCCE sold the 40% shareholding interest to the aforementioned three individuals as they have been involved in the gas pipeline business and their equity participation in Pan Alliance would allow the LC Group to tap their expertise and experience, thereby shortening the LC Group's learning curve in this business activity. In 2010, Mr Tan Hui sold all his shares in the issued and paid-up capital of Pan Alliance to Teacly for \$57,218.00. As at the Latest Practicable Date, Teacly continues to hold 70% shareholding in Pan Alliance. For FY2008, we recorded revenue of approximately \$70.8 million.

In 2009, Ley Choon Technology Pte. Ltd. changed its name to Ley Choon Development Pte. Ltd. In October 2009, LCCE also acquired the remaining 51% of the entire issued share capital in Teacly from Mr Koh Tiam Teng (who purchased these shares from Pan Asian in May 2009). In the same year, the LC Group was awarded with a contract of approximately \$10.0 million for high pressure gas pipe laying from PowerGas. We also diversified our activities to include airfield maintenance and we secured our first contract for the resurfacing of taxiways from CAG of approximately \$15.7 million. For FY2009, we recorded revenue of approximately \$110.3 million.

The LC Group has also built a new construction waste recycling plant and office at Sarimbun Recycling Park. Our construction waste recycling plant would allow us to reduce our disposal costs for construction waste generated in our business. As such, we would be able to enjoy cost-savings in the long run, strengthening our competitiveness. We started trial runs production in March 2010.

In 2010, we expanded our airfield maintenance business to include airfield construction with the award of an airfield taxiway and aprons construction contract of approximately \$31.4 million from CAG. Over the years, we have secured major contracts from PUB, JTC and CAG for works ranging from the rehabilitation of sewer pipeline systems to the supply and laying of water mains, to the construction and resurfacing works of taxiways. In the same year, we also entered into a project joint venture with Gim Tian Civil Engineering Pte Ltd to set up LCGT-JV which was used to tender for LTA projects and which was awarded two of such LTA projects worth a total of approximately \$43.7 million. Please refer to Paragraph 1.3 of this Letter for more details relating to LCGT-JV. For FY2010, we recorded revenue of approximately \$110.7 million.

In 2010, we were also one of the recipients of the Singapore Enterprise 50 Awards. In the same year, we became a L6 contractor in the categories of (a) pipes and (b) other basic construction materials with the BCA, and our grading allows us to tender for Singapore public sector projects of unlimited value.

In 2011, we incorporated our wholly-owned subsidiary LC Yantai in PRC for the purposes of carrying out the business of (a) recycling of construction waste and development of eco-green construction products; and (b) production and sale of asphalt concrete, ready-mix concrete, dry mortar, concrete blocks and sand. In the same year, we also entered into a joint venture arrangement with Nur EWC Sdn Bhd to set up LC EWC. Nur EWC Sdn Bhd, a company incorporated in Brunei, is not related to our directors or substantial shareholders and it holds 49% equity interest in LC EWC while we hold the remaining 51% equity interest in LC EWC. LC EWC will be undertaking the businesses of non-building construction (civil engineering construction) and manufacture of asphalt pre-mix.

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In 2012, we became a L6 contractor under the workhead category of Electrical & Electronic Materials, Products & Components (SY05). 2012 marks our foray into the overseas market. Our Brunei subsidiary, LC EWC secured five contracts worth a total of approximately \$50.0 million. We also diversified our activities to include supply and installation of water treatment plants as two of the contracts secured by LC EWC relate to the supply and installation of water treatment plants.

### 3. BUSINESS OVERVIEW

#### 3.1 Our Business

We believe that we are one of the largest Underground Utilities Infrastructure companies in Singapore focusing on the following two key business segments:

- (a) Pipes and Roads Segment, which consists of Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation, and road and airfield construction and maintenance; and
- (b) Construction Materials Segment, which consists of asphalt pre-mix production and construction waste recycling.

#### 3.2 Pipes and Roads Segment

Since our establishment in 1990, we have undertaken and completed a wide range of Underground Utilities Infrastructure projects for PUB, PowerGas, Singtel, JTC and LTA.

In Singapore, underground water, gas and sewer pipes demanded by the market vary in materials, sizes and/or pressure specifications. Different categories of underground water, gas and sewer pipes require different expertise, skillsets and/or specialised equipment. We believe that the LC Group is one of the few companies in Singapore equipped with wide-ranging in-house expertise, skill sets and specialised equipment to effectively construct, maintain and/or rehabilitate underground water, gas and sewer pipes of different sizes, materials and/or pressure specifications.

For underground water pipes, we have laid and maintained pipes as small as 15 mm diameter and as large as 2.2 m diameter. For gas pipes, we have constructed and maintained low, medium and high pressure gas pipes ranging from 50 mm low pressure polyethylene pipes to 600 mm high pressure steel pipes. For sewer pipeline rehabilitation projects, we have the ability to rehabilitate sewer pipes with diameters ranging from 110 mm up to 3 m employing trenchless technology.

We also have wide-ranging in-house expertise and skill sets required for a wide range of electricity cable laying projects, including and up to 22 kilovolt high tension electricity cables.

We are registered as a L6 contractor in the categories of (a) cable/pipe laying and road reinstatement, (b) pipes and (c) electrical and electronic materials, products and components with the BCA, and our grading allows us to tender for Singapore public sector projects of unlimited value. As at 13 June 2012:

- (a) there are only 9 companies which are registered with BCA as L6 contractors in the category of cable/pipe laying and road reinstatement (CR07)<sup>(1)</sup>;
- (b) there are only 12 companies which are registered with BCA as L6 contractors in the category of pipes (SY12)<sup>(1)</sup>; and
- (c) there are only 42 companies which are registered with BCA as L6 contractors in the category of Electrical & Electronic Materials, Products & Components (SY05).

We are also registered as an A2 contractor in the category of civil engineering (CW02) and as at 13 June 2012, there are 21 companies which are registered with BCA as an A2 contractor in the category.<sup>(1)</sup>

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The LC Group undertakes the business of construction and extension of roads, airfield taxiways and aprons. In addition, we also undertake the business of providing maintenance services for roads and airfield taxiways. We are currently undertaking airfield resurfacing work at Changi Airport and airfield taxiway and aprons construction at Seletar Airport.

Whilst most of our contracts are project-based contracts, we also undertake term-based contracts which are typically maintenance and urgent repair contracts. These term-based contracts are usually for a period of 12 to 24 months. Our term-based contracts and project-based contracts have different billing cycles. For term-based contracts, our invoices are issued on completion of the relevant work order. For project-based contracts, our invoices are issued on a monthly basis after the monthly certification by the customers' consultants.

Our business in the Pipes and Roads Segment contributes approximately 95.5%, 96.2% and 96.0% to the LC Group's turnover for FY2009, FY2010 and FY2011 respectively.

**Note:**

- (1) The above information was extracted from the internet website of BCA (<http://dir.bca.gov.sg/index.php>) on 13 June 2012. We have not sought the consent of BCA nor has BCA provided its consent to the inclusion of the relevant information extracted from this website and disclaimed any responsibility in relation to reliance on the information. As they have not consented to the inclusion of the above information in this Letter, they are therefore not liable for the relevant information. While reasonable actions have been taken by the Directors to ensure that the relevant information was extracted accurately and fairly from the website, LCCE, the Directors, the Vendors, the Financial Adviser or other persons involved in the Proposed Acquisition have not conducted independent reviews of the information contained in this website and have not verified the accuracy of the information extracted from it.

### 3.3 Construction Materials Segment

To complement the LC Group's businesses, we have an asphalt plant producing asphalt pre-mixes. Asphalt pre-mix is an essential raw material required for the construction and maintenance of roads and airfield as well as the road resurfacing needs for the Underground Utilities Infrastructure constructions.

Our asphalt plant is capable of producing different formulations of asphalt pre-mixes in accordance with customer's specifications. Our asphalt plant is one of the first in Singapore to operate on natural gas. Natural gas is chosen because it is environmentally friendly and it also provides the same heating capacity at a lower cost as compared to diesel fuel.

Our asphalt plant is also one of the first asphalt plants in Singapore with built-in recycling features. Milled waste (or used asphalt pavement) recovered from road resurfacing projects contains approximately 5% reusable bitumen content. Our asphalt plant's heating drum has a built in recycling ring to feed in processed milled waste mixing with virgin aggregate to produce recycled asphalt.

To further integrate the LC Group's operations and improve cost effectiveness, we have set up a construction waste recycling plant in 2009 and started trial runs production in March 2010. As our business activities generate huge quantities of recyclable construction wastes, our construction waste recycling plant allows us to recycle these construction wastes into recycled aggregates. The concrete aggregates are then transported back to the site for re-use.

Our business in Construction Materials Segment contributes approximately 4.5%, 3.8% and 4.0% to the LC Group's turnover for FY2009, FY2010 and FY2011 respectively.

We are a L6 contractor in the categories of (a) pipes and (b) other basic construction materials with the BCA, and our grading allows us to tender for Singapore public sector projects of unlimited value. As at 13 June 2012, there are only 75 companies which are registered with BCA as L6 contractors in the category of essential construction materials (SY01A), 12 companies which are registered with BCA as L6 contractors in the category of pipe (SY12) and 101 companies which are registered with BCA as L6 contractors in the category of other basic construction materials (SY01C).<sup>(1)</sup>

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### 3.4 Major Projects

Some of the major projects with contract sums exceeding \$5 million which have been completed by the LC Group from FY2009 and up to the Latest Practicable Date are set out below:

Project Description	Customer	Approximate Contract Sum as stated in the Letter of Award (\$'million) <sup>(1)</sup>	Year of Completion
Rehabilitation of Sewerage Systems in Marina Catchment Contract 12 – Pelton Canal Catchment (Kolam Ayer – Macpherson)	PUB	9.68	2009
Rehabilitation of Sewerage Systems in Marina Catchment Contract 7 – Kallang River Catchment	PUB	9.34	2009
Rehabilitation of Sewerage Systems in Marina Catchment Contract 8 – Kallang River Catchment (Teck Ghee – Serangoon)	PUB	8.94	2009
Rehabilitation of Sewerage Systems in Marina Catchment Contract 16 – Singapore River Catchment (Radin Mas)	PUB	8.00	2009
Supply, Laying and Diversion of 500 mm to 1,600 mm Diameter Steel Water mains 2008 – 2010	PUB	5.50	2009
Maintenance and Installation of Traffic Signal System for a Period of Five Years in the West Division of Singapore	LTA	25.48	2010
Proposed Improvement and Resurfacing Works to Parallel and Runway Entry Taxiways at Singapore Changi Airport	CAG	15.74	2010
Proposed Water Pipelines from Punggol – Serangoon Pumping Station to Seletar Expressway	PUB	11.56	2010
NEWater Infrastructure Plan Contract 04 – Laying of a 2200 mm Diameter NEWater Pipeline from Kranji Expressway to Ulu Pandan NEWater Factory	PUB	33.58	2011
NEWater Infrastructure Plan Contract 02A – Laying of 2200 mm Diameter NEWater Pipeline from Pan Island Expressway to Jalan Buroh	PUB	15.53	2011
Term Contract for High Pressure Gas Pipeline Project Work	PowerGas	10.00	2011
Rehabilitation of Sewerage Network System Phase 4 Contract 7 – Punggol Serangoon Reservoir Catchment (Big Diameter)	PUB	9.66	2011

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<b>Project Description</b>	<b>Customer</b>	<b>Approximate Contract Sum as stated in the Letter of Award (\$'million)<sup>(1)</sup></b>	<b>Year of Completion</b>
Rehabilitation of Sewerage Network System Phase 4 Contract 3 – Eastern Area (Big Diameter 600 mm to 1200mm)	PUB	9.17	2011
Rehabilitation of Sewerage Network System Phase 4 Contract 3 – Serangoon River Catchment	PUB	7.79	2011
Rehabilitation of Sewerage Network System Phase 4 Contract 3 – Pandan Reservoir Catchment 2	PUB	7.58	2011
Rehabilitation of Sewerage Network System Phase 4 Contract 6 – Eastern Coast Catchment (Bedok Canal 2)	PUB	6.63	2011
Rehabilitation of Sewerage Network System Phase 4 Contract 2 – Pandan Reservoir Catchment 1	PUB	6.56	2011
Rehabilitation of Sewerage Network System Phase 4 Contract 7 – Eastern Coast Catchment (Changi Airport Diversion)	PUB	6.36	2011
Proposed Construction of Roads, Drains and Sewers off Gambas Avenue	JTC	6.16	2010
Urgent Repairs and Other Contract Work for Network Services division 2009-2011 Schedule II – West Areas under Telok Blangah B.U. Schedule III – East Areas under Woodleigh B.U.	PUB	6.00	2011
Combined Contract Work for Water Supply Network (Seletar Depot) 2008 – 2011	PUB	5.00	2011

**Note:**

- (1) The actual revenue recognised in respect of the contracts and the resulting variation orders may vary from the contract sums as stated in the letters of award due to customers' requirements subsequent to the award of the contracts.

Some of the major projects with contract sums exceeding \$5 million undertaken by the LC Group that are currently in progress are set out below:

<b>Project Description</b>	<b>Customer</b>	<b>Approximate Contract Sum as stated in the Letter of Award (\$'million)<sup>(1)</sup></b>	<b>Year of Expected Completion</b>
Diversion of Effluent Pipes at Jurong Lake District	PUB	5.92	2012
Laying of Gas Transmission Pipelines from Meranti View to Banyan Ave in Jurong Island	PowerGas	6.23	2012
Construction of East (South) Aircraft Parking Apron Associated Taxiways and Ancillary Works at Seletar Airport	CAG	31.44	2012
Planned Maintenance of Roads, Road Related Facilities and Road Structures in West Sector <sup>(2)</sup>	LTA	24.46	2013

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Project Description	Customer	Approximate Contract Sum as stated in the Letter of Award (\$'million) <sup>(1)</sup>	Year of Expected Completion
Planned Maintenance of Expressways, Road Related Facilities and Road Structures <sup>(2)</sup>	LTA	19.26	2013
NEWater Infrastructure Plan Extensive (NIPE) – NIPE Contract C6 – Supply, Delivery and Laying of 2200 mm Diameter NEWater Pipeline along Pioneer Road from Shipyard Road to Sungei Lanchar Drainage Reserve	PUB	18.63	2013
NEWater Infrastructure Plan Extensive (NIPE) – NIPE Contract C5 – Supply, Delivery and Laying of 2200 mm Diameter NEWater Pipeline along Pioneer Road from Gul Road to Shipyard Road	PUB	16.28	2013
Proposed 1400mm Diameter Water Pipeline From Seletar West Link to Sungei Punggol	PUB	9.48	2013
Laying of Gas Transmission Pipeline from Upper Jurong Road to Jalan Bahar (Expecting to receive LA to 31/1/2012)	PowerGas	8.87	2013
Urgent Repair and Other Contract Work for Network Services (East) Division 2011-2013	PUB	7.80	2013
Laying of Gas Transmission Pipeline from Tuas West Ave to Upper Jurong Road	PowerGas	7.29	2013
Laying of Gas Transmission Pipelines from Upper Jurong to Jalan Bahar	PowerGas	8.87	2013
Improvement at Drainage works at Sungei Liang Belait, Brunei	Haji Adini and Sons (B) Sdn Bhd	8.96	2013
Supply and install filter technology membrane water treatment at Barun Hill, Brunei	Haji Adini and Sons (B) Sdn Bhd	9.28	2013
NIPE Contract C4 – Design and Construction of 6 m Diameter Segmental Tunnel with Twin 2200 mm and Twin 1200 mm Diameter Pipelines from Jurong Island to Gul Road/ Pioneer Road Junction	Penta-Ocean Construction Co. Ltd.	45.00	2014
Build water treatment plant, raw water station, water storage tank and pump at Brunei	Haji Adini and Sons (B) Sdn Bhd	27.86	2014
Resurfacing of Taxiways at Singapore Changi Airport	CAG	12.10	2014
Supply, laying and diversion of 100 mm to 1600 mm Diameter Ductile Iron and/or Steel watermains	PUB	5.50	2014

**Notes:**

(1) The actual revenue recognised in respect of the contracts and the resulting variation orders may vary from the contract sums as stated in the letters of award due to customers' requirements subsequent to the award of the contracts.

(2) This contract was awarded to LCGT-JV.

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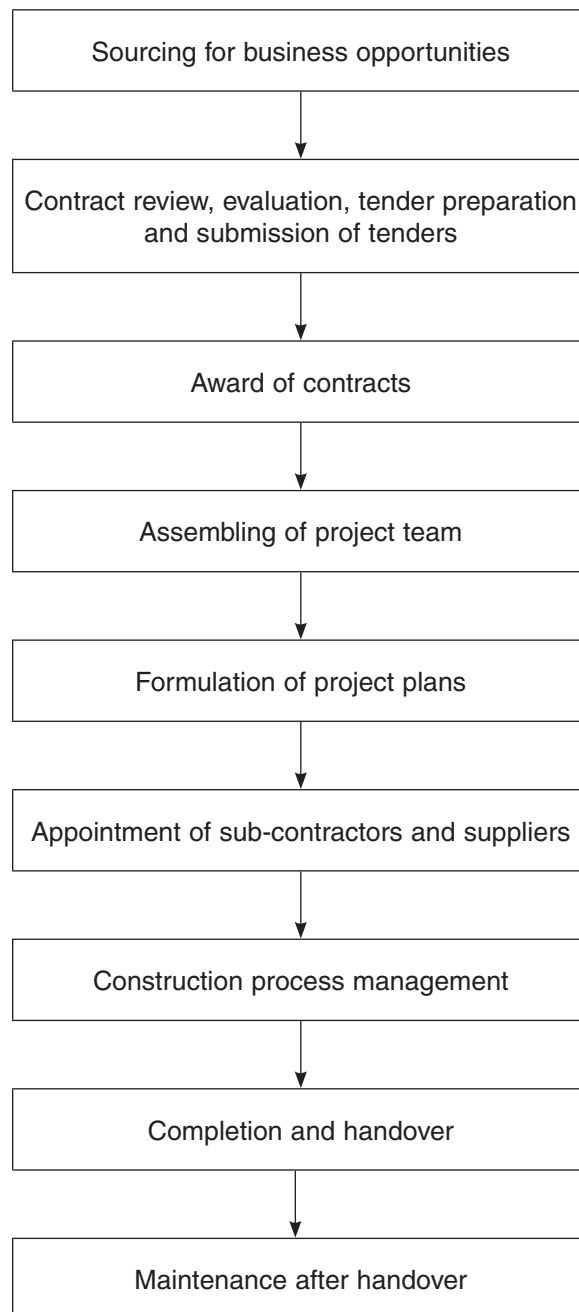
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As at Latest Practicable Date, LCCE, Chin Kuan and Teacly are involved with 24, 14 and 10 projects and/or contracts respectively and Multiform and Pan Alliance are not directly involved in any projects or contracts. LC Development is currently an investment holding company.

### 3.5 Our Business Process

The following events, in chronological order, represent a typical project cycle for our businesses in the Pipes and Roads Segment for both term-based contracts and project-based contracts:



(a) *Sourcing for business opportunities*

Construction projects and business opportunities are mainly sourced through public and invitation tenders.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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(b) *Contract review, evaluation, tender preparation and submission of tenders*

Before preparing for a tender, we would first evaluate our current project commitments and available resources. Once a decision has been made to proceed with the tender submission, we would typically undertake the following steps:

- i. review the relevant tender documents, drawings and specifications and consider the complexity of the project;
- ii. clarify ambiguities by submitting queries to the architect, engineer or quantity surveyor;
- iii. request for quotations from sub-contractors and suppliers that we would work with based on the required scope of works;
- iv. quantity survey and cost estimation;
- v. finalise tender price;
- vi. enter into pre-tender memorandum of understanding with suppliers or sub-contractors (if necessary) in order to lock in prices and terms; and
- vii. submit documents required in the tender which may include sketches, drawings, construction work programmes and alternative designs.

The entire process for the above would typically take between one to three weeks.

(c) *Award of contracts*

If our submitted tender is short-listed, we may then be required to attend tender interviews to clarify issues such as pricing and materials offered, and to respond to any other queries relating to the tender, such as methods used for the Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation, road and airfield construction and maintenance work. There may be negotiations to finalise the terms of the contract before the contract is awarded. Notification of a successful tender would typically take place within one to three months after the close of the tender.

(d) *Assembling of project team*

Once we are awarded the contract, we would assemble the project team. The composition of the project team depends largely on the size, complexity and requirements of the awarded project. The project team normally comprises a project director, a project manager, project engineers, site foremen, site manager, land surveyor and safety personnel. The project team may have more members if the project size is larger and more complex and this would typically be factored in during the tender submission stage.

(e) *Formulation of project plans*

The project team is responsible for the formulation of the project execution plan and the project quality plan. The project execution plan would specify the functions and responsibilities of all parties involved (including the sub-contractors to be appointed by us, if any), construction schedules, construction equipment and machinery utilisation requirements, manpower projection plan, approvals from authorities to be obtained, specific technical and quality requirements imposed by customers, schedules for the mobilisation of resources for the construction site and the financial budget of the project. The project quality plan will be established to ensure that the project complies with ISO or OHSAS requirements.

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(f) *Appointment of sub-contractors and suppliers*

We maintain a list of sub-contractors and suppliers who meet the requisite performance and quality standards. We review this list through periodic assessment and additions are made when new suppliers and sub-contractors are found to be suitable upon evaluation. Those who fail our assessment would be removed from the list. Sub-contractors and suppliers are selected based on, amongst other things, our past working experience with them, their competitiveness in terms of their pricing and their past performance. Depending on our customers' requirements, the appointment of sub-contractors and key suppliers may need to be approved by them.

(g) *Construction process management*

Our project team carries out process control activities throughout the project to ensure safety, quality and timely completion of projects. Process control activities include planning, supervising, inspecting, directing, recording and reporting as and when appropriate. Our customers may also engage third parties to conduct independent checks on the safety and quality of work done.

(h) *Completion and handover*

The criteria and standards for acceptance of a project are established based on the technical specifications of the project during the stage of formulation of the project execution plan. During the construction process, we may also seek clarifications from our customer as to the accepted specifications or standards.

Upon satisfactory completion of all process controls by the project team and inspection by our customer, the completed project will be officially handed over to our customer.

(i) *Maintenance after handover*

Our contracts would typically include a defects liability period, usually 12 to 18 months after completion of the project, depending on the terms of the contract. During the defects liability period, we will be responsible for making good any defects found in the completed project. Our customers will also continue to retain the performance bond that was provided to them at the commencement of the project until the end of the defects liability period.

The time required for project completion is dependent on the size and complexity of the project. The project size and complexity are usually factored into the duration of the contract by the project owner or vendor. Generally, the LC Group's contracts are for durations of one to two years. There is generally a preparatory period of one month between the award of contract and the commencement of construction. The preparatory period is due to the contractor having to carry out certain preparatory works including assembling of the project team and preparation of the work site, which in turn involves the setting up of a site office and mobilisation of work equipment. To the best knowledge of the LC Group, the one month preparatory period is not unusual for the types of projects which we undertake, such as Underground Utilities Infrastructure construction and road/ taxiway re-surfacing.

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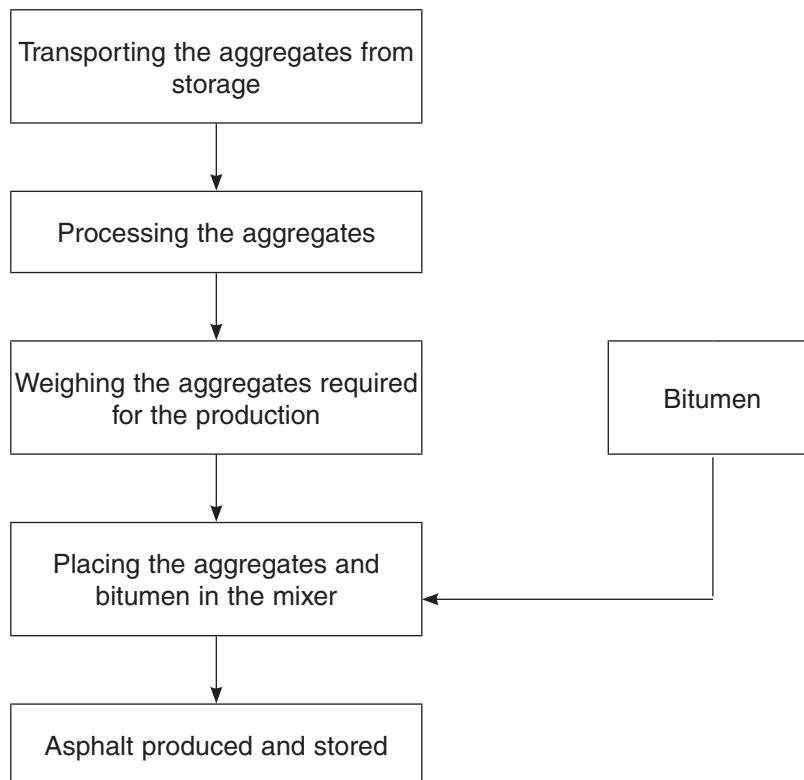
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### 3.7 Asphalt Pre-mix Production

Our asphalt pre-mix plant is an integrated facility. The asphalt plant is made up of a cold feed bin, a dryer, vibrating sieve, hot bins, mixer and silos. Our production process comprises product set up, drying, heating, sieving, weighing, mixing and storing at controlled temperatures prior to customer collection. We consider each of the aforementioned individual activities to be an essential part of the production process.

The following sets out in chronological order the processes in our production of asphalt pre-mixes:



(a) *Transferring the aggregates from storage*

The two basic raw materials required for producing asphalt pre-mixes are aggregates and bitumen. Upon receiving the orders from our customers, we would conduct a review to determine the composition of the asphalt pre-mix and the amount of aggregates and bitumen needed to produce the asphalt pre-mix required. The aggregates are transferred from the storage at the asphalt plant to the machines for processing. There are different compositions of raw materials for each asphalt pre-mix category. Within each individual pre-mix category, the constituents of the composition are fixed in mix proportion. The composition used in each pre-mix can also be prepared according to customer's specification. As at the Latest Practicable Date, our asphalt pre-mix plant is able to produce more than 10 different compositions.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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(b) *Processing the aggregates*

The aggregates are placed in a cold feed bin first to be weighed. After weighing, the cold feed bin will discharge the aggregates onto a conveyor belt which is programmed to transport the aggregates to the dryer of the asphalt plant. The aggregates are placed in the dryer to reduce their moisture content and to prepare it for further processing.

When the processed aggregates are dried to the desired level, they are then placed in the filters by the automated system of the asphalt plant. In the filters, the mixture is sieved through a series of screens to segregate the processed aggregates into different grades and sizes. The processed aggregates which have been sorted are stored according to their grades in standby hot bins. The sorting of the processed aggregates and the transportation of these aggregates from the filters to the hot bins are automated.

(c) *Weighing the aggregates required for the production*

The processed aggregates of different grades and sizes are transported from the hot bins to the hoppers of the asphalt plant and are weighed. Based on the requirements of the customer, the amount of each material required for the production of the asphalt pre-mix is measured out. The transportation and weighing of the processed aggregates are automated.

(d) *Placing the aggregates and bitumen in the mixer*

Different sizes and grades of processed aggregates, in the measured amounts are automatically transported from the hopper to the mixer. The required amount of bitumen is also transported to the mixer. In the mixer, the processed aggregates are blended together with bitumen to produce the asphalt pre-mix according to the customers' specifications.

(e) *Asphalt produced and stored*

The asphalt pre-mix produced is removed from the mixer and tested to ensure that the quality of the asphalt pre-mix produced meets customers' requirements. If the tested asphalt pre-mix meets customers' requirements, they are stored in the silo at our premises until the asphalt pre-mix is collected by customers. Our production facility is able to process and store asphalt at controlled temperatures according to the product specifications of our customers. As the product specifications of our customers vary, our production process requires varying production time due to different product set up, drying, sieving, heating and mixing requirements.

In addition to the aforementioned production process, we have other supporting processes such as logistics, inventory management, administration and customer service management and technical support.

### 3.8 Construction Waste Recycling

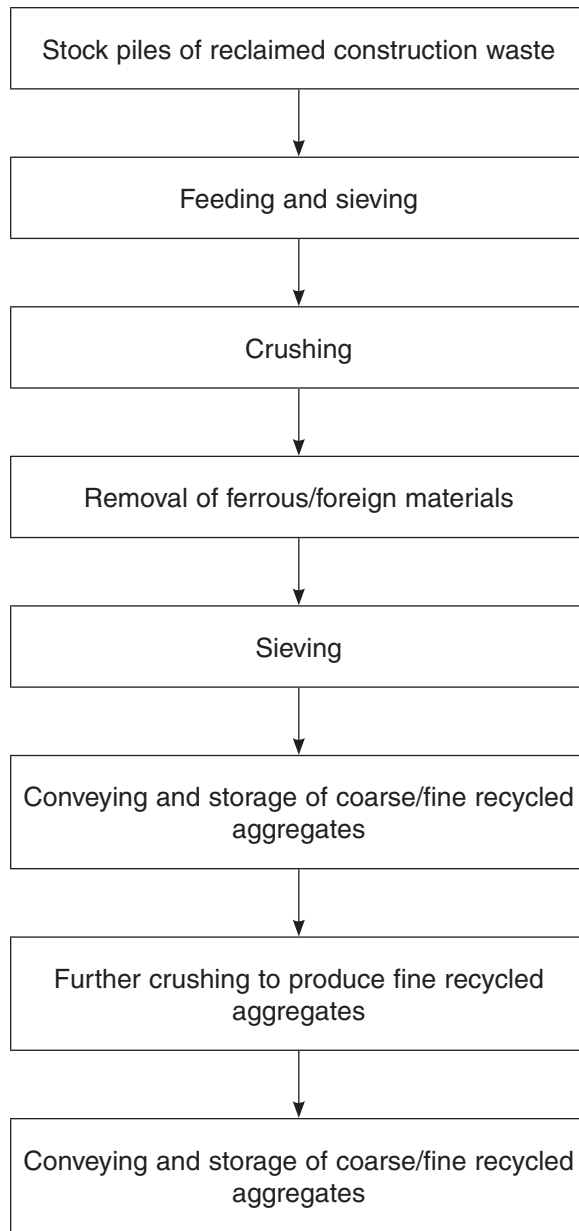
We have set up a construction waste recycling plant and trial runs production commenced in March 2010 and commercial production commenced in January 2012. Our construction waste recycling plant is able to produce different sizes of recycled aggregates (coarse and fine) to serve the construction industry.

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The following sets out in chronological order the process in the construction waste recycling:



- (a) *Stock piles of reclaimed construction waste*  
Construction waste materials are collected and stock piled at the plant's outdoor incoming material bunkers.
  
- (b) *Feeding and sieving*  
Reclaimed materials are broken down into different sizes. Steel wire mesh, wood and unwanted construction wastes are removed first before the reclaimed materials are fed into the impact crusher.
  
- (c) *Crushing*  
Materials are crushed to produce coarse and fine recycled aggregates of different sizes according to customers' requirements.

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- (d) *Removal of ferrous/foreign materials*  
Residual ferrous/foreign materials will be removed before the reclaimed materials are crushed to smaller sizes using high speed vertical axial crushers.
- (e) *Sieving*  
Materials are further segregated into different sizes.
- (f) *Conveying and storage of coarse/fine recycled aggregates*  
Coarse/fine recycled aggregates produced are transported by conveyor belts and stored in separate sheltered bunkers.
- (g) *Further crushing to produce fine recycled aggregates*  
Any balance of the aggregates which do not meet our quality control requirements will be crushed further.
- (h) *Conveying and storage of coarse/fine recycled aggregates*  
Coarse/fine recycled aggregates produced are collected and transported by conveyor belts to storage bunkers.

#### 4. PRODUCTION FACILITIES AND CAPACITY

##### 4.1 Asphalt Plant

Our maximum production capacity is limited by (a) the time required for daily maintenance activities per day, (b) the number of days the plant is closed for major maintenance activities per year, and (c) the maximum production output per hour as per our plant's machine specifications.

Our utilisation rates are affected by factors, including:

- the availability of raw materials;
- the specific product requirements of our customers;
- the availability of controlled temperature storage space in our silo;
- the matching of the completion of asphalt processing to the timing of delivery to customer as asphalt pre-mix has to be maintained at a certain temperature until its delivery on-site;
- the availability of our customers for collection of processed asphalt;
- the weather conditions;
- the amount of downtime for plant repairs; and/or
- drying time for the aggregates.

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The following table shows our estimated maximum production capacity and utilisation rates for each of FY2009, FY2010 and FY2011:

	Maximum production capacity (tonnes) <sup>(1)</sup>			Actual utilisation rate (%) <sup>(2)</sup>		
	FY2009	FY2010	FY2011	FY2009	FY2010	FY2011
Asphalt pre-mix	1,207,500	1,207,500	1,207,500	14.9	13.3	17.1

**Notes:**

- (1) The maximum production capacity of our asphalt plant for each of FY2009, FY2010 and FY2011 was calculated based on 20-hour work shift per day, 345 operating days and at the maximum production output of 175 tonnes per hour. Our maximum production output of 175 tonnes per hour was based on our plant's machine specifications.
- (2) Approximate utilisation rate of our asphalt plant is based on the actual production output computed as a percentage of the estimated maximum production capacity. Our customers require our asphalt pre-mix to be delivered to them at certain temperatures on-sites. As our delivery method is via self-collection by the customer, our utilisation rates are mainly subject to the availability of controlled temperate storage space in our silo pending collection by our customers. Our silo has a storage capacity of 400 tonnes. We do not keep records pertaining to the utilisation of the silo as the silo is one of many individual components constituting the asphalt pre-mix plant. Accordingly we are not able to provide the utilisation rates of the silo. While the addition of new silos will not increase the maximum production capacity of our asphalt pre-mix plant, we are of the view that addition of new silos in due course will increase the amount of controlled temperature storage space available and in turn improve our utilisation rate.

Utilisation rate decreased from 14.9% in FY2009 to 13.3% in FY2010 mainly due to decrease in demand for projects as they have not yet reached the required stage of completion. Utilisation rate increased from 13.3% in FY2010 to 17.1% in FY2011 mainly due to the increased demand from our own road constructions.

### 4.2 Construction Waste Recycling Plant

We have set up a construction waste recycling plant and trial runs production commenced in March 2010 and commercial production commenced in January 2012. Currently, most of the products are used by us for our Pipes and Roads Segment. Accordingly, there are no available figures for the capacity and utilisation rate of our production facilities for construction waste recycling plant in the last three financial years. Since commencement of trial runs production in March 2010 until the end of FY2011, our maximum annual production capacity was 1,380,000 tonnes and our annual utilisation rate was 8.1%, which may not be reflective of future utilisation rate once we achieve normalised commercial production.

Our maximum annual production capacity was calculated based on 20-hour work shift per operating day, for 345 operating days and the maximum production output of 200 tonnes per hour. Our maximum production output of 200 tonnes per hour was based on our plant's machinespecification. Our utilisation rate was calculated based on the actual production output computed as a percentage of the estimated maximum annual production capacity. The recycled aggregates generated from our trial runs production of our construction waste recycling plant were also used as materials for certain projects.

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**5. REGISTERED CONTRACTORS AND LICENSED BUILDERS**

As at 13 June 2012, the companies in the LC Group are registered with BCA as registered contractors for certain workheads and licensed builders as set out below and they also have the tender limits for public contracts set out below from 1 July 2011 to 30 June 2012.<sup>(1)</sup> Our BCA registration grades have not been downgraded in FY2009, FY2010, FY2011 and up to the Latest Practicable Date. We are also not aware of any risks or circumstances that may result in our BCA registration grades being downgraded or result in any difficulty for the maintenance of such grades by us. Nonetheless, there is no assurance that we can maintain our existing BCA registration grades.

**Chin Kuan**

(a) Registered Contractors

<b>Workhead</b>	<b>Title</b>	<b>Financial Grade</b>	<b>Tendering Limit</b>
<i>Construction Related</i>			
CR07	Cable/Pipe Laying & Road Reinstatement	L5	Up to \$13.0 million
<i>Construction</i>			
CW02	Civil Engineering	C1	Up to \$4 million

(b) Licensed Builders

<b>Licensing Code</b>	<b>Title</b>	<b>Tendering Limit</b>
GB1	General Builder Class 1	Unlimited

**LCCE**

(a) Registered Contractors

<b>Workhead</b>	<b>Title</b>	<b>Financial Grade</b>	<b>Tendering Limit</b>
<i>Construction Related</i>			
CR05	Concrete Repairs	L1	Up to \$0.65 million
CR07	Cable/Pipe Laying & Road Reinstatement	L6	Unlimited
CR14	Asphalt Works & Road Marking	L5	Up to \$13.0 million
<i>Supply</i>			
SY01A	Essential Construction Materials	L6	Unlimited
SY01C	Other Basic Construction Materials	L6	Unlimited
SY05	Electrical & Electronic Materials, Products & Components	L6	Unlimited
SY12	Pipes	L6	Unlimited
<i>Mechanical &amp; Electrical</i>			
ME04	Communication & Security Systems	L1	Up to \$0.65 million
ME05	Electrical Engineering	L1	Up to \$0.65 million
ME13	Traffic Light Systems	L5	Up to \$13.0 million
ME11	Mechanical Engineering	L5	Up to \$13.0 million
<i>Construction</i>			
CW01	General Building	C3	Up to \$0.65 million
CW02	Civil Engineering	A2	Up to \$85.0 million

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(b) Licensed Builders

<b>Licensing Code</b>	<b>Title</b>	<b>Tendering Limit</b>
GB1	General Builder Class 1	Unlimited

**Multiform**

(a) Registered Contractors

<b>Workhead</b>	<b>Title</b>	<b>Financial Grade</b>	<b>Tendering Limit</b>
<i>Construction Related</i>			
CR14	Asphalt Works & Road Marking	L1	Up to \$0.65 million
<i>Construction</i>			
CW02	Civil Engineering	C3	Up to \$0.65 million

(b) Licensed Builders

<b>Licensing Code</b>	<b>Title</b>	<b>Tendering Limit</b>
GB2	General Builder Class 2	Up to \$6.0 million

**Pan Alliance**

(a) Registered Contractors

<b>Workhead</b>	<b>Title</b>	<b>Financial Grade</b>	<b>Tendering Limit</b>
<i>Construction Related</i>			
CR01	Minor Construction Works	Single Grade	Unlimited

**Teacly**

(a) Registered Contractors

<b>Workhead</b>	<b>Title</b>	<b>Financial Grade</b>	<b>Tendering Limit</b>
<i>Construction Related</i>			
CR07	Cable/Pipe Laying & Road Reinstatement	L5	Up to \$13.0 million
<i>Maintenance</i>			
MW02	Housekeeping, Cleansing, Desilting & Conservancy Service	L3	Up to \$4.0 million
<i>Construction</i>			
CW01	General Building	C3	Up to \$0.65 million
CW02	Civil Engineering	C3	Up to \$0.65 million

(b) Licensed Builders

<b>Licensing Code</b>	<b>Title</b>	<b>Tendering Limit</b>
GB1	General Builder Class 1	Unlimited

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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**Note:**

- (1) The above information was extracted from the internet website of BCA (<http://dir.bca.gov.sg/index.php>) on 13 June 2012. We have not sought the consent of BCA nor has BCA provided its consent to the inclusion of the relevant information extracted from its website and disclaimed any responsibility in relation to reliance on the information. As they have not consented to the inclusion of the above information in this Letter, they are therefore not liable for the relevant information. While reasonable actions have been taken by the Directors to ensure that the relevant information was extracted accurately and fairly from the website, LCCE, the Directors, the Vendors, the Financial Adviser or other persons involved in the Proposed Acquisition have not conducted independent reviews of the information contained in this website and have not verified the accuracy of the information extracted from it.

### 6. INVENTORY MANAGEMENT

Our project teams estimate the materials required for our contracts and we will purchase such materials in accordance with the schedules and requirements of secured contracts as well as the delivery lead times.

Our inventory consists mainly of pipes and fittings. Other items maintained in our inventory include consumables such as diesel, sand, aggregates and bitumen.

The LC Group maintains stock on standard pipes and fittings for the purpose of facilitating the provision of urgent repairs services as required by our customers and/or fulfill urgent orders by our customers. The standard pipes and fittings have long product shelf lives and accordingly stock obsolescence is not material and we do not provide for stock obsolescence.

Due to the nature of application of certain direct materials, we may require our suppliers to deliver the direct materials as and when required, as opposed to maintaining them in our inventory. For bitumen which is to be used for asphalt pre-mix production by our asphalt plant, we require the bitumen to be maintained at certain temperatures. Accordingly, our suppliers deliver our bitumen requirements on a daily basis. We are well-supported by a list of suppliers for all our direct material requirements.

The LC Group utilises a computerised inventory management system that allows us to track our inventory levels and movements. We conduct stock reviews on a regular basis to ensure accuracy of the information captured in our inventory management system and to rectify any discrepancies in our inventory records. Our average inventory turnover days for FY2009, FY2010 and FY2011 are as follows:

	FY2009	FY2010	FY2011
Average inventory turnover days <sup>(1)</sup>	18	22	18

**Note:**

- (1) The average inventory turnover days for FY2009, FY2010 and FY2011 is calculated based on the average of the opening and closing inventory balances of the relevant financial year divided by direct material costs for the relevant financial year and multiplied by 365 days for FY2009, FY2010 and FY2011.

Our inventory as at 31 December 2011 amounted to \$4.3 million. The aging schedule of our inventory as at 31 December 2011 is as follows:

Age of inventory	Percentage of total inventory (%)
Up to 12 months	71.3
More than 12 months and up to 24 months	28.7
Total	<u>100.0</u>

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### 7. MARKETING

Our Executive Chairman and CEO, Mr Toh Choo Huat, is in charge of formulating and planning marketing strategies and activities for the LC Group and we source for new projects mainly through public tenders. Information on open tenders is generally obtained from GeBIZ's website, where all the Singapore public sector's invitations for quotations and tenders are posted, local media as well as invited tenders from private sectors. We also market our products and services by participating in local trade exhibitions such as the Singapore International Water Week.

A tender committee, comprising at least one of our Executive Directors and the General Manager and Head of Tender Department and at least one quantity surveyor, is responsible for the following functions in connection with the tendering and acceptance of jobs:

- (a) deciding on the participation in any tender exercise, based on the capability and availability of equipment, machinery and manpower;
- (b) assessing customer's requirements, and carrying out alternative proposals if deemed necessary; and
- (c) checking the feasibility of pricing and quotations used in tender computations.


### 8. GOVERNMENT REGULATIONS

As at the Latest Practicable Date, our business operations in Singapore, PRC and Brunei are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in Singapore, PRC and Brunei and those set out in Paragraph 36 of this Letter.

We confirm that as the Latest Practicable Date, we have obtained all requisite approvals and are in compliance with laws and regulations that would materially affect our business operations.

### 9. INTELLECTUAL PROPERTY

The LC Group registered our corporate logo as a registered trademark:

Trademark	Country of Registration	Applicant	Class	Certificate No.	Validity
	Singapore	LCCE	Class 19 – Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal; and	T1005839A	10 May 2010 to 10 May 2020
			Class 37 – Building construction; repair; installation services	T1005840E	10 May 2010 to 10 May 2020

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We have also made a registration of trade mark application to Trade Mark Office of the State Administration for Industry and Commerce of the PRC on 27 February 2012 and have received a Notice of Acceptance of Registration on 2 March 2012:

Trade Mark	Country of Application	Applicant	Class	Notice of Acceptance of Registration No.
	PRC	LC Yantai	Class 37	ZC10536161SL

We have also acquired the following licence for our sewer pipeline rehabilitation business:

Licence	Territory	Validity
SPR Method	Singapore, Malaysia, India	5 years from 21 December 2007

To the best of the LC Group's knowledge, the use of the CIPP Method for our pipe rehabilitation works does not require any licence.

Save as disclosed, neither our business nor profitability is materially dependent on any patent, trademark or licence.

### 10. INSURANCE

The LC Group has taken up, *inter alia*, the following insurance policies:

- (a) workmen's compensation in relation to our employees;
- (b) commercial vehicles of the LC Group;
- (c) machinery and equipment;
- (d) public liability in connection with the LC Group's business;
- (e) group life, personal accident, hospital and surgical, and death and disability insurance for our employees;
- (f) fire in relation to our premises; and
- (g) theft in relation to our assets.

We believe that the insurance policies taken up by us are adequate for our business operations.

### 11. QUALITY CONTROL

We are committed to achieving the highest level of customer satisfaction possible. We place strong emphasis on the quality control of our projects.

We have implemented a quality management system which our Executive Director, Mr Tan Teck Wei, oversees. To control the quality of our projects, we ensure that our sub-contractors, suppliers, engineers and tradesmen have the relevant experience and proven track records, relevant qualifications and required permits and licences. All our sub-contractors and suppliers need to be pre-approved by us.

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We conduct regular inspections at our work sites to ensure that each stage is constructed according to the construction or maintenance specifications and the prescribed procedures and methods. In addition, independent inspections are also carried out by experts appointed by our customers. Our regular reviews enable us to:

- (a) focus on satisfying and excelling towards customers' expectations and to continuously achieve and maintain good feedback and repeat business from our customers;
- (b) achieve and maintain a good working environment for our employees;
- (c) achieve profitable growth with the commitment to provide internationally recognised quality service standards;
- (d) improve the efficiency of our work;
- (e) provide quick response to rectify any defects;
- (f) deliver projects within the given budget;
- (g) ensure that work is completed within the stipulated time frame and minimal rework is required; and
- (h) ensure that our workers observe safety guidelines and regulations at all time.

In particular, the Safety Action Group (“**SAG**”) inspection team set up by the LC Group will carry out spot checks on all sites. The safety inspector is empowered to enforce or correct any safety lapses found during his site inspection. For sites that are found to have consistent safety lapses, demerit points or warning letters will be issued to the responsible workers. Site supervisors and safety supervisors/officers will carry out surprise site inspection from time to time. Lapses and breach of safety at sites will result in demerit points issued to the affected workers. The quantum of demerit points will be determined by the SAG during their regular monthly meeting. When a particular worker exceeds the maximum allowable demerit points within a 6-month period, depending on the seriousness of the offence, his work permit may be cancelled and he be sent home. After the 6-month period, any accumulated points will be reset. The demerit point system is determined based on the degree of severity of safety lapses found on site and based on the LC Group's demerit point's classification system.

We also have a laboratory to carry out quality tests on the asphalt pre-mix products to ensure compliance with specifications of our customers.

We have received the following certificates:

Certifications	Certification body	Company awarded to	Year certified	Date/Year of expiry
Registration Certificate for quality management systems in respect of the provision of emergency repair services for water and gas pipes, the rehabilitation of sewers, the provision of water leak monitoring and detection services, the laying of cables, the provision of underground scanning detection and monitoring services, the milling, resurfacing and making of roads, the installation and maintenance of traffic signal system and the provision of civil engineering services and pipes jacking (ISO 9001: 2008)	CI	Chin Kuan	2009	2012
		LCCE	2009	2012
		Multiform	2010	2013
		Teacly	2011	2014

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Certifications	Certification body	Company awarded to	Year certified	Date/Year of expiry
Registration Certificate for the provision of civil engineering services and pipe jacking, and asphalt production (IS:14001:2004)	CI	LCCE	2010	2012
OHSAS' Certification for Occupational Health and Safety (OHSAS 18001:2007)	CI	Chin Kuan	2009	2012
		LCCE	2009	2012
		Multiform	2010	2013
		Teacly	2011	2014
Awarded bizSAFE Level Star <sup>(1)</sup>	WSHC	LCCE	–	24 October 2013
Awarded bizSAFE Level Star <sup>(1)</sup>	WSHC	Chin Kuan	–	24 October 2013
Awarded bizSAFE Level 3 <sup>(1)</sup>	WSHC	Teacly	–	14 November 2013
Workplace Safety And Health (Risk Management)	CI	LCCE	–	–
		Chin Kuan	–	–

**Note:**

- (1) The above information was extracted from the internet website of WSHC (<https://www.wshc.sg/>) on the Latest Practicable Date. We have not sought the consent of WSHC nor has WSHC provided its consent to the inclusion of the relevant information extracted from this website and disclaimed any responsibility in relation to reliance on the information. As they have not consented to the inclusion of the above information in this Letter, they are therefore not liable for the relevant information. While reasonable actions have been taken by the Directors to ensure that the relevant information was extracted accurately and fairly from the website, LCCE, the Directors, the Vendors, the Financial Adviser or other person involved in the Proposed Acquisition have not conducted independent reviews of the information contained in this website and have not verified the accuracy of the information extracted from it.

With the above certifications, we believe that our customers can be assured that their needs and expectations in terms of the standard, regulatory requirements, quality management system and customers' satisfaction will be met.

BCA Contractors Registry also requires all contractors to comply with the registration requirements for tender of government projects.

Further, we view the prevention of demerit points accumulation as part of our service quality, as such we have taken measures to improve the standard of safety and health of all site personnel. Some of such measures include providing orientations for new workers on the importance of workplace safety matters and conducting regular in-house safety awareness course/briefing on LTA's Code of Practice for works on public streets, MOM's safety rules and regulations and accident prevention measures involving all of the LC Group's site personnel. In addition, we have formed and implemented a safety inspection unit, which consists of qualified safety personnel and senior management staff, in mid-July 2010.

## 12. CREDIT MANAGEMENT

### 12.1 Credit policy for our customers

For our business, credit terms extended to our customers are dependent on our customers' payment record with us, their credit standing as well as the size of the transaction or contract. Typical credit terms for our business range from 30 days to 90 days and the average trade receivables turnover days for FY2009, FY2010 and FY2011 are as follows:

	FY2009	FY2010	FY2011
Average trade receivables turnover days <sup>(1)</sup>	52	48	37

## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

**Note:**

- (1) The average trade receivables turnover days for FY2009, FY2010 and FY2011 is calculated based on the average of the opening and closing trade receivables balances for the relevant financial year divided by revenue for the relevant financial year and multiplied by 365 days.

Our average trade receivables turnover days decreased from 52 days in FY2009 to 37 days in FY2011. The decreases were mainly due to better credit management and prompt collection from customers.

We did not make significant allowances for doubtful trade debts for FY2009, FY2010 and FY2011 as we have not experienced significant difficulties in collecting our trade receivables. In addition, our focus on public sector tenders reduces our credit risks significantly. The amount of allowance for doubtful trade debts as at 31 December 2009, 31 December 2010 and 31 December 2011 are as follows:

	As at 31 December 2009 (\$'000)	As at 31 December 2010 (\$'000)	As at 31 December 2011 (\$'000)
Allowance for doubtful trade debts	83	609	588

The amount of doubtful debts increased from \$83,000 as at 31 December 2009 to \$609,000 as at 31 December 2010 and \$588,000 as at 31 December 2011 mainly due to difficulty in collecting payment from a particular customer, who is not a major customer of the LC Group, in one of our projects.

### 12.2 Credit terms granted by our suppliers

Payment terms granted by our suppliers are dependent, *inter alia*, on our relationship with our suppliers as well as the size of the transactions. Typical credit terms that are granted by our suppliers range from 30 days to 90 days. Our average trade payables turnover days for FY2009, FY2010 and FY2011 are as follows:

	FY2009	FY2010	FY2011
Average trade payables turnover days <sup>(1)</sup>	70	69	62

**Note:**

- (1) The average trade payables turnover days for FY2009, FY2010 and FY2011 is calculated based on the average of opening and closing trade payables balances for the relevant financial year divided by cost of sales for the relevant financial year and multiplied by 365 days.

Our average trade payables turnover days decreased from 70 days in FY2009 to 62 days in FY2011. The decrease is mainly attributable to an improvement in our accounts receivables turnover days and higher revenue, which in turn improved our operating cash flow and consequently enabled us to repay our suppliers more promptly.

### 13. EXCHANGE CONTROLS

Currently, there are no exchange control restrictions in Singapore that may affect (a) the repatriation of capital, including the availability of cash and cash equivalent for use by the LC Group, and (b) the remittance of profits that may affect dividends, interest or other payment to our Shareholders.

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Our PRC subsidiary, LC Yantai, is subject to the relevant PRC rules and regulations on currency conversion. In the PRC, State Administration for Foreign Exchange (“SAFE”) regulates the conversion of RMB into foreign currencies. Currently, foreign invested enterprises (“FIEs”) are required to apply to SAFE for “Foreign Exchange Registration Certificates for FIEs”. LC Yantai is a FIE. With such registration certifications, a FIE is allowed to open foreign currency accounts for the “current item” and “capital item”. Currently, the remittance of foreign currencies for payment of dividends under the scope of the “current item”, can be effected without the approval of SAFE after paying tax in accordance with tax law. However, the conversion of currency under the “capital item” including direct investments, various loans and securities, still requires the approval of SAFE. Accordingly, the ability of our PRC subsidiary company, LC Yantai, to exchange foreign currency under “capital item” may be restricted by the PRC foreign exchange control restrictions.

Currently, there are no exchange control restrictions in the repatriation of capital and the remittance of funds into or out of Brunei.

### 14. RESEARCH AND DEVELOPMENT

We do not undertake research and development activities and have not incurred any research and development expenses as the nature of our business does not require us to do so.

### 15. MAJOR CUSTOMERS

The following table sets forth our customers accounting for five per cent. (5.0%) or more of the LC Group’s total revenue for FY2009, FY2010 and FY2011:

Name of Customer	As a percentage of revenue			Type of services provided
	FY2009 (%)	FY2010 (%)	FY2011 (%)	
PUB	62.4	69.3	52.6	Repair & maintenance, installation, supply, laying water pipes and sewer pipeline rehabilitation
LTA	3.1	4.7	11.6	Repair & maintenance of traffic lights, planned maintenance of roads, road related facilities and road structures
CAG	10.1	13.6	15.0	Resurfacing taxiway works at Changi Airport and construction of aircraft parking apron associated taxiways and ancillary works at Seletar Airport
Yuan Ji Enterprises Pte Ltd	6.2	1.0	4.4	Supply of asphalt pre-mixes and road resurfacing services

Revenue contribution from our customers varied from year to year mainly due to the nature of our business. We derive a certain proportion of our revenue from work done on a project basis. The availability of such projects varies from year to year and we may not be awarded projects of similar size and scope by the same customers in consecutive years.

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The percentage of revenue contribution by PUB increased from FY2009 to FY2010 mainly due to consolidation of full year revenue from Teacly. The percentage of revenue decreased from FY2010 to FY2011 mainly due to lower proportion of revenue recognised in FY2011 in respect of certain existing contracts which are near completion, in particular the NIP projects secured prior to FY2009.

The percentage of revenue increased from FY2009 to FY2011 was mainly due to an increase in work orders received from LTA. Our revenue derived from LTA for FY2009 and FY2010 was mainly attributable to a term-based contract that was secured in FY2005 and completed in May 2010. In June 2010, we secured two new contracts from LTA. The revenue from the work orders fluctuates depending on the amount, nature and complexity of the work undertaken.

Our revenue derived from CAG is attributable to airfield taxiway resurfacing contracts and construction of aircraft parking apron, associated taxiways and ancillary works secured in FY2009, FY2010 and FY2011, during which the percentage of revenue has increased due to increasing number of contracts secured.

Our revenue from Yuan Ji Enterprises Pte Ltd is derived mainly from sales of our asphalt pre-mix and road resurfacing services. The percentage of revenue for each financial year during the Periods Under Review varies depending on the number of projects awarded to us by Yuan Ji Enterprises Pte Ltd.

Save as disclosed above, there are no other customers whose revenue contribution to us accounted for more than five per cent. (5.0%) of our revenue for FY2009, FY2010 and FY2011.

As at the Latest Practicable Date, none of our Directors or Substantial Shareholders or their respective Associates is related to or has any interest (direct or indirect) in any of our major customers listed above.

To the best of our knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major customers.

As at the Latest Practicable Date, save as disclosed in the section entitled “Risk Factors” set out in Paragraph 24 of this Letter, our business and profitability are currently not materially dependent on any particular industrial, commercial or financial contract with any customer.

### 16. MAJOR SUPPLIERS

The following table sets forth our suppliers who accounted for five per cent. (5.0%) or more of our total purchases and sub-contracting costs in FY2009, FY2010 and FY2011:

Name of supplier	As a percentage of total purchases and sub-contracting costs			Type of purchases
	FY2009 (%)	FY2010 (%)	FY2011 (%)	
Pan Asian	9.9	6.8	8.8	Ductile Iron Pipes and fittings
Teacly	10.5	N.A. <sup>(1)</sup>	N.A. <sup>(1)</sup>	Sub-contractor
Hen Sheng	12.5	2.2	4.3	Sub-contractor
Sin Ming Traffic Pte Ltd (formerly known as Ley Choon Traffic Pte Ltd) <sup>(2)</sup>	5.3	3.0	–	Sub-contractor
Sheng Keong Construction Pte Ltd	5.7	–	–	Sub-contractor

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Name of supplier	As a percentage of total purchases and sub-contracting costs			Type of purchases
	FY2009 (%)	FY2010 (%)	FY2011 (%)	
Shell Eastern Petroleum Pte Ltd	3.5	8.7	1.5	Bitumen
Sekisui Chemical Singapore (Pte) Ltd and Sekisui SPR Asia Pte Ltd (the “ <b>Sekisui Group</b> ”)	3.9	6.0	1.6	SPR profiles and accessories
Mecpec Trading Company Pte Ltd	2.1	5.0	7.4	Diesel
Multiblog Marketing Sdn Bhd	–	11.0	4.3	Cladding pipes
Boon & Cheah Steel Pipes Sdn Bhd	2.8	6.1	–	Steel pipes and fittings
Yuan Ji Enterprises Pte Ltd	–	1.6	5.8	Sub-contractor
Kwang Fong Enterprises Pte Ltd	4.6	4.0	5.6	Granite

**Notes:**

- (1) Not applicable. With effect from 8 October 2009, Teacly became a wholly owned subsidiary of the LC Group and ceased to be treated as a sub-contractor.
- (2) Sin Ming Traffic Pte Ltd was formerly known as Ley Choon Traffic Pte Ltd. In 2005, Ley Choon Traffic Pte Ltd was incorporated by LCCE with Eng Hup Engineering Pte Ltd and Mr Teo Yew Yong, who are not in any way related to our Directors or Controlling Shareholders. LCCE, Eng Hup Engineering Pte Ltd and Mr Teo Yew Yong each had a respective interest of 49%, 49% and 2% in the issued and paid-up capital of Ley Choon Traffic Pte Ltd. The purpose of Ley Choon Traffic Pte Ltd was to tender for and execute LTA’s traffic lights maintenance contracts in event of tender awards. In March 2007, LCCE sold its entire 49% shareholdings in the issued and paid-up share capital of Ley Choon Traffic Pte Ltd to Eng Hup Engineering Pte Ltd. Subsequently, Ley Choon Traffic Pte Ltd changed its name to Sin Ming Traffic Pte Ltd.

The fluctuations in purchases from suppliers were a result of our varying requirements for different projects and may not be similar in terms of size and scope. We purchase from suppliers who are able to meet our requirements in terms of price, quality and delivery schedules for each particular project. We do not enter into long-term agreements, arrangements and/or relationships with any of our suppliers and sub-contractors as this provides us with the flexibility to evaluate and select suppliers and/or sub-contractors who are able to give us higher quality of work at competitive prices.

The fluctuation in our purchase from Pan Asian during the Periods Under Review is dependent on the requirements of our projects.

We sub-contracted sewer pipeline rehabilitation work to Teacly until 8 October 2009, when Teacly became a wholly owned subsidiary of the LC Group and ceased to be treated as a sub-contractor. Please refer to the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operation” set out in Paragraph 27 of this Letter for further details.

We sub-contracted certain civil engineering work (in the CW02 category) such as construction of drains, marking of roads and erecting and maintenance of signboards to Hen Sheng. The fluctuation in the amount of our sub-contracting work to Hen Sheng from FY2009 to FY2011 was due to project requirements.

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We sub-contract traffic light maintenance services to Sin Ming Traffic Pte Ltd. Our sub-contracting work to Sin Ming Traffic Pte Ltd decreased from FY2009 to FY2011 due to a decrease in work orders (both in terms of quantity and order value for certain work orders) under a contract with LTA.

We sub-contracted certain supply, laying and diversion of steel water mains to Sheng Keong Construction Pte Ltd in FY2009 due to a diversion of water mains contract secured in October 2008.

We purchase bitumen from Shell Eastern Petroleum Pte Ltd. Our purchases from Shell Eastern Petroleum Pte Ltd and the corresponding percentage of total purchases and sub-contracting costs increased from FY2009 to FY2010 due to the particular grade of bitumen required for our airfield taxiway resurfacing contracts secured in FY2009. The percentage of purchases decreased from FY2010 to FY2011 as we increased the purchases of bitumen from other suppliers.

We purchase SPR profiles and accessories from the Sekisui Group. Our purchases from the Sekisui Group in relation to our total purchases and sub-contracting costs increased from FY2009 to FY2010 due to (a) the consolidation of Teacly's purchases into the LC Group's total purchases and sub-contracting costs; and (b) new sewer pipeline rehabilitation contracts secured by Teacly. Our purchases from the Sekisui Group in relation to our total purchases and sub-contracting costs decreased from FY2010 to FY2011 due to completion of most sewer pipeline rehabilitation contracts secured by Teacly.

Our purchases from Mecpec Trading Company Pte Ltd during the Periods Under Review increased mainly due to the upward trend in the price of diesel as well as the amount of our purchases.

Our purchases from Multiblog Marketing Sdn Bhd were mainly cladding pipes used for NIP projects. The percentage of purchases decreased from FY2010 to FY2011 due to decrease in project requirement.

Our purchases from Boon & Cheah Steel Pipes Sdn Bhd increased from FY2009 to FY2010 due to the increase in project requirement.

Our purchases from Yuan Ji Enterprises Pte Ltd increased from FY2010 to FY2011 due to increase in our project requirements for cable installation and road reinstatement works.

