聯明集團有限公司
LIAN BENG GROUP LTD

SCALING GREATER HEIGHTS

Annual Report 2014

CONTENTS

International Construction Award 2014

MISSION STATEMENT

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

FINANCIAL PERFORMANCE

Revenue
S$753.9 million

Profit Before Tax
S$141.5 million

Net Profit
S$127.0 million

Dividends Per Share
2.25 cents

MR ONG PANG AIK BBM
Chairman and Managing Director

CHAIRMAN'S STATEMENT

"**This record-breaking performance** is a testimony to the successful implementation of our business diversification strategy."

Dear Shareholders,

The financial year 2014 (FY2014) has truly been an exciting one that saw the achievement of multiple all-time highs. Not only did we attain the highest ever gross profit, net profit and profit attributable to shareholders, we also received record setting revenue for the Construction, Ready-Mix and Property Development segments.

This record-breaking performance is a testimony to the successful implementation of our business diversification strategy. In FY2014, we made significant headway in developing new revenue streams and expanding our recurring earnings base. This has not only enhanced the Group's competitiveness but will keep us well poised for future challenges in this ever-changing business landscape of ours.

RECORD-BREAKING FINANCIAL PERFORMANCE

The Group revenue increased 49.1% from S$505.6 in FY2013 to a historical high of S$753.9 million in FY2014. This is due to strong performance in all segments. Revenue for the Construction segment increased 12.7% to a record S$424.7 million while revenue for the Ready-mixed Concrete segment increased 7.3% to S$111.0 million, yet another record. In addition, Westlite Mandai Dormitory contributed its first full 12 months' revenue of S$18.2 million.

More significantly, revenue for the Property Development segment surged from S$23.6 million in FY2013 to S$199.5 million in FY2014 as a result of the full recognition of revenue from the fully-sold and completed 55%-owned industrial property development, M-Space, as well as the sales from property development projects, The Midtown & Midtown Residences, Spottiswoode Suites and Lincoln Suites.

STRENGTHENING OUR FOOTHOLD IN PROPERTY DEVELOPMENT

FY2014 has been a year of strategic acquisition of properties. In May 2014, a consortium was formed to enter into agreements for the purchase of 92.8% of the aggregate strata area of Prudential Tower for S$512 million. This consortium is a joint venture with partners comprising KSH Commercial Investment Pte Ltd, KOP Cecil Pte Ltd and Centurion Cecil Pte Ltd with Lian Beng Group holding major share of 32%.

In April 2014, Wealth Assets Pte Ltd, our 80%-owned subsidiary, was awarded the tender for the purchase of the property along Leng Kee Road and Alexandra Road and the acquisition was completed in June 2014.

DIVERSIFYING BEYOND BUSINESS AND NATIONAL BOUNDARIES

On 18 April 2014, Westlite Mandai, a dormitory jointly owned by the Group and Centurion Corporation Limited, was officially opened in a ceremony presided by Mr Tan Chuan-Jin, Minister for Manpower. This is a ground-breaking move and a promising new business segment for the Group. It is now in full operation and expected to contribute positively to the Group's revenue.

CHAIRMAN'S STATEMENT

The Group also invested in United E & P Pte Ltd with a shareholding of 40% shares, which principally manufactures and supplies asphalt premix for the construction industry. Its new asphalt plant, expected to be completed by end-2014, will provide us yet another new income stream.

We also took expansion beyond Singapore. In March 2014, our 15%-owned investment company, KAP Holdings (China) Pte. Ltd, entered into a joint venture with Beijing Jin Hua Tong Da Real Estate Development Co., Ltd. to undertake property development in the People's Republic of China ("PRC").

ACHIEVING LOCAL AND INTERNATIONAL RECOGNITION

This year has also been a year of recognition both local and internationally. Lian Beng Group Ltd and our subsidiary, Lian Beng Construction (1988) Pte Ltd won the International Construction Award by the Global Trade Leaders' Club, headquartered in Madrid, Spain.

In addition, Waterfront Key Condominium, built by our wholly-owned subsidiary, Deenn Engineering Pte Ltd, has clinched the BCA Construction Excellence Awards 2014 (Merit). This is a testimony of the Group's ability to satisfy the demand of high-quality building construction.

LOOKING AHEAD

Looking ahead, the Group's dormitory business segment is expected to continue to contribute to the Group's revenue. In addition, the Group's other investments will also generate bond interests, dividends and rental income, while my team and I will continue to tender for new projects and work towards maintaining sustainable growth and bring value to all our stakeholders.

EXPRESSING OUR HEARTFELT APPRECIATION

To thank our shareholders for their enduring support, it is my pleasure to announce that we are proposing a first and final dividend of 1.00 cent per share and a special dividend of 1.25 cents per share totalling 2.25 cents per share. Subject to shareholders' approval at the Annual General Meeting scheduled to be held on 26 September 2014, these dividends will be paid out on 16 October 2014.

I would also like to thank our clients and business associates for their support as well as the management and staff of Lian Beng Group for their dedication, which has been instrumental in achieving this resounding success.

MR ONG PANG AIK BBM
Chairman and Managing Director

"破记录的表现是集团成功推动业务多元化的绝佳见证"

尊敬的各位股东：

2014 财年是联明集团创立以来最精彩的一年。在这一年里,集团在多个领域创造新记录。我们不仅取得有史以来最高的毛利润、净利润和股东可分配利润,建筑、预制混凝土和房地产开发三个业务部门的营收也缔造历史新高。

破记录的表现体现出集团成功实践多元化发展战略。在 2014 财年内、我们在开拓营收渠道和发展可持续性盈收方面进展显著。这不仅提升了集团的竞争力,也会使我们更从容地应对多变的经营环境。

财务表现再创新记录

在 2014 财年,集团实现营收7亿 5390 万新元,较上一财年的 5 亿 560万新元增长49.1%,再创历史新高。这主要是因为集团在各个业务领域均取得卓越的表现。建筑业务营收同比增加 12.7%,创下 4 亿 2470 万新元记录,预制混凝土业务营收同比增加 7.3% 至1亿 1100 万新元,同样打破历史记录。此外,Westlite 万礼宿舍在 2014 财年首个完整经营年度表现卓越,为集团贡献 1820 万新元营收。

值得一提的是,房地产开发业务营收更从 2013 财年的2360万新元飙升至本财年的1亿9950万新元。这主要是由于集团占 55% 股权的工业地产开发项目 M-Space 全部售罄及竣工,相关收益一次性计入本财年所致。此外,集团旗下的其他房地产项目如 The Midtown & Midtown Residences, Spottiswoode Suites 和 Lincoln Suites 的销售也为房地产开发业务增长作出了贡献。

夯实房地产业务发展根基

2014 财年是集团战略性布局房地产项目的一年。今年5月,由联明集团、KSH Commercial Investment Pte Ltd、KOP Cecil Pte Ltd 和 Centurion Cecil Pte Ltd 投资设立的财团,以 5 亿 1200 万新元成功收购保诚大厦分层地契总面积的 92.8%。联明集团是这个财团的最大股东,持有 32% 股份。

今年4月,集团旗下占 80% 股权的子公司 Wealth Assets 私人有限公司,成功竞标一处位于麟记路和亚历山大路一带的房地产,并于今年6月完成相关收购程序。

主席致辞

打造多元化跨行业、跨区域发展平台

2014年4月18日，由联明集团和胜捷企业合资建造的 Westlite 万礼宿舍隆重开业，新加坡人力部长陈川仁先生莅临开幕仪式。这对集团来说，是个极具突破性和发展潜力的全新业务。该宿舍目前已经全部投入营运，相信它会持续带动集团的营收。

此外，集团也投资成立United E & P 私人有限公司，并持有 40% 股权。United E & P主要从事生产沥青预混料并供应给相关建筑行业。该沥青厂将于今年年底竣工，这将为集团提供另一项收入来源。

我们也开始涉足新加坡以外的市场。今年 3 月，集团旗下占 15% 股权的KAP Holdings (China) 私人有限公司与北京津华通达房地产开发有限公司成立合资公司，共同在中国从事房地产开发业务。

力争打响本地及国际声誉

2014 财年是联明集团扬名海内外的一年。联明集团及其子公司联明建筑 (1988) 私人有限公司荣获由西班牙马德里国际企业领导者协会颁发的"国际建筑大奖"。

此外，由集团旗下独资子公司鼎圆工程私人有限公司所建的 Waterfront Key 私人公寓也荣获了"2014 年新加坡建设局 (BCA) 建筑优越奖"。这充分显示出集团不遗余力地致力于为公众提供最优质的房屋建筑。

展望未来

展望未来，集团的宿舍业务预计会继续为集团提供收入。与此同时，集团的其他投资业务也将继续提供利息、股息和租金收入。我和我的团队将继续竞标更多新项目，努力确保集团业务持续发展，为所有利益相关者创造更多价值。

致谢

为了答谢股东对我们持之以恒的支持，我很高兴地宣布，董事会提议派送每股1.0新分的首期末期免税现金股息，以及每股1.25新分的特别免税现金股息。两者合一，股东将会获得每股2.25新分现金股息。该股息提议将于2014年9月26日股东大会上待股东表决通过后，于 2014 年 10 月16日派发。

借此机会，我想向我们的客户、一贯支持我们的合作伙伴、以及联明集团全体员工的贡献和付出致以最衷心的感谢。正是由于你们的努力和付出，联明集团才会有今日的辉煌成就。

王邦益 BBM
集团主席兼执行董事

BOARD OF DIRECTORS

MR ONG PANG AIK BBM
Chairman & Managing Director

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

His exceptional entrepreneurial prowess, so amply demonstrated by his contribution in propelling Lian Beng Group into the forefront, has earned him the accolades of 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 business excellence, Mr Ong is passionate about community work. He serves as a grassroots leader in the Marine Parade GRC – Braddell Heights CCMC and 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.

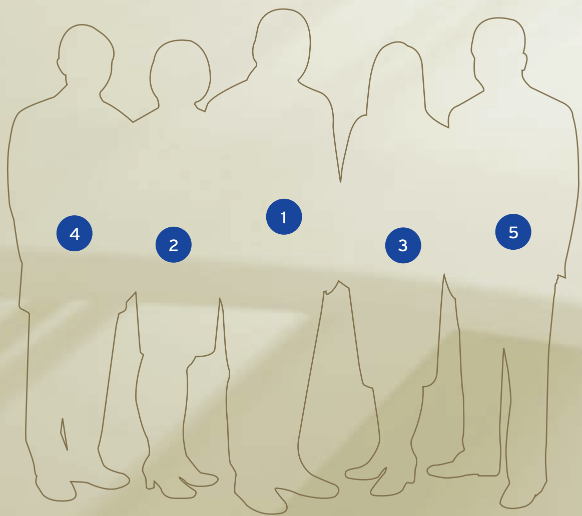
MS ONG LAY KOON
Executive Director

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 affairs, 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.



