聯明集團有限公司
LIAN BENG GROUP LTD

annual report 2012

REACHING NEW HEIGHTS

MISSION STATEMENT

To provide the **BEST QUALITY** for services and products to all our customers at the most competitive cost.

Contents

Awarded as **Best CEO** at the Singapore Corporate Awards 2012 for "Listed Companies with Market Capitalisation of Less than $300 million".

Mr Ong Pang Aik BBM
Chairman & Managing Director

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you Lian Beng Group's Annual Report for the Financial Year ended 31 May 2012 ("FY12").

FY12 has been a dynamic year for Lian Beng. Our order book stands at S$736.4 million as at 21st August 2012 as we continue to secure more contracts. These include contracts from the public sector such as MINDEF and HDB while contracts secured from the private sector include Hedges Park, Waterfront Isle and Thomson Grand. In the property development segment, we have acquired Dragon Mansion and Hougang Plaza through 50:50 joint ventures with our strategic partners.

The Group registered a revenue of S$445.0 million for FY12 with the construction segment as the key driver, contributing 75.2% of the total Group revenue while the property development and ready-mixed concrete segments contributed 7.4% and 17.4% respectively.

Despite the Group recording a lower revenue for FY12, the Group's gross margin improved from 14.8% in FY11 to 16.5% in FY12. As at the end of FY12, the Group's cash and cash equivalent stood at S$186.8 million, a healthy 24.6% increase as compared to the previous year.

This year the Group has won a good number of awards, both locally and overseas. Overseas, the Group was awarded the RoSPA Gold Award for Occupational Health & Safety Award 2012 by The Royal Society for the Prevention of Accidents (RoSPA) for our projects, Spottiswoode Residences and Centro Residences.

Closer to home, the Group bagged four awards through the Skilled Builders competition organised by the Building and Construction Authority (BCA) for driving awareness of construction productivity.

In October 2011, the Group emerged as runner-up for the "Most Transparent Company" Award in the construction category in the 12th SIAS Investors' Choice Awards 2011, demonstrating a consistently high standard of corporate governance. In July 2012, the Group, as one of only four companies from Singapore, made it to Forbes Asia's "200 Best under a Billion" list. During the same month, I was honoured to receive the Best CEO Award at the Singapore Corporate Awards 2012 for "Listed Companies with Market Capitalisation of Less than $300 million" category.

Wrapping up a good solid year, the Board of Directors wishes to thank all shareholders for their continuous support throughout the years. In appreciation, the Board has recommended a first and final dividend of 1.0 cent per share and a special dividend of 1.0 cent per share, making up an aggregate dividend for FY12 of 2.0 cents per share, an increase of 25% from the previous year.

On behalf of the board, I would like to extend my sincerest gratitude to my staff, business associates, suppliers, customers and stakeholders for their faith and confidence in us throughout the years. In addition, I would like to thank my fellow board members for their knowledge and devotion given to the Group.

MR ONG PANG AIK BBM
Chairman and Managing Director

主席致辞

尊敬的股东们,

我很荣幸向各位呈报联明集团截止于2012年5月31日财政年度(“2012财年”)的财务报告。

2012财年是联明充满活力的一年，公司努力争取到的建筑承包订单总额在2012年8月21日已达到7.36亿新元。这些合约部分来自政府机构，新加坡国防部及建屋发展局等。来自私人发展商方面的合约包括树篱公寓，滨屿丽苑和新名门等。此外，集团也与战略伙伴合资收购了龙门大厦和后港购物中心等。

集团在2012财年的营收达到4.45亿新元。其中，建筑业务仍然是集团最大的收益来源，占集团总营收的75.2%。房地产发展及混凝土业务则分别占集团营收的7.4%和17.4%。

集团虽然汇报了较低的总营收额，但其毛利润则得到增長。从去年的14.8%增長至2012财年的16.5%。在2012财年年底，集团的现金及现金等值项目达到1.87亿新元，比去年增加了24.6%。

这一年里集团荣获了多个本地和海外的奖项。海外奖项方面，集团在史波蒂斯兀私人公寓和中景峰公寓工程项目上被英国社会事故预防组织授予2012年工作单元健康与安全金奖。

为了提升企业对建筑工程效率的意识，新加坡建设局举办了技术工程竞赛。集团在此竞赛中揽获了四个奖项。

2011年10月，基于对我们长期致力于高标准的企业管制做出良好的肯定，集团在新加坡证券投资协会主办的第12届“投资者的选择”奖项中获得了建筑工程相关领域“最透明公司”奖之第二名。2012年7月，集团被荣列为由福布斯亚洲表彰的“200 Best under a Billion”之一，榜上仅有四家新加坡公司。在同一个月度，我在新加坡企业大奖2012中荣获市值3亿元以下公司的“最佳总裁”奖。

集团董事会十分感谢所有股东给于我们多年来的持续支持。为了表达谢意并回馈所有股东，董事会将提议派送每股1.0分新元首期末期股息，以及每股1.0分新元的特别股息，合计每股2分新元股息，与去年同期相比派息率增長了25%。

本人谨代表董事会，对所有集团员工，合作伙伴，供应商和客户多年来给予我们的信心和信任表示最诚挚的感谢。此外，我也要感谢所有集团董事部的成员为集团发展提供了无数的宝贵意见。

王邦益 BBM
集团主席兼执行董事

BOARD OF DIRECTORS

MR ONG PANG AIK BBM
Chairman & Managing Director

Mr Ong Pang Aik joined the Group in 1978 and was instrumental in having grown the business from its early days as a subcontractor into that of an A1-graded building construction enterprise registered with BCA today.

For his exceptional entrepreneurial achievements and excellence in creating a successful business, Mr Ong was awarded the Ernst & Young Construction Entrepreneur of The Year in 2008, The Entrepreneur of the Year Award at the Asia Pacific Entrepreneurship Awards, Singapore in 2011 and the Best CEO Award at the Singapore Corporate Awards in 2012.

Apart from his commitment to Lian Beng Group, Mr Ong participates actively in community work. He serves as a grassroots leader in the Marine Parade GRC – Braddell Heights CCMC and as Chairman of the Ci Yuan Community Club Building Fund Committee and Upper Serangoon 6-Miles Business Sub-committee. Mr Ong is also the Patron of the Ang Mo Kio-Hougang Citizens' Consultative Committee and a member of the PAP Community Foundation Braddell Heights Executive Committee. In addition, he serves as Vice-Chairman of the ZhongHua Primary School Advisory Committee and is a patron of the Braddell Heights Constituency Sports Club.

In recognition of his contribution to the community, Mr Ong was awarded the Public Service Medal (Pingkat Bakti Masyarakat - PBM) in 2001 and subsequently the Public Service Star Medal (Bintang Bakti Masyarakat - BBM) in 2008.

BOARD OF DIRECTORS

MR SITOH YIH PIN

Independent Director

Mr Sitoh was appointed to the Board on 1 April 1999 and was last re-elected on 24 September 2010. He serves as Chairman of the Remuneration Committee and is also a member of the Nominating and Audit Committees. Mr Sitoh does not hold any shares in the Company or any of its subsidiaries.

Mr Sitoh is a Certified Public Accountant and a director of Nexia TS Public Accounting Corporation. Mr Sitoh is the Member of Parliament for Potong Pasir constituency. He is also presently a director of several publicly listed companies comprising Allied Technologies Limited, Meiban Group Ltd, Nera Telecommunications Ltd and United Food Holdings Limited.

Mr Sitoh was also the director of several publicly listed companies in the preceding 5 years including Chinasing Investment Holdings Limited, PNE Micron Holdings Ltd, GKE Corporation Limited and Labroy Marine Pte Ltd. Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is a Fellow member of the Institute of Chartered Accountants in Australia.

DR WAN SOON BEE

Independent Director

Dr Wan Soon Bee was appointed to the Board on 1 April 1999 and re-elected on 26 September 2011. He serves as Chairman of the Nominating and Audit Committees and is a member of the Board's Remuneration Committee. Dr Wan does not hold any shares in the Company or any of its subsidiaries.

Dr Wan is currently the Advisor of the Union of Telecoms Employees of Singapore and also the trustee of Singapore Maritime Officers' Union and several other unions. Dr Wan was a political secretary and a Minister of State in the Prime Minister's office and a Member of Parliament from 1980 to 2001. He was also the Vice President of the International Confederation of Free Trade Unions for the Asian Regional Organisation.

Dr Wan is presently a director of Chemical Industries (Far East) Limited. He was also the director of China Titanium in the last 5 years.

Dr Wan holds a Dottore Ingegnere in Electronics Engineering from the University of Pisa, Italy.

MS ONG LAY HUAN
Executive Director

Ms Ong Lay Huan joined the Group in 1991 and heads the Group's Contracts Department.

With more than 20 years of experience in the construction industry, she oversees several key aspects of the Group's construction operations, including all tender submissions, the management and review of project costs and budget, key materials procurement, and the award of contracts to sub-contractors. In addition, she also assists in progress reviews and implementation of workflow initiatives that seek to improve and fine-tune the Group's work processes in accordance to new market trends and changes.

Ms Ong was appointed as Executive Director of the Board on 20 March 1999 and was last re-elected on 24 September 2010.

She holds a Diploma in Quantity Surveying from Singapore Polytechnic and is a member of the Singapore Institute of Directors.

MS ONG LAY KOON

Executive Director

Ms Ong Lay Koon joined the Group in 1992, and heads the Group's Finance and Human Resource Departments.

She is responsible for the organisation and management of the Group's accounting, finance and corporate actions, as well as for all matters relating to human resource management within the Group. Together with her fellow executive directors and key executives, she is also involved in progress reviews and implementation of workflow initiatives for the purpose of improving and fine-tuning the Group's work processes in accordance to new market trends and changes.

Ms Ong was appointed as Executive Director of the Board on 20 March 1999 and was last re-elected on 26 September 2011. She currently serves as a member on the Nominating, Audit and Remuneration Committees.

She holds a Diploma in Civil Engineering from Singapore Polytechnic and is a member of the Singapore Institute of Directors.

CORPORATE INFORMATION

Board Of Directors

Ong Pang Aik BBM
Chairman and Managing Director

Ong Lay Huan
Executive Director

Ong Lay Koon
Executive Director

Dr Wan Soon Bee
Independent Director

Sitoh Yih Pin
Independent Director

Company Secretaries

Wee Woon Hong
Lee Hock Heng

Registered Office

29 Harrison Road
Lian Beng Building
Singapore 369648
Tel: (65) 6283 1468
Fax: (65) 6280 9360
Email: lianbeng@singnet.com.sg
Website: www.lianbeng.com.sg

Nominating Committee

Dr Wan Soon Bee *(Chairman)*
Sitoh Yih Pin
Ong Lay Koon

Remuneration Committee

Sitoh Yih Pin *(Chairman)*
Dr Wan Soon Bee
Ong Lay Koon

Audit Committee

Dr Wan Soon Bee *(Chairman)*
Sitoh Yih Pin
Ong Lay Koon

Registrar And Share Transfer Office

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

Auditors

Ernst & Young LLP
Public Accountants and Certified Public Accountants
One Raffles Quay
Level 18 North Tower
Singapore 048583

Partner-In-Charge:
Lim Tze Yuen
(Appointed Since Financial Year Ended 31 May 2008)

Solicitors

Opal Lawyers LLC
30 Raffles Place
#19-04 Chevron House
Singapore 048622

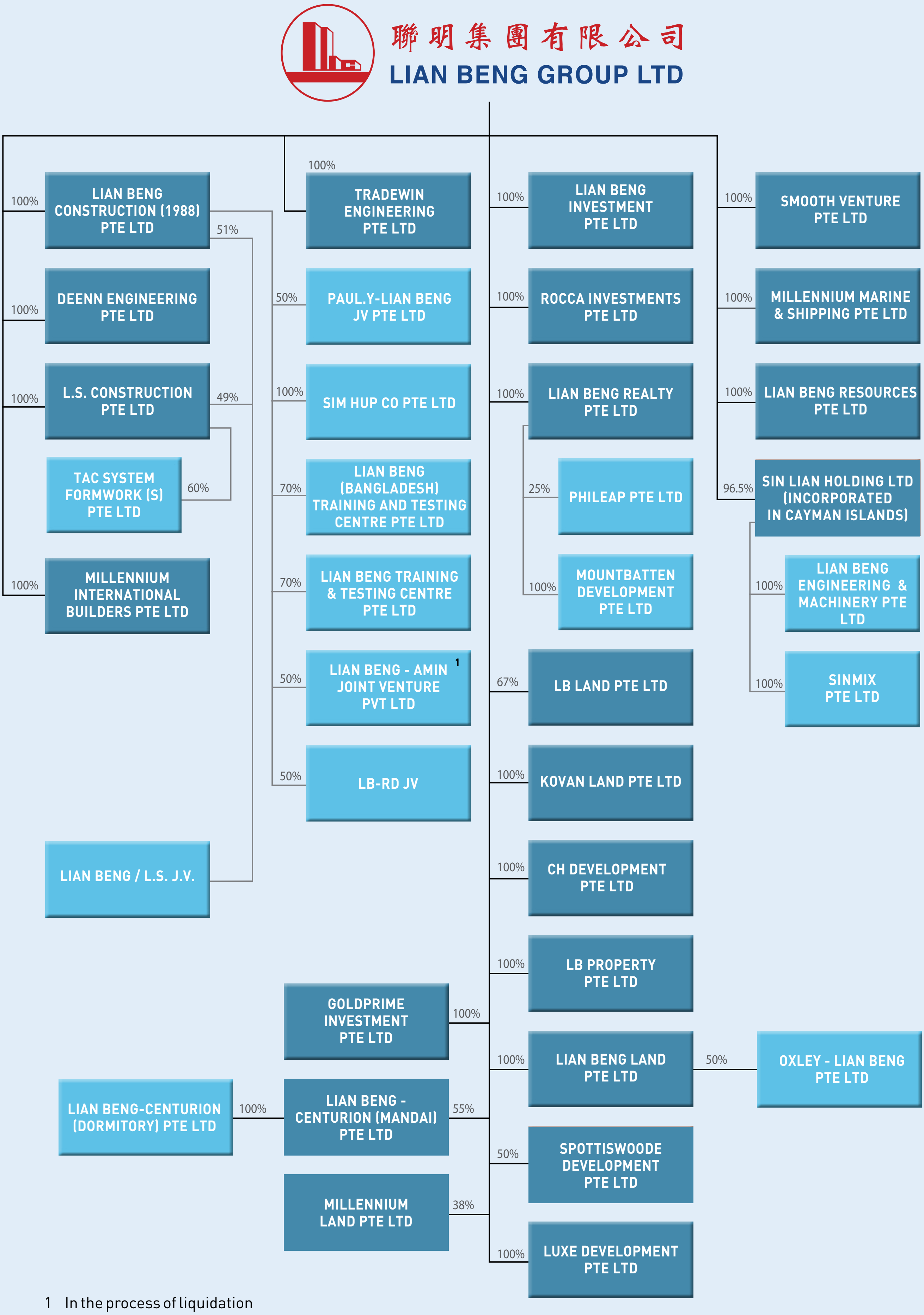
Principal Bankers

Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

Investor & Media Relations

Financial PR Pte Ltd
4 Robinson Road, #04-01
The House of Eden
Singapore 048543
Tel: (65) 6438 2990
Fax: (65) 6438 0064

GROUP STRUCTURE



1 In the process of liquidation

KEY EXECUTIVE OFFICERS

MR ONG PHANG HUI, Plant & Machinery Director of the Group, is responsible for overseeing the Group's engineering division, as well as to monitor the progress of materials utilisation by the Group's construction division. In addition, he is also responsible for overseeing the operations and management of the Group's ready-mixed concrete business.

Mr. Ong joined the Group in 1995 upon completing his studies and currently serves as the director of:

- Deenn Engineering Pte Ltd
- Lian Beng Engineering & Machinery Pte Ltd
- Lian Beng Investment Pte Ltd
- Lian Beng Resources Pte Ltd
- Millennium Marine & Shipping Pte Ltd
- Sinmix Pte Ltd
- Tradewin Engineering Pte Ltd

Mr Ong was appointed as a Director of Sin Lian Holding Ltd in year 2012.

MR ONG PHANG HOO is the Project Director of the Group and is responsible for the Group's foreign labour planning and deployment functions, as well as the management of the Group's foreign workers training division. In addition, he is part of a management team that manages the construction division's building projects.

Mr. Ong joined the Group in 1995 upon completing his studies and currently serves as the director of:

- Deenn Engineering Pte Ltd
- L.S. Construction Pte Ltd
- Lian Beng (Bangladesh) Training & Testing Centre Pte Ltd, a subsidiary incorporated in Bangladesh
- Lian Beng Engineering & Machinery Pte Ltd
- Lian Beng Investment Pte Ltd
- Lian Beng Training & Testing Centre Pte Ltd
- Lian Beng-Amin Joint Venture Private Limited, a jointly-controlled entity incorporated in the Republic of Maldives
- Tradewin Engineering Pte Ltd
- TAC System Formworks (S) Pte Ltd

MR JEFFREY TEO WEE JIN is the Construction Director of the Group and forms part of the management team that manages the Group's construction division's building projects, with special focus on its quality management and productivity enhancement.

Mr. Teo has more than 20 years of experience in the construction industry and has been the key driver in quality and sustainable green initiatives for all the private condominium projects undertaken by the company. His vast experience and strong emphasis on delivering quality products have enabled him to mentor the setting up of the construction division's Quality Assurance & Quality Control (QA/QC) committee. He also takes charge of the division's ISO integrated management system and its green initiatives.

Mr Teo was appointed as a Director of Lian Beng Construction (1988) Pte Ltd ("LBC") in 2007. In addition to his directorship in LBC, Mr Teo was appointed the Managing Director of Lian Beng-Amin Joint venture Private Limited in 2006. He currently also serves as the manager of Lian Beng/L.S. J.V. and LB-RD JV. In the year of 2012, he was appointed as the Director of Paul.Y-Lian Beng JV Pte Ltd.

MS ONG LEE YAP is the Purchasing Director of the Group and manages the purchasing division as well as the Group's inter-companies material and machinery logistics deployment. She also administers the Group's foreign workers' payroll function.

Since joining the Group in 1988, Ms. Ong has gained vast experience in procurement activities in the construction industry in her position as Purchasing Director. Her well-honed skills and extensive knowledge has enabled her to discharge her responsibilities efficiently and effectively.

