

OFFER INFORMATION STATEMENT DATED 26 JULY 2012

Lodged with the Monetary Authority of Singapore on 26 July 2012

THIS OFFER INFORMATION STATEMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Ley Choon Group Holdings Limited (the “**Company**”) and the Vendors are proposing to offer the Placement Shares (as defined herein) for subscription and/or purchase at the Placement Price (as defined herein) on the terms and subject to the conditions of the Placement Agreement (as defined herein). All information in this offer information statement (the “**Offer Information Statement**”) relating to the number of Placement Shares is expressed using the Maximum Placement Size (as defined herein), unless otherwise stated or the context otherwise requires. The Placement Price is currently expected to be within the Estimated Price Range (as defined herein). The Estimated Price Range and the Maximum Placement Size used in this Offer Information Statement are for illustrative purposes only. The Placement Price may not necessarily be set within the Estimated Price Range, save that the Placement Price shall not be less than \$0.20. The number of Placement Shares offered and the Placement Price will be determined by the Board at its sole discretion. An SGXNET announcement will be posted on the internet at the website <http://www.sgx.com> after the number of Placement Shares and the Placement Price have been determined on the Determination Date (as defined herein). Allocation of the Placement Shares to investors will be based on the Placement Price announced on the Determination Date.

A copy of this Offer Information Statement, has been lodged with the Monetary Authority of Singapore (the “**Authority**”). The Authority assumes no responsibility for the contents of this Offer Information Statement. Lodgement of this Offer Information Statement with the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the Placement Shares being offered, or in respect of which an invitation is made, for investment.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in, and for the listing of and quotation for the Placement Shares (comprising New Shares (as defined herein) and Vendor Shares (as defined herein)) on the Official List of the SGX-ST. The approval in-principle granted by the SGX-ST to the Company for the listing of and quotation for the Placement Shares is not to be taken as an indication of the merits of the Company, its subsidiaries, the Placement (as defined herein), and the Placement Shares. The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained and opinions expressed in this Offer Information Statement.

No securities shall be allotted or allocated on the basis of this Offer Information Statement later than six (6) months after the date of lodgement of this Offer Information Statement with the Authority.



LEY CHOON GROUP HOLDINGS LIMITED

(formerly known as **Ultron Technologies Limited**)

(Incorporated in the Republic of Singapore on 6 February 1987)

(Company Registration No. 198700318G)

PROPOSED PLACEMENT (THE “PLACEMENT”) OF AN AGGREGATE OF UP TO 81,000,000 ORDINARY SHARES IN THE CAPITAL OF THE COMPANY CONSISTING OF UP TO:

(I) 57,625,000 NEW SHARES; AND

(II) 23,375,000 VENDOR SHARES,

(COLLECTIVELY, THE “PLACEMENT SHARES”)

AT AN ESTIMATED PRICE RANGE OF UP TO \$0.26 FOR EACH PLACEMENT SHARE

JOINT PLACEMENT AGENTS

OSK | DMG

DMG & PARTNERS SECURITIES PTE LTD

(Incorporated in the Republic of Singapore)

(Company Registration No.: 198701140E)

RHB ◆

RHB BANK BERHAD, SINGAPORE BRANCH

(Incorporated in Malaysia)

(Company Registration No.: 6171-M)

THIS OFFER INFORMATION STATEMENT HAS BEEN PREPARED SOLELY IN RELATION TO THE PLACEMENT AND SHALL NOT BE RELIED UPON BY ANY OTHER PERSON AND FOR ANY OTHER PURPOSE

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DEFINITIONS

For the purpose of this Offer Information Statement the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

COMPANIES WITHIN THE ENLARGED GROUP

<i>“Chin Kuan”</i>	: Chin Kuan Engineering and Contractors Pte Ltd (formerly known as Chin Kuan Engineering Construction Pte Ltd)
<i>“Company”</i>	: Ley Choon Group Holdings Limited (formerly known as Ultro Technologies Limited)
<i>“Enlarged Group”</i>	: The group of companies comprising the Target Group and Ranoda, following the completion of the Disposal and the Acquisition
<i>“Group”</i>	: Ultro Technologies Limited, its subsidiaries and its associated companies, prior to the Disposal and Acquisition
<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>“Ranoda”</i>	: Ranoda (M) Sdn Bhd
<i>“Teacly”</i>	: Teacly (S) Pte. Ltd.

GENERAL

<i>“Acquisition”</i>	: The acquisition of the entire issued and paid-up capital of LCCE for a consideration of \$110 million which was satisfied by the issue of Consideration Shares by the Company to 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, details of which are set out in the Circular
<i>“Acquisition Shares Issue”</i>	: The issue of Consideration Shares in satisfaction of the consideration at \$0.28 per Consideration Share
<i>“ACRA”</i>	: Accounting and Corporate Regulatory Authority of Singapore

DEFINITIONS

- “Associate”* : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a Substantial Shareholder or a 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

- “associated company”* : In relation to an entity, means:
- (a) any corporation, other than a subsidiary of the entity, in which:
- (i) the entity or one or more of its subsidiaries or subsidiary entities has;
 - (ii) the entity, one or more of its subsidiaries and one or more of its subsidiary entities together have;
 - (iii) the entity and one or more of its subsidiaries together have;
 - (iv) the entity and one or more of its subsidiary entities together have; or
 - (v) one or more of the subsidiaries of the entity and one or more of the subsidiary entities of the entity together have,
- a direct interest in voting shares of not less than 20% but not more than 50% of the total votes attached to all voting shares in the corporation; or
- (b) any corporation, other than a subsidiary of the entity or a corporation which is an associated company of the entity by virtue of paragraph (a), the policies of which:
- (i) the entity or one or more of its subsidiaries or subsidiary entities;
 - (ii) the entity together with one or more of its subsidiaries and one or more of its subsidiary entities;
 - (iii) the entity together with one or more of its subsidiaries;

DEFINITIONS

- (iv) the entity together with one or more of its subsidiary entities; or
- (v) one or more of the subsidiaries of the entity together with one or more of the subsidiary entities of the entity,
- is or are able to control or influence significantly
- “Authority”* : Monetary Authority of Singapore
- “BCA”* : Building and Construction Authority, an agency under the Ministry of National Development
- “BCISPA”* : Building and Construction Industry Security of Payment Act. Cap. 30B of Singapore, as amended, modified or supplemented from time to time
- “CAG”* : Changi Airport Group (Singapore) Pte. Ltd.
- “Capital Reductions”* : The reduction of the Company’s issued and paid-up share capital by \$1,999,737 and \$56,018,498
- “Cash Distribution”* : \$0.00463 per Pre-Consolidated Share or \$1,999,737 in aggregate, based on 431,908,656 Pre-Consolidated Shares in the issued and paid-up share capital of the Company as at 8 June 2012 and assuming that no existing warrants of the Company are exercised into Shares prior to the CD Books Closure Date on 24 July 2012
- “CD Books Closure Date”* : 24 July 2012, being the books closure date for the purpose of determining the Shareholders’ entitlement under the Cash Distribution and Share Consolidation
- “CDP”* : The Central Depository (Pte) Limited
- “Circular”* : The circular to Shareholders dated 21 June 2012
- “Commission”* : A placement commission of 3.0% of the aggregate Placement Price for the Placement Shares
- “Companies Act”* : The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
- “Completion”* : The completion of the Acquisition
- “Completion Certificate”* : The completion certificate substantially in the form and substance set out in Schedule 2 of the Placement Agreement
- “Completion Date of the Placement”* : The date of the completion of the Placement in accordance to the terms and conditions in the Placement Agreement
- “Consideration Shares”* : 392,857,141 ordinary Shares issued and allotted to the 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 and/or their respective nominees at an issue price of \$0.28 each in satisfaction of the \$110 million payable by the Company to them as consideration for the Acquisition

DEFINITIONS

<i>“Controlling Shareholder”</i>	: A person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company (unless otherwise excepted by the SGX-ST) or in fact exercises control over the Company
<i>“CPF”</i>	: The Central Provident Fund
<i>“Deed Poll Amendments”</i>	: The amendments to the deed poll dated 19 May 2010 executed by the Company
<i>“Determination Date”</i>	: The date on which the Placement Price will be determined following a book-building process in accordance with the terms of the Placement Agreement
<i>“Disposal”</i>	: The disposal of all the businesses and assets in the Company in connection with the Acquisition save for the Retained Assets
<i>“Directors”</i>	: The directors of the Company as at the date of this Offer Information Statement
<i>“Directors Appointments”</i>	: The appointments of the Directors subsequent to the Completion
<i>“DMG”</i>	: DMG & Partners Securities Pte Ltd
<i>“EGM”</i>	: Extraordinary general meeting of the Company held on 13 July 2012
<i>“EPS”</i>	: Earnings per Share
<i>“Estimated Price Range”</i>	: The estimated Placement Price between \$0.20 and \$0.26
<i>“Final SPA”</i>	: The SPA as amended and supplemented by the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and the Fourth Supplemental Agreement
<i>“First Supplemental Agreement”</i>	: The supplemental agreement dated 15 February 2012 entered into between the Company and 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>“Fourth Supplemental Agreement”</i>	: The fourth supplemental agreement dated 13 July 2012 entered into between the Company and 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>“FP”</i>	: Financial period ended, or, as the case may be, ending 31 March
<i>“FWL”</i>	: Foreign Worker Levy
<i>“FY”</i>	: Financial year ended or, as the case may be, ending 31 December
<i>“GST”</i>	: Any goods and services tax or other value added tax or levies (whether imposed in Singapore or elsewhere)
<i>“HDB”</i>	: Housing Development Board
<i>“Independent Auditors Appointment”</i>	: The appointment of KPMG LLP as the independent auditors of the Company subsequent to the Completion

DEFINITIONS

<i>“Intersino”</i>	: Intersino Investments Limited
<i>“IPT Mandate”</i>	: The grant of an interested person transaction mandate for recurrent interested/related person transactions to be entered into by the Enlarged Group pursuant to the EGM
<i>“Joint Placement Agents”</i>	: DMG and RHB Bank and “Joint Placement Agent” shall refer to DMG or RHB Bank
<i>“JTC”</i>	: JTC Corporation
<i>“Latest Practicable Date”</i>	: 19 July 2012, being the latest practicable date prior to the lodgement of this Offer Information Statement with the Authority
<i>“Listing Manual”</i>	: The Listing Manual of the SGX-ST, as amended or modified from time to time
<i>“LTA”</i>	: Land Transport Authority
<i>“Main Board”</i>	: The main board of SGX-ST
<i>“Market Day(s)”</i>	: A day or days on which the SGX-ST is open for securities trading
<i>“Maximum Placement Size”</i>	: 81,000,000 Placement Shares
<i>“MOM”</i>	: Ministry of Manpower
<i>“MRT”</i>	: Mass Rapid Transit
<i>“MTI”</i>	: Ministry of Trade and Industry
<i>“MYE”</i>	: Man-year entitlement
<i>“Name Change”</i>	: The change of the Company’s name from Ultron Technologies Limited to Ley Choon Group Holdings Limited
<i>“NAV”</i>	: Net asset value
<i>“NEA”</i>	: National Environment Agency
<i>“New General Share Issue Mandate”</i>	: The grant of a general mandate to allot and issue Shares subsequent to Completion
<i>“New Shares”</i>	: Up to 57,625,000 new Shares to be allotted and issued by the Company pursuant to the Placement
<i>“New Shares Placement”</i>	: Proposed placement of up to 57,625,000 new Shares to be allotted and issued by the Company upon the terms and subject to the conditions of the Placement Agreement
<i>“Offer Information Statement”</i>	: This document, including any supplementary or replacement document lodged by the Company with the Authority which complies with the requirements prescribed in the Sixteen Schedule of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005

DEFINITIONS

<i>“PBT”</i>	: Profit before taxation
<i>“Periods Under Review”</i>	: FY2009, FY2010, FY2011, FP2011 and FP2012
<i>“Placees”</i>	: The subscribers and/or purchasers of the Placement Shares to be procured by the Joint Placement Agents
<i>“Placement”</i>	: The proposed placement of the Placement Shares by the Joint Placement Agents on a best efforts basis at the Placement Price pursuant to the Placement Agreement
<i>“Placement Agreement”</i>	: The placement agreement entered into between the Company, Vendors and the Joint Placement Agents on 26 July 2012 in relation to the Placement
<i>“Placement Price”</i>	: The final placement price per Placement Share as determined on the Determination Date
<i>“Placement Shares”</i>	: Up to 81,000,000 Consolidated Shares to be offered by the Company and the Vendors pursuant to the Placement comprising up to 57,625,000 New Shares and up to 23,375,000 Vendor Shares
<i>“PowerGas”</i>	: PowerGas Limited
<i>“PRC”</i>	: People’s Republic of China
<i>“Pre-Consolidated Shares”</i>	: The ordinary shares in the issued and paid-up share capital of the Company prior to the Share Consolidation
<i>“Property”</i>	: The property located at 12 Jalan Dewani 4, Kawasan Perindustrian Dewani, 81100 Johor Bahru, Johor, Malaysia
<i>“PUB”</i>	: Public Utilities Board
<i>“Record Date”</i>	: Means in relation to any dividend, right, allotment or other distributions, the date as at the close of business, on which members of the Company must be registered in order to participate in such dividend, right, allotment or other distributions
<i>“Retained Assets”</i>	: As the lease agreement dated 30 October 2003 between the Company and Bermuda Trust (Singapore) Limited (which in the context of this Offer Information Statement is acting as a trustee of Ascendas Real Estate Investment Trust) in relation to the property located at 1 Changi Business Park Avenue 1, Singapore 486058 (“Lease Agreement”), is not terminated prior to Completion: <ul style="list-style-type: none">i. a net cash reserve of approximately \$1.8 million, comprises of<ul style="list-style-type: none">(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.

DEFINITIONS

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. Provided Always that in the event that the Lease Agreement is terminated after Completion and up to a period of 30 days after the Completion Date, and the Ultro Building surrendered to the Bermuda Trust (Singapore) Limited (as trustee of Ascendas Real Estate Investment Trust), the net cash reserve, after deduction and/or addition of any profit or loss, amount, fees cost and/or expenses payable in connection with the surrender of the lease, 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

<i>"RHB Bank"</i>	: RHB Bank Berhad, Singapore Branch
<i>"Second Supplemental Agreement"</i>	: The second supplemental agreement dated 2 April 2012 entered into between the Company and 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>"Securities Account"</i>	: Securities account of a securities account holder maintained with CDP or a sub-account of a sub-account holder maintained with a Depository Agent
<i>"SFA"</i>	: Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
<i>"SGXNET"</i>	: 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)
<i>"SGX-ST"</i>	: Singapore Exchange Securities Trading Limited
<i>"Shares"</i>	: The ordinary shares in the issued and paid-up share capital of the Company subsequent to the completion of the Share Consolidation unless otherwise stated or the context otherwise requires
<i>"Shareholders"</i>	: Registered holders of Shares, except that where such registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts

DEFINITIONS

<i>“Share Consolidation”</i>	: The share consolidation of every ten (10) Pre-Consolidated Shares into one (1) Share
<i>“Singapore”</i>	: The Republic of Singapore
<i>“SPA”</i>	: The sale-and-purchase agreement entered into between the Company and 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 on 24 December 2011
<i>“SPR Method”</i>	: The Sewerage Pipe Renewal Method is a pipe rehabilitation system in which a ribbed polyvinyl chloride (PVC) strip is spirally wound by a winding machine to form a liner, the liner is grouted and cured in place
<i>“SPRING”</i>	: SPRING Singapore, an agency under the MTI responsible for helping Singapore enterprises grow and build trust in Singapore products and services
<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>“Transactions”</i>	: The Acquisition, the Acquisition Shares Issue, the Whitewash Resolution, the Deed Poll Amendments, the Capital Reductions, the Cash Distribution, the Share Consolidation, the Name Change, the Directors Appointments, the Independent Auditors Appointment, the Placement, the New General Share Issue Mandate and the IPT mandate as set out in the Circular and approved by the Shareholders in the EGM
<i>“Third Supplemental Agreement”</i>	: The third supplemental agreement dated 14 June 2012 entered into between the Company and 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>“Underground Utilities Infrastructure”</i>	: Water pipes, NEWater pipes, gas pipes, electricity cables, fibre optic cables, sewer pipeline, traffic light systems and telecommunication networks
<i>“Vendors”</i>	: Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan, Zheng Choon and Intersino
<i>“Vendor Shares”</i>	: Up to 23,375,000 Shares, comprising up to 16,500,000 Shares held by Mr Koh Tiam Teng, Mr Tan Teck Wei, Mr Liang Say Juan, and Zheng Choon and up to 6,875,000 Shares held by Intersino
<i>“Warrant Consolidation”</i>	: The warrant consolidation of every ten (10) existing warrants into one (1) consolidated warrant
<i>“Whitewash Resolution”</i>	: The resolution approved by the Shareholders during the EGM, which resulted in a waiver by the Shareholders of their rights to receive a mandatory take-over offer from 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 and parties acting in concert with them in relation to the Acquisition
<i>“Zheng Choon”</i>	: Zheng Choon Holding Pte. Ltd.

DEFINITIONS

Currencies and Units of Measurements

<i>“\$” or “S\$” or “SGD” and “cents”</i>	: Singapore dollars and cents respectively, the lawful currency of Singapore
<i>“%” or “per cent.”</i>	: Percentage or per centum
<i>“AUD”</i>	: Australian Dollars, the lawful currency of Australia
<i>“Euro”</i>	: Euro, the lawful currency of European Union
<i>“Japanese Yen”</i>	: Japanese Yen, the lawful currency of Japan
<i>“km”</i>	: kilometre
<i>“mm”</i>	: millimetre
<i>“US\$”</i>	: United States Dollar, the lawful currency of the United States of America

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

The term “subsidiary” shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall where applicable include corporations.

Any reference in this Offer Information Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or the Listing Manual or any modification thereof and used in this Offer Information Statement, shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA or the Listing Manual or such modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and dates in this Offer Information Statement shall be a reference to Singapore time and dates unless otherwise stated.

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

References in this Offer Information Statement to “we”, “our” and “us” refer to the Company and its subsidiaries.

IMPORTANT NOTES

Persons wishing to subscribe for and/or purchase the Placement Shares offered by this Offer Information Statement should, before deciding whether to so subscribe and/or purchase, carefully read this Offer Information Statement in its entirety in order to make an informed assessment of the assets and liabilities, profits and losses, financial position and performance and prospects of the Company and the Enlarged Group (as defined herein) and the rights and liabilities attaching to the Placement Shares. They should also make their own independent enquiries and investigations of any bases and assumptions, upon which financial projections, if any, are made or based, and carefully consider this Offer Information Statement in the light of their personal circumstances (including financial and taxation affairs). It is recommended that such persons seek professional advice from their accountant, stockbroker, bank manager, solicitor or other professional adviser before deciding whether to subscribe for and/or purchase any of the Placement Shares.

No person has been authorised to give any information or to make any representations, other than those contained in this Offer Information Statement, in connection with the issue of the New Shares and/or sale of the Vendor Shares and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Vendors or the Joint Placement Agents. Save as expressly stated in this Offer Information Statement, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Company or the Enlarged Group. Neither the delivery of this Offer Information Statement nor the issue of the New Shares and/or sale of the Vendor Shares shall, under any circumstances, constitute a continuing representation, or give rise to any implication, that there has been no material change in the affairs of the Company or the Enlarged Group, or any of the information contained herein since the date hereof. Where such changes occur after the date hereof and are material, or are required to be disclosed by law and/or the SGX-ST, the Company may make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement document with the Authority. All subscribers of the New Shares and/or purchasers of the Vendor Shares should take note of any such announcement and/or supplementary or replacement document and, upon the release of such announcement or lodgement of such supplementary or replacement document, as the case may be, shall be deemed to have notice of such changes.

Approval in-principle has been obtained from the SGX-ST for permission to deal in, and for the listing of and quotation for, the Placement Shares (comprising both the New Shares and the Vendor Shares). The approval in-principle granted by the SGX-ST to the Company for the listing of and quotation for the Placement Shares is not to be taken as an indication of the merits of the Company, its subsidiaries, the Placement, and the Placement Shares.

