

LEY CHOON GROUP HOLDINGS LIMITED

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

PART I – 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

	3 rd Quarter ended		Change	9 Months Period ended		Change
	30 Sep 2014	30 Sep 2013		30 Sep 2014	30 Sep 2013	
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	48,707	35,283	38.0	120,368	109,818	9.6
Cost of sales	(39,374)	(28,493)	38.2	(126,038)	(85,434)	47.5
Gross (loss)/profit	9,333	6,790	37.5	(5,670)	24,384	n/m
Other income	1,129	12,279	(90.8)	2,758	13,411	(79.4)
Distribution expenses	(338)	(406)	(16.7)	(1,061)	(921)	15.2
Administrative expenses	(5,181)	(4,208)	23.1	(13,251)	(12,532)	5.7
Other operating expenses	(41)	(101)	(59.4)	(86)	(252)	(65.9)
Results from operating activities	4,902	14,354	(65.8)	(17,310)	24,090	n/m
Finance costs	(1,653)	(1,220)	35.5	(4,162)	(3,387)	22.9
(Loss)/Profit before tax	3,249	13,134	(75.3)	(21,472)	20,703	n/m
Tax expense	(363)	(368)	(1.3)	(560)	(1,728)	(67.6)
(Loss)/Profit for the period	2,886	12,766	(77.4)	(22,032)	18,975	n/m
Other comprehensive (expense)/income						
Foreign currency translation differences – foreign operations	740	(196)	n/m	(218)	438	n/m
Total comprehensive (expense)/income for the period	3,626	12,570	(71.2)	(22,250)	19,413	n/m

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 2014	30 Sep 2013		30 Sep 2014	30 Sep 2013	
	\$'000	\$'000	%	\$'000	\$'000	%
(Loss)/Profit attributable to:						
Owners of the Company	2,762	12,795	(78.4)	(22,282)	18,676	n/m
Non-controlling interests	124	(29)	n/m	250	299	(16.4)
(Loss)/Profit for the period	2,886	12,766	(77.4)	(22,032)	18,975	n/m
Total comprehensive (expense)/income attributable to:						
Owners of the Company	3,502	12,599	(72.2)	(22,500)	19,114	n/m
Non-controlling interests	124	(29)	n/m	250	299	(16.4)
Total comprehensive (expense)/income for the period	3,626	12,570	(71.2)	(22,250)	19,413	n/m

n/m – not meaningful

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

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

	3 rd Quarter ended		Change	9 Months Period ended		Change
	30 Sep 2014	30 Sep 2013		30 Sep 2014	30 Sep 2013	
	\$'000	\$'000	%	\$'000	\$'000	%
Bad debts written off	-	-	-	7	-	n/m
Amortisation of lease prepayment	19	14	35.7	52	45	15.6
Depreciation of property, plant and equipment	2,441	2,154	13.3	7,088	6,255	13.3
Depreciation of investment property	7	7	-	21	7	200.0
Foreign exchange loss/(gain)	5	(283)	n/m	5	31	(83.9)
Change in fair value of financial assets designated at fair value through profit or loss	2	4	(50.0)	1	8	(87.5)
Interest income	2	(9)	n/m	(16)	(20)	(20.0)
Dividend income from quoted shares	(1)	(1)	-	(2)	(2)	-
Loss/(Gain) on disposal of property, plant and equipment	36	(11,356)	n/m	96	(11,440)	n/m
Finance costs	1,653	1,220	35.5	4,162	3,387	22.9
Operating lease expenses	556	597	(6.9)	1,781	1,667	6.8