She currently also serves as a director of Lian Beng Construction (1988) Pte Ltd and Sim Hup Co Pte Ltd.

MR THAN KING HUAT, Director of Deenn Engineering Pte Ltd ("Deenn"), forms part of the management team that manages the Group's construction division's building projects, with special focus on its design-and-build functions.

Mr. Than has more than 20 years of experience in the industry with significant experience in structural designing, construction re-engineering and project management.

Mr. Than holds a Master of Science degree in Structural Engineering from the University of Manchester Institute of Science and Technology (United Kingdom) and a Degree in Civil and Structural Engineering from the Engineering Council (United Kingdom).

MR HO CHEE SIONG is the Senior Construction Manager of the Group's construction division.

Armed with more than 20 years of construction and project management experience, he is actively involved in the management of various building contracts undertaken by the Group. He also oversees the division's workplace safety and health portfolio.

He holds a degree in Bachelor of Applied Science in Construction Management & Economics from Curtin University of Technology.

He serves as the Director of Millennium International Builders Pte Ltd.

MR DAVID GOH TECK ANN, Director of Sinmix Pte Ltd (Sinmix), joined the company in June 2007 and is in charge of the daily management of Sinmix's business operations.

His 25 years of experience in the ready-mix industry has enabled him to lead the division efficiently in managing its assets allocation and cost control measures, as well as ensure a smooth supply chain within the division's network of customers and suppliers.

MR CHEW TEOW LEONG is the Financial Controller of the Group and is responsible for the financial accounting, financial management and internal control functions of the Group and has over 16 years of experience in financial and management accounting, costs and budgetary control in the trading, construction and manufacturing business.

Mr Chew is a Fellow member of the Chartered Association of Certified Accountants in the United Kingdom (ACCA) and a member of the Institute of Certified Public Accountants of Singapore (ICPAS). He holds a Master of Business Administration degree from the University of Oxford Brookes. Mr Chew has also been awarded the Certificate of Accomplishment by the Tax Academy of Singapore for successful completion of its Advanced Tax Programme in 2009/2010.

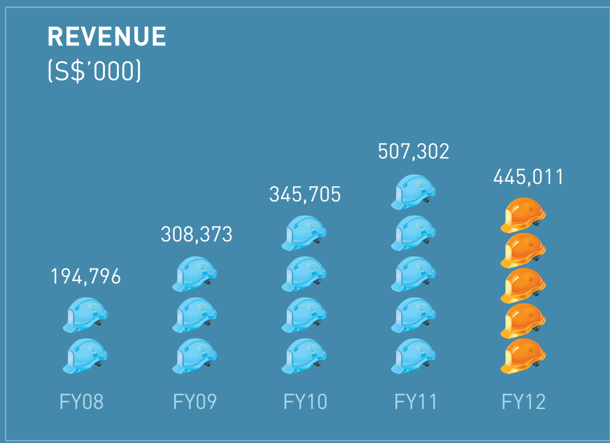
FINANCIAL HIGHLIGHTS

The group reported an **8.1% year–on-year increase** in profit to shareholders to S$52.1 million for its financial year ended 31st May 2012 (FY2012). The Group's integrated business model **enables** us to better manage our resources and margins.

REVENUE

The Group registered a revenue of S$445.0 million for FY2012 compared with S$507.3 million recorded in the previous corresponding year. The decline was due to lesser recognition of revenue from the construction division.

The construction segment remains the key driver of the Group's revenue, contributing 75.2%, while its property development and ready-mixed concrete segments contributed 7.4% and 17.4% respectively. Riding upon the growth of the overall construction industry in Singapore, ready-mixed concrete segment grew fastest with revenue percentage contribution increasing from 8.3% in FY2011 to 17.4% in FY2012.

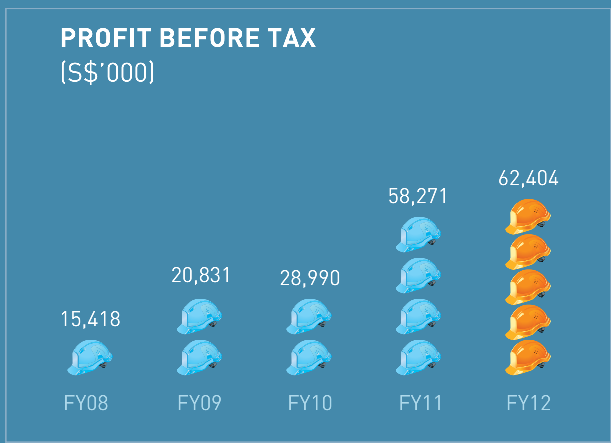


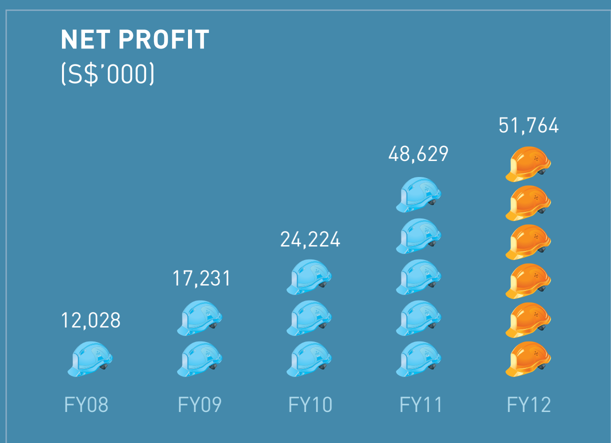
GROSS PROFIT MARGIN, PROFIT BEFORE TAX AND NET PROFIT

Despite recording lower revenue for FY2012, the Group's gross margin improved from 14.8% in FY2011 to 16.5% in FY2012 due to a prudent project management.

Profit before tax increased 7.0% to S$62.4 million in FY2012 compared to S$58.3 million in FY2011 on the back of improved productivity and operational efficiencies.

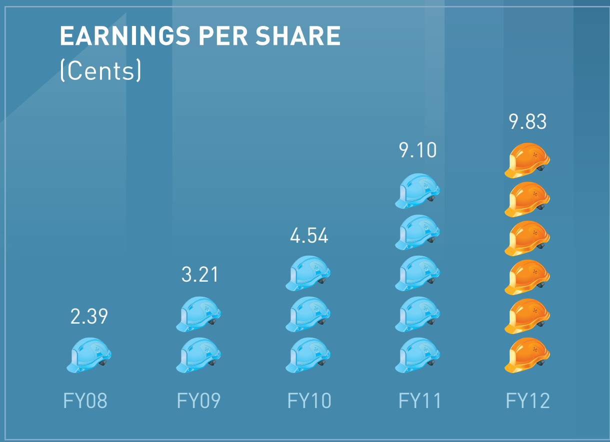
The Group's income tax expense increased 10.4% to S$10.6 million in FY2012 compared to S$9.6 million in the previous year, mainly due to the higher profit for FY2012. Summing up, net profit increased 6.6% to S$51.8 million compared to S$48.6 million in the previous year.





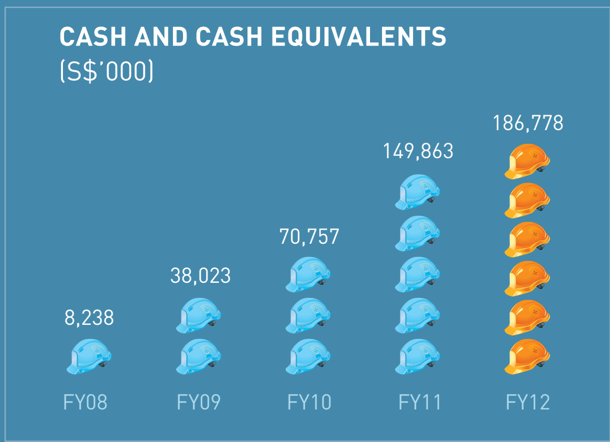
EARNINGS PER SHARE

As a result of the increase in net profit, the Group's earnings per share saw a corresponding increase from 9.10 cents in FY2011 to 9.83 cents in FY2012.



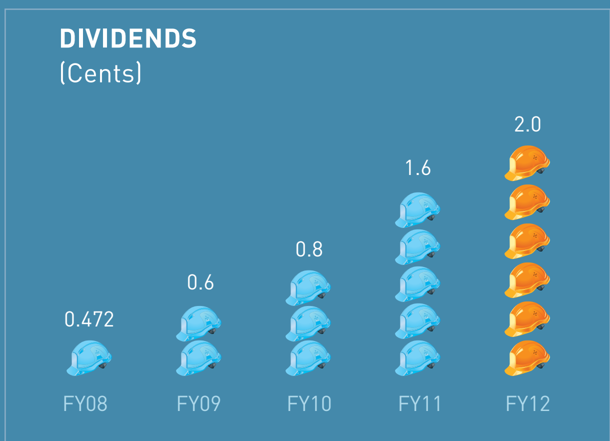
CASH AND CASH EQUIVALENTS

The Group has continued to enjoy positive cash flow in FY2012. As at the end of FY2012, the Group's cash and cash equivalents stood at S$186.8 million compared to a balance of S$149.9 million in FY2011. Group borrowings have decreased to S$111.1 million in FY2012 from S$139.8 million mainly due to the repayment of bank borrowings.



DIVIDENDS PER SHARE

In line with the better overall performance of the Group, the Group has recommended a dividend of 2.0 Singapore cents per share for FY2012, a 25% increase from 1.6 Singapore cents per share for FY2011. This continues the Group's positive trend of increasing dividends to shareholders over the past five years.



OPERATIONS REVIEW

CONSTRUCTION

Construction remains at the forefront of the Group's overall strategy, contributing **75.2%** to the total Group revenue in FY2012.

CONSTRUCTION

THE SCALA (Artist's Impression)

Waterfront Isle Condominium

SPOTTISWOODE RESIDENCES

Construction remains at the forefront of the Group's overall strategy, contributing 75.2% to the total Group revenue in FY2012.

During FY2012 and 1Q2013, the Group won six new contracts for the building works in the public and private sector, namely Waterfront Isle Condominium, Hedges Park Condominium, Ramp-up factory, M-Space and an independent workers' dormitory development at Mandai Estate, building and upgrading works for HDB, construction contracts for MINDEF and residential development of Thomson Grand, worth a total of S$510 million.

These projects increased our current order book to S$736.4 million as at 21st August 2012.

A list of the projects that are completed and near-completed during the year under review is shown below:

- Housing Development at 109A Emerald Hill Road, Singapore
- KOVAN RESIDENCES at Simon Road/Kovan Road
- THE RITZ-CARLTON RESIDENCES, SINGAPORE at Cairnhill Road
- OLA Residences @ Mountbatten Road
- JV Project - NEWater Infrastructure Plan (NIP) Contract PJ01 - Pipe Jacking works

THE LAURELS

CENTRO RESIDENCES

Waterfront Key Condominium

In addition, the Group is also involved in new and on-going projects as shown below:

- Erection of Ramp-up factory and an Independent workers' dormitory development at Mandai Estate
- Part A: Building Works at Tampines Neighborhood 1 Contract 13
  Part B: Lift Upgrading Programme at Ang Mo Kio Town Centre
  Part C: Contingency Works
- Waterfront Isle Condominium at Bedok Reservoir Road
- Hedges Park Condominium at Upper Changi Road North / Flora Drive
- THE SCALA at Serangoon Avenue 3
- Condominium development at Spottiswoode Park Road
- Waterbank @ Dakota at Dakota Crescent
- THE LAURELS at 38 & 40 Cairnhill Road
- Waterfront Key Condominium at Bedok Reservoir Road
- CENTRO RESIDENCES at Ang Mo Kio Avenue 8
- THE GALE at Flora Road
- Thomson Grand Condominium at Upper Thomson Road

OPERATIONS REVIEW

PROPERTY DEVELOPMENT AND INVESTMENTS

The Group's property development segment contributed **7.4%** to total Group revenue.

PROPERTY DEVELOPMENT AND INVESTMENTS

New Development at Midlink Plaza Site (Artist's Impression)

The Group's property development segment contributed 7.4% to total Group revenue.

During the year under review, the Group has also entered into joint ventures with our strategic partners for investments such as Hong Leong Garden Shopping Centre, Seletar Garden, King Albert Park and Midlink Plaza which the Group has stakes ranging between 10% to 19%, as well as Dragon Mansion and Hougang Plaza which the Group has taken a 50% stake each.

Ramp-up Factory, M-Space (Artist's Impression)

The Group had secured a freehold land parcel at Mandai Estate and together with the joint venture partner, has launched the 141-unit 10-storey ramp-up factory, M-Space, on September 2011. All units of M-Space have been fully sold.

In 1QFY2013, the Group was granted an approval to develop a third dormitory block on the remaining plot of land at its Mandai Estate development. This addition of a third block to its originally-planned two-block dormitory will increase the planned capacity by 32% to 6,290 beds from 4,750 beds.

OPERATIONS REVIEW

OTHER CONSTRUCTION-RELATED BUSINESSES

Revenue contributed by the segment **grew**, from S$82.8 million in FY2011 to **S$106.6** million in FY2012.


SINMIX
SINMIX
805
SINMIX
821

Batching Plant

Revenue contributed by the segment grew, from S$82.8 million in FY2011 to S$106.6 million in FY2012 including inter-segment business.

READY-MIXED CONCRETE (RMC)

The positive outlook in the construction front has spurred an increasing demand for RMC. The Group has expanded its capacity and operations at its batching plants and now has four batching plants to capture the demand in a ready market. The segment grew 59.8% from S$57.5 million in FY2011 to S$91.9 million in FY2012 including inter-segment business.

The Concrete division, represented by Sinmix, has delivered 83.5% growth in revenue to external customers from FY11 to FY12 and has grown its fleet of trucks from 60 trucks in FY11 to 80 trucks in FY12.

At present, about 17% of the RMC is consumed in-house and 83% sold to external parties.

Scaffolding works at THE SCALA

During the year under review, the Group acquired one flat top deck cargo barge, and signed two ship building contracts to build two flat top deck cargo barges and three sale and purchase agreements to acquire three tug boats. The Group will use these six vessels to transport raw materials such as sand and granite from overseas to Singapore for the manufacturing of concrete.

ENGINEERING AND LEASING

Revenue from the Group's engineering and leasing segment contracted from S$25.3 million in FY2011 to S$14.7 million in FY2012 including inter-segment business. The division is instrumental in providing civil engineering expertise and support to the Group's construction division.

In FY2012, the Group acquired a factory at 60, Sungei Kadut Street 1 which has a land area of approximately 217,422 sq feet. The Group will use the land to expand its construction-related business as well as for storage.

SIGNIFICANT EVENTS

JUNE 2011

- Awarded two private residential construction contracts.

  Hedges Park Condominium was awarded to the Group's wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd at S$150.7 million contract value.

  The Group also secured an S$128.8 million contract for Waterfront Isle Condominium via its wholly-owned subsidiary, Deenn Engineering Pte Ltd.

Hedges Park Condominium

SEPTEMBER 2011

- Announced the proposed spin-off of the Engineering and Concrete division in Taiwan to unlock their intrinsic values and enable both divisions to grow independently.
- Lian Beng-Centurion (Mandai) Pte Ltd incorporated a subsidiary, Lian Beng-Centurion (Dormitory) Pte Ltd.
- Launched 141 units of a freehold ramp-up factory at Mandai Estate which was fully sold and develop a workers' dormitory with total capacity of about 4,750 beds on the adjacent plot in Mandai.

OCTOBER 2011

- The Group incorporated a wholly-owned subsidiary company, Millennium Land Pte Ltd and subsequently reduced its interest to 38%.
- Millennium Land Pte Ltd acquired Midlink Plaza with a consortium for S$126.8 million of which the Group holds an effective 19% equity interest.

- Emerged as runner-up for the "Most Transparent Company" Award in the construction category in the 12th SIAS Investors' Choice Awards 2011.

NOVEMBER 2011

- Incorporated a 50% JV company, Spottiswoode Development Pte Ltd with Centurion Properties Pte Ltd to acquire Dragon Mansion at Spottiswoode Park for S$130 million.
- Wholly-owned subsidiary, Goldprime Investment Pte Ltd entered into JV agreement with Oxley Viva Pte Ltd to take on a 10% equity stake in Hong Leong Garden Shopping Centre.
- Awarded a contract worth S$13.2 million from Housing Development Board for building works and lift upgrading at Tampines Neighbourhood and Ang Mo Kio Town respectively.

New Development at Dragon Mansion Site (Artist's Impression)

- Construction project of 10-storey ramp-up factory at Mandai Estate and 2 blocks of 12-storey independent workers' dormitory development for an aggregate contract value of S$84.5 million.

Workers' Dormitory at Mandai Estate (Artist's Impression)

FEBRUARY 2012

- Incorporated a wholly-owned subsidiary, Luxe Development Pte Ltd.

- Awarded a S$48.78 million contract with MINDEF.

MARCH 2012

- Incorporated a subsidiary, TAC System Formwork (S) Pte Ltd (60% stake) to engage in the distributorship of formwork system.

- Established new subsidiary company, Sin Lian Holding Ltd to consolidate all interests of Lian Beng Engineering & Machinery Pte Ltd and Sinmix Pte Ltd.

- Wholly-owned subsidiary, Goldprime Investment Pte Ltd took on a 10% equity stake in Seletar Gardens through a consortium JV.

- Entered into a memorandum of agreement to acquire one unit of flat top deck cargo barge for S$0.90 million from Hathaway Marine Pte Ltd; two ship building contracts worth $2.92 million with ASL Shipyard Pte Ltd, sales and purchase agreements to acquire three units of tug boats for S$2.94 million from Kemudi Santun Sdn Bhd.

APRIL 2012

- Lian Beng's wholly-owned subsidiary, Luxe Development Pte Ltd took on a 15% equity stake in King Albert Park through a consortium JV.