None of the Company, its Directors, officers, employees, representatives, advisers, the Vendors, and the Joint Placement Agents is making any representation to any person regarding the legality of an investment in the Placement Shares by such person under any investment or any other laws or regulations. No information in this Offer Information Statement should be considered to be business, financial, legal or tax advice. Each prospective investor should consult his own professional or other advisers for business, financial, legal or tax advice regarding an investment in the Placement Shares.

This Offer Information Statement has been prepared solely for the purpose of the acceptance and subscription/purchase of the Placement Shares under the Placement, and may not be relied upon by any persons for any other purpose.

This Offer Information Statement may not be used for the purpose of, and does not constitute, an offer, invitation or solicitation to subscribe for and/or purchase, as the case may be, the Placement Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful or unauthorised nor does it constitute an offer, invitation or solicitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

The distribution of this Offer Information Statement and the offering of and the subscription/purchase of the Placement Shares may be prohibited or restricted by law (either absolutely or subject to various securities requirements, whether legal or administrative, being complied with) in certain jurisdictions. Shareholders or any other persons having possession of this Offer Information Statement are advised by the Company to keep themselves informed of and observe such prohibitions and restrictions.

SELLING RESTRICTIONS

This Offer Information Statement does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Offer Information Statement in Singapore in order to permit a public offering of the Placement Shares and the public distribution of this Offer Information Statement in Singapore. The distribution of this Offer Information Statement and the offering of the Placement Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Information Statement are required by the Company, the Vendors and the Joint Placement Agents to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to the Company, the Vendors and the Joint Placement Agents.

Persons to whom a copy of this Offer Information Statement has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Information Statement or any information in it for any purpose whatsoever nor permit or cause the circulation, reproduction or distribution to occur.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

All statements contained in this Offer Information Statement, statements made in the press releases and oral statements that may be made by the Company or its 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, the Shareholders and the investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company’s and the Enlarged 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 Offer Information Statement 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 Company’s and the Enlarged 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 Offer Information Statement, in particular, but not limited to, discussions in the section entitled “Risk Factors” in paragraph 9 of Part V (Operating and Financial Review Prospects) of this Offer Information Statement.

Given the risks and uncertainties that may cause the Company’s and the Enlarged 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 Offer Information Statement, undue reliance must not be placed on these statements.

None of the Company (including its Directors), the Vendors, the Joint Placement Agents, or any other person is representing or warranting to the Shareholders or the investors that the actual future results, performance or achievements of the Company and the Enlarged Group will be as those discussed in those statements. The Company’s and the Enlarged 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 Company and the Enlarged Group.

Further, the Company (including its Directors), the Vendors and the Joint Placement Agents 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. Where such developments, events or circumstances occur and are material, or are required to be disclosed by law and/or the SGX-ST, the Company may make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement document with the Authority. The Company is also subject to the provisions the Listing Manual regarding corporate disclosure.

PART II (IDENTITY OF DIRECTORS, ADVISERS AND AGENTS)

Directors

1. Provide the names and addresses of each of the directors or equivalent persons of the relevant entity.
-

The names and addresses of each of the Directors are as follows:

Name of Directors	Address
Toh Choo Huat	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226
Toh Swee Kim	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226
Toh Chew Leong	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226
Koh Tiam Teng	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226
Tan Teck Wei	c/o 4 Sungei Kadut Street 2 Sungei Kadut Industrial Estate Singapore 729226
Lee Gee Aik	c/o 100 Beach Road #25-06 Shaw Tower Singapore 189702
Ang Miah Khiang	c/o 72 Bendemeer Road #04-28, Luzerne Singapore 339141
Marcus Chow Wen Kwan	c/o 2 Shenton Way #18-01 SGX Centre 1 Singapore 068804

Advisers

2. Provide the names and addresses of:
- (a) the issue manager to the offer, if any;
 - (b) the underwriter to the offer, if any; and
 - (c) the legal adviser for or in relation to the offer, if any.
-

- (a) the issue manager to the offer, if any;
Not applicable. No issue manager has been appointed for the Placement.

PART II (IDENTITY OF DIRECTORS, ADVISERS AND AGENTS)

(b) the underwriter to the offer, if any; and

Not applicable. See names and addresses of Joint Placement Agents below:

DMG & Partners Securities Pte Ltd
10 Collyer Quay
#09-08 Ocean Financial Centre
Singapore 049315

RHB Bank Berhad, Singapore Branch
90 Cecil Street #03-00
RHB BANK Building
Singapore 069531

(c) the legal adviser for or in relation to the offer, if any.

Wong Tan & Molly Lim LLC
80 Robinson Road #17-02
Singapore 068898

Registrars and Agents

3. Provide the names and addresses of the relevant entity's registrars, transfer agents and receiving bankers for the securities being offered, where applicable.

Share Registrar : M&C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

Receiving Bank : RHB Bank Berhad, Singapore Branch
90 Cecil Street #03-00
RHB BANK Building
Singapore 069531

PART III (OFFER STATISTICS AND TIMETABLE)

Offer Statistics

1. For each method of offer, state the number of the securities being offered.

Placement : Up to an aggregate of 81,000,000 Placement Shares, comprising up to 57,625,000 New Shares and up to 23,375,000 Vendor Shares and representing approximately 11.67% and 4.73% respectively of the enlarged issued share capital of the Company immediately after the completion of the Placement.

Pursuant to the Placement Agreement, the Joint Placement Agents shall procure placement of the Placement Shares, on a best effort basis, in the following proportion:

- (a) DMG shall procure placement of 79,000,000 Placement Shares; and
- (b) RHB Bank shall procure placement of 2,000,000 Placement Shares.

If any of the Joint Placement Agents is unable to procure sufficient placement for their allotted Placement Shares as aforementioned, the other Joint Placement Agent (the “**Other Joint Placement Agent**”) shall be entitled (but not obliged) to place out part of or all of such remaining Placement Shares (the “**Remaining Placement Shares**”) at the Placement Price to the Placees. The Commission for the successful placement of the Remaining Placement Shares shall be payable to the Other Joint Placement Agent.

In the event that there are insufficient Placees for all the Placement Shares, the New Shares will be issued first to satisfy the demand for the Placement Shares before the placement of the Vendor Shares (to be calculated in each of the Vendor’s proportion of the Vendor Shares) to the Placees.

Status of Placement Shares : The New Shares shall be issued by the Company free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares, but excluding the right to receive, any dividend, right, allotment or other distributions, the Record Date for which falls on or before the Completion Date of the Placement.

The Vendor Shares shall be sold by the Vendors free from all claims, charges, liens and other encumbrances whatsoever and together with all rights attaching thereto as at the Completion Date but excluding the right to receive any dividend, right, allotment or other distributions, the Record Date for which falls on or before the Completion Date of the Placement.

PART III (OFFER STATISTICS AND TIMETABLE)

Method and Timetable

2. Provide the information referred to in paragraphs 3 to 7 of this Part to the extent applicable to:
- (a) the offer procedure; and
 - (b) where there is more than one group of targeted potential investors and the offer procedure is different for each group, the offer procedure for each group of targeted potential investors.
-

Noted. Please see paragraphs 3 to 7 below.

3. State the time at, date on, and period during which the offer will be kept open, and the name and address of the person to whom the purchase or subscription applications are to be submitted. If the exact time, date or period is not known on the date of lodgement of the offer information statement, describe the arrangements for announcing the definitive time, date or period. State the circumstances under which the offer period may be extended or shortened, and the duration by which the period may be extended or shortened. Describe the manner in which any extension or early closure of the offer period shall be made public.
-

Pursuant to the Placement Agreement, the Joint Placement Agents will procure Placees for the Placement Shares on a best efforts basis at the Placement Price upon the terms and subject to the conditions of the Placement Agent.

The completion of the Placement is conditional upon, *inter alia*,

- (a) the exemption under Section 277 of the Securities and Futures Act being applicable to the Placement Agreement and this Offer Information Statement being lodged with and accepted by the Authority;
- (b) in-principle approval from the SGX-ST for the listing and quotation of the Placement Shares on the SGX-ST being valid and not revoked or amended as at the Completion Date of the Placement and, where such approval is subject to conditions that are not normally imposed by the SGX-ST for a transaction of a similar nature ("**Non-Standard Conditions**"), then provided such Non-Standard Conditions only being acceptable to each of the Joint Placement Agents (all other conditions being deemed acceptable to each of the Joint Placement Agents) and, to the extent that any conditions for such approval are required to be fulfilled on or before the Completion Date of the Placement, they are so fulfilled unless otherwise waived by the SGX-ST;
- (c) receipt of confirmation from the SGX-ST that the Company has been removed from the SGX-ST's Watch-List and the suspension of dealing in the Shares on the SGX-ST will be or has been lifted;
- (d) the allotment, issue, subscription, transfer and/or purchase (as the case may be) of the Placement Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company and/or the Vendors or each of the Joint Placement Agents;
- (e) the completion of the Acquisition and the Share Consolidation unless otherwise waived pursuant to the terms of the Final SPA;
- (f) the agreement in writing by the Company, the Vendors and the Joint Placement Agents on the Placement Price;

PART III (OFFER STATISTICS AND TIMETABLE)

- (g) on the Completion Date of the Placement, the representations and warranties of each of the Vendors and/or the Company in the Placement Agreement being true, accurate and correct in all material respects as if made on the Completion Date of the Placement, with reference to the then existing circumstances and each of the Vendors and/or the Company having performed in all material respects all of their obligations pursuant to the Placement Agreement to be performed on or before the Completion Date of the Placement; and
- (h) the delivery of the Completion Certificate by each of the Vendors and the Company to each of the Joint Placement Agents on Completion Date of the Placement.

In the event that there are insufficient Placees for all the Placement Shares, the New Shares will be issued first to satisfy the demand for the Placement Shares before the placement of the Vendor Shares (to be calculated in each of the Vendor's proportion of the Vendor Shares) to the Placees.

The offer shall be kept open from the date of lodgement of this Offer Information Statement to the date falling five (5) Market Days after the fulfilment of the conditions precedent set out above, or such other date as the Company, the Vendors and the Joint Placement Agents may agree in writing.

At the Latest Practicable Date, the Company does not expect the offer period to be modified. However, the Company may with the approval of the Vendors, the Joint Placement Agents and/or the SGX-ST, modify the offer period subject to any limitation under any applicable laws. In that event, the Company will publicly announce the same through a SGXNET announcement to be posted on the Internet at the SGX-ST's website <http://www.sgx.com>.

4. State the method and time limit for paying up for the securities and, where payment is to be partial, the manner in which, and dates on which, amounts due are to be paid.

By not later than 5.00 p.m. on the third (3rd) Market Day immediately following the Completion Date of the Placement or such other time and date as the Company, the Vendors and the Joint Placement Agents may agree in writing, against delivery of the written confirmation that the Company has instructed CDP to credit the Placement Shares to the Securities Account of each of the Placees with the relevant number of Placement Shares as notified by the relevant Joint Placement Agent and Completion Certificate from each of the Vendors and the Company, each of the Joint Placement Agents shall make payment to each of the Company and the Vendors by way of wire transfer or such other forms of remittances as mutually agreed to the respective bank account designated by each of the Company and the Vendors, the aggregate Placement Price for the relevant number of Placement Shares placed out less any Commission payable to each of the Joint Placement Agents and any costs and expenses reimbursable to the Joint Placement Agents under the Placement Agreement.

The Placement Shares will be fully paid-up. Accordingly, partial payment is not relevant in the context of the Placement.

5. State, where applicable, the methods of and time limits for:

- (a) the delivery of the documents evidencing title to the securities being offered (including temporary documents of title, if applicable) to subscribers or purchasers; and
 - (b) the book-entry transfers of the securities being offered in favour of subscribers or purchasers.
-

PART III (OFFER STATISTICS AND TIMETABLE)

Under the terms of the Placement Agreement, on the Completion of the Placement:

- (i) each of the Joint Placement Agents shall by not later than 12.00 noon on the Completion Date of the Placement, procure applications for the Placement Shares and procure payment of the subscription for the Placement Shares (being the aggregate Placement Price for the number of Placement Shares in respect of which they have procured Placees for), by bank transfer, banker's draft or other forms of remittances, made out in favour of "Ley Choon Share Issue Account" or otherwise in accordance with the Placement Agreement and this Offer Information Statement;
- (ii) each of the Vendors and/or the Company shall, against compliance by each of the Joint Placement Agents with the terms of the Placement Agreement in the case of Placement Shares allotted and issued to CDP, instruct CDP to credit the Securities Account of each of the Placees with the relevant number of Placement Shares as notified by the relevant Joint Placement Agent and each the Vendors and/or the Company shall deliver to each of the Joint Placement Agents written confirmation of their relevant instructions to CDP;
- (iii) the Company shall cause the relevant return of allotment of the New Shares to be filed with ACRA in accordance with the Companies Act and do all such acts or things as may be required by the Memorandum and Articles of Association of the Company and all applicable laws, regulations, rules and directives in Singapore or elsewhere or may otherwise by necessary or desirable in connection with or in relation to the Placement and the allotment and issue of the New Shares;
- (iv) By not later than 5.00 p.m. on the third (3rd) Market Day immediately following the Completion Date of the Placement or such other time and date as the Company, the Vendors and the Joint Placement Agents may agree in writing, against delivery of the written confirmations as described in paragraph (ii) above and Completion Certificates from each of the Vendors and the Company, each of the Joint Placement Agents shall make payment to each of the Vendors and/or the Company by way of wire transfer or such other forms of remittances as mutually agreed to the respective bank account designated by each of the Company and the Vendors, the aggregate Placement Price for the relevant number of Placement Shares placed out less any Commission payable to each of the Joint Placement Agents and any cost and expenses reimbursable to the Joint Placement Agents under the Placement Agreement.

6. In the case of any pre-emptive rights to subscribe for or purchase the securities being offered, state the procedure for the exercise of any right of pre-emption, the negotiability of such rights and the treatment of such rights which are not exercised.

Not applicable as no pre-emptive rights have been offered.

7. Provide a full description of the manner in which results of the allotment or allocation of the securities are to be made public and, where appropriate, the manner for refunding excess amounts paid by applicants (including whether interest will be paid).

The Joint Placement Agents will procure the Placees on a best efforts basis. The Company will announce the completion of the Placement (including the number of Placement Shares for which the Joint Placement Agents have procured subscription or purchase) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>. No excess amounts are expected to be received in respective of the Placement Shares.

PART IV (KEY INFORMATION)

Use of Proceeds from the Offer and Expenses Incurred

1. In the same section, provide the information set out in paragraphs 2 to 7 of this Part.

Please see paragraphs 2 to 7 below.

2. Disclose the estimated amount of the proceeds from the offer (net of the estimated amount of expenses incurred in connection with the offer) (referred to in this paragraph and paragraph 3 of this Part as the net proceeds). Where only a part of the net proceeds will go to the relevant entity, indicate the amount of the net proceeds that will be raised by the relevant entity. If none of the proceeds will go to the relevant entity, provide a statement of that fact.

Based on the Estimated Price Range and the Maximum Placement Size, the Company expects to receive net proceeds (after deducting Commission and estimated expenses) of between approximately S\$9.7 million and S\$13.2 million from the Placement and the Vendors expect to receive in aggregate net proceeds (after deducting Commission and estimated expenses) of between approximately S\$4.7 million and S\$5.9 million from the Placement.

The above net proceeds to be received by the Company and the Vendors may vary depending on the final terms of the Placement. Further, the amount of net proceeds is only an indicative figure and cannot be guaranteed due to, *inter alia*, market conditions and unforeseen circumstances.

3. Disclose how the net proceeds raised by the relevant entity from the offer will be allocated to each principal intended use. If the anticipated proceeds will not be sufficient to fund all of the intended uses, disclose the order of priority of such uses, as well as the amount and sources of other funds needed. Disclose also how the proceeds will be used pending their eventual utilisation for the proposed uses. Where specific uses are not known for any portion of the proceeds, disclose the general uses for which the proceeds are proposed to be applied. Where the offer is not fully underwritten on a firm commitment basis, state the minimum amount which, in the reasonable opinion of the directors or equivalent persons of the relevant entity, must be raised by the offer of securities.

For illustrative purposes only, based on the Placement Price of S\$0.21 per Placement Share and the Maximum Placement Size, the Company expects to receive net proceeds of approximately S\$10.3 million (after deducting Commission and estimated expenses) ("**Net Proceeds**") from the New Shares Placement.

The Company intends to use to Net Proceeds from the New Shares Placement as follows:

- (a) approximately \$6.0 million will be used for the Company's funding capital expenditures in Singapore;
- (b) approximately \$2.0 million will be used for the Company's funding capital expenditures in Brunei and PRC; and
- (c) approximately \$2.3 million will be used for the Company's general working capital purposes.

Pending the deployment of the Net Proceeds from the New Shares Placement for the purposes set out above, such proceeds may be placed as deposits with banks and financial institutions or invested in short term money markets or debt instruments or use for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit from time to time.

In the reasonable opinion of the Directors, there is no minimum amount which must be raised by the Company from the Placement.

PART IV (KEY INFORMATION)

4. For each dollar of the proceeds from the offer that will be raised by the relevant entity, state the estimated amount that will be allocated to each principal intended use and the estimated amount that will be used to pay for expenses incurred in connection with the offer.
-

The proportion of the Net Proceeds from the New Shares Placement allocated to each principal intended use as set out in paragraph 3 of this Part IV (Key Information) above, and the estimated amount that will be used to pay for expenses incurred in connection with the Transactions, including the New Shares Placement (assuming that the New Shares Placement is fully subscribed) is set out below:

Use of Proceeds	Estimated amount (\$'000)	Estimated amount allocated for each dollar (cents)
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
Expenses		
Professional fees	1,228	10.1
Placement commission	388	3.2
Miscellaneous expenses ⁽¹⁾	200	1.7
Gross Proceeds from Placement	12,101	100.0

Notes:

- (1) Miscellaneous expenses include printing fees, out-of-pocket expenses and fees payable to the SGX-ST in connection with the Transactions.
-

5. If any of the proceeds to be raised by the relevant entity will be used, directly or indirectly, to acquire or refinance the acquisition of an asset other than in the ordinary course of business, briefly describe the asset and state its purchase price. If the asset has been or will be acquired from an interested person of the relevant entity, identify the interested person and state how the cost to the relevant entity is or will be determined.
-

The Enlarged Group does not currently have specific plans regarding such acquisitions. Should such an opportunity arise and the Enlarged Group decides to capitalise on the opportunity presented, we will make an SGXNET announcement to be posted on the internet at the SGX-ST website www.sgx.com as appropriate.

6. If any of the proceeds to be raised by the relevant entity will be used to finance or refinance the acquisition of another business, briefly describe the business and give information on the status of the acquisition.
-

The Enlarged Group does not currently have specific plans regarding such acquisitions. Should such an opportunity arise and the Enlarged Group decides to capitalise on the opportunity presented, we will make an SGXNET announcement to be posted on the internet at the SGX-ST website www.sgx.com as appropriate.

PART IV (KEY INFORMATION)

7. **If any material part of the proceeds to be raised by the relevant entity will be used to discharge, reduce or retire the indebtedness of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, of the group, describe the maturity of such indebtedness and, for indebtedness incurred within the past year, the uses to which the proceeds giving rise to such indebtedness were put.**

None of the proceeds will be used to discharge, reduce or retire the indebtedness of the Company or the Enlarged Group.

8. **In the section containing the information referred to in paragraphs 2 to 7 of this Part or in an adjoining section, discloses the amount of discount or commission agreed upon between the underwriters or other placement or selling agents in relation to the offer and the person making the offer. If it is not possible to state the amount of discount or commission, the method by which it is to be determined must be explained.**

A Commission of 3.0% of the Placement Price (and GST thereon) is payable by the Company in respect of the New Shares and the Vendors in respect of the Vendor Shares for which DMG and/or RHB Bank have procured Placees, to DMG and/or RHB Bank (as the case may be), as Joint Placement Agents pursuant to the Placement Agreement.

Placees of the Placement Shares, may be required to pay a brokerage fee of up to 1.0% of the Placement Price (and GST thereon, if applicable) to the relevant Joint Placement Agent.

