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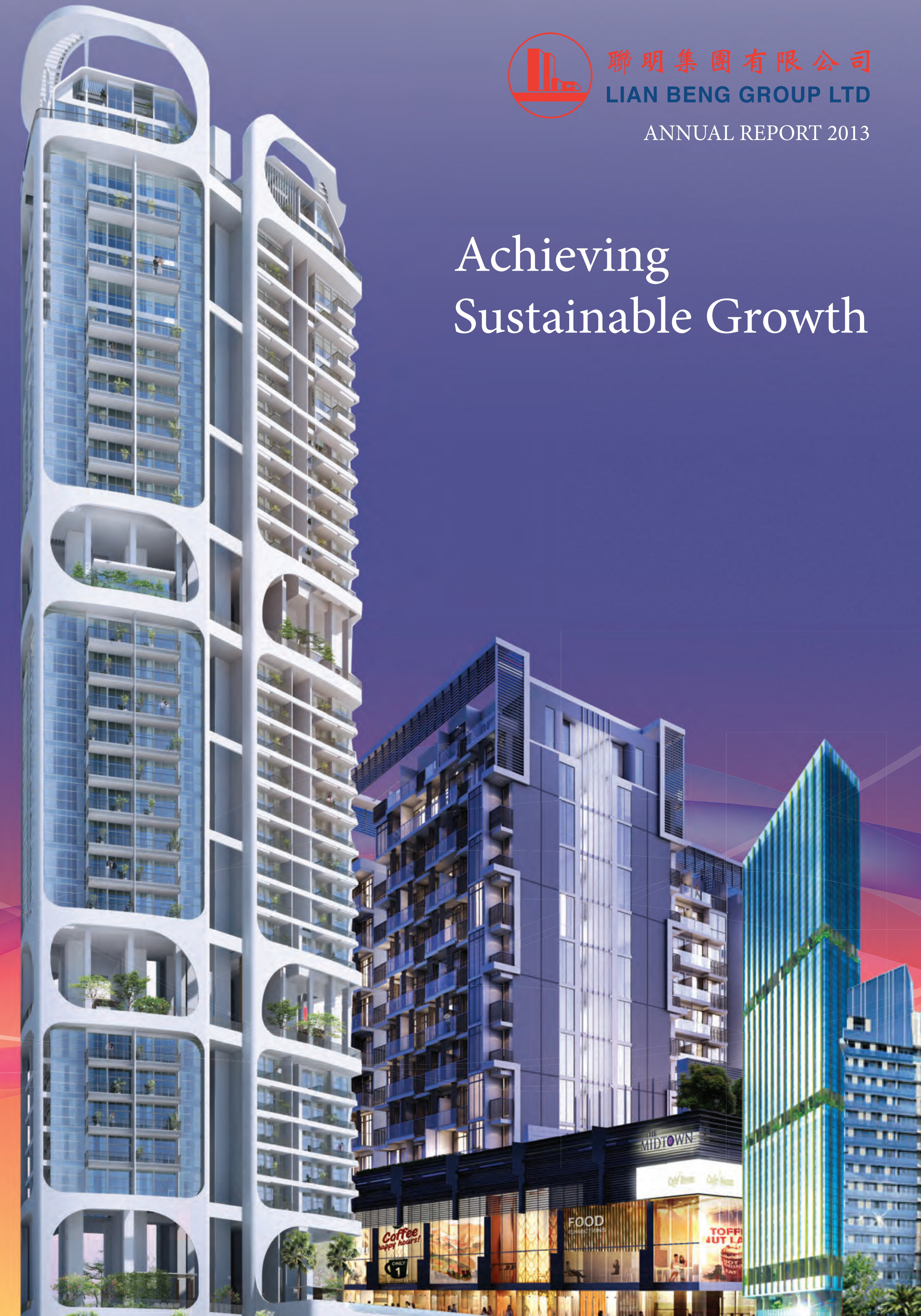
LIAN BENG GROUP LTD

ANNUAL REPORT 2013

聯明集團有限公司
LIAN BENG GROUP LTD

ANNUAL REPORT 2013

Achieving Sustainable Growth



MISSION STATEMENT

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

CONTENTS

OUR 40 YEARS' HISTORY

70's

Lian Beng was founded by Mr Ong Sek Chong in 1973 as a sole proprietorship with just 5 employees, engaging in small-scale civil engineering projects, such as roadwork, drainage work and bus-stops construction. In 1978, Lian Beng's present Chairman and Managing Director, Mr Ong Pang Aik joined the Company. It was his dream to grow the Company from a sub-contractor to a main contractor.

Drainage Work and Bus-Stops Construction

80's

In the 80's, Lian Beng grew and became a private limited company and diversified to building construction. The Company as a main contractor gradually took on numerous public sector projects for government bodies, like upgrading and construction of schools, polyclinics, libraries and terrace factories.

Construction of Schools

90's

In the 90's, we acquired our first building to serve as a Corporate Head Office at 985 Upper Serangoon Road. Lian Beng was also awarded its first Singapore HDB Project at Tampines, which marked a significant milestone for us as a builder. Since then, we completed many more HDB projects, creating a niche in public housing projects.

Lian Beng bagged its first private residential project with contract value exceeding $100 million and subsequently other private projects followed, which included commercial project at Riverside Point. As part of its strategic move to become a one-stop construction services provider, the Company ventured into engineering works, scaffolding works and leasing of construction machinery and equipment. With the expansion of operation in size and stature, the Group went on to be listed on the Mainboard of the Singapore Stock Exchange in 1999.

Our First Building


Our First HDB Project


Our First $100 Million Construction Project


Our First Commercial Project

Into the

New Millennium

At the turn of the new millennium, the Company began diversifying into property development in Singapore.

Sensing the need to ensure that we have enough skilled workers for our deployment, we took the bold step of opening an overseas testing & training centre in Bangladesh by way of joint venture. Our expansion did not stop just there, the Company went on to acquire an established design-and-build company, Deenn Engineering Pte Ltd.

As part of the tsunami relieve effort by the Red Cross Society, we responded to the call for the design and build of 600 single-storey housing units in the Maldives.

Our reputation which we have built over the years enabled us to secure the challenging assignment of completing the basement sub-structural works in the Marina Bay Sands integrated resort within the short contractual period. We continued our expansion in the construction related business by setting up our ready-mixed concrete division, Sinmix Pte Ltd.

Property Development Rocca Balestier

Construction of Homes in Maldives

Sinmix Pte Ltd

Our Former Office-Rented Premises

Our Former First Building

Our Second Building

Our Present Building

A Journey to Remember with Achievements to be Proud of

Lian Beng has grown through the years, is now a BCA Grade A1 builder. We continue to grow and recorded our highest ever in terms of order book, revenue, and profit. Our annual turnover is now about S$0.5 billion with staff strength now reaches a thousand. Our Group structure has grown to more than 30 subsidiaries. We completed various building and road construction projects, most noteworthy, the award-winning high-end property project, The Ritz-Carlton Residences. To date, we have completed more than 150 projects, 20,000 units of homes with total contract value of more than S$3.5 billion.

CHAIRMAN'S STATEMENT

"I am proud that Lian Beng has contributed an active part in the construction scene of Singapore for the past 40 years. My team and I will stay focused and seize opportunities to achieve sustainable growth and value for all our stakeholders."

Dear Shareholders,

2013 is a special year for Lian Beng as we celebrate our 40th Anniversary. 40 years ago, Lian Beng was just a small sub-contractor company with a paid-up value of S$5,000 and a handful staff doing small-scale civil engineering. Today, we are a public listed company with a net asset value of S$261 million, employing a thousand employees generating an annual turnover of about half a billion dollars.

Our business has progressed well in all fronts. Within the first six months of 2013, we secured nine construction projects for a contract amount of approximately S$915 million in total, bringing our order book to reach an all-time high of S$1.3 billion. On property development, we have fully sold our industrial property, M-Space and launched various JV-projects such as Spottiswoode Suites, The Midtown & Midtown Residences, KAP Residences and NEWest.

The Group's financial year ended 31 May 2013 ("FY2013") turnover increased 13.6% year-on-year to S$505.6 million mainly on higher revenue recognition from our construction and ready-mixed concrete segments. We experienced a lower gross profit partly because the gross margins of the construction projects in FY2013 were lower as compared to those in FY2012. As such, FY2013 net profit declined 22.3% to S$40.2 million.

We are pleased to propose a first and final dividend of 1.00 cent per share and a special dividend of 0.25 cent per share totalling 1.25 Singapore cents per share. Subject to shareholders' approval being obtained at the Annual General Meeting scheduled to be held on 26 September 2013, these dividends will be paid out on 16 October 2013.

I am also pleased to inform shareholders that The Ritz-Carlton Residences, which was built by our wholly-owned subsidiary, Millennium International Builders Pte Ltd, has won the prestigious "BCA Construction Excellence Award" in 2013. Our wholly-owned subsidiary, L.S. Construction Pte Ltd, was awarded the RoSPA Gold Award for Occupational Health & Safety Award 2013 by The Royal Society for the Prevention of Accidents (RoSPA).

The Building and Construction Authority has projected that the construction demand for 2013 to be between S$26-32 billion and S$20–28 billion per annum for 2014 and 2015, reflecting a sustained construction demand for the next few years. With our strong construction order book and profit recognition of our property development projects, we hope for a brighter and better FY2014 and beyond.

I am proud that Lian Beng has contributed an active part in the construction scene of Singapore for the past 40 years. My team and I will stay focused and seize opportunities to achieve sustainable growth and value for all our stakeholders.

I would like to take this opportunity to thank our clients and business associates for their support, and all Lian Beng management and staff for their diligence and contributions over these past four decades.

MR ONG PANG AIK BBM
Chairman and Managing Director

主席致辞

尊敬的股东们，

2013年对联明集团来说是特别的一年，因为今年是我们的四十周年。四十年前，联明只是一个小承包商，公司缴足资本仅5000新元，只有几个员工， 做的只是小规模的土木工程项目。如今，我们已是一家上市公司，净资产2.61亿新元，雇用近千名员工，营业额达至大约5亿新元。

集团各方面的业务，进展非常顺利。仅仅在今年首六个月内，我们获得了九个建筑合同，金额约9.15亿新元，把我们的建筑订单推至历史性新高，约13亿新元。在房地产发展方面，工业地产项目M-Space已全部售出，同时我们也推出几项发展合资项目，如 Spottiswoode Suites，The Midtown & Midtown Residences，KAP Residences， NEWest。

集团截至于2013年5月31日之财政年度（“2013财年”）的营业额上升13.6%至5.05亿新元，主要是来自建筑项目收入以及预拌混凝土业务收入的增加。我们这个财年毛利率有所减少，部分原因是2013财年里的建筑项目毛利率较低于2012财年的项目。因而公司2013财年净利润下降22.3%至4020万新元。

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0.25分新元的特别股息，合计每股1.25分新元股息。股息提议须待定于2013年9月26日的股东大会上由股东表决通过。股息将派发于2013年10月16日。

集团的建筑项目之一 The Ritz-Carlton Residences 赢得了久负盛名的“新加坡建设局（BCA）建筑优异奖”。该项目是由集团全资附属公司 Millennium International Builders Pte Ltd 所建。此外，集团全资附属公司 L.S. Construction Pte Ltd 被英国社会事故预防组织（RoSPA）授予2013年工职健康与安全金奖。

新加坡建设局预计2013年的建筑需求大约260亿至320亿新元，而2014年和2015年每年的建筑需求大约200亿至280亿新元，充分反映未来几年的持续建筑需求。集团建筑订单充足，房地产开发项目的利润会逐渐入账，未来几年的展望颇为乐观。

我为过去四十年里联明在新加坡建筑业做出的贡献感到自豪。我和我的团队将继续集中精力，把握机会，为大家争取持续的增长。

我想借此机会感谢客户和合作伙伴给予联明的支持，也感谢集团全体员工在这四十年里的努力和贡献。

王邦益 BBM
集团主席兼执行董事

BOARD OF DIRECTORS

Standing Left to right: Ms Ong Lay Koon, Ms Ong Lay Huan
Sitting Left to right: Dr Wan Soon Bee, Mr Ong Pang Aik BBM, Mr Sitoh Yih Pin

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 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.

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.

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 26 September 2012.

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

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 2012. 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.

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 Chartered 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 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, Meiban Group Pte Ltd, Nera Telecommunications Ltd and PNE Micron Holdings 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.

