

LEY CHOON GROUP HOLDINGS LIMITED
(formerly known as Ulro Technologies Limited)

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3, Q4), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Introduction

On 25 July 2012, Ley Choon Group Holdings Limited (“the Company”) completed its Acquisition (acquisition of the entire issued and paid-up capital of Ley Choon Constructions and Engineering Pte Ltd and its subsidiaries (“LC Group”). The Acquisition resulted in a Reverse Takeover (“RTO”) of the Company.

The Acquisition has been accounted as a RTO and the legal subsidiary, LC Group is regarded as the acquirer and the Company, previously known as Ulro Technologies Limited (“Ulro”) before completion on 25 July 2012, as the acquiree, for accounting purposes. As such, the consolidated financial statements have been prepared and presented as a continuation of LC Group’s financial statements.

In conjunction with the Acquisition, the Company also acquired the entire equity interests in Ranoda (M) Sdn Bhd, now known as Ley Choon (M) Sdn Bhd (“LCM”).

The above accounting treatment is only applied to the consolidated financial statement of the Group. At the Company level, the investment in LC Group is accounted for as an investment in a subsidiary.

Basis of preparation of the Financial Statements

At Group Level

The Acquisition has been accounted for as a reverse acquisition in accordance to FRS 103 Business Combinations, and LC Group is deemed to be the acquirer for accounting purposes. Accordingly, the consolidated statement of financial position as at 30 September 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months period ended 30 September 2012 have been presented as a continuation of the LC Group financial results and operations.

Since such consolidated financial statements represent a continuation of the LC Group:

- (a) the assets and liabilities of LC Group are recognized and measured in the consolidated statement of financial position at their pre-combination carrying amounts;
- (b) the assets and liabilities of Ulro and its subsidiary, LCM (the “Ulro Group”), the acquiree, are recognized and measured in accordance to FRS103;

- (c) the retained earnings and other equity balances recognized in the consolidated financial statements are the retained earnings and other equity balances of the LC Group immediately before the business combination;
- (d) the amount recognized as issued equity interest in the consolidated financial statements is determined by adding to the issued equity of LC Group immediately before the business combination to the fair value of Ultro Group. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments used) shall reflect the equity structure of the legal parent (i.e. the Company), including the equity instruments issued by the legal parent (i.e. the Company) to effect the combination; and
- (e) the comparative figures presented in these consolidated financial statements are that of consolidated financial statements of LC Group.

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent (i.e. the acquiree for accounting purposes). Therefore, the cost of the business combination for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values at 25 July 2012.

At Company Level

Reverse acquisition accounting applies only at the consolidated financial statements at the Group level. Therefore, in the Company's financial statements, the investment in the legal subsidiary (i.e LC Group) is accounted for at cost less accumulated impairment losses, if any, in the Company's balance sheet.

Notes :

- The Group's consolidated statement of comprehensive income for the 9 months ended 30 September 2012 refers to the Enlarged Group which consists of the results of LC Group for the period from 1 January to 30 September 2012 and results of Ultro and LCM for the period 25 July 2012 to 30 September 2012.
- The Groups' consolidated statement of comprehensive income for the 9 months ended 30 September 2011 refers to the results of LC Group for the period from 1 January 2011 to 30 September 2011.
- The Group's consolidated statement of comprehensive income for the period 1 July 2012 to 30 September 2012 refers to the Enlarged Group which consists of the results of LC Group for the period from 1 July to 30 September 2012 and results of Ultro and LCM for the period 25 July 2012 to 30 September 2012.
- The Group's consolidated statement of comprehensive income for the period from 1 July 2011 to 30 September 2011 refers to the results of LC Group for the period from 1 July 2011 to 30 September 2011.
- The Group's consolidated statement of financial position as at 30 September 2012 refers to the Enlarged Group which consists of the financial position of LC Group, Ultro and LCM as at 30 September 2012.

- The Group's consolidated statement of financial position as at 31 December 2011 refers to the financial position of LC Group.
- The Group's consolidated statement of cash flow for the 9 months ended 30 September 2012 refers to the cash flows of LC Group for the period for 1 January to 30 September 2012 and cash flows of Ultro and LCM for the period 25 July 2012 to 30 September 2012.
- The Group's consolidated statement of cash flow for the 9 months ended 30 September 2011 refers to the cash flows of LC Group.
- The Company's financial position as at 30 September 2012 and 31 December 2011 refers to that of Ley Choon Group Holdings Limited.