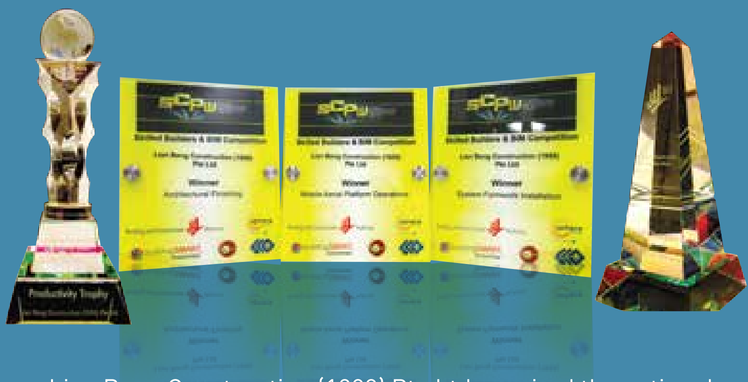
MAY 2012

- Wholly-owned subsidiary, Lian Beng Land Pte Ltd formed a 50% JV, Oxley-Lian Beng Pte Ltd for the purchase of Hougang Plaza through a tender value of S$119.1 million.

- Lian Beng was awarded the international RoSPA Gold Award for Occupational Health & Safety Award 2012 by The Royal Society for the Prevention of Accidents (RoSPA) for our projects, Spottiswoode Residences and Centro Residences.

SIGNIFICANT EVENTS

- Lian Beng bagged four awards through the Skilled Builders competition by the Building and Construction Authority (BCA), raising awareness of construction productivity.



- Wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd acquired the entire share capital of Sim Hup Co Pte Ltd for its factory located at 60, Sungei Kadut Street 1 for S$5.38 million.

JULY 2012

- Incorporation of a 50% JV company, Paul Y. – Lian Beng JV Pte Ltd with Paul Y. Construction & Engineering Pte Limited, an indirect wholly-owned subsidiary of Hong Kong listed Paul Y. Engineering Group Limited.

- Mr Ong Pang Aik was awarded Best CEO under the "Listed companies with market capitalisation of less than S$300 million" category at Singapore Corporate Awards 2012.

- Lian Beng Engineering and Machinery Pte Ltd was awarded the Meritorious Defence Partner Award.

- Lian Beng, as one of only four companies from Singapore, made it to Forbes Asia's "200 Best under a Billion" list.

AUGUST 2012

- Awarded Thomson Grand private residential construction contract worth S$169 million through Paul Y. - Lian Beng JV Pte Ltd. The contract was awarded by Luxury Green Development Pte Ltd, a member of Hong Kong listed Cheung Kong Group.

- Obtained approval to develop third dormitory block on remaining vacant plot at Mandai Estate from existing 4,750 beds, increasing capacity of the planned dormitory by 32% to 6,290 beds.

Thomson Grand (Artist's Impression)

OUR PEOPLE, OUR ASSETS

As a leading building and construction company in Singapore, we believe it is important to be part of the community we operate in and to promote sustainable living and take care of the environment. We have taken the initiative with our own Lian Beng Building, which was awarded with the "Green Mark Platinum Award" by the BCA. Most of our Group's construction subsidiaries were awarded with the "Green and Gracious Builders Awards".

The Group is committed to the safety and well-being of our staff. The Group regularly engages our staff in safety training and education and emphasizes to our staff strict adherence of the Group's stringent workplace safety procedures.

We strive to attract and retain key talent and encourage young people to view the construction industry as a rewarding career choice. We enroll our staff in regular training and development courses to unlock their potential and cultivate their ability. We believe the improvement in our staff knowledge and skill will contribute to the Group's success.

The Group also organizes regular staff events as part of our efforts to promote cohesiveness and improve team morale.


Workers' Safety Reward


Workers' Safety Training


Staff Event


Training and Development

CORPORATE GOVERNANCE

Awarded as
Runner-up for the
"Most Transparent Company"
in the construction category in the
12th SIAS Investors' Choice Awards 2011.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance, in line with the Code of Corporate Governance (the "Code"), to ensure continued growth and success, and to justify investor confidence. This report describes the corporate governance practices of the Company, with reference to the principles of the Code.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS
Principle 1: Effective Board to lead and control the Company

The Board of Directors (the "Board") oversees the management of the business and affairs of the Company and its subsidiaries (collectively, the "Group"). The Board's role is to:

1. Provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the group to meet its objectives;

2. Establish a framework of prudent and effective controls which enables risk to be assessed and managed;

3. Review the management performance; and

4. Set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

All directors objectively take decisions in the interests of the Company. To facilitate effective management, certain functions have been delegated to various board committees, whose actions are reported to and monitored by the Board.

The Company has adopted internal guidelines setting forth matters that require board approval. The types of material transactions that require board approval under such guidelines are listed below:

a. Approval of financial statements' announcements;

b. Approval of interested parties' transactions;

c. Declaration of interim dividends and proposal of final dividends;

d. Convening of shareholders' meetings;

e. Approval of corporate strategy;

f. Authorisation of merger and acquisition transactions; and

g. Authorisation of major transactions.

The Board meets regularly on a quarterly basis and as warranted. Ad hoc meetings will be arranged to deliberate on urgent substantive matters. Board meeting by telephone conference is allowed under the Company's Articles of Association. To ensure effective corporate governance, three key committees, namely the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Audit Committee (the "AC") were established. Their respective roles are further discussed in this report.

The details of board meetings, NC, RC and AC meetings held during the financial year as well as the attendance of each board member at those meetings is disclosed below:

Name of Director	Board Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Ong Pang Aik	5	5	-	-	-	-	-	-
Ong Lay Huan	5	5	-	-	-	-	-	-
Ong Lay Koon	5	5	1	1	1	1	4	4
Dr Wan Soon Bee	5	4	1	1	1	1	4	3
Sitoh Yih Pin	5	5	1	1	1	1	4	4

As a general rule, board papers are required to be sent to directors before the Board meeting so that members may better understand the matters before the Board meeting and discussion may be focused on questions that the Board has about the Board papers.

The duties and obligations of the director are set out in writing upon his or her appointment. Apart from keeping the Board informed of all relevant new laws and regulations, the Company has an orientation programme for new directors to ensure that the incoming director is familiar with the Company's business and governance practices. He/she will be given a tour and briefing of key facilities and activities of the Company, as well as a detailed presentation by key senior management covering structure, business activities and growth strategies of the Group and an overview of the more significant business risks, issues and challenges it faces. Corporate materials and documents such as the latest Annual Report and Summary Financial Statements, minutes of recent board meetings, and Memorandum and Articles of Association of the Company will also be given to him/her to facilitate his/her understanding of the structure and operations of the Group.

BOARD COMPOSITION AND BALANCE
Principle 2: Strong and Independent Element on the Board

As at the date of this report, the Board comprises three executive directors and two independent directors, namely:

Executive Directors

1. Ong Pang Aik
2. Ong Lay Koon
3. Ong Lay Huan

Independent & Non-Executive Directors

1. Dr Wan Soon Bee
2. Sitoh Yih Pin

No individual or small group of individuals is allowed to dominate the Board's decision making. The independence of each director is reviewed annually by the NC, which ensures that independent directors make up at least one-third of the Board. The NC is of the view that the current board size is appropriate, taking into account the nature and scope of the Company's operations. The Board consists of high calibre members with a wealth of knowledge, expertise and experience. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, financing, legal, business and general corporate matters.

The non-executive directors constructively challenge and help to develop proposals on strategy and also review the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3: Clear Division of Responsibilities at the Top of the Company

Mr Ong Pang Aik currently assumes the roles of both the Chairman and Managing Director. His duties as the Chairman, among others, include:

a. Leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;

b. Ensuring that the directors receive accurate, timely and clear information;

c. Ensuring effective communication with shareholders;

d. Encouraging constructive relations between the Board and Management;

e. Facilitating the effective contribution of non-executive directors;

f. Encouraging constructive relations between executive directors and non-executive directors; and

g. Promoting high standards of corporate governance.

Taking into account the current corporate structure and the scope of the Company's operations, the roles of the Chairman and Managing Director are not separated as the Board is of the view that there is adequate accountability and transparency within the Group.

BOARD MEMBERSHIP
Principle 4: Formal and Transparent Process for Appointment of New Directors

The NC, which has written terms of reference, was established to make recommendations to the Board on all board appointments. It comprises three directors, namely:

1. Dr Wan Soon Bee, Chairman

2. Sitoh Yih Pin

3. Ong Lay Koon

The NC met once during the financial year under review.

The Chairman, Dr Wan Soon Bee, and Mr Sitoh Yih Pin are independent directors and are not directly associated with any substantial shareholder. The NC's responsibilities include the following:

a. Annual review of skills required by the Board, and the size of the Board;

b. Reviewing and determining the independence of each director to ensure that the Board comprises at least one-third independent directors;

c. Reviewing and evaluating a director's ability and adequacy in carrying out his/her role as director of the Company, particularly when he/she has multiple board representations;

d. Re-nomination of directors, giving due regard to each director's contribution and performance including, if applicable, as an independent director;

e. Assessing the effectiveness of the Board as a whole, and as well as each director's contribution to the effectiveness of the Board; and

f. Deciding how the Board's performance may be evaluated and proposing objective performance criteria.

The directors (other than the Managing Director) submit themselves for re-nomination and re-election at least once every three years. Newly appointed directors will submit themselves for re-election at the next Annual General Meeting ("AGM") of the Company following their appointment.

In the nomination and selection process, the NC identifies the key attributes that an incoming director should have, based on a matrix of attributes of the existing board and the requirements of the Group. After endorsement of the key attributes by the Board, the NC taps on the directors' personal contacts and recommendations of potential candidates, and goes through a short listing process. Executive recruitment agencies are appointed to assist in the search process when necessary. Interviews are set up with the potential candidates for members of the NC to assess them, before a decision is reached.

The key information on the directors is set out in the Board of Directors write-up on page 5 to 9 of this report.

BOARD PERFORMANCE
Principle 5: Formal Assessment of the Effectiveness of the Board and Contribution by Each Director

Based on the recommendation of the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of each individual director.

In evaluating the Board's performance, the NC considers a set of quantitative and qualitative performance criteria that has been approved by the Board. The performance criteria for the Board evaluation are in respect of:

a. Board size and composition;

b. Board processes;

c. Board information and accountability; and

d. Board performance in relation to discharging its principal functions and responsibilities.

The individual director's performance criterion is in relation to the director's:

a. Industry knowledge and/or functional expertise;

b. Contribution and workload requirements;

c. Sense of independence; and

d. Attendance at board and committee meetings.

The Chairman, in consultation with the NC, will then act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors.

ACCESS TO INFORMATION
Principle 6: Board Members to Have Access to Complete, Adequate and Timely Information

The Management provides all directors with complete, adequate and timely information prior to Board meetings, and on an on-going basis. All directors have separate and independent access to the Company's senior management, who together with the Company Secretary, are responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

Information provided by the management to the directors includes background information or explanatory information relating to matters to be brought forward before the Board and copies of disclosure documents.

All directors have separate and independent access to the Company Secretary. The Company Secretary administers, attends and prepares minutes of all board and specialized committee meetings. He/she assists the Chairman in ensuring that board procedures are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board and its committees, facilitating the directors' orientation programme, and assisting with professional developments as required. He/she is also the primary channel of communication between the Company and the SGX-ST.

The Board engages independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

REMUNERATION MATTERS

Procedures for developing remuneration policies
Principle 7: Formal and Transparent Procedure for Developing Policy on Executive Remuneration and For Fixing Remuneration Packages of Directors

The RC comprises three directors, two of whom are independent and non-executive directors:

1. Sitoh Yih Pin, Chairman

2. Dr Wan Soon Bee

3. Ong Lay Koon

The Board is of the view that with Ms Ong Lay Koon's understanding of the Group's operations, she is in an appropriate position to advise and recommend to the Board on the remuneration packages for the rest of the executives in the Group. However, independence is not compromised, as the majority of the members of the Remuneration Committee are independent.

The RC met once during the financial year under review.

Members of the RC carry out their duties in accordance with the terms of reference, which include the following:

a. Recommending to the Board on the framework of remuneration policies for directors and senior management;

b. Reviewing and approving specific remuneration packages for each director and the Chairman, including director's fees, salaries, allowances, bonuses and benefits-in-kind; and

c. Reviewing the remuneration of Senior Management.

The RC's recommendations are submitted for endorsement by the entire Board. No director is involved in deciding his/her own remuneration.

The Company does not have any employee share option scheme.

LEVEL AND MIX OF REMUNERATION
Principle 8: Remuneration of Directors Should Be Adequate but Not Excessive

The Company has a remuneration policy, which comprises a fixed and a variable component. The fixed and variable components comprise a base salary, variable bonus and/or profit sharing. In setting remuneration packages, the Company takes into account the group's relative performance and the performance of individual directors. The pay and employment conditions within the same industry and in comparable companies are also given due consideration.

The fees of the Independent Directors are determined by the Board according to the level of contribution, and taking into account factors such as the effort and time spent, and their respective responsibilities. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the Independent Directors do not receive any other remuneration from the Company. They do not have any service agreements with the Company.

The Company has entered into separate service agreements with Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon, each of which is valid for an initial three year period and subject to automatic renewal every 3 years. The service contract does not contain any onerous removal clauses. Notice periods are three months in the service agreements for executive directors.

Corporate Governance

DISCLOSURE ON REMUNERATION
Principle 9: Disclosure on Remuneration Policy, Level and Mix of Remuneration and Procedure for Setting Remuneration

The Board has not included a separate annual remuneration report in its annual report for the current financial year as it is of view that the matters, which are required to be disclosed in the annual remuneration report, have already been sufficiently disclosed in this Corporate Governance Report and in the financial statements of the Company.

A breakdown, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 May 2012 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus & Profit Sharing (%)	Other Benefits and Allowances (%)	Directors' Fees[1] (%)	Total
$3,500,001 - $3,750,000	Ong Pang Aik	16	78	1	5	100
$1,750,001 - $2,000,000	Ong Lay Huan	20	76	2	2	100
$1,250,001 - $1,500,000	Ong Lay Koon	22	72	3	3	100
Below $250,000	Dr Wan Soon Bee	-	-	-	100	100
Below $250,000	Sitoh Yih Pin	-	-	-	100	100

1. Includes fee for directorships held in the Company.

A breakdown, showing the remuneration band of the top eight key executives' remuneration payable for the financial year ended 31 May 2012 is as follows:

Remuneration Band[1]	Name of Executive
$250,001 - $500,000	Ong Lee Yap Ong Phang Hoo Ong Phang Hui Than King Huat Teo Wee Jin David Goh Teck Ann
Below $250,000	Ho Chee Siong Chew Teow Leong

1. Due to confidentiality and sensitivities, the breakdown of the key executives' remunerations are not disclosed.

There are four employees who are immediate family members of Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon whose remuneration exceeded S$100,000 during the year ended 31 May 2012.

For the financial year ended 31 May 2012, the total remuneration paid to the directors of the Group was S$6,893,612 and the total remuneration paid to the key executives was S$2,206,642.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
Principle 10: Presentation of a Balanced and Understandable Assessment of Company's Performance, Position and Prospects

The Management provides board members with management accounts that present a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis. At present, the management prepares the management accounts on a monthly basis and provides the monthly management accounts to the Board whenever the Board request for it.

The Board will furnish, among others and whenever necessary, interim and other price sensitive public reports, and reports to the regulators with the aim of providing a balanced and understandable assessment of the Company's performance, position and prospects.

AUDIT COMMITTEE
Principle 11: Establishment of Audit Committee with Written Terms of Reference

The AC comprises of three directors, two of whom are independent and non-executive directors:

1. Dr Wan Soon Bee, Chairman

2. Sitoh Yih Pin

3. Ong Lay Koon

The Board is of the view that the AC, chaired by Dr Wan Soon Bee has sufficient financial management expertise and experience to discharge the AC's functions. Mr Sitoh Yih Pin is by profession a Certified Public Accountant and Ms Ong Lay Koon has more than 12 years of experience in business and financial management. It is confident that the corporate governance of the Company has not been and will not be compromised by the existing composition of the AC and that the Independent Directors in the AC will continue to benefit from the experience and expertise of the Executive Director in the AC in carrying out their respective duties effectively.

The AC has explicit authority to investigate all matters within its terms of reference, full access to and cooperation by Management, full discretion to invite any director or key executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC convened four meetings during the year. The AC has also met with the external auditors, without the presence of the Company's management at least once a year.

The key function of AC, which has written terms of reference, is to:

a. Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

b. Review the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;

c. Review significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

d. Review the adequacy of the Company's internal controls;

e. Make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor;

f. Review the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and

g. Review the audit plans and reports of the internal auditors and ensure the adequacy of the Company's system of internal controls.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2012 are as follows:-

Audit fees	: S$367,600 (FY2011: S$328,000)
Non-audit fees	: S$197,750 (FY2011: S$136,350)

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services does not affect the independence of the external auditors and has recommended to the Board the re-appointment of Messrs Ernst & Young LLP as the auditors of the Company.

The Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its external auditors.

The AC has also conducted reviews of interested person transactions and the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action.

INTERNAL CONTROLS
Principle 12: Maintenance of Sound System of Internal Controls

The AC acknowledges that the Group's system of internal and operational controls has a key role in the identification and management of risks that are significant to the achievement of its business objectives. The Company reviews the effectiveness of its internal and operational controls and its risk management.

These internal and operational controls are designed to provide a reasonable assurance as to the effectiveness and efficiency of its operations, integrity and reliability of the financial information, and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and evaluate potential financial effects.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls addressing financial, operational and compliance risks, were adequate as at 31 May 2012. The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal controls system.

INTERNAL AUDIT
Principle 13: Establishment of an Independent Internal Audit Function

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has outsourced its internal audit function to a professional firm, RSM Ethos Pte Ltd. The internal auditors report its finding directly to the AC.

COMMUNICATION WITH SHAREHOLDERS
Principle 14: Regular, Effective and Fair Communication with Shareholders

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. Where inadvertent disclosure has been made to a select group, the Company will make the same disclosure publicly to all others as soon as practicable. The Board provides shareholders with an assessment of the Company's performance, position and prospects on a quarterly basis via the quarterly announcements of results; and other ad hoc announcements as required by the SGX-ST. The Company's Annual Report is sent to all shareholders and is available on request. The Company's latest Annual Report is also accessible via the Company's website.

Principle 15: Encouragement of Greater Shareholder Participation at AGMs

The Board welcomes the view of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders.

Separate resolutions are proposed for substantially separate issues at shareholders' meetings. The Chairmen of the AC, RC and NC are usually available at the meetings to answer those questions relating to the work of these committees. The external auditors are also present to address the shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

The Company's Articles of Association allows for shareholders of the Company to appoint one or two proxies to attend and vote in place of the shareholder. The Company does not intend to implement absentia-voting methods such as email, fax or mail until security, integrity and other pertinent issues are satisfactorily resolved.