1) Mr Ong Pang Aik 2) Ms Ong Lay Koon 3) Ms Ong Lay Huan
4) Dr Wan Soon Bee 5) Mr Sitoh Yih Pin

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 21 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 2013. 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.

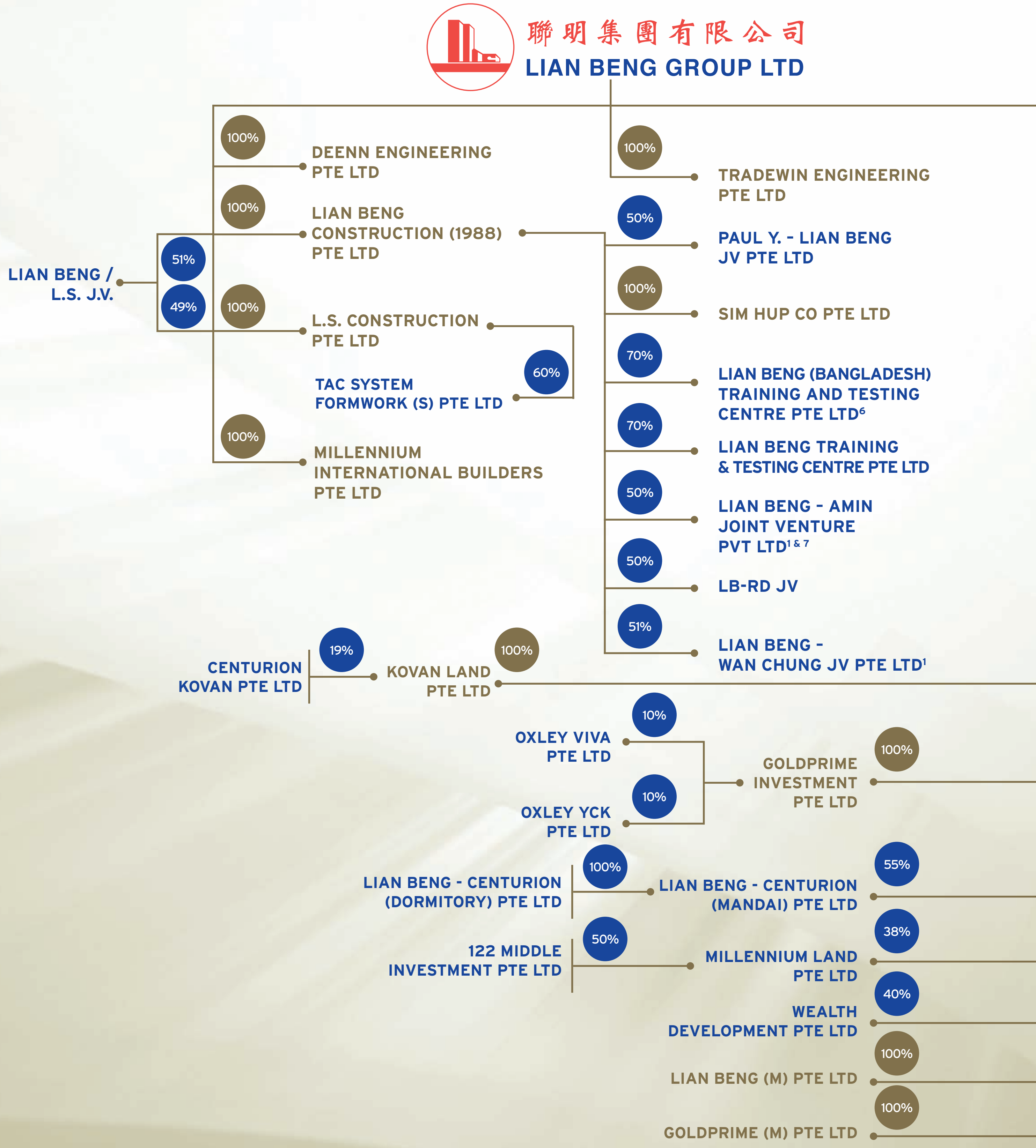
MR SITOH YIH PIN
Independent Director

Mr Sitoh was appointed to the Board on 1 April 1999 and was last re-elected on 26 September 2013. 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 the Chairman of the Government Parliamentary Committee for Defence and Foreign Affairs. He is also presently a director of several publicly listed companies comprising Allied Technologies Limited, United Food Holdings Limited and Talkmed Group 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 both the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in Australia.

GROUP STRUCTURE



1. In the process of liquidation
2. Incorporated in Cayman Islands
3. Incorporated in Malaysia
4. Incorporated in Australia
5. Incorporated in PRC
6. Incorporated in Bangladesh
7. Incorporated in Maldives

- 100% LIAN BENG INVESTMENT PTE LTD
- 100% ROCCA INVESTMENTS PTE LTD
- 100% LIAN BENG REALTY PTE LTD
  - 25% PHILEAP PTE LTD
  - 100% MOUNTBATTEN DEVELOPMENT PTE LTD
- 100% LB LAND PTE LTD
- 100% LB PROPERTY PTE LTD
- 100% CH DEVELOPMENT PTE LTD
- 100% LIAN BENG LAND PTE LTD
  - 50% OXLEY - LIAN BENG PTE LTD
- 50% SPOTTISWOODE DEVELOPMENT PTE LTD
- 100% LUXE DEVELOPMENT PTE LTD
  - 15% OXLEY SANCTUARY PTE LTD
- 100% LIAN BENG BLISS PTE LTD
  - 30% OXLEY BLISS PTE LTD
- 100% STARVIEW INVESTMENT PTE LTD
  - 19% ACTION PROPERTY PTE LTD
- 65% WEALTH PROPERTY PTE LTD
- 100% WEALTH LAND PTE LTD
  - 32.65% IMPERIAL SOUTH EAST ASIA INVESTMENT PTE LTD
- 100% LIAN BENG (CHINA) PTE LTD
  - 15% KAP HOLDINGS (CHINA) PTE LTD
    - 40% SINO-SINGAPORE KAP CONSTRUCTION CO., LTD (阿尔伯特园建筑工程有限公司[5])
- 100% GOLDPRIME PROPERTY PTE LTD
  - 30% WICKHAM INVESCO PTE LTD
    - 100% WICKHAM 186 PTY LTD[4]
  - 30% PROSPERE HOLDINGS PTE LTD
    - 100% FORTITUDE VALLEY (HOTELS) PTY LTD[4]
- 25% GREAT DEVELOPMENT PTE LTD
- 80% WEALTH ASSETS PTE LTD
- 100% LIAN BENG CAPITAL PTE LTD
  - 32% EPIC LAND PTE LTD

- 100% SMOOTH VENTURE PTE LTD
- 100% MILLENNIUM MARINE & SHIPPING PTE LTD
- 100% LIAN BENG RESOURCES PTE LTD
  - 100% LIAN BENG RESOURCES SDN BHD[3]
- 96.5% SIN LIAN HOLDING LTD[2]
  - 100% LIAN BENG ENGINEERING & MACHINERY PTE LTD
  - 100% SINMIX PTE LTD
- 100% LIAN BENG MARINE PTE LTD
- 40% UNITED E & P PTE LTD
- 100% ASSOCIATED KHL INDUSTRIES PTE LTD

KEY EXECUTIVE OFFICERS

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

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
- Lian Beng Resources Sdn. Bhd.
- Millennium Marine & Shipping Pte. Ltd.
- Sinmix Pte Ltd
- Tradewin Engineering Pte Ltd
- United E & P Pte Ltd
- Associated KHL Industries 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 managing 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 Resources 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 Formwork (S) Pte Ltd

MR JEFFREY TEO WEE JIN is the Construction Director of the Group and 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.

With more than 26 years of experience in the construction industry, Mr Teo 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 commitment to deliver quality products have put him in good stead 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 the Director of Paul Y.-Lian Beng JV Pte Ltd and TAC System Formwork (S) 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 have 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"), is 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 21 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 21 years of construction and project management experience, Mr Ho is actively involved in the management of various building contracts undertaken by the Group. He oversees the Group's ISO integrated management system and Workplace Safety and Health portfolio.

Mr Ho holds a Bachelor of Applied Science degree 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 26 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 ensuring 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. He has over 17 years of experience in financial and management accounting as well as cost and budgetary control in the trading, construction and manufacturing industries.

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 completion of its Advanced Tax Programme in 2009/2010.

FINANCIAL HIGHLIGHTS

The Group achieved a record revenue of **S$753.9 million** for the financial year ended 31 May 2014 ("FY2014"), representing a **49.1%** year-on-year ("yoy") increase.

The improvement of the Group revenue can be chiefly attributed to record revenue in almost all its business segments, in particular, the Property Development segment where there was a one-time revenue recognition from industrial project, M-Space, which received TOP in 3QFY2014.

Gross profit improved 118.5% to a record S$142.1 million due to the higher revenue as well as a better gross profit margin brought about by the Property Development segment, and the dormitory business.

FY2014 profit before tax improved 43.1% to S$141.5 million mainly due to the higher gross profit. The Group changed its accounting policy for investment properties from the cost method to fair value model to align to industry practice. The fair value gains on the Group's investment properties were S$37.2 million for FY2014 and S$51.0 million for FY2013. Disregarding such fair value gains, the Group's profit before tax for FY2014 improved 117.7% to S$104.3 million, compared to FY2013, indicating the Group's strong improvement in its core business performance.