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 2014 \$'000	As at 31 Dec 2013 \$'000	As at 30 Sep 2014 \$'000	As at 31 Dec 2013 \$'000
Assets				
Lease prepayment	3,332	3,405	-	-
Property, plant and equipment	90,575	82,191	-	-
Investment property	2,042	2,045	-	-
Investments in subsidiaries	-	-	110,000	110,000
Club membership	271	271	-	-
Non-current assets	96,220	87,912	110,000	110,000
Inventories	6,168	5,827	-	-
Development property	15,424	13,708	-	-
Contracts work-in-progress	104,826	113,393	-	-
Trade and other receivables	35,124	46,990	42,631	30,028
Financial assets designated at fair value through profit or loss	88	88	-	-
Cash and cash equivalents	14,791	33,721	12	597
Current assets	176,421	213,727	42,643	30,625
Total assets	272,641	301,639	152,643	140,625
Equity				
Share capital	71,117	71,117	137,336	137,336
Capital reserve	146	-	(981)	(1,127)
Foreign currency translation reserve	358	576	-	-
Accumulated profits	11,367	35,131	1,350	3,825
Equity attributable to owners of the Company	82,988	106,824	137,705	140,034
Non-controlling interests	601	351	-	-
Total equity	83,589	107,175	137,705	140,034
Liabilities				
Loans and borrowings	56,878	48,027	14,571	-
Deferred tax liabilities	4,488	4,485	-	-
Non-current liabilities	61,366	52,512	14,571	-
Loans and borrowings	92,447	106,342	-	-
Trade and other payables	33,821	32,877	367	581
Provisions	106	106	-	-
Current tax payable	1,312	2,627	-	10
Current liabilities	127,686	141,952	367	591
Total liabilities	189,052	194,464	14,938	591
Total equity and liabilities	272,641	301,639	152,643	140,625

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 2014 \$'000	As at 31 Dec 2013 \$'000
<u>Secured</u>		
Bank overdrafts	11,728	1,454
Bank loans	39,205	53,267
Bills payable	34,190	45,465
Finance lease liabilities	7,324	6,156
Total	92,447	106,342

(b) Amount repayable after one year

	Group	
	As at 30 Sep 2014 \$'000	As at 31 Dec 2013 \$'000
<u>Unsecured</u>		
Convertible bond	14,571	-
<u>Secured</u>		
Bank loans	34,203	39,224
Finance lease liabilities	8,104	8,803
Total	56,878	48,027

(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 and certain amount of construction in progress;
- (ii) charge over certain of the Group's plant and equipment;
- (iii) legal mortgage over the Group's development property;
- (iv) corporate guarantees by the Company; and/or and
- (v) 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 \$25.0 million as at 30 September 2014.

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 2014	30 Sep 2013
	\$'000	\$'000
Cash flows from operating activities:		
Profit / (Loss) for the year	(22,032)	18,975
Adjustments for:		
Bad debts written off	7	-
Amortisation of lease prepayment	52	45
Depreciation of investment property	21	7
Depreciation of property, plant and equipment	7,088	6,255
Change in fair value of financial assets designated at fair value through profit or loss	1	8
Loss/(Gain) on disposal of property, plant and equipment	96	(11,440)
Dividend income from quoted shares	(2)	(2)
Interest income	(16)	(20)
Finance costs	4,162	3,387
Tax expense	560	1,728
	<u>(10,063)</u>	<u>18,943</u>
Changes in working capital:		
Development property	(1,717)	(13,622)
Inventories	(342)	1,907
Contracts work-in-progress	8,566	(23,290)
Trade and other receivables	11,726	(9,052)
Trade and other payables	515	(9,845)
	<u>8,685</u>	<u>(34,959)</u>
Cash generated from/(used in) operating activities	8,685	(34,959)
Tax paid	(1,621)	(1,542)
Net cash generated from/(used in) operating activities	<u>7,064</u>	<u>(36,501)</u>
Cash flows from investing activities:		
Interest received	16	20
Acquisition of lease prepayment	(10)	(1,308)
Acquisition of property, plant and equipment	(10,245)	(13,645)
Proceeds from disposal of property, plant and equipment	861	15,190
Dividend income from quoted shares	2	2
Effect of acquisition of a subsidiary	-	(389)
	<u>(9,376)</u>	<u>(130)</u>
Net cash used in investing activities	(9,376)	(130)
Cash flows from financing activities:		
Interest paid	(4,162)	(3,387)
Proceeds from issue of convertible bond	14,700	-
Proceeds from bank borrowings	12,000	51,143
Proceeds from bill payables	79,421	73,945
Proceeds from issue of share capital	-	16,212
Share issuance expenses	-	(622)
Repayment of bank borrowings	(31,066)	(19,346)
Repayment of bill payables	(90,696)	(62,873)
Repayment of finance lease liabilities	(5,747)	(4,401)
Balances with related parties (non-trade)	429	(519)
Cash distribution to shareholders	-	(1,546)
Decrease/(increase) in fixed deposits pledged with bank	5,512	(6,009)
Dividends paid	(1,481)	(1,234)