Information on the Relevant Entity

9. **Provide the following information:**

- (a) **the address and telephone and facsimile numbers of the relevant entity's registered office and principal place of business (if different from those of its registered office);**

Registered office and principal place of business : 4 Sungei Kadut Street 2
Sungei Kadut Industrial Estate
Singapore 729226

Telephone number : 65-6757 0900

Facsimile number : 65-6757 0100

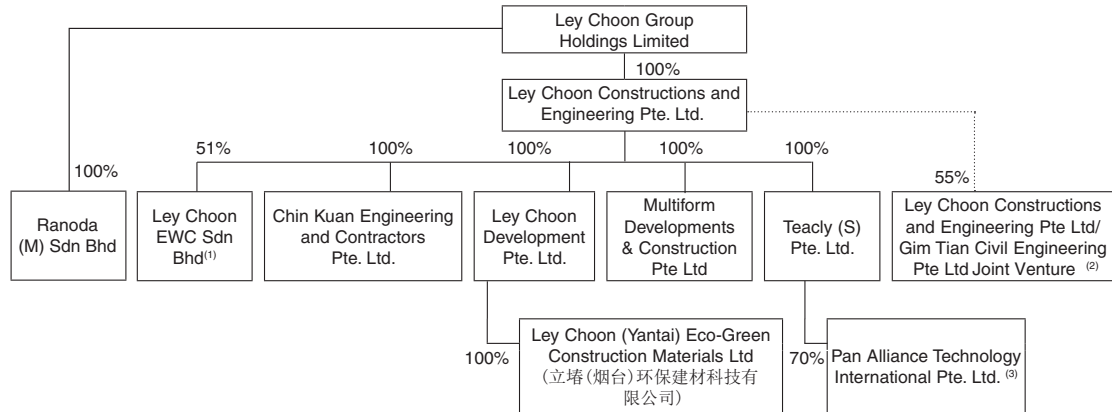
- (b) **the nature of the operations and principal activities of the relevant entity or, if it is the holding company or holding entity of a group, of the group;**

The Company was incorporated in Singapore on 6 February 1987 with its company registration number being 198701140E. The Shareholders approved, *inter alia*, the Acquisition at the EGM. Following the approval of the Acquisition and the satisfaction of the other conditions precedent to the Completion as set out in the Final SPA, the Company carried into effect, *inter alia*, the Disposal and the Acquisition and the Completion took place on 25 July 2012.

Following the completion of the Disposal and the Acquisition, the Enlarged Group consists of the Target Group and Ranoda, which has no other existing businesses and assets other than the Property. As such, our current principal activities are those of the Target Group.

PART IV (KEY INFORMATION)

The group structure of the Enlarged Group as at the date of this Offer Information Statement 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 Joint Venture (“LCGT-JV”) is an unincorporated joint venture set up by LCCE and Gim Tian Civil Engineering Pte Ltd, which is an unrelated third-party company. 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.
- (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.

The Target Group focuses 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.

Since its establishment in 1990, the Target Group has undertaken and completed a wide range of Underground Utilities Infrastructure projects for PUB, PowerGas, Singapore Telecommunications Limited, JTC and LTA. The Target Group is currently undertaking airfield resurfacing work at Changi Airport and airfield taxiway and aprons construction at Seletar Airport.

To complement its businesses, the Target Group also has 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. The Target Group’s asphalt plant is capable of producing different formulations of asphalt pre-mixes in accordance with customer’s specifications. Their 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.

- (c) **the general development of the business from the beginning of the period comprising the 3 most recent completed financial years to the latest practicable date, indicating any material change in the affairs of the relevant entity or the group, as the case may be, since:**
 - (i) **the end of the most recent completed financial year for which financial statements of the relevant entity have been published; or**
 - (ii) **the end of any subsequent period covered by interim financial statements, if interim financial statements have been published;**

PART IV (KEY INFORMATION)

Before the completion of the Disposal and the Acquisition, the Company and its subsidiaries were previously involved in the business of sourcing, supplying, trading and distributing commodities, minerals and resources related products. On 3 December 2009, the Company was placed on the SGX-ST's Watch-List pursuant to Rule 1311 of the Listing Manual.

In January 2010, the Company's subsidiary, CP Solutions Pte Ltd was ordered to be wound up by the High Court of Singapore. In March 2010, the Company's wholly owned subsidiary, Ultro Resources Pte. Ltd. entered into a joint venture agreement with PT Anugrah Setia Jaya to establish a joint venture company. In June 2010 the Company issued 143,952,885 rights shares together with 143,952,885 warrants.

In February 2011, the Company and its subsidiaries Ultro Resources Pte. Ltd. and PT Ultro Sumber Indonesia entered into a coal supply agreement with PT Nucleus Resources Indonesia ("PTN") for the supply and delivery of coal by PTN over a term of two years. On 6 July 2011, the Company announced the change of financial year end from 30 June to 31 December. In August 2011, the Company entered into a sale and purchase agreement with PT Anugrah Setia Jaya to dispose of its entire interest in the joint venture company, PT Anugrah Ultro Setia. In December 2011, the Company entered into the SPA. On 28 February 2012, the Company announced its financial results for the 18 months period from 1 July 2010 to 31 December 2011. Such financial information does not include the effects of the Acquisition or the contribution from the Target Group as the Acquisition was completed after the end of FY2011. Details of the Company's financial results for the 18 months period ended 31 December 2011 are available on www.sgx.com.

On 4 May 2012, the Company announced its financial results for FP2012, such financial information does not include the effects of the Acquisition or the contribution from the Target Group as the Acquisition was completed after FP2012. Details of the Company's FP2012 financial results are available on www.sgx.com.

Following the completion of the Disposal and the Acquisition, the business of the Enlarged Group now mainly comprises those of the Target Group. The Target 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.

The general development of the business of the Target Group from the beginning of 2009 up to the Latest Practicable Date is set out below:

- (a) In 2009, the Target Group was awarded with a contract of approximately \$10.0 million for high pressure gas pipe laying from PowerGas. The Target Group also diversified its activities to include airfield maintenance and secured its first contract for the resurfacing of taxiways from CAG of approximately \$15.7 million. For FY2009, the Target Group recorded revenue of approximately \$110.3 million. The Target Group also built a new construction waste recycling plant and office at Sarimbun Recycling Park and started trial runs production in March 2010. The construction waste recycling plant allowed the Target Group to reduce its disposal costs for construction waste generated in its business. As such, it was able to enjoy cost-savings in the long run, strengthening its competitiveness.
- (b) In 2010, the Target Group expanded its 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, it has 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 2010, it also entered into a project joint venture with Gim Tian Civil Engineering Pte Ltd to set up Ley Choon Constructions and Engineering Pte Ltd / Gim Tian Civil Engineering Pte Ltd Joint Venture 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.

PART IV (KEY INFORMATION)

In 2010, the Target Group was also one of the recipients of the Singapore Enterprise 50 Awards. In the same year, it also became a L6 contractor in the categories of (i) pipes and (ii) other basic construction materials with the BCA, which allows them to tender for Singapore public sector projects of unlimited value.

- (c) In 2011, the Target Group's subsidiary, LC Development, incorporated its wholly owned subsidiary, LC Yantai, in PRC for the purposes of carrying out the business of (i) recycling of construction waste and development of eco-green construction products; and (ii) production and sale of asphalt concrete, ready-mix concrete, dry mortar, concrete blocks and sand. In the same year, the Target Group 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 LCCE holds the remaining 51%. LC EWC is engaged in the businesses of non-building construction (civil engineering construction) and manufacture of asphalt pre-mix.
- (d) In 2012, the Target Group became a L6 contractor under the workhead category of Electrical & Electronic Materials, Products & Components (SY05). 2012 marks the Target Group's foray into the overseas market. The Target Group's Brunei subsidiary, LC EWC secured five contracts worth a total of approximately \$50 million. The Target Group also diversified its 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.

Save as disclosed in this Offer Information Statement, the Circular and in public announcements released by the Company, there has been no material change to the affairs of the Enlarged Group during the period from 1 January 2009 to the Latest Practicable Date.

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- (d) the equity capital and the loan capital of the relevant entity as at the latest practicable date, showing:**
- (i) in the case of the equity capital, the issued capital; or**
- (ii) in the case of the loan capital, the total amount of the debentures issued and outstanding, together with the rate of interest payable thereon;**
-

As at the Latest Practicable Date, the share and loan capital of our Company were as follows:

- (i) Share capital : \$59,318,320 comprising 431,908,656 Shares⁽¹⁾
- (ii) Loan capital : 143,902,855 outstanding warrants in the Company entitling the warrant holders to subscribe for one share at \$0.10. No interest is payable on the warrants.

As at the date of this Offer Information Statement (as a result of the Share Consolidation, the Warrant Consolidation and the Acquisition Shares Issue), the share and loan capital of our Company are as follows:

- (i) Share capital : \$169,318,320 comprising 436,047,996 Shares⁽¹⁾
- (ii) Loan capital : 14,390,288 outstanding warrants entitling the warrant holders to subscribe for one Share at \$1.00. No interest is payable on the warrants.

PART IV (KEY INFORMATION)

Note:

- (1) The Company is in the process of reducing its share capital by:
- (a) \$1,999,737 by returning to Shareholders \$0.00463 for each Pre-Consolidated Share held by Shareholders at the CD Books Closure Date; and
 - (b) \$56,018,498 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, and 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 as at 31 March 2012 to the extent of \$56,018,498.

The Capital Reductions are subject to, *inter alia*, no creditors having applied to court for the special resolution of the above Capital Reductions passed at the EGM, to be cancelled and the Company completing the necessary filings with the Comptroller of Income Tax and the ACRA.

(e) where:

- (i) **the relevant entity is a corporation, the number of shares of the relevant entity owned by each substantial shareholder as at the latest practicable date; or**
- (ii) **the relevant entity is not a corporation, the amount of equity interests in the relevant entity owned by each substantial interest-holder as at the latest practicable date;**

- (i) The number of Shares in which the Directors and the Substantial Shareholders have interests, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	Number of Pre-Consolidated Shares	%	Number of Pre-Consolidated Shares	%
Directors as at the Latest Practicable Date				
Lim Ee Ann	43,646,658	10.11	–	–
Lim Ee Chuan ⁽¹⁾	48,804,433	11.30	3,984,430	0.92
Tan Siok Min ⁽²⁾	3,984,430	0.92	48,804,433	11.30
Lee Keen Whye ⁽³⁾	150,000	0.03	–	–
Teo Lai Wah Timothy	2,307,000	0.53	3,000,000	0.69
Substantial Shareholders (other than Directors) as at the Latest Practicable Date				
Tan Yang Hong ⁽⁴⁾	23,250,000	5.38	3,345,000	0.77
Kwan Chee Seng	22,457,000	5.20	–	–

Notes:

- (1) Mr Lim Ee Chuan is deemed to be interested in the Pre-Consolidated Shares held by his spouse, Ms Tan Siok Min, who was a Non-Executive Director of the Company as at the Latest Practicable Date.
- (2) Ms Tan Siok Min is deemed to be interested in the Pre-Consolidated Shares held by her spouse, Mr Lim Ee Chuan, who was the Chief Executive Officer of the Company as at the Latest Practicable Date.
- (3) Mr Teo Lai Wah Timothy is deemed to be interested in the Pre-Consolidated Shares held by his spouse.
- (4) Mr Tan Yan Hong is deemed to be interested in the Pre-Consolidated Shares held by his spouse.

PART IV (KEY INFORMATION)

As at the date of this Offer Information Statement (as a result of the Acquisition Shares Issue and the Share Consolidation), the number of Shares in which the Directors and Substantial Shareholders have interests are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Toh Choo Huat ⁽¹⁾	–	–	317,388,500	72.79%
Toh Swee Kim ⁽²⁾	–	–	317,388,500	72.79%
Toh Chew Leong ⁽³⁾	–	–	317,388,500	72.79%
Koh Tiam Teng	30,328,571	6.96%	–	–
Tan Teck Wei	15,695,035	3.60%	–	–
Ang Miah Khiang	–	–	–	–
Lee Gee Aik	–	–	–	–
Marcus Chow Wen Kwan	–	–	–	–
Substantial Shareholders (other than Directors)				
Zheng Choon	317,388,500	72.79%	–	–
Toh Chew Chai ⁽⁴⁾	–	–	317,388,500	72.79%
Seow Soon Kee ⁽⁵⁾	–	–	317,388,500	72.79%

Notes:

- (1) Our Executive Chairman and Chief Executive Officer, Mr Toh Choo Huat holds 26.4% of the shareholding in Zheng Choon. As such, Mr Toh Choo Huat is deemed to be interested in the Shares held by Zheng Choon. Ms Seow Soon Kee, the spouse of Mr Toh Choo Huat, holds 3.2% of the shares in Zheng Choon.
- (2) Our Executive Director, Mr Toh Swee Kim holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Swee Kim is deemed to be interested in the Shares held by Zheng Choon.
- (3) Our Executive Director, Mr Toh Chew Leong holds 24.6% of the shareholding in Zheng Choon. As such, Mr Toh Chew Leong is deemed to be interested in the Shares held by Zheng Choon.
- (4) Our Executive Officer, Mr Toh Chew Chai holds 22.9% of the shareholding in Zheng Choon. As such, Mr Toh Chew Chai is deemed to be interested in the Shares held by Zheng Choon.
- (5) Our Executive Officer, Ms Seow Soon Kee is the spouse of Mr Toh Choo Huat, who is the Executive Chairman and Chief Executive Officer of the Company. 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 to be interested in the Shares held by Zheng Choon.

(ii) Not applicable.

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- (f) **any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgement of the offer information statement, a material effect on the financial position or profitability of the relevant entity or, where the relevant entity is a holding company or holding entity of a group, of the group;**
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PART IV (KEY INFORMATION)

The legal or arbitration proceedings of the Target Group (now part of the Enlarged Group), including those which, to the best knowledge of the Directors, are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgement of this Offer Information Statement, a material effect on the financial position or profitability of the Enlarged Group, are set out below:

- (a) one of our customers through its 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 \$126,000 as compensation. We have made full provisions for the claims of \$126,000 for FY2009 at the consolidated level while preparing our combined financial statements.

Save for above, as at the Latest Practicable Date, the Directors are not aware of any legal or arbitration proceedings to which the Enlarged Group is a party or which is pending or known to be contemplated which may have or which have had in the last 12 months immediately preceding the date of lodgement of this Offer Information Statement, a material effect on the financial position or profitability of the Enlarged Group.

(g) where any securities or equity interests of the relevant entity have been issued within the 12 months immediately preceding the latest practicable date:

- (i) if the securities or equity interests have been issued for cash, state the prices at which the securities have been issued and the number of securities or equity interests issued at each price; or**
- (ii) if the securities or equity interests have been issued for services, state the nature and value of the services and give the name and address of the person who received the securities or equity interests; and**

(i) On 9 May 2012, the Company issued and allotted 50,000 Pre-Consolidation Shares in the capital of the Company at the exercise price of \$0.10 each pursuant to the exercise of 50,000 warrants. Save as disclosed, the Company has not issued any securities or equity interests of the Company for cash within the 12 months immediately preceding the Latest Practicable Date.

(ii) No securities or equity interests of the Company have been issued for services within the 12 months immediately preceding the Latest Practicable Date.

Pursuant to the Final SPA, the Company allotted and issued 392,857,141 new Shares at \$0.28 per Shares on 25 July 2012 in satisfaction of the \$110 million payable by the Company to 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 as consideration for the Acquisition.

(h) a summary of each material contract, other than a contract entered into in the ordinary course of business, to which the relevant entity or, if the relevant entity is the holding company or holding entity of a group, any member of the group is a party, for the period of 2 years immediately preceding the date of lodgement of the offer information statement, including the parties to the contract, the date and general nature of the contract, and the amount of any consideration passing to or from the relevant entity or any other member of the group, as the case may be.

PART IV (KEY INFORMATION)

The dates of, parties to and general nature of all material contracts entered into by the Enlarged Group, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Enlarged Group, for the period of two (2) years immediately preceding the date of lodgement of this Offer Information Statement are as follows:

- (a) 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 setting out the terms and conditions of the Target Group's investment into Yantai, PRC and pursuant to which LC Development set up LC Yantai;
- (b) the SPA, the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and the Fourth Supplemental Agreement, setting out the terms and conditions of the Acquisition; and
- (c) the Placement Agreement.

Save as disclosed above, the Enlarged Group has not entered into any material contracts outside the ordinary course of business for the period of two years immediately preceding the date of lodgement of this Offer Information Statement.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Operating Results

1. Provide selected data from:

- (a) the audited income statement of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, the audited consolidated income statement of the relevant entity or the audited combined income statement of the group, for each financial year (being one of the 3 most recent completed financial years) for which that statement has been published; and
- (b) any interim income statement of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, any interim consolidated income statement of the relevant entity or interim combined income statement of the group, for any subsequent period for which that statement has been published.

The unaudited proforma consolidated financial information of the Enlarged Group for FY2009, FY2010, FY2011, FP2011 and FP2012 has been prepared for inclusion in this Offer Information Statement in connection with the Placement and should be read in conjunction with Appendices A to D of this Offer Information Statement. Investors should note that the unaudited proforma consolidated financial information of the Enlarged Group, because of its nature, may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged 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 Consolidated Financial Information

	← Year ended 31 December →			Three-month period ended 31 March	
	2009 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2012 \$'000
Continuing operations					
Revenue	110,330	110,714	126,843	22,614	28,194
Cost of sales	(78,952)	(84,202)	(97,783)	(18,656)	(20,574)
Gross profit	31,378	26,512	29,060	3,958	7,620
Other income	5,132	4,723	5,021	1,319	1,742
Distribution expenses	(252)	(368)	(377)	(83)	(92)
Administrative expenses	(8,880)	(12,239)	(15,313)	(3,643)	(3,921)
Other expenses	(1,305)	(1,455)	(706)	(115)	(395)
Results from operating activities	26,073	17,173	17,685	1,456	4,954
Finance costs	(1,828)	(2,136)	(2,129)	(474)	(658)
	24,245	15,037	15,556	982	4,296
Share of profit of associates (net of tax)	466	–	–	–	–
Profit before tax	24,711	15,037	15,556	982	4,296
Income tax expense	(4,949)	(2,379)	(829)	65	(842)
Profit from continuing operations	19,762	12,658	14,727	1,047	3,454
Discontinued operation					
Loss from discontinued operation (net of tax)	(498)	–	–	–	–
Profit for the year/period	19,264	12,658	14,727	1,047	3,454

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

	← Year ended 31 December →			Three-month period ended 31 March	
	2009	2010	2011	2011	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiary	–	–	–	–	(118)
Total comprehensive income for the year	<u>19,264</u>	<u>12,658</u>	<u>14,727</u>	<u>1,047</u>	<u>3,336</u>
Profit attributable to:					
Owners of the Company	19,379	12,540	14,567	1,057	3,397
Non-controlling interests	(115)	118	160	(10)	57
	<u>19,264</u>	<u>12,658</u>	<u>14,727</u>	<u>1,047</u>	<u>3,454</u>
Total comprehensive income attributable to:					
Owners of the Company	19,379	12,540	14,567	1,057	3,279
Non-controlling interests	(115)	118	160	(10)	57
	<u>19,264</u>	<u>12,658</u>	<u>14,727</u>	<u>1,047</u>	<u>3,336</u>
Dividend per Share ⁽¹⁾ (cents)	–	0.7	0.9	–	–
Basic and diluted EPS ⁽²⁾ (cents)	4.6	2.9	3.3	0.2	0.8
Basic and diluted EPS ⁽³⁾ (as adjusted for the Placement) (cents)	4.0	2.6	3.0	0.2	0.7

Notes:

- (1) The dividend per Share has been calculated based on the dividend declared for FY2009, FY2010, FY2011, FP2011 and FP2012 and the pre-Placement share capital of 436,048,005 Shares.
- (2) The EPS has been calculated based on the profit attributable to equity owners of the Company for FY2009, FY2010, FY2011, FP2011 and FP2012 and the pre-Placement weighted average of 421,647,720, 429,445,168, 436,043,009, 436,043,009, 436,043,009 Shares respectively.
- (3) The EPS has been calculated based on the profit attributable to equity owners of the Company for FY2009, FY2010, FY2011, FP2011 and FP2012 and the post-Placement weighted average of 479,272,720, 487,070,168, 493,668,009, 493,668,009, 493,668,009 Shares respectively.