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
112 Robinson Road
#05-01
Singapore 068902

Auditors

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

Partner-In-Charge:
Sam Lo
(Since financial year ended 31 May 2013)

Solicitors

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

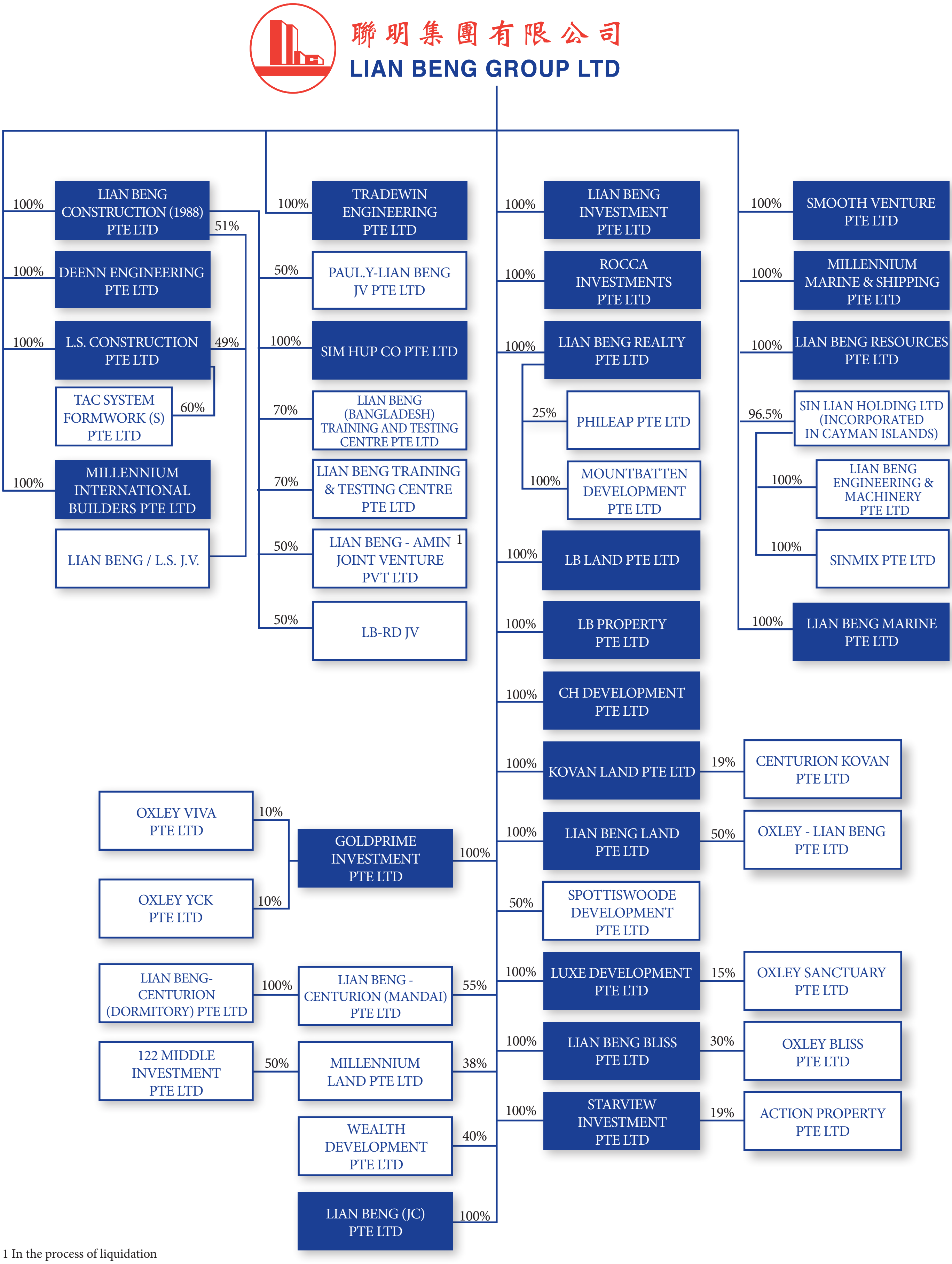
Principal Bankers

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, is the Plant & Machinery Director of the Group, 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 25 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 R&D in the Group.

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.

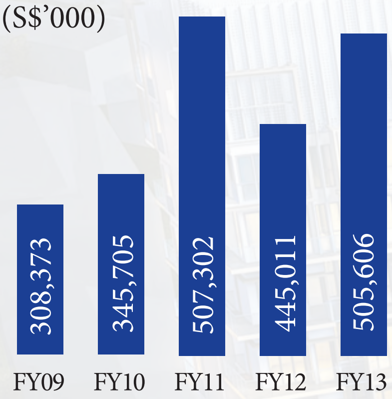
His 25 years of experience in the ready-mix industry has enabled him to lead the division efficiently in managing its assets allocation and cost control measures, as well as ensure a smooth supply chain within the division's network of customers and suppliers.

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.

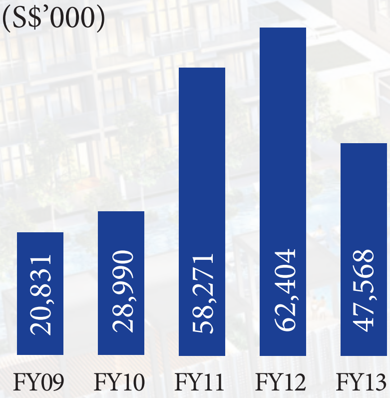
Mr Chew is a Fellow member of the Chartered Association of Certified Accountants in the United Kingdom (ACCA) and a member of the Institute of Singapore Chartered Accountants (ISCA). He holds a Master of Business Administration degree from the University of Oxford Brookes. Mr Chew has also been awarded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

FINANCIAL HIGHLIGHTS

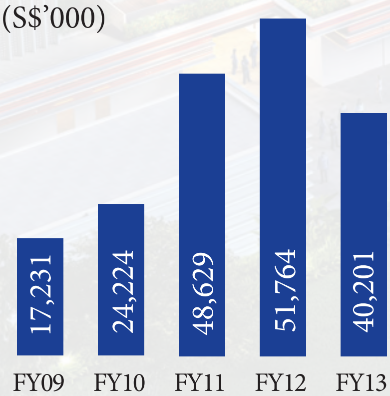
REVENUE
(S$'000)



PROFIT BEFORE TAX
(S$'000)



NET PROFIT
(S$'000)

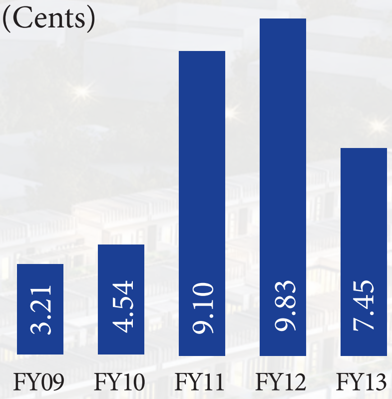


The Group reported a 13.6% year-on-year increase in revenue to S$505.6 million for its financial year ended 31 May 2013 ("FY2013") on higher revenue recognition from its construction and ready-mixed concrete segments.

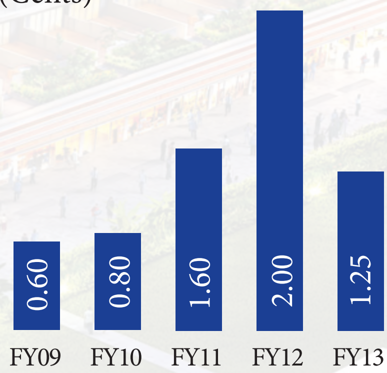
Gross profit dropped 11.6% to S$65.0 million partly because the gross margins of the construction projects in FY2013 are lower as compared to those in FY2012. The revenue contribution of its ready-mixed concrete segment has increased but the gross margin of this segment is generally lower than construction margins. Hence, the Group's FY2013 overall gross margin decreased.

FY2013 profit before tax declined 23.8% to S$47.6 million partly due to the lower gross margin but largely because there was a one-off gain of S$7.9 million from sale of an investment property in FY2012.

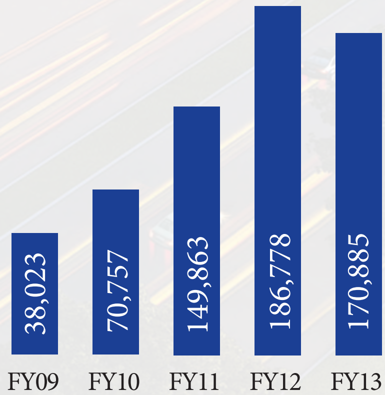
EARNINGS PER SHARE
(Cents)



DIVIDENDS PER SHARE
(Cents)



CASH AND CASH EQUIVALENTS
(S$'000)



The Group's income tax expense decreased 30.8% to $7.4 million in FY2013 compared to $10.6 million in the previous year, mainly due to lower tax provision as a result of lower profit in FY2013 and over-provision of prior years' taxation. Correspondingly, FY2013 net profit declined 22.3% to S$40.2 million. In tandem with the lower net profit, the Group's FY2013 earnings per share decreased from 9.83 cents in FY2012 to 7.45 cents.

The Group proposes a dividend of 1.25 Singapore cents per share, subject to shareholders' approval at the Annual General Meeting scheduled to be held on 26 September 2013. These dividends will be paid out on 16 October 2013.

The Group's cash and cash equivalents remained strong at S$170.9 million as at 31 May 2013.

OPERATIONS REVIEW

Construction

Engages in:
- Public and Private Residential
- Institutional
- Industrial
- Infrastructure

Property Development and Investments

Engages in:
- Residential
- Mixed (Residential & Commercial)
- Industrial

Construction -Related Business

Engages in:
- Scaffolding Works
- Engineering Works
- Ready-mixed Concrete
- Rebar
- Equipment & Machinery

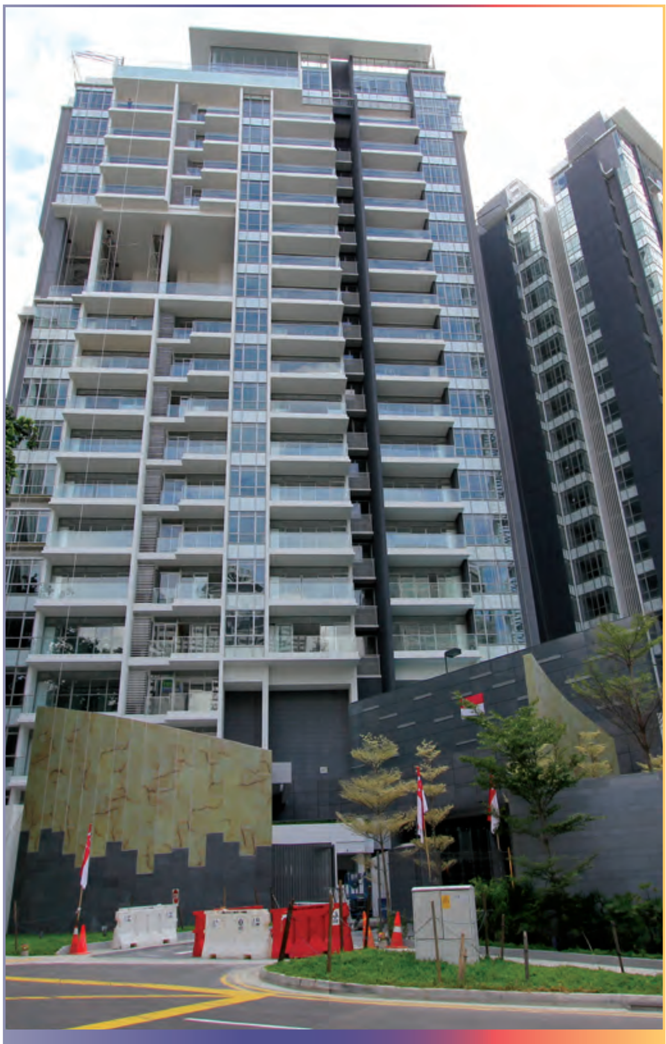
Construction

Construction segment is the Group's main revenue driver at S$376.8 million, contributing 74.5% for financial year ended 31 May 2013 ("FY2013").

The Group secured several construction projects in FY2013, boosting its order book to a record S$1.3 billion as at 31 May 2013. Among the residential projects are Thomson Grand, Skies Miltonia, Bartley Ridge, Goodwood Residence, and a condominium along Flora Drive. The industrial projects secured are Eco-Tech@Sunview and an industrial property at Tampines Industrial Crescent. In addition, the Group is building Oxley Tower, a commercial building located along Robinson Road, a hotel at Middle Road/Bugis vicinity, and an additions and alterations to existing office block.

In FY2013, several construction projects were completed, such as residential projects Waterfront Key, The Gale and Waterbank at Dakota.

Apart from the construction projects secured in FY2013, the Group is also busy with other on-going construction projects. Some of these condominium projects are Spottiswoode Residences, The Scala, Hedges Park, Waterfront Isle, Centro Residences and The Laurels. Besides, the Group is building a few of its joint venture's property development projects such as Spottiswoode Suites and M-Space.



The Laurels

Spottiswoode Residences

OPERATIONS REVIEW

Property Development and Investments

The Property Development segment contributed 4.7% to total Group revenue.

In March 2013, the Group was awarded, through a joint venture (JV) company, the tender for 160 Changi Road. The Group holds a 40% stake of this JV company. The existing property, known as AIA Changi, is a 4-storey office building with 2 basements on a site area of about 17,974 sq ft at the corner of Changi Road and Lorong 105 Changi. The JV company intends to redevelop the Property, subject to obtaining all the necessary approvals from the relevant authorities.

In FY2013, the Group's JV companies launched three mixed residential and commercial projects, namely, NEWest, The Midtown & Midtown Residences and KAP Residences, and a residential development, Spottiswoode Suites.