Net cash (used in)/generated from financing activities	<u>(21,090)</u>	<u>41,363</u>
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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

	9 Months Period ended	
	30 Sep 2014	30 Sep 2013
	\$'000	\$'000
Net decrease in cash and cash equivalents	(23,402)	4,732
Cash and cash equivalents at beginning of period	19,768	17,136
Effect of exchange rate fluctuations on cash held	<u>(290)</u>	<u>474</u>
Cash and cash equivalents at end of period	<u><u>(3,924)</u></u>	<u><u>22,342</u></u>
Cash and cash equivalents		
Cash at bank and on hand	7,804	23,707
Fixed deposits	<u>6,987</u>	<u>12,498</u>
	14,791	36,205
Bank overdrafts	(11,728)	(1,365)
Deposits pledged	<u>(6,987)</u>	<u>(12,498)</u>
Cash and cash equivalents in the unaudited consolidated statement of cash flows	<u><u>(3,924)</u></u>	<u><u>22,342</u></u>

During the 9 months period ended 30 September 2014, the Group acquired property, plant and equipment with an aggregate cost of \$16,461,000 (9 months period ended 30 September 2013: \$19,615,000), of which \$6,216,000 (9 months period ended 30 September 2013: \$5,970,000) were acquired under finance leases.

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 2013	55,527	21,763	(307)	76,983	1,020	78,003
Total comprehensive income for the period						
Profit for the period	-	18,676	-	18,676	299	18,975
Other comprehensive income						
Foreign currency translation differences	-	-	438	438	-	438
Total other comprehensive income for the period	-	-	438	438	-	438
Total comprehensive income	-	18,676	438	19,114	299	19,413
Transactions with owners recognised directly in equity						
One-tier tax exempt interim dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2012	-	(1,234)	-	(1,234)	-	(1,234)
Issue of share pursuant to share placement exercise	16,212	-	-	16,212	-	16,212
Share issuance expenses	(622)	-	-	(622)	-	(622)
Total transactions with owners	15,590	(1,234)	-	14,356	-	14,356
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests without a change in control	-	258	-	258	(647)	(389)
Total changes in ownership interests in subsidiaries	-	258	-	258	(647)	(389)
At 30 Sep 2013	71,117	39,463	131	110,711	672	111,383

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	Capital reserve \$'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 2014	71,117	-	35,131	576	106,824	351	107,175
Total comprehensive (expense)/income for the period							
(Loss)/Profit for the period	-	-	(22,282)	-	(22,282)	250	(22,032)
Other comprehensive expense							
Foreign currency translation differences	-	-	-	(218)	(218)	-	(218)
Total other comprehensive expense for the period	-	-	-	(218)	(218)	-	(218)
Total comprehensive (expense)/income	-	-	(22,282)	(218)	(22,500)	250	(22,250)
Transactions with owners recognised directly in equity							
One-tier tax exempt final dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2013	-	-	(1,482)	-	(1,482)	-	(1,482)
Issue of convertible bonds		146	-	-	146	-	146
Total transactions with owners	-	146	(1,482)	-	(1,336)	-	(1,336)
At 30 Sep 2014	71,117	146	11,367	358	82,988	601	83,589