2. **The data referred to in paragraph 1 of this Part shall include the line items in the audited income statement, audited consolidated income statement, audited combined income statement, interim income statement, interim consolidated income statement or interim combined income statement, as the case may be, and shall in addition include the following items:**
 - (a) **dividends declared per share in both the currency of the financial statements and the Singapore currency, including the formula used for any adjustment to dividends declared;**
 - (b) **earnings or loss per share; and**
 - (c) **earnings or loss per share, after any adjustment to reflect the sale of new securities.**

Noted.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Review of Past Performance

3. In respect of:

(a) each financial year (being one of the 3 most recent completed financial years) for which financial statements have been published; and

(b) any subsequent period for which interim financial statements have been published,

provide information regarding any significant factor, including any unusual or infrequent event or new development, which materially affected profit or loss before tax of the relevant entity or, if it is the holding company or holding entity of a group, of the group, and indicate the extent to which such profit or loss before tax of the relevant entity or the group, as the case may be, was so affected. Describe any other significant component of revenue or expenditure necessary to understand the profit or loss before tax for each of these financial periods.

As stated in paragraph 9(b) of Part IV (Key Information) above, following the completion of the Disposal and Acquisition, the Enlarged Group consists of the Target Group and Ranoda, which has no other existing businesses and assets other than the Property. As such, our current principal activities are those of the Target Group. Please refer to paragraph 9(b) of Part IV (Key Information) above for our current group structure.

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

	FY2009 \$'000	FY2010 \$'000	FY2011 \$'000	FP2011 \$'000	FP2012 \$'000
Revenue of the Enlarged Group	110,330	110,714	126,843	22,614	28,194
Revenue of the Group's continuing operations	–	–	–	–	–
Percentage of revenue of the Group's continuing operations over revenue of the Enlarged Group	0.0%	0.0%	0.0%	0.0%	0.0%
PBT of the Enlarged Group	24,711	15,037	15,556	982	4,296
Profit/(loss) before tax of the Group's continuing operations	(673)	(802)	(307)	4	(125)
Percentage of PBT of the Group's continuing operations over PBT of the Enlarged Group ⁽¹⁾	2.7%	5.3%	2.0%	0.4%	2.9%

Note:

(1) Based on absolute numbers.

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

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Financial Position

4. Provide selected data from the balance sheet of the relevant entity or, if it is the holding company or holding entity of a group, the group as at the end of:
- (a) the most recent completed financial year for which audited financial statements have been published; and
 - (b) if interim financial statements have been published for any subsequent period, that period.

The following table should be read in conjunction with paragraph 3 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement and Appendices A to D of this Offer Information Statement.

Unaudited Proforma Consolidated Financial Position of the Enlarged Group

	As at 31 December 2011 \$'000	As at 31 March 2012 \$'000
Non-current assets		
Investment property	1,410	1,409
Property, plant and equipment	48,554	58,228
Club membership	42	42
	<u>50,006</u>	<u>59,679</u>
Current Assets		
Inventories	4,302	6,607
Contracts work-in-progress	51,534	53,468
Trade and other receivables	15,209	13,749
Financial assets designated at fair value through profit or loss	77	96
Cash and cash equivalents	27,408	21,946
	<u>98,530</u>	<u>95,866</u>
Total assets	<u>148,536</u>	<u>155,545</u>
Equity		
Share Capital	43,229	43,229
Retained Earnings	13,730	17,073
Equity attributable to owners of the Company	<u>56,659</u>	<u>60,302</u>
Non-controlling interests	420	477
Total equity	<u>57,379</u>	<u>60,779</u>
Non-current liabilities		
Loans and borrowings	24,424	27,202
Deferred tax liabilities	3,893	4,137
	<u>28,317</u>	<u>31,339</u>
Current liabilities		
Loans and borrowings	34,159	38,594
Trade and other payables	26,591	22,195
Provisions	106	106
Current tax payable	1,984	2,532
	<u>62,840</u>	<u>63,427</u>
Total liabilities	<u>91,157</u>	<u>94,766</u>
Total equity and liabilities	<u>148,536</u>	<u>155,545</u>
NAV per Share before the Placement (cents) ⁽¹⁾	13.0	13.8
NAV per Share after the Placement (cents) ⁽²⁾	<u>13.6</u>	<u>14.3</u>

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Notes:

- (1) The NAV per Share has been calculated based on our NAV as at 31 December 2011 and 31 March 2012 respectively and the pre-Placement share capital of 436,048,005 Shares.
- (2) The NAV per Share has been calculated based on the post-Placement share capital of 493,673,005 Shares and the Net Proceeds from the New Shares Placement assuming the New Shares Placement is fully subscribed at \$0.21 per Placement Share.

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5. **The data referred to in paragraph 4 of this Part shall include the line items in the audited or interim balance sheet of the relevant entity or the group, as the case may be, and shall in addition include the following items:**
- (a) **number of shares after any adjustment to reflect the sale of new securities;**
 - (b) **net assets or liabilities per share; and**
 - (c) **net assets or liabilities per share after any adjustment to reflect the sale of new securities.**
-

Noted.

Liquidity and Capital Resources

6. **Provide an evaluation of the material sources and amounts of cash flows from operating, investing and financing activities in respect of:**
- (a) **the most recent completed financial year for which financial statements have been published; and**
 - (b) **if interim financial statements have been published for any subsequent period, that period.**
-

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 following table sets out a summary of the Enlarged Group's cash flow statements for FY2011 and FP2012:

	FY2011 \$'000	FP2012 \$'000
Net cash from operating activities	8,823	4,494
Net cash used in investing activities	(7,089)	(9,804)
Net cash from financing activities	7,632	35
Net increase/(decrease) in cash and cash equivalents	9,366	(5,275)
Cash and cash equivalents at beginning of the financial year/period	11,473	20,839
Effect of exchange rate fluctuations on cash held	–	(118)
Cash and cash equivalents at end of the financial year/period	20,839	15,446

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

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 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 \$4.1 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.

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.

FP2012

Net cash from operating activities

In FP2012, our net cash from operating activities was approximately \$4.5 million which comprised operating cash flow before working capital changes of approximately \$6.4 million and offset by a net working capital outflow of approximately \$1.9 million and income tax paid of approximately \$46,000.

The net working capital outflow of approximately \$1.9 million was mainly due to:

- (a) an increase in inventories of approximately \$2.3 million mainly due to purchase of materials for new projects; and
- (b) an increase in contracts work-in-progress of approximately \$1.9 million due to increase in revenue recognised from projects which were pending certification by consultants;

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

and were partially offset by:

- (a) an decrease in trade and other receivables of approximately \$1.5 million due to the decrease in billings raised in FP2012 in respect of our projects; and
- (b) an increase in trade and other payables of approximately \$874,000 due to increase in purchases of materials during the period.

Net cash used in investing activities

Net cash used in investing activities of approximately \$9.8 million was mainly due to purchases of plant and equipment. The purchases amounting to approximately \$10.1 million are mainly made up of milling and patching machineries, pipe jacking machines, excavators and lorries and the construction of workers' dormitory at No. 55 Kranji Crescent Singapore 728662, 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 \$364,000.

Net cash from financing activities

Net cash from financing activities was approximately \$35,000 which was mainly due to the repayment of bank borrowings of approximately \$3.9 million, repayment of finance leases of approximately \$1.3 million, repayment of interest on borrowings of \$658,000 and dividend paid of \$4.0 million. The outflow was partially offset by proceeds from bank borrowings of approximately \$9.8 million for project financing purposes.

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- 7. Provide a statement by the directors or equivalent persons of the relevant entity as to whether, in their reasonable opinion, the working capital available to the relevant entity or, if it is the holding company or holding entity of a group, to the group, as at the date of lodgement of the offer information statement, is sufficient for present requirements and, if insufficient, how the additional working capital considered by the directors or equivalent persons to be necessary is proposed to be provided.**
-

The Directors are of the reasonable opinion that, barring unforeseen circumstances and after taking into consideration the Enlarged Group's internal resources, cash flow generated from operating activities and present banking facilities the Enlarged Group has sufficient working capital as at the date of lodgement of this Offer Information Statement and for its present working capital requirements.

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- 8. If the relevant entity or any other entity in the group is in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect the relevant entity's financial position and results or business operations, or the investments by holders of securities in the relevant entity, provide:**
- (a) a statement of that fact;
 - (b) details of the credit arrangement or bank loan; and
 - (c) any action taken or to be taken by the relevant entity or other entity in the group, as the case may be, to rectify the situation (including the status of any restructuring negotiations or agreement, if applicable).
-

As at the Latest Practicable Date, to the best of the Directors' knowledge, the Enlarged Group is not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect the Enlarged Group's financial position and results or business operations, or the investments by holders of securities in the Company.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Trend Information and Profit Forecast or Profit Estimate

9. Discuss, for at least the current financial year, the business and financial prospects of the relevant entity or, if it is the holding company or holding entity of a group, the group, as well as any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on net sales or revenues, profitability, liquidity or capital resources, or that would cause financial information disclosed in the offer information statement to be not necessarily indicative of the future operating results or financial condition. If there are no such trends, uncertainties, demands, commitments or events, provide an appropriate statement to that effect.
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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.⁽¹⁾

BCA announced that Singapore's construction demand increased by 16% year-on-year from \$27.6 billion in 2010 to \$32 billion in 2011.⁽²⁾ BCA estimated that the total construction demand in 2012 will be between \$21 billion and \$27 billion.⁽²⁾ 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).⁽²⁾ 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.⁽²⁾

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/Tampines Expressway Interchange and extension and reconstruction of the Newton Flyover.⁽²⁾

BCA also estimated that the average construction demand to be between \$19 billion and \$27 billion per annum in 2013 and 2014.⁽²⁾ 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.⁽²⁾ The major pipeline infrastructure projects which will contributing to the demand of civil engineering works in 2013 to 2014 include MRT Thomson Line and North-South Expressway.⁽²⁾ The other public sector projects earmarked to commence construction from 2013 onwards include but are not limited to improvement of Bedok Canal, New Lornie Road at Bukit Brown.⁽²⁾

Based on the above, we believe that barring a global recession or other unforeseen circumstances, construction demand will remain healthy and the Enlarged 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.⁽³⁾

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.⁽³⁾

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

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 15 km 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.⁽³⁾

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.⁽⁴⁾

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.⁽³⁾

- (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.⁽⁵⁾

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.⁽⁴⁾ In addition, over the next five years, PUB intends to spend about \$750 million to carry out 20 drainage improvement projects.⁽⁵⁾

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 MTI’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 and published from 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 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 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 PUB’s website (<http://www.pub.gov.sg>).

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 Offer Information Statement, 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, the Company, the Directors, the Vendors and the Joint Placement Agents 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.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Order Book

We have an order book of \$116 million as at 31 December 2011 and \$142.9 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 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 “Appendix A – Management’s Discussion and Analysis of Financial Condition and Results of Operations of LCCE and its Subsidiaries” of this Offer Information Statement.

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 we have 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.

Save as disclosed in this Offer Information Statement 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 Offer Information Statement to be not necessarily indicative of our future operating results or financial condition.

Risk Factors

Prospective investors should consider carefully, together with all other information contained in this document, the risks described below before deciding to invest in our Shares.

As the Enlarged Group consists of the Target Group and Ranoda, which has no other existing businesses and assets other than the Property, the risks described below are mainly those relating to the Target Group, its businesses and the industry in which it operates. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

This Offer Information Statement also contains forward-looking statements that involve risks and uncertainties. The actual results of our operations could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this Offer Information Statement.

Before deciding to invest in our Shares, prospective investors should seek professional advice from their advisers about their particular circumstances.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

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.

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.

Downgrade or loss of our 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, we are 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 Enlarged Group, there are certain requirements stipulated by BCA to be complied with, including but not limited to the following:

- (a) each company in the Enlarged 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 Enlarged Group must meet the minimum paid-up share capital and the minimum net worth requirement; and
- (c) each company in the Enlarged 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 the builder's licence we are registered under, we are 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 Enlarged Group, there are certain requirements stipulated by BCA to be complied with, including but not limited to:

- (a) each company in the Enlarged Group must meet the minimum paid-up share capital requirement;
- (b) each company in the Enlarged 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

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

- 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 Enlarged 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.

We 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.

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 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.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

In addition, there is no assurance that the Singapore government will continue to pursue expansion and/or replacement activities on the 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 we do not provide, to construct or maintain the Underground Utilities Infrastructure, roads or airfields, our business and financial performance will be adversely affected.

We face competition from our competitors and new entrant

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.

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

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 our 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.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

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.

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.

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.

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%, 84.2%, 85.7% and 91.7% of our total revenue for FY2009, FY2010, FY2011, FP2011 and FP2012 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.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

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 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 \$142.9 million as at the Latest Practicable Date, which is to be fulfilled in the next two years.

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, FY2011, FP2011 and FP2012, public sector projects constituted approximately 77.0%, 90.3%, 84.2%, 85.7% and 91.7% 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.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

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 “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, Myanmar, the Philippines and PRC (“specific construction workers”). 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.

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.

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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.

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 our 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 our 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. 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.

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Save as disclosed above, the Target 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.

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

Our success to date is attributable to the contributions and expertise of our Executive Directors who have built the Target 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 date of lodgement of this Offer Information Statement, we do not have key man 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.

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 Target Group for FY2009, FY2010, FY2011, FP2011 and FP2012 were approximately \$61,000, \$58,000, \$44,000, \$14,460 and \$10,563 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.

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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:

Contract Sum	Tolerable Cumulative Demerit Points
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

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, we will not exceed the tolerable limit and in turn be barred from tendering for LTA projects. In the event that we breach the safety regulations and are barred from tendering for LTA projects, it will adversely affect our 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 Target 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.

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We are reliant on the licence to use the SPR Method

Our subsidiary, Teacly, is a licensee of the SPR Method used for our 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 relevant licensor or the sewer pipeline rehabilitation services that is deemed to be competitive was already in use by us 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 expiry.

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 any of the above circumstances, 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

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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 maybe). In such an event, legal proceedings 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 damages 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

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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.

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 Enlarged 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 inventories 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 inventories, 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.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

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.

We may require additional financing in future

We may incur capital expenditure in the future in order to expand our business. 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

The Enlarged Group's working capital position was positive, amounting to \$35.7 million and \$32.4 million as at 31 December 2011 and 31 March 2012 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.

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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.

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 to 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 our 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 our investment in these joint ventures or a loss in our 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 Enlarged 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 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 we continue to expand our regional operations, these and other risks associated with regional operations are likely to increase.

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If the dividends payable by a member of the Enlarged 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.

The New EIT Law also provides that dividends received by a qualified PRC tax resident from another PRC tax resident are exempt 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 Enlarged 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.

Risk Factors Relating to Ownership of Our Shares

Control by the Controlling Shareholder could influence the outcome of matters requiring Shareholder’s Approval

Upon completion of the Placement, our Controlling Shareholder, Zheng Choon, will hold approximately 61.49% of the enlarged share capital of the Company, based on the Maximum Placement Size. As a result, it will be able to significantly influence matters requiring Shareholders’ approval (other than the approval of transactions for which it and its 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.

The Placement may not be successfully carried out

It is proposed that the Company and the Vendors places out the Placement Shares pursuant to the 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 after Completion and such suspension will continue during the period allowed for the Placement and until such time as the requirements under the Listing Manual are met. There is no assurance that the Placement will be successfully carried out. Whether the 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 Placement Shares and investors’ interest in the particular sector in which the Enlarged 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 Acquisition, the impairment of goodwill in the current or subsequent financial periods may materially affect the financial results and financial position of the Enlarged Group

Upon Completion, the Acquisition may result in goodwill being recognised in the financial statements of the Enlarged 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 Completion. As such, the actual goodwill will be determined at Completion, and will be accounted for in accordance with the accounting policies of the Enlarged Group. The accounting policies also require that goodwill be tested for impairment on an annual basis or more frequently

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if there is any indication of impairment. This assessment may lead to an impairment charge in the income statement of the Enlarged 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 Enlarged Group to be reported in respect of the current or subsequent financial periods.

No prior market for Our Shares on an Enlarged Group basis

Our Shares have never been traded on an Enlarged Group basis. As such, there can be no assurance that an active trading market for the Shares after Completion will develop or, if developed, will be sustained.

Our Share price may be volatile in future which could result in substantial losses for investors subscribing for and/or purchasing our Shares pursuant to the Placement

The Placement Price will be determined through a book-building exercise and negotiations between us and the Joint Placement Agents, and may not be indicative of prices that will prevail in the trading market. You may not be able to resell your Shares at or above the Placement Price. Volatility in the trading price of our Shares may be caused by factors outside our control and may be unrelated or be disproportionate to our operating results. The market price of our Shares may fluctuate significantly and rapidly after the Placement as a result of, amongst other things, the following factors, some of which are beyond our control:

- (a) the success or failure of the Enlarged Group's management team in implementing business and growth strategies;
- (b) announcements by us of significant contracts, acquisitions, strategic alliances or capital commitments;
- (c) loss of any of our major customers or failure to complete significant orders or contracts;
- (d) changes in our operating results;
- (e) involvement in litigation;
- (f) unforeseen contingent liabilities;
- (g) addition or departure of key personnel;
- (h) changes in share prices of companies with similar business to the Enlarged Group that are listed in Singapore, or elsewhere;
- (i) changes in securities analysts' estimates of our financial performance and recommendations;
- (j) differences between the Enlarged 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.

Future sales of securities by the Company or Shareholders may adversely affect the price of the Shares

Any future sales, availability or issuance of our Shares could exert a downward pressure on our Share price. The sale of a significant number of our Shares in the public market after the Placement, or the perception that such sales may occur, could materially and adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities.

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

Upon completion of the 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 Shares constituting 74.8% of the enlarged share capital of our Company immediately after the Placement, based on the Maximum Placement Size. Save for the Vendor Shares to be disposed pursuant to the 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 Shares on the SGX-ST commences after the completion of the Placement, transfer, dispose of or realise any part of the 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 Shares on SGX-ST commences after the completion of the 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 Shares on SGX-ST commences after the completion of the 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.

Save as disclosed above, there will be no restriction on the ability of our existing Shareholders to sell their Shares either on the SGX-ST or otherwise.

Negative publicity may adversely affect the price of the Shares

Any negative publicity or announcement, whether justifiable or not, relating to the Enlarged 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.

-
- 10. Where a profit forecast is disclosed, state the extent to which projected sales or revenues are based on secured contracts or orders, and the reasons for expecting to achieve the projected sales or revenues and profit, and discuss the impact of any likely change in business and operating conditions on the forecast.**
-

No profit forecast is disclosed in this Offer Information Statement.

-
- 11. Where a profit forecast or profit estimate is disclosed, state all principal assumptions, if any, upon which the directors or equivalent persons of the relevant entity have based their profit forecast or profit estimate, as the case may be.**
-

No profit forecast or profit estimate is disclosed in this Offer Information Statement.

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- 12. Where a profit forecast is disclosed, include a statement by an auditor of the relevant entity as to whether the profit forecast is properly prepared on the basis of the assumptions referred to in paragraph 11 of this Part, is consistent with the accounting policies adopted by the relevant entity, and is presented in accordance with the accounting standards adopted by the relevant entity in the preparation of its financial statements.**
-

No profit forecast is disclosed in this Offer Information Statement.

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- 13. Where the profit forecast disclosed is in respect of a period ending on a date not later than the end of the current financial year of the relevant entity, provide in addition to the statement referred to in paragraph 12 of this Part:**

- (a) a statement by the issue manager to the offer, or any other person whose profession or reputation gives authority to the statement made by him, that the profit forecast has been stated by the directors or equivalent persons of the relevant entity after due and careful enquiry and consideration; or

PART V (OPERATING AND FINANCIAL REVIEW AND PROSPECTS)

- (b) a statement by an auditor of the relevant entity, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part and in accordance with the Singapore Standards on Auditing or such other auditing standards as may be approved in any particular case by the Authority, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.

No profit forecast is disclosed in this Offer Information Statement.