Our purchases from Kwang Fong Enterprises Pte Ltd decreased from FY2009 to FY2010 due to substantial completion of the existing NIP projects. The percentage of purchase increased from FY2010 to FY2011 was due to the purchases for new NIP projects that were awarded.

Save as disclosed above, there is no other supplier whose sales to us accounted for five per cent. (5%) or more of our total purchases and sub-contracting costs for FY2009, FY2010 and FY2011.

To the best of our knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers.

As at the Latest Practicable Date, save as disclosed in the section entitled "Risk Factors" set out in Paragraph 24 of this Letter, our business and profitability are not dependent on any particular industrial, commercial or financial contract with any supplier.

Save as disclosed in Paragraph 12 of the Ultro Letter, none of our Directors or Substantial Shareholders or their respective Associates is related to or has any interest (direct or indirect) in any of our major suppliers set out above as at the date of this Letter.

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### 17. COMPETITION

#### 17.1 Pipes and Roads Segment

To the best of our knowledge, we consider the following to be our main competitors for our business in Underground Utilities Infrastructure construction and maintenance and sewer pipeline rehabilitation:

- Pay Ah Heng Contractor Pte Ltd
- Shingda Construction Pte. Ltd.
- Sam Lain Equipment Services Pte Ltd

As far as our Directors are aware, there are no published statistics or industry publications available that can provide an accurate measure of the market size of the industry for Underground Utilities Infrastructure construction and maintenance, and sewer pipeline rehabilitation.

For our road and airfield construction and maintenance business in Singapore, to the best of our knowledge, we consider the following to be our main competitors in the airfield construction and maintenance:

- Samwoh Corporation Pte Ltd
- Yun Onn Company (Private) Limited
- Quek & Quek Civil Engineering Pte Ltd

As far as we are aware, there are no published statistics available or industry publications that can provide an accurate measure of the market size of the road and airfield construction and maintenance business industry.

None of our Directors or Substantial Shareholders or their respective Associates is related to or has any interest (direct or indirect) in any of our competitors set out above.

#### 17.2 Construction Materials Segment

For our asphalt pre-mix production business in Singapore, to the best of our knowledge, we consider the following to be our main competitors:

- Samwoh Corporation Pte Ltd
- Yun Onn Company (Private) Limited
- Highway International Private Limited

As far as we are aware, there are no published statistics or industry publications available that can provide an accurate measure of the market size of the asphalt pre-mix production industry.

We commenced trial runs production of construction waste recycling in March 2010 and commercial production in January 2012, and it currently supports our other businesses. In future, we intend to sell recycled aggregates to third parties and we consider Samwoh Corporation Pte Ltd to be our main competitor.

None of our Directors or Substantial Shareholders or their respective Associates is related to or has any interest (direct or indirect) in any of our competitors set out above.

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### 18. OUR COMPETITIVE STRENGTHS

We believe that the LC Group's key competitive strengths are as follows:

- **We have an established track record**

We have more than 20 years of experience in the industries of Underground Utilities Infrastructure and road construction and maintenance. Over the years, we were awarded with many public sector projects by government bodies/government-related bodies, including but not limited to PUB, Singapore Power, JTC, LTA, HDB, CAG, BCA, URA and Singtel. In addition to the above, our subsidiaries, LCCE and Chin Kuan have been awarded the OHSAS 18001:2007 Certification and have been accredited as a bizSAFE Level Star by the WSHC for our good track record in ensuring workplace safety and health. In 2010, LCCE was also awarded the Enterprise 50 Awards in Singapore.

- **We are able to enjoy operational synergies and costs efficiencies through our asphalt plant and construction waste recycling plant**

Our businesses involve mostly in underground excavations and reinstatement. Therefore, we need huge quantities of asphalt pre-mixes for temporary and permanent reinstatement of roads. In 2007, we built our own asphalt plant with recycling facilities. With this asphalt plant, we are able to produce our own quality asphalt pre-mixes, which enable us to enjoy cost-savings and efficiencies in our operations. In addition, we are also able to supply asphalt pre-mixes to other civil engineering contractors. To the best of our Directors' knowledge, we are one of only five asphalt plant operators in Singapore.

As our businesses involve mostly in underground excavations, the first few layers of excavated materials are usually recyclable construction waste which have to be disposed of in third party dumping ground at a cost. In 2009, we built our own construction waste recycling plant which commenced trial runs production in March 2010 and commercial production in January 2012. With this construction waste recycling plant, we are able to reduce our disposal costs, while at the same time reducing our dependency on aggregates as backfilling materials. Besides the cost-savings from using the substituted recycled backfilling materials, we also save on transportation costs by having the disposal and pick up of construction materials at the same location. In addition, we help to promote a clean and green Singapore through waste minimisation and recycling.

- **We have a highly experienced management team with complementary skills**

The LC Group is led by an experienced, dedicated and dynamic management team, who participate actively in the day-to-day running of our businesses and provide regular supervision. Our Executive Directors have on average more than 20 years of relevant industry experience and they have established a good working relationship with our various customers, suppliers and sub-contractors.

- **We are a one-stop Underground Utilities Infrastructure construction and maintenance service provider**

We are a one-stop Underground Utilities Infrastructure construction and maintenance service provider and we provide our customers with the full range of construction, commission and maintenance services. We are able to reinstate the roads above the underground cables and pipes laid by us. Currently, we carry out all the Underground Utilities Infrastructure construction and maintenance works ourselves and we are not dependant on any sub-contractor which allows us to have better control over the quality of our work.

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We also provide the full range of Underground Utilities Infrastructure construction services for water pipes, NEWater pipes, gas pipes, electricity cables, fibre optic cables, sewer pipeline, traffic light systems and telecommunications networks. We believe that we are one of the few local companies which have the capabilities to provide such full range of Underground Utilities Infrastructure construction services.

- **We are qualified to tender for public sector contracts of unlimited value in Singapore for cable/pipe laying and road reinstatement services, essential construction materials, other basic construction materials and pipes and for public sector contracts of up to \$85 million in Singapore for civil engineering**

Contractors are segmented by different grading accorded by the BCA. These grading range from L1 to L6 and these grading are awarded to contractors based on their performance track record, profile of contracts undertaken as well as financial strength. The different grading determines the value of public sector contracts that these contractors can bid for.<sup>(1)</sup>

As at 13 June 2012, LCCE is:

- (a) one of only 9 contractors awarded with an L6 grading by the BCA and is allowed to tender for public sector contracts of unlimited value in Singapore for cable/pipe laying and road reinstatement services<sup>(1)</sup>;
- (b) one of only 75 contractors awarded with an L6 grading by the BCA and is allowed to tender for public sector contracts of unlimited value in Singapore for supply of essential construction materials<sup>(1)</sup>;
- (c) one of only 101 contractors awarded with an L6 grading by the BCA and is allowed to tender for public sector contracts of unlimited value in Singapore for supply of other basic construction materials<sup>(1)</sup>;
- (d) one of only 12 contractors awarded with an L6 grading by the BCA and is allowed to tender for public sector contracts of unlimited value in Singapore for supply of pipes<sup>(1)</sup>; and
- (e) one of only 42 contractors awarded with an L6 grading by the BCA and is allowed to tender for public sector contracts of unlimited value in Singapore for electrical and electronic materials, products and components<sup>(1)</sup>; and
- (f) one of only 21 contractors awarded with an A2 grading by the BCA and is allowed to tender for public sector contracts of up to \$85 million in Singapore for civil engineering.

**Note:**

- (1) The above information was extracted from the internet website of BCA (<http://dir.bca.gov.sg/index.php>) on 13 June 2012. We have not sought the consent of BCA nor has BCA provided its consent to the inclusion of the relevant information extracted from this website and disclaimed any responsibility in relation to reliance on the information. As they have not consented to the inclusion of the above information in this Letter, they are therefore not liable for the relevant information. While reasonable actions have been taken by the Directors to ensure that the relevant information was extracted accurately and fairly from the website, LCCE, the Directors, the Vendors, the Financial Adviser or other person involved in the Proposed Acquisition have not conducted independent reviews of the information contained in this website and have not verified the accuracy of the information extracted from it.

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**19. PROPERTIES AND FIXED ASSETS**

As at the Latest Practicable Date, the LC Group owns the leasehold interests in the following properties:

<b>Owner</b>	<b>Location</b>	<b>Use</b>	<b>Approximate Land Area</b>	<b>Land Tenure</b>	<b>Encumbrances</b>
LCCE	No. 61 Senoko Drive, Singapore 758238	Factory	10,427 sq m	60 years commencing from 16 February 1984	Mortgage in favour of UOB
LCCE	No. 55 Kranji Crescent, Singapore 728662	Asphalt pre-mix plant	8,772 sq m	19 years commencing from 1 February 2006	Mortgage in favour of UOB
Teacly	4 Sungei Kadut Street 2, Singapore 729226	Office, repair, servicing and storage of equipment used for sewer rehabilitation works	4,240 sq m	15 years commencing from 1 September 2010 <sup>(1)</sup>	Mortgage in favour of Maybank
LCCE	701A Lim Chu Kang Road, Sarimbun Recycling Park, Singapore 719457	Construction waste recycling plant	15,000 sq m	Three years commencing from 15 June 2012	–
LCCE	3 Sungei Kadut Drive, Singapore 729556	Asphalt pre-mix plant	17,296 sq m	10 years commencing 7 September 2010	Mortgage in favour of Maybank

**Notes:**

(1) Under the lease agreement, a licence of three years is granted to Teacly from 1 September 2010 and provided that Teacly develops the property as agreed in the lease agreement, a lease of 15 years will be granted to Teacly and the lease period commences retrospectively on 1 September 2010.

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As at the Latest Practicable Date, we rent or have a licence to occupy the following properties:

Lessee/Licensee	Location	Use	Approximate Area	Tenure	Approximate Monthly Rental	Lessor/Licensor <sup>(1)</sup>
LCCE	Seletar West Farmway 4 Singapore	Site office	3,885 sq m	From 1 April 2012 to 31 May 2013	\$6,881	HDB
LCCE	2 Abingdon Road, Singapore 499941	Site office	32 sq m	From 15 March 2012 to 28 February 2014	\$1,120	CAG
LCCE	20 Gul Road Singapore 629345	Site office	167.28 sq m	1 February 2011 to 31 August 2013	\$2,160	Ng Teow Yhee & Sons (S) Pte Ltd
LCCE	State Land Lot 4018V (PT) MK 7 at Pioneer Road	Storage	2,000 sq m	From 15 April 2011 to 31 May 2013	\$7,366	SLA
LCCE	Pte Lot at A1276503 Pioneer Crescent	Storage	1,500 sq m	From 17 February 2011 to 17 May 2013	\$5,512.50	JTC
LCCE	State Land Lot 03025N (PT) MK 20 at Seletar North Link	Storage	10,000 sq m	From 18 July 2011 to 30 June 2012	\$7,500	SLA
LCCE	Blk 1 Abingdon Road #02-27A & #02-28 Singapore 499931	Site office	41 sq m	From 3 January 2012 to 2 January 2014	\$1,449	CAG
LC Yantai	No.1 of 12th Building in Haiqing Garden Villa, No.166, Huanghe Road, Yantai (烟台开发区黄河路166号 海情花园别墅12号楼内1号) ("Yantai Property")	Office	486.80 sq m	1 year commencing on 10 September 2011	RMB2,000	Koh Tiam Teng
LCCE	MK 5 at Jurong Town Hall Road	Site Office	6,640 sq m	From 6 October 2011 to 30 September 2012	\$12,812	SLA
Teacly	Pte Lot at A0925703 at Tembusu Crescent/Avenue, Jurong Island	Storage	3,000 sq m	From 11 May 2012 to 31 July 2012	\$9,000	JTC
Teacly	Pte Lot at A3001067 at Jalan Bahar	Storage	4,666 sq m	From 8 May 2012 to 7 May 2013	\$17,575.27	JTC

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### Notes:

- (1) Save for Mr Koh Tiam Teng, the lessors / licensors are not related to any of our Directors or Controlling Shareholders. Please refer to Paragraphs 30.4 of this Letter for more details on the leases of the Yantai Property.

As at the Latest Practicable Date, the fixed assets of the LC Group, comprising property, machinery, furniture and fittings, office equipment and motor vehicles, had a net book value of approximately \$57,653,000.

To the best of our knowledge and save as disclosed in the section entitled “Laws and Regulations” set out in Paragraph 36 of this Letter, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties.

## 20. PROSPECTS

The MTI announced that the Singapore economy grew by 4.9 per cent in 2011 and it maintains the growth forecast for 2012 at 1.0 to 3.0 per cent.<sup>(1)</sup>

BCA announced that Singapore’s construction demand increased by 16% year-on-year from \$27.6 billion in 2010 to \$32 billion in 2011.<sup>(2)</sup> BCA estimated that the total construction demand in 2012 will be between \$21 billion and \$27 billion.<sup>(2)</sup> The public sector is expected to be the key demand driver in 2012, contributing about 60% of the total construction demand (i.e. approximately \$13 billion to \$15 billion worth of construction demands).<sup>(2)</sup> BCA also estimated that private sector demand will be reduced to between \$8 billion and \$12 billion in 2012 amid the global economy uncertainty and a slowdown in the Singapore economy.<sup>(2)</sup>

Major public sectors projects expected to proceed in 2012 include and are not limited to JTC’s Medical Technology Hub at Tukang Innovation Grove, Yale-NUS College at University Town, main contract for Ng Teng Fong Hospital with community hospital at Jurong East, expansion of Kallang Paya Lebar Expressway/Tampiness Expressway Interchange and extension and reconstruction of the Newton Flyover.<sup>(2)</sup>

BCA also estimated that the average construction demand to be between \$19 billion and \$27 billion per annum in 2013 and 2014.<sup>(2)</sup> The public sector construction demand is likely to stay strong at between \$12 billion and \$15 billion a year in 2013 and 2014, with about 40% coming from civil engineering projects.<sup>(2)</sup> The major pipeline infrastructure projects which will contribute to the demand of civil engineering works in 2013 to 2014 include MRT Thomson Line and North-South Expressway.<sup>(2)</sup> The other public sector projects earmarked to commence construction from 2013 onwards include but are not limited to the improvement of Bedok Canal, New Lornie Road at Bukit Brown.<sup>(2)</sup>

Based on the above, we believe that barring unforeseen circumstances, construction demand will remain healthy and the LC Group can benefit from the following:

- (a) LTA has announced that it will continue to build new road infrastructure to cater to the travel demands of new employment and residential centres over the next 15 years. This includes the expansion of the road network, which will help to improve connectivity and serve new development areas such as Marina Bay, Tuas and Changi Industrial Areas.<sup>(3)</sup>

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Roads will also be built to serve new developments and support economic growth. For example, the 21-km North-South Expressway will be built by 2020 at an estimated cost of \$7 billion to \$8 billion and this expressway will provide additional capacity to serve the expected increase in travel demand along the north-south corridor. Roads serving the new employment areas in Tuas and Changi will also be upgraded. By 2013, the 5-km Marina Coastal Expressway which provides high speed access to the Marina Bay area will also be completed.<sup>(3)</sup>

LTA is also considering building future roads partly or wholly built underground. Under the Singapore Underground Road System (“**SURS**”), two concentric rings of underground tunnel each of about 15km in length will be built to encircle the city centre where most of the commercial activities are concentrated. Based on expected developments in the Central Area of Singapore, SURS will likely be needed in the longer term, beyond 2020. LTA will monitor the development of the Central Area and review SURS’ implementation.<sup>(3)</sup>

In addition to building new roads, LTA will also make improvements to major roads leading out from the central to the east and west regions. Improvement road works include upgrading works to expand capacity on roads that will serve the anticipated increase in traffic going to Jurong Industrial Estate and the Changi Cargo Area, extension to existing roads to improve accessibility and carrying capacity of certain road corridors such as Jalan Boon Lay.<sup>(3)</sup>

In support of environmental sustainability, LTA will also be collaborating with NEA, SPRING and industry players to recycle municipal, road and building waste material for use in road resurfacing works and road pavement construction.<sup>(3)</sup>

- (b) In addition to the above, PUB, the national water agency maintains some 3,200 km of public sewers island-wide. From 2009 to 2014, PUB plans to carry out rehabilitation programmes for about 1,130 km of public sewers and 50 km of pumping mains.<sup>(4)</sup>

As part of its on-going drainage improvement programme, PUB has also scheduled 10 major drainage projects for 2012. These projects will be progressively completed between 2012 and 2015.<sup>(4)</sup> In addition, over the next five years, PUB intends to spend about \$750 million to carry out 20 drainage improvement projects.<sup>(5)</sup>

### Notes:

- (1) The above information was extracted from the press release entitled “2012 GDP Growth Forecast Maintained at 1.0 to 3.0 Per Cent” dated 17 May 2012 issued by MTI and published on MIT’s website (<http://www.mti.gov.sg>).
- (2) The above information was extracted from the media release entitled “Public Sector Projects to Sustain Construction Demands in 2012” issued by BCA as published on BCA’s website (<http://www.bca.gov.sg/index.html>).
- (3) The above information was extracted from the “Land Transport Master Plan” issued by LTA and which was published on from LTA’s website (<http://app.lta.gov.sg/ltmp/>).
- (4) The above information was extracted from the press release entitled “PUB rolls out more drainage improvement projects in 2012” dated 23 December 2011 issued by PUB and published on the PUB’s website (<http://www.pub.gov.sg>).
- (5) The above information was extracted from the press release entitled “PUB revamps drainage approach to strength Singapore’s flood resilience” dated 30 January 2012 issued by PUB and published on the PUB’s website (<http://www.pub.gov.sg>).

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We have not sought the consent of PUB, MTI, BCA, LTA; nor has the foregoing entities provided their consent to the inclusion of the relevant information extracted from the relevant publication, media release, speech or website and disclaimed any responsibility in relation to reliance on these statistics and information. As they have not consented to the inclusion of the above information in this Letter, they are therefore not liable for the relevant information. While reasonable actions have been taken by the Directors to ensure that the relevant statements from the relevant information are reproduced in their proper form and context, and that the information is extracted accurately and fairly from the relevant publication, media release, speech or website, LCCE, the Directors, the Vendors, the Financial Adviser or other persons involved in the Proposed Acquisition have not conducted independent reviews of information contained in the relevant website and have not verified the accuracy of the contents of the relevant statements.

### 21. TREND INFORMATION

Barring unforeseen circumstances, we expect our operations in Brunei to contribute to our revenue in FY2012. While we are optimistic with our growth prospects, we are also cautious of the following possible impact on our cost of operations, in particular for FY2012:

- (a) our raw material costs (including pipes, fittings and accessories, aggregates, diesel, bitumen and others) may rise due to limited supply and demand for raw materials. In particular, we are wary of the prices of diesel and bitumen which are based on global market demand and international prices, especially the price of crude oil per barrel, which the LC Group has no control over; and
- (b) our labour cost is expected to rise due to (i) salary and wage increments; (ii) recruitment of more operation staff to meet the demands of our projects; and (iii) the increase in FWL which will push up the overall construction cost. Please refer to Paragraph 36.9 of this Letter for further details on the increase in FWL.

Save as disclosed in this Letter and barring any unforeseen circumstances, we are not aware of any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenue, profitability, liquidity or capital resources, or that would cause the financial information disclosed in this Letter to be not necessarily indicative of our future operating results or financial condition.

### 22. ORDER BOOK

We have an order book of \$116 million as at 31 December 2011 and \$145 million as at the Latest Practicable Date, which is to be fulfilled over the next two years. As we recognise our revenue from our construction and civil engineering contracts and/or projects based on the percentage of completion method, our order book includes projects that are currently in progress and listed in Paragraph 3.4 of this Letter but excludes the value of completed works which have already been recognised as revenue.

The state of our order book at any particular date is not indicative of the revenue. We will recognise in any particular future period our revenue from our construction and civil engineering contracts and/or projects based on the percentage of completion method. For details on how we recognise our revenue, please refer to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Paragraph 27 of this Letter.

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### 23. FUTURE PLANS

We will continue to focus on our core businesses, namely, Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation, road and airfield construction and maintenance, asphalt pre-mix production and construction waste recycling.

We intent to adopt the following business strategies to further enhance our competitive strengths and to drive our future growth:

- **To venture into overseas markets**

We believe that Asia's rapid industrialisation and high population growth will increase the demand for construction and maintenance of public utilities infrastructure and sewer pipeline rehabilitation. We have established a scalable, low cost integrated business model that we believe can be readily replicated for overseas markets. As such, we may leverage on our experience and venture into the overseas markets as and when the opportunities arise. In 2011, we incorporated LC EWC and LC Yantai in Brunei and PRC respectively. We intend to construct a construction waste recycling plant and asphalt pre-mix plant in Yantai, PRC. We also intend to construct an asphalt pre-mix plant in Brunei. As at the Latest Practicable Date, we have not made any concrete commitments to construct the abovementioned plants.

- **To expand into the business of supplying and/or trading of construction materials**

Our construction waste recycling plant, which commenced commercial production in January 2012, produces reusable recycled construction materials. In addition, the LC Group currently has a BCA grading status of L6 in the categories of (a) cable/pipes laying and road reinstatement (CR07), (b) essential construction materials (SY01A), (c) other basic construction materials (SY01C), (d) electrical and electronic materials, products and components (SY05) and (e) pipes (SY12) where we have unlimited tendering limit. Accordingly, we intend to expand our business to include supplying and/or trading of pipes and construction materials, such as quarry dust, sand, cement and aggregates. To increase our supply of construction materials, we may also import construction materials from other countries for supply and/or trading. We believe that there is an increasing demand for construction materials given the increasing construction projects in Singapore. We also intend to further upgrade and expand our existing asphalt pre-mix plant and build a back-up asphalt pre-mix plant. By having a new back-up asphalt pre-mix plant, we can ensure that production will not be disrupted when our existing asphalt pre-mix plant is under maintenance or breaks down. In addition, we will also be able to bid for bigger projects and will reduce the reliance on using our competitors as a back-up supplier.

- **Acquisitions, investments, strategic alliances and/or joint ventures**

We may consider acquisitions, investments, strategic alliances and/or joint ventures with our suppliers, customers and/or third parties as and when the opportunities arise. This will enable the LC Group to expand the scope of our business and the network of our customers, lower our operational risks or increase our range of services to our customers. As at the Latest Practicable Date, save for LCGT-JV and LC EWC we have not made any commitments on any acquisitions, strategic alliances or joint ventures.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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- **To increase the tendering limits of our subsidiaries by upgrading their gradings as registered contractors with BCA**

As background, BCA requires contractors to be registered under different grades for various workhead categories such as, amongst others, construction and civil engineering, and such grades allow the relevant company to tender for public sector projects of up to a specified contract value. This contract value is referred to as the tender limit. A contractor assigned a certain financial grade can only tender for public sector contracts for value up to the specified tender limit. The type of grading each contractor may be registered under depends on that contractor's issued and paid-up share capital. In general, to achieve a certain grading for a certain workhead category, contractors are required to meet the minimum requirements on the issued and paid-up share capital for that category. The minimum amount of issued and paid-up share capital required for each grading in each work category differs.

Further, it should also be noted that applicants who wish to be registered as contractors under the relevant workhead with BCA are also required to meet other registration requisites, including historical track records and performance for the past three years detailing the completed projects relevant to the particular workhead applied for, financial capacity to ensure sufficient financial resources to meet the financial commitments, and personnel resources including full time competent staff to ensure the adequate experience and knowledge.

Our subsidiaries are registered with BCA as registered contractors for certain workheads and for different tendering limits. We intend to increase the tendering limits of our subsidiaries, other than those already in the highest categories, by upgrading our subsidiaries' gradings as registered contractors under each relevant workheads, to enable these subsidiaries to tender for public sector contracts of higher values. In addition, the aforementioned upgrading of our subsidiaries' gradings allows us to maintain our tendering capacity in the event the existing BCA contractor gradings and/or builder's licences of certain of our subsidiaries, including those which are already in the highest categories, are downgraded or revoked by the BCA.

## 24 RISK FACTORS

### 24.1 Risks Relating To Our Industry

**We are dependent on various licences and permits and any cancellation, revocation or non-renewal of any of the licences or permits will materially and adversely affect our operations, financial performance and financial condition**

We are required to obtain various licences and permits in Singapore to conduct our business as described in Paragraphs 5 and 36 of this Letter.

The licences and permits are generally subject to conditions stipulated in the licences and permits and/or relevant laws or regulations under which such licences and permits are issued. Failure to comply with such conditions could result in the cancellation, revocation or non-renewal of the relevant licence or permit. As such, we have to constantly monitor and ensure our compliance with such conditions. Should there be any failure to comply with such conditions resulting in the cancellation, revocation or non-renewal of any of the licences and permits, we may not be able to carry out our operations. In such event, our operations, financial performance and financial condition will be materially and adversely affected.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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### **Downgrade or loss of the LC Group's BCA gradings or builder's licences will adversely affect our business and our financial performance**

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

Based on the gradings granted to us as registered contractors, the LC Group is allowed to tender for public sector projects, subject to the stipulated limit. To maintain existing contractor gradings in each of the workhead categories for each company in the LC Group, there are certain requirements stipulated by BCA to be complied with, including but not limited to the following:

- (a) each company in the LC Group must meet the stipulated requirements with regards to the value of contracts undertaken by that company in the past three financial years;
- (b) each company in the LC Group must meet the minimum paid-up share capital and the minimum net worth requirement; and
- (c) each company in the LC Group 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.

Similarly, based on the class of licence we are registered under, the LC Group is allowed to tender for public sector projects, subject to the stipulated limit. To maintain the builder's licences granted to each of the companies in the LC Group, there are certain requirements stipulated by BCA to be complied with, including but not limited to:

- (a) each company in the LC Group must meet the minimum paid-up share capital requirement;
- (b) each company in the LC Group must satisfy the Commissioner of Building Control that that company is duly authorised to carry on the business of a general builder and its business in general building is under the charge and direction of its director, or a member of its board of management, or an employee (being a person employed in such a manner and with such similar duties and responsibilities of a director or member of its board of management) who:
  - i. has the prescribed qualifications and prescribed practical experience; or
  - ii. if he does not have the prescribed qualifications and prescribed practical experience, satisfies the Commissioner of Building Control that he has nevertheless had such practical experience as to render him, in the opinion of the Commissioner of Building Control, competent to manage the business of a general builder in Singapore; and
- (c) each company in the LC Group must satisfy the Commissioner of Building Control that the execution and performance of any general building works in Singapore undertaken by it shall be under the personal supervision of at least one of its directors or a member of its board of management or at least one of its employees (being a person employed in such a manner and with such similar duties and responsibilities as a director or member of its board of management) provided always that he satisfies the Commissioner of Building Control that he has the prescribed qualifications and prescribed practical experience.

The LC Group would therefore lose our existing BCA contractor gradings and/or builder's licences if we are unable to comply with any of the requirements imposed by the BCA. Accordingly, our BCA contractor gradings and our class of builder's licences may be downgraded or be revoked. This would not only adversely affect our market reputation but would reduce our tendering capacity drastically. In such event, our operations and our financial performance will be adversely affected.

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## **APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD**

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### **We are exposed to risk in respect of outbreaks of bird flu, H1N1 influenza, virus and/or other communicable diseases which, if uncontrolled, could affect our financial performance and prospects**

An outbreak of the bird flu, H1N1 influenza, virus and/or other communicable diseases, if uncontrolled could affect our operations, as well as the operations of our customers, main contractors, sub-contractors and suppliers. Further, in the event that any of our employees is infected with any communicable diseases, we may be required to shut down part of our operations to prevent the spread of such diseases. This would result in longer lead-time for completion of projects. Failure to meet our customers' expectations could damage our reputation, and may as a result, lead to loss of business and affect our ability to attract new business. An outbreak of the bird flu, H1N1 influenza, virus and/or other communicable diseases could therefore have an adverse impact on our operations and the results of our business, financial performance and prospects.

### **We may be materially and adversely affected by a change in government legislation, regulations or policies which would affect demand for our services**

As our business is mainly based in Singapore and is reliant on public sector spending, we would be materially and adversely affected by any change in legislation, regulations or policies of the Singapore government. The compliance with any such new government legislation, regulations or policies may also increase our costs and any significant increase in compliance costs arising from such new government legislation, regulations or policies may adversely affect our results of operations.

For instance, we are subject to the provisions of the BCISPA legislation, which came into effect on 1 April 2005. With the introduction of the BCISPA, we are exposed to greater liability where we are the main contractor as our obligation to pay monies owing to our sub-contractors is now based strictly on progress payments for works completed under the BCISPA and can no longer be made contingent or conditional on payment of the whole or part of such monies to us by our customers. Further, our sub-contractors, suppliers and service providers are entitled to submit their payment claims against us for adjudication. As such, we may be liable to pay our sub-contractors, suppliers and service providers even when we are not paid at all by our customers. As the BCISPA also confers a right on these sub-contractors, suppliers and service providers to suspend work or exercise a lien over unfixed materials which have been supplied if they are not paid after adjudication, this could have an adverse impact on our operations. Such provisions would generally expose us to greater liability, which could adversely affect our operations and our financial performance.

In addition, there is no assurance that the Singapore Government will continue to pursue expansion and/or replacement activities on their Underground Utilities Infrastructure, roads and airfields, or otherwise maintain the same level of public sector spending. Our business and financial performance will be adversely affected should there be a change in the Singapore Government's policies in this regard or if these activities are curtailed. Similarly, if there is a change in preference by the government to use other methods, which LCCE does not provide, to construct or maintain their Underground Utilities Infrastructure, roads or airfields, our business and financial performance will be adversely affected.

### **We face competition from our competitors and new entrants**

The local industries that we are engaged in are highly competitive and such competition may increase in the near future due to the entry of new players. In the event our competitors are able to provide comparable or better products or services at lower prices or respond to changes in market conditions more swiftly or effectively than we do, our operations and our financial performance may be adversely affected. There is no assurance that we will be able to compete effectively with our existing and future competitors and adapt quickly to changing market conditions and trends. Any failure by us to remain competitive will adversely affect the demand for our products or services and our financial performance.

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## **APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD**

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### **Compliance with environmental regulations can be expensive, and non-compliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines for the LC Group**

We generate noise, waste water, gaseous waste and other industrial wastes in our businesses and we are required to comply with all regulations relating to the protection of the environment. If more stringent regulations are adopted in the future, the costs of compliance with these new regulations could increase substantially. A number of government or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. Changes in environment protection policies and legislations could result in stricter standards and enforcement, higher fines and liabilities. Furthermore, it is expected that other changes in environmental legislation may also require, amongst other things, reduction in emission to the air from operations which results in increased capital expenditures for us.

There is no assurance that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or otherwise adversely affect the LC Group's financial condition, operations or prospects. If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. Any failure by us to control the use of or to adequately restrict the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspension in our business operations.

### **Significant warranty claims will adversely affect our financial position**

Depending on the nature of the work, certain of our projects such as NEWater projects require us to provide warranty of up to 50 years. The warranty covers the quality of the products and we have obtained back-to-back warranties from our suppliers. We do not charge our customers for the rectification and repair works to be carried out by us that are covered under the warranty.

During the warranty period, as we will remain primarily responsible for any claims to be made under the warranty, significant warranty claims for rectification and repair works will have an adverse effect on our business operations, financial performance and financial condition. As at the Latest Practicable Date, we have not experienced material warranty claims from rectification or repair works.

### **We are exposed to credit risks of our customers**

We are exposed to the credit risks of our customers. The nature of our industry is that work is done before payment is made, even where progress payments are provided for.

There are costs to be incurred by us during the course of the projects, including labour and material costs. For instance, in compliance with the BCISPA, we must make payment to our sub-contractors, whether or not we have received payments from our customers. Please refer to Paragraph 36.10 of this Letter for further information.

From time to time, we may encounter customers who may have cash flow problems and are unable to pay us on time or at all. In such an event, our profitability will be adversely affected by allowance for bad debts provisions and/or bad debts written off.

### **We may be unable to keep pace with technological advancements and design improvements**

We operate in a competitive environment where cost-effectiveness and efficiency are important to our customers. Failure to keep abreast of technological advancements and design improvements, resulting in failure to provide services as cost-effective and efficient as our competitors, may render us less competitive. Any failure by us to remain competitive will adversely affect the demand for our business and financial performance.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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### **We are subject to non-payment risks if we do not reach project milestones**

Due to the nature of our business, we are required to have a substantial amount of cash outlay for the initial stages of construction of a project. Typically, the projects that we undertake will have net cash outflow in early phases where such cash outlay is used to, among other things, purchase any necessary building materials and equipment, including equipment and machinery, and to employ the necessary manpower. However, we will receive payment for our work only upon the work reaching certain specified project milestones. In the event that we fail to reach such milestones for reasons that are beyond our control, such as the cancellation or suspension of projects by our customers, and we are unable to agree on a satisfactory solution or system of compensation with our customers, we may be unable to recover our initial cash outlay. In such event, our profitability and financial position may be adversely affected.

### **24.2 Risks Relating To Our Business**

#### **We are dependent on public sector demand for Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation and road and airfield construction and maintenance in Singapore**

We are a contractor for (i) Underground Utilities Infrastructure construction and maintenance; (ii) sewer pipeline rehabilitation; and (iii) road and airfield construction and maintenance in Singapore. The revenue derived from the public sector projects accounted for approximately 77.0%, 90.3% and 84.2% of our total revenue for FY2009, FY2010 and FY2011 respectively.

As our revenue is derived mainly from the Singapore public sector, 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.

Public sector demand for civil engineering services in Singapore is dependent on factors such as the Singapore economy, Singapore's development plans and government budgets. A reduction in the public sector construction demand will lead to a decline in revenue arising from a smaller number of projects and/or a decline in profit margin due to competition to secure available projects. This will have a material adverse effect on our business and financial performance.

#### **We are reliant on the government and government-related bodies of Singapore, namely PUB, LTA and CAG for our major projects**

We are reliant on the government and government-related bodies of Singapore, namely PUB, LTA and CAG for our major projects. Most of these projects are secured through open or open tenders and there is no assurance that PUB, LTA and/or CAG will continue to engage us as a contractor or that we will continue to sustain the general level of revenue derived from projects that we have been securing from them in the past. In the event that PUB, LTA and/or CAG cease to have business dealings with us, or materially reduce the value and volume of projects that they engage us for, or if we are unsuccessful in our tenders for such projects, our business operations and financial conditions will be adversely affected.

In addition, if PUB, LTA and/or CAG introduce measures to postpone or reduce public sector civil engineering works, our financial performance may be adversely affected as well.

#### **Our order book may not be an accurate indicator of our future performance**

We have an order book of \$116 million as at 31 December 2011 and \$145 million as at the Latest Practicable Date, which is to be fulfilled in the next two years. Please refer to Paragraph 22 of this Letter for more details.

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## **APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD**

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Our order book may not be an accurate indicator of our future performance as we have not taken into account any potential delays, renegotiations or cancellations of orders in calculating our order book, the occurrence of any of which will have an adverse impact on our revenue. Potential delays, renegotiations or cancellations may be due to factors beyond our control and by nature, are uncertain. There is therefore no assurance that we can successfully transform all our existing orders into revenue.

### **Our financial performance depends on our ability to secure new projects and hence our revenue and profit may be subject to volatility**

Our revenue and profit are also dependent on the number, value and duration of our projects. All our businesses except asphalt pre-mix production and construction waste recycling are usually undertaken on project basis and are non-recurring in nature. Our revenue and profits may therefore be subjected to some degree of volatility in the event that we are not able to secure new projects or meet the project schedule.

We are dependent on government bodies/government-related bodies for business. For FY2009, FY2010 and FY2011, public sector projects constituted approximately 77.0%, 90.3% and 84.2% of our revenue respectively. However, public sector projects are subject mainly to an open public tender process and are usually awarded to tenderers with the lowest quotations which meet their requirements. Therefore, our ability to secure business through public bidding process at the lowest rate will affect our profitability. Accordingly, we may not be awarded with projects if our pricing is not competitive and this will have a negative impact on our operations and our financial performance.

As such, our historical performance may not be an indication of our future performance. In the event that we are not able to continuously and consistently secure new projects of similar value, size and margins, this would have an adverse impact on our operations and our financial performance.

### **We may be affected by a shortage in labour (including foreign workers)**

Certain divisions of our businesses are highly labour intensive. As the pool of local workers available in Singapore for the industries we are in is limited and the cost of labour is high, we rely heavily on foreign labour. Most of our workers are foreign workers who come from India, PRC, Malaysia, Thailand, Myanmar and Bangladesh and are subject to FWL. On this basis, our operations and our financial performance are vulnerable to any shortage in the supply of foreign workers and any increase in the cost of foreign labour. Any changes in the policies of the foreign workers' countries of origin may affect the supply and cost of foreign labour and cause disruptions to our operations which may result in a delay in the completion of our projects.

The supply of foreign labour and the number of foreign workers that we and our sub-contractors are allowed to employ are further subject to the policies and regulations imposed by MOM, including the safety regulations imposed by MOM. Please refer to the risk factor entitled "We are subject to safety regulations imposed by MOM" in this section for further details. In the event we infringe such policies and regulations, MOM may freeze our MYE and our applications for new and renewal of all types of work passes for all foreign employees will be rejected. MYE is a work permit allocation system pertaining to the employment of construction workers from Malaysia, Hong Kong, Macau, South Korea, Taiwan, India, Sri Lanka, Thailand, Bangladesh, the Republic of the Union of Myanmar, Philippines and PRC. The MYE determines the total quota of foreign construction workers that can be allocated to us as a main contractor for a specific construction project as one man year allows for the employment of one specific number of construction worker for a project.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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Depending on the requirements of our projects, such quota on the number of foreign workers or shortage of foreign workers could affect our operations and accordingly, our business and financial performance could be adversely affected. In addition, the Singapore Government has announced that it will, from 1 July 2011, revise levy rates for work permits for the workers in the construction industry and abolish the classification of “skilled workers” and “unskilled workers”. Workers will be reclassified as “higher skilled workers” and “basic skilled workers”. Subsequently, the levy rates will be revised annually over the periods of 2011 to 2013. For each year from 2011 to 2013, the increment in levy rates for higher skilled workers would be in the range of \$20 to \$50 but the reduction in levy rates for basic skilled workers would be in the range of \$50 to \$70. MOM has also made the following changes to its fee structures:

- (a) with effect from 1 December 2011, administrative fees for employment passes, S-passes and work permits have also increased from \$10 to \$20;
- (b) with effect from 1 December 2011, issuance fees for employment passes and S-passes have also increased to \$120 and \$70 respectively and these fees will be charged per transaction instead of per year; and
- (c) with effect from 1 December 2011, the existing subsidy of \$20 for employers who request for issuance or renewal of work permits via MOM’s website Work Permit Online will be withdrawn.

If there are any further changes in the foreign labour policies imposed by the MOM which may result in restrictions on the supply of foreign labour, we may have to seek alternative and more costly sources of labour for our projects. In addition, in the event that there is an increase in the FWL payable by us, our overall costs will increase and our operations and our financial performance may be materially and adversely affected.

### **We may be affected by a shortage and price fluctuations of materials and/or acquiring or leasing equipment and machinery**

In addition, our projects require heavy use of construction equipment and machinery. Where our own equipment is not sufficient to handle our projects and/or new equipment is required for our projects, we may acquire or lease additional equipment from suppliers. In the event that we are unable to continue to acquire or lease construction equipment and machinery at prices or rental rates that are within our projected budget in the future, our financial performance may be adversely affected.

In our asphalt pre-mix production business, we require bitumen, aggregates and sand as raw materials. The progress of our projects may be affected by a shortage or reduction in allocation of raw materials by our suppliers for any reason, including but not limited to governmental action, such as the ban on sand exports imposed by the Indonesian government in 2006 that resulted in a shortage of sand supply and the increase in the cost of such raw materials. If we are unable to pass such increase in costs to our customers or find alternative sources of cheaper supplies, our operations and our financial performance will be adversely affected.

The cost of bitumen and other petroleum products used in the operation of our asphalt plant and in the transportation of building materials and our employees contributes to our cost of sales. The market price of bitumen and other petroleum products is dependent on the regional and global supply and demand conditions, which are in turn affected by a number of factors including cyclical changes in regional and global economic conditions, price and availability of substitute products. To a large extent, the price of bitumen and other petroleum products is also vulnerable to fluctuations in the price of crude oil as bitumen and other petroleum products are derived from refining crude oil. If prices of bitumen and other petroleum products increase significantly and we are unable to pass such price increases to our customers, our financial performance may be adversely affected.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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### **We are subject to safety regulations imposed by MOM**

We are subject to MOM's demerit point scheme for contractors. Under the demerit point scheme, if we are found to have violated safety requirements at our worksites, we will be given demerit points. If we received more than 18 demerit points within a 12-month period, a formal warning will be issued by MOM and MOM will freeze the MYE issued to us as follows:

- (a) a 6-month MYE freeze will be imposed for the first occurrence;
- (b) a 12-month MYE freeze will be imposed for the second occurrence, provided that the second occurrence is within 12 months of the first occurrence;
- (c) a 24-month MYE freeze for third or subsequent occurrences, provided that such an occurrence is within 12 months of the previous occurrence; and
- (d) a 24-month MYE freeze may also be imposed and extended to all our worksites if any three of our worksites have each accumulated more than 18 demerit points within any 12-month period.

In such an event, our applications for new and renewal of all types of work passes for all foreign employees will also be rejected and our operations and financial performance will be adversely affected due to shortage of foreign labour required for project completion and contract fulfilment. Recruitment of local workers, replacing the shortage of foreign labour, would lead to higher operating costs and this would erode the LC Group's margins.

We are also subject to the Business Under Surveillance ("**BUS**") Programme introduced by MOM and under this programme, we will first be placed under assessment in the following circumstances:

- (a) fatal accidents occur at our worksites;
- (b) 19 demerit points or more and/or have received a warning from MOM under the demerit point system; or
- (c) we have demonstrated poor management of workplace safety and health.

If we fail the assessment, we will be placed into the BUS Programme and be subjected to close surveillance. During the surveillance phase, we will be held accountable to an action plan provided by MOM and be subjected to frequent inspections and engagements to ensure that the plan is implemented accordingly.

In 2009, our subsidiary Chin Kuan was appointed as a sub-contractor for pipe-laying for a HDB housing project. The earth at the adjacent drain at the work sites for this project collapsed and buried a worker. The worker was rescued but subsequently passed away. The MOM is still conducting investigations and it is unknown if any action will be taken against Chin Kuan. As at the Latest Practicable Date, the MOM is still conducting investigations and we are unable to ascertain when the investigation will be concluded. Thus, it is unknown if any action will be taken against Chin Kuan as at the Latest Practicable Date.

Save as disclosed above, the LC Group, for the Periods Under Review, (a) has not had fatal accidents occur at our worksites; (b) has not been awarded any demerit point; and (c) has not received any warning from MOM under the demerit point system. Hence, our MYE was never reduced and we were never placed under the BUS Programme.

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In addition, in the event that our work sites for Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation, road and airfield construction and maintenance, our asphalt plant and/or our construction waste recycling plant contravene the requisite safety standards imposed by MOM, we could be issued stop-work orders in respect of that particular worksite, our asphalt plant or our construction waste recycling plant. The issuance of such stop-work orders may severely disrupt our operations and lead to a delay in the completion of a project, asphalt pre-mix production or construction waste recycling. These circumstances would not only generate negative publicity and adversely affect our market reputation but would also have a material adverse impact on our operations and the results in our business and financial performance.

### **We are dependent on certain key personnel for our continued success**

The LC Group's success to date is attributable to the contributions and expertise of our Executive Directors who have built the LC Group's business. Our continued success and growth are therefore dependent on the retention of our Executive Directors 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 a material and adverse effect on our results of operations and financial condition. As at the Latest Practicable Date, we do not have keyman insurances for our Executive Directors.

### **We are 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 as set out in Paragraph 36 of this Letter.

In the event of a 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 addition, judgments and decrees awarded that are unfavourable to us would have a negative effect on our reputation. In such instances, our financial performance will be adversely affected. The aggregate amount of such fines imposed by such regulatory authorities and paid by the LC Group for FY2009, FY2010 and FY2011 were approximately \$61,000, \$58,000 and \$44,000 respectively.

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. Should this risk materialise, our financial performance may be adversely affected. There is also no assurance that we will be able to comply with any changes and in the event that compliance with such new regulations or regulatory guidelines increases our costs, and if such increase is significant, our financial performance may be adversely affected.

### **We are subject to safety regulations imposed by LTA**

We are guided by a set of safety regulations by LTA and are subject to monetary fines and/or demerit points if there is a breach or an infringement of any of these safety regulations. As stated in the "LTA Condition of Contracts Option Module E", the maximum demerit points accumulated for a project in any given six months based on the contract value of a project is as follows:

<b>Contract Sum</b>	<b>Tolerable Cumulative Demerit Points</b>
Less than \$10 million	100
From \$10 million but less than \$20 million	200
From \$20 million but less than \$50 million	300
From \$50 million but less than \$100 million	400
More than \$100 million	500

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If the cumulative demerit points in any given six-month period of the contract exceeds the tolerable limit as stated above, the contractor will be barred from tendering for LTA projects for three months commencing from the date of the notice of suspension given by LTA to the contractor. In 2004, LCCE was barred from carrying out works for roads for three months as it accumulated demerit points past the tolerable limit then due to various breaches, including but not limited to carrying on road works outside of work periods specified under LTA's guidelines. However, for the past three years and up to the Latest Practicable Date, we have not exceeded the tolerable limit as stated above even though we have been given demerit points for various breaches, including but not limited to carrying on road works which are not in accordance with plans, amendments, regulations, code of practices, conditions and directions imposed by LTA. For the past three years and up to our Latest Practicable Date, we have not been barred from tendering for LTA projects. However, there can be no assurance that such infringements will not arise in the future, the LC Group will not exceed the tolerable limit and in turn be barred from tendering for LTA projects. In the event that the LC Group breaches the safety regulations and is barred from tendering for LTA projects, it will adversely affect the LC Group's operations and our financial performance.

We are also subject to the code of practice for works on public streets issued by the LTA and are subject to demerit points if, in the course of carrying out any works on any public street, commit any of the defaults listed in the code of practice. Contractors who accumulate 200 or more demerit points within a calendar month will be suspended from carrying out new work on public streets. Any contractor who has, within any one calendar month been awarded a total of 200 or more demerit points will be suspended by the LTA. The length of suspensions ranges from three months to 24 months, depending on the number of suspensions that the contractor already has in the past two years. During the period of suspension, the defaulting contractor cannot be appointed for any new work application. However, LTA will allow those on-going works as listed in the LTA's record to continue till completion.

In the Periods Under Review, the number of demerit points accumulated by the LC Group in any given month has not exceeded 150 points under the demerit points system for contractors pursuant to Regulation 9 of the Street Works (Works on Public Streets) Regulations.

### **Our ability to secure projects may depend on our ability to secure performance bonds**

As some of our projects require a performance bond to be furnished by a bank or an acceptable financial institution to guarantee our contractual performance in the project, our ability to secure such performance bond will influence our ability to secure such projects. In the event that we are unable to secure the requisite performance bonds for any reason, we may be unable to secure such projects and this may materially and adversely affect our operations and our financial performance.

### **We are reliant on the licence to use the SPR Method**

Our subsidiary Teacly is a licensee of the SPR Method used for the LC Group's business in sewer pipeline rehabilitation. Under the terms of the licence, (i) we are required to pay the licensor licence fees; (ii) we are required to purchase all specialised equipment and materials used for the pipe rehabilitation exclusively from the licensor; and (iii) we must purchase the minimum amounts of specialised equipment and materials stipulated in the licence agreement. In addition, we are not allowed under the licence agreement to sell or promote any other sewer pipeline rehabilitation services which are similar to or competitive with the SPR Method, unless prior written consent has been obtained from the licensor or the sewer pipeline rehabilitation services that is deemed to be competitive was already in use by the LC Group at the time the licence was granted. There is no absolute assurance that the licensor of the SPR Method will not revise their licence fees or impose on us terms which are less favourable than the existing terms upon the renewal of the licence. In the event that we are required to pay substantially higher fees to licensor for our rights as licensee of the SPR Method, our operating expenses will increase and our profitability may be adversely affected. Further, there is also no absolute assurance that the licence will be renewed upon its expiry as set out in the section entitled "Intellectual Property" set out in Paragraph 9 of this Letter.

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### **Any cost overruns will adversely affect our financial performance**

In preparation for tenders for projects, we will carry out internal costing and budgeting estimates of labour and material costs, which are based on the quotations given by our suppliers and/or sub-contractors, as well as our own estimate of costs. Thereafter, the contract value quoted in the tender submission for a project is determined after having evaluated all related costs including the indicative pricing of our suppliers and/or sub-contractors. However, unforeseen circumstances such as adverse weather conditions, unanticipated construction constraints at the worksites which may arise during the course of construction, or fluctuations in the costs of labour, raw materials, equipment, rental and sub-contracting services, miscalculation of estimated cost, or other costs not previously factored into the contract value may lead to cost overruns which may have to be absorbed by us.

In the event that any of the above circumstances occurs, our profit margin for the project may also be reduced or eroded and accordingly, our operations and financial performance may be adversely affected.

### **In the event of any disputes with our customers, our operations and financial performance may be adversely affected**

Due to the nature of our business, disputes may arise between our customers and us. As a result, we may encounter difficulties in collecting the full sum or any part of fees due to us and may run the risk of incurring additional costs to make good the repair, rectification or reconstruction works under dispute to the extent that our profit margin is eroded or losses are incurred for the project. In such an event, our operations and our financial performance will be adversely affected.

Disputes may also arise from disagreements over the cost of variation orders requested by our customers. This is because the variation orders are normally carried out, in accordance with industry practice, before the additional charges are agreed upon in order that the project may be completed on schedule. However, as the costs of some variation orders are not determined beforehand, their basis for such valuation may become a source of dispute after the project has been completed. In such event, we would be required to bear the costs of rejected variation orders, thereby adversely affecting our operations and our financial performance.

Disputes may also arise from the disagreement over the appointment of sub-contractors. In the event that any customer is not agreeable to the appointment of our sub-contractors and the appointment of such sub-contractors is deemed as a deviation of the terms of that contract and amounts to a contractual breach, that customer may have the right to (i) seek an injunction to stop us from engaging the sub-contractor if the contract was still on-going, (ii) terminate the contract if the contract was still on-going and seek payment for damages caused by the breach, and (iii) commence legal proceedings against us for the breach in contract and seek payment for damages caused by the breach (if that customer suffered any loss). In such event, we would have to incur cost to defend any legal proceedings brought against us by our customers and if such claims are successfully made against us, we would be required to compensate our customers for their losses, thereby affecting our business and financial performance. Any legal proceedings relating to such claims may also have an adverse effect on our market reputation and our ability to secure new contracts.

### **In the event of any disputes with our sub-contractors, suppliers and/or joint venture partners, our operations and our financial performance may be adversely affected**

In the course of our business, we may be required to appoint sub-contractors and/or suppliers or collaborate with joint venture partners for various projects and in accordance with market practice, such appointment may be by way of written contract or by verbal agreement. For verbal agreements, the specific terms of the sub-contracting, supplying or joint venture arrangement will not be documented and disputes may arise between our sub-contractors, suppliers or joint venture partners and us with regards to the scope or the terms and conditions of the sub-contracting, supplier or joint venture arrangement (as the case may be). In such an event, legal proceedings

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may be commenced and we would be required to incur cost in bringing claims against our sub-contractors, suppliers or joint venture partners or defending claims brought against us by our sub-contractors, suppliers or joint venture partners. In the event any claims brought against us are successful, we would be required to compensate our sub-contractors, suppliers or joint venture partners for their losses, thereby affecting our business and financial performance. Any legal proceedings relating to such claims may also have an adverse effect on our market reputation and our ability to engage sub-contractors, suppliers or joint venture partners.

Disputes may also arise between our sub-contractors or suppliers and us for various reasons including defective materials or works, delays in the completion of a project and disputes over material or contract specifications and the final amount payable for materials supplied or work done on a project. It is not uncommon for claims to be made against us from time to time by our sub-contractors or suppliers and for us to bring claims against our sub-contractors or suppliers from time to time arising from such disputes. In the event that any of such claims are successfully made against us, our operations and our financial performance may be materially and adversely affected. Any legal proceedings relating to such claims may also have an adverse effect on our market reputation and our ability to secure new contracts.

### **Our operations could be affected by accidents, disasters or other disruptive events**

The operations of our asphalt plant or our construction waste recycling plant may be damaged or delayed due to disruptions brought about by causes such as natural disasters, fire, machine down-time due to break-down. In addition, delays or damage may also be brought about by the occurrence of power failures or power surges at our asphalt plant or construction waste recycling plant. The operations of our Pipes and Roads segment may be affected by or delayed due to disruptions brought about by adverse weather conditions and natural disasters such as floods. Any significant damage, impairment or delays may have a material adverse effect on our operations and our financial performance.

### **We are liable for delays in the completion of projects and any resulting liquidated damages and additional overheads**

Our contracts would normally include provision for the payment of liquidated damages in the event the project is completed after the stipulated date of completion stated in the contract. Delays in the completion of a project could occur from time to time due to several factors including but not limited to adverse weather conditions, shortages of labour, shortage of equipment and construction materials, the occurrence of natural disasters, labour disputes, disputes with suppliers and sub-contractors, industrial accidents, work stoppages arising from accidents or mishaps at the work site, delays in the delivery of building materials by the suppliers, or incorrect assessments of the work sites' conditions. In the event of any delay in the completion of the project, we could be liable to pay liquidated damages under the contract and incur additional overheads, and this will adversely affect our earnings and reduce our profit margin for the project. In such event, our financial performance and financial condition may be adversely affected. There is no assurance that there will not be any delays in the existing and future projects which we undertake resulting in the payment of liquidated damages and additional overheads which may have a material impact on our operations and our financial performance. Furthermore, our reputation could also be affected in the event that we are unable to complete our contracts on time.

### **We are exposed to foreign exchange risks**

Our revenue is entirely denominated in \$. The majority of our purchases is denominated in \$ with the balance being denominated in foreign currencies, mainly AUD, Japanese Yen, Euro and US\$. From time to time, we also make purchases of plant and equipment denominated in foreign currencies.

To the extent that our revenue and purchases are not sufficiently matched in the same currency and to the extent that there are timing differences between collection and payments, we will be exposed to any adverse fluctuations in the exchange rates between the various foreign currencies and \$, which may have adverse impact to our financial performance.

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Our PRC subsidiary, LC Yantai, is subject to the relevant PRC rules and regulations on currency conversion. In the PRC, State Administration for Foreign Exchange (“SAFE”) regulates the conversion of RMB into foreign currencies. Currently, foreign invested enterprises (“FIEs”) are required to apply to SAFE for “Foreign Exchange Registration Certificates for FIEs”. LC Yantai is a FIE. With such registration certifications, a FIE is allowed to open foreign currency accounts including the “basic account” and “capital account”. Currently, conversion within the scope of the “basic account”, for purposes such as the remittance of foreign currencies for payment of dividends, can be effected without the approval of SAFE. However, the conversion of currency in the “capital account”, for capital items such as direct investments, loans and securities, still requires the approval of SAFE. There is no assurance that the relevant regulations will not be amended to the disadvantages of the LC Group or Shareholders in the future.

We cannot provide any assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of the RMB.

The ability of our PRC subsidiary company to pay dividends or make other distributions to us may be restricted by the PRC foreign exchange control restrictions. We cannot assure you that the relevant regulations will not be amended to our disadvantage and that the ability of our PRC subsidiary to distribute dividends to us will not be materially and adversely affected.

### **We may be adversely affected by the cancellation of projects or changes in the scale of projects**

Cancellation of projects or a drastic scale down of project sizes due to factors such as changes in our customers’ requirements, poor market or economic conditions, lack of funds due to a change in customer’s budget may adversely affect us. Any cancellation of projects or drastic scale down could lead to idle or excess capacity for us and may adversely affect our operations and our financial performance.

### **We are exposed to risk of loss and damage, and public and workmen liability and we may not have sufficient insurance coverage**

We face the risk of loss or damage to our properties, equipment and inventory due to fire, theft, accidents and natural disasters such as floods. Such events may cause a disruption or cessation in our operations, and thus adversely affect results of our operations and financial condition.

We maintain insurance for our respective work sites. Whilst we have insurance policies for damage or loss to our properties, equipment and inventory, contractors’ all risks and workmen’s compensation insurance policies, in the event that such damage or loss exceeds the insurance coverage or is not covered by these insurance policies, we will be exposed to financial losses. Furthermore, accidents or mishaps may also lead to third party claims and any significant claims for which we are liable and which are not covered or not fully covered by our insurance policies may materially and adversely affect our results of operations and financial condition.

### **We are exposed to liquidity risk**

As we are expanding our operations, a sufficient level of funding is required to finance both our expansion plans as well as our day-to-day operations. Our revenue is mostly derived from project-based contracts and payments under the contracts are usually made by way of progressive payments for works completed. In the event that we face delay or even non-payment in our collection of progress payment from our customers, we may not be able to generate a sufficient level of cash from our operating activities to finance our day-to-day operations or expansion plans. In such event, our operations and our financial performance will be adversely affected.

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### **We may require additional financing in future**

We may incur capital expenditure in the future due to the growth of the LC Group. We may need to obtain additional debt or equity financing to fund our expansion, acquisitions or capital expenditures. Additional equity financing may result in shareholding or earnings dilution to the holders of our shares. Additional debt financing may include conditions that could restrict our freedom to operate our business, such as conditions that:

- (a) limit our ability to pay dividends or require us to seek the lenders' consent for payment of dividends;
- (b) impose restrictions on acquisitions of new businesses;
- (c) require us to set aside a portion of cash flow from business operations towards repayment of our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes;
- (d) increase our vulnerability to general adverse economic and industry conditions; and/or
- (e) limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We cannot however, ensure that our profitability will increase significantly or that we will not incur losses after this expenditure due to a potential increase in our operating costs incurred to finance our growth and expansion. This increase in operating costs without a corresponding increase in revenue will have a negative impact on our results from operations. We may need to obtain additional debt or equity financing to fund our future capital expenditures.

We cannot ensure that we will be able to obtain any additional financing on terms that are acceptable to us, or at all, when required to meet our business requirements. Failure to obtain additional financing on favourable terms may materially and adversely affect our operations and our financial performance.

### **We had and may in future have negative working capital position**

Our working capital position was positive, amounting to \$19.6 million, \$23.1 million and \$38.6 million as at 31 December 2009, 31 December 2010 and 31 December 2011 respectively.

However, we may in the future finance our capital expenditure which are long-term assets using short-term bank borrowings in addition to cash flow from operations and long-term loans depending on our ability to secure funding. In the event that we finance our capital expenditure using short-term bank borrowings, our working capital position may be adversely affected and may become negative.

### **We may face uncertainties associated with the expansion of our business**

In order to grow our business, we may also expand into other countries when opportunities arise and we may explore strategic alliance, acquisitions or investment opportunities in businesses which are complementary to our existing businesses. Overseas expansion involves numerous risks, including but not limited to the financial costs of setting up overseas operations, investment in equipment and working capital requirements as well as operational, business, political, social, economic, legal and regulatory risks. There can be no assurance that our overseas operations will be viable or will achieve a sufficient level of revenue which will cover our operational costs and if we fail to manage our expansion plans and the related risks and costs, our operations and our financial performance may be adversely affected.

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Our track record is based on our operations in Singapore. There is no assurance that we will be able to successfully replicate our business model in Brunei and the PRC or any other country where we may be expanding our operations in the future. We may also incur start-up losses in respect of LC EWC and LC Yantai, which were incorporated in 2011. All these losses may have an adverse impact on the LC Group's profitability. There is also no certainty that we will ultimately be successful in penetrating our target markets and recouping these investments or rendering them profitable.

Participation in strategic alliances, acquisitions, or investments similarly involves numerous risks, including but not limited to difficulties in the assimilation of the management, operations, services and personnel and the possible diversion of management attention from other business concerns. The successful implementation of our growth strategies depends on our ability to identify suitable partners and the successful integration of their operations with ours. There can be no assurance that we will be able to execute such growth strategies successfully and as such, the performance of any strategic alliances, acquisitions or investments could fall short of expectations.

### **We are subject to risks associated with joint ventures**

We expect that we may, as a matter of business strategy from time to time enter into projects through formation of joint ventures. These joint ventures involve a certain amount of business risks such as the inability or unwillingness of joint venture partners to fulfil their obligations under the joint venture agreements (if any) or arrangements. Political uncertainties or new government regulations such as restrictions on ownership can also result in a decline in the value of the LC Group's investment in these joint ventures or a loss in the LC Group's ability to influence the management, directors and decisions made by these companies. There is no assurance that we will not, in the future, encounter such business risks which, if financially material, will have an adverse effect on our business operations, financial performance and financial condition.

### **Our operations may be affected by the political, social, economic and regulatory conditions in the countries where we operate**

The LC Group's continued growth is dependent in part on our ability to expand our operations into new markets, including regional markets. As such, our future growth and financial performance are dependent on the economic, political and social conditions of those foreign countries in which we have or will have a presence.

Our future operations in the PRC and Brunei will be carried out through LC Yantai and LC EWC respectively. Any changes in the policies of the governments of these countries, fluctuation in foreign currencies, capital restrictions and changes in legislations could materially affect our operations and financial performance.

We may also experience difficulty entering new regional markets due to greater regulatory barriers, the necessity of adapting to new regulatory systems and problems related to entering new markets with different cultural bases and political systems.

As the LC Group continues to expand our regional operations, these and other risks associated with regional operations are likely to increase.

### **If the dividends payable by a member of the LC Group in the PRC to its overseas holding companies are subject to withholding tax under the PRC Enterprise Income Tax Law, our financial performance will be adversely affected**

According to the PRC Enterprise Income Tax Law ("New EIT Law") and Implementation Regulations, dividends from PRC entities to their overseas shareholders or holding companies will be subject to a withholding tax at the rate of 10.0%, unless the jurisdiction of incorporation of such overseas shareholders has a tax treaty with the PRC that provides for a different withholding arrangement.