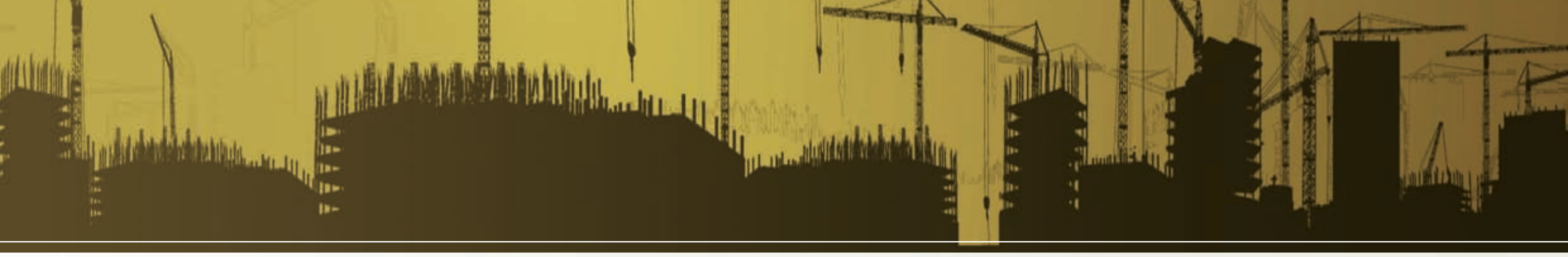
Financial Performance Comparison

(S$'000)	Financial year ended 31 May 2014 (FY 2014)	Financial year ended 31 May 2013 (FY 2013) (Restated)	% change
Fair value gain on investment properties	37,242	51,020	(27.0%)
Profit before taxation	141,517	98,923	43.1%
Profit before taxation (minus fair value gain)	104,275	47,903	117.7%

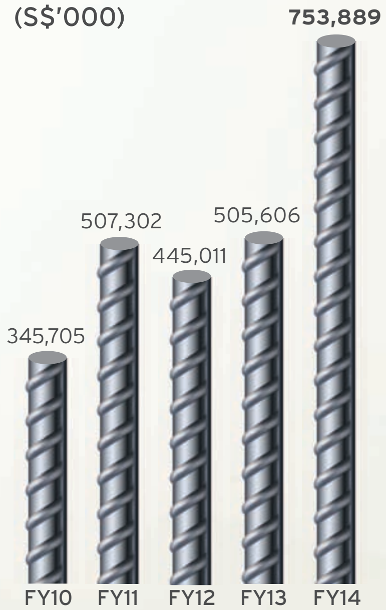
Corresponding to the higher profit before tax, FY2014 net profit improved 38.7% to S$127.0 million, a historical high. In tandem with the higher net profit, the Group's FY2014 earnings per share increased to 16.45 Singapore cents from 13.78 Singapore cents for FY2013.

The Group is proposing a total dividend of 2.25 Singapore cents per share, subject to shareholders' approval at the forthcoming Annual General Meeting. It will be 80% higher than the dividend of 1.25 Singapore cents paid out for FY2013.

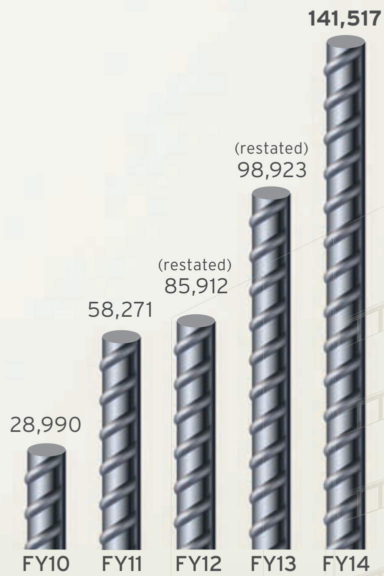
The Group's cash and cash equivalents remained strong at S$176.7 million as at 31 May 2014.



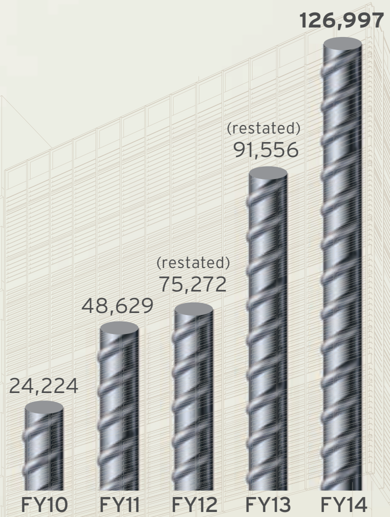
REVENUE (S$'000)



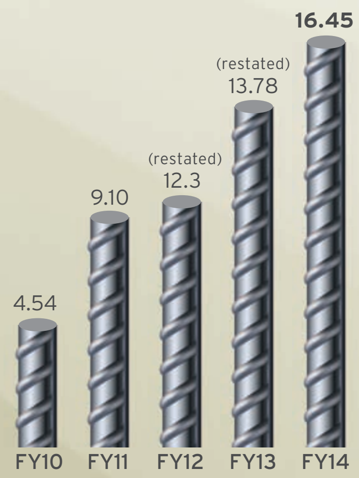
PROFIT BEFORE TAX (S$'000)



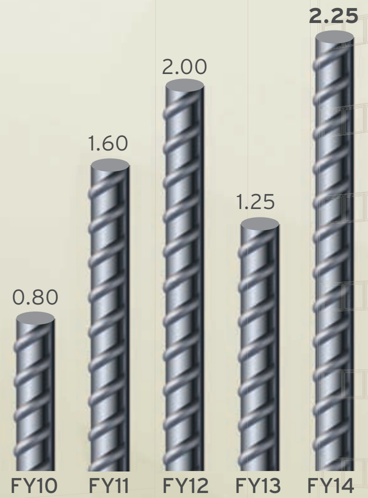
NET PROFIT (S$'000)



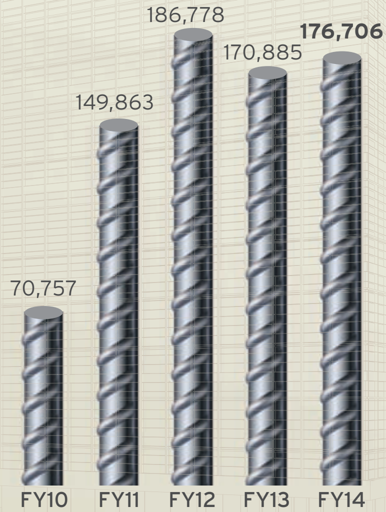
EARNINGS PER SHARE (Cents)



DIVIDENDS PER SHARE (Cents)



CASH AND CASH EQUIVALENTS (S$'000)



SIGNIFICANT EVENTS

SEPTEMBER 2013

- Lian Beng subscribed to 1.2 million new ordinary shares in the capital of United E & P Pte. Ltd. ("UEP"), for an aggregate consideration of S$1.2 million to hold 40% of the total and issued paid-up capital of UEP. This associated company will principally be engaged in manufacturing asphalt premix for the construction industry, thereby expanding the Group's construction business segment.

DECEMBER 2013

- In 17 December 2013, Lian Beng entered into a share sale agreement to acquire Associated KHL Industries Pte Ltd ("Associated KHL") for a purchase consideration of approximately S$3.8 million. Associated KHL owns a Jurong Town Corporation property situated at 2 Penjuru Close Singapore 608611. The purpose of the acquisition is to provide more storage space for the Group's expansion in its construction, engineering works and services.


Asphalt Premix Plant

Official Opening of Westlite Mandai Dormitory

MARCH 2014

- In 24 March 2014, Lian Beng's 15%-owned investment company, KAP Holdings (China) Pte. Ltd. ("KAP"), entered into a joint venture with Beijing Jin Hua Tong Da Real Estate Development Co., Ltd. ("BJJHTD") and incorporated a joint venture company, named Sino-Singapore KAP Construction Co., Ltd. ("SSKAP") in China to undertake property development there. SSKAP has a registered share capital of RMB360 million (approximately S$74.1 million) which will be injected by KAP and BJJHTD in equal shares.
- In March 2014, Lian Beng acquired 38 million ordinary shares, representing approximately 5.03% of the issued share capital of Centurion Corporation Limited.

APRIL 2014

- In April 2014, Lian Beng's 80%-owned subsidiary, Wealth Assets Pte. Ltd. ("Wealth"), was awarded the tender for the purchase of the property along Leng Kee Road and Alexandra Road.
- In 18 April 2014, Lian Beng officially opened its 55%-owned Westlite Mandai Dormitory in a ceremony presided by Mr Tan Chuan-Jin, Minister for Manpower.

FEBRUARY 2014

- In 4 February 2014, Lian Beng's wholly-owned subsidiary, Deenn Engineering Pte Ltd, secured a construction contract worth S$117 million for the construction of a multi-storey building at Selarang.

24 Leng Kee Road


Woodlands Dormitory

MAY 2014

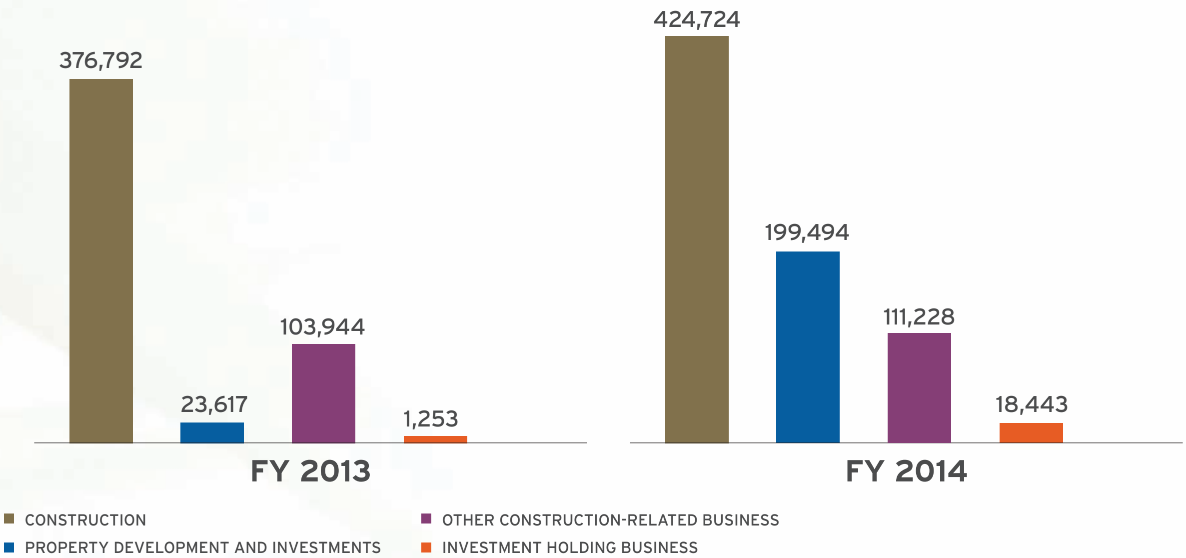
- In 15 May 2014, Lian Beng, through a 32%-owned consortium, entered into agreements for the purchase of 92.8% of the aggregate strata area of Prudential Tower for S$512.0 million.
- In 21 May 2014, Lian Beng's wholly-owned subsidiary, Lian Beng Construction (1988) Pte Ltd, secured a contract from Westlite Dormitory (V one) Pte Ltd for the erection of one block of 13-storey independent workers' dormitory at Woodlands Avenue 10, worth approximately S$44.5 million.

JUNE 2014

- In 12 June 2014, Lian Beng's 30%-owned associated company, Wickham Invesco Pte. Ltd. ("Wickham Invesco"), incorporated a new company, namely Wickham 186 Pty Ltd ("Wickham 186") in Queensland, Australia, which will engage principally in real estate activities and investment holding.
- In 23 June 2014, the acquisition of Leng Kee Property was completed.