ADDITIONAL INFORMATION

Dealings in Securities

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year and one month before the Company's full year financial statements.

Corporate Governance

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

The AC reviewed the following significant transactions entered into by the Company with its interested persons for the financial year ended 31 May 2012 in accordance with its existing procedures:-

Name of Interested Person	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)
Associated KHL Industries Pte Ltd – Lease rental	$275,720.00	NA

Material Contracts and Loans

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Report of Directors and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Contents

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Lian Beng Group Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 May 2012.

Directors

The directors of the Company in office at the date of this report are:

Ong Pang Aik	(Chairman and Managing Director)
Ong Lay Huan	(Executive Director)
Ong Lay Koon	(Executive Director)
Dr Wan Soon Bee	(Independent Director)
Sitoh Yih Pin	(Independent Director)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company				
Ordinary shares				
Ong Pang Aik	18,937,800	20,833,800	133,782,400	133,782,400
Ong Lay Huan	11,275,200	11,275,200	133,782,400	133,782,400
Ong Lay Koon	7,275,200	7,275,200	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 June 2012.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr. Ong Pang Aik and Ms. Ong Lay Huan are deemed to have an interest in the ordinary shares of all the subsidiaries of the Company, at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning or at the end of financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

During the financial year, there were:

(a) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(b) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;
- Review significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Review the adequacy of the Company's internal controls;
- Make recommendations to the Board on the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors;
- Review the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Review the audit plans and reports of the internal auditors and ensure the adequacy of the Company's system of internal controls.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted reviews of interested person transactions.

The AC convened four meetings during the year and their attendances are disclosed in the Report on Corporate Governance. The AC has also met with the external auditors, without the presence of the Company's management at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Directors' Report

Auditors

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Ong Pang Aik
Director

Ong Lay Huan
Director

Singapore
21 August 2012

Statement by Directors

We, Ong Pang Aik and Ong Lay Huan, being two of the directors of Lian Beng Group Ltd, do hereby state that, in the opinion of the directors:

(a) the accompanying statements of financial position, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2012 and the results of the business and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors,

Ong Pang Aik
Director

Ong Lay Huan
Director

Singapore
21 August 2012

Independent Auditors' Report

For the financial year ended 31 May 2012

To the Members of Lian Beng Group Ltd

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Lian Beng Group Ltd (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages 51 to 136, which comprise the statements of financial position of the Group and the Company as at 31 May 2012, the statements of changes in equity and the statements of comprehensive income of the Group and the Company and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 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 judgment, including the assessment of the risks of material misstatement of the 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.

Independent Auditors' Report

For the financial year ended 31 May 2012

To the Members of Lian Beng Group Ltd

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2012 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and
Certified Public Accountants
Singapore
21 August 2012

Statements of Financial Position

as at 31 May 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current assets					
Property, plant and equipment	4	49,956	42,612	–	–
Investment properties	5	66,211	47,317	–	–
Intangible assets	6	–	129	–	–
Investments in jointly-controlled entities	8	–	–	500	–
Investments in subsidiaries	7	–	–	46,655	30,738
Investment securities	11	18,167	11,589	–	–
		134,334	101,647	47,155	30,738
Current assets					
Investment property held for sale	5	–	24,309	–	–
Construction work-in-progress in excess of progress billings	12	4,892	8,784	–	–
Development properties	13	96,697	127,108	–	–
Development properties held for sale	13	6,154	6,154	–	–
Inventories	14	3,076	6,437	–	–
Trade receivables	15	124,364	133,566	–	–
Other receivables and deposits	16	22,628	10,586	1,975	3
Prepayments		1,146	815	8	8
Receivables from related parties	17	2	3	90,364	78,789
Amounts due from jointly-controlled entities	8	–	17	7,977	–
Amount due from an associated company	9	6,286	–	6,286	–
Asset held for sale	10	–	–	–	–
Investment securities	11	1,012	13	–	–
Cash and cash equivalents	18	186,778	149,863	663	20,661
		453,035	467,655	107,273	99,461
Current liabilities					
Progress billings in excess of construction work-in-progress	12	98,176	106,886	–	–
Trade and other payables	20	118,899	111,284	58	44
Accruals		13,131	10,816	435	412
Amounts due to subsidiaries	21	–	–	44,834	38,591
Bank loans	22	835	27,551	–	–
Bills payable	22	755	1,644	–	–
Obligations under hire purchase	23	3,944	3,634	–	–
Provision for taxation		12,041	8,474	2	–
		247,781	270,289	45,329	39,047
Net current assets		205,254	197,366	61,944	60,414

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

as at 31 May 2012

	Note	Group		Company	
		2012	**2011**	**2012**	**2011**
		$'000	$'000	$'000	$'000
Non-current liabilities					
Investment in associate	9	48	–	–	–
Bank loans	22	99,833	100,213	–	–
Obligations under hire purchase	23	5,706	6,771	–	–
Deferred tax liabilities	24	1,754	2,762	–	–
		107,341	109,746	–	–
Net assets		232,247	189,267	109,099	91,152
Equity attributable to owners of the Company					
Share capital	25	82,275	82,275	82,275	82,275
Reserves		149,184	105,531	26,824	8,877
		231,459	187,806	109,099	91,152
Non-controlling interests		788	1,461	–	–
Total equity		232,247	189,267	109,099	91,152

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Comprehensive Income

for the year ended 31 May 2012

		Group		Company	
	Note	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revenue	27	445,011	507,302	11,500	11,000
Cost of sales		(371,529)	(432,329)	–	–
Gross profit		73,482	74,973	11,500	11,000
Other operating income	28	14,608	6,702	15,902	1
Distribution expenses		(2,315)	(1,257)	(11)	–
Administrative expenses		(16,511)	(14,724)	(966)	(1,118)
Other operating expenses	28	(6,166)	(6,473)	–	(2,006)
Finance costs	30	(646)	(950)	–	(2)
Share of results of associate	9	(48)	–	–	–
Profit before tax	28	62,404	58,271	26,425	7,875
Taxation	31	(10,640)	(9,642)	(2)	–
Profit for the year, net of tax		51,764	48,629	26,423	7,875
Other comprehensive income					
Net gain on fair value changes of available-for-sale financial assets		86	46	–	–
Foreign currency translation		(49)	356	–	–
Reclassification of foreign currency exchange differences on liquidation of a jointly-controlled entity		(345)	–	–	–
Other comprehensive (loss)/income for the year, net of tax		(308)	402	–	–
Total comprehensive income for the year		51,456	49,031	26,423	7,875
Profit attributable to:					
Owners of the Company		52,086	48,182	26,423	7,875
Non-controlling interests		(322)	447	–	–
		51,764	48,629	26,423	7,875
Total comprehensive income attributable to:					
Owners of the Company		51,778	48,584	26,423	7,875
Non-controlling interests		(322)	447	–	–
		51,456	49,031	26,423	7,875
Earnings per share (Cents)					
Basic and diluted	32	9.83	9.10		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 May 2012

	Attributable to owners of the Company					
	Share capital (Note 25) $'000	Accumulated profits $'000	Other reserves (Note 26) $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
2012						
Group						
Balance at 1 June 2011	82,275	104,863	668	105,531	1,461	189,267
Profit/(loss) for the year	–	52,086	–	52,086	(322)	51,764
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	86	86	–	86
Foreign currency translation	–	–	(49)	(49)	–	(49)
Reclassification of foreign currency exchange differences on liquidation of a jointly-controlled entity	–	–	(345)	(345)	–	(345)
Other comprehensive (loss)/income for the year, net of tax	–	–	(308)	(308)	–	(308)
Total comprehensive income/(loss) for the year	–	52,086	(308)	51,778	(322)	51,456
Contribution by and distribution to owners						
Dividends on ordinary shares (Note 42)	–	(8,476)	–	(8,476)	–	(8,476)
Acquisition and disposal of non-controlling interests without a change in control	–	–	351	351	(351)	–
Total transactions with owners in the capacity as owners	–	(8,476)	351	(8,125)	(351)	(8,476)
Balance at 31 May 2012	82,275	148,473	711	149,184	788	232,247

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 May 2012

	Attributable to owners of the Company					
	Share capital (Note 25) $'000	Accumulated profits $'000	Other reserves (Note 26) $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
2011						
Group						
Balance at 1 June 2010	82,275	60,919	266	61,185	564	144,024
Profit for the year	–	48,182	–	48,182	447	48,629
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	46	46	–	46
Foreign currency translation	–	–	356	356	–	356
Other comprehensive income for the year, net of tax	–	–	402	402	–	402
Total comprehensive income for the year	–	48,182	402	48,584	447	49,031
Contribution by and distribution to owners						
Dividends on ordinary shares (Note 42)	–	(4,238)	–	(4,238)	–	(4,238)
Contribution from minority shareholder of a subsidiary company	–	–	–	–	450	450
Total transactions with owners in the capacity as owners	–	(4,238)	–	(4,238)	450	(3,788)
Balance at 31 May 2011	82,275	104,863	668	105,531	1,461	189,267

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 May 2012

	Attributable to owners of the Company		
	Share capital (Note 25)	Accumulated profits	Total equity
	$'000	$'000	$'000
2012			
Company			
Balance at 1 June 2011	82,275	8,877	91,152
Profit for the year	–	26,423	26,423
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	26,423	26,423
Contribution by and distribution to owners			
Dividends on ordinary shares (Note 42)	–	(8,476)	(8,476)
Balance at 31 May 2012	82,275	26,824	109,099
2011			
Company			
Balance at 1 June 2010	82,275	5,240	87,515
Profit for the year	–	7,875	7,875
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	7,875	7,875
Contribution by and distribution to owners			
Dividends on ordinary shares (Note 42)	–	(4,238)	(4,238)
Balance at 31 May 2011	82,275	8,877	91,152

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 May 2012

	2012 $'000	2011 $'000
Cash flows from operating activities		
Profit before tax	62,404	58,271
Adjustments for:		
Depreciation of property, plant and equipment	7,240	5,918
Depreciation of investment properties	60	71
Dividend income from investment securities	(3,150)	(12)
Gain on disposal of plant and equipment	(701)	(126)
Write-back of impairment loss on value of property held as property, plant and equipment	–	(1,421)
Net fair value loss on investment securities	1	–
Share of results of associated company	48	–
Gain on disposal of investment properties	–	(3,662)
Interest income	(1,440)	(702)
Interest expense	646	950
Exchange translation difference	(395)	356
Allowance for impairment on doubtful receivables	5	121
Write-off of plant and equipment	–	16
Bad debts written off	35	2,192
Gain on disposal of investment property held for sale	(7,896)	–
Allowance for impairment loss on value of investment property	700	–
Write-off of intangible assets	129	–
Impairment loss on value of unquoted investment securities	1,194	–
Operating cash flows before changes in working capital	58,880	61,972
Changes in working capital:		
Development properties	31,625	(35,421)
Construction work-in-progress	(4,825)	43,717
Inventories	3,361	(1,483)
Trade receivables	9,156	(29,463)
Other receivables and deposits	(11,576)	25,139
Prepayments	(303)	624
Trade payables, other payables, accruals and bills payable	3,709	28,197
Balances with related parties	24	17
Cash flows generated from operations	90,051	93,299
Interest paid, capitalised in development properties	(1,214)	(1,423)
Income tax paid	(8,565)	(4,477)
Income tax recovered	467	70
Net cash flows generated from operating activities	80,739	87,469

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 May 2012

	2012 $'000	2011 $'000
Cash flows from investing activities		
Interest received	937	415
Dividend income from investment securities	3,150	12
Purchase of property, plant and equipment (Note A)	(6,248)	(10,500)
Purchase of investment property held for sale	–	(24,309)
Proceeds from disposal of property, plant and equipment	1,055	230
Purchase of investment properties	(19,654)	(31,912)
Additional investments in investment securities	(8,621)	(251)
Proceeds from disposal of investment properties	–	11,138
Proceeds from disposal of investment properties held for sale	32,205	–
Net cash outflow on acquisition of a subsidiary (Note 7)	(5,380)	–
Loan to an associated company	(6,286)	–
Net cash flows used in investing activities	(8,842)	(55,177)
Cash flows from financing activities		
Interest paid	(646)	(950)
Repayment of hire purchase creditors	(4,058)	(2,190)
Proceeds from bank loans	12,383	68,979
Repayment of bank loans	(39,479)	(22,833)
Loan from minority shareholders of subsidiary companies	5,294	7,596
Dividend paid on ordinary shares	(8,476)	(4,238)
Contribution from minority shareholder of a subsidiary company	–	450
Net cash flows (used in)/generated from financing activities	(34,982)	46,814
Net increase in cash and cash equivalents	36,915	79,106
Cash and cash equivalents at beginning of the year	149,863	70,757
Cash and cash equivalents at end of the year (Note 18)	186,778	149,863

Note A

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $9,551,000 (2011: $14,187,000) of which $3,303,000 (2011: $3,687,000) were acquired by means of hire purchase arrangements. Cash payments of $6,248,000 (2011: $10,500,000) were made to purchase property, plant and equipment.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 May 2012

1. Corporate information

Lian Beng Group Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 29 Harrison Road, Lian Beng Building, Singapore 369648.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, jointly-controlled entities and associated company are disclosed in Note 7, Note 8 and Note 9 to the financial statements, respectively.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $), and all values are rounded to the nearest thousand ($'000) as indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 June 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 107 Disclosures – *Transfers of Financial Assets*	1 July 2011
Amendments to FRS 101 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to FRS 12 Deferred Tax: *Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Description	**Effective for annual periods beginning on or after**
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1, Revised FRS 27, FRS 110, FRS 112 and FRS 113, the directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, Revised FRS 27, FRS 110, FRS 112 and FRS 113 are described below.

<u>Amendments to FRS 1 Presentation of Items of Other Comprehensive Income</u>

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

<u>FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements (Revised)</u>

FRS 110 and the Revised FRS 27 are effective for financial periods beginning on or after 1 January 2013.

FRS 110 establishes a single control model that applies to all entities (including special purpose entities). The changes introduced by FRS 110 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The Revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

The Group does not expect adoption of these standards to have material impact to the financial statements.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

FRS 113 Fair Value Measurements

FRS 113 is effective for financial periods beginning on or after 1 January 2013.

FRS 113 provides a single source of guidance for all fair value measurements. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS/IFRS when fair value is required or permitted by FRS. The Group does not expect the adoption of this standard to have material impact to the financial statements.

2.4 Basis of consolidation and business combinations

(a) ***Basis of consolidation***

Basis of consolidation from 1 June 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) *Basis of consolidation (cont'd)*

Basis of consolidation from 1 June 2010 (cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 June 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 June 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 June 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 June 2010 have not been restated.

(b) *Business combinations*

Business combinations from 1 June 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) ***Business combinations (cont'd)***

Basis of consolidation from 1 June 2010 (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 June 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2. Summary of significant accounting policies (cont'd)

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 *Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the financial period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.22. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other asset is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold properties	–	50 years
Leasehold properties	–	4 – 22 years
Plant and machinery	–	3 – 10 years
Furniture, fittings and office equipment	–	3 – 5 years
Motor vehicles and cabin cruiser	–	3 – 5 years
Barges	–	15 years
Worker's dormitory	–	3 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

2. Summary of significant accounting policies (cont'd)

2.8 *Investment properties (cont'd)*

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives as follows:

Freehold properties	–	50 years
Leasehold properties	–	50 years

Assets under construction and development included in investment properties are not depreciated as these assets are not yet available for use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 *Intangible assets*

Goodwilll

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (cont'd)

2.9 Intangible assets (cont'd)

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired assets, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.11 *Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.12 *Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.13 *Affiliated company*

An affiliated company is a company, not being a subsidiary or an associate, in which one or more of the directors or shareholders of the Company have a significant equity interest or exercise significant influence.

2.14 *Jointly-controlled entities*

A jointly-controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The jointly-controlled entity is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the jointly-controlled entity.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The financial statements of the jointly-controlled entity are prepared as of the same reporting date as the Group. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.15 *Construction contracts*

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a contract can be estimated reliably.

The outcome of a contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

2. Summary of significant accounting policies (cont'd)

2.15 *Construction contracts (cont'd)*

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on value of work performed as certified by the architects or quantity surveyors to the total contract sum.

Contract revenue - Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs - Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contracts are treated separately when:

- The separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- The costs and revenues of each asset can be identified

A group of contracts are treated as a single contract when:

- The group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- The contracts are performed concurrently or in a continuous sequence

2.16 *Development properties/development properties held for sale*

Development properties/development properties held for sale are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation. Development properties/development properties held for sale are measured at the lower of cost and net realisable value.

The costs of development properties/development properties held for sale include:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

2. Summary of significant accounting policies (cont'd)

2.16 *Development properties/development properties held for sale (cont'd)*

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid. Show flats expenses are capitalised and amortised over the marketing period.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of inventory recognised in the profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

All known or anticipated losses on the development projects are provided for in the year in which such losses are determined.

2.17 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2. Summary of significant accounting policies (cont'd)

2.17 Financial assets (cont'd)

(b) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.18 *Impairment of financial assets*

The Group assesses at the end of each reporting period date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. Summary of significant accounting policies (cont'd)

2.18 *Impairment of financial assets (cont'd)*

(c) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.19 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.20 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.20 *Financial liabilities (cont'd)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.21 *Provisions*

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.22 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.23 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present locations and conditions are accounted for as follows:

Raw materials (construction)	–	Purchase costs determined on a first-in first-out basis
Raw materials (concrete and sands)	–	Determined on a weighted-average basis

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.24 *Employee benefits*

(a) *Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2. Summary of significant accounting policies (cont'd)

2.25 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.28(i). Contingent rents are recognised as revenue in the period in which they are earned.

2.26 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2. Summary of significant accounting policies (cont'd)

2.27 *Non-current assets held for sale and discontinued operations*

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.28 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Construction contracts revenue*

Revenue from construction contract is recognised in accordance with Note 2.15.

(b) *Provision of engineering and electrical works*

Revenue from provision of engineering and electrical works is recognised based on the percentage of completion method, measured by reference to the cost incurred to the total estimated cost. Foreseeable losses are provided for when the likelihood is anticipated.