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The New EIT Law also provides that dividends received by a qualified PRC tax resident from another PRC tax resident are exempted from enterprise income tax. However, given the short history of the New EIT Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividends declared and paid by a member of the LC Group in the PRC to its overseas holding companies will be exempted from enterprise income tax if it is recognised as PRC tax resident. Our financial performance will be adversely affected if such dividends are subject to enterprise income tax.

### **24.3 Risk Factors Relating to Ownership of Shares Following Completion of the Proposed Transactions**

#### **Control by the Vendors could influence the outcome of matters requiring Shareholders' approval**

Upon completion of the Proposed Acquisition and the Proposed Compliance Placement, the Vendors will hold approximately 73.45% of the Final Share Capital (assuming 57,625,000 Compliance Placement Shares are issued and 23,375,000 Vendor Shares are sold pursuant to the Proposed Compliance Placement). As a result, they will be able to significantly influence matters requiring Shareholders' approval (other than the approval of transactions for which they and their Associates may be prohibited from voting) in a manner which may or may not be in the interests of other Shareholders, including the election of Directors, the timing and payment of dividends, transactions such as the sale of all or substantially all of the Company's assets, the Company's merger or consolidation with another entity, capital restructuring and business ventures.

#### **No prior market for the new Shares of the Company on a Proforma Group basis**

The new Shares have never been traded on a Proforma Group basis. As such, there can be no assurance that an active trading market for the new Shares will develop or, if developed, will be sustained.

#### **Independent Shareholders will face immediate dilution following the completion of the Proposed Acquisition and the Proposed Compliance Placement**

Immediately after the Completion, the Vendors, Intersino and/or their nominees will hold in aggregate 3,928,571,429 Shares, representing approximately 90.09% equity interest in the Company's share capital. According to Rule 724 of the Listing Manual, if the percentage of securities held in public hands falls below 10%, the SGX-ST may suspend trading of the class, or all the securities of the issuer. As such, trading in our Shares (or Consolidated Shares) is expected to be suspended after the Completion. Please refer to the section entitled "Indicative Timetable" of this Circular for further details.

As the Company is expected to have a market capitalisation of not more than \$300 million following Completion, under Rule 210(1)(a) of the Listing Manual, at least 25% of the issued and paid-up share capital of the Company must be held in the hands of at least 500 public Shareholders in order for the Company to maintain its listing status. For the purpose of meeting the shareholding spread and distribution requirements set out in the Listing Manual, the Company proposes to undertake the Proposed Compliance Placement within one month from the date of suspension of trading in Shares (or Consolidated Shares).

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The Proposed Acquisition and the Proposed Compliance Placement will result in immediate dilution to the shareholdings of the Independent Shareholders as the Consideration Shares (including Introducer Shares) will be allotted and issued to the Vendors, Intersino and/or their nominee(s) and the Compliance Placement Shares will be allotted and issued to the new investors. Upon completion of the Proposed Acquisition and the Proposed Compliance Placement, the Vendors will collectively hold approximately 73.45% of the Final Share Capital of the Company (assuming 57,625,000 Compliance Placement Shares are issued and 23,375,000 Vendor Shares are sold pursuant to the Proposed Compliance Placement). Please also refer to the risk factor entitled “The Proposed Compliance Placement may be not successfully carried out” for other risks relating to the Proposed Compliance Placement.

### **Volatility of the Share price of the Company following Completion**

The issue price of the Consideration Shares (including Introducer Shares) allotted and issued to acquire the ordinary shares of the LCCE may not be indicative of prices of the Shares (or the Consolidated Shares) that will prevail in the trading market following the Completion.

The trading prices of the Shares (or Consolidated Shares) following the Completion could be subject to fluctuations in response to variations in the results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the Proforma Group, the customers or competitors, changes in financial estimates by securities analysts, the operating and stock price performance of other companies, general stock market price fluctuations and other events or factors. Volatility in market prices of the Shares (or Consolidated Shares) following the Completion may be caused by factors beyond the control of the Proforma Group and may be unrelated and disproportionate to the operating results of the Proforma Group.

The market price of the new Shares may fluctuate significantly and rapidly as a result of, amongst other things, the following factors, some of which are beyond the control of the Proforma Group:

- (a) the success or failure of the Proforma Group’s management team in implementing business and growth strategies;
- (b) announcements by the Company, following the Completion, of significant contracts, acquisitions, strategic alliances or capital commitments;
- (c) loss of the Proforma Group’s major customers or failure to complete significant orders or contracts;
- (d) changes in the Proforma Group’s operating results;
- (e) involvement in litigation;
- (f) unforeseen contingent liabilities of the Proforma Group;
- (g) addition or departure of key personnel of the Proforma Group;
- (h) changes in share prices of companies with similar business to the Proforma Group that are listed in Singapore, or elsewhere;
- (i) changes in securities analysts’ estimates of the Proforma Group’s financial performance and recommendations;
- (j) differences between the Proforma Group’s actual financial operating results and those expected by investors and securities analysts; and
- (k) changes in general market conditions and broad market fluctuations.

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### **Future sales of securities by the Company or Shareholders may adversely affect the price of the Shares and your shareholdings may be further diluted**

On completion of the Proposed Acquisition and Proposed Compliance Placement, the Vendors, Intersino and their nominee(s) will collectively hold approximately 74.84% of the Final Share Capital (assuming 57,625,000 Compliance Placement Shares and assuming they sell 23,375,000 Vendor Shares in total are issued pursuant to the Proposed Compliance Placement). Any sale of significant amounts of Shares held by the Vendors, Intersino and their nominees, after the expiration of applicable moratorium period(s) or any permitted sales during the applicable moratorium period(s), or the perception that such sales may occur could materially and adversely affect the market price of the Shares and may thereby also affect the Proforma Group's ability to raise funds through issuance of equities or other forms of securities. In addition, the Company may issue new Shares, share options or convertible securities after the Completion, which may further dilute your shareholdings.

### **Negative publicity may adversely affect the price of the Shares**

Any negative publicity or announcement, whether justifiable or not, relating to the Proforma Group or any of its Associates or existing or future joint venture partners may adversely affect the price of the Shares. Such negative publicity or announcement may include involvement in insolvency proceedings, litigation suits and failed attempts in joint ventures or takeovers.

#### **24.4 Other Risk Factors Relating to the Proforma Group**

##### **The Proposed Compliance Placement may not be successfully carried out**

It is proposed that the Company places out the Compliance Placement Shares pursuant to the Proposed Compliance Placement in order for the Company to comply with the shareholding spread and distribution requirements under Rule 210(1) of the Listing Manual and maintain its listing status. It is envisaged that the trading of the Shares will be suspended within three Market Days from the date of the Completion and such suspension will continue during the period allowed for the placement of the Compliance Placement Shares and until such time as the relevant requirements under the Listing Manual are met. There is no assurance that the Proposed Compliance Placement will be successfully carried out. Whether the Proposed Compliance Placement will be successfully carried out and meet the shareholding spread and distribution requirements under Rule 210(1) of the Listing Manual will depend on, *inter alia*, prevailing market conditions, the pricing of the Compliance Placement Shares and investors' interest in the particular sector in which the Proforma Group is operated. If the Placement is not or is unable to be carried out so as to meet the applicable shareholding spread requirements of the Listing Manual, trading of our Shares may continue to be suspended and the SGX-ST may require the Shares to be de-listed.

##### **If goodwill arises from the Proposed Acquisition, the impairment of goodwill in the current or subsequent financial periods may materially affect the financial results and financial position of the Proforma Group**

Upon the Completion, the Proposed Acquisition may result in goodwill being recognised in the financial statements of the Proforma Group. The goodwill represents an excess of the cost of the reverse acquisition over the fair values of the net identifiable assets of the Group. The cost of the reverse acquisition will depend on the share price of the Company at the date of the actual transfer of shares at the Completion. As such, the actual goodwill will be determined at the Completion, and will be accounted for in accordance with the accounting policies of the Proforma Group. The accounting policies also require that goodwill be tested for impairment on an annual basis or more frequently if there is any indication of impairment. This assessment may lead to an impairment charge in the income statement of the Proforma Group in the current or subsequent financial periods. Any impairment charge against the goodwill could have a material negative impact on the profits of the Proforma Group to be reported in respect of the current or subsequent financial periods.

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**25. CAPITALISATION AND INDEBTEDNESS**

**25.1 Capitalisation and Indebtedness**

The following table shows the LC Group's cash and cash equivalents, indebtedness and capitalisation based on our unaudited management accounts as at 30 April 2012 and as adjusted for the estimated net proceeds from the issue of the Compliance Placement Shares. You should read this table in conjunction with "Appendix E – The Consolidated Financial Statements of Ley Choon Constructions and Engineering Pte. Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011" and the "Management's Discussion and Analysis of Financial Condition and Results of Operation" set out Paragraph 27 of this Letter.

	As at 30 April 2012 (\$'000)	As adjusted for the net proceeds from the issue of the Compliance Placement Shares <sup>(5)</sup> (\$'000)
Cash and cash equivalents	14,450	24,735
Long term debt:		
Non-current portion of bank loans <sup>(1)</sup>	20,787	20,787
Finance lease liabilities <sup>(2)</sup>	4,454	4,454
Short term debt:		
Bank overdrafts <sup>(3)</sup>	475	475
Bills payable <sup>(4)</sup>	22,055	22,055
Current portion of bank loans <sup>(1)</sup>	14,624	14,624
Finance lease liabilities <sup>(2)</sup>	3,891	3,891
Total Indebtedness	66,286	66,286
Total Shareholders' equity	61,972	72,257
Total capitalisation and indebtedness	128,258	138,543

**Notes:**

- (1) The bank loans comprised a mortgage loan and terms loans.
- (2) The finance lease liabilities are secured against the assets purchased under the finance leases.
- (3) The bank overdrafts are secured by joint and several guarantees from certain Executive Directors.
- (4) The bills payables are secured against certain leasehold properties and by joint and several guarantees from certain Executive Directors.
- (5) Assuming 57,625,000 Compliance Placement Shares are issued at \$0.21 each after taking into account listing expenses and placement commission of approximately \$1,816,000 in total.

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### 25.2 Borrowings

Details of our borrowings as at the Latest Practicable Date are as follows:

Type of facility	Facility granted (\$'000)	Utilised (\$'000)	Unutilised (\$'000)	Interest rates (per annum)	Maturity profile
Bank overdrafts <sup>(1)</sup>	18,750	359	18,391	5.5% - 7.5%	On demand
Bills payable <sup>(2)</sup>	55,687	22,572	33,115	3.46% - 6.45%	90 – 180 days
Bank loans <sup>(3)</sup>	62,922	38,990	23,932	4% - 6%	1 – 9 years
Finance lease <sup>(4)</sup>	29,922	8,579	21,343	2.19% - 7.34%	2016

**Notes:**

- (1) The bank overdraft facilities were utilised for general working capital purposes.
- (2) Bills payable comprised letter of credits and trust receipts. The bills payables were utilised for the purchase of inventories and to secure amongst others, the performance of construction contracts.
- (3) The bank loans were utilised for the purchase of a leasehold building, construction of the asphalt plant and as general working capital.
- (4) The finance lease facilities were utilised for the purchase of equipment and motor vehicles.

To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

As at the Latest Practicable Date, there are no material changes in our cash and cash equivalents, capitalisation and indebtedness as disclosed above save for the scheduled repayments on our borrowings and changes in our retained earnings arising from the day-to-day operations in the ordinary course of our business.

### 25.3 Contingent Liabilities

In 2009, the earth at the adjacent drain at one of the work sites of our subsidiary, Chin Kuan, collapsed and buried a worker at their work site. The worker was rescued but subsequently passed away. The MOM is still conducting investigations and it is unknown if any action will be taken against Chin Kuan. If Chin Kuan (which is not a repeat offender) is found guilty of committing an offence under the Workplace Safety and Health Act (Cap. 354A), it may be fined up to a maximum of \$500,000 per offence. Should the contravention continue even after it is found guilty, Chin Kuan will be deemed to be guilty of a further offence and may be fined a maximum of \$5,000 for every day or part thereof during which the contravention continues after conviction.

Further to the above, if Chin Kuan being the occupier of a workplace in which an accident, a dangerous occurrence or an occupational disease has occurred, is found to have failed in taking all reasonable measures to prevent any person from:

- (a) altering, replacing, removing or adding to any machinery, equipment, plant or article which may have contributed to the cause of the accident resulting in the death of any person or the dangerous occurrence or occupational disease; or
- (b) modifying the scene of the fatal accident or dangerous occurrence or the scene where the occupational disease occurred,

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it may be found guilty of an offence and may be liable on conviction to a fine not exceeding \$10,000 under the Workplace Safety and Health Act (Cap. 354A).

Save as disclosed above, as at the Latest Practicable Date, the LC Group had no other borrowings or indebtedness, mortgages, guarantees, commitments or other material contingent liabilities.

### 26. SELECTED CONSOLIDATED FINANCIAL INFORMATION

*The following selected financial information of the LC Group should be read in conjunction with the full text of this LC Letter, including the “Management Discussion and Analysis of Financial Condition and Results of Operations” section and the section entitled “Appendix E – Audited Consolidated Financial Statements of Ley Choon Constructions and Engineering Pte Ltd and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011” of this Circular.*

#### Operating Results of the LC Group

	← Year ended 31 December →		
	2009	2010	2011
	\$'000	\$'000	\$'000
<b>Continuing operations</b>			
Revenue	110,330	110,714	126,843
Cost of sales	(78,952)	(84,202)	(97,783)
<b>Gross profit</b>	31,378	26,512	29,060
Other income	2,450	2,194	1,475
Distribution expenses	(252)	(368)	(377)
Administrative expenses	(5,525)	(8,908)	(11,460)
Other expenses	(1,305)	(1,455)	(706)
<b>Results from operating activities</b>	26,746	17,975	17,992
Finance costs	(1,828)	(2,136)	(2,129)
	24,918	15,839	15,863
Share of profit of associate (net of tax)	466	–	–
<b>Profit before tax</b>	25,384	15,839	15,863
Income tax expense	(4,963)	(2,361)	(847)
<b>Profit from continuing operations</b>	20,421	13,478	15,016
<b>Discontinued operation</b>			
Loss from discontinued operation (net of tax)	(498)	–	–
<b>Profit/Total comprehensive income for the year/period</b>	19,923	13,478	15,016
<b>Profit/Total comprehensive income attributable to:</b>			
Owners of LCCE	20,038	13,360	14,856
Non-controlling interests	(115)	118	160
	19,923	13,478	15,016

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**Financial Position of the LC Group**

	<b>As at 31 December 2011 S\$'000</b>
<b>Non-current assets</b>	
Property, plant and equipment	48,554
Club membership	42
	48,596
<b>Current Assets</b>	
Inventories	4,302
Contracts work-in-progress	51,534
Trade and other receivables	15,198
Financial assets designated at fair value through profit or loss	77
Cash and cash equivalents	28,168
	99,279
<b>Total assets</b>	147,875
<b>Equity</b>	
Share Capital	16,137
Retained Earnings	42,274
<b>Equity attributable to owners of LCCE</b>	58,411
<b>Non-controlling interests</b>	420
<b>Total equity</b>	58,831
<b>Non-current liabilities</b>	
Loans and borrowings	24,424
Deferred tax liabilities	3,893
	28,317
<b>Current liabilities</b>	
Loans and borrowings	34,159
Trade and other payables	24,478
Provisions	106
Current tax payable	1,984
	60,727
<b>Total liabilities</b>	89,044
<b>Total equity and liabilities</b>	147,875

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### 27. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*In this section we discuss our historical consolidated results of operations and financial condition for the financial years ended 31 December 2009, 2010 and 2011 and our management's assessment of the factors that may affect our prospects and performance in future periods. You should read the following discussion together with the section entitled "Appendix E - Audited Consolidated Financial Statements of Ley Choon Constructions and Engineering Pte Ltd and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011" of this Circular.*

*This discussion and analysis contains forward-looking statements which involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements. Factors that might cause our actual future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Circular, particularly in Paragraph 24 entitled "Risk Factors" of this Letter and the section entitled "Cautionary Notes Regarding Forward Looking Statements" of this Circular.*

*The figures in this section are approximate figures and have been rounded to the nearest one decimal place for ease of reference.*

#### OVERVIEW

We carry out (a) Underground Utilities Infrastructure construction and maintenance, (b) sewer pipeline rehabilitation, (c) road and airfield construction and maintenance, (d) asphalt pre-mix production, and (e) construction waste recycling. Since our establishment in 1990, we have undertaken and completed a wide range of Underground Utilities Infrastructure projects for the public sector in Singapore. Since 2007, we have gradually diversified into the businesses of sewer pipeline rehabilitation, road and airfield construction and maintenance, asphalt pre-mix production and construction waste recycling. As at the Latest Practicable Date, the majority of our current projects are based in Singapore.

We are registered as a L6 contractor (the highest grade possible under the category) in the categories of (a) Cable/Pipe Laying and Road Reinstatement (CR07), (b) Pipes (SY12), (c) Essential Construction Materials (SY01A); (d) Other Basic Construction Materials (SY01C) and (e) Electrical & Electronic Materials, Products & Components (SY05) with the BCA, which allows us to tender for Singapore public projects of unlimited value for a particular period specified by the BCA. As at 13 June 2012, there are 9 companies which are registered with BCA as L6 contractors in the category of Pipe Laying and Road Reinstatement (CR07), 12 companies in the category of Pipes (SY12), 75 companies in the category of Essential Construction Materials (SY01A), 101 companies in the category of Other Basic Construction Materials and 42 companies in the category of Electrical & Electronic Materials, Products & Components.

We are also registered as an A2 contractor in the category of Civil Engineering (CW02) and as at 13 June 2012, there are 21 companies which are registered with BCA as an A2 contractor in the category.

On 8 October 2009, LCCE acquired 51% of the equity interest in Teacly from Mr Koh Tiam Teng, a third party at the date of the acquisition. As a result of this acquisition, Teacly became a 100.0% owned subsidiary of the LC Group. Accordingly, for the period from 8 October 2009 to 31 December 2011, the financial information of Teacly and its subsidiary, Pan Alliance, was consolidated into our financial statements.

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For the Periods Under Review, all our revenue was generated from activities in Singapore, and as such, it is not meaningful to provide a geographical breakdown of our financial results for the financial years/periods under review.

**Note:**

- (1) The above information was extracted from the internet website of BCA (<http://dir.bca.gov.sg/index.php>) on 13 June 2012. We have not sought the consent of BCA nor has BCA provided its consent to the inclusion of the relevant information extracted from this website and disclaimed any responsibility in relation to reliance on the information. As they have not consented to the inclusion of the above information in this Circular for the purposes of section 240 of the SFA, they are therefore not liable for the relevant information under section 253 and 254 of the SFA. While reasonable actions have been taken by the Directors and the Vendors to ensure that the relevant information was extracted accurately and fairly from the website, LCCE, the Directors, the Vendors, the Financial Adviser or other persons involved in the Proposed Acquisition have not conducted independent reviews of the information contained in this website and have not verified the accuracy of the information extracted from it.

**Revenue**

We derive our revenue primarily from two business segments:

- (a) **Pipes and Roads Segment**, which comprises (i) Underground Utilities Infrastructure construction and maintenance; (ii) sewer pipeline rehabilitation; and (iii) road and airfield construction and maintenance. Please refer to Paragraph 3.2 entitled “Business Overview – Pipes and Roads Segment” of this Letter for further details.
- (b) **Construction Materials Segment**, which comprises (i) asphalt pre-mix production; and (ii) construction waste recycling. Our asphalt pre-mix production and construction waste recycling business activities complement the rest of our business activities by providing us with a supply of asphalt pre-mixes and reusable recycled aggregates which are required for the construction and maintenance of roads and airfield as well as the road resurfacing needs for our Pipes and Roads Segment. Our asphalt pre-mix production also allows us to supply asphalt pre-mixes to other third party contractors in the Singapore construction industry. We have also built a new construction waste recycling plant and office in Sarimbun Recycling Park. We started trial run production in March 2010. Hence, this construction waste recycling business did not contribute to the LC Group’s revenue during the Periods Under Review. Please refer to Paragraph 3.3 entitled “Business Overview – Construction Materials Segment” of this Letter for further details.

The following table shows our revenue by business segments during the Periods Under Review:

Revenue	FY2009		FY2010		FY2011	
	\$'000	%	\$'000	%	\$'000	%
Pipes and Roads Segment	105,368	95.5	106,493	96.2	121,810	96.0
Construction Materials Segment	4,962	4.5	4,221	3.8	5,033	4.0
<b>Total</b>	<b>110,330</b>	<b>100.0</b>	<b>110,714</b>	<b>100.0</b>	<b>126,843</b>	<b>100.0</b>

For our Pipes and Roads Segment, we derive our revenue mainly from construction and civil engineering contracts and/or projects. Revenue from such contracts and/or projects is recognised based on the percentage of completion method measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Our revenue from this business segment accounted for approximately 95.5%, 96.2% and 96.0% of the LC Group’s revenue in FY2009, FY2010 and FY2011 respectively.

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We secure our construction and civil engineering contracts and/or projects mainly from public tenders. Our contract terms for these contracts and/or projects usually require the provision of a performance bond, issued by an acceptable bank or financial institution, in favour of our customers, for the duration of the defects liability period which is typically 12 to 18 months after completion of the entire project. However, the defects liability period for certain projects may be up to 24 months. The performance bond expires upon the expiry of the contract including the defects liability period.

For our Construction Materials Segment, we derive our revenue mainly from the sale of asphalt pre-mix to third party customers. We do not have long-term contracts in relation to the supply of asphalt pre-mix with our customers. Our recognition of sale of goods coincides with our delivery and invoicing. Revenue recognised for goods and services comprise the consideration received or receivable, net of goods and services tax, rebates and discounts. Our revenue from this business segment accounted for approximately 4.5%, 3.8% and 4.0% of the LC Group's revenue in FY2009, FY2010 and FY2011 respectively.

The factors affecting the revenue recognised for our construction and civil engineering contracts and/or projects are:

- (a) a contract or project could take more than 12 months to complete. As we recognise our revenue based on percentage of completion method, the revenue may not be recognised in the same financial year as that in which the contract and/or project was tendered for and obtained. Accordingly, the number of contracts and/or projects tendered for and obtained in a financial year may not be reflective of the revenue to be recognised in that financial year; and
- (b) from time to time, we may carry out variation orders and/or submit claims in respect of such variation orders for our construction and civil engineering contracts and/or projects. Variation orders may arise from additional works which were not included in the original specifications of the contract and/or project. We only recognise revenue from variation orders or claims approved by our customers. Revenue from such variation works or claims may or may not be significant. Correspondingly, should our variation order claims against the customer be rejected, our revenue recognised in that financial year would be adversely affected.

Our overall revenue may be affected by, *inter alia*, the following key factors:

- (a) *Market demand*

We are dependent on the demand for infrastructure construction and civil engineering works from the public sectors in Singapore, which is typically measured by the number and value of contracts and/or projects made available for tender by government bodies/government-related bodies in Singapore such as PUB. In the event that the Singapore Government introduces measures to postpone or slow down infrastructure construction, the number and/or quantum of such contracts and/or projects will be reduced and our revenue may be materially and adversely affected.

Our asphalt premix is primarily used in the construction industry. As such, we are dependent on the overall outlook of the construction industry in Singapore. In the event of a slowdown in the Singapore construction industry, our revenue may be materially and adversely affected.

- (b) *Our ability to secure contracts and/or projects*

Our ability to secure contracts and/or projects is dependent on several factors, including (i) our grade under the various workheads registered with BCA; (ii) our track record; (iii) our financial strengths; and (iv) number of competitors bidding for the same contracts and/or projects.

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(c) *Our ability to secure performance bonds*

For certain contracts and/or projects, it is a requirement to provide performance bonds issued by an acceptable bank or financial institution to insure the contract and/or project owner against the non-fulfilment of contractual performance by the party awarded the contract or project. Should we fail to secure the requisite performance bonds for any reason, we will not be able to secure the contracts and/or projects and our revenue will be adversely affected.

Please refer to Paragraph 24 entitled “Risk Factors” of this Letter for a more comprehensive discussion of other factors which may affect our business operations, revenue and financial performance.

### Cost of Sales

#### Pipes and Roads Segment

The breakdown for the cost of sales is as follows:

	FY2009		FY2010		FY2011	
	\$'000	%	\$'000	%	\$'000	%
Direct materials costs	38,918	51.7	32,739	40.6	38,244	40.7
Direct labour costs	12,225	16.2	19,053	23.7	17,602	18.7
Sub-contracting costs	11,587	15.4	10,599	13.2	17,387	18.5
Project overheads and other direct costs	12,525	16.7	18,110	22.5	20,777	22.1
<b>Total</b>	<b>75,255</b>	<b>100.0</b>	<b>80,501</b>	<b>100.0</b>	<b>94,010</b>	<b>100.0</b>

Direct materials costs refer to construction materials such as pipes, fittings and related accessories, diesel, natural gas, bitumen, ready mix concrete, aggregates and trench backfilling materials. The composition of direct materials changes with type and nature of contracts and/or projects. Direct materials costs accounted for approximately 51.7%, 40.6%, and 40.7% of our cost of sales in this business segment in FY2009, FY2010 and FY2011 respectively.

Direct labour costs refer to the salaries and FWL of our operations staff (which includes foreign workers, engineers and supervisory staff). Direct labour costs accounted for approximately 16.2%, 23.7% and 18.7% of our cost of sales in this business segment in FY2009, FY2010 and FY2011 respectively.

We also rely on sub-contractors to provide certain services. These services include but are not limited to (a) the provision of traffic light maintenance services; (b) the provision of sewer pipeline rehabilitation services; and (c) auxiliary services related to road resurfacing as required by our road resurfacing contracts with LTA, HDB and/or JTC such as construction of drains, drawing of road markings and erecting and/or maintenance of signboards. Teacly, an associated company of the LC Group from 30 April 2007 to 7 October 2009, was our sole sub-contractor engaged for the provision of sewer pipeline rehabilitation services during that period. Teacly has become one of our subsidiaries and its results have been consolidated in our financial statements since 8 October 2009. Please refer to the sections entitled “Management Discussion and Analysis of Financial Position and Results of Operations – Overview” of this Letter and “Appendix E – Consolidated Financial Statements of Ley Choon Constructions and Engineering Pte. Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011” of this Circular for further details. Overall, the sub-contracting costs accounted for approximately 15.4%, 13.2% and 18.5% of our cost of sales in this business segment in FY2009, FY2010 and FY2011 respectively.

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Project overheads and other direct costs comprise mainly utilities and general expenses, the rental and maintenance of motor vehicles, plant and equipment, rental and maintenance of site offices, waste disposal, transport charges, insurance, fuel costs and costs on performance bonds and/or bankers' guarantees. Project overheads and other direct costs accounted for approximately 16.7%, 22.5% and 22.1% of our cost of sales in this business segment in FY2009, FY2010 and FY2011 respectively.

### Construction Materials Segment

The breakdown for the cost of sales is as follows:

	FY2009		FY2010		FY2011	
	\$'000	%	\$'000	%	\$'000	%
Direct materials costs	3,154	85.4	2,902	78.4	2,718	72.0
Direct labour costs	94	2.5	141	3.8	77	2.1
Project overheads and other direct costs	449	12.1	658	17.8	978	25.9
<b>Total</b>	<b>3,697</b>	<b>100.0</b>	<b>3,701</b>	<b>100.0</b>	<b>3,773</b>	<b>100.0</b>

Direct materials costs comprise mainly raw material cost, such as bitumen, aggregates and steel slags, which accounted for approximately 85.4%, 78.4% and 72.0% of our cost of sales in this business segment in FY2009, FY2010 and FY2011 respectively.

Direct labour costs refer to the salaries and FWL of our operations staff (which includes foreign workers, engineers and supervisory staff). Direct labour costs accounted for approximately 2.5%, 3.8% and 2.1% of our costs of sales in this business segment in FY2009, FY2010 and FY2011 respectively.

Project overheads and other direct costs comprise maintenance cost of building, plant and equipment, rental expense of motor vehicles, freight costs, depreciation expenses, insurance, water, electricity and other plant expenses. Project overheads and other direct costs accounted for approximately 12.1%, 17.8% and 25.9% of our cost of sales in this business segment in FY2009, FY2010 and FY2011 respectively.

Our overall cost of sales may be affected by, *inter alia*, the following key factors:

- (a) changes in prices of direct materials, such as bitumen and iron pipes;
- (b) direct labour costs which can be affected by changes in government regulations and requirements on wages such as FWL and CPF contribution rates, amongst other things;
- (c) sub-contracting and other direct costs such as transportation, insurance, rental of warehouse spaces and site offices. The factors that affect our decisions to engage sub-contractors include the type of terrain of the project sites and our available resources and time. The factors that affect the costs of sub-contracting include prevailing market demand and supply conditions in the construction industry, turnaround time set for the sub-contractor to complete the specified work, and level of complexity for the work to be sub-contracted;
- (d) changes in project progress schedules and consequential cost overruns in the event of projects delays; and
- (e) our ability to control costs over the project lifespan.

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### Gross profit and gross profit margin

Gross profit is determined after deducting the cost of sales from our revenue. Hence, the key determinants of gross profit are (a) the revenue generated from our businesses, and (b) the cost of sales.

Gross Profit	FY2009		FY2010		FY2011	
	\$'000	%	\$'000	%	\$'000	%
Pipes and Roads Segment	30,113	96.0	25,992	98.0	27,800	95.7
Construction Materials Segment	1,265	4.0	520	2.0	1,260	4.3
<b>Total</b>	<b>31,378</b>	<b>100.0</b>	<b>26,512</b>	<b>100.0</b>	<b>29,060</b>	<b>100.0</b>

Gross Profit Margin	FY2009	FY2010	FY2011
	%	%	%
Pipes and Roads Segment	28.6	24.4	22.8
Construction Materials Segment	25.5	12.3	25.0
<b>Overall Gross Profit Margin</b>	<b>28.4</b>	<b>23.9</b>	<b>22.9</b>

Our gross profit and gross profit margins may be affected by, *inter alia*, the following key factors:

- (a) the mix of different contracts and/or projects secured which carry different gross profit and gross profit margin;
- (b) revenue for construction and civil engineering contracts and/or projects is recognised under the percentage of completion method. Accordingly, a significant portion of the revenue and profit will be recognised during the peak of the construction activities for projects, which in turn may contribute significantly to our overall gross profit in the financial year which the peak of construction activities occurred;
- (c) fluctuations in cost of sales due to fluctuations in quantity used and/or unit cost of direct materials, direct labour and other direct costs, amongst others;
- (d) our ability to pass on the increases in costs of sales for asphalt to customers;
- (e) number of qualified competitors bidding for projects; and
- (f) the extent of variation orders raised and accepted by the customers for the projects.

### Other income

Other income mainly comprise rental income from the lease of warehousing and office spaces to tenants mainly at 61 Senoko Drive, Loyang Way, Woodlands Ave 4, and 55 Kranji Crescent, income from sale of scrap materials, gain on disposal of plant and equipment, gain on disposal of quoted shares, insurance claims and government claims arising from the Jobs Credit Scheme. The Jobs Credit Scheme was introduced by the Singapore Government in the Singapore Budget 2009 to encourage business to preserve jobs in the economic downturn in 2009. Other income represented approximately 9.7%, 13.9% and 9.3% of our profit from continuing operations before income tax in FY2009, FY2010 and FY2011 respectively.

### Distribution expenses

Distribution expenses comprise marketing and advertising costs, entertainment expenses, as well as other general expenses such as travelling costs, representing approximately 0.2% to 0.3% of the LC Group's revenue during the Periods Under Review.

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### **Administrative expenses**

Administrative expenses comprise office staff's and directors' remuneration, professional fees, rental for site offices, motor vehicle maintenance expense, motor vehicle and office equipment depreciation expenses as well as other general expenses, representing approximately 5.0% to 9.0% of the LC Group's revenue during the Periods Under Review.

### **Other expenses**

Other expenses comprise expenses such as provision for legal claims and damages, listing expenses, allowance for doubtful debts, bad debts written off and changes in fair value of financial assets.

### **Finance costs**

Finance costs comprise interest expenses for bank loans, bank overdrafts, bills payable and finance leases.

### **Share of profit of associated companies**

Share of profit of associated companies refer to our share of profit from Teacly, which was our associated company during the Periods Under Review until 8 October 2009, representing approximately 1.8% of our profit from continuing operations before income tax for FY2009. Following the acquisition of Teacly on 8 October 2009, Teacly became our wholly owned subsidiary and its results are consolidated under the LC Group.

### **Income tax expense**

We were subject to a corporate tax rate of 17.0% in FY2009, FY2010, and FY2011. Income tax expenses amounted to approximately \$5.0 million, \$2.4 million and \$847,000 for FY2009, FY2010 and FY2011 respectively.

Our effective tax rates based on the profit before income tax for FY2009, FY2010 and FY2011 were approximately 19.6%, 14.9% and 5.3% respectively. The low effective tax rates for FY2011 was mainly due to the utilisation of unabsorbed capital allowance and Productivity and Innovation Credit during the year.

### **Discontinued Operations**

Discontinued operations relate to the disposal of the entire marine and aquaculturalist business through the sale of Li Chun Dragon Fish Industry Pte Ltd (formerly known as Ley Choon Dragon Fish Pte Ltd) to the directors and/or shareholders of LCCE on 28 December 2009 for a consideration of \$1.0 million which was offset against the dividend payable to the shareholders.

### **Inflation**

We do not expect inflation to have any material impact on our business.

## **REVIEW OF RESULTS OF OPERATIONS**

### **FY2010 vs FY2009**

#### **Revenue**

Revenue increased by approximately \$384,000 or 0.3% from approximately \$110.3 million in FY2009 to approximately \$110.7 million in FY2010.

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Revenue from the Pipes and Roads Segment increased marginally by approximately \$1.1 million or 1.0% from approximately \$105.4 million in FY2009 to approximately \$106.5 million in FY2010. As most of our projects at hand in FY2009 had been completed or were nearing the completion stage by the end of FY2009 and new projects secured in FY2009 and FY2010 had just commenced, revenue from the Pipes and Roads Segment in FY2010 would have been lower than that in FY2009. However, this was mitigated by the consolidation of full year revenue from Teacly and its subsidiary under the LC Group in FY2010 following the acquisition of Teacly in October 2009. The revenue contribution from Teacly for the 3 months consolidated was approximately \$8.5 million in FY2009 and full year for FY2010 was approximately \$24.2 million.

Revenue from the Construction Materials Segment decreased by approximately \$741,000 or 14.9% from approximately \$4.9 million in FY2009 to approximately \$4.2 million in FY2010. The decrease was due to the general weaker market demand for asphalt pre-mix.

### Cost of sales

Cost of sales increased by approximately \$5.2 million or 6.6% from approximately \$79.0 million in FY2009 to approximately \$84.2 million in FY2010.

Cost of sales from the Pipes and Roads Segment increased by approximately \$5.2 million or 6.9% from approximately \$75.3 million in FY2009 to approximately \$80.5 million in FY2010. The increase in cost of sales was mainly due to:

- (a) an increase in direct labour costs of approximately \$6.9 million or 56.6% from approximately \$12.2 million in FY2009 to approximately \$19.1 million in FY2010. The increase was mainly due to (i) an increase in the average number of operations staff from 681 in FY2009 to 936 in FY2010 to meet the our project requirements in FY2010; (ii) increase in staff cost; and (iii) the consolidation of direct labour costs from Teacly and its subsidiary, amounting to approximately \$5.2 million in FY2010; and
- (b) an increase in project overheads and other direct costs of approximately \$5.5 million or 43.7% from approximately \$12.6 million in FY2009 to approximately \$18.1 million in FY2010. The increase in project overheads and other direct costs was due to (i) increased depreciation and maintenance expenses resulting from our purchases of additional equipment in FY2010; (ii) increased rental expenses and insurance expenses in connection with increased number of motor vehicles and other equipment rented to meet the project requirements; and (iii) the consolidation of project overheads and other direct costs from Teacly and its subsidiary, amounting to approximately \$5.4 million in FY2010.

The increase was partially offset by:

- (a) a decrease in direct materials cost of approximately \$6.2 million or 15.9% from approximately \$38.9 million in FY2009 to approximately \$32.7 million in FY2010. The decrease was mainly due to (i) lesser consumption of direct materials in the contracts at their respective varying stages of completion in FY2010 compared to FY2009; and (ii) partially offset by the consolidation of direct materials cost from Teacly and its subsidiary, amounting to approximately \$7.0 million in FY2010; and
- (b) a decrease in sub-contracting cost of approximately \$1.0 million or 8.6% from approximately \$11.6 million in FY2009 to approximately \$10.6 million in FY2010 mainly due to the consolidation of Teacly.

Cost of sales for the Construction Materials Segment remained at approximately \$3.7 million in FY2010. This is mainly due to the decrease of approximately \$252,000 in direct materials costs in line with the decrease in revenue, offset by the increase of approximately \$209,000 in project overheads and other direct costs mainly due to the increase in the price of diesel.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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### Gross profit

Gross profit decreased by approximately \$4.9 million or 15.6% from approximately \$31.4 million in FY2009 to approximately \$26.5 million in FY2010. This represented a decrease in gross profit margin from approximately 28.4% in FY2009 to approximately 23.9% in FY2010.

Gross profit from the Pipes and Roads Segment decreased by approximately \$4.1 million or 13.7% from approximately \$30.1 million in FY2009 to approximately \$26.0 million in FY2010. This represented a decrease in gross profit margin from approximately 28.6% in FY2009 to approximately 24.4% in FY2010. The decrease in gross profit margin was mainly due to marginal increase in revenue for FY2010 and more than proportionate increase in cost of sales in this segment. Please refer to earlier discussion on “Cost of Sales” for further details.

Gross profit from the Construction Materials Segment decreased by approximately \$745,000 or 58.9% from approximately \$1.3 million in FY2009 to approximately \$520,000 in FY2010. Gross profit margin decreased from approximately 25.5% in FY2009 to approximately 12.3% in FY2010. The decrease in gross profit margin was mainly due to higher average unit cost of certain direct materials such as bitumen-60/70 of approximately 20.7% in FY2010 and bitumen PG 76 of approximately 3.5% in FY2010 due to the general increase in crude oil prices in FY2010 as compared to FY2009. Crude oil is the primary raw material in the production of bitumen. The increase in average per unit cost of aggregates was due to the increase in general market demand which was due to the generally improved global economy. Our Directors are of the view, that we are a price taker for bitumen and aggregates and are not able to influence the price trends of such materials.

### Other income

Other income decreased by approximately \$256,000 or 10.4% from approximately \$2.5 million in FY2009 to approximately \$2.2 million in FY2010. This decrease was mainly due to:

- (a) a decrease of approximately \$329,000 mainly from gain on the disposal of plant and equipment of approximately of \$223,000 in FY2009 to a net loss on disposal of hydraulic excavators and lorries of approximately \$106,000 in FY2010;
- (b) a decrease of approximately \$676,000 from gain on the disposal of quoted shares from \$676,000 in FY2009 to nil in FY2010;
- (c) a decrease in the amount of jobs credit received under the Jobs Credit Scheme of approximately \$190,000 from approximately \$289,000 in FY2009 to approximately \$99,000 in FY2010. Under the Jobs Credit Scheme, businesses would receive cash grant from the government based on the CPF contributions that they have made for their existing employees. The amount is calculated at 12% of wage cost, subject to monthly wage cap of \$2,500 per employee. The qualifying period for the jobs credit received in FY2009 was from 1 October 2008 to 30 September 2009 while the qualifying period for the jobs credit received in FY2010 was the last quarter of 2009;
- (d) a decrease in rental income of approximately \$150,000 from approximately \$297,000 in FY2009 to approximately \$147,000 in FY2010 as the lease agreements in respect of the warehouses at Woodlands Ave 4, Loyang Way and 61 Senoko Drive expired in August 2010.

The above decrease was partially offset by:

- (a) an increase in insurance claims of approximately \$548,000 from approximately \$268,000 in FY2009 to approximately \$816,000 in FY2010;

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- (b) an increase in sales of scrap materials of approximately \$151,000 from approximately \$273,000 in FY2009 to approximately \$424,000 in FY2010;
- (c) an increase in net foreign currency exchange gain of approximately \$172,000 from approximately \$63,000 in FY2009 to approximately \$235,000 in FY2010; and
- (d) an increase in other income consisting of interest income, dividend from quoted shares and other income of approximately \$413,000 from approximately \$166,000 in FY2009 to approximately \$579,000 in FY2010.

### **Distribution expenses**

Distribution expenses increased by approximately \$116,000 or 46.0% from approximately \$252,000 in FY2009 to approximately \$368,000 in FY2010. This was mainly due to an increase in advertisement costs of approximately \$92,000 from approximately \$19,000 in FY2009 to approximately \$111,000 in FY2010, increase in entertainment expenses of approximately \$35,000 from approximately \$98,000 in FY2009 to approximately \$133,000 in FY2010, partially offset by a decrease in travelling expenses of approximately \$15,000 from approximately \$36,000 in FY2009 to approximately \$21,000 in FY2010.

### **Administrative expenses**

Administrative expenses increased by approximately \$3.4 million or 61.8% from approximately \$5.5 million in FY2009 to approximately \$8.9 million in FY2010. The increase was mainly due to:

- (a) an increase in administrative staff costs, directors' remuneration and CPF of approximately \$2.2 million from approximately \$2.7 million in FY2009 to approximately \$4.9 million in FY2010. This was mainly due to the general increase in the wages and bonuses of the staff and directors and consolidation of administrative staff costs from Teacly and its subsidiary for the full year of FY2010 as compared to only about three months in FY2009;
- (b) an increase in our rental expenses of approximately \$329,000 from approximately \$687,000 in FY2009 to approximately \$1.0 million in FY2010 due to (i) consolidation of rental expenses from Teacly and its subsidiary; (ii) the full year recognition of rental expenses for the land at 701A Lim Chu Kang Road in FY2010 as the lease commenced from 15 June 2009; and (iii) rental of other site office premises; and
- (c) increase in other administrative expenses such as audit fee, printing and stationery expenses, cleaning expenses, motor vehicles expenses, property tax, repair and maintenance of office and training and recruitment expenses of approximately \$851,000 from approximately \$2.1 million in FY2009 to approximately \$2.9 million in FY2010.

### **Other expenses**

Other expenses increased marginally by approximately \$150,000 or 11.5% from approximately \$1.3 million in FY2009 to approximately \$1.5 million in FY2010. The increase was mainly due to:

- (a) an increase in listing expenses by approximately \$429,000 from approximately \$157,000 in FY2009 to approximately \$586,000 in FY2010; and
- (b) an increase in provision for doubtful debts by approximately \$453,000 from \$73,000 in FY2009 to approximately \$526,000 in FY2010.

The increase was partially offset by the decrease in the provision for legal claims and damages by approximately \$837,000 from approximately \$1.0 million in FY2009 to approximately \$183,000 in FY2010.

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### **Finance costs**

Finance costs increased by approximately \$308,000 or 16.8% from approximately \$1.8 million in FY2009 to approximately \$2.1 million in FY2010. This was mainly due to an increase in total secured bank borrowings and finance leases from approximately \$39.0 million in FY2009 to \$43.0 million in FY2010 for the purposes of financing the acquisition of plant and equipment and motor vehicles to support our operating activities. Please refer to the Paragraph entitled “Capital Expenditures and Divestments” of this Letter for further details.

### **Share of profit of associated companies**

Share of profit of associated companies was nil in FY2010 as Teacly and its subsidiary were consolidated into the LC Group on 8 October 2009.

### **Profit before tax**

Profit before tax decreased by approximately \$9.6 million or 37.8% from approximately \$25.4 million in FY2009 to approximately \$15.8 million in FY2010. The decrease was mainly due to decreases in the gross profit from both the Pipes and Roads Segment and the Construction Materials Segment and increases in overall operating expenses and finance cost.

### **Income tax expense**

Income tax expense decreased by approximately \$2.6 million or 52.0% from approximately \$5.0 million in FY2009 to approximately \$2.4 million in FY2010 in line with the decrease in profit before tax. The income tax expense was calculated based on the statutory income tax rate of 17.0% for FY2009 and FY2010. Due to the utilisation of tax losses carried forward from prior years and an over-provision of tax liability in FY2009, the effective tax rates for FY2010 was approximately 14.9%.

### **FY2011 vs FY2010**

#### **Revenue**

Revenue increased by approximately \$16.1 million or 14.5% from approximately \$110.7 million in FY2010 to approximately \$126.8 million in FY2011.

Revenue from the Pipes and Roads Segment increased by approximately \$15.3 million or 14.4% from approximately \$106.5 million in FY2010 to approximately \$121.8 million in FY2011. The increase was mainly due to an increase in the recognition of revenue from the new contracts and projects on public road resurfacing works and pipe laying works such as construction of East (South) Aircraft Parking Apron Associated Taxiways and Ancillary Works at Seletar Airport, Planned Maintenance of Roads, Road Related Facilities and Road Structures in West Sector, Planned Maintenance of Expressways, Road Related Facilities and Road Structures, and NEWater Infrastructure Plan Extensive (NIPE) – NIPE Contract C6 – Supply, Delivery and Laying of 2200mm Diameter NEWater Pipeline along Pioneer Road from Shipyard Road to Sungei Lanchar Drainage Reserve.

Revenue from the Construction Materials Segment increased by approximately \$812,000 from approximately \$4.2 million in FY2010 to approximately \$5.0 million in FY2011 due to increase in market demand for asphalt pre-mix.

#### **Cost of sales**

Cost of sales increased by approximately \$13.6 million or 16.2% from approximately \$84.2 million in FY2010 to approximately \$97.8 million in FY2011.

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Cost of sales from the Pipes and Roads Segment increased by approximately \$13.5 million or 16.8% from approximately \$80.5 million in FY2010 to approximately \$94.0 million in FY2011. The increase in cost of sales was mainly due to:

- (a) an increase in direct materials costs of approximately \$5.5 million or 16.8% from approximately \$32.7 million in FY2010 to approximately \$38.2 million in FY2011. The increase in direct materials costs was due mainly to the increase in the consumption of direct materials in FY2011 in line with the increase in revenue;
- (b) an increase in sub-contracting cost of approximately \$6.8 million or 64.2% from approximately \$10.6 million in FY2010 to approximately \$17.4 million in FY2011. The increase in sub-contracting costs was mainly due to sub-contracting certain civil engineering works such as construction of drains, marking of roads and erecting and maintenance of signboards to third-party sub-contractors; and
- (c) an increase in project overheads and other direct costs of approximately \$2.7 million or 14.9% from approximately \$18.1 million in FY2010 to approximately \$20.8 million in FY2011. The increase in project overheads and other direct costs was due to (i) increased depreciation and maintenance expenses resulting from our purchases of additional equipment in FY2011; and (ii) increased rental expenses and higher insurance expenses in connection with increased number of motor vehicles and other equipment rented to meet project requirements.

The increase was partially offset by a decrease in direct labour costs of approximately \$1.5 million or 7.9% from approximately \$19.1 million in FY2010 to approximately \$17.6 million in FY2011. The decrease was mainly due to a decrease in the operations staff for our contracts and/or projects in FY2011. The average number of our operations staff decreased from 936 in FY2010 to 896 in FY2011 due to a decrease in activities of SPR projects.

Cost of sales from the Construction Materials Segment increased by approximately \$72,000 or 1.9% from approximately \$3.7 million in FY2010 to approximately \$3.8 million in FY2011. This was mainly due to an increase of approximately \$320,000 or 48.6% in project overheads and other direct costs from approximately \$658,000 in FY2010 to approximately \$978,000 in FY2011 as a result of increased production volume of the asphalt plant. Please refer to Paragraph 4 entitled “Production Facilities and Capacity” of this Letter for further details. Despite the increased production volume of the asphalt plant, the direct materials costs decreased by approximately \$184,000 from approximately \$2.9 million in FY2010 to approximately \$2.7 million in FY2011 as we utilised certain recycled waste construction materials from our waste construction recycling plant for the asphalt pre-mix production.

### **Gross profit**

Gross profit increased by approximately \$2.6 million or 9.8% from approximately \$26.5 million in FY2010 to approximately \$29.1 million in FY2011. This represented a decrease in gross profit margin from approximately 23.9% in FY2010 to approximately 22.9% in FY2011.

Gross profit from the Pipes and Roads Segment increased by approximately \$1.8 million or 6.9% from approximately \$26.0 million in FY2010 to approximately \$27.8 million in FY2011. Gross profit margin for this segment decreased from 24.4% in FY2010 to 22.8% in FY2011. This was because the increase in revenue is less than the proportionate increase in cost of sales in FY2011. Please refer to the earlier discussions under the sections on “Revenue” and “Cost of Sales” for the reasons relating to the changes in revenue and cost of sales for this segment.

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Gross profit from the Construction Materials Segment increased by approximately \$740,000 or 142.3% from approximately \$520,000 in FY2010 to approximately \$1.3 million in FY2011. Gross profit margin for this segment increased from approximately 12.3% in FY2010 to approximately 25.0% in FY2011. The increase in gross profit margin was mainly due to cost savings through using the recycled waste materials for our asphalt premix production.

### **Other income**

Other income decreased by approximately \$719,000 or 32.8% from approximately \$2.2 million in FY2010 to approximately \$1.5 million in FY2011. This decrease was mainly due to a decrease in insurance claims of approximately \$726,000 from \$816,000 in FY2010 to \$90,000 in FY2011. The claim in FY2010 mainly relates to the damages to some PowerGas transmission pipelines.

### **Distribution expenses**

Distribution expenses increased marginally by approximately \$9,000 or 2.4% from approximately \$368,000 in FY2010 to approximately \$377,000 in FY2011 mainly due to an increase in travelling expenses.

### **Administrative expenses**

Administrative expenses increased by approximately \$2.6 million or 29.2% from approximately \$8.9 million in FY2010 to approximately \$11.5 million in FY2011. The increase was mainly due to an increase in administrative staff costs and directors' remuneration of approximately \$2.1 million from approximately \$4.7 million in FY2010 to approximately \$6.8 million in FY2011 attributable mainly to a general increase in staff salaries in FY2011.

### **Other expenses**

Other expenses decreased by approximately \$749,000 or 51.5% from approximately \$1.5 million in FY2010 to approximately \$706,000 in FY2011, mainly due to (a) a provision of \$183,000 made for legal claims and damages in FY2010 while no provision was made in FY2011 and (b) a provision of \$526,000 for doubtful debt for a specific customer made in FY2010 while no provision was made in FY2011. The provision for legal claims in FY2010 was in relation to estimated compensation to be made for damages to third parties' property as a result of pipe burst at one of our worksites. Please refer to Paragraph 37.4(a) under the section entitled "General Information" of this Letter for further details.

### **Finance costs**

Finance costs remained at approximately \$2.1 million in FY2011 as there was little change in the total outstanding bank borrowings in both periods.

### **Profit before tax**

Profit before tax remained at approximately \$15.9 million in FY2011. This was mainly due to an increase in gross profit of approximately \$2.6 million which was offset by an increase in administrative expenses of approximately \$2.6 million.

### **Income tax expense**

Income tax expense decreased by approximately \$1.5 million or 64.1% from approximately \$2.4 million in FY2010 to approximately \$847,000 in FY2011 mainly due to the enhanced capital allowance claims in FY2011. The effective tax rate for FY2011 was approximately 5.3% mainly due to the utilisation of unabsorbed capital allowance and Productivity Innovation Credit during the year.

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### REVIEW OF FINANCIAL POSITION

#### Non-Current Assets

Our non-current assets comprise property, plant and equipment and club membership.

As at 31 December 2011, our non-current assets totalled approximately \$48.6 million, representing approximately 32.9% of our total assets. Property, plant and equipment comprise (a) leasehold buildings of approximately \$9.0 million; (b) plant and equipment of approximately \$31.7 million; (c) motor vehicles of approximately \$7.4 million; and (d) construction in progress for a leasehold building of approximately \$404,000 and development of ERP software of approximately \$116,000.

#### Current Assets

Our current assets comprise cash and cash equivalents, trade and other receivables, contract work-in-progress, inventories and financial assets designated at fair value through profit and loss.

As at 31 December 2011, our current assets amounted to approximately \$99.3 million, representing approximately 67.1% of our total assets and comprised mainly the following:

- (a) cash and cash equivalents amounting to approximately \$28.2 million, comprising cash at bank and on hand of approximately \$24.0 million and fixed deposits of approximately \$4.2 million;
- (b) trade and other receivables amounting to approximately \$15.2 million, comprising trade receivables amounting to approximately \$13.2 million and other receivables amounting to approximately \$2.0 million;
- (c) construction contracts work-in-progress of approximately \$51.5 million;
- (d) financial assets designated at fair value through profit and loss of approximately \$77,000, comprising investment in quoted securities; and
- (e) inventories comprising raw materials amounting to approximately \$4.3 million.

#### Non-Current Liabilities

Our non-current liabilities comprise loan and borrowings, and deferred tax liabilities.

As at 31 December 2011, our total non-current liabilities amounted to approximately \$28.3 million, representing approximately 31.8% of our total liabilities and comprised mainly the following:

- (a) loans and borrowings amounting to approximately \$24.4 million; and
- (b) deferred income tax liabilities amounting to approximately \$3.9 million.

#### Current Liabilities

Our current liabilities comprise mainly loans and borrowings, trade and other payables, provisions and current tax payable.

As at 31 December 2011, our total current liabilities amounted to approximately \$60.7 million, representing approximately 68.2% of our total liabilities and comprised mainly the following:

- (a) loans and borrowings amounting to approximately \$34.2 million, comprising approximately bills payable of \$16.1 million, the current portion of bank loans of approximately \$13.7 million, the current portion of finance lease of \$4.0 million and bank overdraft of approximately \$318,000;

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- (b) trade and other payables amounting to approximately \$24.5 million, mainly comprising trade payables of approximately \$18.1 million and accruals of approximately \$3.8 million, dividend payable of approximately \$2.0 million and excess of progress billings over contracts work-in-progress amounting to approximately \$566,000;
- (c) current tax payable of approximately \$2.0 million; and
- (d) provisions of approximately \$106,000 in relation to the estimated compensation to be made for damages to third parties' property as a result of pipe burst at one of our work sites in June 2009.

**Shareholders' Equity**

Total equity attributable to owners of LCCE comprises share capital, retained earnings and non-controlling interests.

As at 31 December 2011, total equity attributable to owners of LCCE amounted to approximately \$58.4 million. The equity attributable to non-controlling interests is approximately \$420,000.

**LIQUIDITY AND CAPITAL RESOURCES**

Our operations are funded through a combination of capital contributions from our shareholders, cash generated from operating activities and bank borrowings. The principal uses of these funds are for working capital, capital expenditures, operating expenses and repayment of bank borrowings and finance expenses. Please refer to the section entitled "Capitalisation and Indebtedness" of this Circular for further details on our bank borrowings as at the Latest Practicable Date.

To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our shareholders.

Our Directors are of the opinion that, after taking into account the LC Group's internal resources, cash flow generated from operating activities and available banking facilities, we have sufficient working capital to meet our present requirements as at the Latest Practicable Date.

The following table sets out a summary of the LC Group's cash flow statements for the Periods Under Review:

	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net cash from operating activities	16,334	15,899	8,505
Net cash used in investing activities	(5,556)	(8,275)	(7,089)
Net cash from / (used in) financing activities	(141)	(4,464)	7,632
Net increase in cash and cash equivalents	10,637	3,160	9,048
Cash and cash equivalents at beginning of the financial year	836	11,473	14,633
Cash and cash equivalents at end of the financial year	<u>11,473</u>	<u>14,633</u>	<u>23,681</u>

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### FY2009

#### Net cash from operating activities

In FY2009, our net cash from operating activities was approximately \$16.3 million which comprised operating profit before working capital changes of approximately \$29.1 million, offset by a net working capital outflow of approximately \$12.3 million and income tax paid of approximately \$517,000.

The net working capital outflow of approximately \$12.3 million was mainly the result of:

- (a) an increase in contracts work-in-progress of approximately \$14.5 million due to an increase in the number of completed projects that were pending certification by consultants;
- (b) an increase in inventories of approximately \$1.4 million mainly due to higher purchases of direct materials required for projects; and
- (c) a decrease in trade and other payables of approximately \$1.3 million mainly due to prompt payment to our suppliers.

The above cash flows were partially offset by a decrease in trade and other receivables of approximately \$4.6 million due to better credit management and prompt collection from customers, before considering the effect from the increase in trade and other receivables from the acquisition of Teacly and its subsidiary.

#### Net cash used in investing activities

Net cash used in investing activities of approximately \$5.6 million was mainly due to purchase of plant and equipment of approximately \$7.8 million and purchase of quoted shares of approximately \$1.1 million. The plant and equipment purchased in FY2009 were mainly construction waste recycling plant, hydraulic excavators, milling and patching machines, pipe jacking machines, sewer pipeline rehabilitation machines, generators, boilers and motor vehicles. Please refer to the section entitled "Capital Expenditures and Divestments" of this Letter for further details. The outflow was partially offset by the proceeds from the disposal of plant and equipment of approximately \$659,000, proceeds from disposal of quoted shares of approximately \$1.9 million and net cash inflow of approximately \$842,000 as a result of the cash balance from the acquisition of Teacly.

#### Net cash from/(used in) financing activities

Net cash used in financing activities in FY2009 of approximately \$141,000 was due to the repayment of bank borrowings of approximately \$9.7 million, repayment of finance leases of approximately \$5.2 million, interest paid of \$1.8 million and an increase in pledged fixed deposits placed with banks of approximately \$626,000, offset by the proceeds from bank borrowings of approximately \$17.2 million for working capital, project financing purposes and acquisition of plant and equipment.

### FY2010

#### Net cash from operating activities

In FY2010, our net cash from operating activities was approximately \$15.9 million which comprised operating cash flow before working capital changes of approximately \$24.5 million and offset by a net working capital outflow of approximately \$4.5 million and income tax paid of approximately \$4.1 million.

The net working capital outflow of approximately \$4.5 million was the result of:

- (a) an increase in contracts work-in-progress of approximately \$7.1 million due to recognition of revenue from projects which were pending certification by consultants;

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- (b) an increase in inventories of approximately \$268,000 mainly due to purchases of direct material and accessories for the sewer pipeline rehabilitation works;
- (c) a decrease in trade and other payables of approximately \$1.1 million due to prompt payment to our suppliers; and
- (d) an utilisation of provisions of approximately \$827,000 mainly due to the settlement of the provision for damages made in FY2009.

The above outflows were partially offset by a decrease in trade and other receivables of approximately \$4.9 million due to better credit management and prompt collection from customers.

### **Net cash used in investing activities**

Net cash used in investing activities of approximately \$8.3 million was primarily due to purchase of plant and equipment amounting to \$9.2 million. The plant and equipment purchased are mainly hydraulic excavators, milling and patching machines, sewer pipeline rehabilitation machines, generators and lorries to support our business activities. The outflow was partially offset by the proceeds from the disposal of plant and equipment of approximately \$875,000. Please refer to the section entitled “Capital Expenditures and Divestments” of this Letter for further details.

### **Net cash from/(used in) financing activities**

Net cash used in financing activities in FY2010 of approximately \$4.5 million was due to the repayment of bank borrowings of approximately \$9.0 million, repayment of finance leases of approximately \$6.1 million, interest payment of \$2.1 million and an increase in pledged fixed deposits placed with banks of approximately \$1.5 million for letter of guarantee, performance guarantee facilities and bank borrowings. The decrease was partially offset by proceeds from bank borrowings of approximately \$14.4 million for project financing purposes.

## **FY2011**

### **Net cash from operating activities**

In FY2011, our net cash from operating activities was approximately \$8.5 million which comprised operating cash flow before working capital changes of approximately \$23.9 million and offset by a net working capital outflow of approximately \$15.5 million and income tax refund of approximately \$106,000.

The net working capital outflow of approximately \$15.5 million was mainly due to:

- (a) an increase in contracts work-in-progress of approximately \$18.3 million due to increase in revenue recognised from projects which were pending certification by consultants; and
- (b) an increase in trade and other receivables of approximately \$1.6 million due to the increase in billings raised in the fourth quarter of FY2011 in respect of the completed stages of our projects;

and were partially offset by:

- (a) an increase in trade and other payables of approximately \$3.5 million due to a general increase in purchases of materials during the financial year; and
- (b) a decrease in inventories of approximately \$937,000 mainly due to increased consumption of pipes during FY2011 for the sewer pipeline rehabilitation works.

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### Net cash used in investing activities

Net cash used in investing activities of approximately \$7.1 million was mainly due to purchases of plant and equipment. The purchases amounting to approximately \$7.8 million, are mainly made up of Asphalt plant machineries, excavators and lorries and the construction of a new headquarters building and dormitory at No. 4 Sungei Kadut Street 2, Singapore 729226, to support our business activities. The outflow was partially offset by the proceeds from the disposal of plant and equipment such as hydraulic excavators and lorries of approximately \$711,000.

### Net cash from/(used in) financing activities

Net cash from financing activities was approximately \$7.6 million which was mainly due to the repayment of bank borrowings of approximately \$11.3 million, repayment of finance leases of approximately \$5.0 million, repayment of interest on borrowings of \$2.1 million and dividend paid of \$3.0 million, partially offset by proceeds from bank borrowings of approximately \$29.0 million for project financing purposes.