OPERATIONS REVIEW

Revenue By Business Segment (S$'000)



CONSTRUCTION

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

PROPERTY DEVELOPMENT AND INVESTMENT

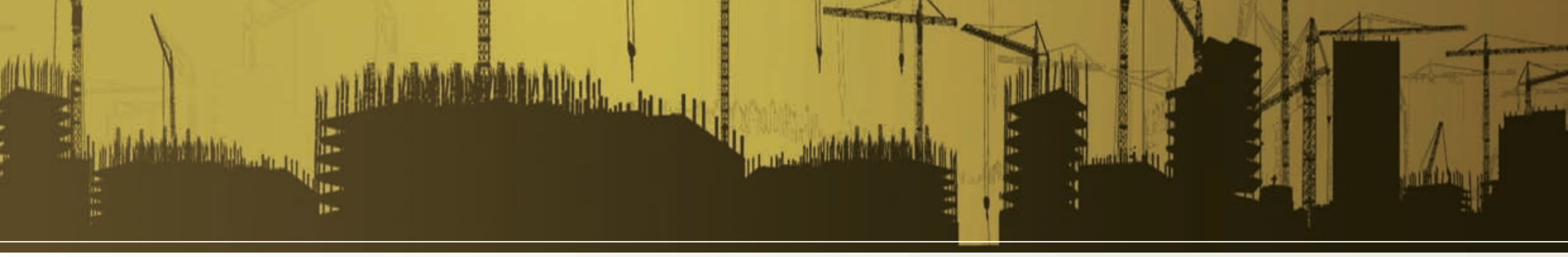
Engages in:
- Residential
- Mixed (Residential & Commercial)
- Industrial
- Commercial

OTHER CONSTRUCTION-RELATED BUSINESS

Engages in:
- Scaffolding Works
- Engineering Works
- Ready-mixed Concrete
- Rebar Fabrication
- Equipment & Machinery
- Resource and Transportation

INVESTMENT HOLDING BUSINESS

Engages in:
- Leasing of Workers' Dormitories



The Group has a strong order book of **$1.2 billion** as at 31st May 2014

CONSTRUCTION

FY2014 has been a very busy year for the Construction segment, the Group's largest business segment. FY2014 saw the completion of several big-scale projects, numerous ongoing projects making steady progress and the securing of promising new projects. This vibrancy has been matched by a staggering revenue of S$424.7 million, a historical high accounting for 56.3% of the Group revenue for FY2014.

Completed Projects

In FY2014, several construction projects were completed. This includes Spottiswoode Residences, The Scala, Centro Residences, The Laurels and the Mandai Factory. In addition, we completed our dormitory project, Westlite Mandai Dormitory.

Ongoing Projects

Apart from the completed projects, the Group has also been actively involved in on-going construction projects. Some of these projects include Hedges Park, Waterfront Isle, Skies Miltonia and Bartley Ridge. The Group is also building a number of commercial and industrial buildings such as Oxley Tower, Eco-Tech@Sunview, an industrial project at Tampines Industrial Crescent and a Hotel development at Middle Road.

New Projects

The Group secured several construction projects in FY2014, boosting its order book to S$1.2 billion as at 31 May 2014. These projects include a building at Selarang, The Inflora, Westlite Woodlands Dormitory and The Midtown & Midtown Residences.


The Inflora


Spottiswoode Residences

PROPERTY DEVELOPMENT AND INVESTMENT

The Property Development segment has also registered a year of robust performance. It achieved a revenue of S$199.5 million in FY2014, a 744.7% increase from S$23.6 million in FY2013. This accounts for 26.5% of total Group revenue. This sterling result was attributed to the full recognition of revenue from the completed M-Space, as well as the sales from The Midtown & Midtown Residences, Spottiswoode Suites and Lincoln Suites.

This year, the Group spearheaded new initiatives in-line with our expansionary plans. In April 2014, the Group's 80%-owned subsidiary, Wealth Assets Pte. Ltd, was awarded the tender for the purchase of the property within the automotive belt along Leng Kee Road and Alexandra Road. This acquisition was completed in June 2014.

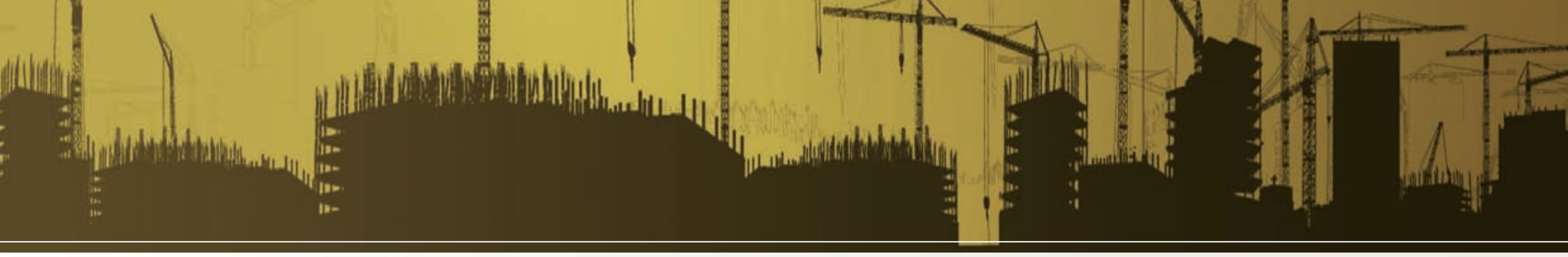
In May 2014, the Group entered into agreements, through a 32%-owned consortium, for the purchase of 92.8% of the aggregate strata area of Prudential Tower. This presents a good opportunity for the Group to participate in a strategic investment with attractive recurring rental income and subsequent strata sales of a Grade A office building in the Raffles Place precinct. This is the Group's first major venture into commercial property investment in the Central Business District and bodes well for our future forays in this arena.

During the year, the Group's partially-owned companies launched a commercial project – Hexacube, an industrial project – Eco-Tech@Sunview, and two projects – Floraville (Residential), Floraview and Floravista (Mixed Development). In addition, two industrial property developments in Tampines and in Mandai Link are also slated to be launched in the near future.

Industrial property development at Tampines Crescent

The Midtown & Midtown Residences

Hotel development at Middle Road



OTHER CONSTRUCTION-RELATED BUSINESS

Ready-mixed concrete (RMC)

The strong growth in the construction sector has brought a sustainable demand for RMC. With the current fleet of RMC trucks, the Group's RMC business has grown 7.3% to bring in S$111.0 million in external sales, and inter-segment sales of S$12.7 million, totalling S$123.7 million for FY2014.

Engineering and leasing

The Engineering and leasing segment largely caters internally to the Group with inter-segment revenue at S$21.8 million and external sales at S$0.27 million for FY2014. Nonetheless, revenue for this segment has grown 15.0% to S$22.1 million for FY2014.

Resource and Transportation

The Group has expanded its presence and capability in the sourcing for construction materials. It has set up a subsidiary to manage the sourcing and supply of sand, aggregate and dust. Presently owning 3 tugboats and 4 barges, it is in the process of beefing up its resource transportation capability with additional 4 tugboats and 4 barges. With a firmer control over the supply of construction materials, which the Group uses for its ready-mixed concrete and asphalt manufacturing, the Group can better control its cost of production. Any excess supply of these construction materials can also be sold to third parties, generating yet another recurring income.

Construction Materials

Tugboat and Barge

INVESTMENT HOLDING BUSINESS

The revenue from Investment Holding business grew significantly to S$18.4 million in external sales as the Group's first dormitory was fully completed and operated for a full 12 months in FY2014. 55%-owned dormitory, Westlite Mandai, was officially opened in April 2014. With a capacity of about 6,290 beds, it is running at close to full occupancy.

This investment is part of our vision to develop quality workers' accommodation with comprehensive facilities to meet continuing demand. At Westlite Mandai, residents can enjoy facilities such as free Wifi internet access, media and game rooms, canteen, gymnasium, outdoor courts for soccer and cricket batting, as well as a 24-hour mini-mart stocked with local and imported food from the home countries of the residents.

Mandai Dormitory


Gymnasium

OUR PEOPLE, **OUR** ASSETS

At Lian Beng, we consider our people as part of our assets. As such, we are deeply committed to enhancing their professional development and personal growth. We conduct regular training and development courses to enhance their knowledge, skills and competencies, so as to help them meet new challenges in the industry. This has resulted in a more effective workforce, which in turn, translated into higher productivity and quality. With the concerted efforts of our management and staff, we have once again clinched the prestigious BCA Construction Excellence Awards 2014.

We also put strong emphasis on workplace safety and the well-being of our staff. To ensure safety procedures are in place and adhered to, staff are sent for safety training to raise their safety consciousness as well as familiarise them with safety processes. This has helped to keep workplace incidences to a minimum.

At Lian Beng, we hold various celebrations throughout the year. During the celebration, staff gathered and bonded over food, music and games.

We also believe in extending this love and care beyond the company, into the community. We are actively involved in philanthropic giving, mainly through donations towards different causes and educational sponsorship as a way of giving back to the community.

BCA Construction Excellence Awards 2014


Workers' Safety Training


Training and Development

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 Geok Lim
(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

The Company is committed to maintaining a high standard of corporate governance, in line with the Code of Corporate Governance 2012 (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 objectives, 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 risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
3. Review the management performance;
4. Identify the key stakeholder groups and recognize that their perceptions affect the company's reputation;
5. Set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
6. Consider sustainability issues such as environmental and social factors, as part of its strategic formulation.

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

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

a. Approval of financial statements' announcements;
b. Approval of interested parties' transactions;
c. Declaration of interim dividends and proposal of final dividends;
d. Convening of shareholders' meetings;
e. Approval of corporate strategy;
f. Authorisation of merger and acquisition transactions; and
g. Authorisation of major transactions.

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

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

Name of Director	Board Meetings		Nominating Committee Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Ong Pang Aik	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, 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. There was no newly appointed director during financial year ended 31 May 2014 ("FY2014").

The Board as a whole is updated quarterly during the Board and AC meetings on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board committee members. For first time Directors, the Company will arrange relevant training courses for them to familiarize with the duties and responsibilities as a Director of a listed company. The Company also encourages directors to attend training courses organized by the Singapore Institute of Directors or other training institutions in connection with their duties as Directors.

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

Information regarding each Board member is provided under the Board of Directors section set out on page 8 of this Annual Report.

The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure that there is strong independent element on the Board such that the Board is able to exercise objective judgement on corporate affairs independently. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interests of the Company.