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	3 rd Quarter ended		Change	9 Months Period ended		Change
	30 Sep 2012	30 Sep 2011		30 Sep 2012	30 Sep 2011	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	43,332	35,298	22.8	106,284	90,179	17.9
Cost of sales	(34,321)	(26,576)	29.1	(83,908)	(70,088)	19.7
Gross profit	9,011	8,722	3.3	22,376	20,091	11.4
Other income	1,194	432	176.4	2,655	1,111	139.0
Distribution expenses	(299)	(66)	353.0	(515)	(249)	106.8
Administrative expenses	(4,126)	(2,331)	77.0	(10,026)	(7,600)	31.9
Other expenses (note 1)	(12,192)	(13)	n/m	(12,950)	(137)	n/m
Results from operating activities	(6,412)	6,744	(195.1)	1,540	13,216	(88.3)
Finance costs	(872)	(553)	57.7	(2,237)	(1,551)	44.2
(Loss)/Profit before tax	(7,284)	6,191	(217.7)	(697)	11,665	(106.0)
Tax expense	(912)	(1,296)	(29.6)	(2,173)	(1,984)	9.5
(Loss) /Profit for the period (note 2)	(8,196)	4,895	(267.4)	(2,870)	9,681	(129.6)
Other comprehensive expense						
Foreign currency translation differences – foreign operations	(99)	-	n/m	(200)	-	n/m
Total comprehensive (expense)/income for the period	(8,295)	4,895	(269.5)	(3,070)	9,681	(131.7)

Note 1: Other expenses include the impairment of goodwill on consolidation in relation to the excess of the cost of the reverse acquisition over the net fair values of the assets, liabilities and contingent liabilities of Ultron and L&M amounting to \$11.3 million.

Note 2: Without the impairment of goodwill on consolidation, the profit for the period for the nine months ended 30 September 2012 would have been \$8.4 million.

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	3 rd Quarter ended		Change	9 Months		Change
	30 Sep 2012	30 Sep 2011		30 Sep 2012	30 Sep 2011	
	\$'000	\$'000	%	\$'000	\$'000	%
(Loss) /Profit attributable to:						
Owners of the Company	(8,297)	4,845	(271.2)	(3,047)	9,582	(131.8)
Non-controlling interests	101	50	102.0	177	99	78.8
(Loss) /Profit for the period	(8,196)	4,895	(267.4)	(2,870)	9,681	(129.6)
Total comprehensive (expense)/income attributable to:						
Owners of the Company	(8,396)	4,845	(273.3)	(3,247)	9,582	(133.9)
Non-controlling interests	101	50	102.0	177	99	78.8
Total comprehensive (expense)/income for the period	(8,295)	4,895	(269.5)	(3,070)	9,681	(131.7)

n/m – not meaningful

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

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

	3 rd Quarter ended		Change	9 Months		Change
	30 Sep 2012	30 Sep 2011		30 Sep 2012	30 Sep 2011	
	\$'000	\$'000	%	\$'000	\$'000	%
Bad debts written off	17	-	n/m	17	-	n/m
Depreciation of property, plant and equipment	1,977	1,577	25.4	5,508	4,629	19.0
Exchange loss	108	-	n/m	108	-	n/m
Impairment of goodwill on consolidation	11,298	-	n/m	11,298	-	n/m
Interest income	(22)	(9)	144.4	(28)	(24)	16.7
Gain on disposal of property, plant and equipment	(190)	(53)	258.5	(506)	(54)	837.0
Finance costs	872	553	57.7	2,237	1,551	44.2
Operating lease expenses	374	475	(21.3)	1,464	1,422	2.9
RTO expenses	864	-	n/m	1,626	-	n/m