### CAPITAL EXPENDITURES AND DIVESTMENTS

The material capital expenditures and divestments of the LC Group for FY2009, FY2010, FY2011 and from 1 January 2012 to the Latest Practicable Date were as follows:

	FY2009	FY2010	FY2011	From 1 January 2012 to the Latest Practicable Date
	\$'000	\$'000	\$'000	\$'000
<b>Capital Expenditure</b>				
Leasehold buildings <sup>(1)</sup>	316	221	4,530	7,000
Plant and equipment <sup>(2)</sup>	12,345	11,864	4,242	3,014
Motor vehicles <sup>(3)</sup>	4,872	1,737	1,100	1,454
Construction in progress <sup>(4)</sup>	190	146	404	533
Software <sup>(5)</sup>	–	–	116	92
<b>Total</b>	<b>17,723</b>	<b>13,968</b>	<b>10,392</b>	<b>12,093</b>
<b>Divestments</b>				
Leasehold buildings <sup>(6)</sup>	229	–	433	–
Plant and equipment <sup>(7)</sup>	792	1,513	705	14
Motor vehicles	433	258	300	352
<b>Total</b>	<b>1,454</b>	<b>1,771</b>	<b>1,438</b>	<b>366</b>

#### Notes:

- (1) In FY2009, we acquired a leasehold building located at Blk 1 Yishun Street 23 #03-07, Singapore 768441 for approximately \$316,000 in connection with the purchase of 51% interest in the issued and paid-up share capital of Teacly, subsequent to which Teacly became a subsidiary of the LC Group. In FY2010, we incurred approximately \$221,000 for upgrading of workers' dormitory at 61 Senoko Drive, Singapore 758238. In FY2011, we incurred approximately \$4.5 million for the construction of our headquarters building and worker's dormitory at No. 4 Sungei Kadut Street 2, Singapore 729226.
- (2) In FY2009, capital expenditure on plant and equipment amounted to \$12.3 million mainly due to the purchase of (a) construction waste recycling plant amounting to \$1.4 million; (b) hydraulic excavators; (c) milling and patching machines; (d) pipe jacking machines; (e) SPR rehabilitation machines; and (f) steam generators and boilers. In FY2010, capital expenditure on plant and equipment amounted to \$11.9 million mainly due to the purchase of (a) hydraulic excavators; (b) milling and patching machines; (c) SPR rehabilitation machines; and (d) generators. In FY2011, capital expenditure of \$4.2 million on plant and equipment was incurred mainly due to the purchase of (a) pipe jacking machines; (b) horizontal drilling machines; (c) hydraulic pumps; and (d) milling and patching machines.

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- (3) Mainly relates to acquisitions of lorries and commercial vehicles for project use.
- (4) In FY2009 and FY2010, we incurred \$190,000 for the upgrading of our workers' dormitory at 61 Senoko Drive. In FY2010, we incurred \$146,000 for the construction of a substation for our construction waste recycling plant at 701A Lim Chu Kang Road. In FY2011, we incurred approximately \$404,000 for construction of the workers' dormitory at 55 Kranji Crescent, Singapore 728662.
- (5) Relates to the implementation of the LC Group's ERP system.
- (6) In FY2009, a leasehold building was divested for approximately \$229,000 in connection with the disposal of Li Chun Dragon Fish Industry Pte Ltd. In FY2011, we disposed of the leasehold building at Block 1 Yishun Street 23 #03-07 Singapore 768441 for \$433,000.
- (7) Relates to the disposal of (a) hydraulic excavators; (b) CCTV equipment; and (c) milling and patching machines.

In addition to the above capital expenditures and divestments, the following transactions occurred in the Periods Under Review:

- (a) In FY2009, we acquired a 51.0% equity interest in Teacly for a consideration that was satisfied by the allotment and issuance of 162,938 LCCE shares, such shares of LCCE having a fair value of \$1.3 million as at the date of acquisition. Consequently, Teacly became a wholly owned subsidiary of the LC Group. Please refer to Paragraph 29.5 entitled "Past Interested Person Transactions – Purchase of 51% interest in the issued and paid-up share capital of Teacly" for further details.
- (b) On 4 July 2009, LCCE sold the entire issued and paid-up capital of LC Development of \$30,000 comprising 30,000 ordinary shares to our Executive Directors, Mr Toh Choo Huat and Mr Toh Chew Leong for a total consideration of \$133,144. The consideration was determined taking into account the audited NAV of LC Development of \$133,144 as at 31 December 2007. As a result of the divestment, LC Development ceased to be a subsidiary of LCCE.
- (c) On 3 August 2010, LCCE acquired the entire issued and paid-up share capital of LC Development of \$500,000 comprising 500,000 ordinary shares from Mr Toh Choo Huat and Mr Toh Chew Leong, the existing shareholders of LC Development, for a total consideration of \$603,144. The purchase consideration was determined on a willing buyer-willing seller basis, based on the cost of investment to Mr Toh Choo Huat and Mr Toh Chew Leong (which comprised initial investment cost of \$133,144 and the increase in share capital of \$470,000) and satisfied by the set off of amounts owed to LCCE by Mr Toh Choo Huat and Mr Toh Chew Leong. As a result of the acquisition, LC Development became a wholly-owned subsidiary of LCCE.

Save for the acquisition of the equity interest in Teacly and LC Development, the above capital expenditures were financed by internally generated cash resources and bank borrowings.

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### Capital and Lease Commitments

Our operating lease commitments are in respect of lands and buildings under non-cancellable operating leases with terms ranging from 1 year to 32 years. Our capital and lease commitments as at the Latest Practicable Date are as follows:

	<b>As at Latest Practicable Date \$'000</b>
Contracted capital commitment in respect of property, plant and equipment	
- plant and equipment	5,666
Commitments in respect of non-cancellable operating leases for premises falling due:	
- not later than one year	1,687
- later than one year and not later than five years	3,971
- later than five years	9,228
<b>Total</b>	<b>20,552</b>

Please refer to Paragraph 19 entitled “Properties and Fixed Assets” of this Letter for further details on our lease commitments in respect of our operating leases for premises.

### FOREIGN EXCHANGE EXPOSURE

#### Transaction

Our revenue is entirely denominated in S\$. The majority of our purchases is denominated in S\$ with the balance being denominated in foreign currencies, mainly AUD, Japanese Yen, Euro and US\$. From time to time, we also make purchases of plant and equipment denominated in foreign currencies. For FY2009, FY2010 and FY2011, the value of our foreign currency transactions, as denominated in the various currencies, is as set out below:

<b>Percentage of Purchases (Including Plant and Equipment) denominated in</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>
	%	%	%
S\$	95.5	91.4	95.4
Japanese Yen	3.9	6.0	1.6
AUD	0.6	1.1	1.0
Others <sup>(1)</sup>	–	1.5	2.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### Note:

(1) Others comprise Euro, GBP, RMB and USD

For the period from 30 April 2007 to 7 October 2009, Teacly was an associated company of the LC Group and its financial information were accounted for under the equity accounting method. On 8 October 2009, Teacly became a wholly owned subsidiary of the LC Group. Accordingly, for the period from 8 October 2009 to 31 December 2009, the financial information of Teacly was consolidated into our audited consolidated financial statements for FY2009.

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Teacly purchases its direct materials from Australia, Japan, and Singapore. Further, certain accessories purchased in Singapore are denominated in Euro and GBP. Accordingly, the consolidation of Teacly's financial information as stated in the paragraph above resulted in higher foreign currency exposure to Japanese Yen, AUD, Euro and GBP.

Our purchases are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and the payment to our suppliers, we are exposed to foreign exchange fluctuations. To minimise exposure on foreign currency risks, the LC Group usually settles such transactions within credit terms by converting it into local currency denominated trade financing.

Our net foreign exchange gain/(loss) for the Periods Under Review are as follows:

	FY2009	FY2010	FY2011
Net foreign exchange gain/(loss) (\$'000)	63	235	(51)
As a percentage of revenue (%)	0.1	0.2	— <sup>(1)</sup>
As a percentage of PBT (%)	0.2	1.5	(0.3)

**Note:**

(1) Less than 0.1%.

Our subsidiaries in PRC and Brunei have not commenced operations for the Periods Under Review. If we are awarded overseas projects in future, we may be affected by foreign currency exchange risk.

At present, we do not have any formal policy for hedging against foreign exchange exposure. We will continue to monitor our foreign exchange exposure and may employ forward currency contracts to manage our foreign exchange exposure should the need arise. Prior to implementing any formal hedging policies, we will seek the approval of our Board on the policy and put in place adequate procedures which shall be reviewed and approved by the Audit Committee. Thereafter, all hedging transactions entered into by the LC Group will be in accordance with set policies and procedures.

### SEASONALITY

We generally do not experience any significant seasonality patterns in our operations and business.

### 28. DIVIDEND POLICY

Save for the Proposed Contingent Dividend, LCCE currently does not have any formal dividend policy. The form, frequency and amount of dividends that may be declared and paid will depend on our actual and projected operating results, financial condition such as our cash position and retained earnings, other cash requirements including future capital expenditure, restrictions on payment of dividends imposed on us by our financing arrangements (if any) and other factors deemed relevant by our Directors. Past dividend payments by the LC Group should not be taken as an indication of dividends to be paid by us in the future.

We may declare final dividends, with the approval of our Shareholders in a general meeting, but the amount of such dividends shall not exceed the amount recommended by our Directors. Our Directors may also declare interim dividends without seeking Shareholders' approval. We must pay all dividends out of profits pursuant to the Companies Act.

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Save as disclosed below, no dividends (final or interim) had been declared or paid by the LC Group in FY2009, FY2010 and FY2011:

- (a) in respect of FY2009, \$1.0 million was declared and paid as dividends by LCCE;<sup>(1)</sup>
- (b) in respect of FY2010, \$3.0 million was declared and paid as dividends by LCCE; and
- (c) in respect of FY2011, \$4.0 million was declared and paid as dividends by LCCE.

**Note:**

- (1) The payment was satisfied by the set-off of an equivalent amount payable by the shareholders of LCCE as consideration for the sale of Li Chun Dragon Fish by LCCE to the shareholders of LCCE. Please refer to the section entitled "Past Interested Person Transactions" set out in Paragraph 29 of this Letter for further details.

In relation to the Proposed Contingent Dividend, the Company wishes to bring to the attention of the Shareholders and Entitled Shareholders that the Proposed Contingent Dividend is dependent on whether the Company is able to meet the Minimum Dividend Requirement and the Company remaining profitable post-Completion. The amount to be declared for the Proposed Contingent Dividend will be dependent on the cash balance in the Special Account at the date which is 365 days after the CD Books Closure Date or the date on which all Collections Receivables are received, whichever is the earlier, less all costs which may be incurred for the Proposed Contingent Dividend which are to be deducted from the Special Account.

If the Company does not meet the Minimum Dividend Requirement, the Proposed Contingent Dividend will not be declared.

### 29. PAST INTERESTED PERSON TRANSACTIONS

#### 29.1 Loans to our Executive Directors and their Associates

The LC Group granted loans to our EDs, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong and Mr Koh Tiam Teng. The LC Group also granted a loan to Mr Toh Chiew Boon, who is the brother of our EDs, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim.

The approximate amounts due to the LC Group as at 31 December 2009, 31 December 2010 and 31 December 2011 and as at the Latest Practicable Date were as follows:

Name	As at 31 December 2009 (\$'000)	As at 31 December 2010 (\$'000)	As at 31 December 2011 (\$'000)	As at the Latest Practicable Date (\$'000)	Largest amount outstanding from 1 January 2009 to the Latest Practicable Date (\$'000)
Toh Choo Huat	282	–	–	–	638
Toh Swee Kim	–	–	–	–	57
Toh Chew Leong	281	–	–	–	380
Koh Tiam Teng	–	–	535	–	776
Toh Chiew Boon	3	–	–	–	5

As at the Latest Practicable Date, there is no outstanding amount owing by the abovementioned Interested Persons to the LC Group as all the loans have been fully repaid to the LC Group.

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The loans to each of Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim were unsecured, interest-free, had no fixed repayment terms and were not made on arms' length basis.

Two loans were extended to Mr Koh Tiam Teng. The first loan to Mr Koh Tiam Teng in 2009 was unsecured and had no fixed repayment terms, which had interest payable at 5% per annum. This loan was not made on an arm's length basis. As at the Latest Practicable Date, this loan was repaid in full.

The second loan to Mr Koh Tiam Teng in 2011 was unsecured, had no fixed repayment terms, and had no interest payable. This loan was not made on an arm's length basis. As at the Latest Practicable Date, this loan was repaid in full.

Mr Toh Chiew Boon, our construction manager was granted an unsecured and interest-free loan, which is repayable by monthly instalments. This loan was not made on an arm's length basis. As at the Latest Practicable Date, the loan has been fully repaid.

The LC Group does not intend to grant such loans to our Directors and their respective Associates in future.

### 29.2 Guarantees and Indemnities provided by our Executive Directors and their Associates

Our Executive Directors, Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng have provided joint and several personal guarantees and indemnities to secure credit facilities granted to our subsidiaries in relation to the purchase of equipment and for the purposes of meeting working capital requirements in the ordinary course of the LC Group's business. No fees were paid by us for the aforesaid guarantee arrangement. As such, we believe that the transactions were not entered into on an arm's length basis.

The amount of facilities guaranteed/indemnified, the largest amounts outstanding from 1 January 2009 to the Latest Practicable Date in respect of each of the credit facilities were as follows:

Bank	Type of facility	Amount of facilities guaranteed/indemnified <sup>(1)</sup> (\$'000)	Largest amount outstanding from 1 January 2009 to the Latest Practicable Date (\$'000)	Name of Directors providing the Indemnities/ Guarantees
DBS	Overdraft facility, import line, extra long-term guarantee, term loan, foreign exchange line, accounts receivable purchase facility	3,250	2,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Koh Tiam Teng
RHB Bank	Overdraft facility and multi-trade line	All amounts owing	5,811	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng

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<b>Bank</b>	<b>Type of facility</b>	<b>Amount of facilities guaranteed/indemnified<sup>(1)</sup> (\$'000)</b>	<b>Largest amount outstanding from 1 January 2009 to the Latest Practicable Date (\$'000)</b>	<b>Name of Directors providing the Indemnities/ Guarantees</b>
RHB Bank	Bridging Loan under Local Enterprise Finance Scheme	All amounts owing	2,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim
OCBC	Overdraft facility and accounts receivables financing	All amounts owing	994	Guarantee and Indemnity provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng
OCBC	Bridging Loan under Local Enterprise Finance Scheme	All amounts owing	2,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim

**Note:**

- (1) The amounts stated are the principal amounts guaranteed/indemnified and do not include interest, fees or expenses which are also guaranteed/indemnified.

We were also required to furnish performance bonds to our customers for some of the projects undertaken by us. As such our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai entered into arrangements with banks, insurance companies and finance companies for letters of guarantee in lieu of the performance bond for each of such projects to be issued by such banks, insurance companies or finance companies.

In the event such letters of guarantee are called upon by our customers, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai shall be required to indemnify the relevant bank, insurance company and finance company for any amounts claimed under such letter of guarantee. Whilst no fees were paid by us to Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai for the abovementioned arrangement, we however pay the premium charged by the banks, insurance companies and finance companies for purposes of issuing the letters of guarantee in lieu of the performance bond. As such, we believe that such transactions were not entered into on an arm's length basis. As at the Latest Practicable Date, none of the letters of guarantee provided to our customers have been called.

Similarly, our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai have provided joint and several personal guarantees and indemnities to secure hire purchase facilities granted to the LC Group in relation to the purchase of equipment in the ordinary course of the LC Group's business. No fees were paid by us for the aforesaid guarantee arrangement. As such, we believe that the transactions were not entered into on an arm's length basis.

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The aggregate amount of the hire purchase facilities covered under the letters of guarantee which Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai have guaranteed/indemnified and the largest amounts outstanding from 1 January 2009 to the Latest Practicable Date in respect of such hire purchase facilities and under such letters of guarantee were as follows:

Bank/Finance Company/ Insurance Company	Guarantee/Indemnity provided for	Aggregate Amount guaranteed/ indemnified <sup>(1)</sup> (\$'000)	Largest amounts outstanding from 1 January 2009 to the Latest Practicable Date (\$'000)
SHC Capital Limited	Letters of Guarantee	1,407	1,396
EQ Insurance Company Limited	Letters of Guarantee	3,414	3,414
Asia Insurance Co Ltd	Letters of Guarantee	77	77
Maybank General Assurance Berhad	Letters of Guarantee	593	593
ECICS Limited	Letters of Guarantee	3,723	3,273
Tokio Marine Insurance Singapore Ltd	Letters of Guarantee	195	195
Compagnie Francaise D'Assurance Pour Le Commerce Exterieur SA (COFACE), Singapore Branch	Letters of Guarantee	256	256
UOB	Letters of Guarantee	1,274	1,274
The Overseas Assurance Corporation Limited	Letters of Guarantee	198	145

**Note:**

- (1) The amounts stated are the principal amounts guaranteed/indemnified and do not include interest, fees or expenses which are also guaranteed/indemnified.

As at the Latest Practicable Date, the above guarantees/indemnities have lapsed or been fully discharged.

### 29.3 Sale of 60% interest in the entire issued and paid-up share capital of Pan Alliance to Teacly

On 31 December 2008, LCCE sold 60% of the entire issued share capital in Pan Alliance to Teacly and the remaining 40% of the entire issued share capital in Pan Alliance to Mr Liew Chee Kian, Mr Tan Hui and Mr Ng Chee Seong (who are not related to our CEO, Directors or Controlling Shareholders).

The transfer of 60% of the entire issued share capital in Pan Alliance from LCCE to Teacly was made for a total consideration of \$69,430.20. The consideration was determined based on the statutory audited NTA of Pan Alliance as at 31 December 2007.

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As at the date of the share transfer:

- (a) LCCE held a 49% interest in the entire issued share capital of Teacly while Pan Asian held a 51% interest in the entire issued share capital of Teacly;
- (b) Mr Koh Tiam Teng, who had not been appointed as our Executive Director yet, was the managing director and CEO of Pan Asian; and
- (c) Mr Koh Tiam Teng and his brothers Mr Richard Koh Chye Heng, Mr Koh Huat Chye and Mr Koh Thiam Hoo were also deemed to have a substantial interest in Pan Asian as they held approximately 50% of the total issued shares in Xu Jia Zu Holdings Pte. Ltd. which in turn then held 80% of the total issued shares in Pan Asian.

Accordingly, Mr Richard Koh Chye Heng, Mr Koh Huat Chye, Mr Koh Thiam Hoo, Xu Jia Zu Holdings Pte. Ltd. and Pan Asian are deemed to be Associates of our Executive Director Mr Koh Tiam Teng.

Our Directors are of the opinion that the above sale of Pan Alliance was conducted on an arm's length basis as the consideration was determined based on the latest available audited NTA of Pan Alliance then.

### 29.4 Sale of Li Chun Dragon Fish

Li Chun Dragon Fish is a company incorporated in Singapore and engaged in the business of breeding and selling ornamental fish. It was previously a wholly-owned subsidiary of LCCE. On 28 December 2009, Mr Liang Say Juan, Mr Toh Chew Chai, our Executive Directors Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and Mr Tan Teck Wei, purchased the entire issued and paid up capital of Li Chun Dragon Fish of \$1,000,000 comprising 1,000,000 ordinary shares from LCCE for a total consideration of \$1,000,000. The consideration was determined based on the cost of investment to LCCE in respect of Li Chun Dragon Fish as at 31 December 2008. The consideration was satisfied by the set-off of dividends declared in respect of FY2009 and payable by LCCE to Mr Liang Say Juan, Mr Toh Chew Chai, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and Mr Tan Teck Wei, such dividends payable amounting to \$1,000,000.

Our Directors are of the opinion that the above sale of Li Chun Dragon Fish was not conducted on an arm's length basis as the consideration was determined based on the cost of investment to LCCE in respect of Li Chun Dragon Fish and not the then statutory audited net asset value of Li Chun Dragon Fish (i.e. the audited net asset value of approximately \$1.5 million as at 31 December 2008).

### 29.5 Purchase of 51% interest in the issued and paid-up share capital of Teacly

Pursuant to a sale and purchase agreement entered into between LCCE and our Executive Director, Mr Koh Tiam Teng dated 8 October 2009, LCCE purchased 1,738,000 ordinary shares representing 51.0% of the issued and paid-up capital of Teacly for a total consideration of \$782,100 from Mr Koh Tiam Teng (who had purchased these shares from Pan Asian in May 2009). The consideration was calculated based on the statutory audited NTA of Teacly of \$1.5 million then (i.e. audited NTA as at 31 December 2008). The consideration was satisfied by the allotment and issue of fully-paid 162,938 LCCE shares with fair value of \$1.3 million. The number of the LCCE Shares issued to Mr Koh Tiam Teng was determined based on net asset value per share of \$4.80 calculated based on LCCE's statutory audited financial statements as at 31 December 2008. Pursuant to the purchase of the 1,738,000 ordinary shares in the issued and paid-up capital of Teacly, Teacly became a wholly-owned subsidiary of LCCE.

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For accounting purposes, the consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the equity interests issued by the acquirer in compliance with the Financial Reporting Standard, FRS 103 Business Combination. Accordingly, the consideration of the LCCE shares should be measured at the fair value at the date of acquisition, i.e. 8 October 2009. The management estimated the fair value of the shares in the issued and paid-up share capital of LCCE of \$1.3 million as at the date of acquisition.

Hence, LCCE has measured the investment cost of LCCE in Teacly at the fair value of the LCCE shares at \$1.3 million and correspondingly increased its share capital by reference to the fair value of the LCCE Shares granted in the acquisition. However, the negotiated consideration on a willing buyer and willing seller basis was not based on fair value, but the then statutory audited financial statements as at 31 December 2008 of LCCE and Teacly respectively.

Our Directors are of the opinion that the above purchase of 1,738,000 ordinary shares in the issued and paid-up capital of Teacly was not conducted on an arm's length basis as it was not based on the NTA value as set out in the then latest available management accounts of LCCE and Teacly. Specifically the NTA value of LCCE and Teacly as at 30 September 2009 which was the latest available management accounts was materially different from the then statutory audited NTA value as at 31 December 2008. LCCE's NTA value as at 30 September 2009 stood at \$25.2 million, which was an increase by approximately \$10.9 million, from approximately \$14.4 million as at 31 December 2008. Teacly's NTA value increased by approximately \$200,000 from approximately \$1.5 million as at 31 December 2008 to approximately \$1.7 million as at 30 September 2009.

### 29.6 Transactions relating to LC Development

On or around July 2009, our shareholders had the intention to undertake property development business, which is a new business not directly relating to the core business of the LC Group. As such, it was proposed that LC Development be sold to our Executive Directors, Mr Toh Choo Huat and Mr Toh Chew Leong.

In October 2009, LC Development purchased the property located at 1 Countryside Walk, Singapore 789680 ("**Countryside Walk Property**") with the intention to redevelop the property. However, due to licensing requirements, LC Development was unable to engage in such business. The Countryside Walk Property was then sold to our Executive Director, Mr Toh Chew Leong. Following the disposal of the Countryside Walk Property, LC Development was re-acquired by LCCE to form part of the LC Group.

Paragraphs 29.6.1 to 29.6.3 of this Letter sets out the details of each of the above transactions.

#### 29.6.1 Sale of shares in the paid up share capital of LC Development

On 4 July 2009, LCCE sold the entire issued and paid-up share capital of LC Development of \$30,000 comprising 30,000 ordinary shares to our Executive Directors, Mr Toh Choo Huat and Mr Toh Chew Leong for a total consideration of \$133,144. The consideration was determined based on the statutory audited NAV of LC Development of \$133,144 as at 31 December 2007.

Our Directors are of the opinion that the above sale of the shares in LC Development was conducted at arm's length.

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### 29.6.2 Sale of property

Our subsidiary, LC Development originally purchased the Countryside Walk Property from an independent third party seller for a consideration of \$2.55 million in October 2009. The original intention was to demolish and rebuild the property. However, after the purchase of the property, LC Development came to know that the requirements of other licences and/or permits required for it to engage in the business of property development was more onerous, such as the requirement to have developed more than four units of housing accommodation to enable it to obtain a housing developers licence. As such, LC Development could not and did not engage in the business of property development and it, in turn, decided to dispose of the property, which it could not develop. In 4 December 2009, our Executive Director, Mr Toh Chew Leong purchased the property LC Development for a total consideration of \$2.55 million (which is the same consideration that LC Development paid for the property). The consideration paid by Mr Toh Chew Leong was determined after taking into consideration the valuation of the property based on independent valuation report dated 3 September 2009 by independent valuer and the investment cost of the property.

Mr Toh Chew Leong paid the purchase consideration of \$2.55 million in cash and he secured a mortgage loan to part finance the purchase of the property.

Our Directors are of the opinion that the sale of the above property was conducted on an arm's length basis as the consideration was determined based on the valuation of the property as assigned by an independent valuer and the investment cost of the property.

### 29.6.3 Acquisition of LC Development by LCCE from Mr Toh Choo Huat and Mr Toh Chew Leong

On 3 August 2010, LCCE acquired the entire issued and paid-up share capital of LC Development of \$500,000 comprising 500,000 ordinary shares from the then existing shareholders of LC Development, namely our Executive Directors, Mr Toh Choo Huat and Mr Toh Chew Leong, for a total consideration of \$603,144. The purchase consideration was determined on a willing buyer-willing seller basis and based on the cost of investment to Mr Toh Choo Huat and Mr Toh Chew Leong. As a result of the acquisition, LC Development became a wholly-owned subsidiary of LCCE and the LC Group consolidated the financial results of LC Development since its date of acquisition and in FY2010.

Our Directors are of the opinion that the above sale of the shares in LC Development was not conducted at arm's length. The transaction was not conducted at arm's length as it was not based on the then latest available NAV of LC Development as at 31 December 2009 of \$430,000, which is lower than the cost of investment to Mr Toh Choo Huat and Mr Toh Chew Leong of \$603,144.

Based on the management accounts of LC Development as at 31 July 2010, the NAV of LC Development amounted to approximately \$421,000. This comprised cash and bank balances amounting to approximately \$68,000, amounts due from LCCE and other receivables amounting to approximately \$410,000 (of which the amounts due from LCCE amounted to approximately \$407,000 and other receivables amounted to approximately \$3,000, such other receivables comprising of prepayments made for motor vehicle insurance and road tax), net book value of fixed assets of approximately \$5,000, amounts owing to LCCE and other payables of approximately \$58,000 (of which the amounts owing to LCCE amounted to approximately \$56,000 and other payables amounted to approximately \$2,000, such other payables comprising of accrued expenses for services such as corporate secretarial and audit services), and deferred tax liabilities of approximately \$4,000.

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Based on the management accounts of LC Development as at 31 July 2010, LCCE acquired LC Development at a premium of approximately \$182,000. The premium was due to the determination of the purchase consideration based on the cost of investment to Mr Toh Choo Huat and Mr Toh Chew Leong.

### 29.6.4 Lease of property at No. 2 Tractor Road, #03-01, Singapore 627966

LCCE leased the property at No. 2 Tractor Road, #03-01, Singapore 627966 from Pan Asian for a monthly rental of \$9,540 for the period 1 October 2011 up to 30 April 2012.

Pan Asian's executive chairman, Mr Richard Koh Chye Heng, is the brother of our Executive Director, Mr Koh Tiam Teng. In addition, Mr Koh Tiam Teng was the managing director/CEO of Pan Asian from 8 August 1992 to 28 May 2009. As at 8 August 2010, Mr Richard Koh Chye Heng is deemed to have a substantial interest in Pan Asian as he then held 50% of the total issued shares in Xu Jia Zu Holdings Pte. Ltd. which in turn holds 75% of the total issued shares in Pan Asian. Accordingly, Mr Richard Koh Chye Heng, Xu Jia Zu Holdings Pte. Ltd. and Pan Asian are deemed to be Associates of our Executive Director, Mr Koh Tiam Teng.

As the above lease with Pan Asian was negotiated and entered into between the parties on normal commercial terms, our Directors are of the opinion that the transaction was entered into on an arm's length basis.

### 30. PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS (OTHER THAN THOSE WITHIN THE PROPOSED IPT MANDATE)

#### 30.1 Guarantees and Indemnities provided by Executive Directors and their Associates

Our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong and Mr Koh Tiam Teng, have provided joint and several personal guarantees and indemnities to secure credit facilities granted to our subsidiaries in relation to the purchase of equipment and for the purposes of meeting working capital requirements in the ordinary course of the LC Group's business. No fees were paid by us for the aforesaid guarantee arrangement. As such, we believe that the transactions were not entered into on an arm's length basis or on normal commercial terms but to the benefit of the LC Group.

The amount of facilities guaranteed/indemnified, the amounts outstanding as at the Latest Practicable Date and the largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date in respect of each of the credit facilities were as follows:

Bank/ Finance Company	Type of facility	Amount of facilities guaranteed/ indemnified <sup>(1)</sup> (\$'000)	Amount outstanding as at the Latest Practicable Date (\$'000)	Largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date (\$'000)	Name of Directors giving the indemnity/ guarantee
DBS	Local Enterprise Finance Scheme Bridging Loan and Term Loan	All amounts owing	1,797	2,000	Guarantee provided by Mr Koh Tiam Teng, Mr Toh Choo Huat and Mr Toh Chew Leong

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<b>Bank/ Finance Company</b>	<b>Type of facility</b>	<b>Amount of facilities guaranteed/ indemnified <sup>(1)</sup> (\$'000)</b>	<b>Amount outstanding as at the Latest Practicable Date (\$'000)</b>	<b>Largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date (\$'000)</b>	<b>Name of Directors giving the indemnity/ guarantee</b>
Maybank	Credit line, including term loan, overdraft facility, facility for letters of credit and trust receipts, shipping guarantee, banker's guarantee and blanket hire purchase	All amounts owing	9,106	9,870	Guarantee and Indemnity provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng
Maybank	Credit line, including facility for term loan, letters of credit and trust receipts, shipping guarantee	5,546	3,278	3,450	Guarantee and Indemnity provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Koh Tiam Teng
OCBC	Local Enterprise Finance Scheme Bridging Loan	All amounts owing	454	2,000	Guarantee and Indemnity provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim
OCBC	Invoice Financing Loan	1,100	–	994	Guarantee and Indemnity provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim
Australia and New Zealand Banking Group Ltd <sup>(2)</sup>	Credit line including short-term revolving credit, overdraft facility and facility for letter of credit and trust receipts	All amounts owing	7,195	7,195	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim
UOB	Credit line, including term loan, facility for letters of credit and trust receipts	15,915	5,966	7,385	Guarantee provided by Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong and their brother Mr Toh Chew Chai (who is a shareholder of LCCE)

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<b>Bank/ Finance Company</b>	<b>Type of facility</b>	<b>Amount of facilities guaranteed/ indemnified <sup>(1)</sup> (\$'000)</b>	<b>Amount outstanding as at the Latest Practicable Date (\$'000)</b>	<b>Largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date (\$'000)</b>	<b>Name of Directors giving the indemnity/ guarantee</b>
Citibank, N.A. Singapore Branch	Overdraft facility and invoice financing	All amounts owing	2,602	3,859	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng
RHB Bank	Bridging loan under the Local Enterprise Finance Scheme	All amounts owing	407	2,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim
RHB Bank	Term loan	All amounts owing	4,797	5,811	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng
Standard Chartered Bank	Uncommitted Facilities including overdraft, short-term money market, trade finance and bonds and guarantees	All amounts owing	7,426	7,426	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng
Bank of East Asia	Term loan	All amounts owing	2,947	4,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng
Bank of China	Term loan	All amounts owing	2,375	3,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Swee Kim and Mr Koh Tiam Teng

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<b>Bank/ Finance Company</b>	<b>Type of facility</b>	<b>Amount of facilities guaranteed/ indemnified <sup>(1)</sup> (\$'000)</b>	<b>Amount outstanding as at the Latest Practicable Date (\$'000)</b>	<b>Largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date (\$'000)</b>	<b>Name of Directors giving the indemnity/ guarantee</b>
Orix Leasing Singapore Limited	Term loan	All amounts owing	2,610	3,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, and Mr Toh Swee Kim
Ethoz Capital Limited	Term loan	All amounts owing	1,500	2,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, and Mr Toh Swee Kim
Industrial and Commercial Bank of China	Term loan	All amounts owing	5,000	5,000	Guarantee provided by Mr Toh Choo Huat, Mr Toh Chew Leong, and Mr Toh Swee Kim

**Notes:**

- (1) The amounts stated are the principal amounts guaranteed/indemnified and do not include interest, fees or expenses which are also guaranteed/indemnified.
- (2) These facilities were originally granted by ABN AMRO Bank N.V. These facilities were acquired by Australia and New Zealand Banking Group Ltd in 2010.

We were also required to furnish performance bonds to our customers for some of projects undertaken by us. As such our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai, who is the brother of our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong and a director of our subsidiary Chin Kuan entered into arrangements with banks, insurance companies and finance companies for letters of guarantee in lieu of the performance bond for each of such projects to be issued by such banks, insurance companies and finance companies. In the event such letters of guarantee are called upon by our customers, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai shall be required to indemnify the relevant bank, insurance companies and finance companies for any amounts claimed under such letter of guarantee. Whilst no fees were paid by us to Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai for the abovementioned arrangement, we however pay the premium charged by the banks, insurance companies and finance companies for purposes of issuing the letters of guarantee in lieu of the performance bond. As such, we believe that such transactions were not entered into on an arm's length basis. As at the Latest Practicable Date, none of the letters of guarantee provided to our customers have been called.

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Similarly, our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai, who is the brother of our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong and a director of our subsidiary Chin Kuan have provided joint and several personal guarantees and indemnities to secure hire purchase facilities granted to our subsidiaries in relation to the purchase of equipment in the ordinary course of the LC Group's business. No fees were paid by us for the aforesaid guarantee arrangement. As such, we believe that the transactions were not entered into on an arm's length basis.

The aggregate amount of the hire purchase facilities covered under the letters of guarantee which, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng, Mr Tan Teck Wei and/or Mr Toh Chew Chai have guaranteed/indemnified and the largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date in respect of such hire purchase facilities or the letters of guarantee were as follows:

<b>Bank/Finance Company/ Insurance Company</b>	<b>Guarantee/ Indemnity provided for</b>	<b>Aggregate Amount guaranteed/ indemnified<sup>(1)</sup> (\$'000)</b>	<b>Aggregate Amount outstanding as at the Latest Practicable Date (\$'000)</b>	<b>Largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date (\$'000)</b>
Caterpillar Financial Services Asia Pte. Ltd.	Hire purchase	8,333	101	4,670
Orix Leasing Singapore Limited	Hire purchase	4,308	766	3,112
Singapura Finance Limited	Hire Purchase	3,745	664	2,621
Maybank	Hire Purchase	3,162	771	1,328
Mercedes-Benz Financial Services	Hire Purchase	894	468	847
Ethoz Capital Limited	Hire Purchase	583	305	583
Abwin Pte Ltd	Hire Purchase	267	82	233
UOB	Hire Purchase	3,404	1,503	2,312
Citibank N.A., Singapore Branch	Hire Purchase	537	436	445
Sing Investments & Finance Limited	Hire Purchase	558	9	554
DBS	Hire Purchase	2,592	1,983	2,016
Hong Leong Finance Limited	Hire Purchase	282	72	250
OCBC	Hire Purchase	21	7	21
Great Eastern Holdings Limited	Hire Purchase	40	–	40

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<b>Bank/Finance Company/ Insurance Company</b>	<b>Guarantee/ Indemnity provided for</b>	<b>Aggregate Amount guaranteed/ indemnified<sup>(1)</sup> (\$'000)</b>	<b>Aggregate Amount outstanding as at the Latest Practicable Date (\$'000)</b>	<b>Largest amounts outstanding from 1 January 2009 up to the Latest Practicable Date (\$'000)</b>
Standard Chartered Bank	Hire Purchase	1,162	874	1,032
SHC Capital Limited	Letters of Guarantee	100	100	100
EQ Insurance Company Limited	Letters of Guarantee	974	754	915
Liberty Insurance Pte Ltd	Letters of Guarantee	35	35	35
ECICS Limited	Letters of Guarantee	9,350	8,436	8,436
Compagnie Francaise D'Assurance Pour Le Commerce Exterieur SA (COFACE), Singapore Branch	Letters of Guarantee	947	497	947
Tokio Marine Insurance Singapore Ltd	Letters of Guarantee	79	79	79
Maybank	Letters of Guarantee	2,937	2,937	2,937
The Overseas Assurance Corporation Limited	Letters of Guarantee	32	–	32
The Hongkong and Shanghai Banking Corporation Limited	Letters of Guarantee	90	90	90

**Note:**

- (1) The amounts stated are the principal amounts guaranteed/indemnified and do not include interest, fees or expenses which are also guaranteed/indemnified.

As at the Latest Practicable Date, the aggregate outstanding amount guaranteed and indemnified by the above guarantors and indemnities was approximately \$21,000,000.

We are presently in discussion with the banks, financial institutions and insurances companies which provided us the above facilities and subsequent to the completion of the Proposed Compliance Placement, we intend to obtain the release and discharge of the above personal guarantees/indemnities provided to the respective financial institutions. Our Directors are of the view that with our listing status and strengthened financial position due to the estimated proceeds arising from the Proposed Compliance Placement, we should be able to secure the release of such

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guarantees or indemnities. Should any of the banks, financial institutions and insurance companies not agree to the release and we are unable to secure alternative facilities on terms similar to those applicable to the current facilities, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng Mr Tan Teck Wei and/or Mr Toh Chew Chai will continue to guarantee and/or indemnify the facilities, and no guarantee fee will be payable by us to these Directors.

### **30.2 Security bond furnished by our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and Mr Tan Teck Wei**

As the LC Group employs foreign workers, a security bond of \$5,000 is required to be furnished to the MOM for each foreign worker before we are allowed to engage such foreign workers. Our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and/or Mr Tan Teck Wei have been required by the Controller of Immigration to furnish such security bond in respect of each of the foreign workers which the LC Group employs. As such our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and/or Mr Tan Teck Wei entered into arrangements with insurance companies for letters of guarantee in lieu of the security bond for each foreign worker to be issued by such insurance companies. In the event such letters of guarantee are called upon by the MOM, our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and/or Mr Tan Teck Wei shall be required to indemnify the relevant insurance companies for any amounts claimed under such letters of guarantee. Whilst no fees were paid by us to our Executive Directors, Mr Toh Choo Huat, Mr Toh Swee Kim, Mr Toh Chew Leong, Mr Koh Tiam Teng and/or Mr Tan Teck Wei for the abovementioned arrangement, we however pay the insurance premium charged by the insurance companies for purposes of issuing the letters of guarantee in lieu of the security bond. As such, we believe that such transactions were not entered into on an arm's length basis. Based on the number of foreign workers employed by us as at the end of each of the financial years during the Periods Under Review and as at the end of FY2011, the aggregate largest amount of the security bond furnished is \$3,505,000. As at the Latest Practicable Date, our operations employ 653 foreign workers, and accordingly the amount of security bond furnished is approximately \$3,265,000.

### **30.3 Leasing the Yantai Property**

Our subsidiary LC Yantai currently leases the Yantai Property for a monthly rental of RMB2,000 or approximately \$4,760 per year from our Executive Director, Mr Koh Tiam Teng. For more information relating to the Yantai Property, please refer to the section entitled "Properties and Fixed Assets" set out in Paragraph 19 of this Letter.

The LC Group does not expect any significant changes in the renewal of the lease of the Yantai Property when the lease expires on 10 September 2012. Pursuant to Rule 906(2) of the Listing Manual, an issuer will not be required to obtain shareholders' approval for any Interested Party Transaction below \$100,000. Accordingly, no shareholders' approval will be sought for the renewal of the lease of the Yantai Property.

Our Directors are of the opinion that the leasing of the Yantai Property from Mr Koh Tiam Teng was not conducted on an arm's length basis as the rental rate for the lease is below market rate.

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### 31. EXECUTIVE OFFICERS

#### 31.1 Details of our Executive Officers

Our day-to-day operations are entrusted to our Executive Directors who are assisted by our Executive Officers, whose particulars are as detailed below:

Name	Age	Address	Position
Lim Fan	43	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	Financial Controller
Toh Geok Boon	40	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	General Manager and Head of Tenders Department
Seow Soon Kee <sup>(1)</sup>	46	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	General Manager (Office Administration)
Toh Chew Chai <sup>(2)</sup>	58	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226	Senior Project Director

**Notes:**

- (1) Ms Seow Soon Kee is the spouse of our Executive Chairman and CEO, Mr Toh Choo Huat.
- (2) Mr Toh Chew Chai is the brother of our Executive Chairman and CEO, Mr Toh Choo Huat and our Executive Directors, Mr Toh Chew Leong and Mr Toh Swee Kim

Information on the business and working experiences of each of our Executive Officers are as set out below:

**Mr Lim Fan** is our Financial Controller and he was appointed in June 2011. He is responsible for overseeing the LC Group's accounting and financial matters. From 2007 to 2011, Mr Lim Fan was the Chief Financial Officer of Zhengzhong Auto Components Limited. From 2006 to 2007, Mr Lim Fan was the Chief Financial Officer and Executive Director of China Huiyin Group Pte Ltd. From 2004 to 2006, he was a Manager in Horwath First Trust where his main responsibility was in leading audit teams to assist PRC companies to list in Singapore. From 1997 to 2004, Mr Lim was an Assistant Manager in KPMG Singapore, where his main responsibilities involved statutory and compliance audit. From May 1997 to November 1997, Mr Lim was an executive in the internal audit department of the National University Hospital where he was responsible for the planning and executing of internal audits. From May 1995 to April 1997, Mr Lim was an Audit Assistant in Jee Ah Chian & Co. Mr Lim graduated from the Nanyang Technological University of Singapore in 1995 with a Bachelor of Accountancy. He is a non-practising member of the Institute of Certified Public Accountants of Singapore since 1999.

**Mr Toh Geok Boon** joined the LC Group in 2006 as project manager and he is currently our General Manager and Head of Tender Department. Mr Toh Geok Boon assists our Executive Director, Mr Toh Swee Kim in overseeing the LC Group's operations. Mr Toh Geok Boon also sits on the tender committee of the LC Group and manages the tenders for the LC Group. Mr Toh Geok Boon is experienced in water piping installation and in oil and gas pipeline construction. Prior to joining the LC Group, Mr Toh Geok Boon accumulated 15 years of construction management experience in various pipe line construction related companies. From 2003 to 2006, Mr Toh Geok Boon was working at WEC Engineers & Constructors Pte Ltd as Project Manager. Prior to joining WEC Engineers & Constructors Pte Ltd, Mr Toh Geok Boon was employed by Thong Nam Construction Pte Ltd as Project Manager from 1997 to 2003. Mr Toh Geok Boon graduated from Herriot Watt University, United Kingdom in 2008 with a Bachelor of Science in Construction Management.

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**Ms Seow Soon Kee** joined the LC Group in 1995 and she is currently our General Manager (Administration). As our General Manager (Office Administration), she oversees general administration for the LC Group, including managing the office environment; providing administrative support to the various departments and managers of the LC Group; gathering, storing and distributing information within the LC Group; collating contracts entered into by the LC Group for monitoring purposes and to ensure proper submission. Ms Seow Soon Kee has been working for the LC Group since 1995. She has been instrumental in enhancing the LC Group's office administration system and for the growth of the LC Group's businesses. Ms Seow is the spouse of our Executive Chairman and CEO, Mr Toh Choo Huat.

**Mr Toh Chew Chai** joined the LC Group since its incorporation. As our Senior Project Director, he assists our Executive Director, Mr Toh Swee Kim in overseeing all operations for our Underground Utilities Infrastructure construction and maintenance business, including deployment of resources, purchasing, equipment maintenance, and manpower and operation management of the LC Group. In 1983, Mr Toh Chew Chai and his brother Mr Toh Chew Leong set up a partnership, Toh Kai Hock Construction Engineering Co, which engaged in *inter alia* the business of renting industrial machinery and equipment and plumbing and was terminated in 2003. In 1990, Mr Toh Chew Chai joined Ley Choon Construction Engineering Co, the predecessor of LCCE, as an operation manager. He has an extensive experience of more than 20 years in the LC Group's business in pipes and cable laying.

Save as disclosed below, none of our Executive Officers has any present or past directorships over the past five (5) years:

<b>Name</b>	<b>Present Directorships</b>	<b>Past Directorships</b>
Lim Fan	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	China Huiyin Group Pte Ltd  Eaquanature Singapore Private Limited
Toh Geok Boon	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
Seow Soon Kee	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
Toh Chew Chai	<u>Group Companies</u>	<u>Group Companies</u>
	Chin Kuan Engineering & Construction Pte. Ltd.	Pan Alliance Technology International Pte. Ltd.
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil

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There is no arrangement or understanding with any Substantial Shareholder, customer or supplier of the LC Group or any other person, pursuant to which any of our Directors or Executive Officers was selected as a director or executive officer of the LC Group.

### 31.2 Suitability of Financial Controller

Mr Lim Fan was appointed as our Financial Controller from June 2011 and he has been working closely with the LCCE's independent auditors in the preparation of the consolidated financial statements in this Circular, and has provided, verified and substantiated operational information to the independent auditors and the working group based on his knowledge of the LC Group's operations, accounting policies and financial position. Through his close involvement in the preparation of this Circular, the experience and understanding of the LC Group's business, Mr Lim Fan is not aware of any significant weaknesses in the internal controls of the LC Group.

Mr Lee Gee Aik, Mr Ang Miah Kiang and Mr Marcus Chow Wen Kwan, being the Proposed IDs who will constitute the Company's Audit Committee following the Completion, interviewed and noted that Mr Lim accumulated several years of accounting experience.

Besides having the relevant work experience, Mr Lim possesses the requisite academic qualification, having obtained Bachelor of Accountancy from the Nanyang Technological University of Singapore and being certified as a non-practising member of the Institute of Certified Public Accountants of Singapore. Mr Lim has also led the LC Group's finance team to work together with the LC Group's independent auditors on the audit of the LC Group's consolidated financial statements for inclusion in this Circular.

Based on the above, the Proposed IDs (which will form the Audit Committee following the Completion) noted that Mr Lim would have the relevant knowledge, expertise and experience, both in relation to the accounting requirements of companies and the reporting requirements of companies listed on the SGX-ST and should be able to perform the general functions and duties required of the Proforma Group's Financial Controller.

### 32. REMUNERATION OF OUR EXECUTIVE OFFICERS

The remuneration (including salary, bonus, contributions to CPF, directors' fees and benefits in kind) paid or payable to our Executive Officers for services rendered to the LC Group in remuneration bands during FY2009 and FY2010 and an estimate of the remuneration payable for FY2011 are as follows:

<b>Executive Officers</b>	<b>FY2010</b>	<b>FY2011</b>	<b>Estimated for FY2012<sup>(2)</sup></b>
Lim Fan	–	Band A <sup>(1)</sup>	Band A
Toh Geok Boon	Band A	Band A	Band A
Seow Soon Kee	Band A	Band A	Band A
Toh Chew Chai	Band A	Band A	Band A

**Notes:**

(1) Band A means between \$0 and \$249,999

(2) The estimated remuneration for FY2012 excludes the performance bonus

Excluding CPF contributions, we have not set aside or accrued any amounts for our Executive Officers to provide for pension, retirement or similar benefits.

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### 33. REMUNERATION OF EMPLOYEES RELATED TO OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Our Executive Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim and our Executive Officer, Mr Toh Chew Chai are brothers. Ms Seow Soon Kee is the spouse of our Executive Chairman and CEO, Mr Toh Choo Huat. Remuneration package paid to Mr Toh Chew Chai and Ms Seow Soon Kee are disclosed above. Save as disclosed, none of our Directors and Executive Officers are related to each other or to our Substantial Shareholders.

For FY2009, FY2010 and FY2011, the aggregate remuneration (including CPF contributions thereon and bonus) of employees who are related to our Directors and Substantial Shareholders (including related employees who have since left the LC Group) amounted to approximately \$289,000, \$353,000 and \$407,000 respectively.

These employees are namely:

- (a) Mr Toh Chiew Boon is the brother of our Executive Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim. Mr Toh Chiew Boon is employed as an Assistant Logistic Manager in the LC Group;
- (b) Mr Toh Kai Sheng, Mr Toh Kai Hock and Mr Toh Kai Yang are the sons of our Shareholder, Mr Toh Chew Chai, who is the brother of our Executive Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim. Mr Toh Kai Sheng and Mr Toh Kai Hock are employed as a Project Manager, and IT Manager respectively in the LC Group. Mr Toh Kai Yang was employed as an Operations Assistant and left the LC Group on 12 August 2011;
- (c) Mr Ang Boon Lian is the spouse of Madam Toh Ley Keow who is the sister of our Executive Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim and our Shareholder Mr Toh Chew Chai. Mr Ang Boon Lian is employed as an Assistant Logistic Manager in the LC Group;
- (d) Mr Lim Tong Lee is the brother-in-law of Madam Oh Ah Ber who is the spouse of our Executive Director, Mr Toh Swee Kim. Mr Lim Tong Lee is employed as an Senior Construction Manager in the LC Group;
- (e) Ms Seow Ruqing is the niece of Ms Seow Soon Kee. Ms Seow Ruqing is employed as a Human Resource Executive in the LC Group;
- (f) Mr Toh Chye Tiong is the son of the cousin of our Executive Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim. Mr Toh Chye Tiong is employed as Operations Manager in the LC Group;
- (g) Ms Toh Geok Teng is the daughter of Mr Toh Chew Chai, who is the brother of our Executive Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim. Ms Toh Geok Teng was employed as Human Resource Manager in the LC Group up to her resignation on 23 February 2008. Ms Toh is no longer employed in the LC Group;
- (h) Mr Seow Ah Tee is the brother of our General Manager (Admin), Ms Seow Soon Kee and the brother-in-law of our Executive Chairman and CEO, Mr Toh Choo Huat. Mr Seow Ah Tee was employed as a cleaner in the LC Group up to his resignation on 30 June 2010;
- (i) Ms Toh Qiu Ling is the daughter of our Executive Director, Mr Toh Swee Kim. Ms Toh Qiu Ling was employed as a temporary staff in the LC Group up to 27 January 2011;

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- (j) Ms Toh Wang Ling is the daughter of our Executive Director, Mr Toh Chew Leong. Ms Toh was employed as a temporary staff in the LC Group up to 24 January 2011; and
- (k) Ms Toh Wannii is the daughter of our Executive Chairman and CEO, Mr Toh Choo Huat. Ms Toh was employed as a temporary staff in the LC Group up to 11 October 2011.

Save as disclosed above, as at the date of this Letter, none of our full-time employees are related to our Directors and/or Substantial Shareholders.

The remuneration of employees who are related to our Directors and Substantial Shareholders (if any) will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increase and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In addition, any new employment of related employees and the proposed terms of their employment will also be subject to the review and approval of our Nominating Committee. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review. We shall also publish the aggregate remuneration of employees who are related to our Directors and Substantial Shareholders in our annual report.

### 34. EMPLOYEES

All our employees are not unionised. We believe the relationships between the management and staff have been good and are expected to continue in the future. To our Directors' knowledge, there has not been any incidence of labour disputes or work stoppages which affected our operations. As at the Latest Practicable Date, we have 993 full-time employees. The location and functional distribution of our full-time employees as at 31 December 2009, 31 December 2010 and 31 December 2011 are as follows:

Nationality and functional distribution	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011
<b>Management &amp; Supervisory</b>			
Singaporeans	88	54	60
Foreigners	22	20	30
<b>Finance &amp; Administration</b>			
Singaporeans	29	30	32
Foreigners	33	25	28
<b>Site Operations</b>			
Singaporeans	97	122	116
Foreigners	590	803	780
<b>Grand Total</b>	<b>859</b>	<b>1,054</b>	<b>1,046</b>

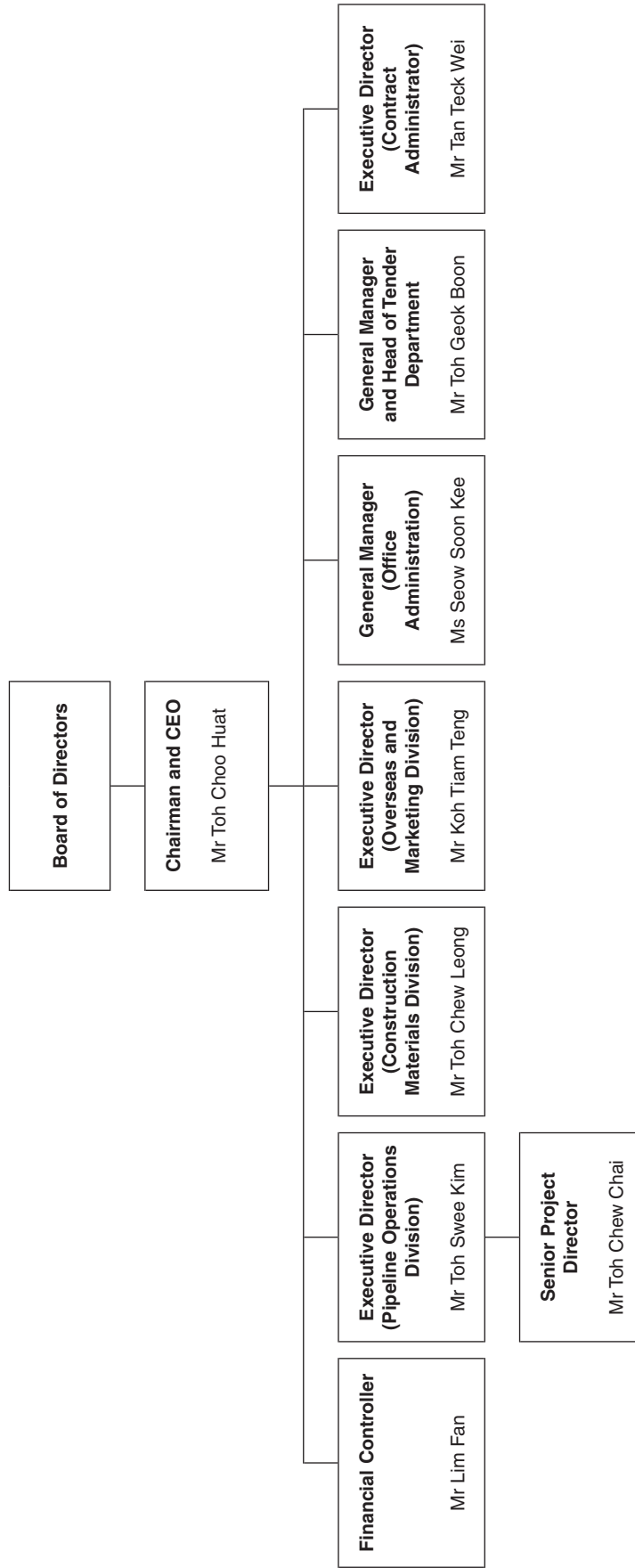
Save for two employees employed by LC Yantai who are based in PRC, all our employees are based in Singapore. As at the Latest Practicable Date, we do not employ a significant number of temporary employees.

The number of employees increased in line with the expansion of our businesses.

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**35. MANAGEMENT REPORTING STRUCTURE**

The following chart shows our management reporting structure as at the Latest Practicable Date:



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Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of LCCE, and will follow closely the best practice outlined in the Code of Corporate Governance issued by the Ministry of Finance.

In general, we have eight Directors on our Board of Directors, of which three are Independent Directors. Our Independent Directors do not have any existing business or professional relationship of a material nature with the LC Group, our other Directors and/or Substantial Shareholders, save as disclosed in this Letter. Our Independent Directors are also not related to other Directors and/or Substantial Shareholders.

### 36. LAWS AND REGULATIONS

As at the Latest Practicable Date, our business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in Singapore, Brunei, PRC and those set out below.

The following is a summary of the main laws and regulations that are relevant to our business as at the Latest Practicable Date.

#### 36.1 Contractors Registry

The construction industry in Singapore is regulated by the BCA and companies in the construction industry are required to register with the Contractors Registry maintained with the BCA before they can tender for projects in the public sector. Presently, there are seven major workhead categories of which a company may register, including (a) construction, (b) construction related, (c) mechanical and electrical, (d) maintenance, (e) supply, (f) regulatory, and (g) trade. For each of the abovementioned categories, the companies are further classified by gradings and there are six to seven grades, depending on the category of registration.

Registration of a contractor with BCA and grading awarded to the contractor is dependent on the fulfilment of stipulated requirements, which includes having a minimum paid-up capital and net worth, appointing qualified personnel and the total value of projects previously completed must meet the requirements set out by BCA.

The workhead categories the LC Group is registered under and the LC Group's BCA gradings are set out in Paragraph 5 of this Letter. The licensing requirements for these workheads the LC Group is registered under are as follows:

Workhead	Financial Grade	Licensing Requirements
<i>CR01</i> (Minor Construction Works)	Single Grade	The contractor must have a minimum paid-up capital and a minimum net worth of \$10,000
<i>CR07</i> (Cable/Pipe Laying & Road Reinstatement)	L5	The contractor must have a minimum paid-up capital and a minimum net worth of \$500,000.  The contractor must appoint at least one Professional personnel or two Technical personnel. The Professional personnel or at least one of the Technical personnel must have at least eight years of relevant experience. The Professional personnel should have a minimum professional qualification of a recognised degree in Architecture, Building, Civil/Structural Engineering or any other equivalent qualifications approved by BCA.

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Workhead	Financial Grade	Licensing Requirements
	L5	<p>The Technical personnel should have the minimum technical qualification of a polytechnic diploma in Architecture, Building, Civil/Structural Engineering or a National Certificate in Construction Supervision (NCCS) or any equivalent qualifications approved by BCA.</p> <p>The contractor must have completed at least \$10.0 million worth of contracts in the last three years, provided always that at least \$1.0 million must be attributed to a minimum size single project executed entirely by the contractor.</p>
	L6	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$1.5 million.</p> <p>The contractor must appoint at least two Professional personnel. Each of these Professional personnel appointed must have at least five years of relevant experience and a professional qualification of a recognised degree in Architecture, Building, Civil/Structural Engineering or any equivalent qualifications approved by BCA.</p> <p>The contractor must also complete at least \$30.0 million worth of contracts in the last three years, provided always that:</p> <ul style="list-style-type: none"> <li>(a) \$7.5 million must be attributed to projects in Singapore;</li> <li>(b) \$3.0 million must be attributed to contracts in which the contractor is named as main contractor; and</li> <li>(c) \$3.0 million must be attributed to a minimum size single project executed entirely by the contractor.</li> </ul>
<i>CR14 (Asphalt Works &amp; Road GMarking)</i>	L1	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$10,000.</p> <p>The contractor must appoint at least one Technical personnel who has the minimum qualification of a polytechnic diploma in Architecture, building, Civil/Structural Engineering or a National Certificate in Construction Supervision (NCCS) or any equivalent qualifications approved by BCA.</p>

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Workhead	Financial Grade	Licensing Requirements
	L5	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$500,000.</p> <p>The contractor must appoint at least two Technical personnel or one Professional personnel, one of which must have at least eight years of relevant experience. Each Technical Personnel appointed must have the minimum technical qualification of a polytechnic diploma in Architecture, Building, Civil/Structural Engineering or a National Certificate in Construction Supervision (NCCS) or any equivalent qualifications approved by BCA.</p> <p>Each Professional personnel appointed must have a recognised degree in Architecture, Building, Civil/Structural Engineering or equivalent qualifications approved by BCA.</p> <p>The contractor must also have obtained a Safety Management Certificate.</p> <p>The contractor must have completed at least \$10.0 million worth of contracts in the last three years, of which \$1.0 million must be attributed to a minimum size single project executed entirely by that contractor.</p>
<p><i>CW01</i> <i>(General Building)</i></p>	C3	<p>The contractor must hold at least a Class 2 General Builder Licence.</p> <p>The contractor must have a minimum paid-up capital and a minimum net worth of \$25,000.</p> <p>The contractor must appoint at least one Technical personnel that meets the following requirements:</p> <ul style="list-style-type: none"> <li>(a) a recognised polytechnic diploma in Architecture, Building, and Civil/Structural Engineering;</li> <li>(b) a National Certificate in Construction Supervision (NCCS);</li> <li>(c) Advance National Building Qualification (NBQ)/Specialist Diploma in M&amp;E Coordination; or</li> <li>(d) any other equivalent qualifications approved by BCA.</li> </ul>

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<b>Workhead</b>	<b>Financial Grade</b>	<b>Licensing Requirements</b>
<i>CW02 (Civil Engineering)</i>	A2	<p>The contractor must hold at least a Class 1 General Builder Licence. It must also undertake annual submission of financial accounts and certified VAP calculation and annual submission of CET declaration.</p> <p>The contractor must have a minimum paid-up capital and minimum net worth of \$6.5 million.</p> <p>The contractor must appoint at least 12 Professional or Technical personnel and at least four of such Professional or Technical personnel appointed must possess relevant qualifications from universities recognised by the Professional Engineers Board of Singapore, Board of Architects of Singapore and BCA.</p> <p>The Professional personnel appointed should hold a recognised degree in Architecture, Building, Civil/Structural Engineering or an equivalent while the Technical personnel should meets the following requirements:</p> <ul style="list-style-type: none"><li>(a) a recognised polytechnic diploma in Architecture, Building, and Civil/Structural Engineering;</li><li>(b) a National Certificate in Construction Supervision (NCCS);</li><li>(c) Advance National Building Qualification (NBQ)/Specialist Diploma in M&amp;E Coordination; or</li><li>(d) any other equivalent qualifications approved by BCA.</li></ul> <p>The contractor has to be awarded with the ISO9001:2008 (SAC) certification, ISO14000 certification and OHSAS18000/SS506 Part1 certification.</p> <p>The contractor must complete at least \$65.0 million worth of contracts in the last three years, of which:</p> <ul style="list-style-type: none"><li>(a) the contractor must be named as main contractor for contracts that are worth an aggregate of \$32.5 million;</li><li>(b) the contractor must complete a minimum size single project that is worth \$16.25 million; and</li><li>(c) the projects executed in Singapore by the contractor must worth an aggregate of \$32.5 million.</li></ul>

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Workhead	Financial Grade	Licensing Requirements
	C3	<p>The contractor must hold at least a Class 2 General Builder Licence.</p> <p>The contractor must have a minimum paid-up capital and a minimum net worth of \$25,000.</p> <p>The contractor must appoint at least one Technical personnel that meets the following requirements:</p> <ul style="list-style-type: none"> <li>(a) a recognised polytechnic diploma in Architecture, Building, and Civil/Structural Engineering;</li> <li>(b) a National Certificate in Construction Supervision (NCCS);</li> <li>(c) Advance National Building Qualification (NBQ)/Specialist Diploma in M&amp;E Coordination; or</li> <li>(d) any other equivalent qualifications approved by BCA.</li> </ul>
<i>ME04 (Communication &amp; Security Systems)</i>	L1	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$10,000.</p> <p>The contractor must appoint at least one Technical personnel who is required to have a technical qualification of a recognised diploma in Electrical/Electronics or Mechanical Engineering or equivalent.</p>
<i>ME05 (Electrical Engineering)</i>	L1	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$10,000.</p> <p>The contractor must appoint at least one Technical personnel who is required to have a technical qualification of a recognised diploma in Electrical/Electronics Engineering or equivalent.</p>
<i>ME11 (Mechanical Engineering)</i>	L5	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$500,000.</p> <p>The contractor must appoint at least two Technical personnel or one Professional personnel, and one of them must have at least eight years of relevant experience.</p> <p>Each Technical personnel is required to have a technical qualification of a recognised diploma in Mechanical Engineering or equivalent. Each Professional personnel is required to have a recognised degree in Electrical/Electronics or Mechanical Engineering or equivalent.</p>

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Workhead	Financial Grade	Licensing Requirements
<i>ME13 (Traffic Light Systems)</i>	L5	<p>The contractor must have SMC (Safety Management Certification issued by BCA) or OHSAS18000 certification.</p> <p>The contractor must complete at least \$10.0 million worth of contracts in the past three years and it must complete a single project of \$1.0 million.</p> <p>The contractor must have a minimum paid-up capital and a minimum net worth of at least \$500,000.</p> <p>The contractor must appoint at least one Professional personnel or two Technical personnel.</p> <p>The Professional personnel or one of the Technical personnel appointed must have at least eight years of relevant experience.</p> <p>The Professional personnel is required to have a professional qualification of a recognised degree in Electrical/Electronics Engineering or equivalent while each of the Technical personnel is required to have a technical qualification of a recognised diploma in Electrical/Electronics Engineering or equivalent.</p> <p>The contractor must complete at least \$10.0 million worth of contracts in the last three years, of which \$1.0 million must be attributed to a minimum size single project executed entirely by that contractor.</p>
<i>MW02 (Housekeeping, Cleansing, Desilting &amp; Conservancy Service)</i>	L3	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$150,000.</p> <p>The contractor must appoint at least one Technical personnel who must have at least a Certificate in Facilities Maintenance Supervision or equivalent.</p> <p>The contractor must complete at least \$3.0 million worth of contracts in the last three years.</p>
<i>SY01A (Essential Construction Materials)</i>	L6	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$1.5 million.</p> <p>The contractor must have completed at least \$15.0 million worth of contracts in the last three years.</p>

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Workhead	Financial Grade	Licensing Requirements
<p><i>SY01C</i> (Other Basic Construction Materials)</p>	<p>L6</p>	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$1.5 million.</p> <p>The contractor must have completed at least \$15.0 million worth of contracts in the last three years.</p>
<p><i>SY05</i> (Electrical &amp; Electronic Materials, Products &amp; Components)</p>	<p>L6</p>	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$1.5 million.</p> <p>The contractor must have completed at least \$15.0 million worth of contracts in the last three years.</p>
<p><i>SY12</i> (Pipes)</p>	<p>L6</p>	<p>The contractor must have a minimum paid-up capital and a minimum net worth of \$1.5 million.</p> <p>The contractor must have completed at least \$15.0 million worth of contracts in the last three years.</p>

**36.2 General Builder Licence and Specialist Builder Licence**

From 16 June 2009, builders undertaking general building works are required to obtain a General Builder Licence. There are two classes of General Builder Licences: a Class One licence which permits the builder to undertake projects of any value and a Class Two licence which permits the builder to undertake projects of up to \$6 million.