The two on-going JV developments are Flora Ville at Cactus Road, a mixed residential and commercial, and Eco-Tech@Sunview , an industrial development.

In FY2013, the Group completed the development of Mandai Dormitory (Phase 1), upon which the dormitory business commenced. The Group has been 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 to 6,290 beds from 4,750 beds.

Eco-Tech@Sunview (Artist's Impression)

Engineering Works

Scaffolding Works

Construction-Related Business

The revenue from Other construction-related business contributed 20.5% to the Group's revenue.

Ready-mixed concrete (RMC)

The strong growth in the construction sector brought an increasing demand for RMC. The Group's expanded capacity batching plants enabled this RMC business to grow 33.9% to rake in S$103.4 million in external sales.

Engineering and leasing

The Engineering and leasing segment largely caters internally to the Group with inter-segment revenue at S$18.7 million whereas external is just S$0.5 million for FY2013. Nonetheless, the revenue, including inter-segment revenue, for this segment has grown 30.6% to S$19.2 million for FY2013.

SIGNIFICANT EVENTS

September 2012

The Group's 67%-owned subsidiary, LB Land Pte Ltd, disposed its entire stake in Emerald Land Pte Ltd ("Emerald") for approximately S$17.0 million. As the sale of units in 111 Emerald Hill by Emerald has been slow, the continued investment in Emerald will increase Lian Beng's risk exposure. The Disposal will allow the Group to recover its investment. Based on the unaudited financial statements of Emerald as on 31 May 2012, the net loss attributable to the Sale Shares is about S$0.5 million.

October 2012

The Group's wholly-owned subsidiary, Starview Investment Pte. Ltd. ("Starview"), formed a JV company for the development of a land parcel at Sunview Road (off Jalan Buroh), which was acquired at a tender price of about S$76.6 million. Starview holds 19% stake in this JV company, which will develop the land, zoned as Business 2 (clean and light uses).

January 2013

Celebrate company 40th Anniversary Gala Dinner on 11 Jan 2013.

Our 40th Anniversary Gala Dinner

Our 40th Anniversary Gala Dinner

February 2013

Lian Beng Construction (1988) Pte Ltd, was awarded a contract worth S$117 million for the construction of Skies Miltonia, a condominium located at the junction of Yishun Avenue 1 and Miltonia Close.

March 2013

Lian Beng Construction (1988) Pte Ltd, was awarded a contract worth S$220 million for the construction of 868-unit Bartley Ridge, a condominium located along Mount Vernon Road opposite Bartley MRT station.

Lian Beng formed a JV company, in which it holds a 40% stake, to jointly redevelop 160 Changi Road. This freehold property, presently known as AIA Changi, was acquired for S$68 million. It is zoned "Commercial" under Master Plan 2008, with a permissible gross plot ratio of 3.0.

Bartley Ridge (Artist's Impression)

Oxley Tower (Artist's Impression)

April 2013

L.S. Construction Pte Ltd, was awarded a contract worth S$112 million for the design and construction of a multiple-user light industrial development on the acquired land plot at Sunview Road.

Deenn Engineering Pte Ltd, was awarded a contract worth S$89 million for the construction of the design and construction of a multiple-user industrial development at Tampines Industrial Crescent.

In end-April 2013, the construction order book reached S$1.2 billion after the Group was awarded three new contracts worth a total of about S$211 million. These three new contracts involve the construction of commercial building Oxley Tower @ Robinson and a hotel at 122 Middle Road, as well as the completion for the construction of Goodwood Residence, a condominium off Bukit Timah Road.

June 2013

Deenn Engineering Pte Ltd, was awarded a government contract worth S$85 million for the construction of a 12-storey office block and 11-storey car park including additions and alterations to an existing office block. With the addition of this contract, the order book reached a new high of S$1.3 billion.

Lian Beng Construction (1988) Pte Ltd, was awarded a contract worth S$115 million for the construction of a condominium along Flora Drive.

These two contracts secured in June 2013 boosted the Group's construction order book to a historical high of S$1.4 billion.

OUR PEOPLE, OUR ASSETS

Over the past four decades, our staff strength has grown not just in size but also in their professional competencies and capabilities.

We believe in improving our staff knowledge and skill to meet changes and challenges in the industry. We enrol our staff in regular training and development courses to unlock their potential, which includes improving their ability in overall productivity. The better skills and proficiency of our staff also translate to a higher quality in our projects, bringing us recognition and awards . One of our projects, The Ritz-Carlton Residences, won the prestigious "BCA Construction Excellence Award" in 2013.

We are equally committed to the safety and well-being of our staff. We regularly engage staff and workers in safety training and education,which emphasizes strict adherence of workplace safety procedures. In this area we were awarded the RoSPA Gold Award for Occupational Health & Safety Award 2013 by The Royal Society for the Prevention of Accidents (RoSPA) .

The Group also believes in returning to society. To commemorate this special year of our 40th Anniversary, the entire company management and staff took part in a fund-raising for several old folk's home through sales of lanterns. The company then matched a dollar for a dollar for the funds raised.

Training and Development

Workers Safety Training

BCA Construction Excellence Award 2013

Fund Raising

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance, in line with the Code of Corporate Governance 2005 (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.

CORPORATE GOVERNANCE

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	4	4	-	-	-	-	-	-
Ong Lay Huan	4	4	-	-	-	-	-	-
Ong Lay Koon	4	4	1	1	1	1	4	4
Dr Wan Soon Bee	4	4	1	1	1	1	4	4
Sitoh Yih Pin	4	4	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

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

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 pages 9 to 11 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.

CORPORATE GOVERNANCE

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 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

CORPORATE GOVERNANCE

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 the 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 2013 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus & Profit Sharing (%)	Other Benefits and Allowances (%)	Directors' Fees (%)[1]	Total
$2,750,001 - $3,000,000	Ong Pang Aik	19	73	2	6	100
$1,500,001 - $1,750,000	Ong Lay Huan	25	69	4	2	100
$1,000,001 - $1,250,000	Ong Lay Koon	27	65	5	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 2013 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 five 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 2013.

For the financial year ended 31 May 2013, the total remuneration paid to the directors of the Company was S$5,746,492 and the total remuneration paid to the key executives was S$2,735,755.

CORPORATE GOVERNANCE

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 Chartered Accountant and Ms Ong Lay Koon has more than 13 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 functions 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 and internal audit function;

CORPORATE GOVERNANCE

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 FY2013 are as follows:-

Audit fees	: S$406,000 (FY2012: S$367,600)
Non-audit fees	: S$165,100 (FY2012: S$197,750)

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 2013. 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.

CORPORATE GOVERNANCE

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 2013 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)
Evergrande Realty & Development Pte Ltd – Rental of office space and sale of property	$2,997,300	NA
Swee Yick Foodstuffs (S) Pte Ltd - Sale of property	$1,202,120	
Sinmah Poultry Processing (S) Pte Ltd - Sale of property	$2,310,760	
Associated KHL Industries Pte Ltd – Rental of storage space	$280,520	
Ong Lay Koon - Sale of motor vehicle	$405,797	
Ong Lay Huan & Ong Lay Koon - Sale of property	$1,311,000	
Ong Phang Hui & Lee Ke Juan - Sale of property	$1,416,000	

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.

FINANCIAL 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 2013.

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	20,833,800	21,504,800	133,782,400	137,730,400
Ong Lay Huan	11,275,200	11,275,200	133,782,400	137,730,400
Ong Lay Koon	7,275,200	7,775,200	–	–

There are no change in the above-mentioned interests between the end of the financial year and 21 June 2013 except for Mr. Ong Pang Aik whose direct interests have increased to 21,943,800 ordinary shares.

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' REPORT

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 and internal audit function;
- 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

Auditor

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

On behalf of the board of directors,

Ong Pang Aik
Director

Ong Lay Huan
Director

Singapore
21 August 2013

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 2013 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 2013

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2013

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 43 to 134, which comprise the statements of financial position of the Group and the Company as at 31 May 2013, 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 AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2013

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 2013 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 Chartered Accountants
Singapore
21 August 2013

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MAY 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Property, plant and equipment	4	58,775	49,956	–	–
Investment properties	5	136,558	66,211	–	–
Intangible assets	6	–	–	–	–
Investments in subsidiaries	7	–	–	46,656	46,655
Investments in jointly-controlled entities	8	–	–	500	500
Investment in associates	9	1,104	–	200	–
Investment securities	10	9,313	18,167	–	–
Deferred tax assets	23	200	–	–	–
		205,950	134,334	47,356	47,155
Current assets					
Investment property held for sale	5	–	–	–	–
Construction work-in-progress in excess of progress billings	11	4,397	4,892	–	–
Development properties	12	162,427	96,697	–	–
Development properties held for sale	12	5,389	6,154	–	–
Inventories	13	6,916	3,076	–	–
Trade receivables	14	161,168	124,364	–	–
Other receivables and deposits	15	2,266	22,628	4	1,975
Prepayments		1,683	1,146	4	8
Receivables from related parties	16	1	2	70,996	90,364
Amounts due from jointly-controlled entities	8	7,032	–	26,879	7,977
Amounts due from associates	9	63,541	6,286	15,100	6,286
Investment securities	10	1,020	1,012	–	–
Cash and cash equivalents	17	170,885	186,778	831	663
		586,725	453,035	113,814	107,273
Current liabilities					
Progress billings in excess of construction work-in-progress	11	98,817	98,176	–	–
Trade and other payables	19	134,803	118,899	68	58
Accruals		15,030	13,131	431	435
Amounts due to subsidiaries	20	–	–	55,043	44,834
Bank loans	21	2,963	835	–	–
Bills payable	21	–	755	–	–
Obligations under hire purchase	22	4,351	3,944	–	–
Provision for taxation		9,303	12,041	–	2
		265,267	247,781	55,542	45,329
Net current assets		321,458	205,254	58,272	61,944

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2013

		Group		Company	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Non-current liabilities					
Investment in associates	9	–	48	–	–
Bank loans	21	256,276	99,833	–	–
Obligations under hire purchase	22	6,787	5,706	–	–
Deferred tax liabilities	23	2,251	1,754	–	–
		265,314	107,341	–	–
Net assets		262,094	232,247	105,628	109,099
Equity attributable to owners of the Company					
Share capital	24	82,275	82,275	82,275	82,275
Reserves		178,375	149,184	23,353	26,824
		260,650	231,459	105,628	109,099
Non-controlling interests		1,444	788	–	–
Total equity		262,094	232,247	105,628	109,099

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 2013

		Group		Company	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Revenue	26	505,606	445,011	8,000	11,500
Cost of sales		(440,624)	(371,529)	–	–
Gross profit		64,982	73,482	8,000	11,500
Other operating income	27	6,439	14,608	4	15,902
Distribution expenses		(2,582)	(2,315)	–	(11)
Administrative expenses		(17,365)	(16,511)	(880)	(966)
Other operating expenses	27	(6,183)	(6,166)	–	–
Finance costs	29	(1,047)	(646)	–	–
Share of results of associates	9	3,324	(48)	–	–
Profit before tax	27	47,568	62,404	7,124	26,425
Taxation	30	(7,367)	(10,640)	–	(2)
Profit for the year, net of tax		40,201	51,764	7,124	26,423
Other comprehensive income:					
Net gain on fair value changes of available-for-sale financial assets		213	86	–	–
Foreign currency translation		8	(49)	–	–
Reclassification of foreign currency exchange differences on liquidation of a jointly-controlled entity		–	(345)	–	–
Other comprehensive income/(loss) for the year, net of tax		221	(308)	–	–
Total comprehensive income for the year		40,422	51,456	7,124	26,423
Profit attributable to:					
Owners of the Company		39,442	52,086	7,124	26,423
Non-controlling interests		759	(322)	–	–
		40,201	51,764	7,124	26,423
Total comprehensive income attributable to:					
Owners of the Company		39,663	51,778	7,124	26,423
Non-controlling interests		759	(322)	–	–
		40,422	51,456	7,124	26,423
Earnings per share (Cents)					
Basic and diluted	31	7.45	9.83		

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 2013

	Attributable to owners of the Company					
	Share capital (Note 24) $'000	Retained earnings $'000	Other reserves (Note 25) $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
2013						
Group						
Balance at 1 June 2012	82,275	148,473	711	149,184	788	232,247
Profit for the year	–	39,442	–	39,442	759	40,201
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	213	213	–	213
Foreign currency translation	–	–	8	8	–	8
Other comprehensive income for the year, net of tax	–	–	221	221	–	221
Total comprehensive income for the year	–	39,442	221	39,663	759	40,422
Contribution by and distribution to owners						
Dividends on ordinary shares (Note 41)	–	(10,595)	–	(10,595)	–	(10,595)
Acquisition and disposal of non-controlling interests without a change in control	–	–	123	123	(123)	–
Contributions by non-controlling interests	–	–	–	–	20	20
Total transactions with owners in the capacity as owners	–	(10,595)	123	(10,472)	(103)	(10,575)
Balance at 31 May 2013	82,275	177,320	1,055	178,375	1,444	262,094

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2013

	Attributable to owners of the Company					
	Share capital (Note 24) $'000	Retained earnings $'000	Other reserves (Note 25) $'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 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 41)	–	(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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2013