n/m – not meaningful

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

	Group		Company	
	As at 30 Sep 2012 \$'000	As at 31 Dec 2011 \$'000	As at 30 Sep 2012 \$'000	As at 31 Dec 2011 \$'000
Assets				
Property, plant and equipment	65,224	48,554	-	-
Investment property	2,122	-	-	-
Investment in subsidiaries	-	-	110,000	-
Deposit pledged with bank	-	-	-	2,454
Club membership	271	42	-	-
Non-current assets	67,617	48,596	110,000	2,454
Inventories	7,657	4,302	-	-
Contracts work-in-progress	76,354	51,534	-	-
Trade and other receivables	20,881	15,198	3,604	439
Financial assets designated at fair value through profit or loss	90	77	-	-
Cash and cash equivalents	23,824	28,168	7,554	2,240
Current assets	128,806	99,279	11,158	2,679
Total assets	196,423	147,875	121,158	5,133
Equity				
Share capital	55,527	16,137	123,597	59,313
Accumulated profits/(losses)	22,227	42,274	(3,343)	(55,665)
Foreign currency translation reserve	(200)	-	-	-
Equity attributable to owners of the Company	77,554	58,411	120,254	3,648
Non-controlling interests	844	420	-	-
Total equity	78,398	58,831	120,254	3,648
Liabilities				
Loans and borrowings	32,802	24,424	-	-
Deferred tax liabilities	4,177	3,893	-	-
Deferred income	-	-	-	100
Non-current liabilities	36,979	28,317	-	100
Loans and borrowings	43,058	34,159	-	-
Trade and other payables	35,587	24,478	904	1,265
Provisions	106	106	-	-
Current tax payable	2,295	1,984	-	-
Deferred income	-	-	-	120
Current liabilities	81,046	60,727	904	1,385
Total liabilities	118,025	89,044	904	1,485
Total equity and liabilities	196,423	147,875	121,158	5,133

1(b)(ii) Aggregate amount of the Group's borrowing and debt securities

(a) Amount repayable in one year or less, or on demand

	Group	
	As at 30 Sep 2012 \$'000	As at 31 Dec 2011 \$'000
<u>Secured</u>		
Bank overdrafts	487	318
Bank loans	20,242	13,697
Bills payable	18,499	16,111
Finance lease liabilities	3,830	4,033
Total	<u>43,058</u>	<u>34,159</u>

(b) Amount repayable after one year

	Group	
	As at 30 Sep 2012 \$'000	As at 31 Dec 2011 \$'000
<u>Secured</u>		
Bank loans	28,935	19,915
Finance lease liabilities	3,867	4,509
Total	<u>32,802</u>	<u>24,424</u>

(c) Details of any collateral

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

- (i) legal mortgage over the Group's leasehold buildings
- (ii) charge over certain of the Group's plant and equipment
- (iii) joint and several guarantees by certain directors and shareholders of the Company; and
- (iv) fixed deposits of the Group

The group's lease obligations under finance lease are secured by the lessor's title to the leased assets. The carrying value of the assets under finance lease is \$22.6 million as at 30 September 2012.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	9 Months Period ended	
	30 Sep 2012 \$'000	30 Sep 2011 \$'000
Cash flows from operating activities:		
(Loss)/Profit for the period	(2,870)	9,681
Adjustments for:		
Bad debts written off	17	-
Depreciation of property, plant and equipment	5,508	4,629
Change in fair value of financial assets	(12)	-
Gain on disposal of property, plant and equipment	(506)	(54)
Goodwill on consolidation written off	11,298	-
Interest income	(28)	(24)
Finance costs	2,237	1,551
Tax expense	2,173	1,984
	<u>17,817</u>	<u>17,767</u>
Changes in working capital:		
Inventories	(3,355)	205
Contracts work-in-progress	(24,820)	(15,893)
Trade and other receivables	(5,700)	(2,617)
Trade and other payables	12,995	3,605
	<u>(3,063)</u>	<u>3,067</u>
Cash (used in)/generated from operating activities	<u>(3,063)</u>	<u>3,067</u>
Income tax paid	(1,620)	(1,958)
Net cash (used in)/generated from operating activities	<u>(4,683)</u>	<u>1,109</u>
Cash flows from investing activities:		
Interest received	28	24
Acquisition of property, plant and equipment	(19,776)	(4,992)
Proceeds from disposals of property, plant and equipment	931	449
Acquisition of financial assets at fair value through profit or loss	-	(21)
Acquisition of club membership	(229)	-
Cash distribution to shareholders	(2,000)	-
Capital injection by minority shareholders	245	-
Effect of acquisition of a subsidiary	829	-
	<u>(19,972)</u>	<u>(4,540)</u>
Net cash used in investing activities	<u>(19,972)</u>	<u>(4,540)</u>
Cash flows from financing activities:		
Interest paid	(2,237)	(1,551)
Proceeds from bank borrowings	31,007	14,929
Proceeds from issue of share capital	12,296	-
Repayment of bank borrowings	(13,054)	(8,820)
Payment of finance lease liabilities	(3,670)	(4,465)
Increase in deposits pledged with bank	(524)	(34)
Dividends paid	(4,000)	(3,000)
	<u>19,818</u>	<u>(2,941)</u>
Net cash generated from/(used in) financing activities	<u>19,818</u>	<u>(2,941)</u>