From 16 June 2009, builders are also required to obtain a Specialist Builder Licence if they undertake any of the following specialist building works: piling works, ground support and stabilisation works, site investigation work, structural steelwork, pre-cast concrete work or in-situ post-tensioning work.

The LC Group does not hold any Specialist Builder Licences. The licensing requirements for the two classes of General Builder Licences the LC Group is registered under are as follows:

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Licensing Code	Title	Licensing Requirements
GB1	General Building Works (Class 1)	<p>The contractor must have a minimum paid-up capital of \$300,000.</p> <p>The contractor must appoint an approved person who should meet the following requirements:</p> <ul style="list-style-type: none"> <li>(a) holds a qualification of a bachelor's degree or post-graduate degree in any field and has at least three years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications;</li> <li>(b) holds a qualification of a diploma in a construction-related field and has at least five years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications; or</li> <li>(c) completed the course "Essential Knowledge in Construction Regulations &amp; Management for Licensed Builders" conducted by BCA and has at least ten years (in aggregate) of practical experience in the execution of construction projects in Singapore.</li> </ul> <p>The contractor must appoint a technical controller who holds a bachelor's degree or post-graduate degree in construction-related field and has at least five years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications.</p>
GB2	General Building Works (Class 2)	<p>The contractor must have a minimum paid-up capital of \$25,000.</p> <p>The contractor must appoint an approved person who should meet the following requirements:</p> <ul style="list-style-type: none"> <li>(a) holds a qualification of a bachelor's degree or post-graduate degree in any field and has at least three years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications; or</li> </ul>

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Licensing Code	Title	Licensing Requirements
		<p>(b) completed the course “Essential Knowledge in Construction Regulations &amp; Management for Licensed Builders” conducted by BCA and has at least eight years (in aggregate) of practical experience in the execution of construction projects in Singapore.</p> <p>The contractor must appoint a technical controller who holds a diploma, bachelor’s degree or post-graduate degree in construction-related field and has at least five years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after obtaining such qualifications.</p>

### 36.3 Factory registration/Factory permits

For premises that are carrying out building operations and works of engineering construction, the occupiers are required by the MOM to register the premises (or worksite) as a “factory” with the Commissioner for Workplace Safety and Health (“**CWSH**”) pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 (“**WSH Factories Regulations**”). Under the WSH Factories Regulations, occupiers of premises or worksites in which building operations and works of engineering construction are intended to be carried out (save for any premises or worksites in which building operations (other than excavation or piling works) or works of engineering construction are being carried out for a period not exceeding two months) must apply to the CWSH to register the worksites as a “factory” one month before the work begins. A certificate of registration issued by the CWSH is valid for a period of one year and may be renewed subsequently upon the payment of a renewal fee. The CWSH may, instead of registering any premises as a “factory”, issue a factory permit, with or without conditions, authorising the applicant to occupy the premises as a factory. A factory permit is valid for such period not exceeding six months as may be specified in the permit and may be extended subsequently for such period not exceeding 6 months as the CWSH may determine upon the payment of an extension fee.

We have obtained the necessary Certificates of Registration of a Factory or Factory Permit under WSH Factories Regulations for all our worksites.

### 36.4 Workplace and Health Safety Measures

Under the MOM’s Workplace Safety and Health Act (Chapter 354A) of Singapore (“**WSHA**”), every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work. More specific duties imposed by the MOM on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations (“**WSHR**”). Some of these duties include taking effective measures to protect persons at work from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health.

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Pursuant to the WSHR, the following equipment, amongst others, are required to be tested and examined by an examiner (“**Authorised Examiner**”), who is authorised by the CWSH, before they can be used in a factory and thereafter, at specified intervals:

- (a) hoist or lift;
- (b) lifting gears; and
- (c) lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the owner of the equipment/occupier of the containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, *inter alia*, enter, workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, to take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, to assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and to take into custody any article in the workplace which is required for the purpose of an investigation or inquiry under the WSHA.

Under the WSHA, the CWSH may serve a stop-work order in respect of a workplace if he is satisfied that (a) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (b) any person has contravened any duty imposed by the WSHA; or (c) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The MOM has also introduced a Debarment Scheme for contractors with bad safety record. The purpose of the Debarment Scheme is to improve the safety situation in the construction industry. Under the Debarment Scheme, contractors who are found to have violated safety requirements at worksites will be given demerit points. A contractor who accumulates more than 24 demerit points within a 12-month period will be issued a warning. Further accumulation of more than 24 demerit points within a 12-month period following the warning, will result in the contractor being debarred from employing Non Traditional Source foreign workers, who include those from India, Sri Lanka, Thailand, Bangladesh, the Republic of the Union of Myanmar and Philippines.

### 36.5 Business under Surveillance Programme

The main purpose of the Business under Surveillance (“**BUS**”) Programme is to ensure that companies implement safety precautions and guidelines at its work sites so as to prevent accidents, occupational diseases and improve the company’s safety and health management and performance.

In general, a company will be placed under assessment if:

- (a) there are fatal accidents at its work site;
- (b) the company accumulates more than 18 demerit points under the demerit point system; or

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- (c) the company demonstrates poor management of workplace safety and health, e.g. poor site conditions resulting in stop-work order.

If the company failed the assessment, it will be placed into the BUS Programme and be subjected to close surveillance. A company placed in the BUS Programme is required to act in accordance action plan imposed on it by the MOM. This company will be subjected to frequent inspections and engagements to ensure that the action plan is implemented.

### 36.6 Public Sector Standard Conditions of Contract for Construction Works

The Public Sector Standard Conditions of Contract for Construction Works (“PSSCOC”) was developed by the BCA to enable a common contract form to be used in all public sector construction projects. The PSSCOC contains terms relating to, *inter alia*, the general obligations of the contractor, programme for the works, quality in construction, commencement of works, suspension of works, time for completion, liquidated damages, defects, variations to the works, valuation of variations, procedures for claims, indemnity provisions, insurance, progress payments and final account and settlement of disputes.

### 36.7 Environmental laws and regulations

The Environmental Public Health Act (Chapter 95) of Singapore (“EPHA”) requires, *inter alia*, a person, during the erection, alteration, construction or demolition of any building or at any time, to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance. The EPHA also regulates, *inter alia*, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Ministry of Environment has empowered the Director-General of Public Health to serve a nuisance order on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with by the Ministry of Environment and/or its statutory board, the National Environmental Agency, summarily under the EPHA include any factory or workplace which is not kept in a clean state and any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety. The EPHA also requires the occupier of any construction site to employ a competent person to act as an Environmental Control Officer in the construction site for the purpose of exercising general supervision within the construction site of the observance of the provisions of, *inter alia*, the EPHA.

The Environmental Protection and Management Act (Chapter 94A) of Singapore seeks to control the levels of pollution in Singapore by regulating the activities of various industries and regulates, *inter alia*, air pollution, water pollution, land pollution and noise control. Under the Environmental Protection and Management (Control of Noise at Construction Sites) Regulations, the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels prescribed in such Regulations. On 22 December 2010, LCCE was granted a licence for use of scheduled premises to operate a crushing plant for recycling hard-core/concrete waste/asphalt waste pursuant to Section 6(1) of the Environmental Protection and Management Act and this licence will lapse on 14 June 2012. LCCE is in the process of renewing this licence.

### 36.8 Workmen’s Compensation

The Work Injury Compensation Act (Chapter 354) of Singapore (“WICA”), which is regulated by the MOM, applies to employees in all industries in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

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The WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the employer of the whole or any part of any work, or for the supply of labour to carry out any work undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

### 36.9 Employment of Foreign Manpower

The availability and the employment cost of skilled and unskilled foreign workers are affected by the Government's policies and regulations on the immigration and employment of foreign workers in Singapore, which are set out in, *inter alia*, the Employment of Foreign Manpower Act (Chapter 91A) of Singapore and the relevant Government Gazettes.

The availability of the foreign workers to the construction industry is dependent on *inter alia* the MOM's policies in connection with:

- (a) the countries in which foreign workers may be sourced from;
- (b) the requirements and procedures for the issuance of work permits;
- (c) the imposition of security bonds and levies;
- (d) the dependency ceilings based on the ratio of local to foreign workers; and
- (e) the quotas based on MYE in respect of workers from non-traditional source countries and PRC.

Currently, the countries which contractors may source construction worker from are Malaysia, Hong Kong, Macau, South Korea, Taiwan, India, Sri Lanka, Thailand, Bangladesh, the Republic of the Union of Myanmar, Philippines and PRC. Before we are allowed to employ construction workers from these countries, we are required to obtain In-Principle Approvals (“IPAs”) for each individual's work permit. The foreign construction worker is also required to undergo a medical examination by a registered Singapore doctor and must pass such medical examination before a work permit can be issued to him.

We are required to provide the Controller of Immigration with a security bond of \$5,000 in the form of a banker's guarantee or insurance guarantee for each construction worker from the Hong Kong, Macau, South Korea, Taiwan, India, Sri Lanka, Thailand, Bangladesh, the Republic of the Union of Myanmar, Philippines and PRC whom we have successfully obtained a work permit.

In addition, the Singapore Government has announced that it will, from 1 July 2011, revise levy rates for work permits for the workers in the construction industry and abolish the classification of “skilled workers” and “unskilled workers”. Workers will be reclassified as “higher skilled workers” and “basic skilled workers”. Subsequently, the levy rates will be revised annually over the periods of 2011 to 2013. For each year from 2011 to 2013, the increment in levy rates for higher skilled workers would be in the range of \$20 to \$50 but the reduction in levy rates for basic skilled workers would be in the range of \$50 to \$70. The MOM has also made the following changes to its fee structures:

- (a) with effect from 1 December 2011, administrative fees for employment passes, S-passes and work permits have also increased from \$10 to \$20;
- (b) with effect from 1 December 2011, issuance fees for employment passes and S-passes have also increased to \$120 and \$70 respectively and these fees will be charged per transaction instead of per year; and

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- (c) with effect from 1 December 2011, the existing subsidy of \$20 for each employer who requests for issuance or renewal of work permits via MOM's website Work Permit Online will be withdrawn.

The dependency ceiling for the construction industry is currently set at a ratio of one full-time local worker to seven foreign workers. This means that for every full-time Singapore Citizen or Singapore Permanent Resident employed by a company in the construction sector with regular full month CPF contributions made by the employer, LCCE can employ seven foreign workers.

The MYE allocation system is a work permit allocation system pertaining to the employment of construction workers from Hong Kong, Macau, South Korea, Taiwan, India, Sri Lanka, Thailand, Bangladesh, the Republic of the Union of Myanmar, Philippines and the PRC.

MYE represent the total number of foreign workers that each main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners. At the time of the MYE application, the balance duration of the project must be at least one month and the total remaining contract value of the project must be at least \$500,000. To employ construction workers from Hong Kong, Macau, South Korea, Taiwan, India, Sri Lanka, Thailand, Bangladesh, the Republic of the Union of Myanmar, Philippines and the PRC, the employer must make an application for MYE and IPAs for individual work permits.

The allocation of MYE is in the form of the number of "man-years" required to complete a project and only main contractors may apply for MYE. All levels of sub-contractors are required to obtain their MYE allocation from their main contractors. A main contractor's MYE will expire on the completion date of the relevant project. With effect from 1 January 2007, MYE allocations for all projects (except for projects above \$100 million) have been reduced by 5%.

Under the work permit conditions, employers are required to provide acceptable accommodation for their foreign workers. Such accommodation must meet the statutory requirements set by various government agencies, including the NEA, PUB, SCDF and the BCA. A list of approved off-site housing is provided by the relevant approving agencies, namely the URA, Singapore Land Authority, JTC and the HDB.

An employer of foreign workers is also subject to, *inter alia*, the provisions set out in the Employment Act (Chapter 91) of Singapore, the Employment of Foreign Manpower Act (Chapter 91A) of Singapore, the Immigration Act (Chapter 133) of Singapore and the Immigration Regulations.

### 36.10 Building and Construction Industry Security of Payment Act

Prior to the introduction of BCISPA, a construction contract between a main contractor and a sub-contractor would typically contain a "pay when paid" provision. Such provision would provide that the liability of the main contractor to pay money owing to the sub-contractor is contingent or conditional on payment to the main contractor by a third party of the whole or part of that money, or make the due date for payment of money owing by the main contractor to the sub-contractor contingent or conditional on the date on which payment of the whole or any part of that money is made to the main contractor by the third party. With the introduction of the BCISPA by the Ministry of National Development, such "pay when paid" provisions in construction or supply contracts are now rendered unenforceable and have no effect in relation to any payment for construction work carried out or undertaken to be carried out, or for goods or services supplied or undertaken to be supplied, under the contract.

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The BCISPA, regulated by the BCA, confers a statutory entitlement to progress payments on any person who has carried out any construction work or supplied any goods or services under a contract. The BCISPA also contains provisions relating to, *inter alia*, the amount of the progress payment to which a person who has carried out any construction work is entitled under a contract, the valuation of the construction work carried out and the date on which a progress payment becomes due and payable (even where a construction contract does not provide for such date). In addition, the BCISPA, *inter alia*, endorses the following rights:

- (a) the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISP Act has established an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudicated amount;
- (b) the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce the adjudication as if it were a judgment debt, if such claimant is not paid after it obtains judgment against the respondent pursuant to an adjudication; and
- (c) where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right for such principal to recover such payment from the respondent.

### 37. GENERAL INFORMATION

37.1 Save as mentioned below, none of our Directors, Executive Officers or Controlling Shareholders:

- (a) was, at any time during the last 10 years, involved in an application or a petition under any bankruptcy laws of any jurisdiction 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 two years from the date he ceased to be a partner;
- (b) was, at any time during the last 10 years, involved in an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive of that entity or at any time within two 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;
- (c) has any unsatisfied judgments against him;
- (d) has at any time 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 which he is aware of) for such purpose;
- (e) has at any time 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 any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach;

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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- (f) has, at any time during the last 10 years, received judgment 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 has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or Business Trust;
- (h) 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;
- (i) 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;
- (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
  - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
  - (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;
  - (iii) any Business Trust which has been investigated for breach of any law or regulatory requirement governing Business Trusts in Singapore or elsewhere; or
  - (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,in connection with any matter occurring or arising during the period when he was so concerned with the entity or Business Trust; and
- (k) has ever 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.

### 37.2 Disclosures Relating to the LC Group

- (a) *Fines imposed by regulatory authorities such as EMA, LTA, NEA, NParks, MOM, PUB and SCDF*

We have from time to time in the ordinary course of our business, incurred fines imposed by these regulatory authorities in relation to breaches of certain environmental, safety and other regulations. The aggregate of such fines (which related mostly to traffic-related fines, fines for failing to meet the codes of practice or other standard performance imposed by the authorities/statutory bodies as well as other penalty for payment by the LC Group) imposed by these regulatory authorities and paid by the LC Group for the Periods Under Review, and 1 January 2012 up to Latest Practicable Date was \$182,000.

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To minimise such breaches, our project and site managers conducts more frequent checks of our worksites. Our Executive Directors together with qualified professionals engaged from time to time by the LC Group also carry out regular inspections of our worksites, providing a higher level of supervision to ensure that breaches are reduced.

(b) *Assisting in investigations conducted by the CPIB*

In the day-to-day operations of our businesses, our Executive Directors would be required to contact and liaise with employees of our customers. Accordingly, there have been instances in which our Executive Directors, Mr Toh Swee Kim and Mr Tan Teck Wei were requested to assist in investigations conducted by the CPIB on employees of some of our customers.

In 2004, there was a complaint lodged against an employee of our customer and accordingly, the CPIB conducted investigations relating to this individual. As part of their investigations, we understand that the CPIB requested interviews with companies and their employees that had contact with this individual. As our Executive Director, Mr Toh Swee Kim, had contact with that individual in the ordinary course of our business, the CPIB requested for an interview with Mr Toh Swee Kim as part of its investigation process. Mr Toh Swee Kim was not the subject of the investigations and was not asked to assist further.

In the period of 2005 to 2006, the CPIB conducted investigations on employees of one of our customers. Our Executive Directors, Mr Toh Swee Kim and Mr Tan Teck Wei, who had contact with these individuals, were requested to assist in the investigations. Save for attending to interviews, Mr Toh Swee Kim and Mr Tan Teck Wei were not the subjects of the investigations and were not asked subsequently to assist further.

In July to August 2011, the CPIB conducted investigations on a Singapore Power officer and one of the LC Group's employees. Our Executive Director, Mr Toh Swee Kim was called to assist in the investigations. Save for attending an interview, Mr Toh Swee Kim was not the subject of the investigations and was not asked to assist further.

(c) *Assisting in the investigations conducted by the Department of Industry Safety, Ministry of Labour*

In 1992, construction works were performed at the Ginza Plaza Building, West Coast Road. An explosion occurred at the work site and four workers were killed and 61 other individuals were injured in the accident. Accordingly, a Committee of Inquiry was appointed by the Department of Industry Safety, Ministry of Labour to inter alia enquire into the causes of the accident and to make recommendations to prevent the recurrence of such accidents.

As the LC Group was engaged to perform pipe-laying services in the earlier phases of the construction works, the Committee of Inquiry requested for an interview with the LC Group to understand the accident site to better determine the cause of the accident, as well as to obtain suggestions how work site safety may be improved. As our Executive Chairman and CEO, Mr Toh Choo Huat oversaw our pipe-laying project at the Ginza Plaza Building before the accident, he was interviewed by the Committee of Inquiry. Save for attending the interviews requested, the LC Group and Mr Toh Choo Huat were not subjects of the inquiry and were not asked subsequently to assist further.

(d) *Assisting in the investigations conducted by MOM*

In August 2010, our Executive Director, Mr Toh Swee Kim was requested to assist in investigations conducted by MOM in connection with the death of an employee of our subsidiary Chin Kuan at a worksite. As at the Latest Practicable Date, Chin Kuan was not issued a stop-work order or given any demerit points. Mr Toh Swee Kim was not the subject of the investigations and was not asked to assist further.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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37.3 No person (including any Director or Executive Officer) has been, or is entitled to be, given an option to subscribe for and/or purchase any shares in, or debentures of, or any other securities of LCCE.

37.4 Save as provided below, neither LCCE nor our subsidiaries are engaged in any litigation as plaintiff or defendant in respect of any claim or amount which is material in the context of the Proposed Acquisition and our Directors have no knowledge of any legal or arbitration proceedings pending or threatened against LCCE or any of our subsidiaries, including those which are pending or known to be contemplated, which may have or have had in the last 12 months immediately preceding the Latest Practicable Date a material effect on the financial position or profitability of LCCE or any of our subsidiaries.

From time to time, we are subject to personal injury claims by employees who were involved in accidents at our worksites during the course of their work. Generally, such claims are settled through our insurers pursuant to the workmen's compensation scheme, unless such injured employee files a civil suit against the LC Group for higher damages.

The salient details of on-going and material litigation and arbitration by the LC Group or against the LC Group within the last 12 months are set down below:

(a) one of our customers through their adjuster and surveyor issued a letter to our subsidiary, Chin Kuan informing us that the pipe joint outside one of the MRT stations adjacent to one of our work sites burst in June 2009 and caused loss and damage to third parties' property. The third parties are currently claiming approximately \$125,000 as compensation. The LC Group (specifically Chin Kuan) has made full provisions for the claims of \$125,000 for FY2009 at the consolidated level while preparing our combined financial statements. Chin Kuan has also made full provisions for the claims of \$125,000 in its accounts for FY2010.

37.5. Save as disclosed below, there were no changes in the issued and paid-up capital of LCCE and its subsidiaries within the three years preceding the date of this Circular:

Date of issue	Number of shares issued	Consideration	Purpose of issue	Resultant issued share capital
<b>Chin Kuan</b>				
1 November 2011	2,300,000	\$2,300,000	Capitalisation	\$3,000,000
<b>LCCE</b>				
8 October 2009	162,938	1,738,000 shares in the capital of Teacly (S) Pte. Ltd.	Payment for share swap	\$3,162,938
27 July 2010	11,837,062	\$11,837,062	Capitalisation	\$15,000,000
24 February 2012	15,000,000	\$15,000,000	Capitalisation	\$30,000,000
<b>LC Development</b>				
7 September 2009	470,000	\$470,000	Working Capital	\$500,000
<b>Teacly</b>				
1 November 2011	4,298,000	\$890,000	Capitalisation	\$3,000,000

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- 37.6. Save as disclosed above, no Shares in, or debentures of, LCCE or any of its subsidiaries have been issued or are agreed to be issued, by LCCE or any of its subsidiaries, as fully or partly paid-up and whether for cash or for a consideration other than cash, within the three years preceding the date of this Circular.
- 37.7 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the LC Group within the two years preceding the Latest Practicable Date and are or may be material:
- (a) Investment agreement entered into between LC Development and Yantai Economic and Technological Development Area Investment Promotion Bureau (烟台经济技术开发区投资促进局) on 11 July 2011; and
  - (b) Joint venture agreement dated 28 June 2010 entered into between LCCE and Gim Tian Civil Engineering Pte Ltd for the setting up of LCGT-JV.
- 37.8 The Independent Auditors and Independent Reporting Accountant have given and have not withdrawn its written consent to the issue of this Letter with the inclusion herein of the Consolidated Financial Statements of Ley Choon Constructions and Engineering Pte. Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011 set out in Appendix E of this Circular and the Unaudited Proforma Consolidated Financial Information of the Proforma Group set out in Appendix D of this Circular, and all references thereto in the form and context in which they appear in this Circular, and references to their name in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.
- 37.9 Save as disclosed in the section entitled “Risk Factors” of this Letter, our Directors are not aware of any event which has occurred since 1 January 2012 up to the Latest Practicable Date, which may have a material effect on the financial information provided in the Consolidated Financial Statements of Ley Choon Constructions and Engineering Pte. Ltd. and its Subsidiaries for the Financial Years Ended 31 December 2009, 2010 and 2011 set out in Appendix E of this Circular and the Unaudited Proforma Consolidated Financial Information of the Proforma Group set out in Appendix D of this Circular.
- 37.10 No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Letter or is proposed or intended to be paid or given to any promoter at any time in respect of the Proposed Compliance Placement.

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## APPENDIX A – LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD

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37.11 Details including the name, address and professional qualifications (including membership in a professional body) of the independent auditors of LCCE for FY2009, FY2010, FY2011 and up to the Latest Practicable Date are as follows:

Name and Address	Professional Body	Partner-in-charge/ Professional Qualification
<b>FY2009</b>		
LTC LLP 1 Raffles Place #20-02, One Raffles Place Singapore 048616	Institute of Certified Public Accountants of Singapore	Tsang Siu For Thomas Practising Member of the Institute of Certified Public Accountants of Singapore
<b>FY2010</b>		
LTC LLP 1 Raffles Place #20-02, One Raffles Place Singapore 048616	Institute of Certified Public Accountants of Singapore	Chen Yeow Sin Practising Member of the Institute of Certified Public Accountants of Singapore
Deloitte & Touche LLP 6 Shenton Way #32-00 DBS Tower Two Singapore	Institute of Certified Public Accountants of Singapore	Patricia Lee Kuang Hong Practising Member of the Institute of Certified Public Accountants of Singapore
<b>FY2011</b>		
KPMG LLP 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581	Institute of Certified Public Accountants of Singapore	Barry Lee Chin Siang Practising Member of the Institute of Certified Public Accountants of Singapore

37.12 The nature of the business of LCCE has been stated in the section entitled “Business Overview” of this Letter. As at the Latest Practicable Date, the corporations which, by virtue of Section 6 of the Companies Act, are deemed to be related to LCCE are set out in the sections entitled “Group Structure” of this Letter respectively.

37.13 There has been no previous issue of shares by LCCE or offer for sale of our shares to the public within the two years preceding the Latest Practicable Date.

### 38. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the LC Group, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

**APPENDIX B – INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY,  
THE VENDORS AND/OR THEIR NOMINEES**

	Before the Proposed Acquisition				Immediately after the Proposed Acquisition but before the Proposed Share Consolidation and Proposed Compliance Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Existing Directors</b>								
Lim Ee Ann	43,646,658	10.11%	-	-	43,646,658	1.00%	-	-
Lim Ee Chuan <sup>(1)</sup>	48,804,433	11.30%	3,984,430	0.92%	48,804,433	1.12%	3,984,430	0.09%
Tan Siok Min <sup>(2)</sup>	3,984,430	0.92%	48,804,433	11.30%	3,984,430	0.09%	48,804,433	1.12%
Lee Keen Whye	150,000	0.03%	-	-	150,000	0.00%	-	-
Teo Lai Wah Timothy <sup>(3)</sup>	2,307,000	0.53%	3,000,000	0.69%	2,307,000	0.05%	3,000,000	0.07%
<b>Proposed New Directors</b>								
Toh Choo Huat <sup>(4)</sup>	-	-	-	-	-	-	3,173,885,000	72.79%
Toh Swee Kim <sup>(5)</sup>	-	-	-	-	-	-	3,173,885,000	72.79%
Toh Chew Leong <sup>(6)</sup>	-	-	-	-	-	-	3,173,885,000	72.79%
Koh Tiam Teng	-	-	-	-	303,285,715	6.96%	-	-
Tan Teck Wei	-	-	-	-	156,950,357	3.60%	-	-
Ang Miah Khiang	-	-	-	-	-	-	-	-
Lee Gee Aik	-	-	-	-	-	-	-	-
Marcus Chow Wen Kwan	-	-	-	-	-	-	-	-
<b>Substantial Shareholders (other than existing Directors and Proposed New Directors)</b>								
Tan Yang Hong <sup>(7)</sup>	23,250,000	5.38%	3,345,000	0.77%	23,250,000	0.53%	3,345,000	0.08%
Kwan Chee Seng	22,457,000	5.20%	-	-	22,457,000	0.52%	-	-
Zheng Choon	-	-	-	-	3,173,885,000	72.79%	-	-
Toh Chew Chai <sup>(8)</sup>	-	-	-	-	-	-	3,173,885,000	72.79%
Seow Soon Kee <sup>(9)</sup>	-	-	-	-	-	-	3,173,885,000	72.79%
<b>Other Shareholders</b>								
Liang Say Juan	-	-	-	-	156,950,357	3.60%	-	-
Intersino	-	-	-	-	137,500,000	3.15%	-	-
Public Shareholders	287,309,135	66.52%	-	-	287,309,135	6.59%	-	-
<b>Total</b>	<b>431,908,656</b>	<b>100.00%</b>			<b>4,360,480,085</b>	<b>100.00%</b>		

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## **APPENDIX B – INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY, THE VENDORS AND/OR THEIR NOMINEES**

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**Notes:**

- (1) The Company's CEO, Mr Lim Ee Chuan, is deemed to be interested in the Shares held by his spouse, Ms Tan Siok Min, who is a Non-Executive Director of the Company.
- (2) The Company's Non-Executive Director, Ms Tan Siok Min, is deemed to be interested in the Shares held by her spouse, Mr Lim Ee Chuan, who is the CEO of the Company.
- (3) The Company's Independent Director, Mr Teo Lai Wah Timothy, is deemed to be interested in the Shares held by his spouse.
- (4) LCCE's Executive Chairman and CEO as well as the Company's Proposed Director, Mr Toh Choo Huat, holds 26.4% of the shareholding in Zheng Choon. As such, Mr Toh Choo Huat is deemed interested in the Shares held by Zheng Choon. Ms Seow Soon Kee, the spouse of LCCE's Executive Chairman and CEO, Mr Toh Choo Huat, holds 3.2% of the shares in Zheng Choon.
- (5) LCCE's Executive Director and the Company's Proposed Director, Mr Toh Swee Kim, holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Swee Kim is deemed interested in the Shares held by Zheng Choon.
- (6) LCCE's Executive Director and the Company's Proposed Director, Mr Toh Chew Leong, holds 24.6% of the shareholding in Zheng Choon. As such, Mr Toh Chew Leong is deemed interested in the Shares held by Zheng Choon.
- (7) The Company's Substantial Shareholder, Mr Tan Yan Hong, is deemed to be interested in the Shares held by his spouse.
- (8) LCCE's Executive Officer and the Company's Proposed EO, Mr Toh Chew Chai, holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Chew Chai is deemed interested in the Shares held by Zheng Choon.
- (9) LCCE's Executive Officer and the Company's Proposed EO, Ms Seow Soon Kee, is the spouse of Mr Toh Choo Huat, who is LCCE's Executive Chairman and CEO as well as the Company's Proposed Director. Ms Seow Soon Kee holds 3.2% of the shareholding in Zheng Choon while Mr Toh Choo Huat holds 26.4% shareholding in Zheng Choon. As such, Ms Seow Soon Kee is deemed interested in the Shares held by Zheng Choon.

**APPENDIX B – INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY,  
THE VENDORS AND/OR THEIR NOMINEES**

	Immediately after the Proposed Acquisition and the Proposed Share Consolidation but before the Proposed Compliance Placement			Immediately after the Proposed Compliance Placement		
	Direct Interest	Deemed Interest	Deemed Interest	Direct Interest	Deemed Interest	Deemed Interest
	Number of Consolidate Shares	%	Number of Consolidated Shares	Number of Consolidated Shares	%	Number of Consolidated Shares
<b>Existing Directors</b>						
Lim Ee Ann	4,364,665	1.00%	–	4,364,665	0.88%	–
Lim Ee Chuan <sup>(1)</sup>	4,880,443	1.12%	398,443	4,880,443	0.99%	398,443
Tan Siok Min <sup>(2)</sup>	398,443	0.09%	4,880,443	398,443	0.08%	4,880,443
Lee Keen Whye	15,000	0.00%	–	15,000	0.00%	–
Teo Lai Wah Timothy <sup>(3)</sup>	230,700	0.05%	300,000	230,700	0.05%	300,000
<b>Proposed New Directors</b>						
Toh Choo Huat <sup>(4)</sup>	–	–	317,388,500	–	–	303,574,700
Toh Swee Kim <sup>(5)</sup>	–	–	317,388,500	–	–	303,574,700
Toh Chew Leong <sup>(6)</sup>	–	–	317,388,500	–	–	303,574,700
Koh Tiam Teng	30,328,571	6.96%	–	29,008,571	5.88%	–
Tan Teck Wei	15,695,035	3.60%	–	15,011,935	3.04%	–
Ang Miah Khiang	–	–	–	–	–	–
Lee Gee Aik	–	–	–	–	–	–
Marcus Chow Wen Kwan	–	–	–	–	–	–
<b>Substantial Shareholders (other than existing Directors and Proposed New Directors)</b>						
Tan Yang Hong <sup>(7)</sup>	2,325,000	0.53%	334,500	2,325,000	0.47%	334,500
Kwan Chee Seng	2,245,700	0.52%	–	2,245,700	0.45%	–
Zheng Choon	317,388,500	72.79%	–	303,574,700	61.49%	–
Toh Chew Chat <sup>(8)</sup>	–	–	317,388,500	–	–	303,574,700
Seow Soon Kee <sup>(9)</sup>	–	–	317,388,500	–	–	303,574,700
<b>Other Shareholders</b>						
Liang Say Juan	15,695,035	3.60%	–	15,011,935	3.04%	–
Intersino	13,750,000	3.15%	–	6,875,000	1.39%	–
Public Shareholders	28,730,913	6.59%	–	109,730,913	22.23%	–
<b>Total</b>	<b>436,048,005</b>	<b>100.00%</b>		<b>493,673,005</b>	<b>100.00%</b>	

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## APPENDIX B – INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY, THE VENDORS AND/OR THEIR NOMINEES

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**Notes:**

- (1) The Company's CEO, Mr Lim Ee Chuan, is deemed to be interested in the Consolidated Shares held by his spouse, Ms Tan Siok Min, who is a Non-Executive Director of the Company.
- (2) The Company's Non-Executive Director, Ms Tan Siok Min, is deemed to be interested in the Consolidated Shares held by her spouse, Mr Lim Ee Chuan, who is the Chief Executive Officer of the Company.
- (3) The Company's Independent Director, Mr Teo Lai Wah Timothy is deemed to be interested in the Consolidated Shares held by his spouse.
- (4) LCCE's Executive Chairman and CEO as well as the Company's Proposed Director, Mr Toh Choo Huat, holds 26.4% of the shareholding in Zheng Choon. As such, Mr Toh Choo Huat is deemed interested in the Consolidated Shares held by Zheng Choon. Ms Seow Soon Kee, the spouse of LCCE's Executive Chairman and CEO, Mr Toh Choo Huat, holds 3.2% of the shares in Zheng Choon.
- (5) LCCE's Executive Director and the Company's Proposed Director, Mr Toh Swee Kim, holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Swee Kim is deemed interested in the Consolidated Shares held by Zheng Choon.
- (6) LCCE's Executive Director and the Company's Proposed Director, Mr Toh Chew Leong, holds 24.6% of the shareholding in Zheng Choon. As such, Mr Toh Chew Leong is deemed interested in the Consolidated Shares held by Zheng Choon.
- (7) The Company's Substantial Shareholder, Mr Tan Yan Hong, is deemed to be interested in the Consolidated Shares held by his spouse.
- (8) LCCE's Executive Officer and the Company's Proposed EO, Mr Toh Chew Chai, holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Chew Chai is deemed interested in the Consolidated Shares held by Zheng Choon.
- (9) LCCE's Executive Officer and the Company's Proposed EO, Ms Seow Soon Kee, is the spouse of Mr Toh Choo Huat, who is LCCE's Executive Chairman and CEO as well as the Company's Proposed Director. Ms Seow Soon Kee holds 3.2% of the shareholding in Zheng Choon while Mr Toh Choo Huat holds 26.4% shareholding in Zheng Choon. As such, Ms Seow Soon Kee is deemed interested in the Consolidated Shares held by Zheng Choon.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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STIRLING COLEMAN CAPITAL LIMITED  
(Company Registration no. 200105040N)  
4 Shenton Way #07-03  
SGX Centre 2  
Singapore 068807

21 June 2012

To : The Unaffected Directors of Ultron Technologies Limited  
In Respect of the Proposed Whitewash Resolution and the Proposed IPT Mandate:-

Dear Sirs

### INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED IN RELATION TO:

1. THE PROPOSED WHITEWASH RESOLUTION (“WHITEWASH RESOLUTION”) IN CONNECTION WITH THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD (“PROPOSED ACQUISITION”)
2. THE PROPOSED INTERESTED PERSON TRANSACTION MANDATE IN RESPECT OF RECURRENT INTERESTED/RELATED PERSON TRANSACTIONS TO BE ENTERED INTO BY THE COMPANY SUBSEQUENT TO THE COMPLETION OF THE PROPOSED ACQUISITION (“IPT MANDATE”)

*Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein.*

#### 1. INTRODUCTION

On 26 December 2011, Ultron Technologies Limited (“**Company**”) announced that it had entered into a sale and purchase agreement (“**SPA**”) (which has been amended and supplemented by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement), pursuant to which the Company and the existing shareholders of Ley Choon Constructions and Engineering Pte Ltd (“**LCCE**”), namely Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai, Mr Toh Swee Kim, Mr Koh Tiam Teng, Mr Tan Teck Wei and Mr Liang Say Juan (collectively, the “**Vendors**”) agreed that the Vendors shall sell and the Company shall acquire the entire issued and paid-up share capital of LCCE, comprising 30,000,000 ordinary shares in LCCE (“**Sale Shares**”) for a purchase consideration of S\$110 million (“**Consideration**”) which shall be fully satisfied by the allotment and issuance of 3,928,571,429 Consideration Shares to the Vendors, at the issue price of S\$0.028 per Consideration Share (“**Issue Price**”).

As at the Latest Practicable Date, the Vendors do not hold any Shares or instruments convertible into Shares, rights to subscribe for Shares and options in respect of Shares. On Completion, the Vendors (and/or their nominees) will hold 3,791,071,429 Consideration Shares, representing approximately 86.94% in the Enlarged Share Capital. Pursuant to Rule 14.1 of the Singapore Code on Take-overs and Mergers (“**Code**”) and Section 139 of the Securities and Futures Act (Cap 289) (“**SFA**”), the Vendors and their Concert Parties shall be required to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by them.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### Proposed Whitewash Resolution

On 17 April 2012, the SIC granted the Vendors and their Concert Parties a waiver of the requirement to make a mandatory general offer under Rule 14 of the Code in the event that the Vendors trigger an obligation to do so as a result of the Vendors' acquisition of the Consideration Shares pursuant to the Proposed Acquisition, subject to, *inter alia*, the following conditions:

- (a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the Proposed Acquisition, approve the Proposed Whitewash Resolution by way of a poll, to waive their rights to receive a general offer from the Vendors and their Concert Parties;
- (b) the Proposed Whitewash Resolution is separate from other resolutions;
- (c) the Vendors, their Concert Parties as well as parties not independent of them abstain from voting on the Proposed Whitewash Resolution;
- (d) the Vendors and their Concert Parties did not acquire and are not to acquire any shares in the Company or instruments convertible into and options in respect of shares in the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares in the Company which have been disclosed in the Circular):
  - i. during the period between the date of announcement of the Proposed Acquisition and the date shareholders' approval is obtained for the Proposed Whitewash Resolution;
  - ii. in the six (6) months prior to the date of the announcement of the Proposed Acquisition, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Proposed Acquisition;
- (e) the Company appoints an independent financial adviser to advise its independent shareholders on the Proposed Whitewash Resolution;
- (f) the Company sets out clearly in the Circular:
  - i. details of the Proposed Acquisition;
  - ii. the dilution effect to existing holders of voting rights in the Company upon the issue of the Consideration Shares to the Vendors and their Concert Parties;
  - iii. the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares in the Company held by the Vendors and their Concert Parties as at the Latest Practicable Date;
  - iv. the number and percentage of voting rights to be acquired by LC Shareholders and their Concert Parties upon the issuance of the Consideration Shares;
  - v. specific and prominent reference to the fact that the Proposed Acquisition would result in the Vendors and their Concert Parties holding shares carrying over 49.0% of the voting rights of the Company based on its enlarged issued share capital, and the fact that the Vendors and their Concert Parties will be free to acquire further Shares without incurring any obligation under Rule 14 to make a general offer to the Company;

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- vi. a specific and prominent statement that the Company shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from the Vendors and their Concert Parties at the highest price paid or agreed to be paid by the Vendors and their Concert Parties for the voting rights in the Company (the “**General Offer**”) in the six (6) months preceding the commencement of the General Offer;
- (g) the Circular states that the waiver granted by SIC to the Vendors and their Concert Parties from the requirement to make the general offer under Rule 14 is subject to the conditions stated in (a) to (f) above;
- (h) the Company obtains SIC’s approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and
- (i) to rely on the Proposed Whitewash Resolution, the acquisition of the Consideration Shares by the Vendors and their Concert Parties under the Proposed Acquisition must be completed within 3 months of the approval of the Proposed Whitewash Resolution.

### Proposed IPT Mandate

The Company intends to seek the approval of Independent Shareholders at the EGM for the adoption of a Shareholders’ general mandate (“**IPT Mandate**”) for the Proforma Group (which will include the LC Group) to enter into the following recurrent transactions with Interested Persons and/or Related Persons (“**Interested/Related Person Transactions**”):

- (a) the purchase of ductile iron pipes, valves, gates, couplings and other related accessories from Interested Persons, namely Pan Asian and its Associates;
- (b) the sale of asphalt pre-mixes and provision of milling and patching services to Related Persons, namely Hen Sheng and its associates and Sing & San and its Associates; and
- (c) the engagement of Related Persons, namely Hen Sheng and its Associates, as subcontractors for civil engineering services.

In connection with the above, the Company has appointed us as the independent financial adviser (“**IFA**”) to advise the Directors who are independent for the purposes of the Proposed Whitewash Resolution and the Proposed IPT Mandate (“**Unaffected Directors**”) to provide an opinion on whether the Whitewash Resolution is prejudicial to the interests of the Company and its Independent Shareholders and whether the guidelines and review procedures for determining the transaction prices of the recurrent Interested/Related Person Transactions that are covered by the IPT Mandate as set out in the Circular are sufficient to ensure that these recurrent Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders.

This letter, which sets out our evaluation and advice, has been prepared for the use of the Unaffected Directors in connection with the Proposed Whitewash Resolution and the Proposed IPT Mandate and their recommendation to the independent Shareholders arising thereof.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 2. TERMS OF REFERENCE

Stirling Coleman Capital Limited (“**Stirling Coleman**”) has been appointed as the Independent Financial Adviser, to render a written opinion in respect of (a) the Whitewash Resolution, whether or not the Whitewash Resolution is prejudicial to the interests of the Company and its Independent Shareholders when considered in the context of the Proposed Acquisition; and (b) the IPT Mandate, whether the methods or procedures for determining the transaction prices are sufficient to ensure that the recurrent Interested/Related Person Transactions covered by the IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders.

Our opinion, by way of this letter, will be limited solely to the Whitewash Resolution and the IPT Mandate, as of the date of the opinion. Neither our opinion nor its related analysis constitutes a recommendation of the Proposed Acquisition and the IPT Mandate to the independent Shareholders. Our opinion will be rendered solely for the use and benefit of the Unaffected Directors for their deliberations on the Whitewash Resolution and the IPT Mandate, before arriving at a decision on the merits or demerits of the Whitewash Resolution and the IPT Mandate and in making any recommendation. The recommendations made by the Unaffected Directors shall remain their responsibility.

We do not, by this letter or otherwise, advise or form any judgment on the commercial merits and/or risks of the Proposed Acquisition and the IPT Mandate other than to form an opinion, as to whether the Whitewash Resolution is prejudicial to the interests of the Independent Shareholders and whether the methods or procedures for determining the transaction prices are sufficient to ensure that the recurrent Interested/Related Person Transactions covered by the IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders. Our terms of reference do not require us to evaluate or comment on the legal, commercial and financial risks and/or merits of the Proposed Acquisition and the IPT Mandate. Such evaluation or comment, if any, remains the responsibility of the Directors and the management of the Company, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) and provided that such has been disclosed to us in arriving at our opinion as set out in this letter.

We are not obliged, and we have not solicited, any indications of interest from any third party with respect to any other proposal for transactions similar to or in lieu of the Proposed Acquisition and the IPT Mandate. We are therefore not addressing the relative merits of the Proposed Acquisition and the IPT Mandate as compared to any alternative transaction (if any) previously considered by the Company and/or which otherwise may be available to the Company in the future.

In rendering our advice in relation to the Whitewash Resolution and the IPT Mandate, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise you to recommend that any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

In arriving at our opinion and recommendation, we have conducted discussions with the Directors and management of the Company and have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Group and its other professional advisers. We have relied upon and assumed the accuracy without having independently verified such information provided or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information, representation or assurance.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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However, we have made such enquiries and exercised our judgment, as we deemed necessary and have found no reason to doubt the reliability of such information and representations made to us. The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date which may change significantly over a relatively short period of time. We assume no responsibility to update, revise, or affirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

We have also relied upon the responsibility statement that the Circular has been reviewed and approved by the Directors (including those who may have delegated detailed supervision of the Circular) who have taken all reasonable care to ensure that the facts stated and all opinions expressed in the Circular are fair and accurate and that no material facts have been omitted the omission of which would make any statement in the Circular (other than this letter) misleading, and they jointly and severally accept responsibility accordingly.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter).

**Our recommendation in respect of the Whitewash Resolution and the IPT Mandate, as set out in Section 17 of the Circular, should be considered in the context of the entirety of this letter and the Circular.**

### 3. INFORMATION ON THE ACQUISITION

#### 3.1 Background Information

On 26 December 2011, the Company announced that it had entered into the SPA (which has been amended and supplemented by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement), pursuant to which the Company and the Vendors agreed that the Vendors shall sell and the Company shall acquire the entire issued and paid-up share capital of LCCE for the Consideration. The Consideration shall be fully satisfied by the allotment and issuance of the 3,928,571,429 Consideration Shares to the Vendors, at the issue price of \$0.028 per Consideration Share. The Consideration Shares shall be free from all Encumbrances and together with all rights, entitlement and benefits attached thereto as at and from the date of their issuance and allotment. The Consideration Shares shall also rank *pari passu* and form a single class with the other existing Shares.

On 15 February 2012, the Company announced that it had entered into the First Supplemental Agreement with the Vendors to amend and supplement the Sale-and-Purchase Agreement.

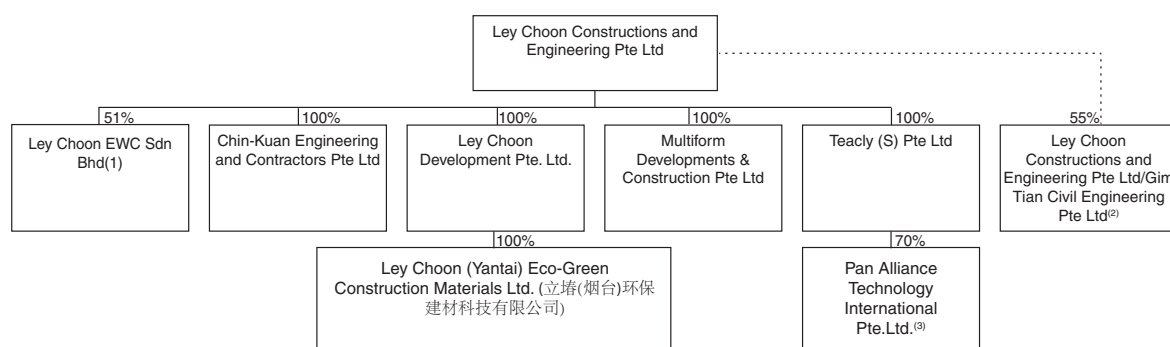
On 2 April 2012, the Company announced that it had entered into the Second Supplemental Agreement with the Vendors to amend and supplement the Amended SPA.

On 14 June 2012, the Company announced that it had entered into a Third Supplement Agreement with the Vendors to amend and supplement the Amended SPA.

## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

### 3.2 Information on Target Group

LCCE (Company Registration No. 199004441H) is a private company limited by shares incorporated in the Republic of Singapore and having its registered address at 4 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729226. LCCE's subsidiaries comprise Chin Kuan Engineering and Contractors Pte Ltd, Ley Choon Development Pte Ltd, Multiform Developments & Construction Pte Ltd, Teacly (S) Pte Ltd, Pan Alliance Technology International Pte Ltd, Ley Choon EWC Sdn Bhd, and Ley Choon (Yantai) Eco-Green Construction Materials Ltd (立塔(烟台)环保建材科技有限公司). The group structure of LCCE and its subsidiaries (collectively referred herein as the “**LC Group**”) as at the date of this letter is as follows:



#### Notes:

- (1) The remaining 49% equity interest in LC EWC is held by Nur EWC Sdn Bhd, a company incorporated in Brunei and which is not related to LCCE's directors or substantial shareholders.
- (2) Ley Choon Constructions and Engineering Pte Ltd/Gim Tian Civil Engineering Pte Ltd is an unincorporated joint venture set up by LCCE and Gim Tian Civil Engineering Pte Ltd, which is an unrelated third-party company. For further information relating to the aforementioned unincorporated joint venture, please refer to Paragraph 1.3 of "Appendix A – Letter to Shareholders from the Board of Directors of Ley Choon Constructions and Engineering" of the Circular.
- (3) The remaining 30% equity interest in Pan Alliance is held by two other individuals who are not related to LCCE's directors or substantial shareholders.

The LC Group is engaged in the businesses of (i) Underground Utilities Infrastructure (as defined below) construction and maintenance; (ii) sewer pipeline rehabilitation; (iii) road and airfield construction and maintenance; (iv) production of asphalt pre-mixes; and (v) construction waste recycling. The phrase “Underground Utilities Infrastructure” refers to water pipes, NEWater pipes, gas pipes, electricity cables, fibre optic cables, sewer pipeline, traffic light systems and telecommunication networks. Additional information relating to the LC Group is set out in Appendix A of the Circular.

### 3.3 Purchase Consideration

The Consideration for the Proposed Acquisition was determined at arm's length and on a “willingbuyer-willing seller” basis. The Consideration was also determined using the basis of the price to earnings ratio of approximately 8.2 times LCCE's audited profits for FY2010. The Consideration Shares will be issued at \$0.028 per Consideration Share, representing a premium of 64.7% to the Company's weighted average share price of \$0.017 on 21 December 2011, being the last trading day before the Sale-and-Purchase Agreement was signed on 24 December 2011. The Issue Price was arrived at after taking into account (i) the adjusted NAV of the Group upon completion of the Proposed Disposal, which will be undertaken by the Company in connection with the Proposed Acquisition, and (ii) the PER of approximately 8.2 times as stated above. As at 31

## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

December 2010, the NTA of the LC Group is \$48,555,000. To fully satisfy the Consideration, the Company shall issue 3,928,571,429 Consideration Shares to the Vendors and/or their nominees at \$0.028 per Consideration Share as follows:

Name of Vendor and/or nominees	No. of Consideration Shares
Zheng Choon <sup>(1)</sup>	3,173,885,000
Koh Tiam Teng (and or his nominees)	303,285,715
Tan Teck Wei (and or his nominees)	156,950,357
Liang Say Juan (and or his nominees)	156,950,357
Intersino (and or its nominees) <sup>(2)</sup>	137,500,000

**Notes:**

- (1) Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai and Mr Toh Swee Kim have nominated Zheng Choon as their nominee to receive the aggregate of 3,173,885,000 Consideration Shares which were to be issued to them under the Final SPA. For the avoidance of doubt, Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai and Mr Toh Swee Kim were entitled to 1,024,383,389 Consideration Shares, 1,024,383,389 Consideration Shares, 562,559,111 Consideration Shares and 562,559,111 Consideration Shares respectively under the Final SPA. Zheng Choon (Company Registration No. 201009918C) is a company incorporated in Singapore and has the registered address of 61 Senoko Drive, Singapore 758238. The shareholders of Zheng Choon and their shareholdings are as follows:

Name	No. of ordinary shares in the issued and paid up capital of Zheng Choon	Percentage of shareholdings (%)
Toh Choo Huat	264	26.4
Toh Chew Leong	246	24.6
Toh Swee Kim	229	22.9
Toh Chew Chai	229	22.9
Seow Soon Kee (spouse of Toh Choo Huat)	32	3.2

- (2) The Vendors and the Company have agreed to allot and issue 137,500,000 Introducer Shares out of the 3,928,571,429 Consideration Shares to Intersino and/or its nominees for Intersino's services in relation to, inter alia, the Proposed Acquisition. The Introducer Shares will represent 3.15% of the Enlarged Share Capital.

The Consideration Shares (including Introducer Shares) shall be free from all encumbrances and together with all rights, entitlement and benefits attached thereto as at and from the Completion Date. The Consideration Shares (including Introducer Shares) shall also rank *pari passu* and form a single class with the other existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of issue of the Consideration Shares.

### 3.4 Salient Terms and Conditions

- (a) The Company and the Vendors have agreed under the Final SPA that prior to Completion and subject to obtaining all necessary approvals, the Company shall complete the Proposed Disposal in addition to fulfilling the condition precedents set out in Section 2.5 of the Circular.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- (b) For the Company's retention of the entire issued and paid-up share capital of Ranoda comprising 2,950,000 ordinary shares (provided that Ranoda has no businesses or assets other than the Property), the Vendors shall procure that LCCE pay to the Company Malaysian Ringgit 3.4 million (or equivalent in Singapore Dollars) in cash on Completion ("**Retention Fee**"). Pursuant to an independent valuation report dated 7 December 2011, the Property was estimated to have a value of approximately Malaysian Ringgit 4.5 million. The Retention Fee is equivalent to the net book value of the Property as at 31 December 2011 and was agreed pursuant to the negotiations conducted at arm's length, taking into account the abovementioned valuation of the Property and the prevailing market conditions.
- (c) The Company and the Vendors have also agreed under the Final SPA that following Completion and subject to having obtained all necessary approvals:
- i. the Company shall undertake the Proposed Share Consolidation;
  - ii. the Company shall undertake the Warrant Consolidation;
  - iii. the Company shall change its name to "Ley Choon Group Holdings Limited" or such other name chosen by the Vendors;
  - iv. the Vendors shall be entitled to appoint new Directors to the Board;
  - v. at the request of the Vendors, the Company shall procure its existing Directors to resign and reconstitute its Board in accordance with the Vendors' instructions; and
  - vi. the Company shall undertake the Proposed Cash Distribution by way of capital reduction after obtaining approval from *inter alia* SGX-ST and CDP.
- (d) For the Proposed Disposal, the Company shall:
- i. dispose of the entire issued and paid-up share capital of the Company's wholly-owned subsidiary PT Ulro Sumber Indonesia to a third-party buyer;
  - ii. dispose of the entire issued and paid-up share capital of the Company's wholly-owned subsidiary Ulro Technologies Sdn Bhd to a third party buyer; and
  - iii. strike off Ulro Resources Pte Ltd<sup>(1)</sup>.
- <sup>(1)</sup> On 1 February 2012, the Company submitted an application for the striking off of Ulro Resources Pte Ltd to ACRA.
- (e) The Company shall procure its Directors and Substantial Shareholders, Mr Lim Ee Ann and Mr Lim Ee Chuan, to undertake that:
- i. they will procure persons who are independent of, not related to and are not Associates to themselves and their Concert Parties to acquire Ulro Resources Pte Ltd from the Company in the event that the striking off of Ulro Resources Pte Ltd fails;
  - ii. they will procure persons who are independent of, not related to and are not Associates to themselves and their Concert Parties to acquire Ulro Technologies Sdn Bhd from the Company if the Company is unable to find a third-party buyer;
  - iii. they will procure persons who are independent of, not related to and are not Associates to themselves and their Concert Parties to acquire PT Ulro Sumber Indonesia from the Company if the Company is unable to find a third-party buyer; and

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- iv. there will be no agreement, arrangement, or understanding (formal or informal) entered into between them and each of the would-be purchasers of Ultron Resources Pte Ltd (if required), Ultron Technologies Sdn Bhd and PT Ultron Sumber Indonesia in relation to such companies
- (f) Post-Completion, the Company, shall declare and pay only to the Entitled Shareholders a special interim dividend, subject to the compliance with the relevant rules and regulations, including but not limited to the requirements of the Listing Manual (“**Proposed Contingent Dividend**”).

The declaration and payment of the Proposed Contingent Dividend is subject to the following conditions:

- i. the fulfilment of the Minimum Dividend Requirement; and
- ii. if necessary, the Company obtaining approval from, *inter alia*, SGX-ST and CDP.

Provided always that the Minimum Dividend Requirement is met, the aggregate amount of the Proposed Contingent Dividend shall be at least an amount equivalent to any cash balance in the Special Account at the date which is 365 days after the CD Books Closure Date or the date on which all Collections Receivables are received, whichever is the earlier, less all costs which may be incurred for the Proposed Contingent Dividend which are to be deducted from the Special Account.

For the avoidance of doubt, all or any part of the Collection Receivables received by the Company after 365 days from the CD Books Closure Date shall not be placed in the Special Account and shall not be used for the declaration and payment for the Proposed Contingent Dividend.

The Parties acknowledged that the following persons shall not be entitled to receive any payments under the Proposed Cash Distribution and the Proposed Contingent Dividend:

- i. the Vendors;
- ii. Intersino; and
- iii. any persons who become shareholders of the Company after the CD Books Closure Date.

**Further to the above, the Company highlighted that the amount distributed under the Proposed Contingent Dividend is dependent on whether the Company is able to collect the Collection Receivables successfully. There is no assurance that the Company will be able to receive the Collection Receivables in full or at all and accordingly, the actual amount payable under the Proposed Contingent Dividend may be nil.**

**In addition, any amount of the Collection Receivables received by the Company after 365 days from the CD Books Closure Date will be retained by the Company and may not be distributed to the Entitled Shareholders and/or the Shareholders under the Proposed Contingent Dividend.**

When the Company receives payment for the Collection Receivables and determines the aggregate sum of the Collection Receivables and any cash balance in the Special Account after the Proposed Cash Distribution, the Company shall make a further announcement to update the Shareholders and Entitled Shareholders on the definitive amounts payable under the Proposed Contingent Dividend.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- (g) Nothing in the Final SPA shall constitute a profit guarantee given by the Vendors in relation to the companies in the LC Group.