	Attributable to owners of the Company		
	Share capital (Note 24) $'000	Retained earnings $'000	Total equity $'000
2013			
Company			
Balance at 1 June 2012	82,275	26,824	109,099
Profit for the year	–	7,124	7,124
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	7,124	7,124
Contribution by and distribution to owners			
Dividends on ordinary shares (Note 41)	–	(10,595)	(10,595)
Balance at 31 May 2013	82,275	23,353	105,628
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 41)	–	(8,476)	(8,476)
Balance at 31 May 2012	82,275	26,824	109,099

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 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Profit before tax		47,568	62,404
Adjustments for:			
Depreciation of property, plant and equipment	4	9,528	7,240
Depreciation of investment properties	5	379	60
Dividend income from investment securities		(16)	(3,150)
Gain on disposal of plant and equipment	27(a)	(468)	(701)
Loss on disposal of investment securities		12	–
Net fair value (gain)/loss on investment securities	27(a)(b)	(8)	1
Share of results of associates		(3,324)	48
Gain on disposal of investment properties	27(a)	(678)	–
Interest income		(1,214)	(1,440)
Interest expense	30	1,047	646
Unrealised exchange difference		(14)	(395)
Allowance for impairment on doubtful receivables	27(b)	280	5
Write-off of deposit	27(b)	322	–
Bad debts written off	27(b)	59	35
Gain on disposal of investment property held for sale		–	(7,896)
(Write back)/allowance for impairment loss on investment property	27(a)(b)	(180)	700
Write-off of intangible assets		–	129
(Write back)/impairment loss on unquoted investment securities	27(a)(b)	(1,194)	1,194
Operating cash flows before changes in working capital		52,099	58,880
Changes in working capital:			
Development properties		(62,931)	31,625
Construction work-in-progress		1,182	(4,825)
Inventories		(3,840)	3,361
Trade receivables		(37,143)	9,156
Other receivables and deposits		10,123	(11,576)
Prepayments		(537)	(303)
Trade payables, other payables and accruals		34,420	3,709
Balances with related parties		(7,538)	24
Development properties held for sale		765	–
Cash flows (used in)/from operations		(13,400)	90,051
Interest paid, capitalised in development properties		(2,799)	(1,214)
Income tax paid		(9,808)	(8,098)
Net cash flows (used in)/from operating activities		(26,007)	80,739

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2013

	Note	2013 $'000	2012 $'000
Cash flows from investing activities			
Interest received		1,984	937
Dividend income from investment securities		16	3,150
Dividend income from associates		2,964	–
Purchase of property, plant and equipment (Note A)		(13,673)	(6,248)
Proceeds from disposal of property, plant and equipment		923	1,055
Purchase of investment properties		(73,183)	(19,654)
Additional investments in investment securities		(1,003)	(8,621)
Proceeds from disposal of investment properties		3,315	–
Proceeds from disposal of investment properties held for sale		–	32,205
Net cash outflow on acquisition of a subsidiary	7	–	(5,380)
Loans to associates		(43,488)	(6,286)
Investment in associates		(690)	–
Proceeds from disposal of investment securities		10,739	–
Loans to jointly-controlled entity		(3,250)	–
Net cash flows used in investing activities		(115,346)	(8,842)
Cash flows from financing activities			
Interest paid		(1,047)	(646)
Repayment of hire purchase creditors		(3,641)	(4,058)
Proceeds from bank loans		165,194	12,383
Repayment of bank loans and bill payable		(7,378)	(39,479)
(Repayment to)/loan from non-controlling interests of subsidiary companies		(17,116)	5,294
Dividend paid on ordinary shares	41	(10,595)	(8,476)
Contribution from non-controlling interests of a subsidiary company		20	–
Net cash flows from/(used in) financing activities		125,437	(34,982)
Net (decrease)/increase in cash and cash equivalents		(15,916)	36,915
Effect of exchange rate changes on cash and cash equivalents		23	–
Cash and cash equivalents at beginning of the year		186,778	149,863
Cash and cash equivalents at end of the year	17	170,885	186,778

Note A

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $18,802,000 (2012: $9,551,000) of which $5,129,000 (2012: $3,303,000) were acquired by means of hire purchase arrangements. Cash payments of $13,673,000 (2012: $6,248,000) 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 2013

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 associates 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 that are effective for annual periods beginning on or after 1 June 2012. The adoption of these standards 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 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Amendments to FRS 101 *Government Loans*	1 January 2013
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 Disclosures – *Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	1 January 2013
- Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
- Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
- Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 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 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to the transition guidance of FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27: *Investment Entities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other 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, FRS 111, Revised FRS 28 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

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.

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will affect the Group's financial statement presentation.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

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. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

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

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

Business combinations from 1 June 2010

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. 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.

2.5 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's 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

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.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.7 Property, plant and equipment (cont'd)

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
Tugboats and barges	–	10 – 15 years
Workers' 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

2.8 Investment properties (cont'd)

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 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 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.9 Impairment of non-financial assets (cont'd)

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.

2.10 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.

2.11 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

2.12 Associates (cont'd)

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 the profit attributable to equity holders of the associate and, therefore is the 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.

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

2.14 Jointly-controlled entities (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

2.15 Construction contracts (cont'd)

Assets covered by a single contract 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 are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

2.17 Financial assets (cont'd)

(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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.18 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.18 Impairment of financial assets (cont'd)

(a) *Financial assets carried at amortised cost (cont'd)*

If there is objective evidence that an impairment loss on financial assets carried at amortised 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 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 been 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.18 Impairment of financial assets (cont'd)

(c) *Available-for-sale financial assets (cont'd)*

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.

Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.20 Financial liabilities (cont'd)

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.

2.22 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

2.24 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 2.27(i). Contingent rents are recognised as revenue in the period in which they are earned.

2.25 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.26 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.

2.27 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.27 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.28 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

2.28 Taxes (cont'd)

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

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.

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.

2.29 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 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.30 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.

2.31 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.

2.32 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.

2.33 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

2.33 Related parties (cont'd)

(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.

(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 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) Operating lease commitments – as lessor

The Group has entered into commercial leases on its investment properties, tugboat and barges. 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, tugboat and barges and so accounts for the contracts as operating leases.

(ii) Finance lease - as lessee

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.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

(a) *Judgements made in applying accounting policies (cont'd)*

(iii) Impairment of available-for-sale investments

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 2013, a write-back of impairment loss of $1,194,000 (2012: impairment loss of $1,194,000) was recognised for available-for-sale financial assets.

(iv) Classification of property

The Group determined whether a property is classified as investment property or development property based on the following:

– Investment property comprises land and buildings (principally residential properties and dormitories) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income or for capital appreciation, or both.

– Development property comprises property that is held for sale in the ordinary course of business. Principally, this is residential and commercial property that the Group develops and intends to sell before or on completion of construction.

(v) Significant influence over associates

Management has concluded certain companies to be associates of the Group although the Group holds less than 20% of the ownership interest and voting control of the companies. The Group determined that it has significant influence over the companies as the Group has the ability to exercise significant influence through both its shareholding and its representatives on the Board of Directors.

(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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

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

(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 provision for tax, deferred tax liabilities and deferred tax assets at 31 May 2013 were $9,303,000 (2012: $12,041,000), $2,251,000 (2012: $1,754,000) and $200,000 (2012: $Nil) 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 2013 were $58,775,000 (2012: $49,956,000) and $136,558,000 (2012: $66,211,000) respectively. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1.04% (2012: 0.58%) variance in the Group's profit before tax.

(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. 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.

(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 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

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

(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 11 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 12 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 36.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

4. Property, plant and equipment

Group	Freehold land $'000	Freehold properties $'000	Leasehold properties $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles and cabin cruiser $'000	Tugboat and barges $'000	Barges and tugboats under construction $'000	Workers' dormitory $'000	Total $'000
Cost										
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 1 June 2012	6,185	7,531	8,328	59,011	5,311	5,022	900	–	493	92,781
Additions	–	–	–	7,557	2,377	2,882	5,860	126	–	18,802
Disposals	–	–	–	(584)	(4)	(1,077)	–	–	–	(1,665)
Written off	–	–	–	(211)	(36)	–	–	–	–	(247)
At 31 May 2013	6,185	7,531	8,328	65,773	7,648	6,827	6,760	126	493	109,671
Accumulated depreciation and impairment										
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 1 June 2012	–	221	1,716	33,696	3,546	3,385	15	–	246	42,825
Depreciation charge for the year	–	166	1,425	6,063	705	786	219	–	164	9,528
Disposals	–	–	–	(479)	(4)	(727)	–	–	–	(1,210)
Written off	–	–	–	(211)	(36)	–	–	–	–	(247)
At 31 May 2013	–	387	3,141	39,069	4,211	3,444	234	–	410	50,896
Net carrying amount										
At 31 May 2013	6,185	7,144	5,187	26,704	3,437	3,383	6,526	126	83	58,775
At 31 May 2012	6,185	7,310	6,612	25,315	1,765	1,637	885	–	247	49,956

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

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

	Group 2013 $'000	Group 2012 $'000
Depreciation for the year	9,528	7,233
Depreciation included in construction work-in-progress	(1,460)	(1,369)
Depreciation previously included in construction work-in-progress now charged to the profit or loss	1,460	1,376
Depreciation charged to the profit or loss (Note 27)	9,528	7,240

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

	2013	2012
Barges and tug boats mortgaged to bank for credit facilities granted to a subsidiary	1,756	885
Freehold properties mortgaged to bank for credit facilities granted to a subsidiary	13,329	13,495
Plant, machinery, motor vehicles and office equipments acquired under hire purchase arrangements	17,461	16,724
Leasehold properties mortgaged to bank for credit facility granted to a subsidiary	3,981	–

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

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of its freehold and leasehold properties. There was no impairment loss (2012: Nil) recognised for the financial year ended 31 May 2013. The recoverable amount is based on the valuations performed by accredited independent valuers.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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 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 1 June 2012	6,860	11,740	1,489	2,691	874	43,801	67,455
Disposals	–	–	–	(2,691)	–	–	(2,691)
Additions	–	13,602	1,622	–	283	43,968	59,475
Reclass to freehold land/properties	35,299	39,577	–	–	–	(74,876)	–
Reclass from development property	–	–	–	–	–	13,708	13,708
At 31 May 2013	42,159	64,919	3,111	–	1,157	26,601	137,947
Accumulated depreciation and impairment							
At 1 June 2011	–	484	–	–	–	–	484
Depreciation for the year	–	51	–	9	–	–	60
Impairment loss	–	700	–	–	–	–	700
At 1 June 2012	–	1,235	–	9	–	–	1,244
Depreciation for the year	–	334	–	45	–	–	379
Disposal	–	–	–	(54)	–	–	(54)
Write back of impairment loss	–	(180)	–	–	–	–	(180)
At 31 May 2013	–	1,389	–	–	–	–	1,389
Net carrying amount							
At 31 May 2013	42,159	63,530	3,111	–	1,157	26,601	136,558
At 31 May 2012	6,860	10,505	1,489	2,682	874	43,801	66,211

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

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

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

Statement of Comprehensive Income:

	Group	
	2013	**2012**
	$'000	$'000
Rental income from investment properties:		
Minimum lease payments	38	–
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	25	–
- Non-rental generating properties	80	25
	105	25

The freehold land under development, freehold properties and freehold land with carrying value of $26,601,000 (2012: $43,801,000), $39,434,000 (2012: $Nil) and $35,299,000 (2012: $Nil) respectively are mortgaged to a bank for credit facilities granted to a subsidiary.

The fair value of the investment properties excluding investment properties under construction and freehold land under development as at 31 May 2013 is approximating $177,300,000 (2012: $21,800,000).The fair value of investment properties under construction and freehold land under development as at 31 May 2013 is approximately $55,570,000 (2012: $ 141,185,000).

Fair value for all investment properties are based on the valuation performed by accredited independent valuers.

Capitalisation of borrowing costs

The Group's leasehold property under construction and freehold land under development include 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 $Nil (2012: $1,000) and $997,000 (2012: $359,000) respectively. The rate used to determine the amount of borrowing costs eligible for capitalisation ranged from 1.81% to 2.06% (2012: 1.47% to 2.26%) per annum, which was the effective interest rate of the specific borrowing.

Transfer from development properties

During the financial year, the Group transferred one parcel of land that was held as development property to investment property. The Group has developed the land for the purpose of the dormitory.

Impairment of investment properties

During the financial year, the Group carried out a review of the recoverable amounts of its investment properties. There was a write back of impairment loss of $180,000 (2012:$Nil) recognised for the financial year ended 31 May 2013. In the previous financial year, an impairment loss of $700,000 was recognised. The recoverable amount is based on the valuations performed by accredited independent valuers.