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	9 Months Period ended	
	30 Sep 2012 \$'000	30 Sep 2011 \$'000
Net decrease in cash and cash equivalents	(4,837)	(6,372)
Cash and cash equivalents at beginning of period	23,681	14,633
Effect of exchange rate fluctuations on cash held	(200)	-
Cash and cash equivalents at end of period	<u>18,644</u>	<u>8,261</u>
 Cash and cash equivalents		
Cash at bank and on hand	19,131	8,261
Fixed deposits	4,693	4,266
	<u>23,824</u>	<u>12,527</u>
Bank overdrafts	(487)	-
Deposits pledged	(4,693)	(4,266)
Cash and cash equivalents in the consolidated statements of cash flows	<u>18,644</u>	<u>8,261</u>

1(d)(i) A statement showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Actual Group	Share capital \$'000	Accumulated profits \$'000	Foreign currency translation reserve \$'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 period						
Profit for the period/Total comprehensive income	-	9,582	-	9,582	99	9,681
Transactions with owners recognized directly in equity						
Contributions by and distributions to owners						
One-tier tax exempt interim dividend/Total transactions with owners	-	(3,000)	-	(3,000)	-	(3,000)
At 30 September 2011	16,137	39,000	-	55,137	359	55,496

1(d)(i) A statement showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

Actual Group	Share capital \$'000	Accumulated profits \$'000	Foreign currency 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 (expense)/income for the year						
(Loss)/Profit for the period	-	(3,047)	-	(3,047)	177	(2,870)
Other comprehensive expense						
Foreign currency translation differences	-	-	(200)	(200)	-	(200)
Total other comprehensive expense for the period	-	-	(200)	(200)	-	(200)
Total comprehensive (expense)/income	-	(3,047)	(200)	(3,247)	177	(3,070)
Transactions with owners recognized directly in equity Contributions by and distributions to owners						
Issue of bonus shares	15,000	(15,000)	-	-	-	-
One-tier tax exempt interim dividend	-	(2,000)	-	(2,000)	-	(2,000)
Increase in share capital arising from reverse acquisition	12,093	-	-	12,093	-	12,093
Issue of shares pursuant to share placement exercise	12,678	-	-	12,678	-	12,678
Shares issuance expenses	(381)	-	-	(381)	-	(381)
Changes in ownership interests in subsidiaries						
Capital injection in a subsidiary without a change in control	-	-	-	-	247	247
Total transactions with owners	39,390	(17,000)	-	22,390	247	22,637
At 30 September 2012	55,527	22,227	(200)	77,554	844	78,398

1(d)(i) A statement showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

<u>Company</u>	Share Capital S\$'000	Accumulated losses S\$'000	Capital reserve S\$'000	Total S\$'000
At 1 January 2011	59,313	(51,295)	-	8,018
Total comprehensive income for the period				
Profit for the period/ Total comprehensive income	-	490	-	490
At 30 September 2011	59,313	(50,805)	-	8,508
At 1 January 2012	59,313	(55,665)	-	3,648
Total comprehensive expense for the period				
Loss for the period/Total comprehensive expense	-	(4,199)	-	(4,199)
Transactions with owners recognized directly in equity				
Issue of shares by way of exercise of warrants	5	-	-	5
Net assets available for distribution to shareholders	-	-	(1,497)	(1,497)
Cash distribution to shareholders	(1,497)	-	1,497	-
Capital reduction	(56,521)	56,521	-	-
Increase in share capital arising from the acquisition of LC Group	110,000	-	-	110,000
Issue of shares pursuant to share placement exercise	12,678	-	-	12,678
Share issuance expenses	(381)	-	-	(381)
Total transactions with owners	64,284	56,521	-	120,805
At 30 September 2012	123,597	(3,343)	-	120,254

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

	Company	
	No. of shares Issued	Share capital \$'000
Issued and fully paid up		
As at 1 Jan 2012	431,858,656	59,313
Issue of shares by way of exercise of warrant	50,000	5
Issue of new shares pursuant to RTO	3,928,571,429	110,000
Capital reduction	<u>-</u>	<u>(58,018)</u>
	4,360,480,085	111,300
Shares Consolidation (every 10 ordinary shares into one consolidated share, disregard fractional shares)	(3,924,432,089)	
Issue of shares pursuant to share placement exercise	57,625,000	12,678
Share issue expenses	<u>-</u>	<u>(381)</u>
As at 30 Sep 2012	<u>493,672,996</u>	<u>123,597</u>

There was no treasury shares held by the Company.