The NC is of the view that Dr Wan Soon Bee and Mr Sitoh Yih Pin are independent. Dr Wan Soon Bee and Mr Sitoh Yih Pin were first appointed Directors on 1 April 1999 and have held their office as Directors for more than 9 years and the Code requires their independence should be subject to rigorous review. In this context, the NC and the Board have separately reviewed the independence of Dr Wan Soon Bee and Mr Sitoh Yih Pin and are satisfied that their long tenure does not impair the independence and they are able to discharge the duties as Directors independently and objectively. They remained independent in character and judgement and there are no relationships or circumstances which are likely to affect their judgement. Both of them are well qualified and experienced and have the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

As more than one third (1/3) of the Board is independent, the requirement of the Code that at least one third of the Board comprises Independent Directors is satisfied. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs.

The Board through the NC, has examined its structure, size and composition and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

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 Board and the Board Committees comprise of Directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge and strategic planning experience. Hence, the NC is of the view that the current Board and Board Committees comprise of persons who as a group provide capabilities required for the Board and Board Committees to be effective.

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. Non-executive directors are encouraged to meet regularly without the presence of management.

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 complete, adequate and timely 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 within the Board and between the Board and management;
g. Promoting a culture of openness and debate at the Board; and
h. 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. The Board is also of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

The Board concurs with the NC that as the size of the Board is relatively small with only 5 members of whom two are Independent Directors, there would not be a need for a Lead Independent Director. The Independent Directors collectively are and have been available to shareholders as a channel of communication between shareholders and the Board or management. The Independent Directors meet or communicate periodically without the presence of the other Directors and collectively provide feedback to the Chairman as matters arising from such meetings.

BOARD MEMBERSHIP
Principle 4: Formal and Transparent Process for Appointment and Re-Appointment of Directors to the Board

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 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;
f. Deciding how the Board's performance may be evaluated and proposing objective performance criteria; and
g. To make plans for succession, in particular for the Chairman of the Board and Managing Director.

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 candidates and reviews the nominations for the appointments based on the following criteria:-

(i) at least one-third of directors shall be independent directors; and
(ii) the candidate shall be a fit and proper person to hold such office, and the most qualified candidate nominated for the office, taking into account the candidate's track record, experience, capabilities and other relevant factors.

Each member of the NC shall abstain from voting on any recommendation and/or participating in respect of matters in which he has an interest.

When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. Candidates may be suggested by directors or management or sourced from external sources. The NC will interview the shortlisted candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial expertise. The NC then nominate the most suitable candidate to the Board for approval.

The NC meets at least once a year. Under Article 107 of the Company's Articles, one third (1/3) of the Board (other than the Managing Director) is to retire by rotation and subject themselves to re-election by shareholders at every AGM. The NC will assess and evaluate whether Directors retiring at each AGM are properly qualified for reappointment by virtue of their skills, experience and contributions. The NC recommended to the Board that Ms Ong Lay Koon be nominated for re-election under Article 107 and Dr Wan Soon Bee be nominated for re-appointment pursuant to Section 153(6) of the Companies Act at the forthcoming AGM.

Ms Ong Lay Koon will, upon re-election as a Director of the Company, remains as a member of the Audit Committee, Nominating Committee and Remuneration Committee. Dr Wan Soon Bee will, upon re-appointment as a Director of the Company, remains as the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

In making the recommendations, the NC had considered the Directors' overall contributions and performance.

Notwithstanding that some of the Directors have multiple board representations, the Board is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. The Board is of the view that the assessment of whether each Director is able to devote sufficient time to discharge his or her duties should not be restricted to the number of board representation. Holistically, the contributions by the Directors during the meetings and attendance at such meeting should also be taken into consideration. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises. The NC would continue to review from time to time the listed company board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

The dates of appointment and re-election and directorships of the Directors in other listed companies are set out below:

Name of Director	Date of Appointment	Last Re-Election Date	Directorships in Other Listed Companies	
			Present	Last Three Years
Ong Pang Aik	16/12/1998	Not Required	Nil	Nil
Ong Lay Huan	20/03/1999	26/09/2012	Nil	Nil
Ong Lay Koon	20/03/1999	26/09/2011	Nil	Nil
Dr Wan Soon Bee	01/04/1999	26/09/2013	Chemical Industries (Far East) Limited.	China Titanium Limited.
Sitoh Yih Pin	01/04/1999	26/09/2013	Allied Technologies Limited, United Food Holdings Limited and Talkmed Group Limited.	Chinasing Investment Holdings Limited, Meiban Group Pte Ltd, Nera Telecommunications Ltd and PNE Micron Holdings Ltd.

Further details of the Directors, including their principal commitments, are provided under the Board of Directors section set out on page 8 of the Annual Report.

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

The NC decides on how the Board's and its board committees' performance and individual directors' contributions are to be evaluated and to propose objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the board committees, and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

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

a. Board size and composition;
b. Board processes;
c. Board information and accountability; and
d. Board performance in relation to discharging its principal functions and responsibilities.

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

a. Industry knowledge and/or functional expertise;
b. Contribution and workload requirements;
c. Sense of independence; and
d. Attendance at board and committee meetings.

During the financial year, all Directors are requested to complete a board evaluation questionnaire designed to seek their view on various aspects of the Board performance as described above. The Chairman, in consultation with the NC, acted on the results of the performance evaluations. Where appropriate, the Chairman will propose new members to be appointed to the Board or seek the resignation of Directors.

The NC has assessed the current Board's performance to-date and individual director's contributions, and is of the view that the performance of the Board as a whole was satisfactory.

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

In order to ensure that the Board is able to fulfill its responsibilities, the management provides all directors with complete, adequate and timely information prior to Board meetings, and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities. 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 provisions in the Listing Manual of 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 Company Secretaries and/or his/her representatives attend all quarterly Board meetings. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

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.

Changes to regulations and accounting standards are closely monitored by the management. The Directors are briefed either during Board and Board Committee meetings or by the Company Secretaries of these changes especially where these changes have an important bearing on the Directors' disclosure obligations.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 7: Formal and Transparent Procedure for Developing Policy on Executive Remuneration and For Fixing Remuneration Packages of Directors

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

1. Sitoh Yih Pin, Chairman
2. Dr Wan Soon Bee
3. Ong Lay Koon

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

The RC met once during the financial year under review.

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

a. Recommending to the Board on the framework of remuneration policies for directors and senior management;
b. Reviewing and approving specific remuneration packages for each director and the Chairman, including director's fees, salaries, allowances, bonuses, options 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. Each member of the RC shall abstain from voting on any recommendation and/or participating in respect of matters in which he or she has an interest.

The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

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 review of the remuneration of the executive officers takes into consideration the performance and the contributions of the officer to the Company and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully.

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 period is three months in the service agreements for executive directors.

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

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

The Company does not have any employee share option scheme.

The remuneration of each individual Director to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive business environment the Company operates in. The RC has reviewed the practice of the industry and considered the pros and cons of such disclosure.

A breakdown, showing the level and mix of each individual director's remuneration for the financial year ended 31 May 2014 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus & Profit Sharing (%)	Other Benefits and Allowances (%)	Directors' Fees (%)[1]	Total (%)
S$5,250,001 – S$5,500,000	Ong Pang Aik	10	86	1	3	100
S$2,750,001 – S$3,000,000	Ong Lay Huan	14	83	2	1	100
S$2,000,001 – S$2,250,000	Ong Lay Koon	15	80	3	2	100
Below S$250,000	Dr Wan Soon Bee	–	–	–	100	100
Below S$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 for the financial year ended 31 May 2014 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus (%)	Other Benefits and Allowances (%)	Directors' Fees (%)	Total (%)
S$500,001 – S$750,000	Ong Lee Yap	45	50	5	–	100
S$250,001 – S$500,000	Ong Phang Hoo	54	39	7	–	100
	Ong Phang Hui	55	37	8	–	100
	Than King Huat	44	53	3	–	100
	Teo Wee Jin	56	42	2	–	100
	David Goh Teck Ann	55	39	6	–	100
Below S$250,000	Ho Chee Siong	68	27	5	–	100
	Chew Teow Leong	76	23	1	–	100

The remuneration details of Ms Ong Lee Yap, Mr Ong Phang Hoo and Mr Ong Phang Hui, who are siblings of Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon, are provided in the table above. In view of the market competition and information sensitivity, the Board believes that disclosure of the remuneration of Ms Ong Lee Yap, Mr Ong Phang Hoo and Mr Ong Phang Hui in remuneration bands of S$250,000 would be sufficient.

Ms Ong Sui Hui is the daughter of Mr Ong Pang Aik and niece of Ms Ong Lay Huan and Ms Ong Lay Koon, and Mr Ong Eng Keong, is the son of Mr Ong Pang Aik and nephew of Ms Ong Lay Huan and Ms Ong Lay Koon. The remuneration of Ms Ong Sui Hui and Mr Ong Eng Keong exceed S$50,000 for FY2014. However, the Board is of the opinion that the remuneration details of Ms Ong Sui Hui and Mr Ong Eng Keong are confidential and disclosure of their remuneration in the bands of S$50,000 would not be in the interest of the Company.

Save as disclosed above, there were no other employees who were immediate family members of any Director or the Managing Director, whose remuneration for FY2014 exceeds S$50,000. There are no termination, retirement or any post-employment benefits to directors and key officers.

For the financial year ended 31 May 2014, the total remuneration paid to the top eight key management personnel (who are not Directors or the CEO) of the Company was S$2,854,299.

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 announcements for the quarterly, half-year and full-year financial results are released via the SGXNET. All material information relating to the Company is disseminated via SGXNET.

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.

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 11: Maintenance of Sound System of Risk Management and Internal Controls

The Board believes that the system of risk management and internal controls maintained by the management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislations, regulations and best practices and the identification and management of business and strategic risks.

The Board has received assurance from the Chairman and Managing Director and the Financial Controller that the financial records have been properly maintained and the financial statements for the financial year ended 31 May 2014 give a true and fair view of the Company's operations and finances, and the Company's risk management and internal control systems were adequate and effective.

The Board has put in place a risk governance and internal control framework manual to define the strategic objectives and determine the risk appetite, tolerance and risk mitigation measures to address potential impediments to achieving these strategies. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing the financial, operational, compliance and information technology controls risks, and risk management systems of the Company were adequate as at 31 May 2014. The Board has also evaluated the internal control system against the COSO internal control framework for adequate and effective internal control. The Board's opinion is based collectively on the risk governance and internal control framework and assessment of internal control adequacy and effectiveness.