NOTES TO THE FINANCIAL STATEMENTS

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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
65 Cairnhill Road #06-01, The Ritz-Carlton Residences, Singapore	Freehold	Residential	263	100
32 & 34 Mandai Estate, Singapore	Freehold	Dormitory	20,000	55
111 Emerald Hill Road #05-02, 111 Emerald Hill, Singapore	Freehold	Residential	224	100
111 Emerald Hill Road #03-03, 111 Emerald Hill, Singapore	Freehold	Residential	183	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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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

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

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

Description and location	Tenure	Existing Use	Gross Floor Area (square metre)	Interest held by the Group %
1 Khiang Guan Avenue #22-02 Lincoln Suites Singapore	Freehold	Residential	150	100
16 Spottiswoode Park Road #36-07 Spottiswoode Suites Singapore	Freehold	Residential	117	100
36, Mandai Estate, Singapore	Freehold	Dormitory	9,056	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.

(b) *Investment property held for sale*

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

The details of investment property held for sale which was disposed off in the previous 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

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

6. Intangible assets

	Group 2013 $'000	Group 2012 $'000
Goodwill arising from consolidation	–	129
Write-off of intangible assets	–	(129)
	–	–

Impairment losses

In the previous financial year, a subsidiary of the Group within the property development segment fully disposed off its development properties and an impairment loss of $129,000 was recognised.

7. Investments in subsidiaries

	Company 2013 $'000	Company 2012 $'000
Unquoted equity investments, at cost	46,656	46,655

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2013	2012	2013	2012
			%	%	$'000	$'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
Tradewin Engineering Pte Ltd**	Sale, rental and maintenance of construction machinery and equipment and the provision of electrical works	Singapore	100	100	358	358

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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	
			2013	2012	2013	2012
			%	%	$'000	$'000
Held by the Company						
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
Smooth Venture Pte Ltd **	Business of an investment company	Singapore	100	100	1	1
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	100	67	# –	# –
Millennium International Builders Pte Ltd **	General building construction and civil engineering works	Singapore	100	100	600	600

NOTES TO THE FINANCIAL STATEMENTS
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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	
			2013	2012	2013	2012
			%	%	$'000	$'000
Held by the Company						
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	50
Luxe Development Pte Ltd **	Property investment holding	Singapore	100	100	# –	# –
Sin Lian Holding Ltd ***	Investment holding company	Cayman Islands	96.5	96.5	17,496	17,496
Lian Beng Marine Pte Ltd****(1)	Transportation of raw materials	Singapore	100	–	1	–
Lian Beng (JC) Pte Ltd****(1)	Property developer	Singapore	100	–	# –	–
Starview Investment Pte Ltd**(1)	Investment holding	Singapore	100	–	# –	–
Lian Beng Bliss Pte Ltd*****(1)	Property developer and investment holding	Singapore	100	–	# –	–

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

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	
			2013	2012	2013	2012
			%	%	$'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 **	Provision of formwork services	Singapore	60	60	–	–
Sim Hup Co Pte Ltd **	Installation, repair and maintenance of machinery and equipment and engineering works	Singapore	100	100	–	–
Lian Beng-Centurion (Dormitory) Pte Ltd **	Property investment holding	Singapore	55	55	–	–
Lian Beng Engineering & Machinery Pte Ltd **	Provision of engineering works and sale, rental and maintenance of construction machinery and equipment	Singapore	96.5	96.5	–	–
Sinmix Pte Ltd **	Manufacture and supply of concrete	Singapore	96.5	96.5	–	–
					46,656	46,655

* Audited by Dewan Nazrul Islam & Co

** Audited by Ernst & Young LLP, Singapore

*** Not required to be audited as exempted by country of incorporation

**** Not required to be audited as it was dormant during the year

***** Not required to be audited as it was incorporated less than 6 months from financial year end

# Denotes less than $1,000

(1) Incorporated during the year

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

7. Investments in subsidiaries (cont'd)

Impairment testing of investment in subsidiaries

There was no impairment loss (2012:Nil) recognised during the financial year.

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 acquired Sim Hup in order to purchase its leasehold factory at Sungei Kadut. The factory is used internally.

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

	2012
	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 other receivables of $20,000 and deposits of $8,000, of which other receivables of $20,000 were fully collected during the financial year.

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7. Investments in subsidiaries (cont'd)

Acquisition of subsidiary (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.

Internal restructuring of subsidiary companies for purpose of Taiwan listing

On 20 December 2011, the Company incorporated a subsidiary company, Sin Lian Holding Ltd ("SLH") in the Cayman Islands. SLH was 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.

During the financial year, the Company has decided not to proceed with the proposed listing in Taiwan in view of the prevailing market conditions and new policies imposed by the relevant authorities in Taiwan.

8. Investments in jointly-controlled entities

(a) *Investments in jointly-controlled entities*

	Company	
	2013	**2012**
	$'000	$'000
Unquoted equity investments, at cost	500	500

NOTES TO THE FINANCIAL STATEMENTS
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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 2013 %	2012 %
Held by the Company				
Spottiswoode Development Pte Ltd ***	Property developer	Singapore	50	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	50
Paul Y. – Lian Beng JV Pte. Ltd. **	General building construction and civil engineering works	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 contribution from this Company is not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

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

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Trade	3,782	–	–	–
Non-trade	3,250	–	26,879	7,977
	7,032	–	26,879	7,977

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

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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	
	2013	2012
	$'000	$'000
Assets and liabilities:		
Current assets	206,280	75,541
Non-current assets	202	–
Total assets	206,482	75,541
Current liabilities	77,571	43,486
Non-current liabilities	130,142	32,145
Total liabilities	207,713	75,631
Income and expenses:		
Income	33,352	27,279
Expenses	(34,715)	(24,944)

9. Investment in associates

(a) *Investment in associates*

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	1,230	# –	200	# –
Share of post-acquisition results	3,276	(48)	–	–
	4,506	(48)	200	–
Less: Inter-company unrealised profit	(936)	–	–	–
Less: Dividend received	(2,964)	–	–	–
	606	(48)	–	–
Add: Inter-company unrealised profit transferred to deferred income	498	–	–	–
	1,104	(48)	200	–

\# Denotes less than $1,000

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9. Investment in associates (cont'd)

Details of the investments in associates are as follows:

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2013 %	2012 %
Held by the Company				
Millennium Land Pte Ltd *	Investment holding	Singapore	38	38
Wealth Development Pte Ltd **	Property developer	Singapore	40	–
Held by subsidiaries				
Oxley Viva Pte Ltd *[1][2]	Property developer	Singapore	10	–
Oxley YCK Pte Ltd *[1][2]	Property developer	Singapore	10	–
Oxley Sanctuary Pte Ltd *[1][2]	Property developer	Singapore	15	–
Oxley Bliss Pte Ltd *	Property developer	Singapore	30	–
Action Property Pte Ltd *[1]	Property developer	Singapore	19	–
Centurion Kovan Pte Ltd *[1][2]	Property developer	Singapore	19	–

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

** Audited by Ernst & Young LLP, Singapore

(1) Although the Group holds less than 20% of the ownership interest and voting control of the company, the Group has the ability to exercise significant influence through both its shareholding and its representatives on the Board of Directors.

(2) The company was classified as available-for-sale investment in the previous financial year.

(b) *Amounts due from associates*

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Trade	3,756	–	–	–
Non-trade	59,785	6,286	15,100	6,286
	63,541	6,286	15,100	6,286

The amounts due from associates are unsecured, interest-free except for an amount of $21,255,000 (2012:$Nil) which bears interest at 5.38% (2012:Nil) per annum, repayable on demand, expected to be settled in cash and are denominated in Singapore dollars.

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9. Investment in associates (cont'd)

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

	Group	
	2013	**2012**
	$'000	$'000
Assets and liabilities:		
Total assets	820,648	70,127
Total liabilities	(813,794)	(70,252)
Results:		
Revenue	186,411	–
Profit/(loss) for the year	17,079	(125)

10. Investment securities

	Group	
	2013	**2012**
	$'000	$'000
(a) **Non-current**		
Available-for-sale financial assets		
– Quoted equity investments	750	596
– Unquoted equity investments	150	9,995
– 5.13% p.a. SGD corporate perpetual bond (quoted)	1,052	994
	1,952	11,585
Held to maturity investments		
– 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	1,013
– 5% p.a. SGD corporate bond due 23 February 2017 (quoted)	1,015	1,015
– 5.25% p.a. SGD corporate bond due 22 May 2015 (quoted)	753	753
– 6.25% p.a. SGD corporate bond due 30 May 2017 (quoted)	1,033	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	253
– 3.25% p.a. SGD corporate bond due 15 December 2015 (quoted)	1,532	1,532
– 3.5% p.a. SGD corporate bond due 15 December 2014 (quoted)	508	508
– 6% p.a. SGD corporate bond due 5 November 2015 (quoted)	251	–
– 4.75% p.a. SGD corporate bond due 27 May 2017 (quoted)	501	–
– 4.50% p.a. SGD corporate bond due 25 September 2014 (quoted)	251	–
	7,361	6,582
	9,313	18,167

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10. Investment securities (cont'd)

	Group 2013 $'000	Group 2012 $'000
(b) Current		
Held for trading investments		
– Quoted equity investments	20	12
– SGD Index linked note due 30 June 2017 (quoted)	1,000	1,000
	1,020	1,012

Investments pledged as security

The Group has no investments pledged as security.

Impairment loss

In the previous financial year, the Group recognised an impairment loss of $1,194,000 pertaining to its 10% effective interest in Emerald Land Pte Ltd ("Emerald") carried at cost, reflecting the write-down in the carrying value of Emerald that was in an accumulated loss position.

During the financial year, the Group disposed its 10% effective interest at cost in Emerald and accordingly the impairment loss of $1,194,000 (2012: $Nil) made in the previous financial year was reversed.

11. Construction work-in-progress

	Group 2013 $'000	Group 2012 $'000
Construction costs	1,200,539	1,047,265
Attributable profits less recognised losses	244,187	217,380
	1,444,726	1,264,645
Progress billings	(1,539,146)	(1,357,929)
	(94,420)	(93,284)
Represented by:		
Construction work-in-progress less progress billings	4,397	4,892
Progress billings in excess of construction work-in-progress	(98,817)	(98,176)
	(94,420)	(93,284)
Retention monies on construction contract included in trade receivables	54,639	50,273

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11. Construction work-in-progress (cont'd)

The following were capitalised in construction costs during the year:

	Group	
	2013	**2012**
	$'000	$'000
Depreciation of plant and machinery (Note 4)	1,460	1,369
Staff costs	26,171	20,345
Operating lease expenses	2,297	1,375

12. Development properties/development properties held for sale

	Group	
	2013	**2012**
	$'000	$'000
Statement of financial position:		
(a) Development properties		
Freehold land, at cost	250,309	176,536
Development expenditure	49,964	44,747
Interest costs	8,913	10,524
Property tax	1,357	1,478
	310,543	233,285
Attributable profits	2,268	10,440
	312,811	243,725
Progress billings	(144,995)	(140,874)
	167,816	102,851
Less: Transfer to development properties held for sale	(5,389)	(6,154)
	162,427	96,697
(b) Development properties held for sale	5,389	6,154

Profit or loss:

Development properties recognised as an expense in cost of sales	20,656	28,235
Development properties held for sale recognised as an expense in cost of sales	765	–

Assets pledged as security

Development properties with carrying amount of $162,427,000 (2012: $77,107,000) are pledged to banks for loans granted to a subsidiary and jointly-controlled entities (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

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

Capitalisation of borrowing costs

The interest on bank borrowings capitalised in the current financial year amounted to $2,799,000 (2012: $1,214,000) per annum. The rate used to determine the amount of borrowing costs eligible for capitalisation ranged from 1.56% to 2.56% (2012: 1.24% to 3.25%) per annum. Interest ceases to be capitalised when the temporary occupation permit (TOP) has been obtained.

Transfer to investment properties

During the financial year, the Group has reclassified a parcel of land with development cost amounting to $13,708,000 (2012: $Nil) from development properties to investment properties (Note 5).

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 2013 %	2012 %
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 December 2013	25	25
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 December 2013	55	55
Proposed condominium development of 1 block of 36-storey residential building at 16 Spottiswoode Park Road, Singapore	Freehold	3,740	Sale launched and awaiting construction.	50	50
Proposed 12 storey mixed development comprising residential tower and retail podium (The Midtown and Midtown Residences) at 1189 Upper Serangoon Road, Singapore	Leasehold	5,300	Sales launched and awaiting construction.	50	50

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13. Inventories

	Group	
	2013	**2012**
	$'000	$'000
Statement of financial position:		
Raw materials (at cost)	6,916	3,076
Profit or loss:		
Inventories recognised as an expense in cost of sales	120,115	88,119

14. Trade receivables

	Group	
	2013	**2012**
	$'000	$'000
Trade receivables	107,362	74,655
Retention monies on construction contracts	54,639	50,273
	162,001	124,928
Less: Allowance for doubtful receivables	(833)	(564)
	161,168	124,364

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 $17,386,000 (2012: $11,623,000), 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	
	2013	**2012**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	6,742	5,248
30 to 60 days	2,758	3,065
61 to 90 days	1,818	934
91 to 120 days	880	1,020
More than 120 days	5,188	1,356
	17,386	11,623

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31 MAY 2013

14. 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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	–	–	833	564
Less: Allowance for impairment	–	–	(833)	(564)
	–	–	–	–
Movement in allowance accounts:				
At 1 June	–	–	564	1,091
Charge for the year	–	–	280	11
Written off	–	–	(11)	(538)
At 31 May	–	–	833	564

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.