The Company issued 143,952,885 warrants in June 2010 and these warrants were listed on the SGX-ST on 17 June 2010. Each warrant entitles the warrant holder to subscribe for 1 new share in the share capital of the Company at an exercise price of S\$0.10 in cash during the exercise period. During the period ended 30 September 2012, 50,000 warrants have been converted. The outstanding warrants as at 30 September 2012 were 143,902,885.

Pursuant to the Deed Poll amendments and consolidation of shares subsequent to the Acquisition, the warrants have been consolidated in the ratio of every 10 warrants into one Consolidated Warrant, vide our announcement dated 24 July 2012. Therefore, the outstanding warrants subsequent to the consolidation were 14,390,289.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Actual	30 September 2012	30 September 2011
Total number of issued shares excluding treasury shares	493,672,996	43,185,866

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

Not applicable

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

The figures have not been audited or reviewed.

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

Not applicable

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

The Group has adopted the following new and revised Financial Reporting Standard (FRS) which came into effect on or after 1 January 2012:

- Amendments to FRS 107 Disclosures – Transfers of Financial Assets
- Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets

Other than those FRS mentioned above, there were no changes in accounting policies and methods of computation adopted in financial statements for the current reporting period as compared to the most recent audited annual financial statements for the period ended 31 December 2011.

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

The adoption of the new and revised FRS and interpretation to FRS is assessed to have no material impact on the results of the Group and of the Company for the financial period ended 30 September 2012.

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

Earning/(Loss) per share (EPS)	3 rd Quarter ended		9 Months Period ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
<u>Continuing operations</u>				
EPS based on weighted average number of ordinary shares on issue (cents)	(1.80)	1.23	(0.73)	2.44
EPS based on a fully diluted basis	(1.80)	1.23	(0.73)	2.44
Weighted average number of shares (after Share Consolidation)	459,856,900	392,857,130	415,353,403	392,857,130

On 25 July 2012, the Company consolidated every 10 ordinary shares into one consolidated share ("Share Consolidation").

As at the reporting period, warrants were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. The average market value of the Company's shares for the purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period during which the warrants were outstanding.

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

Net asset value (NAV)	Group		Company	
	As at 30 Sep 2012	As at 31 December 2011	As at 30 Sep 2012	As at 31 December 2011
NAV per ordinary share (cents)	15.71	14.87	24.36	8.45
Number of shares (after Share Consolidation)	493,672,996	392,857,130	493,672,996	43,185,866

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs and earning of the group for the current financial period reported on, including (where applicable) seasonable or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.**

Note to consolidated statement of comprehensive income

Third quarter review – Q3FY12 vs Q3FY11

Revenue

Revenue increased by approximately \$8.0 million or 22.8% to \$43.3 million for the third quarter ended 30 September 2012 ("Q3FY12) compared to the corresponding quarter ended 30 September 2011 ("Q3FY11) of \$35.3 million. The increase was mainly due to addition of new contracts such as Proposed 1400mm Diameter Water Pipeline from Seletar West Link to Sungei Punggol, Resurfacing of airport taxiways and Supply, Laying and Diversion of 100mm to 1600mm Dia Ductile Iron and/or Steel Watermains.

Gross profit

Gross profit increased by approximately \$0.3 million or 3.3% from approximately \$8.7 million for Q3FY11 to approximately \$9.0 million for Q3FY12. Gross profit margin decreased from approximately 24.7% for Q3FY11 to approximately 20.8% for Q3FY12 due to increase in operating cost such as direct materials, direct labour supply and hire of machinery to cater for project requirements.

Other income

Other income for Q3FY12 increased by approximately \$0.8 million or 176.4% mainly due to increase in rental income from office and warehouse.