(c) *Sale, rental and maintenance of construction machinery and equipment*

Revenue from sale, rental and maintenance of construction machinery and equipment is recognised when machinery is delivered or when services are rendered.

2. Summary of significant accounting policies (cont'd)

2.28 *Revenue (cont'd)*

(d) *Sale of development properties/development properties held for sale*

For sales of development properties of the Group that are within the scope as described in the Accompanying Note to INT FRS 115 *Agreements for the Construction of Real Estate*, the Group recognises revenue using the percentage of completion method based on the stage of completion as certified by architects or quantity surveyors. Under the percentage of completion method, profits are recognised only in respect of sales agreements finalised and to the extent that such profits relate to the progress of the construction of development properties.

In all other instances, revenue from sales of development properties is only recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer.

(e) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(f) *Rendering of services*

Revenue from rendering of services is recognised when the service is rendered.

(g) *Interest income*

Interest income is recognised using the effective interest method.

(h) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(i) *Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.29 *Taxes*

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.29 Taxes (cont'd)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.29 Income tax (cont'd)

(b) *Deferred tax (cont'd)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.30 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss over the periods necessary to match them on a systematic basis, to the costs, which it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.32 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.33 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.34 *Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

2. Summary of significant accounting policies (cont'd)

2.34 *Related parties (cont'd)*

(b) An entity is related to the Group and the Company if any of the following conditions applies: (cont'd)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

(i) <u>Operating lease commitments – as lessor</u>

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

(ii) <u>Finance lease - as lessee</u>

The Group has entered into finance leases for its plant and equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that the risks and rewards incidental to ownership of the leased items have been transferred to the Group and so accounts for the contracts as finance leases.

(iii) <u>Impairment of available-for-sale investments</u>

The Group reviews its investment securities classified as available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. For the financial year ended 31 May 2012, an impairment loss of $1,194,000 (2011: Nil) was recognised for available-for-sale financial assets.

3. Significant accounting estimates and judgements (cont'd)

(b) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payable and deferred tax liabilities at 31 May 2012 were $12,041,000 (2011: $8,474,000) and $1,754,000 (2011: $2,762,000) respectively.

(ii) Useful lives of property, plant and equipment/investment properties

Property, plant and equipment/investment properties are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment/investment properties to be within 3 to 50 years. These are common life expectancies applied in the construction industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment and investment properties at 31 May 2012 were $49,956,000 (2011: $42,612,000) and $66,211,000 (2011: $47,317,000) respectively.

(iii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Significant accounting estimates and judgements (cont'd)

(b) *Key sources of estimation uncertainty (cont'd)*

(iv) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the end of the reporting period is disclosed in Note 38 to the financial statements.

(v) Construction contracts and revenue recognition

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to value of work performed as certified by the architects or quantity surveyors to the total contract sum. Significant assumptions are required to estimate the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project specialists. Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, management relies on past experience and/or the work of the project specialists. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 12 to the financial statements.

(vi) Development properties

Significant assumptions are required to estimate the stage of completion. The estimates are made based on past experience and knowledge of the project specialists. The Group recognises property development revenue by reference to the stage of completion of the property development project at the end of each reporting period, when the outcome of a property development project can be estimated reliably. The stage of completion is based on the value of construction work certified by architects or quantity surveyors over the total contract value of construction of the development property. The carrying amount of asset arising from property development projects at the end of the reporting period is disclosed in Note 13 to the financial statements.

(vii) Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 37.

4. Property, plant and equipment

Group	Freehold land $'000	Freehold property under construction $'000	Freehold properties $'000	Leasehold properties $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles and cabin cruiser $'000	Barges $'000	Worker's dormitory under construction $'000	Worker's dormitory $'000	Total $'000
Cost											
At 1 June 2010	13,045	4,007	2,495	2,948	47,722	4,271	3,624	–	79	–	78,191
Additions	–	3,524	–	–	7,531	1,809	909	–	414	–	14,187
Disposals	–	–	–	–	(313)	–	–	–	–	–	(313)
Transfer to investment property	(6,860)	–	(2,495)	–	–	–	–	–	–	–	(9,355)
Written off	–	–	–	–	(7)	(350)	–	–	–	–	(357)
Transfer	–	(7,531)	7,531	–	–	–	–	–	(493)	493	–
At 1 June 2011	6,185	–	7,531	2,948	54,933	5,730	4,533	–	–	493	82,353
Additions	–	–	–	–	7,386	400	865	900	–	–	9,551
Disposals	–	–	–	–	(1,060)	(4)	(376)	–	–	–	(1,440)
Acquisition of subsidiary	–	–	–	5,380	–	–	–	–	–	–	5,380
Written off	–	–	–	–	(2,248)	(815)	–	–	–	–	(3,063)
At 31 May 2012	6,185	–	7,531	8,328	59,011	5,311	5,022	900	–	493	92,781
Accumulated depreciation and impairment											
At 1 June 2010	1,421	–	434	1,340	26,878	3,769	2,419	–	–	–	36,261
Depreciation charge for the year	–	–	95	134	4,664	361	589	–	–	82	5,925
Disposals	–	–	–	–	(209)	–	–	–	–	–	(209)
Transfer to investment property	–	–	(474)	–	–	–	–	–	–	–	(474)
Write back of impairment loss	(1,421)	–	–	–	–	–	–	–	–	–	(1,421)
Written off	–	–	–	–	(4)	(337)	–	–	–	–	(341)
At 1 June 2011	–	–	55	1,474	31,329	3,793	3,008	–	–	82	39,741
Depreciation charge for the year	–	–	166	242	5,401	572	673	15	–	164	7,233
Disposals	–	–	–	–	(786)	(4)	(296)	–	–	–	(1,086)
Written off	–	–	–	–	(2,248)	(815)	–	–	–	–	(3,063)
At 31 May 2012	–	–	221	1,716	33,696	3,546	3,385	15	–	246	42,825
Net carrying amount											
At 31 May 2012	6,185	–	7,310	6,612	25,315	1,765	1,637	885	–	247	49,956
At 31 May 2011	6,185	–	7,476	1,474	23,604	1,937	1,525	–	–	411	42,612

4. Property, plant and equipment (cont'd)

The depreciation charged to the profit or loss for the year is derived as follows:

	Group	
	2012 $'000	**2011** $'000
Depreciation for the year	7,233	5,925
Depreciation included in construction work-in-progress	(1,369)	(1,048)
Depreciation previously included in construction work-in-progress now charged to the profit or loss	1,376	1,041
Depreciation charged to the profit or loss (Note 28)	7,240	5,918

Included in the carrying amount of property, plant and equipment are the following:

Barges mortgaged to bank for credit facilities granted to a subsidiary	885	–
Freehold properties mortgaged to bank for credit facilities granted to a subsidiary	13,495	13,661
Plant, machinery and motor vehicles acquired under hire purchase arrangements	16,724	16,130

Details of the Group's properties are as follows:

Description and location	**Tenure**	**Site Area (square metre)**	**Gross Floor Area (square metre)**	**Interest held by the Group %**
An industrial flatted factory at Senoko Drive, Singapore	22 years (effective from 1 October 2001)	10,143	3,473	100
A 10-storey multi-user light industrial factory at 29 Harrison Road, Singapore	Freehold	1,007	2,519	100
A factory at 60 Sungei Kadut Street 1 Singapore	10 years (effective from 1 July 2006)	20,199	3,184	100

Capitalisation of borrowing costs

The Group's property under construction includes borrowing costs arising from bank loan borrowed specifically for the purpose of the construction of an office building. During the financial year, there was no borrowing cost (2011: $80,000) capitalised as cost of freehold property. The rate used to determine the prior year's amount of borrowing costs eligible for capitalisation was 4.25%, which was the effective interest rate of the specific borrowing.

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its property held as property, plant and equipment. There was no impairment loss (2011: Nil) or write back for impairment loss (2011: $1,421,000) recognised for the financial year ended 31 May 2012. The recoverable amount is based on the valuations performed by accredited independent valuers.

5. Investment properties/investment property held for sale

(a) *Investment properties*

	Freehold land $'000	Freehold properties $'000	Freehold property under construction $'000	Leasehold properties $'000	Leasehold property under construction $'000	Freehold land under development $'000	Total $'000
Group							
Statement of Financial Position:							
Cost							
At 1 June 2010	–	–	5,397	9,050	1,137	–	15,584
Additions	–	–	1,180	–	1,024	29,708	31,912
Disposal	–	–	–	(9,050)	–	–	(9,050)
Transfer from property, plant and equipment	6,860	2,495	–	–	–	–	9,355
At 1 June 2011	6,860	2,495	6,577	–	2,161	29,708	47,801
Additions	–	–	4,157	–	1,404	14,093	19,654
Reclass to freehold/leasehold properties	–	9,245	(9,245)	2,691	(2,691)	–	–
At 31 May 2012	6,860	11,740	1,489	2,691	874	43,801	67,455
Accumulated depreciation and impairment							
At 1 June 2010	–	–	–	1,513	–	–	1,513
Depreciation for the year	–	10	–	61	–	–	71
Disposals	–	–	–	(1,574)	–	–	(1,574)
Transfer from property, plant and equipment	–	474	–	–	–	–	474
At 1 June 2011	–	484	–	–	–	–	484
Depreciation for the year	–	51	–	9	–	–	60
Impairment loss	–	700	–	–	–	–	700
At 31 May 2012	–	1,235	–	9	–	–	1,244
Net carrying amount							
At 31 May 2012	6,860	10,505	1,489	2,682	874	43,801	66,211
At 31 May 2011	6,860	2,011	6,577	–	2,161	29,708	47,317

5. Investment properties/investment property held for sale (cont'd)

(a) *Investment properties (cont'd)*

Statement of Comprehensive Income:

	Group	
	2012 $'000	**2011** $'000
Rental income from investment properties:		
- Minimum lease payments	–	18
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	–	7
- Non-rental generating properties	25	47
	25	54

The freehold land under development with carrying value of $43,801,000 (2011: $29,708,000) is mortgaged to a bank for credit facilities granted to a subsidiary. In prior year, the freehold land and property as well as the leasehold property under construction with carrying value of $8,871,000 and $1,618,000 respectively were mortgaged to banks for credit facilities granted to subsidiaries.

The fair value of the investment properties excluding investment properties under construction and freehold land under development as at 31 May 2012 is approximating $21,800,000 (2011: $9,000,000).

Capitalisation of borrowing costs

The Group's leasehold property under construction and freehold land under development includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of the property. During the financial year, the borrowing costs capitalised as cost of leasehold property under construction and freehold land under development amounted to $1,000 (2011: $6,000) and $359,000 (2011: $55,000) respectively. The rate used to determine the amount of borrowing costs eligible for capitalisation ranges from 1.47% to 2.26% (2011: 1.56% to 2.45%), which is the effective interest rate of the specific borrowing.

Transfer from property, plant and equipment

On 15 March 2011, the Group transferred one office building that was held as property, plant and equipment to investment property. On that date, the Group has ceased the usage of the building as owner-occupied property and the building will be leased out to earn rental income.

5. Investment properties/investment property held for sale (cont'd)

(a) *Investment properties (cont'd)*

Details of the Group's investment properties as at 31 May are as follows:

Description and location	Tenure	Existing Use	Gross Floor Area (square metre)	Interest held by the Group %
An industrial terrace flatted factory at 25 Playfair Road, Singapore	Freehold	Offices	1,659	100
1 Kovan Road #18-01, Kovan Residences, Singapore	Leasehold	Residential	283	100
65 Cairnhill Road #06-01, The Ritz-Carlton Residences, Singapore	Freehold	Residential	263	100

Details of the Group's investment properties under construction as at 31 May are as follows:

Description and location	Tenure	Existing Use	Gross Floor Area (square metre)	Interest held by the Group %
38 Cairnhill Road #15-06 The Laurels, Singapore	Freehold	Residential	51	100
76 Dakota Crescent #18-13 Waterbank at Dakota Singapore	Leasehold	Residential	58	100
134 Serangoon Avenue 3 #15-15 The Scala Singapore	Leasehold	Residential	97	100
1 Khiang Guan Avenue #22-02 Lincoln Suites Singapore	Freehold	Residential	150	100
Proposed erection of 2 blocks of 12-storey worker's dormitory and 1-storey Annex block and substation on part of land lots 202V and 203P Mukim 14 Mandai Estate Singapore	Freehold	Dormitory	20,000	55

Investment properties are properties held either to earn rental income or capital appreciation or both. These do not include properties held for sale in the ordinary course of business with the exception of the one investment property, The Ritz-Carlton Residences which was acquired with the intention of resale in future. As at year end, management is not actively marketing the sale of this property and thus this property is not classified as held for sale.

5. Investment properties/investment property held for sale (cont'd)

(b) *Investment property held for sale*

	Group	
	Freehold property	**Total**
	$'000	$'000
At 31 May 2010	–	–
Additions	24,309	24,309
At 31 May 2011	24,309	24,309
Disposal	(24,309)	(24,309)
At 31 May 2012	–	–

The investment property held for sale was mortgaged to a bank for credit facilities granted to a subsidiary (Note 22, Loan A).

The details of investment property held for sale which was disposed off during the financial year were as follows:

Description and location	**Tenure**	**Existing Use**	**Gross Floor Area (square metre)**	**Interest held by the Group %**
A 6-storey light industrial building at 18 New Industrial Road, Singapore	Freehold	Vacant	7,019	100

6. Intangible assets

	Group	
	2012	**2011**
	$'000	$'000
Goodwill arising from consolidation	129	129
Write-off of intangible assets	(129)	–
	–	129

Impairment losses

There was an impairment loss of $129,000 (2011: Nil) recognised during the financial year.

7. Investments in subsidiaries

	Company 2012 $'000	Company 2011 $'000
Unquoted equity investments, at cost	46,655	30,738

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest 2012 %	Proportion of ownership interest 2011 %	Cost of investment 2012 $'000	Cost of investment 2011 $'000
Held by the Company						
Lian Beng Construction (1988) Pte Ltd **	General building construction and civil engineering works	Singapore	100	100	10,539	10,539
L.S. Construction Pte Ltd **	General building construction and civil engineering works	Singapore	100	100	3,308	3,308
Lian Beng Engineering & Machinery Pte Ltd **	Provision of engineering works and sale, rental and maintenance of construction machinery and equipment	Singapore	–	100	–	1,179
Tradewin Engineering Pte Ltd**	Sale, rental and maintenance of construction machinery and equipment and the provision of electrical works	Singapore	100	100	358	358
Lian Beng Investment Pte Ltd **	Property investment holding	Singapore	100	100	1,353	1,353
Lian Beng Realty Pte Ltd **	Property developer	Singapore	100	100	1,000	1,000
Rocca Investments Pte Ltd **	Property developer	Singapore	100	100	1,400	1,400
Deenn Engineering Pte Ltd **	General building construction and civil engineering works	Singapore	100	100	8,500	8,500

7. Investments in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2012	2011	2012	2011
			%	%	$'000	$'000
Held by the Company						
Smooth Venture Pte Ltd **	Business of an investment company	Singapore	100	100	1	1
Sinmix Pte Ltd **	Manufacture and supply of concrete	Singapore	–	90	–	450
CH Development Pte Ltd **	Investment holding	Singapore	100	100	# –	# –
Kovan Land Pte Ltd **	Investment holding	Singapore	100	100	# –	# –
LB Property Pte Ltd **	Provision of management services	Singapore	100	100	# –	# –
Goldprime Investment Pte Ltd**	Property investment holding	Singapore	100	100	# –	# –
LB Land Pte Ltd **	Investment holding	Singapore	67	67	# –	# –
Millennium International Builders Pte Ltd**	General building construction and civil engineering works	Singapore	100	100	600	600
Lian Beng Resources Pte Ltd **	Trading of construction materials	Singapore	100	100	1,500	1,500
Lian Beng-Centurion (Mandai) Pte Ltd**	Property developer	Singapore	55	55	550	550
Lian Beng Land Pte Ltd **	Property investment holding	Singapore	100	100	# –	# –
Millennium Marine & Shipping Pte Ltd **	Shipping operations including chartering of ships	Singapore	100	100	50	# –
Luxe Development Pte Ltd **(1)	Property investment holding	Singapore	100	–	# –	–
Sin Lian Holding Ltd ***(1)	Investment holding company	Cayman Islands	96.5	–	17,496	–

7. Investments in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2012	2011	2012	2011
			%	%	$'000	$'000
Held by subsidiaries						
Lian Beng (Bangladesh) Training and Testing Centre Pte Ltd *	Provision of training for construction workers	Bangladesh	70	70	–	–
Lian Beng Training & Testing Centre Pte Ltd **	Provision of management services	Singapore	70	70	–	–
Mountbatten Development Pte Ltd **	Property developer	Singapore	100	100	–	–
TAC System Formwork (S) Pte. Ltd **(1)	Provision of formwork services	Singapore	60	–	–	–
Sim Hup Co Pte Ltd **	Installation, repair and maintenance of machinery and equipment and engineering works	Singapore	100	–	–	–
Lian Beng-Centurion (Dormitory) Pte Ltd **(1)	Property investment holding	Singapore	55	–	–	–
Lian Beng Engineering & Machinery Pte Ltd **	Provision of engineering works and sale, rental and maintenance of construction machinery and equipment	Singapore	96.5	–	–	–
Sinmix Pte Ltd **	Manufacture and supply of concrete	Singapore	96.5	–	–	–
					46,655	30,738

* Audited by Dewan Nazrul Islam & Co
** Audited by Ernst & Young LLP, Singapore
*** Not required to be audited as exempted by country of incorporation
# Denotes less than $1,000
(1) Incorporated during the year

7. Investments in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

There was no impairment loss recognised during the financial year (2011:Nil).

Acquisition of subsidiary

On 30 April 2012, the Group's subsidiary company, Lian Beng Construction (1988) Pte Ltd acquired 100% equity interest in Sim Hup Co Pte Ltd ("Sim Hup"), a company incorporated in Singapore.

The Group has acquired Sim Hup in order to purchase its leasehold factory at Sungei Kadut. The Group intends to utilise the factory internally.