15. Other receivables and deposits

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Other receivables (Note A)	1,622	17,699	4	3
Deposits	1,238	3,574	–	–
Amount due from shareholder of a jointly-controlled entity (non-trade) (Note B)	–	1,972	–	1,972
	2,860	23,245	4	1,975
Allowance for doubtful receivables	(594)	(617)	–	–
	2,266	22,628	4	1,975

Note A

The amounts relating to other receivables are denominated in Singapore dollars, unsecured, interest-free except for an amount of $Nil (2012: $15,476,000) which bear interest at Nil% (2012: 5.38% to 8%) per annum, repayable on demand and are expected to be settled in cash.

Note B

Amount due from shareholder of a jointly-controlled entity (non-trade) was denominated in Singapore dollars, unsecured, interest-free and settled in cash during the year.

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16. Receivables from related parties

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Amount due from affiliated companies	1	2	–	–
Amount due from subsidiary companies	–	–	71,799	91,167
	1	2	71,799	91,167
Allowance for doubtful receivables	–	–	(803)	(803)
	1	2	70,996	90,364

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

17. 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	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Fixed deposits (Note 18)	69,533	55,950	–	–
Cash on hand and at banks	101,352	130,828	831	663
Cash and cash equivalents	170,885	186,778	831	663

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

Included in cash and cash equivalents are amounts of $29,087,000 (2012: $2,785,000) 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	
	2013	**2012**
	$'000	$'000
United States Dollar	819	1,823

18. Fixed deposits

Fixed deposits earn interest of 0.05% to 1.10% (2012: 0.01% to 2.25%) per annum and have maturities ranging between 1 month and 12 months (2012: 2 days and 12 months). Fixed deposits can be readily converted into known amount of cash and subject to insignificant risk of change in values.

NOTES TO THE FINANCIAL STATEMENTS

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19. Trade and other payables

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Trade payables (a)	129,729	100,168	–	–
Other payables (b)	5,074	18,731	68	58
	134,803	118,899	68	58

(a) *Trade payables*

Trade payables include amounts due to non-controlling interests of subsidiary of $192,000 and amounts due to partners of jointly-controlled entities of $202,000. 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	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Deferred income	498	–	–	–
Refundable deposits	2,319	411	–	–
Other payables	2,257	1,181	68	58
Amount due to non-controlling interests of subsidiaries (non-trade)	–	17,116	–	–
Amount due to shareholder of jointly-controlled entity	–	23	–	–
	5,074	18,731	68	58

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

Amounts due to the non-controlling interests of subsidiaries (non-trade) and shareholder of the jointly-controlled entity were denominated in Singapore dollars, unsecured, interest-free and settled in cash during the year.

Deferred income pertains to unrealised income capitalised within the development properties in the associates.

20. Amounts due to subsidiaries

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Short-term loans from subsidiaries	–	–	55,043	44,834

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

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

21. Loans and borrowings

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current liabilities				
(a) Short-term bank loans				
- Loan A	500	–	–	–
- Loan B	800	500	–	–
	1,300	500	–	–
Current portion of long-term bank loans				
- Loan C	1,143	–	–	–
- Loan D	169	169	–	–
- Loan E	178	–	–	–
- Loan F	173	166	–	–
	1,663	335	–	–
Total current liabilities	2,963	835	–	–
(b) Bills payable	–	755	–	–
Non-current liabilities				
(c) Long-term bank loans				
- Later than one year but not later than five years				
- Loan C	2,899	–	–	–
- Loan D	309	478	–	–
- Loan E	534	–	–	–
- Loan F	771	739	–	–
- Loan G	45,500	–	–	–
- Loan H	25,145	32,145	–	–
- Loan I	59,497	–	–	–
- Loan J	31,313	20,313	–	–
- Loan K	18,517	6,864	–	–
- Later than five years				
- Loan F	1,429	1,635	–	–
- Loan K	70,362	37,659	–	–
Total non-current liabilities	256,276	99,833	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

21. Loans and borrowings (cont'd)

(a) ***Bank loans denominated in SGD***

Loan A

The loan is guaranteed by the Company and is repayable on demand. Interest is charged at 1.50% (2012: Nil) per annum over the bank's swap rate. During the financial year, the effective interest rate ranged from 2.31% to 2.57% (2012: Nil) per annum.

Loan B

The revolving loan is guaranteed by the Company and is repayable on demand. Interest is charged at 1.00% to 1.25% (2012: 1.25%) per annum above bank's cost of fund. During the financial year, the effective interest rate ranged from 1.70% to 2.00% (2012: 2.29%) per annum. The loan includes a financial covenant which requires the Company to maintain a consolidated tangible net worth not less than $100 million throughout the tenor of the loan.

Loan C

The term loan is secured by the following:

(1) The legal mortgage on a subsidiary's leasehold property with carrying amount of $3,981,000 (2012: $Nil); and

(2) A corporate guarantee from a subsidiary of the Company.

The loan is repayable by 48 monthly instalments commencing from March 2013 and interest is charged at prevailing 3-month SIBOR plus 1.25% (2012: Nil) per annum for first two years, thereafter interest is charged at 3-month SIBOR plus 2.75% (2012: Nil) per annum. During the financial year, the effective interest rate ranged from 1.62% to 1.63% (2012: 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 $825,000 (2012: $885,000);

(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% (2012: 2.5%) per annum. During the financial year, the effective interest rate ranged from 2.88% to 2.90% (2012: 2.90%) per annum.

The loan includes a financial covenant which requires that sums owing to the bank shall not at any time be more than 69% of the aggregate market value of the barge as determined by the bank or valuers acceptable to the bank ("Loan-To-Value Ratio" or "LTV"). In the event that the LTV exceeds 69%, the subsidiary of the Company shall provide additional collateral acceptable to the bank and/or reduce the outstanding amount of the loan to restore the LTV.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

21. Loans and borrowings (cont'd)

(a) ***Bank loans denominated in SGD (cont'd)***

Loan E

The term loan is secured by the following:

(1) The legal mortgage on a subsidiary's tug boat with carrying amount of $931,000 (2012: $Nil);

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

(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 June 2013 and interest is charged at prevailing 3-month SIBOR plus 2.5% (2012: Nil) per annum. During the financial year, no instalment and interest was paid.

The loan includes a financial covenant which requires that sums owing to the bank shall not at any time be more than 69% of the aggregate market value of the tug boat as determined by the bank or valuers acceptable to the bank ("Loan-To-Value Ratio" or "LTV"). In the event that the LTV exceeds 69%, the subsidiary of the Company shall provide additional collateral acceptable to the bank and/or reduce the outstanding amount of the loan to restore the LTV.

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 $13,329,000 (2012: $13,495,000);

(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% (2012: 4.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

21. Loans and borrowings (cont'd)

(a) ***Bank loans denominated in SGD (cont'd)***

Loan G

The loan is secured by the following:

(1) First legal mortgage on a jointly-controlled entity's development property with carrying amount of $54,959,000 (2012: $Nil);

(2) First legal assignment of all the rights, titles, interest in and to all the relevant agreement including but not limited to the construction contract, insurance policies, performance bonds (if any), tenancy agreement and sale and purchase agreements in respect of the proposed development;

(3) Corporate guarantee from both the Company and the partner of the jointly-controlled entity; and

(4) Deed of subordination of the shareholders' loan and advances given to jointly-controlled entity.

The loan is repayable in one lump sum on 31 December 2016 or six months from the date of issuance of TOP of the development property, whichever is the earlier. Interest is charged at 1.6% (2012: Nil) per annum above the bank's cost of funds. During the financial year, interest was charged at rates ranging from 1.86% to 2.01% (2012: Nil) per annum.

The loan includes a financial covenant which requires that there is no change in the beneficial ownership of the share capital of the jointly-controlled entity.

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 $43,203,000 (2012: $52,486,000);

(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% (2012: 1.125%) per annum over the relevant SGD 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 30 June 2014. During the financial year, interest was charged at rates ranging from 2.04% to 2.56% (2012: 1.24% to 2.56%) per annum. The land loan is repayable on 30 June 2014 or 6 months after date of issuance of TOP for the development property, whichever is the earlier.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

21. Loans and borrowings (cont'd)

(a) *Bank loans denominated in SGD (cont'd)*

Loan H (cont'd)

The loan includes a financial covenant which requires the borrower's shareholders' fund to be not less than $78 million and that the minimum consolidated shareholders' fund of the Group to be $55 million. The ratio of the consolidated total liabilities (net of cash) to consolidated shareholders' fund to be maintained at 2.5 times and the Group and the borrower shall maintain positive tangible net worth at all times.

Loan I

The loan is secured by the following:

(1) First legal mortgage on a jointly-controlled entity's development property with carrying amount of $60,324,000 (2012: $Nil);

(2) Legal assignment of all the rights, titles, interest in the construction contract, insurance policies, performance bonds (if any), tenancy agreement and sale and purchase agreements in respect of the proposed development; and

(3) Corporate guarantee from both the Company and the partner of the jointly-controlled entity.

The loan is repayable in one lump sum, 48 months from the date of first drawdown of the loan on 13 June 2012 or six months from the date of issuance of TOP of the development property, or 30 June 2016 whichever is the earliest.

Interest is charged at 1.65% (2012: Nil) per annum above the bank's cost of funds. During the financial year, interest was charged at rates ranging from 2.03% - 2.23% (2012: Nil) per annum.

The loan includes a financial covenant which requires the aggregate outstanding debt secured against the property to not exceed 75% of the security value of the property. Security value is defined as the aggregate of sales proceeds yet to be received from sold units, aggregate market value of the unsold units as determined by professional valuer and monies standing in the project account, less cost to complete and financing costs.

Loan J

The land loan is secured by the following:

(1) The legal mortgage on a subsidiary's development property with carrying amount of $3,941,000 (2012: $24,621,000);

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

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

NOTES TO THE FINANCIAL STATEMENTS
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21. **Loans and borrowings (cont'd)**

(a) ***Bank loans denominated in SGD (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% to 1.88% (2012: 1.25%) per annum over prevailing SIBOR rate. During the financial year, the effective interest rate ranged from 1.56% to 2.19% (2012: 1.47% to 1.82%) per annum.

The loan includes a financial covenant which requires the total monies and liabilities owing under the mortgage shall not exceed 70% of the net collateral value.

Loan K

The loan is secured by the following:

(1) The legal mortgage on a subsidiary's investment property and investment property under development with carrying amount of $74,733,000 (2012: $Nil) and $26,601,000 (2012: $43,801,000) respectively;

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

(3) Fixed and floating charge over the investment property including book debts, goodwill and undertakings in connection with workers' dormitory operations; and

(4) Corporate guarantee given by the Company in the ratio of the shareholdings held by the Company in a subsidiary of 55% (2012: 55%).

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% to 1.75% (2012: 1.5%) 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. During the financial year, the effective interest ranged from 1.81% to 2.06% (2012: 1.82%) per annum.

The loan includes a financial covenant which requires the total monies and liabilities owing under the mortgage shall not exceed 85% of bank's valuation of the land parcel of the investment property and investment property under development at all times.

(b) ***Bills payable***

Bills payable were repaid during the year (2012: 28 days to 88 days) and were guaranteed by the Company and a director of a subsidiary company. Interest was charged at 1% (2012: 1%) per annum above the bank's prevailing cost of funds or 1.5% (2012: 1.5%) per annum above the bank's swap rate. During the financial year, the effective interest ranged from 1.29% to 1.91% (2012: 1.81% to 2.15%) per annum. Bills payable were denominated in Singapore dollars.

NOTES TO THE FINANCIAL STATEMENTS
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22. 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	Interest	Present value of payments
	$'000	$'000	$'000
2013			
Not later than one year	4,630	(279)	4,351
Later than one year but not later than five years	7,032	(266)	6,766
Later than five years	22	(1)	21
	11,684	(546)	11,138
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

Lease terms range from 3 to 8 (2012: 3 to 8) 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 2.41% to 6.61% (2012: 2.69% to 6.77%) per annum.

23. Deferred tax assets/liabilities

	Group			
	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred tax assets				
Tax losses	200	–	(200)	–
Total deferred tax assets	200	–		
Deferred tax liabilities				
Differences in depreciation	(2,267)	(1,903)	364	142
Provisions	16	149	133	(64)
Others	–	–	–	(1,086)
Total deferred tax liabilities	(2,251)	(1,754)		
Deferred income tax expense (Note 30)			297	(1,008)

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

23. Deferred tax assets/liabilities (cont'd)

Unrecognised tax losses

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	
	2013	**2012**
	$'000	$'000
Deductible temporary differences	13,677	5,641
Tax losses	98	246
	13,775	5,887

Unrecognised temporary differences relating to investments in subsidiaries and joint venture

At the end of the reporting period, no deferred tax liability (2012: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries and joint venture of the Group as there are no foreign subsidiaries and joint ventures that has a tax effect on the undistributed earnings.

Deferred income tax related to other comprehensive income

There is no deferred income tax related to other comprehensive income for the current financial year (2012: Nil).