Administrative expenses

Administrative expenses for Q3FY12 increased by approximately \$1.8 million or 77.0% mainly due to higher personnel related costs and increase in depreciation on the purchase of motor vehicles.

Other expenses

Other expenses for Q3FY12 increased from approximately \$0.01 million for Q3FY11 to approximately \$12.2 million for Q3FY12 mainly due to fees amounting to approximately \$1.7 million relating to RTO exercise and impairment of goodwill arising from RTO of approximately \$11.3 million.

Finance costs

Finance costs for Q3FY12 increased by approximately \$0.3 million or 57.7% mainly due to increase in bank borrowings.

Income tax

Income tax for Q3FY12 decreased by approximately \$0.4 million or 29.6%. There was tax expense despite the loss before tax of \$7.3 million which arose due to the impairment of goodwill of \$11.3 million in relation to RTO.

Net loss after tax

The Group reported a net loss after tax of \$8.2 million for Q3FY12 compared to a net profit after tax of \$4.9 million for Q3FY11 due to the various reasons explained above. However, excluding the one-off impairment of goodwill amounting to \$11.3 million, the Group achieved a net profit of \$3.1 million.

Nine months review – 9MFY12 vs 9MFY11

Revenue

Revenue increased by approximately \$16.1 million or 17.9% to \$106.3 million for the nine months ended 30 September 2012 ("9MFY12) compared to the corresponding period ended 30 September 2011 ("9MFY11) of \$90.2 million. The increase was mainly due to increase in the recognition of revenue from new contracts such as NEWater Infrastructure Plan Extension (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, Proposed 1400mm Diameter Water Pipeline from Seletar West Link to Sungei Punggol, Resurfacing of airport taxiways and Supply, Laying and Diversion of 100mm to 1600mm Dia Ductile Iron and/or Steel Watermains.

Gross profit

Gross profit increased by approximately \$2.3 million or 11.4% from approximately \$20.1 million for 9MFY11 to approximately \$22.4 million for 9MFY12. Gross profit margin decreased from approximately 22.3% for 9MFY11 to approximately 21.1% for 9MFY12 due to increase in operating cost such as direct materials, direct labour supply and hire of machinery to cater for project requirements.

Other income

Similar to Q3 review, other income for 9MFY12 increased by approximately \$1.5 million or 139.0% mainly due to increase in rental income from office and warehouse.

Administrative expenses

Similar to Q3 review, administrative expenses for 9MFY12 increased by approximately \$2.4 million or 31.9% mainly due to higher personnel related costs and increase in depreciation on the purchase of motor vehicles.

Other expenses

Similar to Q3 review, other expenses for 9MFY12 increased from approximately \$0.1 million for 9MFY11 to approximately \$13.0 million for 9MFY12 mainly due to fees amounting to \$1.7 million relating to RTO exercise and impairment of goodwill arising from RTO of approximately \$11.3 million.

Finance costs

Similar to Q3 review, finance costs for 9MFY12 increased by approximately \$0.7 million or 44.2% mainly due to increase in bank borrowings.

Income tax

Income tax for 9MFY12 increased by approximately \$0.2 million or 9.5%. There was tax expense despite the loss before tax of \$0.7 million which arose due to the impairment of goodwill of \$11.3 million in relation to RTO.

Net loss after tax

The Group reported a net loss after tax of \$2.9 million for 9MFY12 compared to a net profit after tax of \$9.7 million for 9MFY11 due to the various reasons explained above. However, excluding the one-off impairment of goodwill amounting to \$11.3 million, the Group achieved a net profit of \$8.4 million.

Note to the consolidated statement of financial position

Non-current assets

The Group's non-current assets increased \$19.0 million from \$48.6 million as at 31 December 2011 to \$67.6 million as at 30 September 2012. The increase is mainly due to the following:

- (a) Property, plant and equipment increased mainly due to the purchase of land at No 3 Sungei Kadut Drive, Singapore and purchase of land at Yantai, China.
- (b) Investment property increased mainly due to acquisition of LCM which holds an investment property.

Current assets

The Group's current assets increased \$29.5 million from \$99.3 million as at 31 December 2011 to \$128.8 million as at 30 September 2012. The increase is mainly due to the following:

- (a) Contract work-in-progress increased mainly due to increase in the recognition of unbilled revenue from new contracts and projects that had yet to be billed to customers due to pending certification by consultants.
- (b) Inventories increased mainly due to increase in material acquisitions for certain projects during the period.