The fair value of the identifiable assets and liabilities of Sim Hup as at the acquisition date were:

	Fair value recognised $'000
Assets	
Property, plant and equipment	5,380
Other receivables	28
Prepayments	28
	5,436
Liabilities	
Trade and other payables	(39)
Provision for taxation	(17)
	(56)
Total identifiable net assets at fair value	5,380
Consideration paid for the acquisition of Sim Hup	5,380
Effect of the acquisition of Sim Hup on cashflow:	
Total consideration paid	5,380
Less: Cash and cash equivalents of subsidiary acquired	–
Net cash outflow on acquisition	5,380

Other receivables acquired

Other receivables acquired comprise of other receivables of $20,000 and deposits of $8,000. The full amounts of other receivables are expected to be collectable

7. Investments in subsidiaries (cont'd)

Impact of acquisition on profit or loss

From the acquisition date, Sim Hup has contributed $120,000 of other operating income and $59,000 of net profit to the Group. If the business combination has taken place at the beginning of the financial year, the other operating income for the Group would have been $15,335,000 and the Group's profit net of tax would have been $51,796,000.

<u>Internal restructuring of subsidiary companies for purpose of Taiwan listing</u>

On 20 December 2011, the Company incorporated a subsidiary company, Sin Lian Holding Ltd ("SLH") in the Cayman Islands. SLH is established in connection with the proposed listing of the Group's engineering and concrete business on the Stock Exchange in Taiwan.

Following the incorporation of SLH, the Group effected an internal restructuring of the shareholding structure of Lian Beng Engineering & Machinery Pte Ltd ("LBEM") and Sinmix Pte Ltd ("Sinmix") so as to consolidate all its interest in LBEM and Sinmix under SLH.

On 29 May 2012, SLH acquired 100% and 90% interest in LBEM and Sinmix respectively from the Company for total consideration of $17,495,341 and 10% interest in Sinmix from the non-controlling interest of Sinmix for total consideration of $641,680. SLH issued 41,093,582 shares and 1,507,197 shares at Taiwan Dollar $10 each to the Company and non-controlling interest of Sinmix respectively to satisfy the consideration of $17,495,341 and $641,680.

Following the restructuring, SLH holds 100% interest in both LBEM and Sinmix, the Company holds 96.5% in SLH and the non-controlling interest of Sinmix holds 3.5% in SLH. As a result of the restructuring, the Company recognised a gain of $15,866,000 and the Group recognised a capital reserve of $351,000.

8. Investments in jointly-controlled entities

(a) *Investments in jointly-controlled entities*

	Company	
	2012	**2011**
	$'000	$'000
Unquoted equity investments, at cost	500	–

8. Investments in jointly-controlled entities (cont'd)

Details of the investments in jointly-controlled entities are as follows:

Name of Company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest	
			2012	2011
			%	%
Held by the Company				
Spottiswoode Development Pte Ltd ***	Property developer	Singapore	50	–
Held by subsidiaries				
Lian Beng – Amin Joint Venture PVT Ltd *	General building construction and civil engineering works	Republic of Maldives	50	50
Phileap Pte Ltd **	Property developer	Singapore	25	25
LB-RD JV **	General building construction and civil engineering works	Singapore	50	50
Oxley – Lian Beng Pte Ltd ****	Property developer	Singapore	50	–

* Not required to be audited as the Company is dormant. It is currently undergoing voluntary liquidation.
** Audited by Ernst & Young LLP, Singapore.
*** Audited by RSM Chio Lim LLP. The Company is not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.
**** Incorporated during the year and not required to be audited.

(b) *Amounts due from jointly-controlled entities*

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade	–	2,340	–	–
Less: Impairment loss	–	(2,323)	–	–
	–	17	–	–
Non-trade	–	3	7,977	6
Less: Impairment loss	–	(3)	–	(6)
	–	17	7,977	–

The amounts due from jointly-controlled entities are unsecured, interest-free, repayable on demand and are expected to be settled in cash.

8. Investments in jointly-controlled entities (cont'd)

(c) The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the jointly-controlled entities are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Assets and liabilities:		
Current assets	75,541	69,170
Non-current assets	–	1
Total assets	75,541	69,171
Current liabilities	43,486	(30,657)
Non-current liabilities	32,145	(41,895)
Total liabilities	75,631	(72,552)
Income and expenses:		
Income	27,279	2,042
Expenses	(24,944)	(3,293)

9. Investment in associate

(a) *Investment in associate*

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Shares at cost	# –	–	# –	–
Share of post-acquisition loss	(48)	–	–	–
	(48)	–	–	–

\# Denotes less than $1,000

Details of the investments in associate are as follows:

Name of company	**Principal activities**	**Country of incorporation**	**Proportion of ownership interest**	
			2012	**2011**
			%	%
Held by the Company				
Millennium Land Pte Ltd *	Property developer	Singapore	38	–

* Audited by RSM Chio Lim LLP. The associate company is not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

9. Investment in associate (cont'd)

(b) *Amount due from an associated company*

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Non-trade	6,286	–	6,286	–

The amount due from an associated company is unsecured, interest-free, repayable on demand and is expected to be settled in cash.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2012	**2011**
	$'000	$'000
Assets and liabilities:		
Total assets	70,127	–
Total liabilities	(70,252)	–
Results:		
Revenue	–	–
Loss for the year	(125)	–

10. Asset held for sale

	Company	
	2012	**2011**
	$'000	$'000
Investment in jointly-controlled entity:		
Shares, at cost	–	2,000
Less: Impairment loss	–	(2,000)
	–	–

10. Asset held for sale (cont'd)

Details of the investment in jointly-controlled entity held by the Company are as follows:

Name of Company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest	
			2012	2011
			%	%
Lian Beng Energy Pte Ltd	Investment holding and the provision of agency services	Singapore	–	50

In April 2012, the Company had transferred 2,000,000 shares, being 50% equity interest in Lian Beng Energy Pte Ltd ("LBE") to Manhattan Resources Limited ("Manhattan"). This completed the legal process of the sale of investment in the jointly controlled entity, LBE. Hence, as at the end of the reporting period LBE ceased to be a jointly-controlled entity of the Group.

11. Investment securities

	Group	
	2012	2011
	$'000	$'000
(a) Non-current		
Available-for-sale financial assets		
– Quoted equity investments	596	499
– Unquoted equity investments	9,995	10,839
– 5.13% p.a. SGD corporate perpetual bond (quoted)	994	–
	11,585	11,338
Held to maturity investment		
– 4.13% p.a. SGD corporate bond due 13 May 2015 (quoted)	251	251
– 4.25% p.a. SGD corporate bond due 23 February 2015 (quoted)	1,013	–
– 5% p.a. SGD corporate bond due 23 February 2017 (quoted)	1,015	–
– 5.25% p.a. SGD corporate bond due 22 May 2015 (quoted)	753	–
– 6.25% p.a. SGD corporate bond due 30 May 2017 (quoted)	1,002	–
– 6% p.a. SGD corporate bond due 10 August 2018 (quoted)	255	–
– 4.25% p.a. SGD corporate bond due 7 September 2018 (quoted)	253	–
– 3.25% p.a. SGD corporate bond due 15 December 2015 (quoted)	1,532	–
– 3.5% p.a. SGD corporate bond due 15 December 2014 (quoted)	508	–
	6,582	251
	18,167	11,589
(b) Current		
Held for trading investments		
– Quoted equity investments	12	13
– SGD Index linked note due 30 June 2017 (quoted)	1,000	–
	1,012	13

11. Investment securities (cont'd)

Investments pledged as security

The Group has no investments pledged as security.

Impairment loss

During the financial year, the Group recognised an impairment loss of $1,194,000 (2011: Nil) pertaining to unquoted equity investments carried at cost, reflecting the write-down in the carrying value of this private equity investment in a Singapore company that is in a accumulated loss position.

12. Construction work-in-progress

	Group	
	2012 $'000	**2011** $'000
Construction costs	1,047,265	882,867
Attributable profits less recognised losses	217,380	160,588
	1,264,645	1,043,455
Progress billings	(1,357,929)	(1,141,557)
	(93,284)	(98,102)
Represented by:		
Construction work-in-progress less progress billings	4,892	8,784
Progress billings in excess of construction work-in-progress	(98,176)	(106,886)
	(93,284)	(98,102)
Retention monies on construction contract included in trade receivables	50,273	48,519

The following were capitalised in construction costs during the year:

	Group	
	2012 $'000	**2011** $'000
Depreciation of plant and machinery	1,369	1,048
Staff costs	20,345	20,798
Operating lease expenses	1,375	1,952

13. Development properties/development properties held for sale

		Group	
		2012 $'000	**2011** $'000
(a)	Development properties		
	Freehold land, at cost	176,536	160,324
	Development expenditure	44,747	31,866
	Interest costs	10,524	9,310
	Property tax	1,478	1,031
		233,285	202,531
	Attributable profits	10,440	7,983
		243,725	210,514
	Progress billings	(140,874)	(77,252)
		102,851	133,262
	Less: Transfer to development properties held for sale	(6,154)	(6,154)
		96,697	127,108
(b)	Development properties held for sale	6,154	6,154

Development properties with carrying amount of $77,107,000 (2011: $127,108,000) are pledged to banks for loans granted to a subsidiary and a jointly-controlled entity (Note 22). In prior year, development properties held for sale with carrying amount of $6,154,000 were pledged to a bank for loan granted to a subsidiary.

The interest on bank borrowings capitalised in the current financial year amounted to $1,214,000 (2011: $1,423,000) per annum. The rate used to determine the amount of borrowing costs eligible for capitalisation ranged from 1.24% to 3.25% (2011: 1.56% to 3.25%). Interest ceases to be capitalised when the temporary occupation permit (TOP) has been obtained.

13. Development properties/development properties held for sale (cont'd)

Details of the Group's development properties/ development properties held for sale are as follows:

Description and Location	Tenure	Site Area (square metre)	Stage of development/ expected completion date	Interest held by the Group	
				2012 %	2011 %
A mixed use commercial cum residential building at Balestier Road, Singapore	Freehold	1,540	Certificate of statutory completion has been issued on 21 December 2005	100	100
Condominium development of 3 blocks of 5 storey residential building with basement and attic at Mountbatten Road, Singapore	Freehold	4,443	Certificate of statutory completion has been issued on 10 November 2011	100	100
Condominium housing development of 2 blocks of 30 storey apartment flats at No. 1 & 3 Khiang Guan Avenue (Lincoln Suites), Singapore	Freehold	5,573	Building under construction and expected completion date on June 2013	25	25
Part of land lots 202V Mukim 14 at Mandai Estate, Singapore	Freehold	3,622	Vacant land (Note 43)	55	55
Proposed erection of 10-storey ramp-up industrial factory on Lots 240K and 241N Mukim 14 at Mandai Estate (M-Space), Singapore	Freehold	7,092	Building under construction and expected completion date on September 2013	55	55
Proposed condominium development of 1 block of 36-storey residential building at 14 Spottiswoode Park Road, Singapore	Freehold	3,588	Statutory approval obtained. Awaiting sale launch and construction.	50	-
Proposed development of commercial and residential housing at 1189 Upper Serangoon Road, Singapore	Leasehold	5,300	Awaiting statutory approval	50	-

14. Inventories

	Group 2012 $'000	Group 2011 $'000
Statement of financial position:		
Raw materials (at cost)	3,076	6,437
Profit or loss:		
Inventories recognised as an expense in cost of sales	88,119	51,665

15. Trade receivables

	Group 2012 $'000	Group 2011 $'000
Trade receivables	74,655	86,138
Retention monies on construction contracts	50,273	48,519
	124,928	134,657
Less: Allowance for doubtful receivables	(564)	(1,091)
	124,364	133,566

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

All trade receivables are denominated in Singapore Dollars.

Receivables that are past due but not impaired

The Group has trade receivables amounting to $11,623,000 (2011: $14,684,000), that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group 2012 $'000	Group 2011 $'000
Trade receivables past due but not impaired:		
Less than 30 days	5,248	11,641
30 to 60 days	3,065	1,396
61-90 days	934	320
91-120 days	1,020	171
More than 120 days	1,356	1,156
	11,623	14,684

15. Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment is as follows:

	Group			
	Collectively impaired		Individually impaired	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	–	–	564	1,091
Less: Allowance for impairment	–	–	(564)	(1,091)
	–	–	–	–
Movement in allowance accounts:				
At 1 June	–	–	1,091	1,255
Charge for the year	–	–	11	113
Written off	–	–	(538)	(277)
At 31 May	–	–	564	1,091

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

16. Other receivables and deposits

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Other receivables (Note A)	17,699	9,356	3	3
Deposits	3,574	1,847	–	–
Amount due from shareholder of a jointly-controlled entity (non-trade) (Note B)	1,972	–	1,972	–
	23,245	11,203	1,975	3
Allowance for doubtful receivables	(617)	(617)	–	–
	22,628	10,586	1,975	3

Note A

The amount relating to other receivables is denominated in Singapore dollars, unsecured, interest-free except for an amount of $15,476,000 (2011: $4,608,000) which bears interest at 5.38% to 8% (2011: 8.0%) per annum, and repayable on demand.

Note B

Amount due from shareholder of a jointly-controlled entity (non-trade) are unsecured, interest-free, repayable on demand and are expected to be settled in cash.

17. Receivables from related parties

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Amount due from affiliated companies	2	3	–	–
Amount due from subsidiary companies	–	–	91,167	79,592
	2	3	91,167	79,592
Allowance for doubtful receivables	–	–	(803)	(803)
	2	3	90,364	78,789

These non-trade balances are interest-free, unsecured, repayable on demand and are expected to be settled in cash.

18. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise only of cash and short term deposits at the end of the reporting period.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Fixed deposits (Note 19)	55,950	9,858	–	127
Cash on hand and at banks	130,828	140,005	663	20,534
Cash and cash equivalents	186,778	149,863	663	20,661

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in cash and cash equivalents are amounts of $2,785,000 (2011: $7,780,000) maintained in the Project Account. The funds in the Project Account can only be applied in accordance with the Housing Developers (Project Account) Rules.

Cash and short-term deposits denominated in foreign currencies at 31 May are as follows:

	Group	
	2012	**2011**
	$'000	$'000
United States Dollar	1,823	2,301

19. Fixed deposits

Fixed deposits earn interest of 0.01% to 2.25% (2011: 0.01% to 0.877%) per annum (Note 18) and have maturities ranging between 2 days and 12 months (2011: 1 day and 12 months).

20. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade payables (a)	100,168	97,583	–	–
Other payables (b)	18,731	13,701	58	44
	118,899	111,284	58	44

(a) *Trade payables*

Trade payables are non-interest bearing and normally settled on 30-90 days terms.

All trade payables are denominated in Singapore Dollars.

(b) *Other payables*

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Refundable deposits	411	419	–	–
Other payables	1,181	1,216	58	44
Amount due to minority shareholder of subsidiaries (non-trade)	17,116	11,822	–	–
Amount due to shareholder of jointly-controlled entity	23	244	–	–
	18,731	13,701	58	44

Other payables are non-interest bearing and are normally settled on 30 - 90 day terms.

Amounts due to the minority shareholder of subsidiaries (non-trade) and shareholder of the jointly-controlled entity are unsecured, interest-free, repayable on demand and are expected to be settled in cash.

21. Amounts due to subsidiaries

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short-term loans from subsidiaries	–	–	44,834	38,591

Short-term loans from subsidiaries are unsecured, interest-free, repayable on demand and are expected to be settled in cash.

22. Loans and borrowings

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Current liabilities				
(a) Short-term bank loans				
- Loan A	–	14,854	–	–
- Loan B	–	1,600	–	–
- Loan C	500	–	–	–
	500	16,454	–	–
Current portion of long-term bank loans				
- Loan D	169	–	–	–
- Loan E	–	250	–	–
- Loan F	166	160	–	–
- Loan G	–	10,687	–	–
	335	11,097	–	–
Total current liabilities	835	27,551	–	–
(b) Bills payable	755	1,644	–	–
Non-current liabilities				
(c) Long-term bank loans				
- Later than one year but not later than five years				
- Loan D	478	–	–	–
- Loan E	–	1,000	–	–
- Loan F	739	709	–	–
- Loan H	32,145	41,895	–	–
- Loan I	–	268	–	–
- Loan J	20,313	53,600	–	–
- Loan K	6,864	–	–	–
- Later than five years				
- Loan E	–	910	–	–
- Loan F	1,635	1,831	–	–
- Loan K	37,659	–	–	–
Total non-current liabilities	99,833	100,213	–	–

22. Loans and borrowings (cont'd)

(a) ***Bank loans***

Loan A

The loan was repaid on 7 July 2011. The loan was previously secured by a subsidiary's investment property held for sale with carrying amount of $24,309,000 and was guaranteed by the Company. During the financial year, interest was charged at 1.25% (2011: 1.25%) per annum above the prevailing 3-month SIBOR rate and the effective interest rate was 1.69% (2011: 1.69%) per annum.

Loan B

The short-term loan was repaid on 24 October 2011. The short-term loan was previously secured over a subsidiary's development properties held for sale with carrying amount of $6,154,000 and was guaranteed by the Company. During the financial year, interest was charged at 1.5% (2011: 1.5%) above the bank's cost of funds per annum and the effective interest rate ranged from 1.50% to 1.90% (2011: 1.82% to 2.18%) per annum.

Loan C

The revolving loan is guaranteed by the Company. The loan is repayable on demand. Interest is charged at 1.25% (2011: Nil) per annum above bank's cost of fund. During the financial year, the effective interest rate was 2.29% (2011: Nil) per annum.

Loan D

The term loan is secured by the following:

(1) The legal mortgage on a subsidiary's barge with carrying amount of $885,000 (2011: Nil);

(2) Assignment of all rights, interests benefits under and arising out of the insurance policies in respect of a subsidiary's barge;

(3) Assignment of rights, interests, benefits and earnings from the charter agreement between a subsidiary and a third party; and

(4) A corporate guarantee from the Company.

The loan is repayable by 48 monthly instalments commencing from April 2012 and interest is charged at prevailing 3-month SIBOR plus 2.5% (2011: Nil) per annum. During the financial year, the effective interest rate was 2.90% (2011: Nil) per annum.

22. Loans and borrowings (cont'd)

(a) ***Bank loans (cont'd)***

Loan E

The long-term loan was repaid on 21 September 2011. The long-term loan was previously secured over a subsidiary's freehold land and building with carrying amount of $8,871,000 and was guaranteed by the Company. During the financial year, interest was charged at 1.75% (2011: 1.75%) above the bank's cost of funds per annum and the effective interest rate was 2.06% (2011: 1.98% to 2.18%) per annum.