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 \$'000	Capital reserve \$'000	Accumulated (losses)/profits \$'000	Total \$'000
At 1 January 2013	121,746	(969)	(993)	119,784
Total comprehensive income for the period				
Profit for the period/Total comprehensive income	-	-	3,501	3,501
Transactions with owners recognized directly in equity				
One-tier tax exempt interim dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2012	-	-	(1,234)	(1,234)
Cash distribution to Entitled Shareholders*	-	(158)	-	(158)
Issue of shares pursuant to share placement exercise	16,212	-	-	16,212
Shares issuance expenses	(622)	-	-	(622)
Total transactions with owners	15,590	(158)	(1,234)	14,198
At 30 Sep 2013	137,336	(1,127)	1,274	137,483
At 1 January 2014	137,336	(1,127)	3,825	140,034
Total comprehensive expense for the period				
Loss for the period/Total comprehensive expense	-	-	(993)	(993)
Transactions with owners recognized directly in equity				
One-tier tax exempt final dividend of \$0.0025 per ordinary share in respect of the year ended 31 December 2013	-	-	(1,482)	(1,482)
Issue of convertible bonds	-	146	-	146
Total transactions with owners	-	146	(1,482)	(1,336)
At 30 Sep 2014	137,336	(981)	1,350	137,705

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.

As at 30 September 2014 (and 31 December 2013), the Company's issued and paid-up share capital was S\$137,336,285 (and S\$137,336,285).

There was no treasury share held by the Company.

The Company also refers to the announcement released on the SGXNET on 13 February 2014 in relation to the master murabaha facility agreement entered into between the Company and The Islamic Bank of Asia Limited (the "Bank") on 13 February 2014 (the "**Master Murabaha Facility Agreement**"). Subject to the terms and on the conditions as set out in the Master Murabaha Facility Agreement, the Bank has an option to convert the Deferred Sale Price (as defined in the Master Murabaha Facility Agreement) into 77,760,498 fully-paid ordinary shares of the Company. As of the date of this announcement, the murabaha facility has been fully drawn down.

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 2014	31 December 2013
Total number of issued shares excluding treasury shares (after share consolidation)	592,406,996	592,406,996

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.

There were no significant 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 2013.

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.

Not applicable.

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.

Earnings per share (EPS)	3 rd Quarter ended		9 months Period ended	
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
Continuing operations				
EPS based on weighted average number of ordinary shares on issue (cents)	0.47	2.36	(3.76)	3.66
EPS based on a fully diluted basis	0.47	2.36	(3.76)	3.66
Weighted average number of shares (after Share Consolidation)	592,406,996	543,039,996	592,406,996	510,309,494

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 2014	As at 31 Dec 2013	As at 30 Sep 2014	As at 31 Dec 2013
NAV per ordinary share (cents)	14.01	18.03	23.24	23.64
Number of shares (after Share Consolidation)	592,406,996	592,406,996	592,406,996	592,406,996

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.

Comprehensive income statement

Third quarter review – Q3FY14 vs Q3FY13

Revenue

Revenue increased by approximately \$13.4 million or 38.0% to \$48.7 million for the third quarter ended 30 Sep 2014 ("Q3FY14") compared to the corresponding quarter ended 30 Sep 2013 ("Q3FY13") of \$35.3 million. The increase was mainly attributable to increased percentage of work completed on road related works amongst other projects.

Gross profit

Gross profit increased by approximately 37.5% to \$9.3 million for Q3FY14 compared to approximately \$6.8 million for Q3FY13 mainly due to the higher revenue achieved, as mentioned above. The overall gross profit margin remained at 19.2% for both Q3FY14 and Q3FY13.

Other income

Other income for Q3FY14 decreased by approximately \$11.2 million or 90.8% to \$1.1 million compared to Q3FY13 due mainly to gain on disposal of office building at 61 Senoko Drive in the prior year.