### 3.5 Conditions Precedent

The Completion is subject to, amongst other matters, the satisfaction and/or waiver of the following conditions:

- (a) the completion of a financial and legal due diligence exercise on the LC Group by the Company, and the results of such due diligence exercise being satisfactory to the Company in its sole and absolute discretion;
- (b) the Company procuring or obtaining undertakings from its Substantial Shareholders, Lim Ee Chuan and Lim Ee Ann, that they will vote in favour of the resolutions for:
- i. Proposed Acquisition and Proposed Acquisition Shares Issue;
  - ii. Proposed Whitewash Resolution;
  - iii. Proposed Capital Reductions and Proposed Cash Distribution;
  - iv. Proposed Deed Poll Amendments;
  - v. Proposed Share Consolidation;
  - vi. Proposed Name Change;
  - vii. Proposed Director Appointments;
  - viii. Proposed Independent Auditors Appointment;
  - ix. Proposed Compliance Placement;
  - x. Proposed New General Share Issue Mandate; and
  - xi. Proposed IPT Mandate;
- (c) the Directors and the Shareholders having approved of the transactions contemplated under the Final SPA, including:
- i. Proposed Acquisition and Proposed Acquisition Shares Issue;
  - ii. Proposed Whitewash Resolution;
  - iii. Proposed Capital Reductions and Proposed Cash Distribution;
  - iv. Proposed Deed Poll Amendments;
  - v. Proposed Share Consolidation;
  - vi. Proposed Name Change;
  - vii. Proposed Director Appointments;
  - viii. Proposed Independent Auditors Appointment;

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- ix. Proposed Compliance Placement;
  - x. Proposed New General Share Issue Mandate; and
  - xi. Proposed IPT Mandate;
- (d) the Warrantholders and SGX-ST having approved the Proposed Deed Poll Amendments;
- (e) in-principle approval from SGX-ST for the issuance and admission of the Consideration Shares (including the Introducer Shares) on the Mainboard of the SGX-ST having been obtained on terms and conditions (if any) acceptable to the Company, and not having been withdrawn or amended on or before the Completion Date, and if required by the SGX-ST, such terms and conditions being fulfilled or satisfied before Completion;
- (f) subject to any such conditions that the SIC may impose which are acceptable to the Company and the Vendors, the waiver by the SIC of the obligation imposed upon the Vendors and their Concert Parties to make a general offer of all the Shares under Rule 14 of the Code and such waiver granted remaining in full force and effect on and before Completion;
- (g) the Company will submit an additional listing application to the SGX-ST for the listing and quotation of the Consideration Shares and Introducer Shares (if necessary) and that it will furnish any undertakings and do all such acts and things as may be within its powers and required for such purposes;
- (h) the Directors of the Company and the Independent Shareholders approving the Proposed Whitewash Resolution as a result of the transactions contemplated in the Final SPA, provided that they and any persons not independent of them, abstain from voting on the Proposed Whitewash Resolution;
- (i) as at the Completion, the Company shall have no assets and liabilities save for the Retained Assets;
- (j) the Company shall remain listed on the Mainboard of the SGX-ST. In particular, the Company is required to obtain, as a condition precedent, confirmation from the SGX-ST that in view of the proposed transactions with the Vendors under the Final SPA, the SGX-ST will extend the period on which the Company will be placed on the SGX-ST's watch-list for another six months and not delist the Company;
- (k) the Company procuring or obtaining undertakings from its Directors and Substantial Shareholders, Lim Ee Chuan and Lim Ee Ann, that they will or procure persons who are independent of, not related to and not associates of themselves to purchase the Company's entire interest in its subsidiary Ultron Resources Pte Ltd if the application for the striking off of Ultron Resources Pte Ltd submitted to ACRA on 1 February 2012 fails;
- (l) the Company fulfilling all the requirements stipulated under section 78C of the Companies Act for the Proposed Capital Reductions;
- (m) approval has been granted by SGX-ST and CDP for the Proposed Capital Reductions and the Proposed Cash Distribution;
- (n) the board of directors of LCCE approving the sale of the Sale Shares by the Vendors to the Company;

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- (o) the Vendors procuring or obtaining all necessary consents or approvals required or necessary, if any, for the transactions contemplated in the Final SPA on terms satisfactory to the Company by governmental or regulatory bodies or competent authorities having jurisdiction over such transactions contemplated within one month from the date of the Final SPA, and such consent or approvals not being revoked or repealed on or before Completion. All such consents or approvals obtained shall be delivered to the Company within one month from the date of the Final SPA (or such other date that the Vendors and the Company may agree in writing);
- (p) the delivery of the disclosure letter disclosing information constituting exceptions to the warranties contained in the Final SPA (in the form and substance acceptable to the Company) by the Vendors to the Company within 7 days from the date of the Final SPA (or such other date as may be agreed between them);
- (q) all representations, warranties and undertakings of the Vendors under the Final SPA being complied with, and remaining true, accurate and correct in all material respects as at the Completion;
- (r) there not having been at any time hereafter any material adverse change or events, acts or omission likely to lead to changes in the businesses, assets, prospects, performance, financial positions or results of operations of the LC Group from that set forth in the audited accounts of the LC Group for the financial year ended 31 December 2010;
- (s) no litigation, action, suit or other proceedings shall be pending or threatened against the Vendors at the Completion where an unfavourable judgment, decree or order would prevent or make unlawful the carrying out of the transactions contemplated under the Final SPA; and
- (t) none of the following events have occurred at any time prior to or on Completion:
  - i. liquidation, bankruptcy or insolvency of any of the Vendors or companies in the LC Group;
  - ii. termination of substantially all or part of the business of any company in the LC Group by resolution of the general meetings of its shareholders;
  - iii. appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of any of the Vendors or any company in the LC Group; and/or
  - iv. attachment, sequestration, execution or seizure of substantially all or part of the assets of any of the Vendors or any company in the LC Group.

### 3.6 Other Proposed Transactions in connection with the Proposed Acquisition

In connection with the Proposed Acquisition, the Company is also seeking Shareholders' approval for the following:

- i. Proposed Acquisition Shares Issue;
- ii. Proposed Whitewash Resolution;
- iii. Proposed Capital Reductions and Proposed Cash Distribution;
- iv. Proposed Deed Poll Amendments;
- v. Proposed Share Consolidation;

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- vi. Proposed Name Change;
- vii. Proposed Director Appointments;
- viii. Proposed Independent Auditors Appointment;
- ix. Proposed Compliance Placement;
- x. Proposed New General Share Issue Mandate; and
- xi. Proposed IPT Mandate

Further details on each of the above are set out in Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12 of the Circular respectively, and Shareholders are advised to read the information carefully.

#### 4. THE PROPOSED WHITEWASH RESOLUTION

As at the Latest Practicable Date, the Vendors do not hold any Shares or instruments convertible into, Shares, rights to subscribe for Shares and/or options in respect of Shares. On Completion, the Vendors (and/or their nominees) will hold 3,791,071,429 Consideration Shares, representing approximately 86.94% in the Enlarged Share Capital. Further details on the changes in the shareholdings arising from the Proposed Transactions are set out in Section 3.3 of the Circular, and Shareholders are advised to read the information carefully.

The changes of the shareholding structure of the Company as at each of the following milestones are set out in Appendix B of the Circular:

- (a) as at the Latest Practicable Date;
- (b) as at the completion of the Proposed Acquisition Shares Issue but before the Proposed Share Consolidation and the Proposed Compliance Placement (assuming that no existing Warrants are exercised into Shares); and
- (c) at the completion of the Proposed Acquisition Shares Issue and the Proposed Share Consolidation but before the Proposed Compliance Placement (assuming that no existing Warrants are exercised into Shares).

Pursuant to Rule 14.1 of the Code and Section 139 of the SFA, the Vendors and their Concert Parties shall be required to make a mandatory general offer for the remaining Shares not owned, controlled or agreed to be acquired by them.

In the SPA, it is a condition precedent to the Proposed Acquisition that the SIC grants the Vendors and parties deemed acting in concert with them, and does not revoke or repeal such grant, a waiver of their obligation to make a mandatory general offer under Rule 14 of the Code and that the Independent Shareholders approve the Proposed Whitewash Resolution at an EGM to be convened.

The SIC had on 17 April 2012, granted this waiver subject to, *inter alia*, Ordinary Resolution 16 (the Proposed Whitewash Resolution) in the Notice of EGM appended to the Circular, being approved by Independent Shareholders at an Extraordinary General Meeting.

Further details concerning the Proposed Whitewash Resolution can be obtained throughout the Circular, in particular within Section 3 of the Circular. Shareholders are advised to read the information carefully.

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Independent Shareholders should note the following:

- (a) The approval of the Proposed Whitewash Resolution is a condition precedent to the Completion. If the Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place.
- (b) By voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive the General Offer from the Vendors and their Concert Parties to acquire all other Shares not owned, controlled or agreed to be acquired by the Vendors and their Concert Parties at the highest price paid or agreed to be paid by them for any Share in the past 6 months; preceding the General Offer.
- (c) Upon obtaining the Shareholders' approval for the Proposed Whitewash Resolution, the Proposed Acquisition will result in the Vendors and their Concert Parties holding Shares carrying more than 49.0% of the voting rights of the Company based on the Company's Enlarged Issued Share Capital and the Vendors and their Concert Parties will thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company.

### 5. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Whitewash Resolution, we have performed, among other things, the following analysis which we consider to have a significant bearing on our assessment:

- Rationale for the Proposed Acquisition;
- Analysis of the financial performance of the Group (Ultron Technologies Limited and its subsidiaries);
- Comparison of the Consideration with the financial terms and valuation statistics of comparable companies to the Target Company (The LC Group);
- Comparison of the Issue Price to market prices and volume of the shares;
- Analysis on the market liquidity of the shares;
- Comparison of the market performance of the shares to the Straits Times Index (the "STI");
- Analysis of the net tangible asset ("NTA") of the Group (Ultron Technologies Limited and its subsidiaries);
- Comparison with precedent very substantial acquisitions or reverse take-over transactions of companies listed on the SGX-ST;
- The financial effects of the Proposed Acquisition on the Group; and
- Other relevant considerations

#### 5.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition is set out in Section 2.2 of the Circular and has been reproduced below:

*"As the Company incurred losses for each of the three consecutive financial years ended 30 June 2007, 2008, and 2009, it was placed on the SGX-ST's Watch-List on 3 December 2009.*

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*The Company has within 24 months from 3 December 2009 to restore its financial health to the prescribed levels as provided in Rule 1314 of the Listing Manual, otherwise the SGX-ST may either:*

- (a) remove the Company from the Official List of the SGX-ST, or*
- (b) suspend trading of the listed securities of the Company (without the agreement of the Company), with a view to removing the Company from the Mainboard of the SGX-ST.*

*Under Rule 1314 of the Listing Manual, the Company may apply for its removal from the SGX-ST's Watch-List upon meeting either one of the following requirements:*

- (a) it records consolidated pre-tax profit for the latest completed financial year and has an average daily market capitalisation of S\$40 million or more over the last 120 Market Days, on which trading was not halted or suspended for the full Market Day; or*
- (b) it satisfies the criteria for admission to the Mainboard of SGX-ST as set out in Rule 210(2)(a) or 210(2)(b) of the Listing Manual.*

*In its effort to turnaround its business such that it may apply to be removed from the SGX-ST's Watch-List, the Company has been actively pursuing various business opportunities, including venturing into the new core business relating to minerals and resource based products. Unfortunately, given the challenges and difficulties faced by the Company in the minerals and resource industry, the Company was of the view that more time would be required for it to achieve profitability, which is a requirement that the Company is required to fulfil before it may apply to be removed from the SGX-ST's Watch-List.*

*The Company has on 8 June 2012 received a notification from SGX-ST that it has no objections to the Company's request to extend the deadline for it to submit its application to exit SGX-ST's Watch List on 31 October 2012 (the "**Extended Dateline**").*

*Accordingly, the Board of Directors of the Company decided in the best interests of the Shareholders, to undertake the Proposed Acquisition such that the Company may then apply to be removed from the SGX-ST's Watch-List before the prescribed deadline and continue to maintain its listing status.*

*The Company believes that the Proposed Acquisition is in the best interests of the Shareholders as it provides the Company with an opportunity to acquire an entity with a credible operating track record in the businesses of Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation as well as road and airfield construction and maintenance.*

*The LC Group is a one-stop Underground Utilities Infrastructure construction and maintenance service provider and it provides its customers with the full-range of construction, commission and maintenance services. In addition, it is also engaged in the businesses of production of asphalt pre-mixes and undertaking construction waste recycling, which complement its other business activities. The LC Group's asphalt plant produces asphalt premixes, which is an essential raw material required for the construction and maintenance of roads and airfield as well as road resurfacing. The LC Group's construction waste recycling plant also allows it to recycle the construction waste generated from its other business activities. The concrete aggregates are then transported back to the site for re-use.*

*The new businesses acquired by the Company under the Proposed Acquisition will meet the criteria for admission to the Mainboard of SGX-ST set out in Rule 210(2)(a) and Rule 210(2)(b) of the Listing Manual. In view of the above, the Board is of the view that the Proposed Acquisition will support the Company's application to be removed from the SGX-ST's Watch-List, which would then allow the Company to maintain its listing status on the Mainboard of the SGX-ST."*

**Shareholders should however note that there can be no assurance that SGX-ST will remove the Company's name from the SGX-ST's Watch-List pursuant to the Proposed Acquisition.**

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### 5.2 Financial Performance of Ultron Technologies<sup>(1)</sup>

The financial year end was changed from 30 June to 31 December following approval obtained from the Singapore Stock Exchange dated 6 July 2011. Pursuant to this, the current financial year for the Group will be the 18 months period from 1 July 2010 to 31 December 2011.

For the purpose of evaluating the sustainability of Ultron Technologies' businesses as a going concern, we have excluded the financials of the Company as at 31 December 2011 and 31 March 2012, as pursuant to the announcements dated 26 December 2011 and 15 February 2012, the Company has started the process of winding down its existing operations. As a result, the financials for these financial periods were prepared on a discontinuing operations basis.

S\$'000	← The Group →			
	As at 30 June 2009 Audited	As at 30 June 2010 Audited	As at 30 June 2011 Unaudited	As at 30 September 2011 Unaudited
<b>Balance Sheet</b>				
Non-current assets	5,504	4,378	7,788	4,261
Current assets	14,151	8,340	6,344	7,192
Non-current liabilities	469	165	160	130
Current liabilities	6,398	2,813	2,658	1,424
Working Capital	7,753	5,527	3,686	5,768
Net assets	12,788	9,740	11,314	9,899
Net assets per Share (SGD cents) <sup>(1)</sup>	4.44	2.26	2.62	2.29
	FY2009 Audited	FY2010 Audited	12M2011 Unaudited	15M2011 Unaudited
<b>Income Statement</b>				
Revenue	12,054	2,620	6,977	7,647
Gross Profit	304	95	1,320	2,223
Profit before tax <sup>(2)</sup>	6,293	(3,787)	1,357	85
Earnings attributable to equity holders of the Company	5,562 <sup>(3)</sup>	(6,550)	1,058	662
Basic Earnings per Share from continuing operations (SGD cents)	1.78 <sup>(4)</sup>	(1.02)	0.26	0.03
Basic Earnings per Share from discontinuing operations (SGD cents)	(0.20)	(0.82)	(0.02)	0.18
	As at 30 June 2009 Audited	As at 30 June 2010 Audited	As at 30 June 2011 Unaudited	As at 30 September 2011 Unaudited
<b>Cash Flow Statement</b>				
Net cashflows generated from/(used in) operating activities	8,113	(9,234)	1,421	1,183
Net cashflows generated from/(used in) investing activities	7,789	(3,269)	(5)	(1,006)
Net cashflows generated from/(used in) financing activities	(5,605)	3,891	(142)	(142)
Net increase/ (decrease) in cash and cash equivalents	10,297	(8,612)	1,274	35
Cash and cash equivalents, at end of year	11,500	2,834	3,905	2,575

Source: FY2010 annual report and unaudited financial statements as 30 June 2011 and 30 September 2011.

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### Notes:

- (1) Number of shares outstanding used to calculate net assets per share is 287,905,771 for 30 June 2009 and 431,858,656 for 30 June 2010, 30 June 2011 and 30 September 2011.
- (2) Profit before tax refers to profit before tax from continuing operations.
- (3) Based on the full year results announcement made on 29 August 2009, the Company recorded earnings attributable to equity holders of S\$ 5,562,000 for FY2009. However, if we had excluded the other operating income of S\$ 20,935,000, which is non-recurring, the Company would have a net loss attributable to equity holders of S\$ 15,373,000 for FY2009.
- (4) Excluding the non-recurring other operating income, the loss per share from continuing operations for FY2009 would be S\$ (4.17) cents.

**For illustration purposes only**, we note the following:

- (i) The Group recorded a net loss of S\$ 15,373,000 (after excluding the non-recurrent other operating income of S\$ 20,935,000) for FY2009 and a net loss of S\$ 6,550,000 for FY2010;
- (ii) In the fifth quarter announcement for the period ended 30 September 2011, the Company included the following commentary:

*“The Group is of the view that the sovereign debt crisis in Europe may slow down the global economic growth which may undermine the demand for coal and lead to price erosion.*

*The Group is currently channeling its limited financial resources to focus more on coal trading opportunities in the natural resources and minerals business. The Group has also been evaluating various merger and acquisition proposals and will keep the shareholders apprised, if there is any significant development.”*

The Group was placed on the SGX-ST Watch List of SGX on 3 December 2009, and has within 24 months from that date to restore its financial health to the prescribed levels. Although a profit of S\$ 1,058,000 was recorded for 12M2011, it decreased by 37.4% to S\$ 662,000 for 15M2011. This reflects the difficulties in maintaining sustainable profitability in the coal trading business, and casts doubts about the ability of the Group to continue as a going concern.

### 5.3 Assessment of Consideration

For the purposes of our analysis, we seek to benchmark the Consideration with SGX-ST listed companies that are comparable with the LC Group. We have done so by generating selected valuation statistics for the Target Company implied in the financial terms of the Consideration and compared them with those companies which, in our opinion and after consultation with the Directors and the management of the Company, are broadly comparable to the LC Group (“**Comparable Companies**”).

The following is the list of Comparable Companies, together with a brief description of their respective principal activities. We wish to highlight that the list of Comparable Companies is by no means exhaustive and is for illustration purposes only.

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Table 1: List of Comparable Companies

Company	Stock Exchange	Description
<b>OKP Holding Limited</b> ("OKP")	SGX	OKP Holdings Limited, investment holding company, operates as an infrastructure and civil engineering company in Singapore. It operates in two segments, Construction and Maintenance. The Construction segment engages in constructing airport runways and taxiways, expressways, flyovers, vehicular bridges, urban and arterial roads, airport infrastructure, and oil and gas-related infrastructure for petrochemical plants and oil storage terminals. The Maintenance segment provides re-construction work on roads, road reserves, pavements, footpaths and kerbs, guardrails, drains, signboards, bus bays, and shelters. OKP Holdings Limited also provides technical management and consultancy services, and property rental services.
<b>Hock Lian Seng Holdings Limited</b> ("Hock Lian Seng")	SGX	Hock Lian Seng Holdings Limited operates as a civil engineering construction company in Singapore. The company operates in two segments, Civil Engineering and Building Materials. The Civil Engineering segment engages in civil engineering works for bridges, expressways, tunnels, mass rapid transit, port facilities, water and sewage facilities, and other infrastructure works. Its customers include government and government-related bodies. The Building Materials segment procures and sells building materials comprising concreting sand and aggregates for building and construction purposes. The company also involves in the rental of property; and leasing of machinery for construction and engineering companies, which consist of excavators, cranes, vibratory rollers, concrete pumps, and bulldozers, as well as slip form pavers, wall saws, and wire saws.
<b>Tritech Group Limited</b> ("Tritech")	SGX	Tritech Group Limited is principally engaged in the provision of Specialist Engineering Services, and Ground and Structural Engineering Services for broad-based industries covering the oil and gas, infrastructure, integrated resorts, residential and commercial markets. The group currently has nine subsidiaries with presence in Asia-Pacific region.
<b>BBR Holdings (S) Limited</b> ("BBR")	SGX	BBR Holdings is a construction and specialist engineering group with operations in Singapore, Malaysia, Philippines, Thailand, Sri Lanka, India and South Korea.  Its core business activities include:  <u>Design and Build Services</u> <ul style="list-style-type: none"> <li>• General building</li> <li>• Civil and structural engineering</li> <li>• Piling and foundation system</li> </ul>

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Table 1: List of Comparable Companies

Company	Stock Exchange	Description
		<u>Specialist Engineering</u> <ul style="list-style-type: none"> <li>• Pre-stressing</li> <li>• Bridge design and construction</li> <li>• Stay cable system</li> <li>• Heavy lifting</li> <li>• Maintenance repair and retrofitting</li> </ul>
<b>Koon Holdings Limited</b> ("Koon")	SGX	<p>Koon Holdings Limited, an investment holding company, operates as a civil engineering, reclamation, and shore protection company in Singapore. It operates as a contractor for civil and drainage engineering, building, shore protection, roads and bridges, and marine and foundation works. The company also designs and manufactures precast concrete works to both public and private housing developers, such as beams, columns, reinforced concrete foundation piles, reinforced concrete cylindrical pipes, refuse chute, stair case flight, architectural facade wall panels, external walls, tunnel segments, volumetric components, viaducts, slabs, prestressed and non prestressed planks and beams, roof water tank and suction tank, and high tensile deformed bars/wire rods. In addition, it engages in the lease and rental of construction machinery and equipments, such as crawler cranes, excavators, lorry cranes, vibratory soil compactors, wheel loaders, and tipper trucks; and various pumps, including pabool pumps, electrical submersible pumps, diesel water pumps, and chemical treatment plants.</p>

Source: Bloomberg and the website of the respective companies

We wish to highlight to the Unaffected Directors that there is no company listed on the SGX-ST which may be considered identical to the Target Company in terms of, *inter alia*, market capitalisation, size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial performance, future prospects, operating and financial leverage, liquidity, risk profile and such other relevant criteria. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide.

In our assessment of the Issue Price, we have considered the following valuation statistics:

- Earning analysis;
- Enterprise Value / Earnings before Interest, Tax, Depreciation and Amortisation multiples ("EV/EBITDA"); and
- Price-to-net tangible asset ratio ("P/NTA") comparison.

The valuation statistics of the Comparable Companies set out below are based on their closing prices on the Latest Practicable Date while those of the Target Company are as implied in the financial terms of the Proposed Acquisition. The comparison of valuation ratios as set out below are affected by differences in the accounting policies of each of the respective companies and our analysis has not been adjusted for such differences.

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Table 2: Comparison of Valuation Ratios of Comparable Companies					
Company Name	Market Capitalisation <sup>(1)</sup> (SGD million)	Enterprise Value <sup>(2)</sup> (SGD million)	PER <sup>(1)</sup> (times)	EV/EBITDA <sup>(3)</sup> (times)	P/NTA <sup>(1)</sup> (times)
OKP	163.58	76.43	6.2	2.2	1.9
Hock Lian Seng	119.85	-62.23	3.9	n.a.	1.1
Tritech	78.86	82.18	37.0	10.5	1.3
BBR	63.00	121.37	3.1	5.0	0.7
Koon	34.48	31.06	4.5	2.4	0.7
<b>High</b>			<b>37.0</b>	<b>10.5</b>	<b>1.9</b>
<b>Low</b>			<b>3.1</b>	<b>2.2</b>	<b>0.7</b>
<b>Mean</b>			<b>10.9</b>	<b>5.0</b>	<b>1.1</b>
<b>LC Group(implied by the Consideration)</b>	<b>110.00<sup>(4)</sup></b>	<b>134.38<sup>(5)</sup></b>	<b>8.2<sup>(6)</sup></b>	<b>5.7<sup>(7)</sup></b>	<b>2.3<sup>(8)</sup></b>

Source: Bloomberg

**Notes:**

- (1) Based on Share price of the Comparable Companies as at the Latest Practicable Date.
- (2) Enterprise Value (“EV”) is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short-term and long-term debts less its cash and cash equivalents. EV represents the actual cost to purchase the entire company.
- (3) EBITDA is the earnings before interest, tax, depreciation and amortisation expenses, and excluding exceptional items. EBITDA can be used to analyse the profitability between companies as it eliminates the effects of financing and accounting decisions.
- (4) Based on the Consideration of S\$110.0 million.
- (5) Based on the Consideration of S\$110.0 million and the audited financial statement for year ended 31 December 2010:
  - Minority interest: S\$260,000
  - Total Debt: S\$42,982,000
  - Cash and equivalent: S\$18,865,000
- (6) Based on the Consideration of S\$110.0 million and the audited profit S\$13,478,000 of LCCE for its financial year ended 31 December 2010. The Consideration was assessed against the financials of LCCE as at 31 Dec 2010 as they were the valuation basis used in the Sale and Purchase Agreement.
- (7) Audited EBITDA for year ended 31 December 2010 is S\$23,470,000
- (8) Based on the Consideration of S\$110.0 million and the audited NTA S\$48,555,000 of LCCE for its financial year ended 31 December 2010.

**For illustration purposes only, we note the following:**

- (i) the PER of the Company of 8.2 times as implied by the Consideration is within the range of PER of the Comparable Companies, and is 24.77% lower than the mean of the trading PER of the Comparable Companies;
- (ii) the EV/EBITDA multiple of the Company of 5.7 times as implied by the Consideration is within the range of EV/EBITDA multiples of the Comparable Companies, and is 14.00% higher than the mean EV/EBITDA multiples of the Comparable Companies; and

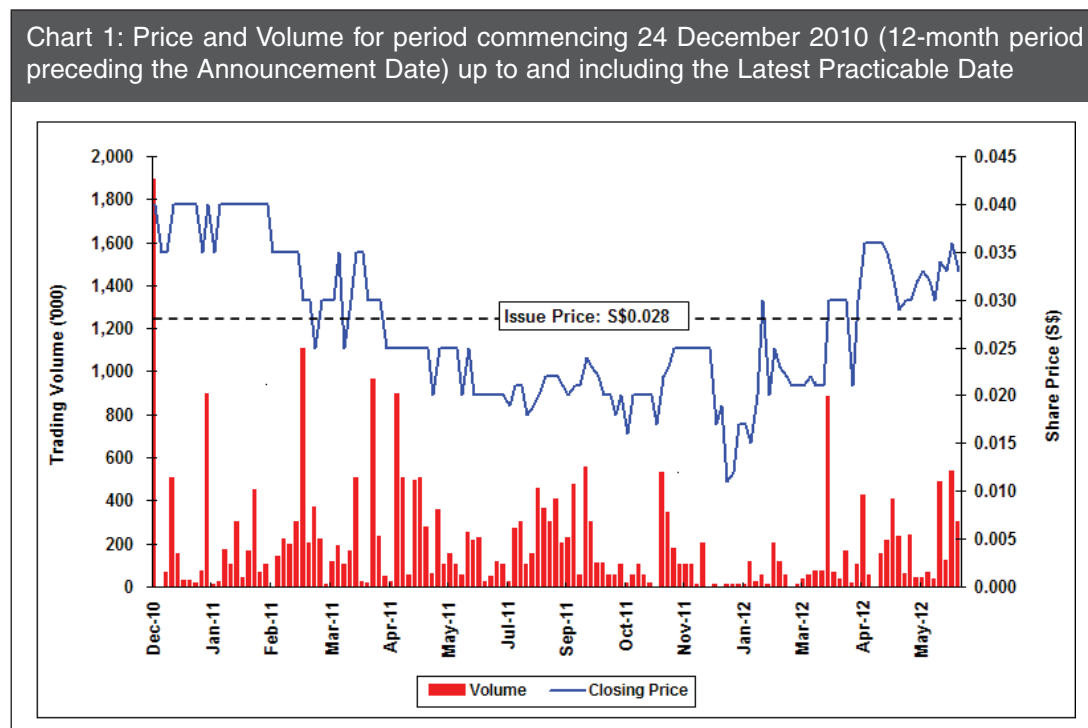
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- (iii) the P/NTA ratio of the Company of 2.3 times as implied by the Consideration is within the range of the trading P/NTA ratios of the Comparable Companies, and is 109.09% higher than the mean trading P/NTA ratio of the Comparable Companies.

### 5.4 Assessment of Issue Price and Share Volume Traded

#### 5.4.1 Share Price Performance

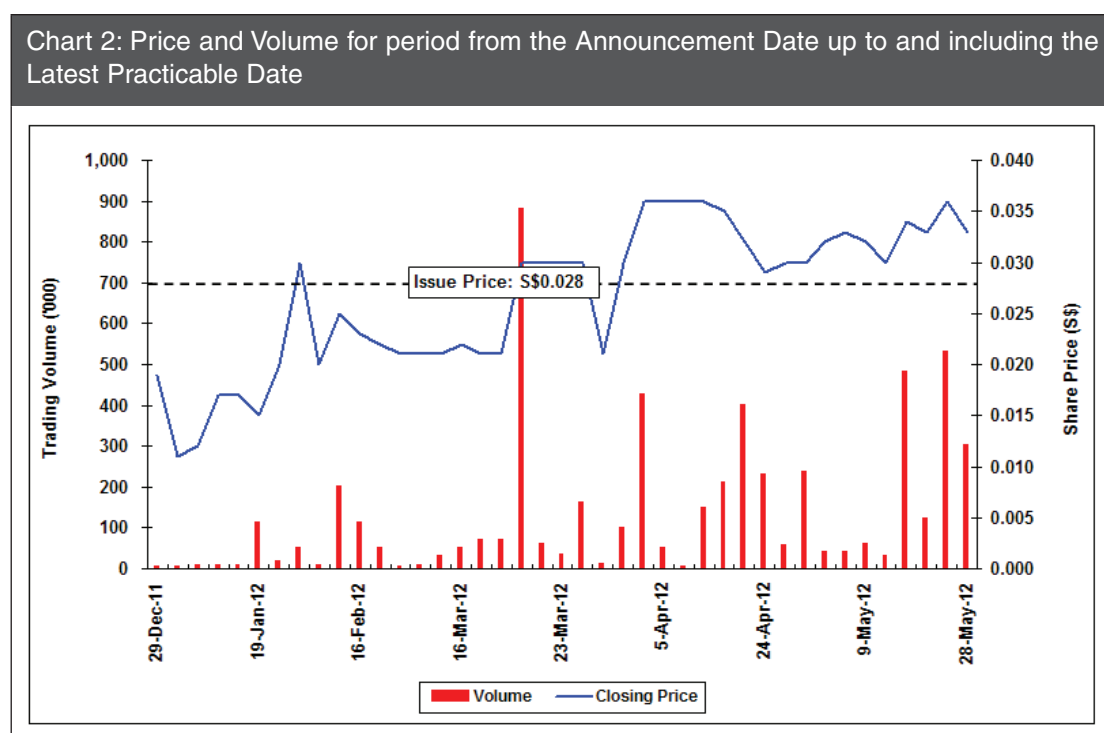
The daily price movements and daily trading volume of the Shares for the period 12 months prior to the Announcement (commencing 24 December 2010) and ending on the Latest Practicable Date is set out in the chart below:-



Source: Bloomberg

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The daily price movements and daily trading volume of the Shares for the period from the Announcement Date up to and including the Latest Practicable Date is set out below:-



Source: Bloomberg

The Issue Price against the volume-weighted average prices (“VWAP”) of the Shares is set out below:-

Table 3: Analysis of Issue Price against the VWAP of the Shares				
	VWAP Share (\$)	Premium / (Discount) of Issue Price to the VWAP per Share (%)	Highest Share Price (\$)	Lowest Share Price (\$)
<b>Prior to the Announcement Date</b>				
12-month	0.0283	-1.10%	0.040	0.016
9-month	0.0238	17.69%	0.035	0.016
6-month	0.0216	29.55%	0.025	0.016
3-month	0.0225	24.30%	0.025	0.016
1-month	0.0248	12.92%	0.025	0.017
The Last Trading Day <sup>(1)(2)</sup>	0.0170	64.71%	0.017	0.017
<b>After the Announcement Date</b>				
Market Day immediately after the Announcement Date <sup>(3)</sup>	0.0190	47.37%	0.019	0.019
From the Market Day immediately after the Announcement Date up to and including the Latest Practicable Date	0.0318	-11.95%	0.040	0.011
Latest Practicable Date <sup>(4)</sup>	0.0323	-13.31%	0.033	0.032

Source: Bloomberg

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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**Notes:**

- (1) The Last Trading Day refers to the last day of trading immediately preceding the Announcement Date where shares of the Company were traded.
- (2) The Last Trading Day immediately preceding the Announcement Date was 23 December 2011. The Announcement Date was 26 December 2011, which is a Singapore public holiday.
- (3) The Market Day immediately after the Announcement Date was 27 December 2011, but the first trade only occurred on 29 December 2011. As such, we used the trading statistics as at 29 December 2011.
- (4) There were no trades on the Latest Practicable Date, being 8 June 2012. As such we had used the transaction statistic for 28 May 2012, being the latest date where a trade was done prior to the Latest Practicable Date.

**For illustration purposes only**, we note that the Issue Price of S\$0.028 per Share:

- (i) represents a marginal discount of approximately 1.10% to the VWAP of the Shares for the 12-month period preceding the Announcement Date. However it is noted that, the Issue Price has been higher than the daily VWAP of the Shares from 19 April 2011 onwards for the 12-month period prior to the Announcement Date;
- (ii) represents a premium of approximately 17.69%, 29.55%, 24.30% and 12.92% to the VWAP of the Shares for the, 9-month, 6-month, 3-month, and 1-month periods preceding the Announcement Date;
- (iii) represents a discount of 30% and a premium of 75% to the highest and lowest price of the Shares respectively for the 12-month period preceding the Announcement Date;
- (iv) represents a premium of approximately 64.71% to the VWAP (as well as the closing price) of the Shares on 23 December 2011 (being the Last Trading Day);
- (v) represents a premium of approximately 47.37% to the VWAP (as well as the closing price) of the Shares on 29 December 2011 (being the Market Day immediately after the Announcement Date);
- (vi) represents a discount of approximately 11.95% to the VWAP of the Shares from 29 December 2011 (being the Market Day immediately after the Announcement Date) to the Latest Practicable Date;
- (vii) represents a discount of approximately 13.31% to the VWAP of the Shares as at the Latest Practicable Date; and
- (viii) The discounts of the issue price to VWAPs in (vi) and (vii) indicate that investors view the transaction positively.

**Shareholders should note that the past trading performance of the Shares is not an indication of its future trading performance.**

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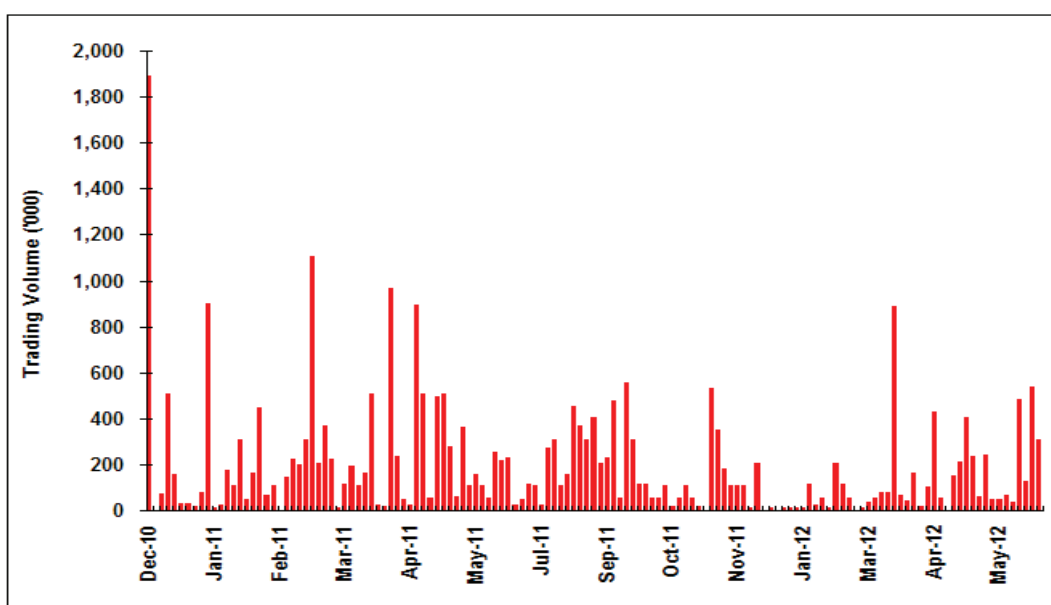
## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 5.4.2 Liquidity of the Shares

The daily volume of Shares traded on the SGX-ST for the period from 24 December 2010 (the 12-month period preceding the Announcement Date) up to and including the Latest Practicable Date is set out below:-

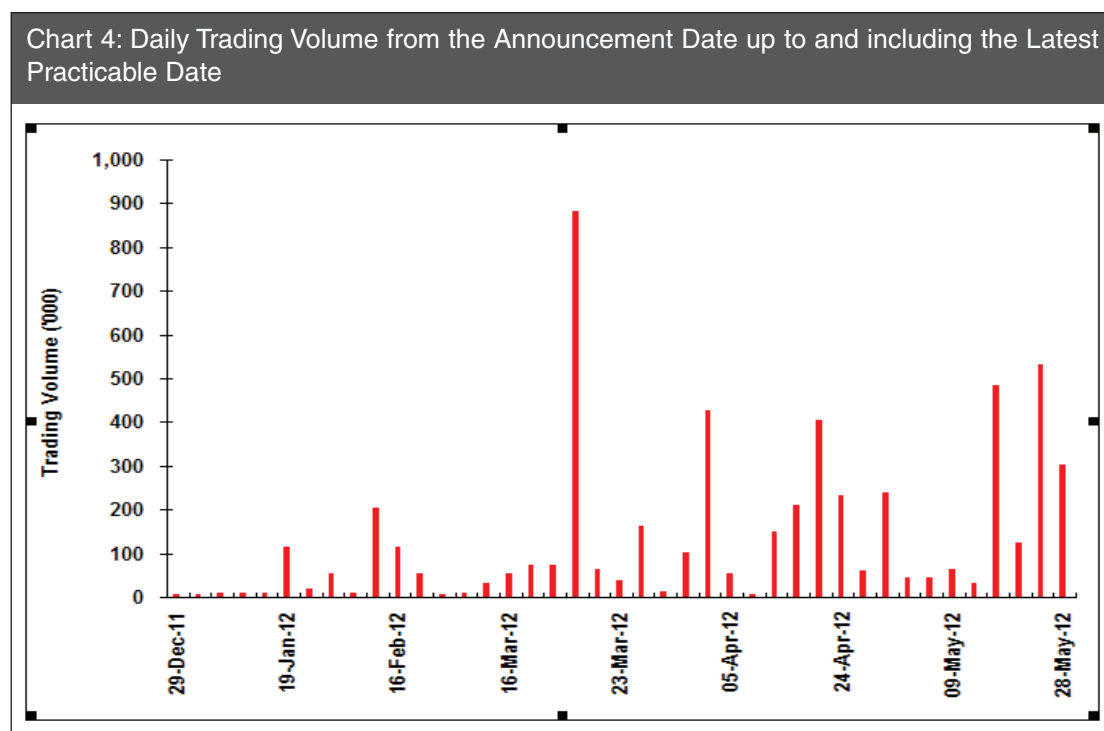
Chart 3: Daily Trading Volume for the period commencing 24 December 2010 (12-month period preceding the Announcement Date) up to and including the Latest Practicable Date



Source: Bloomberg

## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

The daily volume of the Shares traded on the SGX-ST for the period from the Announcement Date up to and including the Latest Practicable Date is set out below:-



Source: Bloomberg

Our analysis of the daily trading volume and liquidity of the Shares is set out below:

Table 4: Average Trading Volume and Liquidity of the Shares		
	Average Daily Trading Volume	Approximate Percentage of Free Float <sup>(2)(3)</sup>
<b>Prior to the Announcement Date</b>		
12-month	217,865	0.071 %
9-month	200,859	0.065 %
6-month	174,135	0.056 %
3-month	104,500	0.034 %
1-month	63,000	0.020 %
The Last Trading Day <sup>(1)</sup>	8,000	0.0026 %
<b>After the Announcement Date</b>		
Market Day <sup>(4)</sup> immediately after the Announcement Date	3,000	0.00097 %
From the Market Day immediately after the Announcement Date up to and including the Latest Practicable Date	131,439	0.043 %
Latest Practicable Date <sup>(5)</sup>	300,000	0.097 %

Source: Bloomberg

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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**Notes:**

- (1) The Last Trading Day immediately preceding the Announcement Date was 23 December 2011. The Announcement Date was 26 December 2011, which is a Singapore public holiday.
- (2) For illustration purposes only, “Free Float” refers to the 308,778,939 Shares not held by the Vendor and parties acting in concert with them as at the Latest Practicable Date. As at the Latest Practicable Date, the Vendors do not hold any Shares or instruments convertible into, Shares, rights to subscribe for Shares and options in respect of Shares.
- (3) As at the Latest Practicable Date, approximately 71.5% (308,778,939 shares) of the shareholdings is held in the hand of public.
- (4) The Market Day immediately after the Announcement Date was 27 December 2011, but the first trade only occurred on 29 December 2011. As such, we used the trading volume as at 29 December 2011.
- (5) There were no trades on the Latest Practicable Date, being the 8 June 2012. As such we have used the transaction statistic for 28 May 2012, being the latest date where a trade was done prior to the Latest Practicable Date.

**For illustration purposes only, we note the following:**

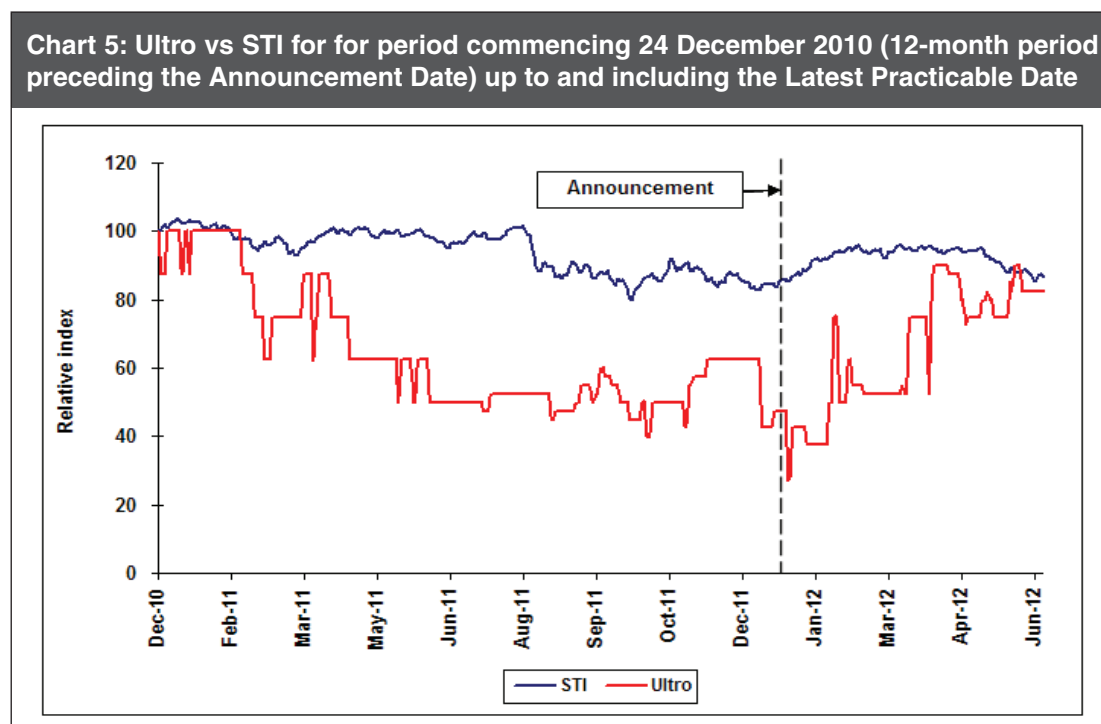
- (i) During the 12-month period prior to the Announcement Date, the Shares were traded on 96 market days out of the 251 total market days (or 38.25% of the total number of market days during the period), with an average daily trading volume of approximately 217,865 representing 0.071% of the Free Float;
- (ii) the average daily trading volume of the Shares was 200,859 (0.065% of Free Float), 174,135 (0.056% of Free Float), 104,500 (0.034% of Free Float), and 63,000 (0.020% of Free Float) for the respective 9-month, 6-month, 3-month and 1-month periods immediately prior to the Announcement Date;
- (iii) the trading volume of the Shares on 23 December 2011 (being the Last Trading Day) was 8,000 Shares (0.0026% of the Free Float);
- (iv) the trading volume of the Shares on 29 December 2011 (being the first day of trading immediately after the Announcement Date) was 3,000 Shares (0.00097% of the Free Float); and
- (v) the average daily trading volume stood at approximately 131,439 Shares (0.043% of the Free Float) for the period between 29 December 2011 (the Market Day immediately after the Announcement Date) and up to and including the Latest Practicable Date. It appears that the Announcement had resulted in an increase in investors’ interest.

**Shareholders should note that the past trading performance of the Shares is not an indication of its future trading performance.**

## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

### 5.4.3 Share Price Performance Relative to Performance of the STI

In assessing the market price performance of the Shares vis-à-vis the general performance of the Singapore equity market, we have compared the normalised market price movements of the Shares against the STI for the 12-month period preceding the Announcement Date up to and including the Latest Practicable Date as set out below:-



Source: Bloomberg

	The Last Trading Day <sup>(1)</sup>	Latest Practicable Date	Percentage Change (%)
Ultro Technologies Limited (S\$)	0.017	0.033	94.12%
STI Index	2676.47	2737.89	2.29%

Source: Bloomberg

**Note:**

- (1) The Last Trading Day immediately preceding the Announcement Date was 23 December 2011. The Announcement Date was 26 December 2011, which is a Singapore public holiday.

**For illustration purposes only**, we note the following:

- (i) The Shares have generally underperformed the STI for the 12 month period preceding the Announcement Date up to and including the Latest Practicable Date. We also note the current negative sentiments in stock markets worldwide due to the Europe debt crisis;
- (ii) The Share Price increased by 94.12% from the closing price of S\$ 0.017 on 23 December 2011 to S\$0.033 on the Latest Practicable Date;
- (iii) The STI index increased by 2.29% from 2676.47 on 23 December 2011 to 2737.89 on the Latest Practicable Date; and

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- (iv) The significant increase in share price since the last trading day indicates that investors view the transaction positively.

**Shareholders should note that the past trading performance of the Shares is not an indication of its future trading performance.**

### 5.5 Net Tangible Asset of Ultron Technologies Limited

NTA is defined to exclude, where applicable, minority interests, deferred tax assets and liabilities, deferred expenditure, and goodwill. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies

The table below sets out the evaluation of the Issue Price against the book NTA per Share of Ultron Technologies.

	Price (S\$)	Audited Book NTA per Share as at 31 December 2011 (S\$)	Premium/(Discount) to the Book NTA per Share (%)
Issue Price	0.0280	0.0125	124%

**Notes:**

- (1) Based on the audited financial statements for the year ended 31 December 2011
- (2) We note that the NTA per share of the Group as at 31 March 2012 had decreased to SGD 0.0117 as a result of operating losses from continuing operations and the premium to Book NTA per share will increase to 139%.

In our evaluation of the reasonableness of the Issue Price, we compared the Issue Price to the latest audited NTA per share of the Group.

Based on the Company's audited financial statements for the financial year ended 31 December 2011, the audited NTA is approximately SGD 5.413 million or S\$0.0125 per share. Accordingly, the Issue Price represents a premium of 124% over the audited NTA per share as at 31 December 2011.

We also noted that the Company issued 143,952,885 warrants in June 2010 and these warrants were listed on the SGX-ST on 17 June 2010. Each warrant entitles the warrant holder to subscribe for 1 new share in the share capital of the Company at an exercise price of S\$0.10 in cash during the exercise period.

On 11 May 2012, 50,000 warrants were converted into shares. The impact of the conversion of the warrants on the NTA per share as at 31 December 2011 is insignificant. NTA per share as at 31 December 2011 taking into account the warrant conversion is approximately SGD0.0125.

For illustration purposes, the adjusted NTA per share as at 31 December 2011, taking into consideration the gross proceeds from the exercise of all the warrants, would be approximately S\$0.034. Accordingly, the Issue Price would be at a discount of 17.65% to the adjusted NTA per share as at 31 December 2011. We also note that the Issue Price represents a discount of 72% to the exercise price which indicates that the warrants are out of the money. **Shareholders should note that the computation above is provided solely for illustration purposes as only 50,000 warrants had been exercised as at the Latest Practicable Date.**

## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

We have discussed with the Unaffected Directors and the management of the Company whether there are any assets which would be valued at an amount that would be materially different from that which was recorded in the audited balance sheet of the Group as at 31 December 2011. The Directors have confirmed to us that, to the best of their knowledge and belief, save as disclosed above, they are of the opinion that there is no material change in the value of the Group's assets as recorded in the audited balance sheet of the Group as at 31 December 2011

In addition, the Directors have confirmed that as at the Latest Practicable Date, there were no material contingent liabilities or bad or doubtful debts, which could have a material impact on the audited NTA of the Group as at 31 December 2011

### 5.6 Comparable with recent Very Substantial Acquisitions or Reverse Take-over Transactions in Singapore

In reviewing the reasonableness of the Issue Price, we have compared the valuation parameters implied by the Issue Price with those of selected successful very substantial acquisitions or RTOs for companies listed on the SGX-ST as announced during the period commencing 2 years prior to the Announcement Date. **In making the comparison herein, please note that the Group may not be directly comparable to the companies in the selected RTO transactions in terms of business activities, geographical markets, risks, size, market capitalisation, track record, financial performance and future prospects and other relevant criteria. Hence, the comparison below merely serves as a general guide as to the premium/(discount) represented by the respective issue prices.**

Table 7: Completed Very Substantial Acquisitions or Reverse Take-over Transactions in Singapore

Company	Stock Exchange	Description
C&G Industrial Holdings Limited (“C&G”) (Currently known as C&G Environmental Protection Holdings Limited)	SGX Mainboard	C&G acquired the entire issued and paid up share capital of CuGu Environmental Protection International Limited for a consideration of RMB564 million by the allotment and issue of new shares, resulting in the vendors of CuGu Environmental Protection International Limited holding approximately 70.6% of the enlarged share capital of the company.
Westech Electronics Limited (“Westech”) (Currently known as WE Holdings Ltd.)	SGX Catalist	Westech acquired the entire issued and paid up share capital of Plexus Components Pte Ltd for a consideration of S\$10 million by the allotment and issue of new shares, resulting in the vendors of Plexus Components Pte Ltd holding approximately 84.0% of the enlarged share capital of the company.
Friven & Co. Ltd. (“Friven”)	SGX Catalist	Friven acquired the entire issued and paid up share capital of China Children Fashion Holdings Pte. Ltd. for a consideration of S\$64 million by the allotment and issue of new shares, resulting in the vendors of China Children Fashion Holdings Pte. Ltd. holding approximately 62.7% of the enlarged share capital of the company.
Wepco Ltd (“Wepco”) (Currently known as HSR Global Limited)	SGX Catalist	Wepco acquired the entire issued and paid up share capital of HSR International Realtors Pte Ltd for a consideration of S\$40 million by the allotment and issue of new shares, resulting in the vendors of HSR International Realtors Pte Ltd holding approximately 73.7% of the enlarged share capital of the company.

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Table 7: Completed Very Substantial Acquisitions or Reverse Take-over Transactions in Singapore

Company	Stock Exchange	Description
Esmart Holdings Limited (“ <b>Esmart</b> ”) (Currently known as Duty Free International Limited)	SGX Catalist	Esmart acquired the entire issued and paid up share capital of Darul Metro Sdn Bhd and a controlling stake of 74.7% interests in DFZ Capital Berhad for an aggregate consideration of S\$285 million by the allotment and issue of new shares, resulting in the vendors of Darul Metro Sdn Bhd and DFZ Capital Berhad holding approximately 96.2% of the enlarged share capital of the company.
Eagle Brand Holdings Limited (“ <b>Eagle Brand</b> ”) (Currently known as Nam Cheong Limited)	SGX Mainboard	Eagle Brand acquired the entire issued and paid up share capital of Nam Cheong Dockyard Sdn. Bhd. and 50% of the issued and paid-up share capital of Nam Cheong Offshore Pte. Ltd. for an aggregate consideration of S\$472 million by the allotment and issue of new shares, resulting in the vendors of Nam Cheong Dockyard Sdn. Bhd. and Nam Cheong Offshore Pte. Ltd. holding approximately 74.9% of the enlarged share capital of the company.
SM Summit Holdings Limited (“ <b>SM Summit</b> ”) (Currently known as Centurion Corporation Limited)	SGX Mainboard	SM Summit Company acquired the entire issued and paid up share capital of Centurion Dormitory (Westlite) Pte. Ltd. and 45% of the issued and paid up share capital in Lian Beng-Centurion (Mandai) Pte. Ltd. for an aggregate consideration of S\$95 million by the allotment and issue of new shares, resulting in the vendors holding approximately 61.2% of the enlarged share capital of the company.
Kyodo-Allied Industrial Limited (“ <b>Kyodo-Allied</b> ”) (Currently known as Weiye Holdings Limited)	SGX Mainboard	Kyodo-Allied Industrial Limited acquired the entire issued and paid up share capital of Great Spirit Management Limited for a consideration of S\$600.0 million by the allotment and issue of new shares, resulting in the vendors holding approximately 83.81% of the enlarged share capital of the company.
Asia Silk Holdings Limited (“ <b>Asia-Silk</b> ”)	SGX Catalist	Asia Silk Holdings Limited acquired the entire issued and paid up share capital of Chaswood Resources Sdn. Bhd. for a consideration of S\$60,785,347 by the allotment and issue of new shares, resulting in the vendors holding approximately 84.7% of the enlarged share capital of the company.

Source: Bloomberg and Circulars

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**Table 8: Comparison with recently completed Very Substantial Acquisitions or Reverse Take-over Transactions in Singapore**

<b>Company</b>	<b>Announcement Date</b>	<b>Issue Price (S\$)</b>	<b>Premium / Discount of issue price over / (to) last transacted price prior to announcement (%)</b>	<b>Issue Price to NTA (times) <sup>(1)</sup></b>
C&G	11-May-09	0.24 <sup>(2)</sup>	45.50 <sup>(3)</sup>	0.66
Westech	1-Jul-09	0.2378	(94.10) <sup>(4)</sup>	n.a <sup>(5)</sup>
Friven & Co	10-Sep-09	0.05	25.00	6.94
Wepeco	16-Nov-09	0.50	117.40	1.35
Esmart	28-Jun-10	0.015765	5.10	11.64
Eagle Brand	1-Oct-10	0.005	11.30 <sup>(6)</sup>	6.27
SM Summit	13-Jan-11	0.10	(25.93)	0.78
Kyodo-Allied	10-Mar-11	0.365	30.40	4.26
Asia-Silk	25-Mar-11	0.03	42.90	10.07
<b>High</b>			<b>117.40</b>	<b>11.64</b>
<b>Low</b>			<b>(94.10)</b>	<b>0.66</b>
<b>Mean</b>			<b>17.51</b>	<b>5.25</b>
<b>Median</b>			<b>25.00</b>	<b>5.27</b>
<b>Company (Implied by the Issue Price)</b>	26-Dec-11	0.028	<b>64.71</b>	<b>2.27</b>

Source: SGX-ST announcements, annual reports, circulars to shareholders in relation to the respective transactions and Bloomberg, and SCCL's computation

**Notes:**

- (1) Calculated based on the latest audited NTA per share as at their respective latest practicable dates.
- (2) Based on the revised issue price announced on 26 June 2009.
- (3) Based on the last transacted price prior to the announcement on 11 May 2009 as the initial announcement on 16 April 2010 did not contain details on the issue price for the consideration shares.
- (4) Based on the adjusted issue price of S\$0.0024 prior to share consolidation of 100 shares into one consolidated share.
- (5) Not applicable as Westech was in a net liabilities position.
- (6) Based on the adjusted issue price of S\$0.0835, being the issue price of \$0.005 adjusted for the capital distribution of S\$0.0785 per share.

**For illustration purposes only, we note the following:**

- (i) the issue prices of the Selected Companies generally represent an average premium of 17.51% and a median premium of 25.00% over the closing prices immediately prior to the announcement date;

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- (ii) the Issue Price is at a premium of 64.71% to the closing price of S\$0.017 on 23 December 2011, being the Last Trading Day. This is higher than both the average and median premium of the Selected Companies over the closing prices immediately prior to the announcement date;
- (iii) the Price-to-NTA at 2.27 implied by the Issue Price of S\$0.028 is (i) within the range; but (ii) lower than the mean and median Price-to-NTA ratios of Other Completed Very Substantial Acquisitions or Reverse Take-over Transactions in Singapore.

The above table has been compiled from publicly available information and serves only as a guide as to the premiums paid or discounts given, if any, in connection with Very Substantial Acquisition or Reverse Take-overs of companies listed on the SGX-ST without regard to their specific industry characteristics or other considerations. Each Very Substantial Acquisition or Reverse Take-overs must be judged on its own commercial and financial merits.

### 5.7 Financial Effects of the Proposed Transaction on the Group

The proforma financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement on the Company are set out below. The objective is to illustrate what the historical information might have been had the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement been completed at an earlier date. However, such information is not necessarily indicative that the results of operations or the financial position as illustrated would have been attained had the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement been completed at an earlier date.

The proforma financial effects in this section are based on the audited financial statements of the Company for the financial year ended 31 December 2011, which covers an 18-months period from 1 July 2010 to 31 December 2011, and the audited financial statements of the LC Group for the financial year ended 31 December 2011. The financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement have been prepared based on the following assumptions and anticipated events:

- (a) for the purpose of computing the financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement on the earnings of the Proforma Group, the Proposed Capital Reductions and Proposed Cash Distributions, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement are assumed to have been completed on 1 July 2010;
- (b) for the purpose of computing the financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement on the NTA of the Proforma Group, the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and Proposed Compliance Placement are assumed to be have been completed on 30 June 2011;
- (c) share consolidation of every ten (10) Shares into one (1) Consolidated Share, fractional entitlements to be disregarded;
- (d) 57,625,000 Compliance Placement Shares to be allotted and issued pursuant to the Proposed Compliance Placement;

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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- (e) the Compliance Placement Shares are fully subscribed for and gross proceeds of approximately \$12.1 million based on an illustrative issue price of \$0.21 for each Placement Share; and
- (f) no existing Warrants are exercised into Shares or Consolidated Shares, as the case may be.

### 5.7.1 Financial effects on issued share capital

The proforma financial effects on the issued share capital of the Company after the Proposed Capital Reductions and Proposed Cash Distribution, allotment and issuance of the Consideration Shares, the Proposed Share Consolidation and the Compliance Placement Shares to be allotted and issued pursuant to the Proposed Compliance Placement are as follows:

	No. of Shares	Share Capital
Issued share capital as at 31 December 2011 <sup>(1)</sup>	431,858,656	59,313,320
Less: Proposed Capital Reductions and Proposed Cash Distribution <sup>(2)</sup>	–	58,018,498
Issued share capital of the Company after the Proposed Capital Reductions and Proposed Cash Distribution	431,858,656	1,294,822
Add: Issue of Consideration Shares pursuant to the Proposed Acquisition	3,928,571,429	110,000,000
Issued share capital of the Company after the Proposed Acquisition	4,360,430,085	111,294,822
Issued share capital of the Company after the Proposed Share Consolidation	436,043,005	111,294,822
Add: Issue of Compliance Placement Shares pursuant to the Proposed Compliance Placement	57,625,000	11,713,250 <sup>(3)</sup>
Issued share capital immediately after the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition and Proposed Compliance Placement	493,668,005	123,008,072

**Notes:**

- (1) This does not include the 50,000 Shares issued pursuant to the exercise of warrants after 31 December 2011.
- (2) Based on the Accumulated Losses of \$56,018,498 as at 31 March 2012 and the Proposed Cash Distribution of \$2,000,000.
- (3) For illustrative purposes only, this is based on an indicative placement price of \$0.21 per Share and net of estimated placement commission of \$388,000

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### 5.7.2 Financial effects on Earnings and Earnings per Share<sup>(1)</sup>

The proforma financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Share Consolidation, Proposed Acquisition and Proposed Compliance Placement on the Earnings per Share of the Company are as follows:

	Before the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution but before the Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution and Proposed Acquisition but before the Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation but before the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement
Net Profit for the Group for the financial year ended 31 December 2011 <sup>(2)</sup>	(8,210,000)	(8,210,000)	(8,210,000)	(8,210,000)	(8,210,000)
Add: Net profit for the LC Group for the financial year ended 31 December 2011	–	–	15,863,531	15,863,531	15,863,531
Net profit for Proforma Group	–	–	7,653,531	7,653,531	7,653,531
Number of issued shares <sup>(2)</sup>	431,858,656	431,858,656	4,360,430,085	436,043,005	493,668,005
EPS (Cents)	(1.90)	(1.90)	0.18	1.76	1.55

**Notes:**

- (1) Pursuant to Rule 1006 of the Listing Manual, “net profits” used in the section for the computation of the financial effects shall mean profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the weighted average amount of shares and does not include 50,000 shares issued pursuant to the Warrants after 31 December 2011.

## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

### 5.7.3 Financial effects on Net tangible assets (“NTA”)

The proforma financial effects of the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement on the NTA per share are as follows:

	Before the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution but before the Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution and Proposed Acquisition but before the Proposed Share Consolidation and the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation but before the Proposed Compliance Placement	After the Proposed Capital Reductions and Proposed Cash Distribution, Proposed Acquisition, Proposed Share Consolidation and the Proposed Compliance Placement
NTA of the Group as at 31 December 2011	5,413,000	5,413,000	5,413,000	5,413,000	5,413,000
Less: Proposed Capital Reductions and the Proposed Cash Distribution <sup>(1)</sup>	–	(2,020,000)	(2,020,000)	(2,020,000)	(2,020,000)
NTA of the LC Group as at 31 December 2011 <sup>(2)</sup>	–	–	58,369,763	58,369,763	58,369,763
Add: Net proceeds from Proposed Compliance Placement	–	–	–	–	10,285,250 <sup>(3)</sup>
NTA of the Proforma Group	–	3,393,000	61,762,763	61,762,763	72,048,013
Number of issued shares	431,858,656	431,858,656	4,360,430,085	436,043,005	493,668,005
NTA per share (Cents)	1.25	0.79	1.42	14.16	14.59

**Notes:**

- (1) For illustration purposes only, this is inclusive of transaction costs of approximately \$20,000 in relation to the Proposed Capital Reductions and Proposed Cash Distribution.
- (2) Based on the audited financial statements of the LC Group as at 31 December 2011.
- (3) For illustrative purposes only, this is based on an indicative placement price of \$0.21 per Share and net of placement commission, professional fees and miscellaneous expenses of approximately \$1,816,000 in total.
- (4) This does not include 50,000 shares issued pursuant to the exercise of Warrants after 31 December 2011.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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For illustration purposes only, we note the following:

- (a) the issued share capital of the Company would increase from approximately S\$59,313,320 comprising approximately 431,858,656 shares as at 31 December 2011 to approximately S\$123,008,072 comprising 493,668,005 shares following the completion of all the Proposed Transactions;
- (b) the EPS as at 31 December 2011 would improve from (1.90) cents to 1.55 cents following the completion of all the Proposed Transactions;
- (c) the NTA per share as at 31 December 2011 would increase from 1.25 cents to 14.59 cents following the completion of all the Proposed Transactions

### 5.8 Other Considerations

We advise that you highlight the following factors to the Independent Shareholders, which should be considered, together with the other comments and issues raised in this letter and the contents of the Circular.

#### 5.8.1 Prospects, business strategies and future plans of the Enlarged Proforma Group

Following the completion of the Proposed Acquisitions, the prospects, business strategies and future plans of the Enlarged Proforma Group will materially be those of the Target Group, further details of which are set out in Section 20 to 23 of “Appendix A - Letter to Shareholders from the Board of Directors of Ley Choon Constructions and Engineering Pte Ltd” of the Circular. Shareholders are advised to read the information carefully.