Liabilities

The Group's liabilities increased mainly due to increase in bank borrowings to finance working capital and capital expenditures.

Note to consolidated statement of cash flow

The Group's cash and cash equivalent was \$18.6 million for 9MFY12 compared to \$8.3 million for 9MFY11.

Net cash from operating activities

Net cash used in operating activities was \$4.7 million, comprising cash from operating activities before working capital changes of \$17.8 million, net working capital outflow of \$20.9 million and income tax paid of \$1.6 million.

The net working capital outflow of \$20.9 million is mainly due to the following:

- (a) Increase in inventories of approximately \$3.4 million due to purchase of materials for new projects; and
- (b) Increase in contract work-in-progress of approximately \$24.8 million due to increase in recognition of unbilled revenue from new contracts and projects that had yet to be billed to customers due to pending certification by consultants; and
- (c) Increase in trade and other receivables of approximately \$5.7 million due to increase in billings raised for projects;

and was partially offset by increase in trade and other payables of approximately \$13.0 million due to slower payment during the period.

Net cash used in investing activities

Net cash used in investing activities of approximately \$20.0 million was mainly due to purchase of land at No 3 Sungei Kadut Drive, Singapore, purchase of land at Yantai, China and cash distribution to the shareholders of former Ultro prior to RTO completion, and was partially offset by proceeds from the disposal of plant and equipment and effect of acquisition of a subsidiary.

Net cash used in investing activities

Net cash from financing activities of approximately \$19.8 million was mainly due to additional bank borrowings for project financing purposes and proceeds from share placement exercise; and was partially offset by repayment of bank borrowings and payment of dividends.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Building Construction Authority ("BCA") estimated that the total construction demand in 2012 will be between \$21 billion and \$27 billion. 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).¹

Based on the above estimates published by BCA, we believe that the construction demand in the public sector will remain healthy which will enable the Group to sustain the growth, given that substantial part of the revenue and profitability of the Group is generated from the public sector projects. The Group will continue to actively participate in the tendering for the new projects.

As at the date of this announcement, the Group has an order book of approximately S\$146 million, to be fulfilled over the next two years. The project pipeline includes an approximately S\$45.0 million contract won from Penta Ocean Construction Co, Ltd. for the design and construction of a 6m diameter segmental tunnel with laying of twin 2200mm and twin 1200mm diameter pipelines from Jurong Island to Gul Road/Pioneer Road Junction, three contracts worth a total of approximately S\$48.7 million awarded by Land Transport Authority ("LTA") for maintenance of roads, road-related facilities and road structures as well as two contracts worth a total of approximately S\$34.9 million awarded by Public Utilities Board ("PUB") for the laying of 2200mm diameter NEWater pipes.

11. Dividends

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No interim dividend for the three months ended 30 September 2012 is recommended.

(b) (i) Amount per share: Nil
(ii) Previous corresponding period: Nil

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable

(d) The date the dividend is payable

¹ The above information was extracted from the media release entitled "Public Sector Projects to Sustain Construction Demands in 2012" issued by BCA as published on BCA's website (http://www.bca.gov.sg/Newsroom/pr11012012_CD.html).

Not applicable

- (e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

Not applicable

- 12. If no dividend has been declared/recommendeded, a statement to that effect.**

No dividend has been declared or recommended.

- 13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Pursuant to the extraordinary general meeting held on 25 July 2012, the Group has obtained a general mandate for the recurrent interested/related person transactions entered into by the Group with Pan Asian Holdings Limited (formerly known as Pan Asia Water Solutions Limited), Hen Sheng Civil Engineering Pte. Ltd., Sing & San Construction Pte Ltd and their respective Associates (as defined in the Circular).

The aggregate values of such transactions are as follow:

Description	3rd Quarter ended 30 Sep 2012 \$'000	9 Months Period ended 30 Sep 2012 \$'000
Purchases from interested persons	3,551	6,209
Sales to interested persons	130	577
Services rendered to interested persons	-	13

- 14. Confirmation pursuant to Rule 705(5) of the listing manual**

On behalf of the Board of Directors of the Company, we, Toh Choo Huat and Koh Tiam Teng, being Directors of the Company, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the nine-months period ended 30 September 2012 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Toh Choo Huat

Executive Chairman and Chief Executive Officer

14 November 2012