

LEY CHOON GROUP HOLDINGS LIMITED

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

INDEPENDENT AUDITOR'S COMMENT ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

The Board of Directors of Ley Choon Group Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce, pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), that its Independent Auditor, Foo Kon Tan LLP, has issued its Independent Auditor’s Report for the Group’s audited financial statements for the financial year ended 31 March 2020 (“**FY2020**”) (the “**FY2020 Audited Financial Statements**”) and has, without qualifying its audit opinion, included a material uncertainty related to going concern in the Independent Auditor’s Report.

A copy of the Independent Auditor’s Report and an extract of the relevant Note 2(A), Note 16 and Note 34 to the FY2020 Audited Financial Statements are attached to this Announcement for the Shareholders’ reference.

The Independent Auditor’s Report and the FY2020 Audited Financial Statements may be found in the Company’s Annual Report for FY2020, which will be released on SGXNet in due course.

Board’s Comments

The Directors are of the view that the going concern assumption is appropriate for the preparation of the FY2020 Audited Financial Statements, due to the following:

- (i) For FY2020, the Group continued to generate net operating cash inflows of S\$8,996,000 (2019: S\$2,462,000). Having regard to measures to tighten controls over expenses and to better manage the Group’s working capital, the Directors believe that the Group is able to continue to generate sufficient cash flows from operations.
- (ii) As at 31 March 2020, the Group and the Company had net assets of S\$18,452,000 (2019: S\$23,200,000) and S\$28,592,000 (2019: S\$32,794,000), respectively, which include cash and bank balances and fixed deposits amounting to S\$2,995,000 (2019: S\$5,169,000) for the Group.
- (iii) As disclosed in Note 16 to the FY2020 Audited Financial Statements, the Group did not meet the financial covenants in respect of its restructured borrowings for the relevant periods ended 30 June 2019 and 31 December 2019. Nonetheless, the Group had obtained waivers of compliance with those financial covenants from the relevant lenders before the end of the financial year. The Group had also obtained waivers of compliance with the financial covenants relating to 30 June 2020 and 31 December 2020 from the relevant lenders before the date of authorisation of the financial statements.
- (iv) The Group is currently in discussions with the lenders on certain amendments to the terms, including the financial covenants and extension of repayment period from 31 March 2021 to 31 March 2024, in the debt restructuring agreement.

- (v) At the end of the reporting period, the Group's unfulfilled order book based on secured contracts stood at S\$131.7 million. In addition to that, as disclosed in Note 34 to the FY2020 Audited Financial Statements, subsequent to the end of the financial year, the Group has been awarded various contracts worth approximately S\$86.11 million in total. In the press release dated 17 September 2020, Building and Construction Authority announced that it projects the total construction demand this year to range between S\$18 billion and S\$23 billion. The projection is mainly based on the sustained public sector construction demand, which is expected to reach between S\$11 billion and S\$14 billion and contribute to about 60% of the projected demand for this year.

Based on the above, the Directors believe that the Group and Company have sufficient working capital and financial resources to enable them to meet their liabilities as and when they fall due and continue as going concern for 12 months from the end of the reporting period.

Further, the Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner and the Board is not aware of any material information that requires disclosure but remains undisclosed as of the date of this announcement.

Shareholders and other investors are reminded to exercise caution while dealing in the shares of the Company. In the event that shareholders and other investors are in doubt when dealing in the shares of the Company, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Toh Choo Huat

Executive Chairman and Chief Executive Officer

3 November 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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