Loan F

The long term loan is secured by the following:

(1) The legal mortgage on a subsidiary's freehold land and building with carrying amount of $13,495,000 (2011: $13,661,000);

(2) Assignment of all rights and benefits over the rental income in respect of the tenancies entered into for a subsidiary's property;

(3) Assignment of all rights and benefits arising under insurance policies taken in relation to the construction of the property; and

(4) Deed of Corporate Guarantee of the Company.

The loan is repayable in 180 equal monthly instalments of $22,569 commencing from 29 June 2009 and interest is charged at prevailing bank prime rate. During the financial year, the effective interest rate was 4.25% (2011: 4.25%) per annum.

Loan G

The loan was repaid on 29 July 2011. The loan was previously secured by the following:

(1) The legal mortgage on a subsidiary's development property with carrying amount of $30,509,000;

(2) Assignment of rights and benefits of a subsidiary in the sale and purchase agreements; and

(3) Deed of Corporate Guarantee of a subsidiary company and the Company.

During the financial year, interest was charged at 1.13% (2011: 1.13%) above the SIBOR rate per annum and the effective interest rate was 3.25% (2011: 3.25%) per annum.

22. Loans and borrowings (cont'd)

(a) ***Bank loans (cont'd)***

Loan H

The land loan is secured by the following:

(1) The legal mortgage on a jointly-controlled entity's development property with carrying amount of $52,486,000 (2011: $56,815,000);

(2) Debenture over all present and future assets of a jointly-controlled entity;

(3) Assignment of all the rights, titles, interest and benefit of a jointly-controlled entity under the Sale and Purchase Agreement in respect of the development property;

(4) Corporate guarantee given by the Company in the ratio of the shareholding held by the Company in a jointly-controlled entity of 25%;

(5) Legal assignment of construction contract(s) and performance bonds; and

(6) Legal assignment of insurance policies.

Interest is charged at 1.125% (2011: 1.125%) per annum over the relevant S$ Swap Offer Rate from 9 January 2008 to 9 January 2012 and 1.875% per annum above swap offer rate from 10 January 2012 to 9 July 2013. During the financial year, interest was charged at rates ranging from 1.24% to 2.56% (2011: 1.65% to 1.84%) per annum. The land loan is repayable 66 months from date of its first drawdown on 9 January 2008 or 6 months after date of issuance of TOP for the development property, whichever is the earlier.

Loan I

The term loan was repaid on 16 June 2011. The term loan was previously secured by a subsidiary's leasehold property under construction with carrying value $1,618,000 and was guaranteed by the Company. During the financial year, interest was charged at 2% (2011: 2%) above the bank's swap rate per annum and the effective interest rate was 2.26% (2011: 2.26% to 2.45%) per annum.

Loan J

The land loan is secured by the following:

(1) The legal mortgage on a subsidiary's development property and investment property under development with carrying amount of $24,621,000 (2011: $39,784,000) and Nil (2011: $29,708,000) respectively;

(2) The assignment of the rights and benefits in the sales and purchase agreement of a subsidiary in respect of its development property (2011: development property and investment property under development); and

(3) Corporate guarantee given by the Company in the ratio of the shareholdings held by the company in a subsidiary of 55%.

22. Loans and borrowings (cont'd)

(a) ***Bank loans (cont'd)***

Loan J (cont'd)

The land loan is repayable in one lump sum on 6 April 2015 or 6 months from date of issuance of TOP for the development property, whichever is earlier or such other date extended by the bank. Interest is charged at 1.25% (2011: 1.25%) per annum over prevailing SIBOR rate. During the financial year, the effective interest rate ranged from 1.47% to 1.82% (2011: 1.56% to 1.63%) per annum.

Loan K

The loan is secured by the following:

(1) The legal mortgage on a subsidiary's investment property under development with carrying amount of $43,801,000 (2011: Nil);

(2) The assignment of rental proceeds in respect of a subsidiary's investment property; and

(3) Corporate guarantee given by the Company in the ratio of the shareholdings held by the Company in a subsidiary of 55% (2011: Nil).

The loan is repayable in 20 years from 6 April 2014 or 6 months from date of issuance of TOP for the investment property, whichever is earlier. Interest is charged at 1.5% (2011: Nil) per annum over prevailing SIBOR rate for the period up to 6 April 2014 or 6 months from the date of issuance of TOP for the investment property, whichever is earlier. Thereafter, interest is charged at 1.25% (2011: Nil) per annum over prevailing SIBOR rate.

During the financial year, the effective interest rate was 1.82% (2011: Nil) per annum.

(b) ***Bills payable***

Bills payable are repayable within 28 to 88 days (2011: 27 to 120 days), guaranteed by the Company and a director of a subsidiary company. In prior year, the bills payable was also secured by legal charges over a subsidiary's construction contracts or contract proceeds of the projects and over the Project Account maintained with the bank. Interest is charged at Nil (2011: 1% to 2.25%) above bank's swap cost of fund or 1.5% (2011: 1.5%) above prime rate per annum. During the financial year, the effective interest rate ranged from 1.81% to 2.15% (2011: 1.31% to 5.5%) per annum.

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23. Obligations under hire purchase

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		
	Minimum lease payments $'000	**Interest** $'000	**Present value of payments** $'000
2012			
Not later than one year	4,247	(303)	3,944
Later than one year but not later than five years	5,891	(242)	5,649
Later than five years	59	(2)	57
	10,197	(547)	9,650
2011			
Not later than one year	4,028	(394)	3,634
Later than one year but not later than five years	7,108	(340)	6,768
Later than five years	3	–	3
	11,139	(734)	10,405

Lease terms range from 3 to 8 (2011: 3 to 7) years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. Interest is charged at rates ranging from 2.69% to 6.77% (2011: 3.69% to 6.77%) per annum.

24. Deferred tax liabilities

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
	2012 $'000	**2011** $'000	**2012** $'000	**2011** $'000
Deferred tax liabilities				
Differences in depreciation	1,903	1,761	142	392
Provisions	(149)	(85)	(64)	(25)
Others	–	1,086	(1,086)	878
Total deferred tax liabilities	1,754	2,762		
Deferred income tax expense (Note 31)			(1,008)	1,245

24. Deferred tax liabilities (cont'd)

The Group has deferred tax assets that have not been recognised due to uncertainty of their recoverability. The use of these balances is subject to the agreement of the relevant tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate, as follows:

	Group	
	2012 $'000	**2011** $'000
Deductible temporary differences	5,641	3,056
Tax losses	205	382
	5,846	3,438

Deferred income tax related to other comprehensive income

There is no deferred income tax related to other comprehensive income for the current financial year (2011: Nil).

25. Share capital

	Group and Company			
	2012		**2011**	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares	529,760	82,275	529,760	82,275

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

26. Other reserves

(a) *Foreign currency translation reserve*

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2012 $'000	**2011** $'000
At 1 June	375	19
Foreign currency translation	(49)	356
Reclassification of foreign currency exchange differences on liquidation of a jointly-controlled entity	(345)	–
At 31 May	(19)	375

26. Other reserves (cont'd)

(b) *Fair value adjustment reserve*

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group	
	2012	**2011**
	$'000	$'000
At 1 June	293	247
Net gain on fair value changes during the year	86	46
At 31 May	379	293

(c) *Capital reserve*

Capital reserve represents the difference between consideration and the carrying value of the additional interest acquired from non-controlling interests.

At 1 June	–	–
Acquisition and disposal of non-controlling interests without a change in control	351	–
At 31 May	351	–
Total other reserves	711	668

27. Revenue

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Construction contracts	332,481	421,070	–	–
Rental of plant and machinery and vessel	208	344	–	–
Sales of development properties	32,521	41,075	–	–
Maintenance of plant and machinery	15	12	–	–
Civil engineering and other works	166	295	–	–
Income from training of construction workers	574	303	–	–
Office rental income from affiliated companies	8	6	–	–
Project management - service income	1,798	2,079	–	–
Sales of concrete and sand	77,240	42,118	–	–
Dividend income from unquoted subsidiaries	–	–	11,500	11,000
	445,011	507,302	11,500	11,000

28. Profit before tax

Profit before tax includes the following:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
(a) Other operating income:				
Gain on disposal of investment properties held for sale	7,896	–	–	–
Write back of impairment loss on value of property held as property, plant and equipment	–	1,421	–	–
Dividend income				
- short-term quoted equity investments	1	1	–	–
- long-term quoted equity investments	14	11	–	–
Dividend income from long term unquoted equity investment	3,135	–	–	–
Interest income				
- fixed deposits	428	47	29	1
- bank balances	249	89	7	–
- others	675	566	–	–
- bonds	88	–	–	–
Gain on sale of plant and equipment	701	126	–	–
Rental income from investment properties (Note 5)	–	18	–	–
Operating lease income				
- affiliated companies	–	2	–	–
- others	443	316	–	–
Write back of allowance for doubtful trade and other receivables	6	–	–	–
Jobs credit scheme grant	–	52	–	–
Gain on foreign exchange, net	465	–	–	–
Gain on disposal of investment properties	–	3,662	–	–
Management fee	186	186	–	–
Storage handling charges	172	159	–	–
Gain arising from restructuring of subsidiaries for proposed listing in Taiwan	–	–	15,866	–
Others	149	46	–	–
	14,608	6,702	15,902	1

28. Profit before tax (cont'd)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
(b) Other operating expenses:				
Proposed listing expenses	342	–	–	–
Fair value loss on investment securities	1	–	–	–
Depreciation of property, plant and equipment – office	3,031	2,562	–	–
Depreciation of investment properties (Note 5)	60	71	–	–
Loss on foreign exchange, net	–	710	–	–
Allowance for doubtful trade and other receivables	11	121	–	–
Write-off of intangible assets	129	–	–	–
Impairment loss on value of unquoted investment securities	1,194	–	–	–
Management fees	285	279	–	–
Bad debts written-off	35	2,192	–	2,006
Write-off of plant and equipment	–	16	–	–
Allowance for impairment loss on value of investment property	700	–	–	–
Others	378	522	–	–
	6,166	6,473	–	2,006
(c) Other expenses:				
Non-audit fees				
- auditors of the Company	198	136	9	14
- other auditors	311	2	25	–
Depreciation of property, plant and equipment – others	4,209	3,356	–	–
Directors' fees to directors - of the Company	360	360	360	360
Operating lease expenses	3,530	4,062	–	–
Direct operating expenses arising from investment properties (Note 5)	25	54	–	–
Inventories recognised as an expense in cost of sales (Note 14)	88,119	51,665	–	–
Utility charges	2,987	2,209	3	2
Transportation charges	875	667	–	–
Legal and other professional fees	3,255	3,441	200	344
Staff costs (Note 29)	41,277	39,074	–	–

29. Staff costs

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Wages and salaries	35,012	34,148	–	–
Contributions to defined contribution plans	2,075	1,982	–	–
Others	4,190	2,944	-	-
	41,277	39,074	–	–
Included in staff costs are directors' remuneration payable to:				
- directors of the Company	6,505	5,953	–	–
- directors of the subsidiaries	2,096	2,001	–	–
	8,601	7,954	–	–

The directors' remuneration payable to directors of the Company and directors of the subsidiaries excluded other benefits of $29,000 (2011: $26,000) and $73,000 (2011: $67,000) respectively.

30. Finance costs

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest expense on:				
- bank loans and bank overdrafts	1,774	1,992	–	2
- hire purchase	446	522	–	–
	2,220	2,514	–	2
Less: Interest expenses capitalised in:				
Development properties (Note 13)	(1,214)	(1,423)	–	–
Property under construction (Note 4)	–	(80)	–	–
Investment property under construction and development (Note 5)	(360)	(61)	–	–
	646	950	–	2

31. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2012 and 2011 are:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Current income tax				
- Current income taxation	11,760	8,622	2	–
- Over provision in respect of prior years	(112)	(225)	–	–
Deferred income tax				
- Current deferred taxation	(1,008)	1,001	–	–
- Under provision in respect of prior years	–	244	–	–
Income tax expense recognised in the statement of comprehensive income	10,640	9,642	2	–

Relationship between tax expense and accounting profit

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 May 2012 and 2011 is as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	$'000	$'000	$'000
Profit before taxation	62,404	58,271	26,425	7,875
Income tax using Singapore tax rate of 17%	10,609	9,906	4,492	1,339
Non-deductible expenses	1,333	1,202	17	394
Tax exempt income	(967)	(1,150)	(4,507)	(1,733)
Utilisation of previously unrecognised deferred tax assets	(58)	(64)	–	–
Deferred tax assets not recognised	466	179	–	–
Tax benefit on losses transferred in from related company	(4)	–	–	–
Over provision of current income taxation in respect of prior years	(112)	(225)	–	–
Under provision of deferred taxation in respect of prior years	–	244	–	–
Effects of tax incentive*	(651)	(452)	–	–
Others	24	2	–	–
Income tax expense recognised in the statement of comprehensive income	10,640	9,642	2	–

* The Productivity and Innovation Credit ("PIC") was introduced in the Singapore Budget 2010 and was enhanced in Budget 2011 to provide tax benefits for investments by businesses in a broad range of activities along the innovation value chain. Under the scheme, all businesses can enjoy additional allowances at 300% on up to $400,000 of their expenditure each qualifying year on qualifying activities, subject to the agreement by the Inland Revenue Authority of Singapore.

32. Earnings per share – basic and diluted

Earnings per share is calculated based on the Group's net profit attributable to equity holders of the Company for the year of $52,086,000 (2011: $48,182,000) over 529,760,000 (2011: 529,760,000) shares, being the weighted average number of shares in issue during the year.

As there were no share options and warrants granted during the year and no share options and warrants outstanding as at the end of the financial year, the basic and fully diluted earnings per share are the same.

33. Significant related party transactions

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(i) Staff costs of $1,227,000 (2011: $1,224,000) of the Group were paid to individuals who are close members of the family of certain directors.

(ii) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased certain furniture and fittings amounting to Nil (2011: $932) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd. Certain Directors of the Group have equity interests in these companies.

(iii) A subsidiary, Lian Beng Investment Pte Ltd, leased office space amounting to $4,320 (2011: $2,981) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd. Certain Directors of the Group have equity interests in these companies.

(iv) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased storage space amounting to $250,920 (2011: $226,920) from Associated KHL Industries Pte Ltd. One of the Directors of the Group has equity interests in the company.

(v) A subsidiary, Tradewin Engineering Pte Ltd, leased storage space amounting to $24,800 (2011: $24,000) from Associated KHL Industries Pte Ltd. One of the Directors of the Group has equity interests in the company.

	Group	
	2012	**2011**
	$'000	$'000
(b) ***Compensation of key management personnel***		
Short-term employee benefits	8,957	8,396
Contributions to defined contribution plans	143	124
	9,100	8,520
Comprise amounts paid to:		
- Directors of the Company	6,894	6,338
- Other key management personnel	2,206	2,182
	9,100	8,520

34. Commitments

(a) *Capital commitment*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Capital commitments in respect of:		
Plant and equipment	3,458	1,494
Investment properties	6,175	11,734
Tugs and barges	4,392	–

(b) *Operating lease commitment – as lessee*

The Group has entered into commercial leases on certain land and equipment. These non-cancellable leases have remaining lease terms of between 2 months and 10 years.

Future minimum rentals payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Not later than one year	2,688	1,413
Later than one year but not later than five years	6,031	1,514
Later than five years	1,956	2,280
	10,675	5,207

(c) *Operating lease commitment – as lessor*

The Group has entered into commercial leases on its development property held for sale, leasehold property and barges. These non-cancellable leases have remaining lease terms of between 4 months and 5 years.

Future minimum rentals receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2012	**2011**
	$'000	$'000
Not later than one year	642	318
Later than one year but not later than five years	1,325	372
	1,967	690

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35. Financial support to subsidiaries

The Company has undertaken to provide continuing financial support to certain subsidiaries to enable them to operate as going concerns at least through twelve months from the date of the Directors' Reports of the subsidiaries.

36. Directors' remuneration - Group

The number of directors in each of the remuneration bands is as follows:

	Executive Directors	Non-Executive Directors	Total
2012			
Above $1,749,999	2	–	2
$1,500,000 to $1,749,999	–	–	–
$1,250,000 to $1,499,999	1	–	1
$1,000,000 to $1,249,999	–	–	–
$500,000 to $999,999	–	–	–
$250,000 to $499,999	–	–	–
Below $250,000	–	2	2
	3	2	5
2011			
Above $1,749,999	1	–	1
$1,500,000 to $1,749,999	1	–	1
$1,250,000 to $1,499,999	1	–	1
$1,000,000 to $1,249,999	–	–	–
$500,000 to $999,999	–	–	–
$250,000 to $499,999	–	–	–
Below $250,000	–	2	2
	3	2	5

37. Fair value of financial instruments

(a) ***Fair value of financial instruments that are carried at fair value***

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group			
	2012 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial assets:				
Held for trading investments (Note 11)				
- Equity instruments (quoted)	12	–	–	12
- SGD Index linked note due 30 June 2017 (quoted)	–	1,000	–	1,000
Available-for-sale financial assets (Note 11)				
- Equity instruments (quoted)	596	–	–	596
- Bonds (quoted)	994	–	–	994
At 31 May 2012	1,602	1,000	–	2,602

	2011 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial assets:				
Held for trading investments (Note 11)				
- Equity instruments (quoted)	13	–	–	13
Available-for-sale financial assets (Note 11)				
- Equity instruments (quoted)	499	–	–	499
At 31 May 2011	512	–	–	512

37. Fair value of financial instruments (cont'd)

(a) ***Fair value of financial instruments that are carried at fair value (cont'd)***

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for assets
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 2012 and 2011.

Determination of fair value

Quoted equity instruments and Bonds: Fair values are determined directly by reference to their published market bid prices at the end of the reporting period.

Quoted SGD Index linked note: Fair value is determined using quoted market prices in less active markets or quoted prices for similar assets at the end of the reporting period.

(b) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Cash and cash equivalents (Note 18) and other current financial assets and liabilities

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

		Group			
		2012		2011	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets		$'000	$'000	$'000	$'000
Equity instruments, at cost	11	9,995	*	10,839	*
Held to maturity investment	11	6,582	6,509	251	251
Financial liabilities					
Obligation under hire purchase	23	9,650	9,805	10,405	10,953

37. Fair value of financial instruments (cont'd)

(c) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)***

* Investment in equity instruments carried at cost (Note 11)

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in property development and computer software companies that are not quoted on any market.