24. Share capital

	Group and Company			
	2013		**2012**	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At beginning and end of financial year:	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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

25. 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	
	2013	**2012**
	$'000	$'000
At 1 June	(19)	375
Foreign currency translation	8	(49)
Reclassification of foreign currency exchange differences on liquidation of a jointly-controlled entity	–	(345)
At 31 May	(11)	(19)

(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.

At 1 June	379	293
Net gain on fair value changes during the year	213	86
At 31 May	592	379

(c) *Capital reserve*

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

	Group	
	2013	**2012**
	$'000	$'000
At 1 June	351	–
Acquisition and disposal of non-controlling interests without a change in control	123	351
At 31 May	474	351
Total other reserves	1,055	711

NOTES TO THE FINANCIAL STATEMENTS

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26. Revenue

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Construction contracts	374,506	332,481	–	–
Rental of plant and machinery and vessel	770	208	–	–
Sales of development properties (recognised based on percentage of completion method)	23,256	32,521	–	–
Maintenance of plant and machinery	6	15	–	–
Civil engineering and other works	251	166	–	–
Income from training of construction workers	742	574	–	–
Office rental income from affiliated companies	8	8	–	–
Project management - service income	806	1,798	–	–
Sales of concrete and sand	102,949	77,240	–	–
Rental and service income from dormitories	1,244	–	–	–
Sales of formwork	1,068	–	–	–
Dividend income from unquoted subsidiaries	–	–	8,000	11,500
	505,606	445,011	8,000	11,500

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

27. Profit before tax

Profit before tax includes the following:

	Group		Company	
	2013	2012	2013	2012
	$'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 investment property	180	–	–	–
Dividend income				
- short-term quoted equity investments	1	1	–	–
- long-term quoted equity investments	15	14	–	–
Dividend income from long term unquoted equity investment	–	3,135	–	–
Interest income				
- fixed deposits	623	428	–	29
- bank balances	99	249	3	7
- others	115	675	–	–
- bonds	377	88	–	–
Gain on disposal of plant and equipment	468	701	–	–
Rental income from investment properties (Note 5)	38	–	–	–
Operating lease income				
- others	1,813	443	–	–
Write back of allowance for doubtful trade and other receivables	–	6	–	–
Gain on foreign exchange, net	–	465	–	–
Gain on disposal of investment properties	678	–	–	–
Management fee	195	186	–	–
Storage handling charges	76	172	–	–
Write back of impairment loss on unquoted investment securities	1,194	–	–	–
Grant and ACAP funding	204	–	–	–
Sale of material	166	–	–	–
Fair value gain on investment securities	8	–	–	–
Accounting service income from jointly controlled entity	7	–	–	–
Gain arising from restructuring of subsidiaries for proposed listing in Taiwan	–	–	–	15,866
Others	182	149	1	–
	6,439	14,608	4	15,902

NOTES TO THE FINANCIAL STATEMENTS

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27. Profit before tax (cont'd)

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(b) Other operating expenses:				
Proposed listing expenses	123	342	–	–
Fair value loss on investment securities	–	1	–	–
Depreciation of property, plant and equipment – office	4,195	3,031	–	–
Depreciation of investment properties (Note 5)	379	60	–	–
Loss on foreign exchange, net	55	–	–	–
Allowance for doubtful trade and other receivables	280	11	–	–
Write-off of intangible assets	–	129	–	–
Impairment loss on unquoted investment securities	–	1,194	–	–
Management fees	364	285	–	–
Bad debts written-off	59	35	–	–
Impairment loss on investment property	–	700	–	–
Deposit written off	322	–	–	–
Loss on disposal of investment securities	12	–	–	–
Others	394	378	–	–
	6,183	6,166	–	–

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(c) Other expenses:				
Non-audit fees				
- auditors of the Company	165	198	8	9
- other auditors	190	311	21	25
Depreciation of property, plant and equipment – others	5,333	4,209	–	–
Directors' fees to directors - of the Company	360	360	360	360
Operating lease expenses	5,350	3,530	–	–
Direct operating expenses arising from investment properties (Note 5)	105	25	–	–
Inventories recognised as an expense in cost of sales (Note 13)	120,115	88,119	–	–
Utility charges	2,627	2,987	3	3
Transportation charges	1,641	875	–	–
Legal and other professional fees	3,107	3,255	162	200
Staff costs (Note 28)	49,249	41,277	–	–

NOTES TO THE FINANCIAL STATEMENTS

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28. Staff costs

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Wages and salaries	40,503	35,012	–	–
Contributions to defined contribution plans	2,314	2,075	–	–
Others	6,432	4,190	–	–
	49,249	41,277	–	–
Included in staff costs are directors' remuneration payable to:				
- directors of the Company	5,354	6,505	–	–
- directors of the subsidiaries	2,645	2,096	–	–
	7,999	8,601	–	–

The directors' remuneration payable to directors of the Company and directors of the subsidiaries excluded other benefits of $33,000 (2012: $29,000) and $73,000 (2012: $73,000) respectively.

29. Finance costs

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Interest expense on:				
- bank loans	4,250	1,774	–	–
- hire purchase	414	446	–	–
- loan from a non-controlling interests of a subsidiary company	179	–	–	–
	4,843	2,220	–	–
Less: Interest expenses capitalised in:				
Development properties (Note 12)	(2,799)	(1,214)	–	–
Investment property under construction and development (Note 5)	(997)	(360)	–	–
	1,047	646	–	–

NOTES TO THE FINANCIAL STATEMENTS
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30. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2013 and 2012 are:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Current income tax				
- Current income taxation	7,913	11,760	–	2
- Over provision in respect of prior years	(843)	(112)	–	–
Deferred income tax				
- Current deferred taxation	166	(1,008)	–	–
- Under provision in respect of prior years	131	–	–	–
Income tax expense recognised in the statement of comprehensive income	7,367	10,640	–	2

Relationship between tax expense and profit before tax

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 2013 and 2012 are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Profit before taxation	47,568	62,404	7,124	26,425
Income tax using Singapore tax rate of 17%	8,087	10,609	1,211	4,492
Non-deductible expenses	906	1,325	38	17
Effect of partial tax exemption and tax relief	(750)	(333)	–	(3)
Utilisation of previously unrecognised deferred tax assets	(130)	(58)	–	–
Deferred tax assets not recognised	1,470	466	–	–
Tax benefit on losses transferred in from related company	–	(4)	–	–
Over provision of current income taxation in respect of prior years	(843)	(112)	–	–
Under provision of deferred taxation in respect of prior years	131	–	–	–
Effects of tax incentive*	(510)	(651)	–	–
Share of results of associates	(565)	8	–	–
Income not subject to taxation	(449)	(634)	(1,249)	(4,504)
Others	20	24	–	–
Income tax expense recognised in the statement of comprehensive income	7,367	10,640	–	2

* The Productivity and Innovation Credit ("PIC") was introduced in the Singapore Budget 2010 and was enhanced 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.

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

30. Taxation (cont'd)

Tax consequences of proposed dividends

There are no income tax consequences (2012: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 41).

31. 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 $39,442,000 (2012: $52,086,000) over 529,760,000 (2012: 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.

32. 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 $1,548,000 (2012: $1,227,000) 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 sold a motor vehicle to a director of the Group for $405,797.

(iii) A subsidiary, Lian Beng Investment Pte Ltd, leased office space amounting to $4,320 (2012: $4,320) 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 and are also directors of these companies.

(iv) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased storage space amounting to $250,920 (2012: $250,920) 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 $29,600 (2012: $24,000) from Associated KHL Industries Pte Ltd. One of the directors of the Group has equity interests in the company.

(vi) A subsidiary, Lian Beng-Centurion (Mandai) Pte Ltd sold 2 units of ramp-up factories at Mandai Estate (M Space) to Evergrande Realty Development Pte Ltd ("Evergrande") for $2,992,980 in which certain directors of the Group have equity interests and are also directors of Evergrande.

(vii) A subsidiary, Lian Beng-Centurion (Mandai) Pte Ltd sold 1 unit of ramp-up factory at Mandai Estate (M Space) to Swee Yick Foodstuffs (S) Pte Ltd ("Swee Yick") for $1,202,120 and 2 units to Sinmah Poultry Processing (S) Pte Ltd ("Sinmah") for $2,310,760. Mr Chiew Hock You, the brother-in-law of certain directors of the Group, is the director and shareholder of Swee Yick and Sinmah respectively.

NOTES TO THE FINANCIAL STATEMENTS
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32. Significant related party transactions (cont'd)

(a) ***Sale and purchase of goods and services (cont'd)***

(viii) A 50%-owned jointly-controlled entity, Spottiswoode Development Pte Ltd sold a unit of residential property at Spottiswoode Park Road (Spottiswoode Suite) to two directors of the Group for $1,311,000 and a unit to a sibling and his spouse of certain directors of the Group for $1,416,000.

(ix) A 50%-owned jointly-controlled entity, Spottiswoode Development Pte Ltd sold a unit of residential property at Spottiswoode Park Road (Spottiswoode Suite) to Deenn Engineering Pte Ltd, a subsidiary of the Company for $2,268,000.

(x) The Group earned construction revenue of $8,809,000 (2012: $Nil) and $3,756,000 (2012: $Nil) from the jointly-controlled entities and associates respectively . In addition, the Group charged the jointly-controlled entities for project management of $342,000 (2012: $30,000).

(b) ***Compensation of key management personnel***

	Group	
	2013	**2012**
	$'000	$'000
Short-term employee benefits	8,379	8,957
Contributions to defined contribution plans	103	143
	8,482	9,100
Comprise amounts paid to:		
- Directors of the Company	5,747	6,894
- Other key management personnel	2,735	2,206
	8,482	9,100

33. 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	
	2013	**2012**
	$'000	$'000
Capital commitments in respect of:		
- Plant and equipment	2,863	7,850
- Investment properties	5,252	6,175

NOTES TO THE FINANCIAL STATEMENTS
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33. Commitments (cont'd)

(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 9 years.

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

	Group	
	2013	**2012**
	$'000	$'000
Not later than one year	3,062	2,688
Later than one year but not later than five years	4,774	6,031
Later than five years	1,622	1,956
	9,458	10,675

(c) *Operating lease commitment – as lessor*

The Group has entered into commercial leases on its development property held for sale, investment properties, leasehold property, tugboats and barges. These non-cancellable leases have remaining lease terms of between 4 months and 58 months.

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

	Group	
	2013	**2012**
	$'000	$'000
Not later than one year	11,870	642
Later than one year but not later than five years	6,777	1,325
	18,647	1,967

34. 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.

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35. Directors' remuneration - Group

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

	Executive Directors	Non-Executive Directors	Total
2013			
Above $1,749,999	1	–	1
$1,500,000 to $1,749,999	1	–	1
$1,250,000 to $1,499,999	–	–	–
$1,000,000 to $1,249,999	1	–	1
$500,000 to $999,999	–	–	–
$250,000 to $499,999	–	–	–
Below $250,000	–	2	2
	3	2	5
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

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36. 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			
	$'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
2013				
Financial assets:				
Held for trading investments (Note 10)				
- Equity instruments (quoted)	20	–	–	20
- SGD Index linked note due 30 June 2017 (quoted)	–	1,000	–	1,000
Available-for-sale financial assets (Note 10)				
- Equity instruments (quoted)	750	–	–	750
- Bonds (quoted)	–	1,052	–	1,052
At 31 May 2013	770	2,052	–	2,822
2012				
Financial assets:				
Held for trading investments (Note 10)				
- Equity instruments (quoted)	12	–	–	12
- SGD Index linked note due 30 June 2017 (quoted)	–	1,000	–	1,000
Available-for-sale financial assets (Note 10)				
- Equity instruments (quoted)	596	–	–	596
- Bonds (quoted)	–	994	–	994
At 31 May 2012	608	1,994	–	2,602

NOTES TO THE FINANCIAL STATEMENTS

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36. 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 2013 and 2012.

Determination of fair value

Quoted equity instruments: 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 and bonds: Fair values are 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 17) 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.

NOTES TO THE FINANCIAL STATEMENTS
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36. 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***

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			
		2013		2012	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		$'000	$'000	$'000	$'000
Financial assets					
Equity instruments, at cost	10	150	*	9,995	*
Held to maturity investment	10	7,361	7,405	6,582	6,509
Financial liabilities					
Obligation under hire purchase	22	11,138	11,240	9,650	9,805

* Investment in equity instruments carried at cost (Note 10)

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 10)

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 22)

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.

NOTES TO THE FINANCIAL STATEMENTS
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37. Classification of financial assets and liabilities

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Fair value through profit or loss				
Investment securities	1,020	1,012	–	–
Held to maturity investment				
Investment securities	7,361	6,582	–	–
Available-for-sale financial assets				
Investment securities	1,952	11,585	–	–
Loans and receivables				
Trade receivables	161,168	124,364	–	–
Other receivables and deposits	2,266	22,628	4	1,975
Receivables from related parties	1	2	70,996	90,364
Amounts due from jointly-controlled entities	7,032	–	26,879	7,977
Cash and cash equivalents	170,885	186,778	831	663
Amounts due from associates	63,541	6,286	15,100	6,286
	404,893	340,058	113,810	107,265
Financial liabilities at amortised cost				
Trade and other payables	134,305	118,899	68	58
Accruals	15,030	13,131	431	435
Amounts due to subsidiaries	–	–	55,043	44,834
Bank loans	259,239	100,668	–	–
Bills payable	–	755	–	–
Obligations under hire purchase	11,138	9,650	–	–
	419,712	243,103	55,542	45,327

NOTES TO THE FINANCIAL STATEMENTS
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38. 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.