Distribution expenses

Distribution expenses for Q3FY14 decreased by approximately \$0.1 million or 16.7% to \$0.3 million compared to Q3FY13 due to lower advertisement and travelling expenses.

Administrative expenses

Administrative expenses for Q3FY14 increased by approximately \$1.0 million or 23.1% to \$5.2 million compared to Q3FY13 due mainly to, *inter alia*, increase in professional fee and other staff related expenses.

Finance costs

Finance costs for Q3FY14 increased by approximately \$0.4 million or 35.5% to \$1.7 million compared to Q3FY13 due mainly to more drawdown of bill payables during the period.

Net profit after tax

The Group reported a net profit after tax of \$2.9 million for Q3FY14 compared to a net profit after tax of \$12.8 million for Q3FY13 due to the various reasons as disclosed above.

Nine months review – 9MFY14 vs 9MFY13

Revenue

Revenue increased by approximately \$10.6 million or 9.6% to \$120.4 million for the nine months ended 30 Sep 2014 ("9MFY14") compared to the corresponding period ended 30 Sep 2013 ("9MFY13") of \$109.8 million. The increase was mainly attributable to increased percentage of work completed on road related works amongst other projects.

Gross profit

Gross loss of \$5.7 million for 9MFY14 compared to gross profit of \$24.4 million for 9MFY13 mainly due to the adjustments in revenue, provision for additional costs, etc. in the previous quarter of the current year.

Other income

Other income for 9MFY14 decreased by approximately \$10.7 million or 79.4% to \$2.8 million compared to 9MFY13 due mainly to gain on disposal of office building at 61 Senoko Drive in prior year.

Distribution expenses

Distribution expenses for 9MFY14 increased by approximately \$0.1 million or 15.2% to \$1.1 million compared to 9MFY13 due mainly to higher insurance and commission expenses.

Administrative expenses

Administrative expenses for 9MFY14 increased by approximately \$0.7 million or 5.7% to \$13.2 million compared to 9MFY13 due mainly to increase in professional fee and other related staff expenses.

Finance costs

Finance costs for 9MFY14 increased by approximately \$0.8 million or 22.9% to \$4.2 million compared to 9MFY13 due mainly to higher short term borrowings during the period.

Net profit after tax

The Group reported a net loss after tax of \$22.0 million for 9MFY14 compared to a net profit after tax of \$19.0 million for 9MFY13 due to the various reasons as disclosed above.

Consolidated Statement of financial position

Non-current assets

The Group's property, plant and equipment increased by \$8.4 million from \$82.2 million as at 31 December 2013 to \$90.6 million as at 30 September 2014, mainly due to the followings:

- (a) the purchase of motor vehicles and plant and equipment of \$10.8 million for project usage; and
- (b) the construction expenditure of \$3.6 million incurred to the Group's leasehold building located at No. 3 Sungei Kadut Drive, Singapore; and
- (c) the construction expenditure of \$2.0 million incurred to the Group's construction waste recycling plant at Yantai, People's Republic of China.

Current assets

The Group's current assets decreased by \$37.3 million from \$213.7 million as at 31 December 2013 to \$176.4 million as at 30 September 2014, mainly attributable to the following:

- (a) decrease in cash and cash equivalents by \$18.9 million to \$14.8 million as at 30 September 2014 compared to \$33.7 million as at 31 December 2013 due to repayment of bank borrowings;
- (b) decrease in trade and other receivables by \$11.9 million to \$35.1 million as at 30 September 2014 compared to \$47.0 million as at 31 December 2013 due to higher collection from the customers;
- (c) decrease in contract work-in-progress by \$8.6 million to \$104.8 million as at 30 September 2014 compared to \$113.4 million as at 31 December 2013 due to adjustments in revenue (in the previous quarter) in relation to certain projects due to disagreement of scope of works for certain completed projects by the customers and additional costs provided for certain on-going projects as a result of the Group's percentage of cost-revenue recognition policy;

which have been partially offsetted by the following:

- (d) increase in development property by \$1.7 million to \$15.4 million as at 30 September 2014 compared to \$13.7 million as at 31 December 2013 due to additional development cost incurred for the property at No.241 Pasir Panjang Road, Singapore; and
- (e) increase in inventories by \$0.3 million to \$6.1 million as at 30 September 2014 compared to \$5.8 million as at 31 December 2013 due to less consumption of materials for projects.