Held to maturity investment (Note 11)

Fair value is determined using quoted market prices in less active markets or quoted prices for similar assets at the end of the reporting period.

Obligations under hire purchase (Note 23)

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

38. Classification of financial assets and liabilities

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Fair value through profit or loss				
Investment securities	1,012	13	–	–
Held to maturity investment				
Investment securities	6,582	251	–	–
Available-for-sale financial assets				
Investment securities	11,585	11,338	–	–
Loans and receivables				
Trade receivables	124,364	133,566	–	–
Other receivables and deposits	22,628	10,586	1,975	3
Receivables from related parties	2	3	90,364	78,789
Amounts due from jointly-controlled entities	–	17	7,977	–
Cash and cash equivalents	186,778	149,863	663	20,661
Amount due from an associated company	6,286	–	6,286	–
	340,058	294,035	107,265	99,453
Financial liabilities at amortised cost				
Trade and other payables	118,899	111,284	58	44
Accruals	13,131	10,816	435	412
Amounts due to subsidiaries	–	–	44,834	38,591
Bank loans	100,668	127,764	–	–
Bills payable	755	1,644	–	–
Obligations under hire purchase	9,650	10,405	–	–
	243,103	261,913	45,327	39,047

39. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director and Executive Director. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

39. Financial risk management objectives and policies (cont'd)

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit evaluation by the management. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the management.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial positions as disclosed in Note 38.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2012		2011	
	$'000	% of total	$'000	% of total
By country:				
Singapore	124,364	100	133,566	100
By industry sectors:				
Construction	102,731	83	117,441	88
Engineering and leasing of construction machinery	143	–	144	–
Property development	3,899	3	5,677	4
Investment holding	–	–	7	–
Sales of concrete and sands	17,591	14	10,297	8
	124,364	100	133,566	100

At the end of the reporting period, approximately:

– 64% (2011: 60%) of the Group's trade receivables were due from 5 major customers; and

– 4.2% (2011: Nil) of the Group's trade and other receivables were due from related parties while 98% (2011: 100%) of the Company's receivables were balances with related parties.

39. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At the end of the reporting period, approximately 5% (2011: 23%) of the Group's loans and borrowings (Note 22 and 23) will mature in less than one year based on the carrying amount reflected in the financial statements. The Company has no (2011: Nil) loans and borrowings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets (excluding held to maturity financial assets, amounts due from jointly-controlled entities and amount due from an associated company) and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

39. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	2012				2011			
	1 year or less $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Group								
Financial assets:								
Trade and other receivables	146,992	–	–	146,992	144,152	–	–	144,152
Cash and cash equivalents	186,778	–	–	186,778	149,863	–	–	149,863
Receivables from related parties	2	–	–	2	3	–	–	3
Investment securities	1,012	11,585	–	12,597	13	11,338	–	11,351
Total undiscounted financial assets	334,784	11,585	–	346,369	294,031	11,338	–	305,369
Financial liabilities:								
Trade and other payables	118,899	–	–	118,899	111,284	–	–	111,284
Accruals	13,131	–	–	13,131	10,816	–	–	10,816
Bank loans	2,917	64,299	44,529	111,745	29,490	101,463	3,097	134,050
Bills payable	755	–	–	755	1,647	–	–	1,647
Obligations under hire purchase	4,247	5,891	59	10,197	4,028	7,108	3	11,139
Total undiscounted financial liabilities	139,949	70,190	44,588	254,727	157,265	108,571	3,100	268,936
Total net undiscounted financial assets/(liabilities)	194,835	(58,605)	(44,588)	91,642	136,766	(97,233)	(3,100)	36,433

39. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	2012				2011			
	1 year or less $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Company								
Financial assets:								
Other receivables and deposits	1,975	–	–	1,975	3	–	–	3
Cash and cash equivalents	663	–	–	663	20,661	–	–	20,661
Receivables from related parties	90,364	–	–	90,364	78,789	–	–	78,789
Total undiscounted financial assets	93,002	–	–	93,002	99,453	–	–	99,453
Financial liabilities:								
Trade and other payables	58	–	–	58	44	–	–	44
Accruals	435	–	–	435	412	–	–	412
Amounts due to subsidiaries	44,834	–	–	44,834	38,591	–	–	38,591
Total undiscounted financial liabilities	45,327	–	–	45,327	39,047	–	–	39,047
Total net undiscounted financial assets	47,675	–	–	47,675	60,406	–	–	60,406

39. Financial risk management objectives and policies (cont'd)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group's policy is to manage interest cost using floating rate debts.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 75 (2011: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $223,000 (2011: $133,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The interest capitalised in development properties would have been $152,000 (2011: $625,000) lower/higher. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) *Foreign currency risk*

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and USD.

It is not the Group's policy to enter into derivative forward foreign exchange contracts for hedging and speculative purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, namely Maldives. The Group's net investments in Maldives are not hedged as currency positions in USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax.

			2012	2011
			Profit net of tax	**Profit net of tax**
			$'000	$'000
USD/SGD	-	strengthened 5% (2011: 5%)	91	260
	-	weakened 5% (2011: 5%)	(91)	(260)

40. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 May 2012 and 31 May 2011.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. The Group includes within total debt, loans and borrowings, trade and other payables and other liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the fair value adjustment reserve.

	Group	
	2012	**2011**
	$'000	$'000
Bank loans (Note 22)	100,668	127,764
Bills payable (Note 22)	755	1,644
Obligations under hire purchase (Note 23)	9,650	10,405
Trade and other payables (Note 20)	118,899	111,284
Accruals	13,131	10,816
Less: Cash and cash equivalents (Note 18)	(186,778)	(149,863)
Net debt	56,325	112,050
Equity attributable to the owners of the parent	231,459	187,806
Less: Fair value adjustment reserve (Note 26)	(379)	(293)
Total capital	231,080	187,513
Capital and net debt	287,405	299,563
Gearing ratio	20%	37%

41. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has five operating segments as follows:

(i) The construction segment is in the business of constructing residential, institutional, industrial and commercial properties as the main contractor. It also to a lesser extent undertakes civil engineering projects in both private and public sectors.

(ii) The engineering and leasing of construction machinery segment is involved in the provision of construction related services, such as scaffolding, electrical installations, leasing of metal formworks as well as leasing of construction machinery and equipment.

(iii) The property development segment is involved in the development and sale of properties (residential, commercial and industrial) as well as the provision of property management services.

(iv) The manufacturing of concrete segment is involved in the manufacture and supply of ready-mixed concrete and sand.

(v) Investment holding segment holds investments in unquoted securities and property for long-term capital appreciation and rental as well as dividend yields.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

41. Segment information (cont'd)

	Construction		Engineering and leasing of construction machinery		Property development		Investment holding		Manufacturing of concrete		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011		2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:															
External customers	334,482	423,036	356	481	32,897	41,661	9	6	77,267	42,118	–	–		445,011	507,302
Inter-segment	15,774	12,947	14,365	24,815	–	–	12,177	11,339	14,652	15,400	(56,968)	(64,501)	A	–	–
Total revenue	350,256	435,983	14,721	25,296	32,897	41,661	12,186	11,345	91,919	57,518	(56,968)	(64,501)		445,011	507,302
Results:															
Interest income	646	103	–	–	41	33	751	566	2	–	–	–		1,440	702
Dividend income	15	12	–	–	–	–	3,135	–	–	–	–	–		3,150	12
Finance cost	210	380	29	49	13	37	170	152	224	332	–	–		646	950
Depreciation and amortisation	4,052	3,428	1,559	1,296	43	31	65	16	1,742	1,378	(161)	(160)		7,300	5,989
Share of result of associate	–	–	–	–	(48)	–	–	–	–	–	–	–		(48)	–
Write-back of impairment loss on value of property held as property, plant and equipment	–	–	–	–	–	–	–	1,421	–	–	–	–		–	1,421
Other non-cash expenses:															
Allowance for impairment loss on value of investment property	700	–	–	–	–	–	–	–	–	–	–	–		700	–
Impairment loss on value of unquoted investment securities	–	–	–	–	–	–	1,194	–	–	–	–	–		1,194	–
Allowance for doubtful receivables	5	113	–	–	–	8	–	–	–	–	–	–		5	121
Bad debt written off	–	173	–	12	–	–	–	2,006	35	1	–	–		35	2,192
Write-off of intangible assets	–	–	–	–	129	–	–	–	–	–	–	–		129	–
Segment profit/(loss)	42,967	45,321	3,483	6,760	382	4,286	8,878	(1,352)	7,910	4,040	(1,216)	(784)	B	62,404	58,271
Assets:															
Additions to non-current assets	13,558	11,320	804	2,925	14,097	29,991	330	827	5,800	1,641	(4)	(605)	C	34,585	46,099
Segment assets	372,059	346,095	24,790	26,546	188,887	178,677	157,146	151,100	39,063	24,763	(194,576)	(157,879)	D	587,369	569,302
Segment liabilities	226,037	244,135	6,877	12,593	185,707	173,599	44,283	59,911	22,907	16,854	(130,689)	(127,057)	E	355,122	380,035

41. Segment information (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.

B. The following items are (deducted from)/added to segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income:

	2012 $'000	**2011** $'000
Share of result of associates	(48)	–
Profit from inter-segment sales	(1,168)	(784)
	(1,216)	(784)

C. Additions to non-current assets consist of additions to property, plant and equipment and investment properties under construction.

D. The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2012 $'000	**2011** $'000
Inter-segment assets	(194,576)	(157,879)

E. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2012 $'000	**2011** $'000
Investment in associate	(48)	–
Deferred tax liabilities	1,754	2,762
Provision for taxation	12,041	8,474
Inter-segment liabilities	(144,436)	(138,293)
	(130,689)	(127,057)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		**Non-current assets**	
	2012 $'000	**2011** $'000	**2012** $'000	**2011** $'000
Singapore	445,011	507,302	116,167	90,058

41. Segment information (cont'd)

Non-current assets information presented above consists of property, plant and equipment, investment properties and intangible assets as presented in the consolidated statement of financial position.

Information about major customers

Revenue from three (2011: two) major customers amount to $246,935,000 (2011: $124,443,000), arising from construction segments.

42. Dividends

	Group and Company	
	2012	**2011**
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares:		
- Exempt (one-tier) dividend for 2011: Final dividend of 1 cent and special dividend of 0.6 cent per share (2010: Final dividend of 0.4 cent and special dividend of 0.4 cent per share)	8,476	4,238
Proposed but not recognised as a liability as at 31 May		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Exempt (one-tier) dividend for 2012: Final dividend of 1 cent and special dividend of 1 cent per share (2011: Final dividend of 1 cent and special dividend of 0.6 cent, exempt (one-tier) per share)	10,595	8,476

43. Events occurring after the reporting period

i. On 18 July 2012, a subsidiary of the Company, Lian Beng Construction (1988) Pte Ltd ("LBC") incorporated a joint venture company in Singapore, named Paul Y.-Lian Beng JV Pte Ltd ("PYLB"), which will be principally engaged in building construction. LBC holds 50% equity interest in PYLB while the remaining 50% equity interest is held by Paul Y. Construction & Engineering Pte Limited ("PYCE"), an unrelated third party. PYCE is an indirect wholly-owned subsidiary of Paul Y. Engineering Limited, which is listed on the main board of the Hong Kong Stock Exchange.

ii. On 31 July 2012, a subsidiary of the Company, Lian Beng-Centurion (Mandai) Pte Ltd was granted Provision Permission from the Urban Redevelopment Authority of Singapore to develop a third dormitory block on the remaining plot of vacant land at Mandai Estate (Note 13). As such, the vacant land will be reclassified as investment property in the next financial year.

44. Authorisation of financial statements

The financial statements for the year ended 31 May 2012 were authorised for issue in accordance with a resolution of the directors on 21 August 2012.

Statistics of Shareholdings

as at 14 August 2012

SHARE CAPITAL

Issued and fully paid-up capital - S$83,666,121.52
Number of Shares - 529,760,000
Number of Treasury Share held - Nil
Class of Shares - Ordinary shares
Voting rights - 1 vote per share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 65.13% of the issued ordinary shares of the Company were held in the hands of the public as at 14 August 2012 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No of Shares	%
1 - 999	9	0.12	3,425	0.00
1,000 - 10,000	4,294	55.59	27,211,043	5.14
10,001 - 1,000,000	3,396	43.97	172,839,130	32.62
1,000,001 and above	25	0.32	329,706,402	62.24
Total	7,724	100.00	529,760,000	100.00

TWENTY LARGEST SHAREHOLDERS

No	Name of Shareholder	Number of Shares Held	Percentage
1	Ong Sek Chong & Sons Pte Ltd	133,782,400	25.25
2	DBS Nominees Pte Ltd	29,328,283	5.54
3	Citibank Nominees Singapore Pte Ltd	26,075,163	4.92
4	United Overseas Bank Nominees Pte Ltd	22,022,573	4.16
5	Ong Pang Aik	20,833,800	3.93
6	HSBC (Singapore) Nominees Pte Ltd	12,577,000	2.37
7	DBSN Services Pte Ltd	11,358,060	2.15
8	Ong Lay Huan	11,275,200	2.13
9	Ong Bee Dee	10,087,000	1.90
10	OCBC Securities Private Ltd	7,891,029	1.49
11	Ong Lay Koon	7,275,200	1.37
12	UOB Kay Hian Pte Ltd	6,223,000	1.17
13	Ang Mui Geok	4,428,799	0.84
14	Maybank Kim Eng Securities Pte Ltd	3,859,133	0.73
15	OCBC Nominees Singapore Pte Ltd	3,289,000	0.62
16	Raffles Nominees (Pte) Ltd	3,028,693	0.57
17	DB Nominees (S) Pte Ltd	2,905,000	0.55
18	Hong Leong Finance Nominees Pte Ltd	2,885,000	0.55
19	DBS Vickers Securities (S) Pte Ltd	2,296,398	0.43
20	Phillip Securities Pte Ltd	2,225,000	0.42
		323,645,731	61.09

Statistics of Shareholdings

as at 14 August 2012

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Ong Sek Chong & Sons Pte Ltd	133,782,400	25.25	-	-
Ong Pang Aik[1]	20,833,800	3.93	133,782,400	25.25
Ong Lay Huan[2]	11,275,200	2.13	133,782,400	25.25

Notes:

(1) Ong Pang Aik's deemed interests refer to 133,782,400 shares held by Ong Sek Chong & Sons by virtue of Section 7 of the Companies Act.

(2) Ong Lay Huan's deemed interests refer to 133,782,400 shares held by Ong Sek Chong & Sons by virtue of Section 7 of the Companies Act.

Notice of Annual General Meeting

LIAN BENG GROUP LTD
Registration No. 199802527Z

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of LIAN BENG GROUP LTD (the "**Company**") will be held at 29 Harrison Road, Lian Beng Building, Singapore 369648 on Wednesday, 26 September 2012 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 May 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final (tax exempt one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 May 2012. **(Resolution 2)**

3. To declare a special (tax exempt one-tier) dividend of 1.0 cent per ordinary share for the financial year ended 31 May 2012. **(Resolution 3)**

4. To re-elect Ms Ong Lay Huan, who is retiring pursuant to Article 107 of the Company's Articles of Association. **(Resolution 4)**

5. To re-appoint Dr Wan Soon Bee as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 of Singapore. *[see explanatory note 1]* **(Resolution 5)**

6. To approve the payment of Directors' fees of S$360,000 for the financial year ended 31 May 2012 (2011: S$360,000). **(Resolution 6)**

7. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without amendments:

8. **General Share Issue Mandate** **(Resolution 8)**

"That, authority be and is hereby given to the Directors of the Company to:

(i) (aa) allot and issue shares, whether by way of rights, bonus or otherwise; and/or

(bb) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Board may, in their absolute discretion, deem fit; and

(ii) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph 2 below) of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph 2 below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1 above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(aa) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(bb) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company;

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *[see explanatory note 2]*

9. **Renewal of Share Buy Back Mandate** **(Resolution 9)**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the "**Share Buy Back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of

(i) the date on which the next AGM of the Company is held or is required by law to be held;

(ii) the date on which the share buy back is carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked;

(d) for purposes of this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities;

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution; and

(f) Shareholders by voting to approve the Share Buy Back Mandate are waiving their rights to a general offer at a required price from Ong Directors (as defined in the Addendum) and parties acting in concert with them. *[see explanatory note 3]*

10. To transact any other business that may be properly transacted at the Annual General Meeting of the Company.

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries
Singapore

7 September 2012

EXPLANATORY NOTES:

1. Dr Wan Soon Bee will, upon re-election as a Director of the Company, remains as the Chairman of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

2. The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

3. The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of the AGM until the date of the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to ten per cent (10%) of the total number of Shares (excluding treasury shares) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the source of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Annual Report.

NOTES:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 29 Harrison Road, Lian Beng Building, Singapore 369648 not less than 48 hours before the time appointed for holding the above Meeting.

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Proxy Form

LIAN BENG GROUP LTD
Registration No. 199802527Z
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

IMPORTANT
1. For investors who have used their CPF monies to buy shares in the capital of Lian Beng Group Ltd, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) of

______________________________ (Address)

being a member/members of **LIAN BENG GROUP LTD** (the "Company") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or *

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "AGM") as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the AGM to be held on Wednesday, 26 September 2012 at 10.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Ordinary Resolutions relating to:-	To be used on a show of hands		To be used in the event of a poll	
		For	Against	Number of Votes For	Number of Votes Against
1.	Directors' Report and Audited Accounts for the financial year ended 31 May 2012				
2.	Payment of proposed first and final dividend				
3.	Payment of proposed special dividend				
4.	Re-election of Ms Ong Lay Huan as a Director				
5.	Re-appointment of Dr Wan Soon Bee as a Director				
6.	Approval of Directors' fees				
7.	Re-appointment of Messrs Ernst & Young LLP as Auditors				
8.	Authority to allot and issue shares				
9.	Renewal of Share Buy Back Mandate (Note: The vote of this resolution will be conducted by poll)				

* *Delete accordingly*
** *Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.*

Dated this __________ day of ____________ 2012.

Total number of shares held

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing the a proxy or proxies must be deposited at the Company's registered office at 29 Harrison Road, Lian Beng Building, Singapore 369648, not less than 48 hours before the time appointed for the meeting.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

LIAN BENG GROUP LTD
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