-
14. Where the profit forecast disclosed is in respect of a period ending on a date after the end of the current financial year of the relevant entity, provide in addition to the statement referred to in paragraph 12 of this Part:
- (a) a statement by the issue manager to the offer, or any other person whose profession or reputation gives authority to the statement made by him, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast; or
- (b) a statement by an auditor of the relevant entity, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part and in accordance with the Singapore Standards on Auditing or such other auditing standards as may be approved in any particular case by the Authority, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.

No profit forecast is disclosed in this Offer Information Statement.

Significant Changes

-
15. Disclose any event that has occurred from the end of:
- (a) the most recent completed financial year for which financial statements have been published; or
- (b) if interim financial statements have been published for any subsequent period, that period,
- to the latest practicable date which may have a material effect on the financial position and results of the relevant entity or, if it is the holding company or holding entity of a group, the group, or, if there is no such event, provide an appropriate negative statement.

Save as disclosed in the Circular, this Offer Information Statement and all public announcements made by the Company on the SGXNET and save for changes in our retained earnings arising from the day-to-day operations in the ordinary course of business, the Directors are not aware of any event which has occurred from 1 April 2012 to the Latest Practicable Date which has not been publicly announced and which may have had a material effect on the Enlarged Group's financial position and results.

Meaning of "published"

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16. In this Part, "published" includes publication in a prospectus, in an annual report or on the SGXNET.

Noted.

PART VI (THE OFFER AND LISTING)

Offer and Listing Details

1. **Indicate the price at which the securities are being offered and the amount of any expense specifically charged to the Placees. If it is not possible to state the offer price at the date of lodgement of the offer information statement, the method by which the offer price is to be determined must be explained.**
-

Placement Price : Between \$0.20 and \$0.26.

The Placement Price is currently expected to be within the Estimated Price Range. However, the Placement Price may not necessarily be set within the Estimated Price Range, save that the Placement Price shall not be less than S\$0.20. The Placement Price will be determined through a book-building exercise by the Company and the Vendors in consultation with the Joint Placement Agents after taking into consideration, *inter alia*, prevailing market conditions and the estimated market demand for our Shares. The Placement Price and the number of Placement Shares offered will be determined at the discretion of the Board and the Vendors in consultation with the Joint Placement Agents. In the event that there are insufficient Placees for all the Placement Shares, the New Shares will be issued first to satisfy the demand for the Placement Shares before the placement of the Vendor Shares (to be calculated in each of the Vendors' proportion of the Vendor Shares). An SGXNET announcement will be posted on the internet at the website <http://www.sgx.com> after the Placement Price and the number of Placement Shares to be offered has been determined on the Determination Date.

A Commission of 3.0% of the Placement Price (and GST thereon, if applicable) is payable by the Company in respect of the New Shares and the Vendors in respect of the Vendor Shares for which the Joint Placement Agents have procured Placees for, to DMG and/or RHB Bank (as the case may be) as Joint Placement Agents pursuant to the Placement.

Placees of the Placement Shares may be required to pay to the relevant Joint Placement Agent a brokerage fee of up to 1.0% of the aggregate Placement Price (and GST thereon, if applicable) for the number of Placement Shares which the Joint Placement Agent has successfully placed to Placees.

The Commission shall be deducted from the gross proceeds from the Placement.

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2. **If there is no established market for the securities being offered, provide information regarding the manner of determining the offer price, the exercise price or conversion price, if any, including the person who establishes the price or is responsible for the determination of the price, the various factors considered in such determination and the parameters or elements used as a basis for determining the price.**
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The Placement Price will be determined through a book-building exercise by our Company and the Vendors in consultation with the Joint Placement Agents after taking into consideration, *inter alia*, prevailing market conditions and the estimated market demand for our Shares.

-
3. **If:**
- (a) **any of the relevant entity's shareholders or equity interest-holders have pre-emptive rights to subscribe for or purchase the securities being offered; and**
 - (b) **the exercise of the rights by the shareholder or equity interest-holder is restricted, withdrawn or waived,**
- indicate the reasons for such restriction, withdrawal or waiver, the beneficiary of such restriction, withdrawal or waiver, if any, and the basis for the offer price.**
-

Not applicable. None of the Shareholders has pre-emptive rights to subscribe for the Placement Rights.

PART VI (THE OFFER AND LISTING)

4. If securities of the same class as those securities being offered are listed for quotation on any securities exchange:
- (a) in a case where the first-mentioned securities have been listed for quotation on the securities exchange for at least 12 months immediately preceding the latest practicable date, disclose the highest and lowest market prices of the first-mentioned securities:
 - (i) for each of the 12 calendar months immediately preceding the calendar month in which the latest practicable date falls; and
 - (ii) for the period from the beginning of the calendar month in which the latest practicable date falls to the latest practicable date; or
 - (b) in a case where the first-mentioned securities have been listed for quotation on the securities exchange for less than 12 months immediately preceding the latest practicable date, disclose the highest and lowest market prices of the first-mentioned securities:
 - (i) for each calendar month immediately preceding the calendar month in which the latest practicable date falls; and
 - (ii) for the period from the beginning of the calendar month in which the latest practicable date falls to the latest practicable date;
 - (c) disclose any significant trading suspension that has occurred on the securities exchange during the 3 years immediately preceding the latest practicable date or, if the securities have been listed for quotation for less than 3 years, during the period from the date on which the securities were first listed to the latest practicable date; and
 - (d) disclose information on any lack of liquidity, if the securities are not regularly traded on the securities exchange.

-
- (a) The highest and lowest traded prices and the volume of the Shares traded on the SGX-ST during each of the last 12 calendar months immediately preceding the Latest Practicable Date and for the period from 1 July 2012 to the Latest Practicable Date are as follows:

Month	High Price ⁽¹⁾ (\$)	Low Price ⁽²⁾ (\$)	Volume of Shares Traded Per Month ⁽³⁾ ('000)
July 2011	0.021	0.019	287
August 2011	0.021	0.018	550
September 2011	0.024	0.020	3,573
October 2011	0.020	0.016	360
November 2011	0.025	0.017	1,363
December 2011	0.025	0.017	213
January 2012	0.017	0.011	130
February 2012	0.030	0.020	439
March 2012	0.030	0.021	1,354
April 2012	0.036	0.021	1,627
May 2012	0.036	0.030	1,836
June 2012	0.030	0.021	504
1 July 2012 to the Latest Practicable Date	0.033	0.025	6,562

Source: Bloomberg L.P.⁽⁴⁾

PART VI (THE OFFER AND LISTING)

Notes:

- (1) Based on the highest closing price for the Shares in a particular month/period
 - (2) Based on the lowest closing price for the Shares in a particular month/period
 - (3) Based on the total volume of the Shares traded in a particular month/period
 - (4) Bloomberg L.P. has not consented to the inclusion of the price range and volume of Shares quoted under this Section and is thereby not liable for such information under Sections 253 and 254 of the SFA. The Company has included the above price range and volume of Shares in their proper form and context in this Offer Information Statement and has not verified the accuracy of these statements.
- (b) Not applicable, as the Shares have been listed for quotation on the SGX-ST for more than 12 months preceding the Latest Practicable Date.
- (c) Save for temporary trading halts to facilitate the release of announcements by the Company, there has been no significant trading suspension of the Shares on the SGX-ST during the three years immediately preceding the Latest Practicable Date.
- (d) Please refer to paragraph 4(a) above for the volume of Shares traded during each of the last 12 calendar months immediately preceding the Latest Practicable Date.

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5. (a) **a statement of the rights, preferences and restrictions attached to the securities being offered; and**
- (b) **an indication of the resolutions, authorisations and approvals by virtue of which the entity may create or issue further securities, to rank in priority to or pari passu with the securities being offered.**
-

Not applicable. The Placement Shares will be, upon allotment and issue and/or transfer (as the case may be), free from any and all claims, charges, liens, mortgages, securities, pledges, equities, encumbrances or any other interests whatsoever and rank pari passu in all respects with the Shares existing at the date of issue/sale of the Placement Shares except for any dividends, distributions or entitlements the Record Date of which falls on or before such date of issue/sale.

Approval from the Shareholders for the Placement was obtained at the EGM held on 13 July 2012.

Plan of Distribution

6. **Indicate the amount, and outline briefly the plan of distribution, of the securities that are to be offered otherwise than through underwriters. If the securities are to be offered through the selling efforts of any broker or dealer, describe the plan of distribution and the terms of any agreement or understanding with such entities. If known, identify each broker or dealer that will participate in the offer and state the amount to be offered through each broker or dealer.**
-

A Commission of 3.0% of the Placement Price (and GST thereon, if applicable) is payable by the Company in respect of the New Shares and the Vendors in respect of the Vendor Shares for which the Joint Placement Agents have procured Placees, to DMG and/or RHB Bank (as the case may be) as Joint Placement Agents pursuant to the Placement.

The Joint Placement Agents have undertaken, amongst other things, that the Placement Shares will not be offered otherwise than in compliance with Rule 240 of Listing Manual. The Placement is undertaken for the purpose of meeting the shareholding spread and distribution requirements under Rule 210(1)(a) of the Listing Manual. In procuring subscribers for the Placement Shares, the Joint Placement Agents shall ensure that the minimum shareholding spread and distribution requirements of the SGX-ST pursuant to Rule 210(1)(a) of the Listing Manual are satisfied on a best effort basis.

PART VI (THE OFFER AND LISTING)

The Placees for the Placement may include institutional investors, retail investors, and/or existing Shareholders (so long as such Placees are acceptable to the SGX-ST for the purposes of fulfilling the free float requirements under Rule 210(1)(a) of the Listing Manual).

Pursuant to the Placement Agreement, the Joint Placement Agents have also undertaken, *inter alia*, that it will not offer the Placement Shares for sale to, or procure subscription of or make an invitation for the Placement Shares to or by any person falling within the categories as set out in Rule 812(1) of the Listing Manual, unless otherwise agreed by the SGX-ST and specific approval for such placement has been obtained pursuant to Rule 812(2) of the Listing Manual.

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- 7. Provide a summary of the features of the underwriting relationship together with the amount of securities being underwritten by each underwriter.**
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Not applicable.

PART VII (ADDITIONAL INFORMATION)

Statements by Experts

1. Where a statement or report attributed to a person as an expert is included in the offer information statement, provide such person's name, address and qualifications.
-

Name and Address	Professional Body	Partner-in-charge/ Professional Qualification
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

2. Where the offer information statement contains any statement (including what purports to be a copy of, or extract from, a report, memorandum or valuation) made by an expert:
- (a) state the date on which the statement was made;
 - (b) state whether or not it was prepared by the expert for the purpose of incorporation in the offer information statement; and
 - (c) include a statement that the expert has given, and has not withdrawn, his written consent to the issue of the offer information statement with the inclusion of the statement in the form and context in which it is included in the offer information statement.
-

The Unaudited Proforma Consolidated Financial Information of the Enlarged Group dated 26 July 2012 set out in Appendix B of this Offer Information Statement was prepared for inclusion in this Offer Information Statement. The Condensed Interim Consolidated Financial Statements for the Three-Month Period ended 31 March 2012 dated 26 July 2012 set out in Appendix C of this Offer Information Statement was prepared for inclusion in this Offer Information Statement. 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 dated 21 June 2012 set out in Appendix D of this Offer Information Statement was prepared for inclusion in the Circular and was not prepared for inclusion in this Offer Information Statement.

KPMG LLP has given and has not withdrawn its written consent to the issue of this Offer Information Statement with the inclusion herein of the Unaudited Proforma Consolidated Financial Information of the Enlarged Group set out in Appendix B of this Offer Information Statement, the Condensed Interim Consolidated Financial Statements for the Three-Month Period ended 31 March 2012 set out in Appendix C of this Offer Information Statement and 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 D of this Offer Information Statement, and all references thereto in the form and context in which they appear in this Offer Information Statement, and references to their name in the form and context in which they appear in this Offer Information Statement.

3. The information referred to in paragraphs 1 and 2 of this Part need not be provided in the offer information statement if the statement attributed to the expert is a statement to which the exemption under regulation 26(2) or (3) applies.
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Not applicable

PART VII (ADDITIONAL INFORMATION)

Consents from Issue Managers and Underwriters

4. **Where a person is named in the offer information statement as the issue manager or underwriter (but not a sub-underwriter) to the offer, include a statement that the person has given, and has not withdrawn, his written consent to being named in the offer information statement as the issue manager or underwriter, as the case may be, to the offer.**
-

There is no issue manager or underwriter for the Placement. DMG and RHB Bank will act as the Joint Placement Agents for the Placement.

Each of DMG and RHB Bank has given and has not withdrawn its written consent to being named in this Offer Information Statement as the Joint Placement Agents for the Placement and the issue of this Offer Information Statement with the inclusion of its name and all references thereto, in the form and context in which it appears in this Offer Information Statement.

Other Matters

5. **Include particulars of any other matters not disclosed under any other paragraph of this Schedule which could materially affect, directly or indirectly:**
- (a) **the relevant entity's business operations or financial position or results; or**
 - (b) **investments by holders of securities in the relevant entity.**
-

Save as disclosed in this Offer Information Statement, the Directors are not aware of any other matter which could materially affect, directly or indirectly, the Enlarged Group's business operations, financial position, or results, or investments by holders of securities in the Company.

PART VIII (ADDITIONAL INFORMATION REQUIRED FOR OFFER OF DEBENTURES OR UNITS OF DEBENTURES)

Not applicable.

PART IX (ADDITIONAL INFORMATION REQUIRED FOR CONVERTIBLE DEBENTURES)

Not applicable.

PART X (ADDITIONAL INFORMATION REQUIRED FOR OFFER OF SECURITIES BY WAY OF RIGHTS ISSUE)

Not applicable.

APPENDIX A – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCCE AND ITS SUBSIDIARIES

The following selected financial information of the LC Group should be read in conjunction with the full text of “Appendix A – Letter to Shareholders from the Board of Directors of Ley Choon Constructions and Engineering Pte Ltd” of the Circular and this Offer Information Statement, including Appendices A to D.

Operating Results of the LC Group

	← Year ended 31 December →			← Financial Period ended 31 March →	
	2009 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2012 \$'000
Continuing operations					
Revenue	110,330	110,714	126,843	22,614	28,194
Cost of sales	(78,952)	(84,202)	(97,783)	(18,656)	(20,574)
Gross profit	31,378	26,512	29,060	3,958	7,620
Other income	2,450	2,194	1,475	384	847
Distribution expenses	(252)	(368)	(377)	(83)	(92)
Administrative expenses	(5,525)	(8,908)	(11,460)	(2,741)	(2,901)
Other expenses	(1,305)	(1,455)	(706)	(115)	(395)
Results from operating activities	26,746	17,975	17,992	1,403	5,079
Finance costs	(1,828)	(2,136)	(2,129)	(474)	(658)
	24,918	15,839	15,863	929	4,421
Share of profit of associate (net of tax)	466	–	–	–	–
Profit before tax	25,384	15,839	15,863	929	4,421
Income tax (expense)/credit	(4,963)	(2,361)	(847)	69	(838)
Profit from continuing operations	20,421	13,478	15,016	998	3,583
Discontinued operation					
Loss from discontinued operation (net of tax)	(498)	–	–	–	–
Profit/for the year/period	19,923	13,478	15,016	998	3,583
Other comprehensive income					
Foreign currency translation differences – Foreign operations	–	–	–	–	(118)
Total comprehensive income for the period	19,923	13,478	15,016	998	3,465
Profit attributable to:					
Owners of LCCE	20,038	13,360	14,856	1,008	3,526
Non-controlling interests	(115)	118	160	(10)	57
	19,923	13,478	15,016	998	3,583
Total comprehensive income attributable to:					
Owners of LCCE	20,038	13,360	14,856	1,008	3,408
Non-controlling interests	(115)	118	160	(10)	57
	19,923	13,478	15,016	998	3,465

APPENDIX A – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCCE AND ITS SUBSIDIARIES

Financial Position of the LC Group

	As at 31 December 2011 S\$'000	As at 31 March 2012 S\$'000
Non-current assets		
Property, plant and equipment	48,554	58,228
Club membership	42	42
	48,596	58,270
Current Assets		
Inventories	4,302	6,607
Contracts work-in-progress	51,534	53,468
Trade and other receivables	15,198	13,738
Financial assets designated at fair value through profit or loss	77	96
Cash and cash equivalents	28,168	20,775
	99,279	94,684
Total assets	147,875	152,954
Equity		
Share Capital	16,137	31,137
Retained Earnings	42,274	28,800
Translation reserve	–	(118)
Equity attributable to owners of LCCE	58,411	59,819
Non-controlling interests	420	477
Total equity	58,831	60,296
Non-current liabilities		
Loans and borrowings	24,424	27,202
Deferred tax liabilities	3,893	4,137
	28,317	31,339
Current liabilities		
Loans and borrowings	34,159	38,594
Trade and other payables	24,478	20,087
Provisions	106	106
Current tax payable	1,984	2,532
	60,727	61,319
Total liabilities	89,044	92,658
Total equity and liabilities	147,875	152,954

Management’s discussion and analysis of financial condition and results of operations

In this section, we discuss the LC Group’s historical consolidated results of operations and financial condition for the years ended 31 December 2009, 2010 and 2011 and the financial periods ended 31 March 2011 and 31 March 2012 (the “Periods Under Review”) and the management’s assessment of the factors that may affect our prospects and performance in future periods.

APPENDIX A – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCCE AND ITS SUBSIDIARIES

You should read the following discussion together with the full text of “Appendix A - Letter to Shareholders from the Board of Directors of Ley Choon Constructions and Engineering Pte Ltd” of the Circular and the sections entitled “Appendix C – Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended 31 March 2012” and “Appendix D – 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 Offer Information Statement.

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 Offer Information Statement.

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 11 July 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), 70 companies in the category of Essential Construction Materials (SY01A), 97 companies in the category of Other Basic Construction Materials and 43 companies in the category of Electrical & Electronic Materials, Products & Components.⁽¹⁾

We are also registered as an A2 contractor in the category of Civil Engineering (CW02) and as at 11 July 2012, there are 19 companies which are registered with BCA as an A2 contractor in the category.

On 8 October 2009, LCCE acquired 51.0% 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.

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 11 July 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 Offer Information Statements 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 our Directors and the Vendors to ensure that the relevant information was extracted accurately and fairly from the website, our Company, the Directors, the Vendors, the Joint Placement Agents or other persons involved in the Placement have not conducted independent reviews of the information contained in this website and have not verified the accuracy of the information extracted from it.

APPENDIX A – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCCE AND ITS SUBSIDIARIES

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.
- (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 in FY2009.

The following table shows our revenue by business segments during the Periods Under Review:

Revenue	FY2009		FY2010		FY2011		FP2011		FP2012	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Pipes and Roads Segment	105,368	95.5	106,493	96.2	121,810	96.0	21,790	96.4	27,359	97.0
Construction Materials Segment	4,962	4.5	4,221	3.8	5,033	4.0	824	3.6	835	3.0
Total	110,330	100.0	110,714	100.0	126,843	100.0	22,614	100.0	28,194	100.0

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%, 96.0%, 96.4% and 97.0% of the LC Group’s revenue in FY2009, FY2010, FY2011, FP2011 and FP2012 respectively.

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%, 4.0%, 3.6% and 3.0% of the LC Group’s revenue in FY2009, FY2010, FY2011, FP2011 and FP2012 respectively.

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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 pre-mix 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.

- (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 the section entitled “Risk Factors” under paragraph 9 of Part V (Operating and Financial Review and Prospects) of this Offer Information Statement for a more comprehensive discussion of other factors which may affect our business operations, revenue and financial performance.

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Cost of Sales

Pipes and Roads Segment

The breakdown for the cost of sales is as follows:

	FY2009		FY2010		FY2011		FP2011		FP2012	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Direct materials costs	38,918	51.7	32,739	40.6	38,244	40.7	7,118	39.5	7,859	39.4
Direct labour costs	12,225	16.2	19,053	23.7	17,602	18.7	4,469	24.8	4,771	23.9
Sub-contracting costs	11,587	15.4	10,599	13.2	17,387	18.5	2,526	14.0	3,157	15.8
Project overheads and other direct costs	12,525	16.7	18,110	22.5	20,777	22.1	3,902	21.7	4,159	20.9
Total	75,255	100.0	80,501	100.0	94,010	100.0	18,015	100.0	19,946	100.0

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%, 40.7%, 39.5% and 39.4% of our cost of sales in this business segment in FY2009, FY2010, FY2011, FP2011 and FP2012 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%, 18.7%, 24.8% and 23.9% of our cost of sales in this business segment in FY2009, FY2010, FY2011, FP2011 and FP2012 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 the period. Teacly has become one of our subsidiaries and its results have been consolidated in our financial statements since 8 October 2009. Overall, the sub-contracting costs accounted for approximately 15.4%, 13.2%, 18.5%, 14.0% and 15.8% of our cost of sales in this business segment in FY2009, FY2010, FY2011, FP2011 and FP2012 respectively.