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 has also directed management who have put in place an enterprise risk management programme which is in line with ISO: 31000, an accredited risk management standard. This allows the Board to be apprised of the key strategic, operational, financial and compliance risks and the Group risk profile as well as mitigation measures to address such risks. The Board will continue its risk assessment process, on an on-going basis, with a view to improve the Group's internal controls system.

AUDIT COMMITTEE
Principle 12: 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 14 years of experience in business and financial management. It is confident that the corporate governance of the Company has not been and will not be compromised by the existing composition of the AC and that the Independent Directors in the AC will continue to benefit from the experience and expertise of the Executive Director in the AC in carrying out their respective duties effectively.

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

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

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

a. Review the scope and results of the external 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 so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
d. Review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
e. Review the effectiveness of the Company's internal audit function;
f. 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;
g. Review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
h. 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
i. Review the audit plans and reports of the internal auditors and ensure the adequacy of the Company's system of internal controls.

The AC meets with the external and internal auditors, without the presence of management, at least annually, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors. The AC has reasonable resources to enable it to discharge its functions properly. The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on financial statements during the AC meetings.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2014 are as follows:-

Audit fees	:	S$499,000 (FY2013: S$406,000)
Non-audit fees	:	S$276,000 (FY2013: S$165,100)
Total	:	S$775,000 (FY2013: S$571,100)

The AC reviews the independence of the external auditors annually. 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 for the re-appointment of Messrs Ernst & Young LLP as the auditors of the Company at the forthcoming AGM.

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

In addition, the AC is given the task to commission investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and to review the findings thereof.

Whistle-blowing Policy

The AC has put in place a whistle-blowing Policy, whereby employees of the Group and external parties, may in confidence, raise concerns about possible improper financial reporting or other matters to Dr Wan Soon Bee, the AC Chairman via email at whistleblowing@lianbenggroup.com.sg. The objective for such arrangement is to ensure independent investigations of such matters and for appropriate follow-up actions.

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 legislations, regulations and best practices, 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.

The scope of the internal audit is:-

- to review the adequacy and effectiveness of the Group's material internal controls;
- to provide assurance that key operational, financial and compliance risks are identified and managed;
- to determine that internal controls are in place and functioning as intended; and
- to evaluate that operations are conducted in an effective and efficient manner.

The AC has reviewed with the internal auditors their risk based internal audit plan and their evaluation of the system of internal controls, their audit findings and the management's responses to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Company and the Group. The AC is satisfied that the internal audit is adequately resourced and has the appropriate standing within the Group.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES
Principle 14: Shareholder Rights

The Company recognizes and accepts the principle that all shareholders are treated fairly and equitably and that they have been accorded certain rights under the Singapore Companies Act and the Company's Articles of Association. Information to all shareholders is disclosed to in a timely and transparent manner and in compliance with SGX disclosure requirements.

Shareholders are given ample opportunity to attend, participate and vote at the Company's general meetings.

COMMUNICATION WITH SHAREHOLDERS
Principle 15: 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.

While the AGM of the Company is a principal forum for dialogue and interaction with all shareholders, the Company will consider use of other forums such as analyst briefings as and when applicable.

The Company does not have a dividend policy. For FY2014, the Board has recommended a first and final (tax exempt one-tier) dividend of 1.0 cent per ordinary share and a special (tax exempt one-tier) dividend of 1.25 cents per ordinary share.

CONDUCT OF SHAREHOLDER MEETINGS
Principle 16: 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 Chairman of the Board and the Chairmen of the AC, RC and NC as well as the external auditors are usually available at the general 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 up to 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 and ending on the date of the announcement of the relevant financial results.

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 2014 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)
Ong Pang Aik, Ong Lay Huan and Ong Lay Koon – Acquisition of the entire issued share capital of Associated KHL Industries Pte Ltd ("AKHL")	S$3,824,000	Not Applicable
Ong Pang Aik, Ong Lay Huan and Ong Lay Koon – Rental of storage space from AKHL and rental of office space to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd	S$166,754.52	Not Applicable

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 FY2014 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 2014.

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	21,504,800	23,170,800	137,730,400	140,190,400
Ong Lay Huan	11,275,200	11,583,200	137,730,400	140,190,400
Ong Lay Koon	7,775,200	8,539,200	–	–

There are no change in the above-mentioned interests between the end of the financial year and 21 June 2014.

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

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

DIRECTORS' CONTRACTUAL BENEFITS

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

OPTIONS

During the financial year, there were:

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

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

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

AUDIT COMMITTEE

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

- Review the scope and results of the external 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 and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;

- Review the effectiveness of the Company's 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 interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- 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 reviews the independence of the external auditors annually. 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 for the re-appointment of Messrs Ernst & Young LLP as the auditors of the Company at the forthcoming Annual General Meeting.

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.

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

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 2014

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 2014 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 2014

INDEPENDENT AUDITOR'S REPORT
For the financial year ended 31 May 2014

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 49 to 160, which comprise the statements of financial position of the Group and the Company as at 31 May 2014, 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.

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 2014 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 2014

STATEMENTS OF FINANCIAL POSITION
As at 31 May 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)	Group 2012 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
Non-current assets						
Property, plant and equipment	4	82,038	58,775	49,956	–	–
Investment properties	5	262,386	211,421	89,720	–	–
Investments in subsidiaries	6	–	–	–	51,130	46,656
Investments in jointly-controlled entities	7	–	–	–	500	500
Investment in associates	8	–	1,104	–	1,400	200
Investment securities	9	98,918	9,313	18,167	28,120	–
Deferred tax assets	22	591	200	–	–	–
		443,933	280,813	157,843	81,150	47,356
Current assets						
Construction work-in-progress in excess of progress billings	10	9,252	4,397	4,892	–	–
Development properties	11	165,502	162,427	96,697	–	–
Development properties held for sale	11	4,968	5,389	6,154	–	–
Inventories	12	4,504	6,916	3,076	–	–
Trade receivables	13	158,597	161,168	124,364	–	–
Other receivables and deposits	14	22,181	2,266	22,628	130	4
Prepayments		1,722	1,683	1,146	4	4
Receivables from related parties	15	1	1	2	117,197	70,996
Amounts due from jointly-controlled entities	7	11,548	7,032	–	27,284	26,879
Amounts due from associates	8	104,252	63,541	6,286	18,868	15,100
Investment securities	9	1,013	1,020	1,012	–	–
Cash and cash equivalents	16	176,706	170,885	186,778	35,369	831
		660,246	586,725	453,035	198,852	113,814
Current liabilities						
Progress billings in excess of construction work-in-progress	10	82,502	98,817	98,176	–	–
Trade and other payables	18	152,258	134,803	118,899	46	68
Amounts due to associates	8	12,249	–	–	–	–
Accruals		24,998	15,030	13,132	448	431
Amounts due to subsidiaries	19	–	–	–	148,845	55,043
Bank loans	20	78,004	2,963	835	–	–
Bills payable	20	–	–	755	–	–
Obligations under hire purchase	21	4,222	4,351	3,944	–	–
Provision for taxation		16,100	9,303	12,041	–	–
		370,333	265,267	247,782	149,339	55,542
Net current assets		289,913	321,458	205,253	49,513	58,272
Non-current liabilities						
Investment in associates	8	563	–	48	–	–
Refundable rental deposit		564	–	–	–	–
Bank loans	20	265,400	256,276	99,833	–	–
Obligations under hire purchase	21	8,354	6,787	5,706	–	–
Deferred tax liabilities	22	3,583	2,251	1,754	–	–
		278,464	265,314	107,341	–	–
Net assets		455,382	336,957	255,755	130,663	105,628

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)	Group 2012 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
Equity attributable to owners of the Company						
Share capital	23	82,275	82,275	82,275	82,275	82,275
Reserves		312,362	224,993	162,252	48,388	23,353
		394,637	307,268	244,527	130,663	105,628
Non-controlling interests		60,745	29,689	11,228	–	–
Total equity		455,382	336,957	255,755	130,663	105,628

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 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
Revenue	25	753,889	505,606	26,000	8,000
Cost of sales		(611,793)	(440,573)	–	–
Gross profit		142,096	65,033	26,000	8,000
Other operating income	26	6,133	6,395	246	4
Distribution expenses		(6,480)	(2,582)	–	–
Administrative expenses		(22,971)	(17,365)	(989)	(880)
Other operating expenses	26	(8,583)	(5,855)	–	–
Finance costs	28	(2,907)	(1,047)	–	–
Share of results of associates	8	(3,013)	3,324	–	–
		104,275	47,903	25,257	7,124
Fair value gain on Group's investment properties	5	37,242	51,020	–	–
Profit before taxation		141,517	98,923	25,257	7,124
Taxation	29	(14,520)	(7,367)	–	–
Profit for the year, net of tax		126,997	91,556	25,257	7,124
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Net gain on fair value changes of available-for-sale financial assets		6,850	213	6,400	–
Foreign currency translation		3	8	–	–
Other comprehensive income for the year, net of tax		6,853	221	6,400	–
Total comprehensive income for the year		133,850	91,777	31,657	7,124
Profit attributable to:					
Owners of the Company		87,138	72,992	31,657	7,124
Non-controlling interests		39,859	18,564	–	–
		126,997	91,556	31,657	7,124
Total comprehensive income attributable to:					
Owners of the Company		93,991	73,213	31,657	7,124
Non-controlling interests		39,859	18,564	–	–
		133,850	91,777	31,657	7,124
Earnings per share (Cents)					
Basic and diluted	30	16.45	13.78		

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 2014

	Attributable to owners of the Company					
	Share capital (Note 23) $'000	Retained earnings $'000	Other reserves (Note 24) $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
2014						
Group						
Balance at 1 June 2013	82,275	177,320	1,055	178,375	1,444	262,094
Effect of the change in accounting policy	–	46,618	–	46,618	28,245	74,863
As restated at 1 June 2013	82,275	223,938	1,055	224,993	29,689	336,957
Profit for the year	–	87,138	–	87,138	39,859	126,997
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	6,850	6,850	–	6,850
Foreign currency translation	–	–	3	3	–	3
Other comprehensive income for the year, net of tax	–	–	6,853	6,853	–	6,853
Total comprehensive income for the year	–	87,138	6,853	93,991	39,859	133,850
Contribution by and distribution to owners						
Dividends on ordinary shares (Note 39)	–	(6,622)	–	(6,622)	–	(6,622)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	(9,300)	(9,300)
Contributions by non-controlling interests	–	–	–	–	497	497
Total transactions with owners in the capacity as owners	–	(6,622)	–	(6,622)	(8,803)	(15,425)
Balance at 31 May 2014	82,275	304,454	7,908	312,362	60,745	455,382