#### 5.8.2 Risk Factors

Upon Completion, the risk factors relating to the Target Group will also be relevant to the Enlarged Proforma Group. Such risk factors will include those relating to the Target Group’s business and industries as set out in Section 24 of “Appendix A - Letter to Shareholders from the Board of Directors of Ley Choon Constructions and Engineering Pte Ltd” of the Circular. Shareholders are advised to read the information carefully.

#### 5.8.3 Inter-conditionality of the Proposed Acquisition and other Proposed Transactions

The Proposed Acquisition is conditional, upon *inter alia*, the passing of the following resolutions by the Independent Shareholders:

- Proposed Acquisition Shares Issue;
- Proposed Whitewash Resolution;
- Proposed Capital Reductions and Proposed Cash Distribution;
- Proposed Deed Poll Amendments;
- Proposed Share Consolidation;
- Proposed Name Change;
- Proposed Director Appointments;
- Proposed Independent Auditors Appointment;
- Proposed Compliance Placement;
- Proposed New General Share Issue Mandate; and
- Proposed IPT Mandate

The passing of the above resolutions are conditions precedent to the completion of the Proposed Acquisition.

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### 5.8.4 Dilution impact

The dilution effect to the existing Shareholders upon the issue of the Consideration Shares (including the Introducer Shares) is as follows:

Shareholder	Before the Proposed Acquisition		After the Proposed Acquisition	
	No. of Shares	%	No. of Shares	%
Current Shareholders	431,908,656	100.00	431,908,656	9.91
Vendors	–	–	3,791,071,429	86.94
Intersino	–	–	137,500,000	3.15
<b>Total</b>	<b>431,908,656</b>	<b>100.00</b>	<b>4,360,480,085</b>	<b>100.00</b>

- (a) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by the Vendors pursuant to the Completion are set out in Appendix B of the Circular. Please also refer to “Appendix B – Interests of Directors and Substantial Shareholders of the Company, the Vendors and/or their nominees” of the Circular for more details on the changes to the shareholding of the Company pursuant to the completion of the Proposed Transactions; and
- (b) the number and percentage of voting rights to be acquired by the Vendors pursuant to the Completion are set out in Appendix B of the Circular.

Upon completion of the Proposed Acquisition Shares Issue and the Proposed Share Consolidation, the Vendors and their nominees will hold approximately 86.9% of the Consolidated Share Capital (assuming that no existing Warrants are exercised prior to the Proposed Share Consolidation).

Under Rule 210(1)(a) of the Listing Manual, an issuer with market capitalisation of less than \$300 million, at least 25% of the issued share capital of the company must be held in the hands of at least 500 public shareholders.

In order to, inter alia, meet the public float requirement, the shareholding spread and the distribution requirements under the Listing Manual, the Company proposes to undertake the Proposed Compliance Placement within one month from the date of suspension of the Shares on SGX-ST.

For the purposes of the Proposed Compliance Placement, the Company proposes to issue up to 57,625,000 new Compliance Placement Shares. In connection with the Proposed Compliance Placement, there will also be sale of up to 16,500,000 Consolidated Shares by Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan and Zheng Choon and 6,875,000 Consolidated Shares by Intersino. In aggregate, there will be up to 81,000,000 Consolidated Shares available for the Proposed Compliance Placement.

Upon completion of the Proposed Acquisition and the Proposed Compliance Placement, the Vendors will hold approximately 73.45% of the Final Share Capital (assuming 57,625,000 Compliance Placement Shares are issued and 23,375,000 Vendor Shares are sold pursuant to the Proposed Compliance Placement).

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### 5.8.5 Moratorium

Upon completion of the Proposed Compliance Placement, Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan, Zheng Choon, Intersino and/or their nominees (if any) will hold 369,482,141 Consolidated Shares constituting 74.8% of the Final Share Capital (assuming no Warrants were exercised prior to the completion of the Proposed Compliance Placement).

Save for the Consolidated Shares to be disposed pursuant to the Proposed Compliance Placement, each of Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan, Zheng Choon, the Intersino and/or their nominees (if any) has undertaken not to, for a period of six months from the date on which the trading of Consolidated Shares on SGX-ST commences after the completion of the Proposed Compliance Placement, transfer, dispose of or realise any part of the Consideration Shares (including the Introducer Shares) held by him/it.

Each of Mr Toh Choo Huat, Mr Toh Chew Leong, Mr Toh Chew Chai, Mr Toh Swee Kim and Ms Seow Soon Kee has undertaken not to, for a period of six months from the date on which the trading of Consolidated Shares on SGX-ST commences after the completion of the Proposed Compliance Placement, transfer, dispose of or realise any part of the ordinary shares in the issued and paid-up share capital of Zheng Choon held by him/her.

Mr Koh Kwee Ngee, being the sole shareholder of Intersino, has also undertaken not to for a period of six months from the date on which the trading of Consolidated Shares on SGX-ST commences after the completion of the Proposed Compliance Placement, transfer, dispose of or realise any part of the ordinary shares in the issued and paid-up share capital of Intersino held by him.

### 5.8.6 No alternative take-over from third parties

The Directors have confirmed that as at the Latest Practicable Date, other than the proposed reverse take-over by the Vendors, the Company has not received any alternative take-over offers for the Shares from any third parties.

## 6 SUMMARY OF ANALYSIS ON THE WHITEWASH RESOLUTION

In arriving at our opinion in respect of the Proposed Whitewash Resolution, we have taken into account the factors set out in Section 5 above. The key considerations are summarised below. Shareholders should be advised to read the following in conjunction with, and in the context of, the full text of this letter and the Circular.

### Rationale for Proposed Acquisition and Financial Performance of Ultron Technologies

- (a) the Group recorded a net loss of S\$ 15,373,000 (after excluding the non recurrent other operating income of S\$ 20,935,000) for FY2009 and a net loss S\$ 6,550,000 for FY2010. It has been on Watch-List of SGX since 3 December 2009 and has not been able to restore its financial health within the stipulated 24 months;
- (b) although a profit of S\$ 1,058,000 was recorded for 12M2011, it decreased by 37.4% to S\$ 662,000 for 15M2011. This reflects the difficulty in sustaining profitability with its current business, and casts doubts about the ability of the Group to continue as a going concern;
- (c) in the fifth quarter announcement for the period ended 30 September 2011, the Group issued an earnings warning describing the difficult economic environment and the adverse effects on the Group's coal business;

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- (d) to support its application to be removed from the SGX-ST's Watch-List, the Company is proposing the acquisition of an entity with a credible operating track record in the businesses of Underground Utilities Infrastructure construction and maintenance, sewer pipeline rehabilitation as well as road and airfield construction and maintenance. The acquisition of the businesses of the Target will allow the Company to meet the criteria for admission to SGX-ST's Mainboard such that the Company may then apply to be removed from the SGX-ST's Watch-List before the prescribed deadline and continue to maintain its listing status on the SGX-ST's Mainboard;

### Comparison with Comparable Companies

- (e) the PER of the Company of 8.2 times implied by the Consideration is within the range of PER of the Comparable Companies, and is 24.77% lower than the mean of the trading PER of the Comparable Companies;
- (f) the EV/EBITDA multiple of the Company of 5.7 times implied by the Consideration is within the range of EV/EBITDA multiples of the Comparable Companies, and is 14.00% higher than the mean EV/EBITDA multiples of the Comparable Companies;
- (g) the P/NTA ratio of the Company of 2.3 times implied by the Consideration is within the range of the trading P/NTA ratios of the Comparable Companies, and is 109.09% higher than the mean trading P/NTA ratio of the Comparable Companies;

### Share price performance

The issue price of S\$0.0028:

- (h) represents a marginal discount of approximately 1.10% to the VWAP of the Shares for the 12-month period preceding the Announcement Date. However it is noted that, the Issue Price is higher than the daily VWAP of the Shares from 19 April 2011 to 23 December 2011 during the 12-month period prior to the Announcement Date;
- (i) represents a premium of approximately 17.69%, 29.55%, 24.30% and 12.92% to the VWAP of the Shares for the, 9-month, 6-month, 3-month, and 1-month periods preceding the Announcement Date;
- (j) represents a discount of 30% and a premium of 75% to the highest and lowest price of the Shares respectively for the 12-month period preceding the Announcement Date;
- (k) represents a premium of approximately 64.71% to the VWAP (as well as the closing price) of the Shares on 23 December 2011 (being the Last Trading Day);
- (l) represents a premium of approximately 47.37% to the VWAP (as well as the closing price) of the Shares on 29 December 2011 (being the Market Day immediately after the Announcement Date);
- (m) represents a discount of approximately 11.95% to the VWAP of the Shares from 29 December 2011 (being the Market Day immediately after the Announcement Date) to the Latest Practicable Date;
- (n) represents a discount of approximately 13.31% to the VWAP of the Shares as at the Latest Practicable Date;
- (o) the discounts of the issue price to VWAPs in (m) and (n) indicate that investors view the transaction positively;

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### Liquidity of Shares

- (p) during the 12-month period prior to the Announcement Date, the Shares were traded on 96 market days out of the 251 total market days (or 38.25% of the total number of market days during the period), with an average daily trading volume of approximately 217,865 representing 0.071% of the Free Float;
- (q) the average daily trading volume of the Shares was 200,859 (0.065% of Free Float), 174,135 (0.056% of Free Float), 104,500 (0.034% of Free Float), and 63,000 (0.020% of Free Float) for the respective 9-month, 6-month, 3-month and 1-month periods immediately prior to the Announcement Date;
- (r) the average daily trading volume stood at approximately 131,439 Shares (0.043% of the Free Float) for the period between 29 December 2011 (the Market Day immediately after the Announcement Date) and up to and including the Latest Practicable Date. It appears that the Announcement had resulted in increase in investors' interest;

### Share Price Performance Relative to STI

- (s) the Shares have generally underperformed the STI for the 12 month period preceding the Announcement Date up to and including the Latest Practicable Date. We also note the current negative sentiments in stock markets worldwide due to the Europe debt crisis;
- (t) the Share Price increased by 94.12% from the closing price of S\$ 0.017 on 23 December 2011 to S\$0.030 on the Latest Practicable Date;
- (u) the STI index increased by 2.29% from 2676.47 on 23 December 2011 to 2737.89 on the Latest Practicable Date;
- (v) the significant increase in the share price since the last trading day indicates that investors view the transaction positively;

### Net Tangible Asset of Ultro Technologies

- (w) based on the Company's audited financial statements for the year ended 31 December 2011, the audited NTA is approximately SGD 5.413 million or S\$0.0125 per share. Accordingly, the Issue Price represents a premium of 124% over the audited NTA per share as at 31 December 2011;

### Comparison with Recent Very Substantial Acquisitions or Reverse Take-Over Transactions

- (x) the Issue Price is at a premium of 64.71% to the closing price of S\$0.017 on 23 December 2011, being the Last Trading Day. This is higher than both the average and median premium of the Selected Companies over the closing prices immediately prior to the Announcement Date;
- (y) the Price-to-NTA at 2.27 implied by the Issue Price of S\$0.028 is (i) within the range; but (ii) lower than the mean and median Price-to-NTA ratios of Other Completed Very Substantial Acquisitions or Reverse Take-over Transactions in Singapore;

### Financial Effects of the Proposed Transaction on the Group

- (z) the issued share capital of the Company would increase from approximately S\$59,313,320 comprising approximately 431,858,656 shares as at 31 December 2011 to approximately S\$123,008,072 comprising 493,668,005 shares following the completion of all the Proposed Transactions

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- (aa) the EPS as at 31 December 2011 would improve from (1.90) cents to 1.55 cents following the completion of all the Proposed Transactions;
- (ab) the NTA per share as at 31 December 2011 would increase from 1.25 cents to 14.59 cents following the completion of all the Proposed Transactions;

### Other Considerations

- (ac) the Proposed Acquisition is conditional, upon inter alia, the approval of other resolutions by the Shareholders including the Proposed Whitewash Resolution;
- (ad) the prospects, business strategies, future plans, and risk factors of the Enlarged Group; and
- (ae) the dilution effect upon completion if the Proposed Acquisition. Upon completion, the Vendors (and/or their nominees) will hold 3,791,071,429 Consideration Shares, representing approximately 86.94% in the Enlarged Share Capital.

## 7. THE PROPOSED ADOPTION OF THE IPT MANDATE

### 7.1 Background Information

The LC Group is an established contractor for (i) Underground Utilities Infrastructure construction and maintenance; (ii) sewer pipeline rehabilitation; and (iii) road and airfield construction and maintenance. Its business also includes the production of asphalt pre-mixes and the business of construction waste recycling.

From time to time and in the ordinary course of business, the LC Group, which will form part of the Proforma Group pursuant to the Proposed Acquisition, is expected to carry out the following recurrent Interested Person Transactions with Interested Persons and/or Related Persons:

- (a) the purchase of ductile iron pipes, valves, gates, couplings and other related accessories from Interested Persons, namely Pan Asian and its Associates;
- (b) the sale of asphalt pre-mixes and provision of milling and patching services to Related Persons, namely Hen Sheng and its associates and Sing & San and its Associates; and
- (c) the engagement of Related Persons, namely Hen Sheng and its Associates, as subcontractors for civil engineering services.

As the Interested Person Transactions are recurrent transactions of a revenue or trading nature and are necessary for its day-to-day operations, the Company intends to seek approval on the IPT Mandate from its Shareholders under Part VIII of Chapter 9 of the Listing Manual, for the Proforma Group to carry out these Interested Person Transactions with its Interested Persons and/or Related Persons, subject to Shareholders' approval at the EGM.

### 7.2 Class of Interested Persons in the IPT Mandate

The IPT Mandate will apply to the Interested/Related Person Transactions which are carried out between the Proforma Group and the following Interested Persons and Related Persons:

#### **Interested Persons**

- (a) Pan Asian and its Associates

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### Related Persons

- (a) Hen Sheng and its Associates;
- (b) Mr Oh Kian Ann and his Associates. Mr Oh Kian Ann is the director and controlling shareholder of Hen Sheng. He is also the brother of Madam Oh Ah Ber, who is the spouse of the Proposed ED, Mr Toh Swee Kim;
- (c) Sing & San and its Associates; and
- (d) Mr Toh Kah Sing and his Associates. Mr Toh Kah Sing is the director and substantial shareholder of Sing & San. He is also the son of the cousin of the Proposed Directors, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim, and the Proposed EO, Mr Toh Chew Chai (whose details are set out in the LC Letter).

To the best of the LC Group's knowledge, it is not aware of any Associates of Hen Sheng or Sing & San with whom it or the LC Group might have cause to trade or carry on any other form of business activity and/or relationship with in their respective ordinary course of businesses. The LC Group has not traded nor carried on any other form of business activity and/or relationship with any Associates of Hen Sheng and Sing & San in their last three financial years. As at the Latest Practicable Date, it is not expected that the Proforma Group will trade with or carry on any other form of business activity and/or relationship with any Associates of Hen Sheng and Sing & San. The inclusion of the associates of Hen Sheng and Sing & San within the class of Related Persons is as a matter of completeness, such inclusion being consistent with the spirit of Chapter 9 of the Listing Manual.

### 7.3 Nature and Scope of the IPT Mandate

The Interested/Related Person Transactions which will be covered by the IPT Mandate include:

- (a) *Purchase of ductile iron pipes, valves, gates, couplings and other related accessories from Pan Asian and its Associates*

The Proforma Group will be engaging in the business of pipe-laying and sewer pipeline rehabilitation. In connection with these businesses, the Proforma Group is required to purchase pipes and fittings such as valves, couplings and other related accessories.

The Proforma Group intends to purchase such pipes and fittings such as valves, couplings and other related accessories from Pan Asian, a company incorporated in Singapore. Pan Asian, a company listed on Catalist, the sponsor-supervised listing platform of the SGX-ST, is principally engaged in the provision of piping system solutions, primarily for the water purification and wastewater treatment industry. It also supplies pipes (ductile iron pipes), fittings, valves, couplings and other accessories.

Pan Asian's executive chairman Mr Richard Koh Chye Heng is the brother of Mr Koh Tiam Teng, a Proposed ED. In addition, Mr Koh Tiam Teng was the managing director/CEO of Pan Asian from 8 August 1992 to 28 May 2009. As at 8 August 2010, Mr Richard Koh Chye Heng was deemed to have a substantial interest in Pan Asian as he held 50% of the total issued shares in Xu Jia Zu Holdings Pte. Ltd. then, which in turn held 75% of the total issued shares in Pan Asian. Accordingly, Mr Richard Koh Chye Heng, Xu Jia Zu Holdings Pte. Ltd. and Pan Asian are deemed to be Associates of Mr Koh Tiam Teng.

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- (b) *Sale of asphalt pre-mixes and provision of milling and patching services to Hen Sheng and its associates and engagement of Hen Sheng and its Associates as subcontractors for civil engineering services*

The Proforma Group will be engaging in the business of asphalt pre-mix production, provision of milling and patching services as well as construction and maintenance of roads and airfield. In connection with these businesses, the Proforma Group intends to enter into the following transactions with Hen Sheng:

- (i) sell asphalt pre-mixes and the provision of milling and patching services to Hen Sheng; and
- (ii) engage Hen Sheng as a sub-contractor for the provision of certain civil engineering services such as the construction of drains and roads.

Hen Sheng is a company incorporated in Singapore and is principally engaged in the provision of infrastructure engineering services and general building construction services. Hen Sheng's director and controlling shareholder, Mr Oh Kian Ann is the brother of Madam Oh Ah Ber, who is the spouse of the Proposed ED, Mr Toh Swee Kim. Hen Sheng is principally engaged in the provision of infrastructure engineering services and general building construction services.

- (c) *Sale of asphalt pre-mixes to Sing & San and its Associates*

The Proforma Group will be engaging in the business of asphalt pre-mix production. From time to time and in the ordinary course of business, the Proforma Group intends to sell asphalt pre-mixes and provide milling and patching services to Sing & San.

Sing & San is a company incorporated in Singapore and is principally engaged in the provision of non-building construction services. Its director and substantial shareholder, Mr Toh Kah Sing is the son of the cousin of the Proposed EDs, Mr Toh Choo Huat, Mr Toh Chew Leong and Mr Toh Swee Kim as well as the Proposed EO, Mr Toh Chew Chai.

Details of the Interested/Related Person Transactions are set out in Section 12.2 of the Circular. We note that the Proforma Group will be subjecting the Interested/Related Person Transactions to such guidelines and review procedures as described in Sections 12.4.5 and 12.4.6 of the Circular.

We note that there will be no sale or purchase of any assets, undertakings or businesses within the scope of the IPT Mandate. The IPT Mandate will also not cover any transaction by any members of the Proforma Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. In addition, transactions with other Interested Persons (other than the class of Interested Persons and Related Persons detailed in Section 7.2 of this Letter) that do not fall within the ambit of the IPT Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

## 8. EVALUATION OF THE PROPOSED REVIEW PROCEDURES FOR THE INTERESTED /RELATED PARTY TRANSACTIONS COVERED IN THE IPT MANDATE

### 8.1 Rationale and Benefits of the IPT Mandate

It is not within our terms of reference to comment or express an opinion on the merits of the Interested/Related Person Transactions or the future prospects of the Group after the adoption of the IPT Mandate. Nevertheless, we have reviewed the rationale for and benefits of adopting the IPT Mandate as set out in Section 12.4.2 of the Circular and has been reproduced below in italics:

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*“Timely delivery is an essential element in the Proforma Group’s business. If the Proforma Group were to announce and/or convene separate general meetings to seek Shareholders’ approval on each occasion as and when potential transactions with Interested Persons or Related Persons arise, the Proforma Group may not be able to undertake such time sensitive commercial transactions with the Interested Persons or Related Persons. In addition, the Proforma Group will have to expend administrative time and resources as well as incur additional expenses associated with the convening of general meetings of Shareholders. The adoption of the Proposed IPT Mandate allows companies in the Proforma Group to carry out potential transactions with Interested Persons or Related Persons in a timely manner and allows resources and time to be channelled towards the Proforma Group’s other corporate objectives while ensuring such transactions are carried out on normal commercial terms that will not be prejudicial to the interests of the Proforma Group and its minority Shareholders.*”

*The Proposed IPT Mandate and the renewal thereof on an annual basis, is intended to facilitate the Interested/Related Person Transactions in the ordinary course of business of the Proforma Group, which the Directors and the Proposed Directors envisage are likely to be transacted with some frequency and from time to time with the specified classes of Interested Persons and/or Related Persons, provided that they are carried out on the Proforma Group’s normal commercial terms and will not be prejudicial to the interests of the Proforma Group and the Proforma Group’s minority Shareholders”.*

### 8.2 Review Procedures for Interested Person Transactions

We note that the Group will be implementing the following review procedures to ensure that Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Independent Shareholders:

The full text of the review procedures for Interested/Related Person Transactions can be found in Section 12.4.5 of the Circular and has been reproduced below:

*“To ensure that the Interested/Related Person Transactions are conducted on normal commercial terms consistent with the Proforma Group’s usual business practices and on terms which are generally no more favourable than those extended to unrelated third parties, as a general practice, the Proforma Group will only enter into transactions with an Interested Person or Related Person if the terms offered by/extended to the Interested Person or Related Person are no less/more favourable than that offered by/extended to unrelated third parties.*”

*In particular, the following procedures will be implemented to ensure that all Interested/Related Person Transactions 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 Proforma Group shall require that quotations be obtained from such Interested Person or Related Person and at least two other quotations from unrelated third parties.*
- (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 latest similar transactions between the Proforma Group and unrelated third parties or (ii) if relevant market rates from independent sources are available, such market rates.*

*The Proforma Group will only enter into transactions with such Interested Person or Related Person provided the quotation offered by the Interested Person or Related Person (in the case of a purchase from or procurement of services from an Interested Person or a Related Person) and/or the sales terms extended to the Interested Person or Related Person (in the case of a sale to or provision of services to an Interested Person or a Related Person), after taking into consideration*

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*various factors including, inter alia, credit standing, volume of transactions, delivery requirements, age of products, product attachments, tenure of business relationship and potential for future repeat business, are no less/more favourable than that offered by or extended to unrelated third parties.*

*In addition to the procedures set out above, the Proforma Group will monitor the Interested/Related Person Transactions covered by the Proposed IPT Mandate by categorising the transactions as follows:*

- (a) a “Category 1 Interested/Related Person Transaction” is one where the value thereof is in excess of 3% of consolidated NTA of the Proforma Group, which as at 31 December 2011 was approximately \$1.7 million; and*
- (b) a “Category 2 Interested/Related Person Transaction” is one where the value is below or equal to 3% of consolidated NTA of the Proforma Group, which as at 31 December 2011 was approximately \$1.7 million.*

*Category 1 Interested/Related Person Transactions must be approved by the AC prior to their entry.*

*Category 2 Interested/Related Person Transactions need not have the prior approval of the AC but shall be reviewed on a quarterly basis by the AC to ensure that they are carried out on normal commercial terms, in accordance with the procedures outlined above. All relevant non-quantitative factors such as the nature of services provided and prevailing market conditions will also be taken into account and recorded accordingly.*

*Where the aggregate value of a Category 2 Interested/Related Person Transaction and prior Interested/Related Person Transactions with the same Interested Person or Related Person in the current financial year is equal to or more than 3% of the Proforma Group's latest NTA, the latest and all future transactions which are equal to or above \$100,000 must be approved by the AC prior to entry.”*

### **8.3 General Review Procedures for all Interested/Related Person Transactions**

We note that the Group will also be implementing the following general review procedures for the Interested/Related Person Transactions.

#### **8.3.1 Register of Interested/Related Person Transactions**

The Company's finance department will maintain a master list of Interested Persons and Related Persons, which is to be updated on a quarterly basis and disclose the list to relevant personnel of the Proforma Group (such as the Board, Human Resource Manager, Procurement Manager and Marketing Manager) to enable the identification of Interested Persons and Related Persons. This master list of Interested Persons and Related Persons will be reviewed by the Audit Committee (“AC”) on a quarterly basis.

Subsidiaries and associated companies of the Proforma Group are required to inform the Company's Finance Department of any significant upcoming transactions with Interested Persons or Related Persons so as to obtain the prior approval of the AC or Shareholders, where necessary.

All Interested/Related Person Transactions (entered into pursuant to the Proposed IPT Mandate) (including the factors that have been taken into account in arriving at the purchase or sales terms) shall be recorded and maintained in a register by the Company's Finance Department and submitted to the AC for review on a quarterly basis. Transactions below \$100,000 shall be recorded and maintained in a separate register and submitted to the AC for review upon request. The Financial Controller (not being an “Interested person” within the meaning of Chapter 9 of the Listing Manual) will be responsible to ensure that the registers of the Interested/Related Person Transactions are properly updated.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 8.3.2 Periodic Review by Audit Committee

All Interested/Related Person Transactions, including the review procedures established in respect thereof, will be reviewed by the Proforma Group's internal auditors or compliance officers as part of the Proforma Group's standard internal audit process. Such compliance review will be performed on a quarterly basis and a quarterly report on such transactions will be forwarded to the AC. Save for Interested/Related Person Transactions for which approval of the AC will be required prior to the entry thereof, the Interested/Related Person Transactions set out in the quarterly report of the Proforma Group's internal auditors or compliance officers will be reviewed by the AC at quarterly meetings.

As mentioned above, the AC will carry out quarterly reviews to ensure that the established guidelines and procedures for Interested/Related Person Transactions have been complied with and the relevant approvals obtained. If during these quarterly reviews, the AC is of the view that the above guidelines and procedures are not sufficient to ensure that the Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Proforma Group and the Company's minority Shareholders, the Proforma Group will revert to the Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Interested Persons and/or Related Persons. During the period prior to obtaining a fresh mandate from the Shareholders, all transactions with Interested Persons and/or Related Persons will be subject to prior review and approval by the AC.

### 8.3.3 Interested Audit Committee Member to Abstain

In the event that a member of the AC (where applicable) is interested in any Interested/Related Person Transactions, he/she will abstain from reviewing that particular transaction to ensure that the Interested/Related Person Transaction will be carried out on normal commercial terms. Approval of that transaction will accordingly be undertaken by the remaining members of the AC.

### 8.3.4 Further Compliance

The Board will ensure that all disclosure, approval and other requirements on Interested/Related Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, will be complied with.

The AC shall have overall responsibility for the determination of the review procedures and shall have the authority to delegate such responsibility to individuals or committees within the Company as they deem appropriate.

## 8.4 Validity Period of the Proposed IPT Mandate

The Proposed IPT Mandate will take effect from the date of receipt of the Shareholders' approval, and will (unless revoked or varied by the Proforma Group in general meeting) continue in force until the next annual general meeting of the Company.

The Company will seek the approval of the Shareholders for the renewal of the Proposed IPT Mandate at every subsequent annual general meeting of the Company. The renewal of the Proposed IPT Mandate shall be subject to satisfactory review by the AC of its continued application to the Interested/Related Person Transactions. Mr Koh Tiam Teng, being an Interested Person as defined in Chapter 9 of the Listing Manual, will abstain and procure his Associates to abstain from voting on the resolution(s) which approved, inter alia, the renewal of the Proposed IPT Mandate. The Proposed EDs, Mr Toh Choo Huat, Mr Toh Swee Kim and Mr Toh Chew Leong and the Proposed Executive Officer Mr Toh Chew Chai, being related persons, will also abstain and procure their Associates to abstain from voting on the resolutions which approved, inter alia, the renewal of the Proposed IPT Mandate.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 8.5 Disclosure in Annual Report

The Company will announce the aggregate value of transactions conducted with Interested Persons and/or Related Persons pursuant to the Proposed IPT Mandate for each financial period on which the Company is required to report pursuant to the Listing Manual and within the time required for the announcement of such report in accordance with Rule 920(1)(a)(ii) of the Listing Manual.

The Company is required, under Rule 920(1)(a)(i) of the Listing Manual, to disclose in the Company's annual report the aggregate value of transactions conducted pursuant to the Proposed IPT Mandate during the current financial year, as well as in the annual reports for the subsequent financial years during which the Proposed IPT Mandate is in force. The names of the Interested Persons and/or Related Persons and the corresponding aggregate value of the Interested/Related Person Transactions will be presented in the following format:

Name of Interested Person and/or Related Person	Aggregate value of all Interested/Related Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under the Proposed IPT Mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all Interested/Related Person Transactions conducted under the Proposed IPT Mandate (excluding transactions less than \$100,000) pursuant to Rule 920 of the Listing Manual
[Name]	[Value]	[Value]

### 9. STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee has reviewed the review and general administration procedures, as set out in Section 12.4.5 and 12.4.6 of the Circular, as proposed by the Company for determining the terms of the Interested/Related Person Transactions, and having also considered, *inter alia*, the terms, the rationale and the benefits of the proposed IPT Mandate as set out in Section 12.4.2 of the Circular, the Audit Committee is satisfied that the review procedures for the Interested/Related Person Transactions, as well as the quarterly reviews to be made by the Audit Committee in relation thereto, are sufficient to ensure that the recurrent Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders.

### 10. SUMMARY OF ANALYSIS ON THE IPT MANDATE

In arriving at our opinion on the IPT Mandate, we have considered, *inter alia*, the following:

- (a) rationale for and benefits of the IPT Mandate;
- (b) nature and scope of the IPT Mandate;
- (c) class of Interested Persons and Related Persons in the IPT Mandate; and
- (d) all review procedures for the Interested/Related Person Transactions to be implemented.

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## APPENDIX C – LETTER FROM INDEPENDENT FINANCIAL ADVISER TO THE UNAFFECTED DIRECTORS OF ULTRO TECHNOLOGIES LIMITED

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### 11. RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, and based upon the monetary, industry, market economic and other relevant conditions subsisting on the Latest Practicable Date and based on the factors set out in Section 6 and 10 of this Letter we are of the opinion that, on balance:

- (1) the Proposed Whitewash Resolution is not prejudicial to the interests of the Company and its Independent Shareholders. Accordingly, we advise the Unaffected Directors to recommend the Independent Shareholders to vote for the Proposed Whitewash Resolution;
- (2) the review procedures for determining the transaction prices of the recurrent Interested/Related Person Transactions with Interested Persons and/or Related Persons covered under the IPT Mandate as set out in Sections 12.4.5 and 12.4.6 of the Circular, if adhered to, are sufficient to ensure that the Interested/Related Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its independent Shareholders.

This letter (for inclusion in the Circular) is addressed to the Unaffected Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed Whitewash Resolution and the Proposed IPT Mandate, but any recommendation to the Shareholders remains the responsibility of the Unaffected Directors. Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Stirling Coleman in each specific case, except for the forthcoming EGM and for the purposes of the Proposed Whitewash Resolution and the Proposed IPT Mandate.

This letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**STIRLING COLEMAN CAPITAL LIMITED**

LUI YEN LI  
MANAGING DIRECTOR  
HEAD, CORPORATE FINANCE ADVISORY

YAP YEONG KEEN  
DIRECTOR  
CORPORATE FINANCE ADVISORY

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## APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE PROFORMA GROUP

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The Board of Directors  
Ultron Technologies Limited  
1 Changi Business Park Avenue 1  
#05-01 Ultron Building  
Singapore 486058

Dear Sirs

### Unaudited Proforma Consolidated Financial Information

This report has been prepared for inclusion in the circular to shareholders (the “Circular”) of Ultron Technologies Limited (the “Company”) and its subsidiaries (the “Group”) in connection with the proposed acquisition of the entire paid up share capital of Ley Choon Constructions and Engineering Pte. Ltd. (“Ley Choon”) and the proposed disposal of the Company’s existing businesses and assets, save for a cash balance of \$2.4 million, \$0.6 million of current liabilities and the entire equity interests in Ranoda (M) Sdn Bhd (collectively the “Proposed Transactions”).

We report on the unaudited proforma consolidated financial information of the Group after the completion of the Proposed Transactions (the “Enlarged Group”) as set out on pages D-3 to D-14 of the Circular (the “Circular”).

The unaudited proforma consolidated financial information has been prepared for illustrative purposes only, and based on certain assumptions after making certain adjustments, to show what:

- (a) the unaudited proforma financial position of the Enlarged Group as at 31 December 2011 would have been if the Proposed Transactions had occurred on 31 December 2011;
- (b) the unaudited proforma financial results of the Enlarged Group for the years ended 31 December 2009, 2010 and 2011 would have been if the Proposed Transactions had occurred on 1 January 2009; and
- (c) the unaudited proforma cash flows of the Enlarged Group for the year ended 31 December 2011 would have been if the Proposed Transactions had occurred on 1 January 2011.

The unaudited proforma consolidated financial information, because of their nature, may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group.

The unaudited proforma consolidated financial information is the responsibility of the directors of the Company. Our responsibility is to express an opinion on the unaudited proforma consolidated financial information based on our work.

We carried out our procedures in accordance with Statement on Auditing Practice 24: “Auditors and Public Offering Documents”. Our work, which involved no independent examination of the unaudited proforma consolidated financial information, consisted primarily of comparing the unaudited proforma consolidated financial information to the management accounts of the Group and the audited consolidated financial statements of Ley Choon for the years ended 31 December 2009, 2010 and 2011, considering the evidence supporting the adjustments and discussing the unaudited proforma consolidated financial information with the directors of the Company.

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**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

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In our opinion:

- (a) the unaudited proforma consolidated financial information has been properly prepared:
  - (i) in a manner consistent with the accounting policies of the Enlarged Group; and
  - (ii) on the basis set out in Note 2 to the Unaudited Proforma Consolidated Financial Information of the Enlarged Group; and
- (b) each material adjustment made to the information used in the preparation of the unaudited proforma consolidated financial information is appropriate for the purpose of preparing such unaudited proforma consolidated financial information.

**KPMG LLP**

*Public Accountants and  
Certified Public Accountants*

**Singapore**

21 June 2012

Barry Lee Chin Siang  
Partner

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**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

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**Unaudited Proforma Consolidated Statement of Financial Position  
As at 31 December 2011**

	<b>2011 \$'000</b>
<b>Non-current assets</b>	
Investment property	1,410
Property, plant and equipment	48,554
Club membership	42
	50,006
<b>Current assets</b>	
Inventories	4,302
Contracts work-in-progress	51,534
Trade and other receivables	15,209
Financial assets designated at fair value through profit or loss	77
Cash and cash equivalents	27,408
	98,530
<b>Total assets</b>	148,536
<b>Equity</b>	
Share capital	43,229
Reserves	13,730
<b>Equity attributable to owners of the Company</b>	56,959
<b>Non-controlling interests</b>	420
<b>Total equity</b>	57,379
<b>Non-current liabilities</b>	
Loans and borrowings	24,424
Deferred tax liabilities	3,893
	28,317
<b>Current liabilities</b>	
Loans and borrowings	34,159
Trade and other payables	26,591
Provisions	106
Current tax payable	1,984
	62,840
<b>Total liabilities</b>	91,157
<b>Total equity and liabilities</b>	148,536

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

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**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

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**Unaudited Proforma Consolidated Statements of Comprehensive Income  
For the years ended 31 December 2009, 2010 and 2011**

	Note	2009 \$'000	2010 \$'000	2011 \$'000
<b>Continuing operations</b>				
Revenue		110,330	110,714	126,843
Cost of sales		(78,952)	(84,202)	(97,783)
<b>Gross profit</b>		31,378	26,512	29,060
Other income		5,132	4,723	5,021
Distribution expenses		(252)	(368)	(377)
Administrative expenses		(8,880)	(12,239)	(15,313)
Other expenses		(1,305)	(1,455)	(706)
<b>Results from operating activities</b>		26,073	17,173	17,685
Finance costs		(1,828)	(2,136)	(2,129)
		24,245	15,037	15,556
Share of profit of associate (net of tax)		466	–	–
<b>Profit before tax</b>		24,711	15,037	15,556
Income tax expense		(4,949)	(2,379)	(829)
<b>Profit from continuing operations</b>		19,762	12,658	14,727
<b>Discontinued operation</b>				
Loss from discontinued operation (net of tax)		(498)	–	–
<b>Profit/Total comprehensive income for the year</b>		19,264	12,658	14,727
<b>Profit and total comprehensive income/(expense) attributable to:</b>				
Owners of the Company		19,379	12,540	14,567
Non-controlling interests		(115)	118	160
		19,264	12,658	14,727
<b>Earnings per share</b>				
Basic and diluted earnings per share (cents)	4	6.7	3.4	3.4

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

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**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

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**Unaudited Proforma Consolidated Statement of Cash Flows  
For the year ended 31 December 2011**

	<b>2011 \$'000</b>
<b>Cash flows from operating activities</b>	
Profit for the year	14,727
Adjustments for:	
Depreciation of property, plant and equipment	6,340
Provisions reversed for legal claims and damages	(230)
Interest income	(28)
Finance costs	2,129
Gain on disposal of property, plant and equipment	(130)
Impairment loss on trade receivables reversed, net	(21)
Income tax expense	829
	23,616
Changes in working capital:	
Inventories	937
Contracts work-in-progress	(18,320)
Trade and other receivables	(1,626)
Trade and other payables	4,134
Provisions	(40)
Cash generated from operations	8,701
Income tax paid	122
<b>Net cash from operating activities</b>	8,823
<b>Cash flows from investing activities</b>	
Acquisition of property, plant and equipment	(7,807)
Acquisition of financial assets at fair value through profit or loss	(21)
Proceeds from disposal of property, plant and equipment	711
Interest received	28
<b>Net cash used in investing activities</b>	(7,089)
<b>Cash flows from financing activities</b>	
Interest paid	(2,129)
Proceeds from bank borrowings	28,970
Repayment of bank borrowings	(11,277)
Repayment of finance lease liabilities	(4,995)
Fixed deposits pledged with bank	63
Dividends paid	(3,000)
<b>Net cash from financing activities</b>	7,632
<b>Net increase in cash and cash equivalents</b>	9,366
Cash and cash equivalents at 1 January	11,473
Cash and cash equivalents at 31 December	20,839
<b>Cash and cash equivalents</b>	
Cash at bank and on hand	20,839
Fixed deposits	6,569
	27,408
Deposits pledged	(6,569)
Cash and cash equivalents in the unaudited proforma consolidated statements of cash flows	20,839

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

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## APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE PROFORMA GROUP

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### Notes to the unaudited proforma consolidated financial information

#### 1. Introduction

Ultron Technologies Limited (the “Company”) was incorporated in the Republic of Singapore and is a public limited company listed on the Singapore Exchange Securities Trading Limited. Its registered office is at 1 Changi Business Park Avenue 1, #05-01 Ultron Building, Singapore 486058, which is also its principal place of business. The principal activity of the Company is that of an investment holding company.

#### 1.1 Proposed Transactions

- (a) Proposed acquisition of Ley Choon Constructions and Engineering Pte. Ltd.

On 26 December 2011, the Company announced the proposed acquisition of the entire issued and paid up capital of Ley Choon Constructions and Engineering Pte. Ltd. (“Ley Choon”) (the “Proposed Acquisition”). The Proposed Acquisition has resulted in a reverse take-over of the Company.

- (b) Proposal disposal of the existing businesses of the Company

In conjunction with the Proposed Acquisition, the Company also announced the proposed disposal of its existing businesses and assets, save for a cash balance of \$2.4 million, \$0.6 million of current liabilities and the entire equity interests in Ranoda (M) Sdn Bhd, to third parties for cash consideration totalling \$2.

- (c) Cash dividends declared by Ley Choon

On 6 March 2012, Ley Choon declared a one-tier tax exempt interim dividend totalling \$2.0 million in respect of the year ended 31 December 2011.

- (d) Issue of bonus share

On 23 February 2012, Ley Choon issued 15,000,000 bonus shares out of its retained earnings to its shareholders on the basis of one share for every one existing share held by the shareholders as at 23 February 2012.

- (e) Proposed capital reductions and cash distribution

In conjunction with the Proposed Acquisition, the Company undertakes to streamline its capital structure as well as return the surplus capital to the existing shareholders through the cancellation of paid-up share capital and cash distribution (the “Proposed Capital Reductions and Cash Distribution”) as follows:-

- (i) reduction of its issued and paid-up share capital by \$2.0 million effected and satisfied by returning cash to its shareholders (the “Proposed First Capital Reduction”); and
- (ii) reduction of its issued and paid-up share capital effected by cancelling the issued and paid-up share capital of the Company which is unrepresented by available assets (the “Proposed Second Capital Reduction”). The credit arising from the cancellation of these issued and paid-up capital, be applied to cancel the retained losses of the Company.

The above transactions are collectively referred to as the “Proposed Transactions”.

The unaudited proforma consolidated financial information of the Ultron Technologies Limited and its subsidiaries (the “Group”) after the completion of the Proposed Transactions (the “Enlarged Group”), comprising the unaudited proforma financial position of the Enlarged Group as at 31 December 2011, the unaudited proforma statements of comprehensive income of the Enlarged Group for the years ended 31 December 2009, 2010 and 2011, and the unaudited proforma statement of cash flows of the Enlarged Group for the year ended 31 December 2011, has been prepared for inclusion in the circular to the shareholders (the “Circular”) of the Company.

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## APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE PROFORMA GROUP

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### 2. Basis of preparation of the unaudited proforma statements

The unaudited proforma consolidated financial information has been prepared for illustrative purposes only, and based on certain assumptions after making certain adjustments, to show what:

- (a) the unaudited proforma financial position of the Enlarged Group as at 31 December 2011 would have been if the Proposed Transactions had occurred on 31 December 2011;
- (b) the unaudited proforma financial results of the Enlarged Group for the years ended 31 December 2009, 2010 and 2011 would have been if the Proposed Transactions had occurred on 1 January 2009; and
- (c) the unaudited proforma cash flows of the Enlarged Group for the year ended 31 December 2011 would have been if the Proposed Transactions had occurred on 1 January 2011.

The unaudited proforma consolidated financial information, because of their nature, may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group.

The unaudited proforma consolidated financial information of the Enlarged Group for the financial years ended 31 December 2009, 2010 and 2011 have been compiled based on the following:

- (a) The unaudited consolidated financial statements of the Group for the years ended 31 December 2009, 2010 and 2011, which were prepared in accordance with Singapore Financial Reporting Standards; and
- (b) The audited consolidated financial statements of Ley Choon and its subsidiaries (“Ley Choon Group”) for the financial years ended 31 December 2009, 2010 and 2011. These financial statements were prepared in accordance with Singapore Financial Reporting Standards and audited by KPMG LLP, Public Accountants and Certified Public Accountants, Singapore, in accordance with Singapore Standards on Auditing.

The auditors’ reports on the consolidated financial statements of Ley Choon Group do not contain any qualification.

The following key adjustments and assumptions were made for the preparation of the unaudited proforma consolidated financial information of the Enlarged Group:-

- (a) the cost of reverse acquisition of the Company by Ley Choon in the form of equity issued to the owners of the Company has been assumed to be \$0.028 per share for the purpose of this transaction. This may differ from the actual cost of reverse acquisition as it will depend on the share price of the Company at the date of the actual transfer of shares on the completion of the Proposed Transactions. As the actual goodwill or gain on bargain purchase will be determined at the completion of the Proposed Transactions, the eventual amounts could be materially different from the amount derived based on the assumption used;
- (b) the acquisition related costs relating to the Proposed Acquisition are assumed to be \$1.4 million. This may differ from the actual cost at the completion of the Proposed Transactions;
- (c) the cash dividends of \$2.0 million, declared and paid by Ley Choon subsequent to 31 December 2011 had taken place on 31 December 2011;
- (d) the issue of bonus shares by Ley Choon had taken place on 31 December 2011;
- (e) the cash consideration received from the disposal of all assets, businesses, undertakings and equity interests of the Company in all of its subsidiaries, save for a cash balance of \$2.4 million, \$0.6 million of current liabilities and the entire equity interests in Ranoda (M) Sdn Bhd, has been assumed to be \$2. This may differ from the actual cash consideration at the completion of the Proposed Transactions; and
- (f) the cash distribution to the shareholders of the Company has been assumed to be \$2.0 million. This may differ from the actual distribution at the completion of the Proposed Transactions.

**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE PROFORMA GROUP**

**3 Unaudited Proforma Financial Position of the Enlarged Group**

**(i) Unaudited proforma statement of financial position as at 31 December 2011**

The following adjustments have been made in arriving at the Unaudited Proforma Statement of Financial Position as at 31 December 2011:

	Unaudited consolidated statement of financial position of the Group \$'000	Audited consolidated statement of financial position of Ley Choon Group \$'000	(a) \$'000	(b) \$'000	(c) \$'000	(d) \$'000	(e) \$'000	Unaudited proforma consolidated statement of financial position \$'000
			Proforma adjustments (see notes below)					
<b>31 December 2011</b>								
<b>Non-current assets</b>								
Investment property	1,410	-	-	-	-	-	-	1,410
Property, plant and equipment	-	48,554	-	-	-	-	-	48,554
Club membership	-	42	-	-	-	-	-	42
	1,410	48,596	-	-	-	-	-	50,006
<b>Current assets</b>								
Inventories	-	4,302	-	-	-	-	-	4,302
Contracts work-in-progress	-	51,534	-	-	-	-	-	51,534
Trade and other receivables	437	15,198	(426)	-	-	-	-	15,209
Financial assets designated at fair value through profit or loss	-	77	-	-	-	-	-	77
Asset held for sale	252	-	(252)	-	-	-	-	-
Cash and cash equivalents	4,919	28,168	(294)	(2,000)	(1,385)	(2,000)	-	27,408
	5,608	99,279	(972)	(2,000)	(1,385)	(2,000)	-	98,530
<b>Total assets</b>	<b>7,018</b>	<b>147,875</b>	<b>(972)</b>	<b>(2,000)</b>	<b>(1,385)</b>	<b>(2,000)</b>	<b>-</b>	<b>148,536</b>

**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE PROFORMA GROUP**

**3 Unaudited Proforma Financial Position of the Enlarged Group (continued)**  
**(i) Unaudited proforma statement of financial position as at 31 December 2011 (continued)**

31 December 2011	Unaudited consolidated statement of financial position of the Group \$'000	Audited consolidated statement of financial position of Ley Choon Group \$'000	Proforma adjustments (see notes below)				Unaudited proforma consolidated statement of financial position \$'000
	(a)	(b)	(c)	(d)	(e)		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Equity</b>							
Share capital	59,313	16,137	–	8,731	–	15,000	43,229
Reserves	(53,900)	42,274	(52)	(11,544)	(2,000)	(15,000)	13,730
<b>Equity attributable to owners of the Company</b>	5,413	58,411	(52)	(2,813)	(2,000)	–	56,959
<b>Non-controlling interests</b>	–	420	–	–	–	–	420
<b>Total equity</b>	5,413	58,831	(52)	(2,813)	(2,000)	–	57,379
<b>Non-current liabilities</b>							
Trade and other payables	100	–	(100)	–	–	–	–
Loans and borrowings	–	24,424	–	–	–	–	24,424
Deferred tax liabilities	42	3,893	(42)	–	–	–	3,893
	142	28,317	(142)	–	–	–	28,317
<b>Current liabilities</b>							
Loans and borrowings	–	34,159	–	–	–	–	34,159
Trade and other payables	1,417	24,478	(732)	1,428	–	–	26,591
Liabilities directly associated with disposal group classified as held for sale	41	–	(41)	–	–	–	–
Provisions	–	106	–	–	–	–	106
Current tax payable	5	1,984	(5)	–	–	–	1,984
	1,463	60,727	(778)	1,428	–	–	62,840
<b>Total liabilities</b>	1,605	89,044	(920)	1,428	–	–	91,157
<b>Total equity and liabilities</b>	7,018	147,875	(972)	(1,385)	(2,000)	–	148,536

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**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

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**3 Unaudited Proforma Financial Position of the Enlarged Group (continued)**

**(i) Unaudited proforma statement of financial position as at 31 December 2011  
(continued)**

Notes to the proforma adjustments:-

- (a) Adjustments to account for the complete disposal of all assets, businesses, undertakings, and equity interests of the Company in all of its subsidiaries, save for a cash balance of \$2.4 million, \$0.6 million of current liabilities and the entire equity interests in Ranoda (M) Sdn Bhd, to third parties for cash consideration totalling \$2;
- (b) Adjustments to account for the Capital Reductions and Cash Distribution exercise undertaken by the Company;
- (c) Adjustments to reflect consolidation entries to eliminate the cost of investment in the Company including acquisition related costs arising from the reverse acquisition of the Company by Ley Choon;
- (d) Adjustments to account for the payment of the one-tier tax exempt dividend declared by Ley Choon amounting to \$2.0 million; and
- (e) Adjustments to account for the issue of bonus shares by Ley Choon out of its retained earnings.

**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

**3 Unaudited Proforma Financial Position of the Enlarged Group (continued)**

**(ii) Unaudited proforma statements of comprehensive income for the years ended 31 December 2009, 2010 and 2011**

For the financial year ended 31 December 2009	Unaudited consolidated statement of comprehensive income of the Group \$'000	Audited consolidated statement of comprehensive income of Ley Choon Group \$'000	Proforma adjustments (see note below) (a) \$'000	Unaudited proforma consolidated statement of comprehensive income \$'000
<b>Continuing operations</b>				
Revenue	5,377	110,330	(5,377)	110,330
Cost of sales	(5,743)	(78,952)	5,743	(78,952)
<b>Gross (loss)/profit</b>	(366)	31,378	366	31,378
Other income	21,201	2,450	(18,519)	5,132
Distribution expenses	(5,120)	(252)	5,120	(252)
Administrative expenses	(7,587)	(5,525)	4,232	(8,880)
Other operating expenses	(305)	(1,305)	305	(1,305)
<b>Results from operating activities</b>	7,823	26,746	(8,496)	26,073
Finance costs	(277)	(1,828)	277	(1,828)
	7,546	24,918	(8,219)	24,245
Share of profit of associate (net of tax)	87	466	(87)	466
<b>Profit before tax</b>	7,633	25,384	(8,306)	24,711
Income tax expense	(4)	(4,963)	18	(4,949)
<b>Profit from continuing operations</b>	7,629	20,421	(8,288)	19,762
<b>Discontinued operation</b>				
Loss from discontinued operation (net of tax)	(718)	(498)	718	(498)
<b>Profit for the year</b>	6,911	19,923	(7,570)	19,264
<b>Other comprehensive income, net of tax</b>				
Translation differences relating to financial statements of foreign subsidiary	105	–	(105)	–
<b>Other comprehensive income for the year, net of tax</b>	105	–	(105)	–
<b>Total comprehensive income for the year</b>	7,016	19,923	(7,675)	19,264
<b>Profit and total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	7,016	20,038	(7,675)	19,379
Non-controlling interests	–	(115)	–	(115)
	7,016	19,923	(7,675)	19,264

Notes to the proforma adjustments:-

- (a) Adjustments to account for the results of existing businesses of the Group being disposed of, save for the business relating to the Group's equity interests in Ranoda (M) Sdn Bhd.

**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

**3 Unaudited Proforma Financial Position of the Enlarged Group (continued)**

**(ii) Unaudited proforma statements of comprehensive income for the years ended 31 December 2009, 2010 and 2011 (continued)**

For the financial year ended 31 December 2010	Unaudited consolidated statement of comprehensive income of the Group \$'000	Audited consolidated statement of comprehensive income of Ley Choon Group \$'000	Proforma adjustments (see note below) (a) \$'000	Unaudited proforma consolidated statement of comprehensive income \$'000
<b>Continuing operations</b>				
Revenue	1,832	110,714	(1,832)	110,714
Cost of sales	(1,588)	(84,202)	1,588	(84,202)
<b>Gross profit</b>	<b>244</b>	<b>26,512</b>	<b>(244)</b>	<b>26,512</b>
Other income	3,047	2,194	(518)	4,723
Distribution expenses	248	(368)	(248)	(368)
Administrative expenses	(6,152)	(8,908)	2,821	(12,239)
Other operating expenses	(409)	(1,455)	409	(1,455)
<b>Results from operating activities</b>	<b>(3,022)</b>	<b>17,975</b>	<b>2,220</b>	<b>17,173</b>
Finance costs	(8)	(2,136)	8	(2,136)
Share of profit of associate (net of tax)	117	–	(117)	–
<b>(Loss)/Profit before tax</b>	<b>(2,913)</b>	<b>15,839</b>	<b>2,111</b>	<b>15,037</b>
Income tax expense	183	(2,361)	(201)	(2,379)
<b>(Loss)/Profit from continuing operations</b>	<b>(2,730)</b>	<b>13,478</b>	<b>1,910</b>	<b>12,658</b>
<b>Discontinued operation</b>				
Loss from discontinued operation (net of tax)	(2,943)	–	2,943	–
<b>(Loss)/Profit for the year</b>	<b>(5,673)</b>	<b>13,478</b>	<b>4,853</b>	<b>12,658</b>
<b>Other comprehensive (expense)/ income, net of tax</b>				
Translation differences relating to financial statements of foreign subsidiary	(432)	–	432	–
<b>Other comprehensive (expense)/ income for the year, net of tax</b>	<b>(432)</b>	<b>–</b>	<b>432</b>	<b>–</b>
<b>Total comprehensive (expense)/ income for the year</b>	<b>(6,105)</b>	<b>13,478</b>	<b>5,285</b>	<b>12,658</b>
<b>Profit and total comprehensive (expense)/income attributable to:</b>				
Owners of the Company	(6,105)	13,360	5,285	12,540
Non-controlling interests	–	118	–	118
	<b>(6,105)</b>	<b>13,478</b>	<b>5,285</b>	<b>12,658</b>

Notes to the proforma adjustments:-

- (a) Adjustments to account for the results of existing businesses of the Group being disposed of, save for the business relating to the Group's equity interests in Ranoda (M) Sdn Bhd.

**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

**3 Unaudited Proforma Financial Position of the Enlarged Group (continued)**

**(ii) Unaudited proforma statements of comprehensive income for the years ended 31 December 2009, 2010 and 2011 (continued)**

For the financial year ended 31 December 2011	Unaudited consolidated statement of comprehensive income of the Group \$'000	Audited consolidated statement of comprehensive income of Ley Choon Group \$'000	Proforma adjustments (see note below) (a) \$'000	Unaudited proforma consolidated statement of comprehensive income \$'000
<b>Continuing operations</b>				
Revenue	–	126,843	–	126,843
Cost of sales	–	(97,783)	–	(97,783)
<b>Gross profit</b>	–	29,060	–	29,060
Other income	5,886	1,475	(2,340)	5,021
Distribution expenses	–	(377)	–	(377)
Administrative expenses	(8,649)	(11,460)	4,796	(15,313)
Other operating expenses	(1,176)	(706)	1,176	(706)
<b>Results from operating activities</b>	(3,939)	17,992	3,632	17,685
Finance costs	(27)	(2,129)	27	(2,129)
<b>(Loss)/Profit before tax</b>	(3,966)	15,863	3,659	15,556
Income tax expense	(104)	(847)	122	(829)
<b>(Loss)/Profit from continuing operations</b>	(4,070)	15,016	3,781	14,727
<b>Discontinued operation</b>				
Loss from discontinued operation (net of tax)	(2,918)	–	2,918	–
<b>(Loss)/Profit for the year/Total comprehensive (expense)/income for the year</b>	(6,988)	15,016	6,699	14,727
<b>Profit and total comprehensive (expense)/income attributable to:</b>				
Owners of the Company	(6,988)	14,856	6,699	14,567
Non-controlling interests	–	160	–	160
	(6,988)	15,016	6,699	14,727

Notes to the proforma adjustments:-

- (a) Adjustments to account for the results of existing businesses of the Group being disposed of, save for the business relating to the Group's equity interests in Ranoda (M) Sdn Bhd.

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**APPENDIX D – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL  
INFORMATION OF THE PROFORMA GROUP**

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**4. Earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The number of ordinary shares outstanding is based on the number of shares of the Company as at 31 December 2009, 2010 and 2011 after the Proposed Transactions assuming the Proposed Transactions occurred on 1 January 2009:

	2009	2010	2011
Net earnings attributable to equity owners of the Company (\$'000)	19,379	12,540	14,567
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	287,906	365,880	431,859
Basic and diluted earnings per share (cents)	6.7	3.4	3.4

The diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares.

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**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

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The Board of Directors  
Ley Choon Constructions and Engineering Pte Ltd  
61 Senoko Drive  
Singapore 758238

Dear Sirs,

**Independent auditors' report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Ley Choon Constructions and Engineering Pte. Ltd. and its subsidiaries (collectively, the Group”), which comprise the consolidated statements of financial position as at 31 December 2009, 2010 and 2011, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years ended 31 December 2009, 2010 and 2011, and a summary of significant accounting policies and other explanatory information, as set out on pages E-3 to E-49.

**Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

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**Opinion**

In our opinion, the consolidated financial statements of the Group present fairly, in all material respects, the state of affairs of the Group as at 31 December 2009, 2010 and 2011, and the results, changes in equity and cash flows of the Group for each of the years ended 31 December 2009, 2010 and 2011.

This report has been prepared for inclusion in the Circular to be issued by Ultro Technologies Limited. No audited financial statements of the Group have been prepared for the period subsequent to 31 December 2011.

**KPMG LLP**

*Public Accountants and  
Certified Public Accountants*

**Singapore**

21 June 2012

Barry Lee Chin Siang  
Partner

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**Consolidated statements of financial position  
As at 31 December 2009, 2010 and 2011**

	Note	2009 \$'000 (restated)	2010 \$'000 (restated)	2011 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	4	37,591	45,083	48,554
Associate	5	–	–	–
Club membership		–	42	42
		<u>37,591</u>	<u>45,125</u>	<u>48,596</u>
<b>Current assets</b>				
Inventories	6	4,971	5,239	4,302
Contracts work-in-progress	7	26,088	33,214	51,534
Trade and other receivables	8	18,707	13,551	15,198
Financial assets designated at fair value through profit or loss	9	56	56	77
Cash and cash equivalents	10	14,206	18,865	28,168
		<u>64,028</u>	<u>70,925</u>	<u>99,279</u>
<b>Total assets</b>		<u><u>101,619</u></u>	<u><u>116,050</u></u>	<u><u>147,875</u></u>
<b>Equity</b>				
Share capital	11	4,300	16,137	16,137
Retained earnings		30,434	32,418	42,274
<b>Equity attributable to owners of the Company</b>		<u>34,734</u>	<u>48,555</u>	<u>58,411</u>
<b>Non-controlling interests</b>		178	260	420
<b>Total equity</b>		<u>34,912</u>	<u>48,815</u>	<u>58,831</u>
<b>Non-current liabilities</b>				
Loans and borrowings	12	20,042	16,340	24,424
Deferred tax liabilities	13	2,280	3,056	3,893
		<u>22,322</u>	<u>19,396</u>	<u>28,317</u>
<b>Current liabilities</b>				
Loans and borrowings	12	18,985	26,642	34,159
Trade and other payables	14	20,029	18,953	24,478
Provisions	15	1,020	376	106
Current tax payable		4,351	1,868	1,984
		<u>44,385</u>	<u>47,839</u>	<u>60,727</u>
<b>Total liabilities</b>		<u>66,707</u>	<u>67,235</u>	<u>89,044</u>
<b>Total equity and liabilities</b>		<u><u>101,619</u></u>	<u><u>116,050</u></u>	<u><u>147,875</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**Consolidated statements of comprehensive income  
For the years ended 31 December 2009, 2010 and 2011**

		2009 \$'000 (restated)	2010 \$'000 (restated)	2011 \$'000
<b>Continuing operations</b>				
Revenue	16	110,330	110,714	126,843
Cost of sales		(78,952)	(84,202)	(97,783)
<b>Gross profit</b>		31,378	26,512	29,060
Other income	17	2,450	2,194	1,475
Distribution expenses		(252)	(368)	(377)
Administrative expenses		(5,525)	(8,908)	(11,460)
Other expenses		(1,305)	(1,455)	(706)
<b>Results from operating activities</b>		26,746	17,975	17,992
Finance costs	18	(1,828)	(2,136)	(2,129)
		24,918	15,839	15,863
Share of profit of associate (net of tax)		466	–	–
<b>Profit before tax</b>		25,384	15,839	15,863
Income tax expense	19	(4,963)	(2,361)	(847)
<b>Profit from continuing operations</b>	20	20,421	13,478	15,016
<b>Discontinued operation</b>				
Loss from discontinued operation (net of tax)	21	(498)	–	–
<b>Profit/Total comprehensive income for the year</b>		19,923	13,478	15,016
<b>Profit/Total comprehensive income attributable to:</b>				
Owners of the Company		20,038	13,360	14,856
Non-controlling interests		(115)	118	160
		19,923	13,478	15,016

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**Consolidated statements of changes in equity  
For the years ended 31 December 2009, 2010 and 2011**

	Note	Share capital \$'000	Retained earnings \$'000	Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2009		3,000	11,396	14,396	–	14,396
<b>Total comprehensive income for the year</b>						
Profit for the year/Total comprehensive income for the year		–	20,038	20,038	(115)	19,923
<b>Transactions with owners, recognised directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
One-tier tax exempt final dividend of \$0.33 per ordinary share in respect of the year ended 31 December 2008		–	(1,000)	(1,000)	–	(1,000)
Issue of ordinary shares related to business combination	11	1,300	–	1,300	–	1,300
<b>Total contributions by and distributions to owners</b>		1,300	(1,000)	300	–	300
<b>Changes in ownership interests in subsidiaries</b>						
Acquisition of non-controlling interests with a change in control/Total changes in ownership interests in subsidiaries		–	–	–	293	293
<b>Total transactions with owners</b>		1,300	(1,000)	300	293	593
At 31 December 2009		4,300	30,434	34,734	178	34,912

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**Consolidated statements of changes in equity (continued)**  
**For the years ended 31 December 2009, 2010 and 2011**

	Note	Share capital \$'000	Retained earnings \$'000	Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2010		4,300	30,434	34,734	178	34,912
<b>Total comprehensive income for the year</b>						
Profit for the year/Total comprehensive income for the year		–	13,360	13,360	118	13,478
<b>Transactions with owners, recognised directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Issue of bonus shares/Total contributions by and distributions to owners	11	11,837	(11,837)	–	–	–
<b>Changes in ownership interests in subsidiaries</b>						
Acquisition of non-controlling interests without a change in control/Total changes in ownership interests in subsidiaries		–	461	461	(36)	425
<b>Total transactions with owners</b>		11,837	(11,376)	461	(36)	425
At 31 December 2010		16,137	32,418	48,555	260	48,815

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**Consolidated statements of changes in equity (continued)**  
**For the years ended 31 December 2009, 2010 and 2011**

	Share capital \$'000	Retained earnings \$'000	Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2011	16,137	32,418	48,555	260	48,815
<b>Total comprehensive income for the year</b>					
Profit for the year/Total comprehensive income for the year	–	14,856	14,856	160	15,016
<b>Transactions with owners, recognised directly in equity</b>					
<b>Contributions by and distributions to owners</b>					
One-tier tax exempt interim dividend of \$0.20 per ordinary share in respect of the year ended 31 December 2010	–	(3,000)	(3,000)	–	(3,000)
One-tier tax exempt interim dividend of \$0.13 per ordinary share in respect of the year ended 31 December 2011	–	(2,000)	(2,000)	–	(2,000)
<b>Contributions by and distributions to owners/ Total transactions with owners</b>	–	(5,000)	(5,000)	–	(5,000)
At 31 December 2011	16,137	42,274	58,411	420	58,831

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**Consolidated statements of cash flows**  
**For the years ended 31 December 2009, 2010 and 2011**

	2009 \$'000 (restated)	2010 \$'000 (restated)	2011 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year	19,923	13,478	15,016
Adjustments for:			
Depreciation of property, plant and equipment	3,078	5,495	6,340
Provisions made/(reversed) for legal claims and damages	1,020	183	(230)
Dividend income from quoted equity shares	(32)	–	–
Interest income	(42)	(3)	(28)
Finance costs	1,828	2,136	2,129
Change in fair value of financial assets, at fair value through profit or loss	16	–	–
(Gain)/loss on disposal of property, plant and equipment	(223)	106	(130)
Gain on disposal of quoted equity investments	(676)	–	–
Loss on disposal of a subsidiary	5	–	–
Loss on disposal of discontinued operation	232	–	–
Share of profits of associate, net of tax	(466)	–	–
Change in fair value less estimated point-of-sale costs of breeder stocks	(374)	–	–
Impairment loss on trade receivables made/(reversed), net	73	526	(21)
Negative goodwill arising from acquisition of subsidiary	(195)	–	–
Goodwill on consolidation written off	–	182	–
Income tax expense	4,963	2,361	847
	29,130	24,464	23,923
Changes in working capital:			
Biological assets	279	–	–
Inventories	(1,397)	(268)	937
Contracts work-in-progress	(14,475)	(7,126)	(18,320)
Trade and other receivables	4,628	4,862	(1,626)
Trade and other payables	(1,314)	(1,134)	3,525
Provisions	–	(827)	(40)
Cash generated from operations	16,851	19,971	8,399
Income tax paid	(517)	(4,072)	106
<b>Net cash generated from operating activities</b>	16,334	15,899	8,505

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON  
CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR  
THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**Consolidated statements of cash flows (continued)  
For the years ended 31 December 2009, 2010 and 2011**

	2009 \$'000 (restated)	2010 \$'000 (restated)	2011 \$'000
<b>Cash flows from investing activities</b>			
Disposal of subsidiary, net of cash disposed	(77)	–	–
Acquisition of a subsidiary	842	68	–
Acquisition of property, plant and equipment	(7,828)	(9,179)	(7,807)
Acquisition of financial assets at fair value through profit or loss	(1,113)	–	(21)
Dividends received	32	–	–
Proceeds from disposal of property, plant and equipment	659	875	711
Proceeds from disposal of financial assets at fair value through profit or loss	1,887	–	–
Acquisition of club membership	–	(42)	–
Interest received	42	3	28
<b>Net cash used in investing activities</b>	<b>(5,556)</b>	<b>(8,275)</b>	<b>(7,089)</b>
<b>Cash flows from financing activities</b>			
Interest paid	(1,828)	(2,136)	(2,129)
Proceeds from borrowings	17,200	14,357	28,970
Repayment of borrowings	(9,696)	(9,040)	(11,277)
Repayment of finance lease liabilities	(5,191)	(6,135)	(4,995)
Fixed deposits pledged with bank	(626)	(1,510)	63
Dividends paid	–	–	(3,000)
<b>Net cash (used in)/generated from financing activities</b>	<b>(141)</b>	<b>(4,464)</b>	<b>7,632</b>
<b>Net increase in cash and cash equivalents</b>	<b>10,637</b>	<b>3,160</b>	<b>9,048</b>
Cash and cash equivalents at beginning of year	836	11,473	14,633
Cash and cash equivalents at end of year	<u>11,473</u>	<u>14,633</u>	<u>23,681</u>

During the financial years ended 31 December 2009, 2010 and 2011, the Group acquired property, plant and equipment with an aggregate cost of \$15,309,000, \$13,963,000 and \$10,392,000, of which \$7,481,000, \$4,784,000 and \$2,585,000 were acquired under finance leases.