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%, 22.1%, 21.7% and 20.9% of our cost of sales in this business segment in FY2009, FY2010, FY2011, FP2011 and FP2012 respectively.

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Construction Materials Segment

The breakdown for the cost of sales is as follows:

	FY2009		FY2010		FY2011		FP2011		FP2012	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Direct materials costs	3,154	85.4	2,902	78.4	2,718	72.0	467	72.9	448	71.3
Direct labour costs	94	2.5	141	3.8	77	2.1	16	2.5	17	2.7
Project overhead and other direct costs	449	12.1	658	17.8	978	25.9	158	24.6	163	26.0
Total	3,697	100	3,701	100	3,773	100.0	641	100.0	628	100.0

Direct materials costs comprise mainly raw material cost, such as bitumen, aggregates and steel slags, which accounted for approximately 85.4%, 78.4%, 72.0%, 72.9% and 71.3% of our cost of sales in this business segment in FY2009, FY2010, FY2011, FP2011 and FP2012 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%, 2.1%, 2.5% and 2.7% of our cost of sales in this business segment in FY2009, FY2010, FY2011, FP2011 and FP2012 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%, 25.9%, 24.6% and 26.0% of our cost of sales in this business segment in FY2009, FY2010, FY2011, FP2011 and FP2012 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, among 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		FP2011		FP2012	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Pipes and Roads Segment	30,113	96.0	25,992	98.0	27,800	95.7	3,775	95.4	7,413	97.3
Construction Materials Segment	1,265	4.0	520	2.0	1,260	4.3	183	4.6	207	2.7
Total	31,378	100	26,512	100	29,060	100	3,958	100.0	7,620	100.0

Gross Profit Margin	FY2009	FY2010	FY2011	FP2011	FP2012
	%	%	%	%	%
Pipes and Roads Segment	28.6	24.4	22.8	17.3	27.1
Construction Materials Segment	25.5	12.3	25.0	22.2	24.8
Overall Gross Profit Margin	28.4	23.9	22.9	17.5	27.0

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%, 9.3%, 41.3% and 19.2% of our profit from continuing operations before income tax in FY2009, FY2010, FY2011, FP2011 and FP2012 respectively.

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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 0.4% of the LC Group’s revenue during the Periods Under Review.

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 12.1% 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

Income tax expenses amounted to approximately \$5.0 million, \$2.4 million and \$847,000, and \$838,000 for FY2009, FY2010, FY2011 and FP2012 respectively. Income tax credit amounted to \$69,000 for FP2011.

Our effective tax rates based on the profit before income tax for FY2009, FY2010, FY2011 and FP2012 were approximately 19.6%, 14.9%, 5.3%, and 19.0% respectively. The low effective tax rates for FY2011 were mainly due to the utilisation of unabsorbed capital allowance and Productivity and Innovation Credit during the year. The income tax credit amount of approximately \$69,000 in FP2011 was due to a refund in FP2011 for prior year income tax amounting approximately \$243,000; partially offset by provision of income tax for FP2011 of approximately \$174,000.

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.

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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.

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 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

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- (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.

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; and
- (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.

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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;
- (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.

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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.

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.

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. 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.

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.

APPENDIX A – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCCE AND ITS SUBSIDIARIES

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.

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.

FP2012 vs FP2011

Revenue

Revenue increased by approximately \$5.6 million or 24.8% from approximately \$22.6 million in FP2011 to approximately \$28.2 million in FP2012.

APPENDIX A – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCCE AND ITS SUBSIDIARIES

Revenue from the Pipes and Roads Segment increased by approximately \$5.6 million or 25.7% from approximately \$21.8 million in FP2011 to approximately \$27.4 million in FP2012. The increase was mainly due to an increase in the recognition of revenue from the new contracts and projects on pipe laying works such as 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, NIPE Contract 5 - Supply, Delivery and Laying of 2200mm Diameter NEWater Pipeline along Pioneer Road from Gul Road to Shipyard Road, Urgent Repairs and other contract work for Network Services (East) Division 2011-2013, Urgent Repairs and other contract work for Network Services (West) Division 2011-2013 and Laying of Gas Transmission Pipeline from Meranti View to Banyan Avenue in Jurong Island (TO100414).

Revenue from the Construction Materials Segment remained at approximately \$0.8 million in FP2011 and FP2012.

Cost of sales

Cost of sales increased by approximately \$1.9 million or 10.2% from approximately \$18.7 million in FP2011 to approximately \$20.6 million in FP2012.

Cost of sales from the Pipes and Roads Segment increased by approximately \$1.9 million or 10.6% from approximately \$18.0 million in FP2011 to approximately \$19.9 million in FP2012. The increase in cost of sales was mainly due to:

- (a) an increase in direct materials costs of approximately \$741,000 or 10.4% from approximately \$7.1 million in FP2011 to approximately \$7.8 million in FP2012. The increase in direct materials costs was due mainly to the increase in the utilisation of direct materials in FP2012 is in line with the increase in revenue;
- (b) an increase in direct labour costs of approximately \$302,000 or 6.7% from approximately \$4.5 million in FP2011 to approximately \$4.8 million in FP2012. The increase was mainly due to an increase in general wages, increase in employer CPF contribution rate by approximately 1.0% from 15.0% in FP2011 to 16.0% in FP2012 for Singapore citizens and Singapore permanent resident aged below 50 years and increase in FWL rates for our unskilled workers from \$230 per month/per worker in FP2011 to \$300 per month/per worker in FP2012;
- (c) an increase in sub-contracting cost of approximately \$631,000 or 25.0% from approximately \$2.5 million in FP2011 to approximately \$3.2 million in FP2012. 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
- (d) an increase in project overheads and other direct costs of approximately \$257,000 or 6.6% from approximately \$3.9 million in FP2011 to approximately \$4.2 million in FP2012. 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 amounting \$4.2 million (Capex amount) and (ii) increased rental expenses in connection with increased number of motor vehicles and other equipment rented to meet project requirements.

Cost of sales from the Construction Materials Segment remained at approximately \$0.6 million in FP2011 and FP2012.

Gross profit

Gross profit increased by approximately \$3.6 million or 90.0% from approximately \$4.0 million in FP2011 to approximately \$7.6 million in FP2012. This represented an increase in gross profit margin from approximately 17.5% in FP2011 to approximately 27.0% in FP2012.

APPENDIX A – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCCE AND ITS SUBSIDIARIES

Gross profit from the Pipes and Roads Segment increased by approximately \$3.6 million or 94.7% from approximately \$3.8 million in FP2011 to approximately \$7.4 million in FP2012. Gross profit margin for this segment increased from 17.3% in FP2011 to 27.1% in FP2012. This was because the increase in revenue is more than the proportionate increase in cost of sales in FP2012. 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.

Gross profit from the Construction Materials Segment increased by approximately \$24,000 or 13.1% from approximately \$183,000 in FP2011 to approximately \$207,000 in FP2012. Gross profit margin for this segment increased from approximately 22.2% in FP2011 to approximately 24.8% in FP2012. The increase in gross profit margin was mainly due to cost savings through using recycled waste materials for our asphalt premix production.

Other income

Other income increased by approximately \$463,000 or 120.6% from approximately \$384,000 in FP2011 to approximately \$847,000 in FP2012. This increase was mainly due to increase in gain on disposal of vehicles, increase in rental income and sale of scrap materials.

Distribution expenses

Distribution expenses increased by approximately \$9,000 or 10.8% from approximately \$83,000 in FP2011 to approximately \$92,000 in FP2012 mainly due to an increase in entertainment expenses, partially offset by decrease in insurance expenses due to a refund of insurance premium received in FP2012 as a result headcount adjustment for FY2011 and decrease in travelling expenses and advertisement expenses due to pooling of resources in our Group.

Administrative expenses

Administrative expenses increased by approximately \$160,000 or 5.8% from approximately \$2.7 million in FP2011 to approximately \$2.9 million in FP2012. The increase was mainly due to an increase in administrative staff costs of approximately \$103,000 attributable mainly to a general increase in staff salaries in FP2012 and increase in depreciation by approximately \$97,000, partially offset by decrease of approximately \$40,000 from other administrative expenses such as annual staff dinner and printing and stationery expenses.

Other expenses

Other expenses increased by approximately \$280,000 or 243.5% from approximately \$115,000 in FP2011 to approximately \$395,000 in FP2012, mainly due to increase in listing expenses by approximately \$294,000, partially offset by decrease of approximately \$14,000 from other expenses.

Finance costs

Finance costs increased by approximately \$184,000 or 38.8% from approximately \$474,000 in FP2011 to approximately \$658,000 in FP2012 mainly due to increase in bank borrowings.

Profit before tax

Profit before tax increased by approximately \$3.5 million or 375.9% from approximately \$929,000 in FP2011 to \$4.4 million in FP2012. This was mainly due to an increase in gross profit of approximately \$3.6 million which was offset by an increase in overall operating expenses and finance costs.

Income tax expense

Income tax expense increased by approximately \$907,000 from approximately \$69,000 credit amount in FP2011 to approximately \$838,000 in FP2012 mainly due to increase in profit before tax. The credit amount of approximately \$69,000 in FP2011 was due to a refund in FP2011 for prior year income tax amounting to approximately \$243,000, partially offset by provision of income tax for FP2011 of approximately \$174,000.

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

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 Offer Information Statement (the "OIS") 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 B-3 to B-21.

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 and 31 March 2012 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 and three-month period ended 31 March 2012 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 and for the three-month period ended 31 March 2012 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 and the unaudited interim consolidated financial statements for the three-month period ended 31 March 2012, considering the evidence supporting the adjustments and discussing the unaudited proforma consolidated financial information with the directors of the Company.

**APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

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

26 July 2012

Barry Lee Chin Siang
Partner

**APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

**Unaudited Proforma Consolidated Statements of Financial Position
As at 31 December 2011 and 31 March 2012**

	31 December 2011 \$'000	31 March 2012 \$'000
Non-current assets		
Investment property	1,410	1,409
Property, plant and equipment	48,554	58,228
Club membership	42	42
	<u>50,006</u>	<u>59,679</u>
Current assets		
Inventories	4,302	6,607
Contracts work-in-progress	51,534	53,468
Trade and other receivables	15,209	13,749
Financial assets designated at fair value through profit or loss	77	96
Cash and cash equivalents	27,408	21,946
	<u>98,530</u>	<u>95,866</u>
Total assets	<u><u>148,536</u></u>	<u><u>155,545</u></u>
Equity		
Share capital	43,229	43,229
Reserves	13,730	17,073
Equity attributable to owners of the Company	<u>56,959</u>	<u>60,302</u>
Non-controlling interests	420	477
Total equity	<u>57,379</u>	<u>60,779</u>
Non-current liabilities		
Loans and borrowings	24,424	27,202
Deferred tax liabilities	3,893	4,137
	<u>28,317</u>	<u>31,339</u>
Current liabilities		
Loans and borrowings	34,159	38,594
Trade and other payables	26,591	22,195
Provisions	106	106
Current tax payable	1,984	2,532
	<u>62,840</u>	<u>63,427</u>
Total liabilities	<u>91,157</u>	<u>94,766</u>
Total equity and liabilities	<u><u>148,536</u></u>	<u><u>155,545</u></u>

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

**APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

**Unaudited Proforma Consolidated Statements of Comprehensive Income
For the years ended 31 December 2009, 2010 and 2011
and the three-month period ended 31 March 2011 and 2012**

	Note	Year ended 31 December			Three-month period ended 31 March	
		2009 \$'000	2010 \$'000	2011 \$'000	2011 \$'000	2012 \$'000
Continuing operations						
Revenue		110,330	110,714	126,843	22,614	28,194
Cost of sales		(78,952)	(84,202)	(97,783)	(18,656)	(20,574)
Gross profit		31,378	26,512	29,060	3,958	7,620
Other income		5,132	4,723	5,021	1,319	1,742
Distribution expenses		(252)	(368)	(377)	(83)	(92)
Administrative expenses		(8,880)	(12,239)	(15,313)	(3,623)	(3,921)
Other expenses		(1,305)	(1,455)	(706)	(115)	(395)
Results from operating activities		26,073	17,173	17,685	1,456	4,954
Finance costs		(1,828)	(2,136)	(2,129)	(474)	(658)
		24,245	15,037	15,556	982	4,296
Share of profit of associate (net of tax)		466	–	–	–	–
Profit before tax		24,711	15,037	15,556	982	4,296
Income tax (expense)/credit		(4,949)	(2,379)	(829)	65	(842)
Profit from continuing operations		19,762	12,658	14,727	1,047	3,454
Discontinued operation						
Loss from discontinued operation (net of tax)		(498)	–	–	–	–
Profit for the year/period		19,264	12,658	14,727	1,047	3,454
Other comprehensive income						
Translation differences relating to financial statements of foreign subsidiary		–	–	–	–	(118)
Total comprehensive income for the year/period		19,264	12,658	14,727	1,047	3,336
Profit for the year/period attributable to:						
Owners of the Company		19,379	12,540	14,567	1,057	3,397
Non-controlling interests		(115)	118	160	(10)	57
		19,264	12,658	14,727	1,047	3,454
Total comprehensive income/ (expense) attributable to:						
Owners of the Company		19,379	12,540	14,567	1,057	3,279
Non-controlling interests		(115)	118	160	(10)	57
		19,264	12,658	14,727	1,047	3,336
Earnings per share						
Basic and diluted earnings per share (cents)	4	4.6	2.9	3.3	0.2	0.8

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

**APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

**Unaudited Proforma Consolidated Statements of Cash Flows
For the year ended 31 December 2011
and the three-month period ended 31 March 2012**

	Year ended 31 December 2011 \$'000	Three-month period ended 31 March 2012 \$'000
Cash flows from operating activities		
Profit for the year/period	14,727	3,454
Adjustments for:		
Depreciation of property, plant and equipment	6,340	1,733
Provisions reversed for legal claims and damages	(230)	–
Interest income	(28)	(5)
Finance costs	2,129	658
Gain on disposal of property, plant and equipment	(130)	(237)
Impairment loss on trade receivables reversed, net	(21)	–
Income tax expense	829	842
	23,616	6,445
Changes in working capital:		
Inventories	937	(2,305)
Contracts work-in-progress	(18,320)	(1,934)
Trade and other receivables	(1,626)	1,460
Trade and other payables	4,134	874
Provisions	(40)	–
Cash generated from operations	8,701	4,540
Income tax refunded/(paid)	122	(46)
Net cash from operating activities	8,823	4,494
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,807)	(10,154)
Acquisition of financial assets at fair value through profit or loss	(21)	(19)
Proceeds from disposal of property, plant and equipment	711	364
Interest received	28	5
Net cash used in investing activities	(7,089)	(9,804)
Cash flows from financing activities		
Interest paid	(2,129)	(658)
Proceeds from bank borrowings	28,970	9,792
Repayment of bank borrowings	(11,277)	(3,883)
Repayment of finance lease liabilities	(4,995)	(1,285)
Fixed deposits pledged with bank	63	69
Dividends paid	(3,000)	(4,000)
Net cash from financing activities	7,632	35
Net increase/(decrease) in cash and cash equivalents	9,366	(5,275)
Cash and cash equivalents at 1 January	11,473	20,839
Effect of exchange rate fluctuations on cash held	–	(118)
Cash and cash equivalents at 31 December	20,839	15,446

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

**APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

**Unaudited Proforma Consolidated Statements of Cash Flows
For the year ended 31 December 2011
and the three-month period ended 31 March 2012**

	Year ended 31 December 2011 \$'000	Three-month period ended 31 March 2012 \$'000
Cash and cash equivalents		
Cash at bank and on hand	20,839	15,446
Fixed deposits	6,569	6,500
	<hr/> 27,408	<hr/> 21,946
Deposits pledged	(6,569)	(6,500)
Cash and cash equivalents in the unaudited proforma consolidated statements of cash flows	<hr/> <hr/> 20,839	<hr/> <hr/> 15,446

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

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 a cash consideration of \$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.

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction (continued)

1.1 Proposed Transactions (continued)

The above transactions are collectively referred to as the “Proposed Transactions”.

The unaudited proforma consolidated financial information of the Ultro Technologies Limited and its subsidiaries (the “Group”) after the completion of the Proposed Transactions (collectively, the “Enlarged Group”), comprising the unaudited proforma financial position of the Enlarged Group as at 31 December 2011 and 31 March 2012, the unaudited proforma statements of comprehensive income of the Enlarged Group for the years ended 31 December 2009, 2010 and 2011 and the three-month period ended 31 March 2012, and the unaudited proforma statement of cash flows of the Enlarged Group for the year ended 31 December 2011 and the three-month period ended 31 March 2012, has been prepared for inclusion in the Offer Information Statement (the “OIS”) of the Company.

2. Basis of preparation of the unaudited proforma consolidated financial information

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 and 31 March 2012 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 and the three-month period ended 31 March 2012 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 and for the three-month period ended 31 March 2012 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 and the three-month period ended 31 March 2012 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 and for the three-month period ended 31 March 2012, which were prepared in accordance with Singapore Financial Reporting Standards;
- (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; and
- (c) The interim consolidated financial statements of Ley Choon Group for the three-month period ended 31 March 2012. These financial statements were prepared in accordance with Singapore Financial Reporting Standards and reviewed by KPMG LLP, Public Accountants and Certified Public Accountants, Singapore, in accordance with Singapore Standards on Auditing.