(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 37.

NOTES TO THE FINANCIAL STATEMENTS
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38. Financial risk management objectives and policies (cont'd)

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

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			
	2013		2012	
	$'000	% of total	$'000	% of total
By country:				
Singapore	161,168	100	124,364	100
By industry sectors:				
Construction	123,009	77	102,731	83
Engineering and leasing of construction machinery	363	–	143	–
Property development	13,219	8	3,899	3
Investment holding	328	–	–	–
Sales of concrete and sands	24,249	15	17,591	14
	161,168	100	124,364	100

At the end of the reporting period, approximately:

– 63% (2012: 64%) of the Group's trade receivables were due from 5 major customers; and

– 30.2% (2012: 4.2%) of the Group's trade and other receivables were due from jointly-controlled entities and associates while 100% (2012: 98%) of the Company's receivables were balances with subsidiaries, jointly-controlled entities and associates.

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 14.

NOTES TO THE FINANCIAL STATEMENTS

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

(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 3% (2012: 5%) of the Group's loans and borrowings (Note 21 and 22) will mature in less than one year based on the carrying amount reflected in the financial statements. The Company has no (2012: 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 amounts due from associates) and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

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

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

	2013				2012			
	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	163,434	–	–	163,434	146,992	–	–	146,992
Cash and cash equivalents	170,885	–	–	170,885	186,778	–	–	186,778
Receivables from related parties	1	–	–	1	2	–	–	2
Investment securities	1,020	1,952	–	2,972	1,012	11,585	–	12,597
Total undiscounted financial assets	335,340	1,952	–	337,292	334,784	11,585	–	346,369
Financial liabilities:								
Trade and other payables	134,305	–	–	134,305	118,899	–	–	118,899
Accruals	15,030	–	–	15,030	13,131	–	–	13,131
Bank loans	8,091	196,785	83,512	288,388	2,917	64,299	44,529	111,745
Bills payable	–	–	–	–	755	–	–	755
Obligations under hire purchase	4,630	7,032	22	11,684	4,247	5,891	59	10,197
Total undiscounted financial liabilities	162,056	203,817	83,534	449,407	139,949	70,190	44,588	254,727
Total net undiscounted financial assets/(liabilities)	173,284	(201,865)	(83,534)	(112,115)	194,835	(58,605)	(44,588)	91,642

NOTES TO THE FINANCIAL STATEMENTS
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38. Financial risk management objectives and policies (cont'd)

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

	2013				2012			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company								
Financial assets:								
Other receivables and deposits	4	–	–	4	1,975	–	–	1,975
Cash and cash equivalents	831	–	–	831	663	–	–	663
Receivables from related parties	70,996	–	–	70,996	90,364	–	–	90,364
Total undiscounted financial assets	71,831	–	–	71,831	93,002	–	–	93,002
Financial liabilities:								
Trade and other payables	68	–	–	68	58	–	–	58
Accruals	431	–	–	431	435	–	–	435
Amounts due to subsidiaries	55,043	–	–	55,043	44,834	–	–	44,834
Total undiscounted financial liabilities	55,542	–	–	55,542	45,327	–	–	45,327
Total net undiscounted financial assets	16,289	–	–	16,289	47,675	–	–	47,675

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

38. 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 (2012: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $652,000 (2012: $223,000) 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 $1,022,000 (2012: $152,000) 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.

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.

			2013 **Profit net of tax** $'000	**2012** **Profit net of tax** $'000
USD/SGD	-	strengthened 5% (2012: 5%)	41	91
	-	weakened 5% (2012: 5%)	(41)	(91)

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

39. 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 2013 and 31 May 2012.

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	
	2013	**2012**
	$'000	$'000
Bank loans (Note 21)	259,239	100,668
Bills payable (Note 21)	–	755
Obligations under hire purchase (Note 22)	11,138	9,650
Trade and other payables (Note 19)	134,803	118,899
Accruals	15,030	13,131
Less: Cash and cash equivalents (Note 17)	(170,885)	(186,778)
Net debt	249,325	56,325
Equity attributable to the owners of the parent	260,650	231,459
Less: Fair value adjustment reserve (Note 25)	(592)	(379)
Total capital	260,058	231,080
Capital and net debt	509,383	287,405
Gearing ratio	49%	20%

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

40. 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, rental, service income from dormitories 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.

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31 MAY 2013

40. 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012		2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:															
External customers	376,792	334,482	506	356	23,617	32,897	1,253	9	103,438	77,267	–	–		505,606	445,011
Inter-segment	64,191	15,774	18,724	14,365	–	–	8,677	12,177	14,732	14,652	(106,324)	(56,968)	A	–	–
Total revenue	440,983	350,256	19,230	14,721	23,617	32,897	9,930	12,186	118,170	91,919	(106,324)	(56,968)		505,606	445,011
Results:															
Interest income	1,008	646	35	–	52	41	117	751	2	2	–	–		1,214	1,440
Dividend income	16	15	–	–	–	–	–	3,135	–	–	–	–		16	3,150
Finance cost	168	210	24	29	1	13	544	170	310	224	–	–		1,047	646
Depreciation and amortisation	5,235	4,052	1,586	1,559	34	43	425	65	2,692	1,742	(65)	(161)		9,907	7,300
Share of results of associates	–	–	–	–	114	(48)	3,210	–	–	–	–	–		3,324	(48)
Write-back of impairment loss on investment property	180	–	–	–	–	–	–	–	–	–	–	–		180	–
Write back of impairment loss of unquoted investment securities	–	–	–	–	–	–	1,194	–	–	–	–	–		1,194	–
Other non-cash expenses:															
Impairment loss on investment property	–	700	–	–	–	–	–	–	–	–	–	–		–	700
Impairment loss on unquoted investment securities	–	–	–	–	–	–	–	1,194	–	–	–	–		–	1,194
Allowance for doubtful receivables	120	5	–	–	–	–	–	–	160	–	–	–		280	5
Bad debt written off	–	–	1	–	–	–	–	–	58	35	–	–		59	35
Deposit written off	–	–	–	–	–	–	–	–	322	–	–	–		322	–
Write-off of intangible assets	–	–	–	–	–	129	–	–	–	–	–	–		–	129
Segment profit/(loss)	39,946	42,967	3,495	3,483	557	382	265	8,878	5,814	7,910	(2,509)	(1,216)	B	47,568	62,404
Assets:															
Investment in associates	–	–	–	–	668	–	436	–	–	–	–	–		1,104	–
Additions to non-current assets	7,724	13,558	1,545	804	6	14,097	77,127	330	10,211	5,800	(4,628)	(4)	C	91,985	34,585
Segment assets	417,897	372,059	29,594	24,790	283,298	188,887	271,522	157,146	53,909	39,063	(263,545)	(194,576)	D	792,675	587,369
Segment liabilities	245,868	226,037	9,076	6,877	278,562	185,707	160,633	44,283	33,306	22,907	(196,864)	(130,689)	E	530,581	355,122

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

40. 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 added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the consolidated statement of comprehensive income:

	2013 $'000	**2012** $'000
Share of results of associates	3,324	(48)
Profit from inter-segment sales	(5,833)	(1,168)
	(2,509)	(1,216)

C. Additions to non-current assets consist of additions to property, plant and equipment, investment property and investment properties under construction.

D. The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2013 $'000	**2012** $'000
Investment in associates	1,104	–
Inter-segment assets	(264,849)	(194,576)
Deferred tax assets	200	–
	(263,545)	(194,576)

E. The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2013 $'000	**2012** $'000
Investment in associates	498	48
Deferred tax liabilities	2,251	1,754
Provision for taxation	9,303	12,041
Inter-segment liabilities	(208,916)	(144,532)
	(196,864)	(130,689)

NOTES TO THE FINANCIAL STATEMENTS
31 MAY 2013

40. Segment information (cont'd)

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	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Singapore	505,606	445,011	195,333	116,167

Non-current assets information presented above consists of property, plant and equipment, investment properties as presented in the consolidated statement of financial position.

Information about major customers

Revenue from three (2012: three) major customers amount to $216,140,000 (2012: $246,935,000), arising from construction segments.

41. Dividends

	Group and Company	
	2013	**2012**
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares:		
- 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 per share)	10,595	8,476
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 2013: Final dividend of 1 cent and special dividend of 0.25 cent per share (2012: Final dividend of 1 cent and special dividend of 1 cent, exempt (one-tier) per share)	6,622	10,595

NOTES TO THE FINANCIAL STATEMENTS

31 MAY 2013

42. Events occurring after the reporting period

Subsequent to the financial year end:

(i) On 11 July 2013 and 22 July 2013, the Company incorporated two subsidiaries, namely Wealth Property Pte. Ltd. and Wealth Land Pte. Ltd. respectively. The subsidiaries will be principally engaged in investment holding and property development.

(ii) On 7 June 2013, an associate of the Company, Wealth Development Pte Ltd has completed the acquisition of the property at 160 Changi Road, Singapore.

43. Authorisation of financial statements

The financial statements for the year ended 31 May 2013 were authorised for issue in accordance with a resolution of the directors on 21 August 2013.

STATISTICS OF SHAREHOLDINGS
AS AT 15 AUGUST 2013

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 64.35% of the issued ordinary shares of the Company were held in the hands of the public as at 15 August 2013 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	Percentage	No. of Shares	Percentage
1 - 999	12	0.20	3,896	0.00
1,000 - 10,000	3,582	60.48	21,845,648	4.13
10,001 - 1,000,000	2,300	38.83	118,206,733	22.31
1,000,001 and above	29	0.49	389,703,723	73.56
Total	5,923	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	137,730,400	26.00
2	Citibank Nominees Singapore Pte Ltd	35,969,000	6.79
3	HSBC (Singapore) Nominees Pte Ltd	33,182,596	6.26
4	DBS Nominees Pte Ltd	26,653,057	5.03
5	United Overseas Bank Nominees Pte Ltd	22,132,000	4.18
6	Ong Pang Aik	21,943,800	4.14
7	Maybank Kim Eng Securities Pte Ltd	21,064,342	3.98
8	Ong Lay Huan	11,275,200	2.13
9	Ong Bee Dee	10,587,000	2.00
10	UOB Kay Hian Pte Ltd	10,577,000	2.00
11	Ong Lay Koon	7,775,200	1.47
12	CIMB Securities (Singapore) Pte Ltd	6,883,000	1.30
13	Li Feichang	5,000,000	0.94
14	DBS Vickers Securities (S) Pte Ltd	4,443,398	0.84
15	Ang Mui Geok	4,428,799	0.83
16	OCBC Securities Pte Ltd	4,048,029	0.76
17	DBSN Services Pte Ltd	3,590,000	0.68
18	Lim & Tan Securities Pte Ltd	3,437,000	0.65
19	Raffles Nominees (Pte) Ltd	2,498,707	0.47
20	Morgan Stanley Asia (Singapore) Pte Ltd	2,363,000	0.45
		375,581,528	70.90

STATISTICS OF SHAREHOLDINGS
AS AT 15 AUGUST 2013

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
Ong Sek Chong & Sons Pte Ltd	137,730,400	26.00	-	-
Ong Pang Aik(1)	21,943,800	4.14	137,730,400	26.00
Ong Lay Huan(2)	11,275,200	2.13	137,730,400	26.00

Notes:

(1) Ong Pang Aik's deemed interests refer to 137,730,400 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 137,730,400 shares held by Ong Sek Chong & Sons by virtue of Section 7 of the Companies Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of LIAN BENG GROUP LTD (the "**Company**") will be held at 29 Harrison Road, Lian Beng Building, Singapore 369648 on Thursday, 26 September 2013 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 2013 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 2013. **(Resolution 2)**

3. To declare a special (tax exempt one-tier) dividend of 0.25 cents per ordinary share for the financial year ended 31 May 2013. **(Resolution 3)**

4. To re-elect Mr Sitoh Yih Pin, who is retiring pursuant to Article 107 of the Company's Articles of Association. *[see explanatory note 1]* **(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 2]* **(Resolution 5)**

6. To approve the payment of Directors' fees of S$360,000 for the financial year ended 31 May 2013 (2012: 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);

NOTICE OF ANNUAL GENERAL MEETING

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 3]*

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,

NOTICE OF ANNUAL GENERAL MEETING

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;

NOTICE OF ANNUAL GENERAL MEETING

"**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 4]*

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

6 September 2013

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. Mr Sitoh Yih Pin will, upon re-election as a Director of the Company, remains as a member 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. 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.

3. 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.

4. 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 Thursday, 26 September 2013 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 2013				
2.	Payment of proposed first and final dividend				
3.	Payment of proposed special dividend				
4.	Re-election of Mr Sitoh Yih Pin 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.*

*** *If you wish to exercise all your vote "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ____________ day of ______________ 2013.

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.