During the financial year ended 31 December 2009, the Company disposed of its equity interests in the following subsidiaries to certain of its directors and/or shareholders:-

- a) Ley Choon Dragon Fish Industry Pte. Ltd. for a consideration of \$1,000,000, which was satisfied through offsetting of dividends payable to the shareholders; and
- b) Ley Choon Developments Pte. Ltd. for a consideration of \$603,144, which was satisfied through offsetting against amounts due from directors.

The accompanying notes form an integral part of these consolidated financial statements.

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**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

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These notes form an integral part of these consolidated financial statements.

**1 Business and organisation**

**1.1 Introduction**

The consolidated financial statements of Ley Choon Constructions and Engineering Pte. Ltd. (the “Company”) and its subsidiaries have been prepared in accordance with the principles and the accounting policies set out in Note 3 to the consolidated financial statements for inclusion in the circular to the shareholders of Ultro Technologies Limited.

These consolidated financial statements of the Group were authorized for issue by the directors of the Company on 21 June 2012.

**1.2 The Company**

The Company was incorporated in the Republic of Singapore on 7 September 1990 and has its registered office at No. 4 Sungei Kadut Street 2, Singapore 729226.

The principal activities of the Company are those of non-building construction (civil engineering construction) and manufacture of asphalt premix. The principal activities of the subsidiaries are set out in note 1.3 to the consolidated financial statements.

The consolidated financial statements of the Company as at and for the years ended 31 December 2009, 2010 and 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as the “Group entities”) and the Group’s interest in a joint venture.

**1.3 The subsidiaries**

The subsidiaries of the Group and the auditors of their statutory financial statements are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group		
			2009 %	2010 %	2011 %
<u>Held by the Company</u>					
Multiform Developments & Construction Pte Ltd (“Multiform Developments”) <sup>1</sup>	Road construction and mixed construction activities	Singapore	100	100	100
Chin Kuan Engineering & Contractors Pte Ltd (“Chin Kuan Engineering”) <sup>1</sup>	Mixed construction activities and civil engineering	Singapore	100	100	100
Ley Choon Developments Pte. Ltd. (formerly known as Ley Choon Technology Pte. Ltd.) (“Ley Choon Developments”) <sup>2</sup>	Mixed construction activities	Singapore	–	100	100
Teacly (S) Pte. Ltd. (“Teacly”) <sup>1</sup>	Non building construction, building cleaning and maintenance services	Singapore	100	100	100

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**1. Business and organisation (continued)**

**1.3 The subsidiaries (continued)**

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group		
			2009 %	2010 %	2011 %
<u>Held by the Company</u>					
Ley Choon EWC Sdn Bhd ("Ley Choon EWC") <sup>3</sup>	Non building construction (civil engineering construction) and manufacturing of asphalt pre-mix	Brunei	–	–	51
<u>Held by Teacly (S) Pte Ltd</u>					
Pan Alliance Technology International Pte. Ltd. ("Pan Alliance") <sup>1</sup>	Water and gas pipe-line and sewer construction	Singapore	60	70	70
<u>Held by Ley Choon Developments</u>					
Ley Choon (Yantai) Eco-Green Construction Materials Ltd. ("Yantai") <sup>4</sup>	Recycling of construction waste and development of eco-green construction products; and production and sale of asphalt concrete, dry mortar concrete, concrete block and sands	People's Republic of China	–	–	100

<sup>1</sup> Audited by LTC LLP, Singapore, for the financial year ended 31 December 2009, jointly audited by Deloitte & Touche LLP, Singapore, and LTC LLP, Singapore, for the financial year ended 31 December 2010 and audited by KPMG LLP, Singapore, for the financial year ended 31 December 2011 for statutory audit purposes.

<sup>2</sup> Jointly audited by Deloitte & Touche LLP, Singapore, and LTC LLP, Singapore, for the financial year ended 31 December 2010 and audited by KPMG LLP, Singapore, for the financial year ended 31 December 2011 for statutory audit purposes.

<sup>3</sup> Ley Choon EWC was incorporated on 29 November 2011. No audit is required as the entity is dormant.

<sup>4</sup> Yantai was incorporated on 15 September 2011. Audited by KPMG Huazhen for the financial period ended 31 December 2011 for statutory audit purposes.

The auditors' reports on the statutory financial statements of the Company, Multiform Developments, Chin Kuan Engineering, Teacly and Pan Alliance for the financial years ended 31 December 2009, 2010 and 2011 were not subject to any material qualifications, modifications or disclaimer of opinion.

The auditors' reports on the statutory financial statements of Ley Choon Developments for the financial years ended 31 December 2010 and 2011 were not subject to any material qualifications, modifications or disclaimer of opinion.

The auditors' reports on the statutory financial statements of Yantai for the financial period ended 31 December 2011 were not subject to any material qualifications, modifications or disclaimer of opinion.

The statutory financial statements of the Company and its subsidiaries, other than Yantai, are prepared in accordance with Singapore Financial Reporting Standards. They are audited by Certified Public Accountants registered with the Accounting and Corporate Regulatory Authority ("ACRA") of the Republic of Singapore.

The statutory financial statements of Yantai are prepared in accordance with the generally accepted accounting principles of the People's Republic of China. They are audited by Certified Public Accountants registered with the Chinese Institute of Certified Public Accountants in the People's Republic of China.

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**1. General (continued)**

**1.4 Joint venture**

On 28 June 2010, the Company entered into a joint venture with a third party for the purpose of undertaking certain contracts. The effective equity interest held by the Company is 55% and the Company is entitled to 41.25% share of project profit generated by the joint venture.

**2 Basis of preparation**

**2.1 Statement of compliance**

The consolidated financial statements are prepared in accordance with Singapore Financial Reporting Standards.

**2.2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

**2.3 Functional and presentation currency**

These consolidated financial statements are presented in Singapore dollars (\$), which is also the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

**2.4 Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these 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.

In particular, information about significant areas of estimation, uncertainties, and assumptions in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are included in the following notes:

- Note 4 - measurement of recoverable amounts of property, plant and equipment
- Note 16 - estimation of the percentage of completion of the projects, attributable profits and foreseeable losses
- Note 28 - assessment of impairment losses on doubtful receivables

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### 2 Basis of preparation (continued)

#### 2.5 Changes in accounting policies

(i) Measurement of non-controlling interests in business combinations

From 1 January 2010, the Group has applied the amendments to FRS 103 Business Combinations resulting from the Improvements to FRSs 2010 in measuring at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value (see Note 3.1).

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non-controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date.

This change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on profit or loss.

(ii) Identification of related party relationships and related party disclosures

From 1 January 2011, the Group has applied the revised FRS 24 Related Party Disclosures (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has not resulted in additional disclosures and there is no financial effect on the results and financial position of the Group for the current and previous financial years.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities, except as explained in Note 2.5, which addresses changes in accounting policies.

#### 3.1 Basis of consolidation

##### ***Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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### **3 Significant accounting policies (continued)**

#### **3.1 Basis of consolidation (continued)**

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

#### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### ***Investments in associates***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

#### ***Jointly controlled operations***

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

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### 3 Significant accounting policies (continued)

#### 3.1 Basis of consolidation (continued)

##### ***Loss of control***

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### ***Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### ***Acquisition of non-controlling interests***

Acquisition of non-controlling interests are accounted for as transaction with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill is not recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

#### 3.2 Foreign currencies

##### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

#### 3.3 Property, plant and equipment

##### ***Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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**3 Significant accounting policies (continued)**

**3.3 Property, plant and equipment (continued)**

***Recognition and measurement (continued)***

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

***Subsequent costs***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

***Depreciation***

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Property under construction is not depreciated. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold buildings	18 to 50 years
Plant and equipment	5 to 10 years
Motor vehicles	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**3.4 Goodwill on consolidation**

Goodwill that arises upon the acquisition of subsidiaries represents the excess of:

- the fair value of the consideration transferred;
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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**3 Significant accounting policies (continued)**

3.4 Goodwill on consolidation (continued)

***Subsequent measurement***

Goodwill is measured at cost less accumulated impairment losses, and tested for impairment.

3.5 Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.7 Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

3.8 Financial instruments

***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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**3 Significant accounting policies (continued)**

3.8 Financial instruments (continued)

***Non-derivative financial assets (continued)***

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

*Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

***Non-derivative financial liabilities***

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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**3 Significant accounting policies (continued)**

3.8 Financial instruments (continued)

***Share capital***

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.9 Impairment

***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

***Loans and receivables***

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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**3 Significant accounting policies (continued)**

**3.9 Impairment (continued)**

***Non-financial assets***

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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, net of depreciation or amortisation, if no impairment loss had been recognised.

**3.10 Employee benefits**

***Defined contribution plans***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

***Short-term employee benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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**3 Significant accounting policies (continued)**

**3.11 Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**3.12 Revenue**

***Contract revenue***

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is measured by reference to the ratio of contract costs incurred to date to the estimated total costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

***Goods sold***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

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**3 Significant accounting policies (continued)**

3.12 Revenue (continued)

***Interest income***

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

***Rental income***

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

***Dividend income***

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

***Income from supply of labour***

Income from supply of labour is recognised on the date that the Group's right to receive payment is established.

3.13 Government grants

***Jobs Credit Scheme***

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

3.14 Finance costs

Finance costs comprise interest expenses on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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**3 Significant accounting policies (continued)**

**3.15 Income tax (continued)**

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**3.16 Segment reporting**

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 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.

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. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

**3.17 New standards and interpretations not adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

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**4 Property, plant and equipment**

	Leasehold buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>					
At 1 January 2009	5,831	18,026	6,108	–	29,965
Additions	–	11,727	3,392	190	15,309
Disposals	–	(773)	(433)	–	(1,206)
Acquisition through business combination	316	618	1,480	–	2,414
Disposal of subsidiary	(229)	(19)	–	–	(248)
At 31 December 2009	5,918	29,579	10,547	190	46,234
Additions	221	11,864	1,732	146	13,963
Transfers	190	–	–	(190)	–
Disposals	–	(1,513)	(258)	–	(1,771)
Acquisition through business combination	–	–	5	–	5
At 31 December 2010	6,329	39,930	12,026	146	58,431
Additions	4,530	4,242	1,100	520	10,392
Transfers	–	146	–	(146)	–
Disposals	(433)	(705)	(300)	–	(1,438)
At 31 December 2011	10,426	43,613	12,826	520	67,385
<b>Accumulated depreciation</b>					
At 1 January 2009	767	3,395	2,206	–	6,368
Depreciation charge for the year	234	2,001	843	–	3,078
Disposals	–	(656)	(114)	–	(770)
Disposal of subsidiary	(28)	(5)	–	–	(33)
At 31 December 2009	973	4,735	2,935	–	8,643
Depreciation charge for the year	218	4,299	978	–	5,495
Disposals	–	(599)	(191)	–	(790)
At 31 December 2010	1,191	8,435	3,722	–	13,348
Depreciation charge for the year	384	3,990	1,966	–	6,340
Disposals	(144)	(483)	(230)	–	(857)
At 31 December 2011	1,431	11,942	5,458	–	18,831
<b>Carrying amount</b>					
At 31 December 2009	4,945	24,844	7,612	190	37,591
At 31 December 2010	5,138	31,495	8,304	146	45,083
At 31 December 2011	8,995	31,671	7,368	520	48,554

***Depreciation of and impairment loss on property, plant and equipment***

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The estimation of useful lives is based on assumptions about wear and tear, ageing, technical standards and changes in demand as well as the Group's historical experience with similar assets. Changes in these factors may impact the useful lives of assets, which could result in higher annual depreciation expenses.

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**4 Property, plant and equipment (continued)**

***Depreciation of and impairment loss on property, plant and equipment (continued)***

Impairment losses would be made by the Group for property, plant and equipment whenever there is objective evidence that the assets are impaired.

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount of property, plant and equipment under finance lease obligations	19,295	20,816	20,748
Depreciation of property, plant and equipment which has been capitalised in contract work-in-progress	2,348	4,671	5,460
Carrying amount of property, plant and equipment mortgaged to banks to secure banking facilities for the Group (see Note 12)			
Leasehold buildings	4,945	5,138	4,624
Plant and equipment	2,522	–	–

**5 Associate**

On 8 October 2009, the Company obtained control of its associate, Teacly, by acquiring the remaining 51% of the equity interests in the associate (See Note 23).

The summarised financial information of the associate, not adjusted for the percentage ownership held by the Group, is as follows:

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	12,615	–	–
Expenses	(11,664)	–	–
	951	–	–

**6 Inventories**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Raw materials, at cost	4,971	5,239	4,302

**7 Contracts work-in-progress**

	<b>Note</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Costs incurred and attributable profits		104,647	153,231	280,418
Progress billings		(79,643)	(120,964)	(229,450)
		25,004	32,267	50,968
Contracts work-in-progress		26,088	33,214	51,534
Excess of progress billings over contracts work-in-progress	14	(1,084)	(947)	(566)
		25,004	32,267	50,968

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**8 Trade and other receivables**

	2009 \$'000	2010 \$'000	2011 \$'000
Trade receivables			
- third parties	15,161	9,988	13,784
- a company in which certain directors have substantial financial interests	343	20	–
Accrued trade receivables from construction contracts	1,199	2,985	–
	16,703	12,993	13,784
Impairment losses	(83)	(609)	(588)
	16,620	12,384	13,196
Amounts due from a company in which certain directors have substantial financial interests (non-trade)	941	449	–
Amounts due from directors of the Company	563	–	535
Other receivables	84	–	–
Staff loans	49	57	39
Loans and receivables	18,257	12,890	13,770
Downpayment for the purchase of land	–	–	375
Advances to suppliers	–	–	443
Prepayments	450	661	610
	18,707	13,551	15,198

The staff loans and non-trade amounts due from directors of the Company are unsecured and interest-free, and are repayable on demand.

The non-trade amounts due from a company in which certain directors have substantial financial interest were unsecured and interest free, and were fully repaid.

The amounts due from directors of the Company as at 31 December 2011 were repaid on 27 January 2012.

The Group's exposure to credit risk, impairment losses related to trade and other receivables are disclosed in Note 28.

**9 Financial assets designated at fair value through profit or loss**

	2009 \$'000	2010 \$'000	2011 \$'000
Quoted equity shares, at fair value	56	56	77

The Group's exposure to credit risk related to financial assets designated at fair value through profit or loss are included in Note 28.

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**10 Cash and cash equivalents**

	Note	2009 \$'000	2010 \$'000	2011 \$'000
Cash at bank and on hand		11,484	14,633	23,999
Fixed deposits		2,722	4,232	4,169
		14,206	18,865	28,168
Bank overdrafts	12	(11)	–	(318)
Deposits pledged		(2,722)	(4,232)	(4,169)
Cash and cash equivalents in the consolidated statements of cash flows		11,473	14,633	23,681

The fixed deposits of the Group are pledged to banks for letter of guarantee, performance guarantee facilities and bank borrowings granted to the Group.

The Group's exposure to interest rate risk and sensitivity analysis for financial assets are disclosed in Note 28.

**11 Share capital**

	2009 Number of shares '000	2010 Number of shares '000	2011 Number of shares '000
<b>Fully paid ordinary shares, with no par value:</b>			
At beginning of year	3,000	3,163	15,000
Issue of shares	163	11,837	–
At end of year	3,163	15,000	15,000

On 8 October 2009, the Company issued 162,938 shares as consideration paid for the acquisition of the remaining 51% equity interests in Teacly (see Note 23).

On 27 July 2010, the Company issued 11,837,062 bonus shares out of its retained earnings to its shareholders on the basis of 3,742 shares for every 1,000 existing shares held by the shareholders as at 27 July 2010.

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 meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains sound capital position in order to support its business and maximise shareholders' value. The Group is also committed to maintain efficient use of debt and equity in order to achieve optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Group manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may align the dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the financial years ended 31 December 2009, 2010 and 2011. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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**11 Share capital (continued)**

***Dividends***

On 6 March 2012, the directors of the Company proposed a one-tier tax exempt interim dividend of \$0.13 per ordinary share in respect of the year ended 31 December 2011. The dividends have not been provided for and there are no income tax consequences.

**12 Loans and borrowings**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current liabilities</b>			
Secured bank loans	13,202	10,779	19,915
Finance lease liabilities	6,840	5,561	4,509
	<u>20,042</u>	<u>16,340</u>	<u>24,424</u>
<b>Current liabilities</b>			
Bank overdrafts	11	–	318
Secured bank loans	6,267	9,861	13,697
Bills payable	7,244	11,390	16,111
Finance lease liabilities	5,463	5,391	4,033
	<u>18,985</u>	<u>26,642</u>	<u>34,159</u>
Total loans and borrowings	<u><u>39,027</u></u>	<u><u>42,982</u></u>	<u><u>58,583</u></u>

***Terms and debt repayment schedule***

***Finance lease liabilities***

Finance lease liabilities are repayable as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Payments</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 31 December 2009</b>			
Within one year	5,463	458	5,921
After one year but within five years	6,774	350	7,124
After five years	66	3	69
	<u>12,303</u>	<u>811</u>	<u>13,114</u>
<b>At 31 December 2010</b>			
Within one year	5,391	443	5,834
After one year but within five years	5,405	339	5,744
After five years	156	4	160
	<u>10,952</u>	<u>786</u>	<u>11,738</u>
<b>At 31 December 2011</b>			
Within one year	4,033	311	4,344
After one year but within five years	4,509	232	4,741
	<u>8,542</u>	<u>543</u>	<u>9,085</u>

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**12 Loans and borrowings (continued)**

***Terms and debt repayment schedule***

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
<b>31 December 2009</b>					
Bank overdrafts	SGD	6.00% to 7.00%	–	11	11
Secured bank loans	SGD	4.66% to 5.97%	2010-2017	19,469	19,469
Bills payable	SGD	5.25% to 6.45%	2010	7,244	7,244
Finance lease liabilities	SGD	3.88% to 8.69%	2016	13,114	12,303
				<u>39,838</u>	<u>39,027</u>
<b>31 December 2010</b>					
Secured bank loans	SGD	5.25% to 6.64%	2011-2017	20,640	20,640
Bills payable	SGD	5.25% to 6.50%	2011	11,390	11,390
Finance lease liabilities	SGD	3.53% to 8.69%	2016	11,738	10,952
				<u>43,768</u>	<u>42,982</u>
<b>31 December 2011</b>					
Bank overdrafts	SGD	5.50% to 7.50%	–	318	318
Secured bank loans	SGD	2.64% to 6.63%	2012-2017	33,612	33,612
Bills payable	SGD	5.25% to 6.50%	2012	16,111	16,111
Finance lease liabilities	SGD	3.22% to 8.69%	2016	9,085	8,542
				<u>59,126</u>	<u>58,583</u>

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

- (a) legal mortgage over the Group's leasehold buildings (see Note 4);
- (b) charge over certain of the Group's plant and equipment (see Note 4);
- (c) joint and several guarantees by certain directors and shareholders of the Company; and
- (d) fixed deposits of the Group (see Note 10).

**13 Deferred tax liabilities**

Movements in deferred tax liabilities and assets of the Group during the year are as follows:

	Note	Property, plant and equipment \$'000
At 31 January 2009		703
Recognised in profit or loss	19	1,577
At 31 December 2009		2,280
Recognised in profit or loss	19	772
Acquisition through business combinations	23	4
At 31 December 2010		3,056
Recognised in profit or loss	19	837
At 31 December 2011		<u>3,893</u>

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**14 Trade and other payables**

	Note	2009 \$'000	2010 \$'000	2011 \$'000
Trade payables		16,626	15,088	18,107
Other payables		96	6	23
Excess of progress billings over contracts work-in-progress	7	1,084	947	566
Dividend payable		–	–	2,000
Accruals		2,223	2,912	3,782
		20,029	18,953	24,478

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 28.

**15 Provisions**

	Provision for legal claims \$'000	Provision for damages \$'000	Total \$'000
At 1 January 2009	–	–	–
Provisions made	200	820	1,020
At 31 December 2009	200	820	1,020
Provisions made	57	126	183
Provisions utilized	(7)	(820)	(827)
At 31 December 2010	250	126	376
Provision reversed	(230)	–	(230)
Provisions utilized	(20)	(20)	(40)
At 31 December 2011	–	106	106

Provision for legal claims

The provision for legal claims is in respect of the alleged offences under the Electricity Act. The offence relates to earthworks carried out within the vicinity of a 6.6 kilowatt high voltage electricity cable on an electricity licensee by the Company, which is not an electricity licensee, carrying out earthworks without giving notice in writing of not less than seven days on the date on which the said earthworks were supposed to commence. In 2011, the claim was fully settled.

Provision for damages

In November 2009, Power Gas Limited ("Claimant") made a claim against the Company for the damages caused by a project on a Power Gas Transmission Pipeline surface. The Company has since negotiated and agreed with the Claimant to have the damages repaired. The provision made represents the management's estimate of the total repair cost, which takes into consideration the amount quoted by a gas pipe specialist.

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**16 Revenue**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Contract revenue	105,368	106,493	122,748
Sale of construction materials	4,962	4,221	4,095
	<u>110,330</u>	<u>110,714</u>	<u>126,843</u>

***Revenue from construction contracts***

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

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

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

**17 Other income**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rental income	297	147	145
Sale of scraps	273	424	767
Gain/(loss) on disposal of property, plant and equipment	223	(106)	130
Gain on disposal of quoted equity investments	676	–	–
Foreign exchange gain/(loss)	63	235	(51)
Insurance claims	268	816	90
Interest income	42	3	28
Dividend income from quoted equity shares	32	–	–
Government Grants under Jobs Credit Scheme	289	99	–
Income from supply of labour	–	282	11
Sundry income	92	294	355
Negative goodwill arising from acquisition of subsidiaries	195	–	–
	<u>2,450</u>	<u>2,194</u>	<u>1,475</u>

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**18 Finance costs**

	2009 \$'000	2010 \$'000	2011 \$'000
<b>Recognised in profit or loss</b>			
Interest expenses on loans and borrowings	1,828	2,136	2,129

**19 Income tax expense**

	2009 \$'000	2010 \$'000	2011 \$'000
<b>Current tax expense</b>			
Current year	3,039	2,157	1,614
Under/(over) provided in prior years	347	(568)	(1,604)
	3,386	1,589	10
<b>Deferred tax expense</b>			
Movements of temporary differences	1,347	712	837
Under provided in prior years	230	60	–
	1,577	772	837
Tax expense excluding tax on sale of discontinued operation and share of tax of associate	4,963	2,361	847
Tax from continuing operations	4,963	2,361	847
Tax from discontinued operation (excluding gain on sale)	88	–	–
	5,051	2,361	847
Share of tax of associate	113	–	–
Total tax expense	5,164	2,361	847
<b>Reconciliation of effective tax rates</b>			
Profit for the year	19,923	13,478	15,016
Total tax expense	5,164	2,361	847
Profit excluding tax	25,087	15,839	15,863
Statutory tax rate	17%	17%	17%
Income tax using statutory rate	4,265	2,693	2,697
Tax effect on non-taxable items	(82)	(67)	(99)
Tax effect on non-tax deductible items	392	351	335
Deferred tax liabilities not provided on current year temporary differences	(52)	–	–
Utilisation of previously unrecognised:			
- tax losses	(13)	–	–
- capital allowances	(110)	–	–
Under/(over) provided in prior years	577	(508)	(1,604)
Tax effect on tax exempt income	(104)	(104)	(112)
Tax incentive	–	–	(263)
Share of tax of associate	113	–	–
Others	178	(4)	(107)
	5,164	2,361	847

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**20 Profit for the year**

The following items have been included in arriving at profit for the year:

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Change in fair value less estimated point-of-sale costs of breeder stocks	(374)	–	–
Loss on disposal of a subsidiary	5	–	–
Operating lease expenses	1,187	1,768	1,928
Cost of inventories recognised in cost of sales	27,950	30,250	52,586
Staff costs	16,109	24,650	26,667
Contributions to defined contribution plans included in staff costs	564	938	1,072
Impairment loss on trade receivables made/(reversed), net	73	526	(21)
Provisions made/(reversed) for legal claims and damages	1,020	183	(230)
Change in fair value of financial assets, at fair value through profit or loss	16	–	–
Goodwill on consolidation written off	–	182	–

**21 Discontinued operation**

On 28 December 2009, the Group sold its entire marine and aquaculturalist business through the sale of Dragon Fish to directors and/or shareholders of the Company, namely, Toh Chew Huat, Toh Chew Leong, Toh Swee Kim and Toh Chew Chai for a total consideration of \$1,000,000, which was offsetted against the dividend payable to the shareholders. Dragon Fish was disposed of following a strategic decision to place greater focus on the Group's key competencies, being public utilities infrastructure construction, maintenance and engineering.

	<b>31 December 2009</b>
	<b>\$'000</b>
<b>Results from discontinued operation</b>	
Revenue	612
Expenses	(790)
<b>Results from operating activities</b>	(178)
Income tax	(88)
<b>Results from operating activities, net of income tax</b>	(266)
Loss on sale of discontinued operation	(232)
<b>Loss for the year</b>	(498)

The loss from the discontinued operation of \$498,000 for the financial year ended 31 December 2009 was attributable entirely to the owners of the Company. Of the profit from continuing operations of \$20,421,000 for the financial year ended 31 December 2009, an amount of \$20,536,000 was attributable to the owners of the Company.

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**21 Discontinued operation (continued)**

Effect of disposal on the financial position of the Group

	<b>31 December 2009 \$'000</b>
Property, plant and equipment	(215)
Biological assets	(2,005)
Trade and other receivables	(22)
Cash and cash equivalents	(29)
Trade and other payables	1,039
Net assets and liabilities	(1,232)
Loss arising from disposal of subsidiary	232
Consideration received, satisfied through offsetting of dividend payable to shareholders	(1,000)
Cash and cash equivalents disposed of	(29)
Net cash outflow	(29)

**22 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 reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- (a) Pipes and Roads Segment which comprises underground utilities infrastructure construction and maintenance; sewer pipeline rehabilitation; and road and airfield construction and maintenance.
- (b) Construction Materials Segment which comprises asphalt pre-mix production; and construction waste recycling.

Other operations relate to general corporate activities and others.

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.

The segment information provided to the Group's CEO for the reportable segments for the years ended 31 December 2009, 2010 and 2011 is as follows:

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**22 Operating segments (continued)**

*Business segments*

	Pipes and roads \$'000	Construction materials \$'000	Others \$'000	Total \$'000
<b>For the financial year ended 31 December 2009</b>				
External revenues	105,368	4,962	–	110,330
Inter-segment revenue	24,409	9,865	–	34,274
Total revenue	129,777	14,827	–	144,604
Interest income	–	–	42	42
Interest expenses	(682)	–	(1,146)	(1,828)
Depreciation	(2,348)	(247)	(483)	(3,078)
Reportable segment profit before income tax	29,591	1,105	(5,312)	25,384
Share of profit of associate	466	–	–	466
Reportable segment assets	71,813	5,957	23,849	101,619
Capital expenditure	12,002	1,813	1,494	15,309
Reportable segment liabilities	30,946	5,067	30,694	66,707
<b>For the financial year ended 31 December 2010</b>				
External revenues	106,493	4,221	–	110,714
Inter-segment revenue	20,764	9,955	–	30,719
Total revenue	127,257	14,176	–	141,433
Interest income	–	–	3	3
Interest expenses	(654)	–	(1,482)	(2,136)
Depreciation	(4,671)	(367)	(457)	(5,495)
Reportable segment profit before income tax	24,705	1,153	(10,019)	15,839
Reportable segment assets	80,996	6,959	28,095	116,050
Capital expenditure	12,779	369	815	13,963
Reportable segment liabilities	26,859	5,069	35,307	67,235

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**22 Operating segments (continued)**

	Pipes and roads \$'000	Construction materials \$'000	Others \$'000	Total \$'000
<b>For the financial year ended 31 December 2011</b>				
External revenues	121,810	5,033	–	126,843
Inter-segment revenue	37,213	14,955	–	52,168
Total revenue	159,023	19,988	–	179,011
Interest income	–	–	28	28
Interest expenses	(522)	–	(1,607)	(2,129)
Depreciation	(5,460)	(399)	(481)	(6,340)
Reportable segment profit before income tax	26,193	1,259	(11,589)	15,863
Reportable segment assets	99,552	7,623	40,700	147,875
Capital expenditure	3,935	1,603	4,854	10,392
Reportable segment liabilities	32,833	7,002	49,209	89,044

**23 Acquisition of subsidiary**

On 31 December 2008, the Company acquired the entire equity interest of Dragon Fish from two directors of the Company namely, Toh Choo Huat and Toh Chew Leong, for a consideration of \$1,000,000.

On 8 October 2009, the Company obtained control of Teacly by acquiring the remaining 51% of the equity interests in Teacly. As a result, the Group's equity interest in Teacly increased from 49% to 100% (See Note 5).

On 3 August 2010, the Company acquired the entire equity interest of Ley Choon Developments from two directors of the Company, namely, Toh Choo Huat and Toh Chew Leong, for a consideration of \$603,144 (See Note 24).

	← 31 December →	
	2009 \$'000	2010 \$'000
Property, plant and equipment	2,414	5
Cash and cash equivalents	842	68
Trade and other receivables	8,035	410
Inventories	777	–
Trade and other payables	(6,216)	(58)
Loans and borrowings	(2,844)	–
Deferred tax liabilities	–	(4)
	3,008	421

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**23 Acquisition of subsidiary (continued)**

	← 31 December →	
	2009	2010
	\$'000	\$'000
Non-controlling interests	(293)	–
Total identifiable net assets	2,715	421
Amount previously accounted for as an associate	(1,220)	–
Net assets acquired	1,495	421
(Negative goodwill)/Goodwill arising from acquisition of subsidiaries	(195)	182
Purchase consideration	1,300	603
Consideration satisfied by:		
- Equity instruments issued in settlement of purchase consideration	(1,300)	–
- Offset against amounts due to directors	–	(603)
	–	–
Cash acquired	(842)	(68)
Net cash inflow	(842)	(68)

**24 Disposal of subsidiary**

**Effect of disposal on the financial position of the Group**

On 4 July 2009, the Company disposed of its entire equity interests in Ley Choon Developments to two of its directors, namely, Toh Choo Huat and Toh Chew Leong, of the Company for a consideration of \$133,144.

On 3 August 2010, the Company entered into a sale and purchase agreement with the directors to acquire the entire equity interest of Ley Choon Developments (see Note 23).

	2009
	\$'000
Net assets disposed:	
Cash and cash equivalents	48
Trade and other receivables	151
Trade and other payables	(61)
	138
Loss on disposal of subsidiary	(5)
Consideration satisfied by offsetting against amount due from directors	133
	133
Cash disposed	(48)
Cash consideration received	–
Net cash outflow	(48)

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**25 Contingent liabilities**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Corporate guarantees given to banks in respect of credit facilities utilised by the subsidiaries	2,824	489	80

**26 Commitments**

***Capital commitments***

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Acquisition of property, plant and equipment contracted but not provided for in the financial statements	853	4,062	7,623

***Leases as lessee***

The total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Payable:			
Within 1 year	1,166	1,069	1,250
After 1 year but within 5 years	1,725	1,577	2,087
More than 5 years	6,031	7,216	7,773
	<u>8,922</u>	<u>9,862</u>	<u>11,110</u>

**27 Related parties**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The following persons are considered as key management personnel:

- (i) directors of the Company; and
- (ii) members of the Company's key management team.

***Key management personnel compensation***

Compensation payable to key management personnel comprises:

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	1,592	2,246	2,240
Post-employment benefits	91	108	143
	<u>1,683</u>	<u>2,354</u>	<u>2,383</u>

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**27 Related parties (continued)**

***Other related party transactions***

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than disclosed elsewhere in the financial statements, the transactions with related parties entered into based on terms agreed between the parties are as follows:

	2009	2010	2011
	\$'000	\$'000	\$'000
<b>Company in which the key management personnel have control</b>			
Service income	–	9	73
Purchases	–	24	39
<b>Associate</b>			
Contract revenue	1,119	–	–
Contract costs	5,874	–	–

**28 Financial risk management**

***Overview***

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

***Risk management framework***

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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.

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**28 Financial risk management (continued)**

***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the financial years ended 31 December 2009, 2010 and 2011, approximately 83%, 91% and 89% of the Group's revenue is attributable to sales transactions with its top five customers. The Group's most significant customer account for \$6,588,000, \$3,812,000 and \$6,291,000 of the trade receivables carrying amount as at 31 December 2009, 2010 and 2011.

*Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the ageing of its trade receivables on an on-going basis.

As the Group does 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 statement of financial position. The carrying amounts of trade and other receivables, and cash and cash equivalents represented the maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

*Management of credit risk*

- 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 up front by customers which do not meet the Group's credit requirements.
- Amount 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. The resultant effects of these measures have kept the Group's exposure to bad debts at an insignificant level.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

*Impairment losses*

The ageing of trade receivables and impairment losses at the reporting dates can be analysed as:

	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>2009</b>	<b>losses</b>	<b>2010</b>	<b>losses</b>	<b>2011</b>	<b>losses</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due	10,689	–	8,491	–	8,310	–
31 days to 60 days	1,624	–	978	–	1,610	–
61 days to 90 days	2,833	–	594	–	690	–
Past due > 90 days	1,557	(83)	2,930	(609)	3,174	(588)
	<b>16,703</b>	<b>(83)</b>	<b>12,993</b>	<b>(609)</b>	<b>13,784</b>	<b>(588)</b>

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**28 Financial risk management (continued)**

***Credit risk (continued)***

The movements in impairment loss in respect of loans and receivables are as follows:

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At beginning of the year	(10)	(83)	(609)
Impairment losses reversed	10	70	21
Impairment losses made	(83)	(596)	–
At end of the year	<u>(83)</u>	<u>(609)</u>	<u>(588)</u>

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade receivables balance, creditworthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Amount not paid after the credit period granted will be considered past due. The credit terms granted to customers are based on the Group's assessment of their creditworthiness and in accordance with the Group's policy.

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due more than 90 days. These receivables are mainly arising by customers that have good payment records with the Group.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting dates. The Group has not recognised impairment losses on certain trade receivables which are past due more than 90 days at the reporting dates as there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, management believes that there is no further credit provision required in excess of the allowance for impairment loss recognised.

*Allowance for impairment losses*

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The component of this allowance is specific loss that relates to individually significant exposures.

***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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**28 Financial risk management (continued)**

***Liquidity risk (continued)***

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000
<b>31 December 2009</b>				
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	39,027	39,838	19,443	20,395
Trade and other payables*	18,945	18,945	18,945	–
	57,972	58,783	38,388	20,395
<b>31 December 2010</b>				
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	42,982	43,768	27,085	16,683
Trade and other payables*	18,006	18,006	18,006	–
	60,988	61,774	45,091	16,683
<b>31 December 2011</b>				
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	58,583	60,904	35,379	25,525
Trade and other payables*	23,912	23,912	23,912	–
	82,495	84,816	59,291	25,525

\* Excludes excess of progress billings over contracts work-in-progress

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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**28 Financial risk management (continued)**

***Currency risk***

*Exposure to currency risk*

The Group's exposure to foreign currency risk is as follows:

	<b>Australian dollars \$'000</b>	<b>Japanese Yen \$'000</b>	<b>Sterling pounds \$'000</b>	<b>Euro \$'000</b>	<b>United States dollars \$'000</b>
<b>31 December 2009</b>					
Trade and other payables	389	2,048	–	63	–
<b>31 December 2010</b>					
Trade and other payables	348	–	238	37	16
<b>31 December 2011</b>					
Trade and other payables	–	–	–	41	–

*Sensitivity analysis*

A 10% strengthening of the Singapore dollar, as indicated below, against the following currencies at reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency rate variances that the Group considered to be reasonably possible at the end of the reporting periods. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009, 2010 and 2011.

	<b>2009 \$'000</b>	<b>2010 \$'000</b>	<b>2011 \$'000</b>
<b>Profit or loss</b>			
Australian dollars	39	35	–
Japanese Yen	205	–	–
Sterling pounds	–	24	–
Euro	6	4	4
United States dollars	–	2	–
	<u>250</u>	<u>65</u>	<u>4</u>

A weakening of the Singapore dollar against the above currencies at reporting date would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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**28 Financial risk management (continued)**

***Interest rate risk***

*Profile*

At the reporting dates, the interest rate profile of the interest-bearing financial assets and financial liabilities was as follows:

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Fixed rate instruments</b>			
Finance lease liabilities	(12,303)	(10,952)	(8,542)
Secured bank loans	(19,469)	(20,640)	(33,612)
Cash and cash equivalents	14,206	18,865	28,168
	<u>(17,566)</u>	<u>(12,727)</u>	<u>(13,986)</u>
<b>Variable rate instruments</b>			
Bank overdraft	(11)	–	(318)
Bills payable	(7,244)	(11,390)	(16,111)
	<u>(7,255)</u>	<u>(11,390)</u>	<u>(16,429)</u>

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss (retained earnings) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009, 2010 and 2011.

	<b>Profit or loss</b>	
	<b>100 bp</b>	<b>100 bp</b>
	<b>Increase</b>	<b>Decrease</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>31 December 2009</b>		
Variable rate instruments	<u>(73)</u>	<u>73</u>
<b>31 December 2010</b>		
Variable rate instruments	<u>(114)</u>	<u>114</u>
<b>31 December 2011</b>		
Variable rate instruments	<u>(164)</u>	<u>164</u>

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**28 Financial risk management (continued)**

***Fair values versus carrying amounts***

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Trading \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Other liabilities outside the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
<b>31 December 2009</b>							
Trade and other receivables*	8	–	18,257	–	–	18,257	18,257
Financial assets designated at fair value through profit or loss	9	56	–	–	–	56	56
Cash and cash equivalents	10	–	14,206	–	–	14,206	14,206
		56	32,463	–	–	32,519	32,519
Loans and borrowings:							
- secured bank loans	12	–	–	19,469	–	19,469	21,724
- finance lease liabilities	12	–	–	–	12,303	12,303	13,142
- bills payable	12	–	–	7,244	–	7,244	7,244
- bank overdrafts	12	–	–	11	–	11	11
Trade and other payables#	14	–	–	18,945	–	18,945	18,945
		–	–	45,669	12,303	57,972	61,066
<b>31 December 2010</b>							
Trade and other receivables*	8	–	12,890	–	–	12,890	12,890
Financial assets designated at fair value through profit or loss	9	56	–	–	–	56	56
Cash and cash equivalents	10	–	18,865	–	–	18,865	18,865
		56	31,755	–	–	31,811	31,811
Loans and borrowings:							
- secured bank loans	12	–	–	20,640	–	20,640	21,693
- finance lease liabilities	12	–	–	–	10,952	10,952	11,842
- bills payable	12	–	–	11,390	–	11,390	11,390
Trade and other payables#	14	–	–	18,006	–	18,006	18,006
		–	–	50,036	10,952	60,988	62,931

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**28 Financial risk management (continued)**

*Fair values versus carrying amounts (continued)*

	Note	Trading \$'000	Loans and receivables \$'000	Other financial liabilities within the scope of FRS 39 \$'000	Other liabilities outside the scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
<b>31 December 2011</b>							
Trade and other receivables*	8	–	13,770	–	–	13,770	13,770
Financial assets designated at fair value through profit or loss	9	77	–	–	–	77	77
Cash and cash equivalents	10	–	28,168	–	–	28,168	28,168
		<u>77</u>	<u>41,938</u>	<u>–</u>	<u>–</u>	<u>42,015</u>	<u>42,015</u>
Loans and borrowings:							
- secured bank loans	12	–	–	33,612	–	33,612	35,372
- finance lease liabilities	12	–	–	–	8,542	8,542	9,224
- bills payable	12	–	–	16,111	–	16,111	16,111
- bank overdrafts	12	–	–	318	–	318	318
Trade and other payables#	14	–	–	23,912	–	23,912	23,912
		<u>–</u>	<u>–</u>	<u>73,953</u>	<u>8,542</u>	<u>82,495</u>	<u>84,937</u>

\* Excludes prepayments, advances to suppliers and downpayment for the purchase of land

# Excludes excess of progress billings over contracts work-in-progress

***Interest rates used for determining fair value***

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and are as follows:

	2009 %	2010 %	2011 %
Secured bank loans	5.05	5.10	5.25
Finance lease liabilities	7.71	8.42	8.23

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**28 Financial risk management (continued)**

***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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>31 December 2009</b>				
Financial assets designated at fair value through profit or loss	56	–	–	56
<b>31 December 2010</b>				
Financial assets designated at fair value through profit or loss	56	–	–	56
<b>31 December 2011</b>				
Financial assets designated at fair value through profit or loss	77	–	–	77

**29 Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Equity securities**

The fair value of equity securities is determined by reference to their quoted bid price at the reporting date.

**(ii) Interest bearing bank loans**

The carrying values of interest-bearing bank loans that reprice within six months of the reporting dates approximate their fair values. Fair value is calculated based on discounted expected future principal and interest cash flows.

**(iii) Other financial assets and liabilities**

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

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**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

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**30 Prior year adjustments**

The audited financial statements of the Group for the financial years ended 31 December 2009 and 2010 were incorrectly stated as the Company had wrongly consolidated the financial statements of Ley Choon Developments notwithstanding that the Company's entire equity interests in Ley Choon Developments was disposed of on 4 July 2009 (see Note 24). The error does not have a material financial effect on the opening retained earnings and profit or loss reported in the audited financial statements of the respective years. The comparatives in the financial statements have been reclassified as a result of the above error as set out in Note 31.

**31 Comparative information**

Certain reclassifications have been made to the prior years' financial statements to enhance comparability with the current period's financial statements.

The items were reclassified as follows:

	2009 As previously reported \$'000	2009 As restated \$'000	2010 As previously reported \$'000	2010 As restated \$'000
<b>Consolidated statements of financial position</b>				
<b><i>Current assets</i></b>				
Trade and other receivables	17,806	18,707	13,551	13,551
Cash and cash equivalents	14,983	14,206	18,865	18,865
<b><i>Current liabilities</i></b>				
Trade and other payables	20,925	20,029	18,953	18,953
Provisions	–	1,020	376	376
<b>Consolidated statements of comprehensive income</b>				
Administrative expenses	(5,525)	(5,525)	(9,090)	(8,908)
Other expenses	(1,305)	(1,305)	(1,269)	(1,455)
Income tax expense	(4,963)	(4,963)	(2,365)	(2,361)

**APPENDIX E – CONSOLIDATED FINANCIAL STATEMENTS OF LEY CHOON CONSTRUCTIONS AND ENGINEERING PTE LTD AND ITS SUBSIDIARIES FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

**31 Comparative information (continued)**

	2009 As previously reported \$'000	2009 As restated \$'000	2010 As previously reported \$'000	2010 As restated \$'000
<b>Consolidated statements of cash flows</b>				
<b>Cash flows from operating activities</b>				
Provisions	1,020	1,020	131	183
Change in fair value of financial assets at fair value through profit or loss	16	16	5	–
Loss on disposal of a subsidiary	–	5	–	–
Impairment loss on trade receivables made, net	45	73	597	526
Negative goodwill arising from acquisition of subsidiary	(196)	(195)	–	–
Goodwill on consolidation written off	–	–	–	182
Income tax expense	4,963	4,963	2,365	2,361
<i>Changes in working capital</i>				
Biological assets	–	279	–	–
Inventories	(1,126)	(1,397)	(268)	(268)
Contracts work-in-progress	–	(14,475)	(7,263)	(7,126)
Trade and other receivables	(8,963)	4,628	3,681	4,862
Trade and other payables	(1,434)	(1,314)	(1,509)	(1,134)
Provisions	–	–	–	(827)
Interest paid	(1,828)	–	(2,136)	–
Interest received	42	–	3	–
Income tax paid	(504)	(517)	(3,745)	(4,072)
<b>Cash flows from investing activities</b>				
Disposal of subsidiary, net of cash disposed	(29)	(77)	–	–
Acquisition of a subsidiary	842	842	–	68
Acquisition of property, plant and equipment	(7,828)	(7,828)	(9,184)	(9,179)
Proceeds from disposal of property, plant and equipment	659	659	1,065	875
Interest received	–	42	–	3
<b>Cash flows from financing activities</b>				
Interest paid	–	(1,828)	–	(2,136)
Proceeds from borrowings	17,200	17,200	14,346	14,357
Repayment of borrowings	(9,702)	(9,696)	(9,040)	(9,040)
Repayment of finance lease liabilities	(5,190)	(5,191)	(6,325)	(6,135)
Fixed deposits pledged with bank	(625)	(626)	(1,510)	(1,510)

**32 Subsequent event**

Subsequent to the financial year ended 31 December 2011, the Company issued 15,000,000 bonus shares out of its retained earnings to its shareholders on the basis of one share for every existing one share held by the shareholders as at 31 December 2011.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ULTRON TECHNOLOGIES LIMITED

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

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the Circular to Shareholders dated 21 June 2012 issued by Ultron Technologies Limited (the "Company").*

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of the Company will be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on 13 July 2012 (Friday) at 3.30 p.m. for the following purposes:

### **AS ORDINARY RESOLUTIONS**

#### **1. THE PROPOSED ACQUISITION AND THE PROPOSED ACQUISITION SHARES ISSUE**

THAT subject to and contingent upon the passing of Resolutions 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 18 set out herein:

- (a) the Proposed Acquisition and the Proposed Acquisition Shares Issue be and are hereby approved;
- (b) the Directors and each of them be and are hereby authorised be and is hereby authorised to do the following for and on behalf of the Company:
  - i. allot and issue an aggregate of 3,928,571,429 Consideration Shares to the Vendors, Intersino and/or their nominees;
  - ii. execute, sign, seal and/or deliver any document as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Acquisition and the Proposed Acquisition Shares Issue; and
  - iii. complete and do all such acts and things as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Acquisition and the Proposed Acquisition Shares Issue.

#### **2. THE PROPOSED DEED POLL AMENDMENTS**

THAT subject to and contingent upon the passing of Resolutions 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 18 and the Warranholders approving the Proposed Deed Poll Amendments:

- (a) the Proposed Deed Poll Amendments be and is hereby approved; and
- (b) the Directors and each of them be and are hereby authorised be and is hereby authorised to do the following for and on behalf of the Company:
  - i. execute, sign, seal and/or deliver the supplement deed to the Deed Poll and any document as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Deed Poll Amendments; and
  - ii. complete and do all such acts and things as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Deed Poll Amendments.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**3. THE PROPOSED SHARE CONSOLIDATION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 18, approval be and is hereby given to the Company for the consolidation of every 10 Shares held by Shareholders of the Company, at a SC Books Closure Date (which is to be determined), into one Consolidated Share, fractional entitlements to be disregarded.

**4. THE PROPOSED APPOINTMENT OF MR TOH CHOO HUAT AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 18 set out herein and his consent to act, the appointment of Mr Toh Choo Huat as an Executive Director of the Company following Completion be and is hereby approved.

**5. THE PROPOSED APPOINTMENT OF MR TOH CHEW LEONG AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 18 set out herein and his consent to act, the appointment of Mr Toh Chew Leong as an Executive Director of the Company following Completion be and is hereby approved.

**6. THE PROPOSED APPOINTMENT OF MR TOH SWEE KIM AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, and 18 set out herein and his consent to act, the appointment of Mr Toh Swee Kim as an Executive Director of the Company following Completion be and is hereby approved.

**7. THE PROPOSED APPOINTMENT OF MR KOH TIAM TENG AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 18 set out herein and his consent to act, the appointment of Mr Koh Tiam Teng as an Executive Director of the Company following Completion be and is hereby approved.

**8. THE PROPOSED APPOINTMENT OF MR TAN TECK WEI AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 13, 14, 15, 16, 17 and 18 set out herein and his consent to act, the appointment of Mr Tan Teck Wei as an Executive Director of the Company following Completion be and is hereby approved.

**9. THE PROPOSED APPOINTMENT OF MR LEE GEE AIK AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 13, 14, 15, 16, 17 and 18 set out herein and his consent to act, the appointment of Mr Lee Gee Aik as an Independent Director of the Company following Completion be and is hereby approved.

*Upon his appointment, Mr Lee Gee Aik will also be the Lead Independent Director, the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee and will be considered independent of the Management.*

**10. THE PROPOSED APPOINTMENT OF MR ANG MIAH KHIANG AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 13, 14, 15, 16, 17 and 18 set out herein and his consent to act, the appointment of Mr Ang Miah Kiang as an Independent Director of the Company following Completion be and is hereby approved.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Upon his appointment, Mr Ang Miah Kiah will also be the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee and will be considered independent of the Management.*

**11. THE PROPOSED APPOINTMENT OF MR MARCUS CHOW WEN KWAN AS DIRECTOR OF THE COMPANY SUBSEQUENT TO THE COMPLETION**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 13, 14, 15, 16, 17 and 18 set out herein and his consent to act, the appointment of Mr Marcus Chow Wen Kwan as an Independent Director of the Company following Completion be and is hereby approved.

*Upon his appointment, Mr Marcus Chow Wen Kwan will also be the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee and will be considered independent of the Management.*

**12. THE PROPOSED INDEPENDENT AUDITORS APPOINTMENT**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17 and 18 set out herein and KPMG LLP's consent to act:

- (a) the appointment of KPMG LLP as Independent Auditors for the Company with effect from the Completion Date be and is hereby approved;
- (b) KPMG LLP shall hold office until the conclusion of the next annual general meeting of the Company at a remuneration to be determined by the Directors; and
- (c) the resignation of LTC LLP as Independent Auditors of the Company with effect from the Completion Date be and is hereby approved.

**13. THE PROPOSED COMPLIANCE PLACEMENT**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17 and 18 set out herein and pursuant to Section 161 of the Companies Act, authority be granted to the Directors to allot and issue Compliance Placement Shares at any time and at an issue price per new Compliance Placement Share which shall be determined by the Directors in their absolute discretion, provided that such price shall not be less than \$0.20 for each new Compliance Placement Shares, and/or more than 10% discount of the weight price for trades done on the SGX-ST for the full market day on which the placement agreement is signed and upon such terms and conditions for the purposes of the Proposed Compliance Placement, and to such persons as the directors shall in their absolute discretion deem fit, provided that the aggregate number of Compliance Placement Shares to be issued pursuant to such approval (whether on a pro-rata basis to the then existing Shareholders or otherwise) shall not exceed 20.00% of the Final Share Capital and, unless revoked or varied by the Shareholders in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law to be held, whichever is earlier.

**14. THE PROPOSED NEW GENERAL SHARE ISSUE MANDATE**

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 15, 16, 17 and 18 set out herein and pursuant to Section 161 of the Companies Act, authority be granted to the Directors to allot and issue Consolidated Shares at any time and upon such terms and conditions, and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of new Consolidated Shares to be issued pursuant to such authority shall not exceed 50.00% of the Final Share Capital of the Company and that the aggregate number of shares to be issued other than on a pro-rata basis to the then existing Shareholders shall not exceed 20.00% of the Final Share Capital, and, unless revoked or varied by the Shareholders in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law to be held, whichever is earlier.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 15. THE PROPOSED IPT MANDATE

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 16, 17 and 18 set out herein:

- (a) the Proposed IPT Mandate for the recurrent transactions with Pan Asian, Hen Sheng and Sing & san and their respective Associates be and is hereby approved; and
- (b) the Directors and each of them be and are hereby authorised be and is hereby authorised to do the following for and on behalf of the Company:
  - i. execute, sign, seal and/or deliver any document as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed IPT Mandate; and
  - ii. complete and do all such acts and things as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed IPT Mandate.

### 16. THE PROPOSED WHITEWASH RESOLUTION

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 17 and 18 set out herein and in accordance with the requirements set out in the letter dated 17 April 2012 from the SIC, Independent Shareholders, on a poll take, do hereby unconditionally and irrevocably waive their right to receive a general offer for all the shares held by them to be made by the Vendors and their Concert Parties at the highest price paid or agreed to be paid by the Vendors and their Concert parties in the 6 months prior to the Vendors and their Concert Parties incurring the general offer obligation under Rule 14 of the Code, as a result of the acquisition by the Vendors (and their Concert Parties) of more than 30% of the voting rights in the Company pursuant to the allotment and issue of the Consideration Shares.

## AS SPECIAL RESOLUTIONS

### 17. THE PROPOSED CAPITAL REDUCTIONS AND PROPOSED CASH DISTRIBUTIONS

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16 and 18 and pursuant to Article 60(2) of the Articles of Association of the Company and subject to the provisions of Section 78A read with Section 78C of the Companies Act, Chapter 50 of the Republic of Singapore:

- (a) in respect of the Proposed First Capital Reduction, the share capital of the Company be reduced by \$1,999,737 and that such reduction be effected and satisfied by returning to Shareholders \$0.00463 for each Share held by the Entitled Shareholders;
- (b) in respect of the Proposed Second Capital Reduction, the issued and paid up share capital of the Company be reduced by approximately \$56,018,498 and that such reduction be effected by cancelling the issued and paid-up share capital of the Company which is unrepresented by available assets to the extent of \$56,018,498;
- (c) an amount equal to \$56,018,498 being credit arising from the cancellation of the issued and paid-up capital, be applied to cancel the Accumulated Losses of the Company to the extent of \$56,018,498;
- (d) the Directors and each of them be and are hereby authorised be and is hereby authorised to do the following for and on behalf of the Company:
  - i. execute, sign, seal and/or deliver any document as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Capital Reductions and the Proposed Cash Distributions; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- ii. complete and do all such acts and things as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Capital Reductions and the Proposed Cash Distributions.

### 18. THE PROPOSED NAME CHANGE

THAT subject to and contingent upon the passing of Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16 and 17 set out herein:

- (a) the name of the Company be changed to “Ley Choon Group Holdings Limited” following Completion;
- (b) the name “Ultron Technologies Limited” be substituted with “Ley Choon Group Holdings Limited” wherever the name “Ultron Technologies Limited” appears in the Company’s Memorandum and Articles of Association; and
- (c) the Directors and each of them be and are hereby authorised to do the following for and on behalf of the Company:
  - i. execute, sign, seal and/or deliver any document as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Name Change; and
  - iii. complete and do all such acts and things as they or each of them may in their or his absolute discretion (as the case may be) deem it necessary, desirable or expedient to give effect to the Proposed Name Change.

### BY THE ORDER OF THE BOARD

Lim Ee Ann  
Executive Chairman  
21 June 2012

#### Notes:

- (i) A member of the Company entitled to attend and vote at the Extraordinary General Meeting may appoint not more than two proxies to attend and vote instead of him.
- (ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 1 Changi Business Park Avenue 1, #05-01 Ultron Building, Singapore 486058, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.

# ULTRO TECHNOLOGIES LIMITED

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

## EXTRAORDINARY GENERAL MEETING

### PROXY FORM

**IMPORTANT:**

1. This Circular is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. This Proxy Form is therefore, not valid for use by CPF 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 Ultron Technologies 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	%

or failing \*him/her, the Chairman of the Extraordinary General Meeting, as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the Extraordinary General Meeting of the Company, to be held at Orchid Country Club, Emerald Suite, 1 Orchid Club Road, Singapore 769162 on 13 July 2012 (Friday) at 3.30 p.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 Extraordinary General 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 Extraordinary General Meeting.

No.	Resolutions Relating To:	For	Against
1.	The Proposed Acquisition and the Proposed Acquisition Shares Issue		
2.	The Proposed Deed Poll Amendments		
3.	The Proposed Share Consolidation		
4.	The proposed appointment of Mr Toh Choo Huat as Director of the Company subsequent to the Completion		
5.	The proposed appointment of Mr Toh Chew Leong as Director of the Company subsequent to the Completion		
6.	The proposed appointment of Mr Toh Swee Kim as Director of the Company subsequent to the Completion		
7.	The proposed appointment of Mr Koh Tiam Teng as Director of the Company subsequent to the Completion		
8.	The proposed appointment of Mr Tan Teck Wei as Director of the Company subsequent to the Completion		
9.	The proposed appointment of Mr Lee Gee Aik as Director of the Company subsequent to the Completion		
10.	The proposed appointment of Mr Ang Miah Khiang as Director of the Company subsequent to the Completion		



No.	Resolutions Relating To:	For	Against
11.	The proposed appointment of Mr Marcus Chow Wen Kwan as Director of the Company subsequent to the Completion		
12.	The Proposed Independent Auditors Appointment		
13.	The Proposed Compliance Placement		
14.	The Proposed New General Share Issue Mandate		
15.	The Proposed IPT Mandate		
16.	The Proposed Whitewash Resolution		
17.	The Proposed Capital Reductions and the Proposed Cash Distribution		
18.	The Proposed Name Change		

Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

\* Delete accordingly

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

No. of Shares held in	
CDP Register	
Member's Register	
<b>TOTAL</b>	

\_\_\_\_\_  
Signature of Shareholder(s) or Common Seal

**IMPORTANT: PLEASE READ NOTES BELOW**

**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 130A of the Companies Act, Cap. 50), 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. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
3. 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.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 1 Changi Business Park Avenue 1 #05-01 Ultra Building Singapore 486058, not less than 48 hours before the time set for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointer 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.
7. Where an instrument appointing a proxy is signed on behalf of the appointer 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.
8. 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 Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.
9. The submission of an instrument or form appointing a proxy by a member of the Company does not preclude him/her from attending and voting in person at the Extraordinary General Meeting if he/she is able to do so.
10. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer 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 appointer, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.