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

2. Basis of preparation of the unaudited proforma consolidated financial information (continued)

The auditors' reports on the consolidated financial statements of Ley Choon Group for the financial years ended 31 December 2009, 2010 and 2011 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 shares of the Company issued to the owners of Ley Choon 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 B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

3 Unaudited Proforma Financial Position of the Enlarged Group

(i) Unaudited proforma statement of financial position as at 31 December 2011 and 31 March 2012

The following adjustments have been made in arriving at the Unaudited Proforma Statement of Financial Position as at 31 December 2011 and 31 March 2012:

	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) \$'000	(b) \$'000	(c) \$'000	(d) \$'000	(e) \$'000	
31 December 2011								
Non-current assets								
Investment property	1,410	–	–	–	–	–	–	1,410
Property, plant and equipment	–	48,554	–	–	–	–	–	48,554
Club membership	–	42	–	–	–	–	–	42
	1,410	48,596	–	–	–	–	–	50,006
Current assets								
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
Total assets	7,018	147,875	(972)	(2,000)	(1,385)	(2,000)	–	148,536

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(i) Unaudited proforma statement of financial position as at 31 December 2011 and 31 March 2012 (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
	\$'000	\$'000	(a) \$'000	(b) \$'000	(c) \$'000	(d) \$'000	(e) \$'000	\$'000
Equity								
Share capital	59,313	16,137	–	(55,952)	8,731	–	15,000	43,229
Reserves	(53,900)	42,274	(52)	53,952	(11,544)	(2,000)	(15,000)	13,730
Equity attributable to owners of the Company	5,413	58,411	(52)	(2,000)	(2,813)	(2,000)	–	56,959
Non-controlling interests	–	420	–	–	–	–	–	420
Total equity	5,413	58,831	(52)	(2,000)	(2,813)	(2,000)	–	57,379
Non-current liabilities								
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
Current liabilities								
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
Total liabilities	1,605	89,044	(920)	–	1,428	–	–	91,157
Total equity and liabilities	7,018	147,875	(972)	(2,000)	(1,385)	(2,000)	–	148,536

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(i) Unaudited proforma statement of financial position as at 31 December 2011 and 31 March 2012 (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 a cash consideration of \$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 B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(i) Unaudited proforma statement of financial position as at 31 December 2011 and 31 March 2012 (continued)

	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) \$'000	(b) \$'000	(c) \$'000	
31 March 2012						
Non-current assets						
Investment property	1,409	–	–	–	–	1,409
Property, plant and equipment	–	58,228	–	–	–	58,228
Club membership	–	42	–	–	–	42
	1,409	58,270	–	–	–	59,679
Current assets						
Inventories	–	6,607	–	–	–	6,607
Contracts work-in-progress	–	53,468	–	–	–	53,468
Trade and other receivables	98	13,738	(87)	–	–	13,749
Financial assets designated at fair value through profit or loss	–	96	–	–	–	96
Asset held for sale	261	–	(261)	–	–	–
Cash and cash equivalents	4,559	20,775	(3)	(2,000)	(1,385)	21,946
	4,918	94,684	(351)	(2,000)	(1,385)	95,866
Total assets	6,327	152,954	(351)	(2,000)	(1,385)	155,545

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(i) Unaudited proforma statement of financial position as at 31 December 2011 and 31 March 2012 (continued)

31 March 2012	Unaudited consolidated statement of financial position of the Group \$'000	Audited consolidated statement of financial position of Ley Choong Group \$'000	Proforma adjustments (see notes below)			Unaudited proforma consolidated statement of financial position \$'000
	(a)	(b)	(c)	(b)	(c)	(c)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity						
Share capital	59,313	31,137	–	(55,952)	8,731	43,229
Reserves	(54,260)	28,682	243	53,952	(11,544)	17,073
Equity attributable to owners of the Company	5,053	59,819	243	(2,000)	(2,813)	60,302
Non-controlling interests	–	477	–	–	–	477
Total equity	5,053	60,296	243	(2,000)	(2,813)	60,779
Non-current liabilities						
Trade and other payables	71	–	(71)	–	–	–
Loans and borrowings	–	27,202	–	–	–	27,202
Deferred tax liabilities	42	4,137	(42)	–	–	4,137
	113	31,339	(113)	–	–	31,339
Current liabilities						
Loans and borrowings	–	38,594	–	–	–	38,594
Trade and other payables	1,152	20,087	(472)	–	1,428	22,195
Liabilities directly associated with disposal group classified as held for sale	4	–	(4)	–	–	–
Provisions	–	106	–	–	–	106
Current tax payable	5	2,532	(5)	–	–	2,532
	1,161	61,319	(481)	–	1,428	63,427
Total liabilities	1,274	92,658	(594)	–	1,428	94,766
Total equity and liabilities	6,327	152,954	(351)	(2,000)	(1,385)	155,545

APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(i) Unaudited proforma statement of financial position as at 31 December 2011 and 31 March 2012 (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 a cash consideration of \$2;
- (b) Adjustments to account for the Capital Reductions and Cash Distribution exercise undertaken by the Company; and
- (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.

**APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(ii) Unaudited proforma statement of comprehensive income for the years ended 31 December 2009, 2010 and 2011 and the three-month period ended 31 March 2012

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
Continuing operations				
Revenue	5,377	110,330	(5,377)	110,330
Cost of sales	(5,743)	(78,952)	5,743	(78,952)
Gross (loss)/profit	(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)
Results from operating activities	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
Profit before tax	7,633	25,384	(8,306)	24,711
Income tax expense	(4)	(4,963)	18	(4,949)
Profit from continuing operations	7,629	20,421	(8,288)	19,762
Discontinued operation				
Loss from discontinued operation (net of tax)	(718)	(498)	718	(498)
Profit for the year	6,911	19,923	(7,570)	19,264
Other comprehensive income, net of tax				
Translation differences relating to financial statements of foreign subsidiary	105	–	(105)	–
Other comprehensive income for the year, net of tax	105	–	(105)	–
Total comprehensive income for the year	7,016	19,923	(7,675)	19,264
Profit and total comprehensive income/(expense) attributable to:				
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 B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(ii) Unaudited proforma statement of comprehensive income for the years ended 31 December 2009, 2010 and 2011 and the three-month period ended 31 March 2012 (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
Continuing operations				
Revenue	1,832	110,714	(1,832)	110,714
Cost of sales	(1,588)	(84,202)	1,588	(84,202)
Gross profit	244	26,512	(244)	26,512
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)
Results from operating activities	(3,022)	17,975	2,220	17,173
Finance costs	(8)	(2,136)	8	(2,136)
Share of profit of associate (net of tax)	117	–	(117)	–
(Loss)/Profit before tax	(2,913)	15,839	2,111	15,037
Income tax credit/(expense)	183	(2,361)	(201)	(2,379)
(Loss)/Profit from continuing operations	(2,730)	13,478	1,910	12,658
Discontinued operation				
Loss from discontinued operation (net of tax)	(2,943)	–	2,943	–
(Loss)/Profit for the year	(5,673)	13,478	4,853	12,658
Other comprehensive expense, net of tax				
Translation differences relating to financial statements of foreign subsidiary	(432)	–	432	–
Other comprehensive expense for the year, net of tax	(432)	–	432	–
Total comprehensive (expense)/ income for the year	(6,105)	13,478	5,285	12,658
(Loss)/Profit and total comprehensive (expense)/income attributable to:				
Owners of the Company	(6,105)	13,360	5,285	12,540
Non-controlling interests	–	118	–	118
	(6,105)	13,478	5,285	12,658

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 B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(ii) Unaudited proforma statement of comprehensive income for the years ended 31 December 2009, 2010 and 2011 and the three-month period ended 31 March 2012 (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
Continuing operations				
Revenue	–	126,843	–	126,843
Cost of sales	–	(97,783)	–	(97,783)
Gross profit	–	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)
Results from operating activities	(3,939)	17,992	3,632	17,685
Finance costs	(27)	(2,129)	27	(2,129)
(Loss)/Profit before tax	(3,966)	15,863	3,659	15,556
Income tax expense	(104)	(847)	122	(829)
(Loss)/Profit from continuing operations	(4,070)	15,016	3,781	14,727
Discontinued operation				
Loss from discontinued operation (net of tax)	(2,918)	–	2,918	–
(Loss)/Profit for the year/Total comprehensive (expense)/income for the year	(6,988)	15,016	6,699	14,727
(Loss)/Profit and total comprehensive (expense)/income attributable to:				
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.

**APPENDIX B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(ii) Unaudited proforma statement of comprehensive income for the years ended 31 December 2009, 2010 and 2011 and the three-month period ended 31 March 2012 (continued)

For the three-month period ended 31 March 2012	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
Continuing operations				
Revenue	–	28,194	–	28,194
Cost of sales	–	(20,574)	–	(20,574)
Gross profit		7,620	–	7,620
Other income	1,034	847	(139)	1,742
Distribution expenses	–	(92)	–	(92)
Administrative expenses	(1,405)	(2,901)	385	(3,921)
Other operating expenses	(3)	(395)	3	(395)
Results from operating activities	(374)	5,079	249	4,954
Finance costs	–	(658)	–	(658)
(Loss)/Profit before tax	(374)	4,421	249	4,296
Income tax expense	(4)	(838)	–	(842)
(Loss)/Profit from continuing operations	(378)	3,583	249	3,454
Discontinued operation				
Loss from discontinued operation (net of tax)	(116)	–	116	–
(Loss)/Profit for the period	(494)	3,583	365	3,454
Other comprehensive (expense)/ income, net of tax				
Translation differences relating to financial statements of foreign subsidiary	12	(118)	(12)	(118)
Deconsolidation of a subsidiary	122	–	(122)	–
Other comprehensive (expense)/ income for the period, net of tax	134	(118)	(134)	(118)
Total comprehensive (expense)/ income for the period	(360)	3,465	231	3,336
Profit for the period				
Owners of the Company	(494)	3,526	365	3,397
Non-controlling interests	–	57	–	57
	(494)	3,583	365	3,454
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(360)	3,408	231	3,279
Non-controlling interests	–	57	–	57
	(360)	3,465	231	3,336

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 B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

3 Unaudited Proforma Financial Position of the Enlarged Group (continued)

(ii) Unaudited proforma statement of comprehensive income for the years ended 31 December 2009, 2010 and 2011 and the three-month period ended 31 March 2012 (continued)

For the three-month period ended 31 March 2011	Unaudited consolidated statement of comprehensive income of the Group \$'000	Unaudited 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
Continuing operations				
Revenue	–	22,614	–	22,614
Cost of sales	–	(18,656)	–	(18,656)
Gross profit	–	3,958	–	3,958
Other income	2,866	384	(1,931)	1,319
Distribution expenses	–	(83)	–	(83)
Administrative expenses	(1,164)	(2,741)	282	(3,623)
Other operating expenses	(3)	(115)	3	(115)
Results from operating activities	1,699	1,403	(1,646)	1,456
Finance costs	–	(474)	–	(474)
Profit before tax	1,699	929	(1,646)	982
Income tax (expense)/credit	(4)	69	–	65
Profit from continuing operations	1,695	998	(1,646)	1,047
Discontinued operation				
Profit from discontinued operation (net of tax)	455	–	(455)	–
Profit for the period	2,150	998	(2,101)	1,047
Other comprehensive income, net of tax				
Translation differences relating to financial statements of foreign subsidiary	19	–	(19)	–
Other comprehensive income for the period, net of tax	19	–	(19)	–
Total comprehensive income for the period	2,169	998	(2,120)	1,047
Profit and total comprehensive income attributable to:				
Owners of the Company	2,169	1,008	(2,120)	1,057
Non-controlling interests	–	(10)	–	(10)
	2,169	998	(2,120)	1,047

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 B – UNAUDITED PROFORMA CONSOLIDATED FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

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 and 31 March 2011 and 2012 after the Proposed Transaction assuming the Proposed Transaction occurred on 1 January 2009 with 3,928,571,429 ordinary shares allotted and issued, and share consolidation of every 10 ordinary shares occurred on 1 January 2009:

	Year ended 31 December			Three-month ended 31 March	
	2009	2010	2011	2011	2012
Net profits attributable to equity owners of the Company (\$'000)	19,379	12,540	14,567	1,057	3,397
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	421,648	429,445	436,043	436,043	436,043
Basic and diluted earnings per share (cents)	4.6	2.9	3.3	0.2	0.8

The diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares.

APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

The Board of Directors
Ley Choon Constructions and Engineering Pte Ltd.
No. 4 Sungei Kadut Street 2
Singapore 729226

Dear Sirs,

Introduction

We have reviewed the accompanying unaudited condensed interim consolidated financial statements of Ley Choon Constructions and Engineering Pte Ltd. (the “Company”) and its subsidiaries (the “Group”), which comprises the condensed consolidated statement of financial position as at 31 March 2012 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the three-month period ended 31 March 2012, and certain explanatory notes set out on pages C-2 to C-16 (the “Interim Consolidated Financial Statements”). Management is responsible for the preparation and fair presentation of the Interim Consolidated Financial Statements in accordance with Singapore Financial Reporting Standard (FRS) 34 *Interim Financial Reporting*. Our responsibility is to issue a report on these Interim Consolidated Financial Statements based on our review.

The condensed interim consolidated financial statements of the Group for the three-month period ended, and as at 31 March 2011 have not been audited or reviewed and have been included for comparative purposes only.

Scope of review

We conducted our review in accordance with Singapore Standard of Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Consolidated Financial Statements are not prepared, in all material respects, in accordance with FRS 34 *Interim Financial Reporting*.

This report has been prepared only for inclusion in the Offer Information Statement to be issued by Ultron Technologies Limited.

KPMG LLP

*Public Accountants and
Certified Public Accountants*

Singapore

26 July 2012

Barry Lee Chin Siang
Partner

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

**Unaudited consolidated statement of financial position
As at 31 March 2012**

	Note	31 March 2012 \$'000	31 December 2011 \$'000
Non-current assets			
Property, plant and equipment	5	58,228	48,554
Club membership		42	42
		58,270	48,596
Current assets			
Inventories	6	6,607	4,302
Contracts work-in-progress	7	53,468	51,534
Trade and other receivables	8	13,738	15,198
Financial assets designated at fair value through profit or loss	9	96	77
Cash and cash equivalents	10	20,775	28,168
		94,684	99,279
Total assets		152,954	147,875
Equity			
Share capital	11	31,137	16,137
Retained earnings		28,800	42,274
Translation reserve		(118)	–
Equity attributable to equity holders of the Company		59,819	58,411
Non-controlling interests		477	420
Total equity		60,296	58,831
Non-current liabilities			
Loans and borrowings	12	27,202	24,424
Deferred tax liabilities	13	4,137	3,893
		31,339	28,317
Current liabilities			
Loans and borrowings	12	38,594	34,159
Trade and other payables	14	20,087	24,478
Provisions	15	106	106
Current tax payable		2,532	1,984
		61,319	60,727
Total liabilities		92,658	89,044
Total equity and liabilities		152,954	147,875

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

**Unaudited consolidated statement of comprehensive income
For the three-month period ended 31 March 2012**

	Note	Three-month period ended 31 March	
		2012 \$'000	2011 \$'000
Revenue	16	28,194	22,614
Cost of sales		(20,574)	(18,656)
Gross profit		7,620	3,958
Other income	17	847	384
Distribution expenses		(92)	(83)
Administrative expenses		(2,901)	(2,741)
Other expenses		(395)	(115)
Results from operating activities		5,079	1,403
Finance costs	18	(658)	(474)
Profit before tax	19	4,421	929
Income tax (expense)/credit	20	(838)	69
Profit for the period		3,583	998
Other comprehensive expense			
Foreign currency translation differences – foreign operations		(118)	–
Total comprehensive income for the period		3,465	998
Profit attributable to:			
Owners of the Company		3,526	1,008
Non-controlling interests		57	(10)
Profit for the period		3,583	998
Total comprehensive income/(expense) attributable to:			
Owners of the Company		3,408	1,008
Non-controlling interests		57	(10)
Total comprehensive income for the period		3,465	998

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

**Unaudited consolidated statement of change in equity
For the three-month period ended 31 March 2012**

	Share capital \$'000	Retained earnings \$'000	Translation reserve \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
At 1 January 2012	16,137	42,274	–	58,411	420	58,831
Total comprehensive income for the period						
Profit for the period	–	3,526	–	3,526	57	3,583
Total other comprehensive expense	–	–	(118)	(118)	–	(118)
Total comprehensive income for the period	–	3,526	(118)	3,408	57	3,465
Transactions with owners, recognised directly in equity Contributions by and distributions to owners						
Issue of bonus shares	15,000	(15,000)	–	–	–	–
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)
Contributions by and distributions to owners/Total transactions with owners	15,000	(17,000)	–	(2,000)	–	(2,000)
At 31 March 2012	31,137	28,800	(118)	59,819	477	60,296
At 1 January 2011	16,137	32,418	–	48,555	260	48,815
Total comprehensive income for the period						
Profit for the period/Total comprehensive income for the period	–	1,008	–	1,008	(10)	998
Transactions with owners, recognised directly in equity Contributions by and distributions to owners						
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)
Contributions by and distributions to owners/Total transactions with owners	–	(3,000)	–	(3,000)	–	(3,000)
At 31 March 2011	16,137	30,426	–	46,563	250	46,813

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

**Unaudited consolidated statement of cash flows
For the three-month period ended 31 March 2012**

	Three-month period ended	
	31 March 2012	31 March 2011
	\$'000	\$'000
Cash flows from operating activities		
Profit for the period	3,583	998
Adjustments for:		
Depreciation of property, plant and equipment	1,733	1,518
Finance costs	658	474
Interest income	(5)	(12)
(Gain)/loss on disposal of property, plant and equipment	(237)	9
Income tax expense/(credit)	838	(69)
	6,570	2,918
Changes in working capital:		
Inventories	(2,305)	(193)
Contracts work-in-progress	(1,934)	(2,783)
Trade and other receivables	1,460	2,388
Trade and other payables	(2,391)	(5,435)
Cash generated from/(used in) operating activities	1,400	(3,105)
Income tax (paid)/refunded	(46)	507
Net cash generated from/(used in) operating activities	1,354	(2,598)
Cash flows from investing activities		
Interest received	5	12
Proceeds from disposal of property, plant and equipment	364	37
Acquisition of financial assets at fair value through profit or loss	(19)	–
Acquisition of property, plant and equipment	(10,154)	(718)
Net cash used in investing activities	(9,804)	(669)
Cash flows from financing activities		
Interest paid	(658)	–
Proceeds from bank borrowings	9,792	–
Repayment of bank borrowings	(3,883)	(7,190)
Fixed deposits pledged with bank	(4)	(11)
Payment of finance lease liabilities	(1,285)	(471)
Dividends paid	(4,000)	–
Net cash used in financing activities	(38)	(7,672)
Net decrease in cash and cash equivalents	(8,488)	(10,939)
Cash and cash equivalents at 1 January	23,681	14,633
Effect of exchange rate fluctuations on cash held	(118)	–
Cash and cash equivalents at 31 March	15,075	3,694

During the three-month period ended 31 March 2012, the Group acquired property, plant and equipment with an aggregate cost of \$11,534,000 (three-month period ended 31 March 2011: \$781,000), of which \$1,380,000 (three-month period ended 31 March 2011: \$63,000) were acquired under finance leases.

The accompanying notes form an integral part of these unaudited proforma consolidated financial information.

APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012

These notes form an integral part of the interim consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 July 2012.

1. Significant accounting policies

(a) Basis of preparation

The unaudited interim consolidated financial statements of Ley Choon Constructions and Engineering Pte Ltd. (the “Company”) and its subsidiaries (the “Group”) have been prepared on a condensed basis in accordance with Singapore Financial Reporting Standard (FRS) 34 *Interim Financial Reporting*.

The unaudited condensed interim consolidated financial statements, which do not include the full disclosures of the type normally included in a complete set of consolidated financial statements, are to be read in conjunction with the last issued audited consolidated financial statements for the financial years ended 31 December 2009, 2010 and 2011 (“Audited Consolidated Financial Statements”).

Accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements are consistent with those applied in the Audited Consolidated Financial Statements.

(b) Subsidiaries

The subsidiaries of the Group are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			31 March 2012	31 December 2011
			%	%
Multiform Developments & Construction Pte. Ltd.	Road construction and mixed construction activities	Singapore	100	100
Ley Choon Developments Pte. Ltd. (“Ley Choon Developments”)	Mixed construction activities	Singapore	100	100
Chin Kuan Engineering & Contractors Pte. Ltd.	Mixed construction activities and civil engineering	Singapore	100	100
Teacly (S) Pte. Ltd.	Non building construction, building cleaning and maintenance services	Singapore	100	100

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

1 Significant accounting policies (continued)

(b) Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			31 March 2012	31 December 2011
			%	%
Ley Choon EWC Sdn Bhd ("Ley Choon EWC") ^(a)	Non building construction (civil engineering construction) and manufacturing of asphalt pre-mix	Brunei	51	51
<u>Held by Teacly (S) Pte. Ltd.</u>				
Pan Alliance Technology International Pte. Ltd.	Water and gas pipe-line and sewer construction	Singapore	70	70
<u>Held by Ley Choon Developments</u>				
Ley Choon (Yantai) Eco-Green Construction Material Ltd. ("Yantai") ^(b)	Recycling of construction waste and development of eco-green construction products; and production and sale of asphalt concrete, dry mortar concrete, concrete block and sands	People's Republic of China	100	100

^(a) Ley Choon EWC was incorporated on 29 November 2011.

^(b) Yantai was incorporated on 15 September 2011.

2. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

3. Dividends

During the three-month period ended 31 March 2012, a one-tier tax exempt interim dividend totalling \$2.0 million was declared in respect of the year ended 31 December 2011 (three-month period ended 31 March 2011: \$3.0 million).

4. Unusual items

During the three-month period ended 31 March 2012, there were no unusual items affecting the Group.