Liabilities

The Group's liabilities decreased due mainly to decrease in loans and borrowings as a result of repayment of bank borrowings.

Consolidated Statement of Cash flow

The Group's cash and cash equivalents was deficit of \$3.9 million for 9MFY14 compared to surplus of \$22.3 million for 9MFY13.

Net cash from operating activities

Net cash generated from operating activities was \$7.1 million, comprising cash used in operating activities before working capital changes of \$10.1 million, net inflow of working capital of \$18.8 million and net income tax paid of \$1.6 million.

The net working capital inflow of \$18.8 million was due mainly to the following:

- (a) decrease in contract work-in-progress of approximately \$8.6 million due to adjustments in revenue (in the previous quarter) in relation to certain projects due to disagreement of certain scope of works for certain completed projects by the customers and additional costs provided for certain on-going projects as a result of the Group's percentage of cost-revenue recognition policy;
- (b) increase in trade and other payables of approximately \$0.5 million mainly due to decrease in payment to the creditors during the period;
- (c) increase in development property of approximately \$1.7 million due to additional development cost incurred for the property at No.241 Pasir Panjang Road, Singapore;
- (d) decrease in trade and other receivables of approximately \$11.7 million mainly due to higher collection from the customers during the period; and
- (e) increase in inventories of approximately \$0.3 million due to less consumption of materials for projects.

Net cash used in investing activities

Net cash used in investing activities of approximately \$9.4 million was due mainly to purchase of motor vehicles and plant and equipment for project usage; and construction expenditure paid for the leasehold building at No. 3 Sungei Kadut Drive, Singapore and the construction waste recycling at Yantai, People's Republic of China.

Net cash used in financing activities

Net cash used in financing activities of approximately \$21.1 million was due mainly to repayment of bank borrowings and bill payables.

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.

The environment of the construction industry continues to be challenging due to increasing business costs and the prevailing labour crunch situation in Singapore. The Group will continue to selectively participate in the tendering for new projects in the pipe and road construction and maintenance. As at the date of this announcement, the order book based on secured contracts stands at approximately S\$197 million.

11. Dividends

(a) Current financial period

Any dividend declared for the current financial period reported on? No.

(b) Previous corresponding financial period

Any dividend declared for the previous corresponding financial period reported on? No.

(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

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/recommended, a statement to that effect.

No dividend has been declared.

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.

The Group has originally obtained a general mandate for the recurrent interested/related party transactions from the shareholders in the extraordinary general meeting held on 13 July 2012 and it was subsequently renewed in the recent Annual General Meeting held on 25 April 2014. The approved interested/related parties are a) Pan Asian Holdings Limited (formerly known as Pan Asia Water Solutions Limited), b) Hen Sheng Civil Engineering Pte. Ltd., and c) Sing & San Construction Pte Ltd and their respective Associates.

The aggregate values of such transactions are as follow:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
Name of Interested Person and/or Related Person	3rd Quarter ended 30 Sep 2014 \$'000	9 Months Period ended 30 Sep 2014 \$'000	3rd Quarter ended 30 Sep 2014 \$'000	9 Months Period ended 30 Sep 2014 \$'000
Purchases from: Pan Asian Holdings Limited	Nil	Nil	1,289	3,234
Sales to: Sing & San Construction Pte Ltd	Nil	Nil	95	310

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 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Toh Choo Huat
Executive Chairman and Chief Executive Officer
10 November 2014