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 May 2014

	Attributable to owners of the Company					
	Share capital (Note 23) $'000	Retained earnings $'000	Other reserves (Note 24) $'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
Effect of the change in accounting policy	–	13,068	–	13,068	10,440	23,508
As restated at 1 June 2012	82,275	161,541	711	162,252	11,228	255,755
Profit for the year	–	72,992	–	72,992	18,564	91,556
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	–	72,992	221	73,213	18,564	91,777
Contribution by and distribution to owners						
Dividends on ordinary shares (Note 39)	–	(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	223,938	1,055	224,993	29,689	336,957

	Attributable to owners of the Company				
	Share capital (Note 23) $'000	Fair value adjustment reserve (Note 24) $'000	Retained earnings $'000	Total Reserves $'000	Total equity $'000
2014					
Company					
Balance at 1 June 2013	82,275	–	23,353	23,353	105,628
Profit for the year	–	–	25,257	25,257	25,257
Other comprehensive income					
Net gain on fair value changes of available-for-sale financial assets	–	6,400	–	6,400	6,400
Other comprehensive income for the year, net of tax	–	6,400	–	6,400	6,400
Total comprehensive income for the year	–	6,400	25,257	31,657	31,657
Contribution by and distribution to owners					
Dividends on ordinary shares (Note 39)	–	–	(6,622)	(6,622)	(6,622)
Balance at 31 May 2014	82,275	6,400	41,988	48,388	130,663
2013					
Company					
Balance at 1 June 2012	82,275	–	26,824	26,824	109,099
Profit for the year	–	–	7,124	7,124	7,124
Other comprehensive income for the year, net of tax	–	–	–	–	–
Total comprehensive income for the year	–	–	7,124	7,124	7,124
Contribution by and distribution to owners					
Dividends on ordinary shares (Note 39)	–	–	(10,595)	(10,595)	(10,595)
Balance at 31 May 2013	82,275	–	23,353	23,353	105,628

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 2014

	Note	2014 $'000	2013 $'000 (Restated)
Cash flows from operating activities			
Profit before tax		141,517	98,923
Adjustments for:			
Depreciation of property, plant and equipment	4	11,781	9,528
Dividend income from investment securities	26(a)	(255)	(16)
Gain on disposal of plant and equipment	26(a)	(735)	(468)
Gain on disposal of investment securities		(154)	(1,182)
Gain on bargain purchase	6	(121)	–
Net fair value loss/(gain) on investment securities		7	(8)
Share of results of associates		3,013	(3,324)
Gain on disposal of investment properties	26(a)	–	(634)
Interest income		(2,930)	(1,214)
Interest expense	28	2,907	1,047
Unrealised exchange difference		11	(14)
Allowance for impairment on doubtful receivables	26(b)	528	280
Write-off of deposit	26(b)	–	322
Bad debts written off	26(b)	35	59
Property, plant and equipment written off	26(b)	9	–
Impairment loss/(write back) of value of investment property	26(a),(b)	500	(180)
Fair value gain on investment properties		(37,242)	(51,020)
Operating cash flows before changes in working capital		118,871	52,099
Changes in working capital:			
Development properties		(39)	(62,931)
Construction work-in-progress		(20,251)	1,182
Inventories		2,412	(3,840)
Trade receivables		2,076	(37,143)
Other receivables and deposits		(19,910)	10,123
Prepayments		(29)	(537)
Trade payables, other payables and accruals		18,660	34,420
Balances with related parties		(31,385)	(7,538)
Development properties held for sale		421	765
Cash flows from/(used in) operations		70,826	(13,400)
Interest paid, capitalised in development properties		(3,035)	(2,799)
Income tax paid		(6,926)	(9,808)
Net cash flows from/(used in) operating activities		60,865	(26,007)

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 May 2014

	Note	2014 $'000	2013 $'000 (Restated)
Cash flows from investing activities			
Interest received		2,504	1,984
Dividend income from investment securities		255	16
Dividend income from associates		–	2,964
Purchase of property, plant and equipment (Note A)		(19,114)	(13,673)
Proceeds from disposal of property, plant and equipment		920	923
Purchase of investment properties	5	(12,316)	(73,183)
Additional investments in investment securities		(89,948)	(1,003)
Proceeds from disposal of investment properties		–	3,315
Net cash outflow on acquisition of a subsidiary	6	(3,583)	–
Loans to associates		(833)	(43,488)
Investment in associates		(1,204)	(690)
Proceeds from disposal of investment securities		7,772	10,739
Repayment by/(loan to) jointly-controlled entity		246	(3,250)
Net cash flows used in investing activities		(115,301)	(115,346)
Cash flows from financing activities			
Interest paid		(2,907)	(1,047)
Repayment of hire purchase creditors		(5,062)	(3,641)
Proceeds from bank loans		108,592	165,194
Repayment of bank loans and bill payable		(28,526)	(7,378)
Loan from/(repayment to) non-controlling interests of subsidiary companies		3,592	(17,116)
Dividend paid to non-controlling shareholders of subsidiaries		(9,300)	–
Dividend paid on ordinary shares	39	(6,622)	(10,595)
Contribution from non-controlling interests of subsidiary companies		497	20
Net cash flows from financing activities		60,264	125,437
Net increase /(decrease) in cash and cash equivalents		5,828	(15,916)
Effect of exchange rate changes on cash and cash equivalents		(7)	23
Cash and cash equivalents at beginning of the year		170,885	186,778
Cash and cash equivalents at end of the year	16	176,706	170,885

Note A

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $25,614,000 (2013: $18,802,000) of which $6,500,000 (2013: $5,129,000) were acquired by means of hire purchase arrangements. Cash payments of $19,114,000 (2013: $13,673,000) were made to purchase property, plant and equipment.

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

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 6, Note 7 and Note 8 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 which are effective for annual financial periods beginning on or after 1 June 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Accordingly to the transition provisions of *FRS 113 Fair Value Measurement*, FRS 113 has been applied prospectively by the Group on 1 June 2013.

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

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**
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 FRS 36 *Recoverable Amount Disclosures for Non-financial Assets*	1 January 2014
Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs	1 July 2014
INT FRS 121 *Levies*	1 January 2014

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

<u>FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures</u>

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 joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement 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.

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

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

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures *(cont'd)*

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 result in decrease in total assets and total liabilities.

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 applied in 2015.

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.

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

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

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

<u>Basis of consolidation from 1 June 2010</u> *(cont'd)*

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 control 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.

<u>Basis of consolidation prior to 1 June 2010</u>

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.

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

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

(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.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, 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. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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.

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 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.

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.

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

2.6 **Foreign currency**

The 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting 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 recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The 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 2.21. 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.

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 assets 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	–	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 de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the year the asset is de-recognised.

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

2.8 Investment properties

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

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

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are de-recognised when either they have been disposed off 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.

The Group has changed its accounting policy during the year with respect to the subsequent measurement of investment properties from cost method to fair value model, with the changes in fair values recognised in the statement of comprehensive income. The change in accounting policy has been applied retrospectively and the restatement of prior year comparatives is set out in Note 41.

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.

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

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

2.10 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

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

2.10 Inventories *(cont'd)*

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.

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.

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

2.12 *Associates* *(cont'd)*

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.

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 Company. Where necessary, adjustments are made to bring the accounting policies in 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.

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

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.

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

Net realisable value of development properties 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 development properties recognised in the profit or loss on disposal are 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.

2.17 Financial instruments

(a) *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:

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

Financial assets at fair value through profit or loss include financial assets held for trading. 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.

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

2.17 **Financial instruments** *(cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(i) *Financial assets at fair value through profit or loss (cont'd)*

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 measured at fair value with changes in fair value recognised in 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.

(ii) *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 de-recognised or impaired, and through the amortisation process.

(iii) *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 de-recognised or impaired, and through the amortisation process.

(iv) *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.

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

2.17 Financial instruments *(cont'd)*

(a) *Financial assets (cont'd)*

<u>*Subsequent measurement*</u> *(cont'd)*

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

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 de-recognised.

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

<u>*De-recognition*</u>

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

<u>*Regular way purchase or sale of a financial asset*</u>

All regular way purchases and sales of financial assets are recognised or de-recognised 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.

(b) *Financial liabilities*

<u>*Initial recognition and measurement*</u>

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

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

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

2.17 Financial instruments *(cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

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

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. 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.

(ii) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss 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 de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised 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 de-recognition 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. Summary of significant accounting policies *(cont'd)*

2.17 Financial instruments *(cont'd)*

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

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 asset 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.

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 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.

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 Provisions

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

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

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

2.21 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.

2.22 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 as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

2.23 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.

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

2.23 Leases *(cont'd)*

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

2.24 Financial guarantee

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

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

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

2.25 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 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.

(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.

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

2.25 Revenue *(cont'd)*

(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 and ship chartering are accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.26 Taxes

(a) *Current income tax*

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

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

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

2.26 ***Taxes*** *(cont'd)*

(b) *Deferred tax*

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

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

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

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

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

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

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

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

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

2.26 *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. **Summary of significant accounting policies** *(cont'd)*

2.27 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Where the grant relates to income, it is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.28 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.

2.29 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. Summary of significant accounting policies *(cont'd)*

2.30 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

2.31 Related parties

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

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

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

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

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

(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. 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 periods.

(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 property leases on its investment properties, tugboat and barges. The Group has determined, based on an evaluation of the terms and conditions of the arrangements such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties 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.

(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 2014, no impairment loss (2013: $Nil) was recognised for available-for-sale financial assets.

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

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

(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 ascertained 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 period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was 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.

(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

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

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

(i) Income taxes *(cont'd)*

recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's provision for tax, deferred tax liabilities and deferred tax assets at 31 May 2014 were $16,100,000 (2013: $9,303,000), $3,583,000 (2013: $2,251,000) and $591,000 (2013: $200,000) respectively.

(ii) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment 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 at 31 May 2014 was $82,038,000 (2013: $58,775,000). A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.42% (2013: 0.48%) 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.

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

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

(iv) Impairment of loans and receivables *(cont'd)*

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 receivables at the end of the reporting period is disclosed in Note 35 to the financial statements.

(v) Construction contracts and revenue recognition

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to value of work performed as certified by the architects or quantity surveyors to the total contract sum. Significant assumptions are required to estimate the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project specialists. Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, management relies on past experience and/or the work of the project specialists. Management has reviewed the status of all its projects and is satisfied that the estimates are realistic, and the estimates of total contract costs and construction work-in-progress of progress billings indicate full project recovery. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 10 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. Management has reviewed the status of all its projects and is satisfied that the estimates are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amount of asset arising from property development projects at the end of the reporting period is disclosed in Note 11 to the financial statements.

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

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

(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 34.