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

5. Property, plant and equipment

	Leasehold land \$'000	Leasehold buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Cost						
At 1 January 2011	–	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
Additions	7,000	–	2,627	1,352	555	11,534
Disposals	–	–	(15)	(354)	–	(369)
At 31 March 2012	7,000	10,426	46,225	13,824	1,075	78,550
Accumulated depreciation						
At 1 January 2011	–	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
Depreciation charge for the period	–	135	1,077	521	–	1,733
Disposals	–	–	(14)	(228)	–	(242)
At 31 March 2012	–	1,566	13,005	5,751	–	20,322
Carrying amount						
At 1 January 2011	–	5,138	31,495	8,304	146	45,083
At 31 December 2011	–	8,995	31,671	7,368	520	48,554
At 31 March 2012	7,000	8,860	33,220	8,073	1,075	58,228

As at 31 March 2012, depreciation of property, plant and equipment of \$1,449,000 (three-month period ended 31 March 2011:\$1,331,000) has been capitalised in contract work-in-progress.

	31 March 2012 \$'000	31 December 2011 \$'000
Carrying amount of property, plant and equipment under finance lease obligations	22,996	20,748
Carrying amount of property, plant and equipment mortgaged to banks to secure banking facilities		
- Leasehold buildings	4,489	4,624
- Leasehold land	7,000	–

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

6 Inventories

	31 March 2012	31 December 2011
	\$'000	\$'000
Raw materials, at cost	6,607	4,302

7 Contract work-in-progress

	Note	31 March 2012	31 December 2011
		\$'000	\$'000
Cost incurred and attributable profits		305,370	280,418
Progress billings		(252,107)	(229,450)
		53,263	50,968
Contract work-in-progress		53,468	51,534
Excess of progress billings over contract work-in-progress	14	(205)	(566)
		53,263	50,968

8 Trade and other receivables

	31 March 2012	31 December 2011
	\$'000	\$'000
Trade receivables	12,218	13,784
Impairment losses	(588)	(588)
	11,630	13,196
Non-trade amount due from a director of the Company	–	535
Staff loans	42	39
Downpayment for the purchase of land	–	375
Advances to suppliers	1,189	443
Loans and receivables	12,861	14,588
Prepayments	877	610
	13,738	15,198

The staff loans are unsecured and interest-free, and are repayable on demand.

The amount due from directors of the Company as at 31 December 2011 were unsecured and interest free, and were repaid on 27 January 2012.

9 Financial assets designated at fair value through profit or loss

	31 March 2012	31 December 2011
	\$'000	\$'000
Quoted equity shares, at fair value	96	77

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

10 Cash and cash equivalents

	31 March 2012	31 December 2011
	\$'000	\$'000
Cash at bank and on hand	16,602	23,999
Fixed deposits	4,173	4,169
	20,775	28,168
Bank overdrafts	(1,527)	(318)
Deposits pledged	(4,173)	(4,169)
Cash and cash equivalents in the unaudited consolidated statements of cash flows	15,075	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.

11 Share capital

	Number of share '000
Fully paid ordinary share, with no par value	
At 1 January 2012	15,000
Issue of shares	15,000
At 31 March 2012	30,000

On 23 February 2012, the Company issued 15,000,000 bonus shares out of its retained earnings to its shareholder on the basis of 1 share for every 1 existing share held by the shareholders as at 23 February 2012.

12 Loans and borrowings

	31 March 2012	31 December 2011
	\$'000	\$'000
Non-current liabilities		
Secured bank loans	22,535	19,915
Finance lease liabilities	4,667	4,509
	27,202	24,424
Current liabilities		
Bank overdrafts	1,527	318
Secured bank loans	13,112	13,697
Bills payable	19,985	16,111
Finance lease liabilities	3,970	4,033
	38,594	34,159
Total loans and borrowings	65,796	58,583

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

12 Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Principal \$'000	Interest \$'000	Payments \$'000
At 31 December 2011			
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>
At 31 March 2012			
Within one year	3,970	319	4,289
After one year but within five years	4,667	240	4,907
	<u>8,637</u>	<u>559</u>	<u>9,196</u>

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
31 March 2012					
Bank overdrafts	SGD	5.54% to 7.86%	–	1,527	1,527
Secured bank loans	SGD	2.64% to 6.63%	2013-2017	35,647	35,647
Bills payable	SGD	5.25% to 6.50%	2013	19,985	19,985
Finance lease liabilities	SGD	3.22% to 8.69%	2016	9,196	8,637
				<u>66,355</u>	<u>65,796</u>
31 December 2011					
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 5);
- (b) charge over certain of the Group's plant and equipment (see Note 5); and
- (c) fixed deposits of the Group (see Note 10).

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

13 Deferred tax liabilities

Movements in deferred tax liabilities of the Group during the year are as follows:

	Note	\$'000
Property, plant and equipment		
At 1 January 2011		3,056
Recognised in profit or loss		837
At 31 December 2011		3,893
Recognised in profit or loss	20	244
At 31 March 2012		4,137

14 Trade and other payables

	Note	31 March 2012 \$'000	31 December 2011 \$'000
Trade payables		17,622	18,107
Other payables		23	23
Accruals		2,237	3,782
Dividend payable		–	2,000
Excess of progress billings over contracts work-in-progress	7	205	566
		20,087	24,478

15 Provisions

	Provision for legal claims \$'000	Provision for damages \$'000	Total \$'000
At 1 January 2011	250	126	376
Provision reversed	(230)	–	(230)
Provisions utilised	(20)	(20)	(40)
At 31 December 2011 and 31 March 2012	–	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.

The claim was fully settled in 2011.

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.

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

16 Revenue

	Three-month period ended	
	31 March	31 March
	2012	2011
	\$'000	\$'000
Contract revenue	27,359	21,790
Sale of construction materials	835	824
	<u>28,194</u>	<u>22,614</u>

17 Other income

	Three-month period ended	
	31 March	31 March
	2012	2011
	\$'000	\$'000
Rental income	107	2
Sale of scraps	270	125
Gain/(loss) on disposal of property, plant and equipment	237	(9)
Foreign exchange gain	2	–
Interest income	5	12
Income from supply of labour	52	–
Sundry income	174	254
	<u>847</u>	<u>384</u>

18 Finance costs

	Three-month period ended	
	31 March	31 March
	2012	2011
	\$'000	\$'000
Recognised in profit or loss		
Interest expenses on loans and borrowings	658	474
	<u>658</u>	<u>474</u>

19 Profit before tax

The following items have been included in arriving at profit before tax:

	Three-month period ended	
	31 March	31 March
	2012	2011
	\$'000	\$'000
Operating lease expenses	496	441
Staff costs	6,861	6229
Contributions to defined contribution plans included in staff costs	264	219
	<u>7,621</u>	<u>6889</u>

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

20 Income tax expense/(credit)

	Three-month period ended	
	31 March 2012	31 March 2011
	\$'000	\$'000
Current tax expense/(credit)		
Current year	594	174
Over provision in prior years	–	(243)
	594	(69)
Deferred tax expense		
Current year	244	–
Total income tax expense/(credit)	838	(69)
Reconciliation of effective tax rate		
Profit for the year	3,583	998
Total tax expense	838	(69)
Profit excluding tax	4,421	929
Income tax using the statutory tax rate of 17% (2011: 17%)	752	158
Tax effect on non-taxable items	(35)	(2)
Tax effect on non-tax deductible items	142	80
Over provision in prior years	–	(243)
Tax exempt income	(67)	(52)
Others	46	(10)
	838	(69)

21 Operating segments

The segment information provided to the Group's CEO for the reportable segments for the three-month period ended 31 March 2012 and 2011 (unreviewed) is as follows:

Three-month period ended 31 March 2012

	Pipes and roads	Construction materials	Others	Total
	\$'000	\$'000	\$'000	\$'000
External revenues	27,359	835	–	28,194
Inter-segment revenue	11,307	3,140	–	14,447
Total revenue	38,666	3,975	–	42,641
Interest income	–	–	5	5
Interest expenses	(107)	–	(551)	(658)
Depreciation	1,326	136	271	1,733
Reportable segment profit before income tax	6,819	207	(2,605)	4,421
Reportable segment assets	101,297	8,054	43,603	152,954
Capital expenditure	2,200	671	8,663	11,534
Reportable segment liabilities	31,480	4,883	56,295	92,658

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

21 Operating segments (continued)

Three-month period ended 31 March 2011

	Pipes and roads \$'000	Construction materials \$'000	Others \$'000	Total \$'000
External revenues	21,790	824	–	22,614
Inter-segment revenue	4,910	3,361	–	8,271
Total revenue	26,700	4,185	–	30,885
Interest income	–	–	12	12
Interest expenses	(147)	–	(327)	(474)
Depreciation	1,243	105	170	1,518
Reportable segment profit before income tax	3,430	183	(2,684)	929
Reportable segment assets	77,900	6,647	20,243	104,790
Capital expenditure	316	5	460	781
Reportable segment liabilities	24,236	5,395	28,543	58,174

22 Commitments

Capital commitments

	31 March 2012 \$'000	31 December 2011 \$'000
Acquisition of property, plant and equipment contracted but not provided for in the financial statements	–	7,623

Leases as lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	31 March 2012 \$'000	31 December 2011 \$'000
Payable:		
Within 1 year	1,685	1,250
After 1 year but within 5 years	3,597	2,087
More than 5 years	9,368	7,773
	14,650	11,110

The non-cancellable operating leases relate to leases of lands from Jurong Town Corporation for a period ranging from 15 years to 60 years and from third parties.

**APPENDIX C – CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2012**

23 Related parties

(a) Identity of related parties

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.

(b) Transactions with related parties

Other than disclosed elsewhere in the financial statements, the transactions with related parties entered into on terms agreed between the parties are as follows:

	Three-month period ended	
	31 March	31 March
	2012	2011
	\$'000	\$'000
Company in which the key management personnel have control		
Service income	13	1
Purchases	10	–
	23	1
	23	1

(c) Key management personnel compensation

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The members of the Board of Directors are considered to be the key management personnel of the Group.

The key management personnel compensation included in staff costs comprises:

	Three-month period ended	
	31 March	31 March
	2012	2011
	\$'000	\$'000
Short-term employee benefits	315	315
Post-employment benefits	22	9
	337	324
	337	324

**APPENDIX D – 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**

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 D-3 to D-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.

**APPENDIX D – 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**

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 Ultron 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 D – 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
Non-current assets				
Property, plant and equipment	4	37,591	45,083	48,554
Associate	5	–	–	–
Club membership		–	42	42
		37,591	45,125	48,596
Current assets				
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
		64,028	70,925	99,279
Total assets		101,619	116,050	147,875
Equity				
Share capital	11	4,300	16,137	16,137
Retained earnings		30,434	32,418	42,274
Equity attributable to owners of the Company		34,734	48,555	58,411
Non-controlling interests		178	260	420
Total equity		34,912	48,815	58,831
Non-current liabilities				
Loans and borrowings	12	20,042	16,340	24,424
Deferred tax liabilities	13	2,280	3,056	3,893
		22,322	19,396	28,317
Current liabilities				
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
		44,385	47,839	60,727
Total liabilities		66,707	67,235	89,044
Total equity and liabilities		101,619	116,050	147,875

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX D – 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
Continuing operations				
Revenue	16	110,330	110,714	126,843
Cost of sales		(78,952)	(84,202)	(97,783)
Gross profit		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)
Results from operating activities		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	–	–
Profit before tax		25,384	15,839	15,863
Income tax expense	19	(4,963)	(2,361)	(847)
Profit from continuing operations	20	20,421	13,478	15,016
Discontinued operation				
Loss from discontinued operation (net of tax)	21	(498)	–	–
Profit/Total comprehensive income for the year		19,923	13,478	15,016
Profit/Total comprehensive income attributable to:				
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 D – 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
Total comprehensive income for the year						
Profit for the year/Total comprehensive income for the year		–	20,038	20,038	(115)	19,923
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
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
Total contributions by and distributions to owners		1,300	(1,000)	300	–	300
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests with a change in control/Total changes in ownership interests in subsidiaries		–	–	–	293	293
Total transactions with owners		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 D – 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
Total comprehensive income for the year						
Profit for the year/Total comprehensive income for the year		–	13,360	13,360	118	13,478
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issue of bonus shares/Total contributions by and distributions to owners	11	11,837	(11,837)	–	–	–
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests without a change in control/Total changes in ownership interests in subsidiaries		–	461	461	(36)	425
Total transactions with owners		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 D – 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
Total comprehensive income for the year					
Profit for the year/Total comprehensive income for the year	–	14,856	14,856	160	15,016
Transactions with owners, recognised directly in equity					
Contributions by and distributions to owners					
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)
Contributions by and distributions to owners/ Total transactions with owners	–	(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 D – 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
Cash flows from operating activities			
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
Net cash generated from operating activities	16,334	15,899	8,505

The accompanying notes form an integral part of these consolidated financial statements.

**APPENDIX D – 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
Cash flows from investing activities			
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
Net cash used in investing activities	(5,556)	(8,275)	(7,089)
Cash flows from financing activities			
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)
Net cash (used in)/generated from 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 year	836	11,473	14,633
Cash and cash equivalents at end of year	11,473	14,633	23,681

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.

APPENDIX D – 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

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”) ¹	Road construction and mixed construction activities	Singapore	100	100	100
Chin Kuan Engineering & Contractors Pte Ltd (“Chin Kuan Engineering”) ¹	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”) ²	Mixed construction activities	Singapore	–	100	100
Teacly (S) Pte. Ltd. (“Teacly”) ¹	Non building construction, building cleaning and maintenance services	Singapore	100	100	100

APPENDIX D – 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

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") ³	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") ¹	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") ⁴	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

¹ 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.

² 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.

³ Ley Choon EWC was incorporated on 29 November 2011. No audit is required as the entity is dormant.

⁴ 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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THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

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

APPENDIX D – 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

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.

APPENDIX D – 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

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.

APPENDIX D – 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

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
Cost					
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
Accumulated depreciation					
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
Carrying amount					
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.

	2009	2010	2011
	\$'000	\$'000	\$'000
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:

	2009	2010	2011
	\$'000	\$'000	\$'000
Revenue	12,615	–	–
Expenses	(11,664)	–	–
	951	–	–

6 Inventories

	2009	2010	2011
	\$'000	\$'000	\$'000
Raw materials, at cost	4,971	5,239	4,302

7 Contracts work-in-progress

	Note	2009	2010	2011
		\$'000	\$'000	\$'000
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
Fully paid ordinary shares, with no par value:			
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

	2009	2010	2011
	\$'000	\$'000	\$'000
Non-current liabilities			
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>
Current liabilities			
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:

	Principal	Interest	Payments
	\$'000	\$'000	\$'000
At 31 December 2009			
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>
At 31 December 2010			
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>
At 31 December 2011			
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
31 December 2009					
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
				39,838	39,027
31 December 2010					
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
				43,768	42,982
31 December 2011					
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
				59,126	58,583

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		3,893

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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

	2009	2010	2011
	\$'000	\$'000	\$'000
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

	2009	2010	2011
	\$'000	\$'000	\$'000
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
Recognised in profit or loss			
Interest expenses on loans and borrowings	1,828	2,136	2,129

19 Income tax expense

	2009 \$'000	2010 \$'000	2011 \$'000
Current tax expense			
Current year	3,039	2,157	1,614
Under/(over) provided in prior years	347	(568)	(1,604)
	3,386	1,589	10
Deferred tax expense			
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
Reconciliation of effective tax rates			
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:

	2009 \$'000	2010 \$'000	2011 \$'000
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.

	31 December 2009 \$'000
Results from discontinued operation	
Revenue	612
Expenses	(790)
Results from operating activities	(178)
Income tax	(88)
Results from operating activities, net of income tax	(266)
Loss on sale of discontinued operation	(232)
Loss for the year	(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

	31 December 2009 \$'000
Property, plant and equipment	(215)
Biological assets	(2,005)
Trade and other receivables	(22)
Cash and cash equivalents	(29)
Trade and other payables	<u>1,039</u>
Net assets and liabilities	(1,232)
Loss arising from disposal of subsidiary	<u>232</u>
Consideration received, satisfied through offsetting of dividend payable to shareholders	<u>(1,000)</u>
Cash and cash equivalents disposed of	<u>(29)</u>
Net cash outflow	<u>(29)</u>

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
For the financial year ended 31 December 2009				
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
For the financial year ended 31 December 2010				
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
For the financial year ended 31 December 2011				
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

	2009	2010	2011
	\$'000	\$'000	\$'000
Corporate guarantees given to banks in respect of credit facilities utilised by the subsidiaries	2,824	489	80

26 Commitments

Capital commitments

	2009	2010	2011
	\$'000	\$'000	\$'000
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:

	2009	2010	2011
	\$'000	\$'000	\$'000
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:

	2009	2010	2011
	\$'000	\$'000	\$'000
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
Company in which the key management personnel have control			
Service income	–	9	73
Purchases	–	24	39
Associate			
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:

	Gross	Impairment	Gross	Impairment	Gross	Impairment
	2009	losses	2010	losses	2011	losses
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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)
	16,703	(83)	12,993	(609)	13,784	(588)

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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:

	2009	2010	2011
	\$'000	\$'000	\$'000
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
31 December 2009				
Non-derivative financial liabilities				
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
31 December 2010				
Non-derivative financial liabilities				
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
31 December 2011				
Non-derivative financial liabilities				
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:

	Australian dollars \$'000	Japanese Yen \$'000	Sterling pounds \$'000	Euro \$'000	United States dollars \$'000
31 December 2009					
Trade and other payables	389	2,048	–	63	–
31 December 2010					
Trade and other payables	348	–	238	37	16
31 December 2011					
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.

	2009 \$'000	2010 \$'000	2011 \$'000
Profit or loss			
Australian dollars	39	35	–
Japanese Yen	205	–	–
Sterling pounds	–	24	–
Euro	6	4	4
United States dollars	–	2	–
	250	65	4

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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THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011**

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:

	2009	2010	2011
	\$'000	\$'000	\$'000
Fixed rate instruments			
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>
Variable rate instruments			
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.

	Profit or loss	
	100 bp Increase	100 bp Decrease
	\$'000	\$'000
31 December 2009		
Variable rate instruments	<u>(73)</u>	<u>73</u>
31 December 2010		
Variable rate instruments	<u>(114)</u>	<u>114</u>
31 December 2011		
Variable rate instruments	<u>(164)</u>	<u>164</u>

APPENDIX D – 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

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
31 December 2009							
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
31 December 2010							
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
31 December 2011							
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
31 December 2009				
Financial assets designated at fair value through profit or loss	56	–	–	56
31 December 2010				
Financial assets designated at fair value through profit or loss	56	–	–	56
31 December 2011				
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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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		2010	
	As previously	2009	As previously	2010
	reported	As restated	reported	As restated
	\$'000	\$'000	\$'000	\$'000
Consolidated statements of financial position				
<i>Current assets</i>				
Trade and other receivables	17,806	18,707	13,551	13,551
Cash and cash equivalents	14,983	14,206	18,865	18,865
<i>Current liabilities</i>				
Trade and other payables	20,925	20,029	18,953	18,953
Provisions	–	1,020	376	376
Consolidated statements of comprehensive income				
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)

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31 Comparative information (continued)

	2009 As previously reported \$'000	2009 As restated \$'000	2010 As previously reported \$'000	2010 As restated \$'000
Consolidated statements of cash flows				
Cash flows from operating activities				
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)
Cash flows from investing activities				
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
Cash flows from financing activities				
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.

DIRECTORS' AND VENDORS' RESPONSIBILITY STATEMENT

The Directors and the Vendors collectively and individually accept responsibility for the accuracy of the information given in this Offer Information Statement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Offer Information Statement are fair and accurate in all material respects as at the date of this Offer Information Statement and there are no material facts the omission of which would make any statement in this Offer Information Statement misleading in any material respect. Where information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors and the Vendors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Offer Information Statement.

**For and on behalf of Ley Choon Group Holdings Limited
(formerly known as Ultro Technologies Limited)**

Executive Chairman & Chief Executive Officer
(Toh Choo Huat)

Executive Director
(Toh Swee Kim)

Executive Director
(Toh Chew Leong)

Executive Director
(Koh Tiam Teng)

Executive Director
(Tan Teck Wei)

Lead Independent Director
(Lee Gee Aik)

Independent Director
(Ang Miah Kiang)

Independent Director
(Marcus Chow Wen Kwan)

THE VENDORS

Zheng Choon Holding Pte. Ltd.

Director
(Toh Choo Huat)

Koh Tiam Teng

Tan Teck Wei

Liang Say Juan

Intersino Investments Limited

Director
(Koh Kwee Ngee)

Dated: 26 July 2012