(viii) Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss.

The fair values of investment properties are determined by independent real estate valuation experts using recognised valuation techniques.

The determination of the fair values of the investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the end of each reporting date.

The carrying amount, valuation techniques and key assumptions used to determine the fair value of the investment properties are further explained in Note 5 and 34.

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 $'000	Tugboat and barges $'000	Barges and tugboats under construction $'000	Workers' dormitory $'000	Total $'000
Cost										
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
Additions	–	–	–	19,331	871	2,366	1,134	1,912	–	25,614
Disposals	–	–	–	(1,299)	(8)	(1,058)	–	–	–	(2,365)
Written off	–	–	–	(401)	(475)	(314)	–	–	–	(1,190)
Reclass to investment property	–	–	–	(585)	(1,387)	–	–	–	–	(1,972)
Reclassification	–	–	–	59	(59)	–	126	(126)	–	–
Acquisition of a subsidiary company (Note 6)	–	–	11,500	259	159	–	–	–	–	11,918
At 31 May 2014	6,185	7,531	19,828	83,137	6,749	7,821	8,020	1,912	493	141,676
Accumulated depreciation and impairment										
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
Depreciation charge for the year	–	151	1,828	7,138	866	943	772	–	83	11,781
Disposals	–	–	–	(1,149)	(8)	(1,023)	–	–	–	(2,180)
Written off	–	–	–	(398)	(470)	(313)	–	–	–	(1,181)
Reclass to investment property	–	–	–	(19)	(46)	–	–	–	–	(65)
Reclassification	–	–	–	59	(59)	–	–	–	–	–
Acquisition of a subsidiary company (Note 6)	–	–	–	259	128	–	–	–	–	387
At 31 May 2014	–	538	4,969	44,959	4,622	3,051	1,006	–	493	59,638
Net carrying amount										
At 31 May 2014	6,185	6,993	14,859	38,178	2,127	4,770	7,014	1,912	–	82,038
At 31 May 2013	6,185	7,144	5,187	26,704	3,437	3,383	6,526	126	83	58,775

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

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

	Group 2014 $'000	Group 2013 $'000
Depreciation for the year	11,871	9,528
Depreciation included in construction work-in-progress	(2,010)	(1,460)
Depreciation previously included in construction work-in-progress now charged to the profit or loss	2,010	1,460
Depreciation charged to the profit or loss	11,871	9,528

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

	2014	2013
Barges and tug boats mortgaged to bank for credit facilities granted to a subsidiary	7,014	1,756
Freehold properties mortgaged to bank for credit facilities granted to a subsidiary	13,178	13,329
Plant, machinery, motor vehicles and office equipments acquired under hire purchase arrangements	19,635	17,461
Leasehold properties mortgaged to bank for credit facility granted to a subsidiary	13,787	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 2000)	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) and subsequent extension of 9.5 years (effective from 1 July 2016)	20,199	3,184	100
A 6-storey detached factory building at 2 Penjuru Close, Singapore	30 years (effective from 16 October 1995)	5,796	10,119	100

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

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 (2013: Nil) recognised for the financial year ended 31 May 2014. The recoverable amount is based on the valuations performed by accredited independent valuers.

5. **Investment properties**

Statement of financial position:

	Group	
	2014	**2013**
	$'000	$'000
Beginning of financial year (restated)	211,421	89,720
Additions to investment properties	12,316	59,475
Impairment (loss)/write back of value of investment property*	(500)	180
Transfer from development properties	–	13,708
Transfer from property, plant and equipment	1,907	–
Net fair value gain recognised in profit or loss	37,242	51,020
Disposal of investment property	–	(2,682)
End of financial year (restated)	262,386	211,421

Statement of comprehensive income:

	Group	
	2014	**2013**
	$'000	$'000
Other operating income		
Rental income from investment properties:		
– Minimum lease payments	193	38
Revenue		
Rental income from investment properties:		
– Minimum lease payments	18,436	1,244
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	5,885	761
– Non-rental generating properties	70	115
	5,955	876

5. **Investment properties** *(cont'd)*

The Group has no restrictions on the realisability of its investment properties.

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 May 2014 and 31 May 2013. The valuations were performed by Knight Frank Pte Ltd and Suntec Real Estate Consultants Pte Ltd, which are independent valuers with recognised and relevant professional qualifications and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 34.

Properties pledged as security

Investment properties with carrying amount of $220,000,000 (2013: $168,854,000) are mortgaged to a bank for credit facilities granted to a subsidiary.

Capitalisation of borrowing costs

The Group's freehold land under development includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of the property. During the financial year, the borrowing costs capitalised as investment property under development amounted to $148,000 (2013: $997,000). The rate used to determine the amount of borrowing costs eligible for capitalisation ranged from 1.81% to 2.11% (2013: 1.81% to 2.06%) per annum, which was the effective interest rate of the specific borrowing.

Transfer from development properties

During the previous 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.

Transfer from property, plant and equipment

During the financial year, the Group transferred property, plant and equipment with carrying amount of $1,907,000 (2013:$Nil) to investment property.

5. 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 & 36 Mandai Estate, Singapore	Freehold	Dormitory	29,056	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
38 Cairnhill Road #15-06 The Laurels, Singapore(1)	Freehold	Residential	51	100
76 Dakota Crescent #18-13 Waterbank at Dakota, Singapore(1)	Leasehold	Residential	58	100
134 Serangoon Avenue 3 #15-15 The Scala, Singapore(1)	Leasehold	Residential	97	100
1 Khiang Guan Avenue #22-02 Lincoln Suites, Singapore(1)	Freehold	Residential	150	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 %
16 Spottiswoode Park Road #36-07 Spottiswoode Suites, Singapore(1)	Freehold	Residential	117	100

5. **Investment properties** *(cont'd)*

* 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.

(1) Investment properties are stated at cost for the financial year ended 31 May 2013 as these investment properties were under construction and their fair values cannot be reliably determined.

6. **Investments in subsidiaries**

	Company	
	2014	**2013**
	$'000	$'000
Unquoted equity investments, at cost	51,130	46,656

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	
			2014	**2013**	**2014**	**2013**
			%	%	$'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

6. **Investments in subsidiaries** *(cont'd)*

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2014	2013	2014	2013
			%	%	$'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 **	Property 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 **	Investment holding	Singapore	100	100	# –	# –
LB Land Pte Ltd **	Property investment holding	Singapore	100	100	# –	# –
Millennium International Builders Pte Ltd **	General building construction and civil engineering works	Singapore	100	100	600	600

6. **Investments in subsidiaries** *(cont'd)*

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2014	2013	2014	2013
			%	%	$'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 **	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 **	Investment holding	Singapore	100	100	# –	# –
Sin Lian Holding Ltd ***	Investment holding	Cayman Islands	96.5	96.5	17,496	17,496
Lian Beng Marine Pte Ltd ****	Transportation of raw materials	Singapore	100	100	1	1
Lian Beng (M) Pte Ltd, formerly known as Lian Beng (JC) Pte Ltd **	Investment holding	Singapore	100	100	# –	# –
Starview Investment Pte Ltd **	Investment holding	Singapore	100	100	# –	# –

6. **Investments in subsidiaries** *(cont'd)*

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2014	2013	2014	2013
			%	%	$'000	$'000
Held by the Company						
Lian Beng Bliss Pte Ltd **	Investment holding	Singapore	100	100	# –	# –
Wealth Property Pte Ltd **(1)	Property developer	Singapore	65	–	650	–
Wealth Land Pte Ltd **(1)	Investment holding	Singapore	100	–	# –	–
Lian Beng (China) Pte Ltd **(1)	Property developer and investment holding	Singapore	100	–	# –	–
Goldprime Property Pte Ltd *****(1)	Investment holding	Singapore	100	–	# –	–
Wealth Assets Pte Ltd *****(1)	Investment holding	Singapore	80	–	# –	–
Lian Beng Capital Pte Ltd *****(1)	Investment holding	Singapore	100	–	# –	–
Associated KHL Industries Pte Ltd **	Engineering, automation and technical services, rental income	Singapore	100	–	3,824	–

6. **Investments in subsidiaries** *(cont'd)*

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2014	2013	2014	2013
			%	%	$'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 and provision of dormitory services	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	–	–

6. **Investments in subsidiaries** *(cont'd)*

Name of company	Principal activities	Country of incorporation and place of business	Proportion of ownership interest		Cost of investment	
			2014	2013	2014	2013
			%	%	$'000	$'000
Held by subsidiaries						
Sinmix Pte Ltd **	Manufacture and supply of concrete	Singapore	96.5	96.5	–	–
Lian Beng Resources Sdn Bhd *****(1)	Provision of administrative service	Malaysia	100	–	–	–
Lian Beng – Wan Chung JV Pte Ltd *****(1)	General building construction	Singapore	51	–	–	–
					51,130	46,656

* 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

<u>Impairment testing of investment in subsidiaries</u>

There was no impairment loss (2013:Nil) recognised during the financial year.

<u>Acquisition of subsidiary</u>

On 20 December 2013, the Company acquired 100% equity interest in Associated KHL Industries Pte Ltd ("KHL") for a purchase consideration of $3,824,000. KHL is a company incorporated in Singapore with Mr Ong Pang Aik as the sole shareholder and Mr Chiew Hock You as the sole director.

KHL owns a Jurong Town Corporation property situated at 2 Penjuru Close, Singapore 608611. The property is intended to be used internally.

6. **Investments in subsidiaries** *(cont'd)*

Acquisition of subsidiary *(cont'd)*

The fair values of the identifiable assets and liabilities of KHL as at the acquisition date were:

	2014 Fair value recognised $'000
Assets	
Property, plant and equipment	11,531
Trade and other receivables	73
Cash and cash equivalents	241
Prepayments	11
	11,856
Liabilities	
Trade and other payables	3,668
Provision for taxation	138
Bank loan	4,100
Deferred tax	5
	7,911
Total identifiable net assets at fair value	3,945
Gain on bargain purchase	(121)
Consideration paid for the acquisition of KHL	3,824
Effect of the acquisition of KHL on cashflow:	
Total consideration paid	3,824
Less: Cash and cash equivalents of subsidiary acquired	(241)
Net cash outflow on acquisition	3,583

The fair valuation of the identifiable net assets of KHL has been finalised during the year.

Impact of acquisition on profit or loss

From the acquisition date, KHL has contributed $387,000 of other operating income and $36,000 of net loss 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 $7,013,000 and the Group's profit net of tax would have been $127,155,000.

6. **Investments in subsidiaries** *(cont'd)*

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 previous 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.

7. **Investments in jointly-controlled entities**

(a) *Investments in jointly-controlled entities*

	Company	
	2014	**2013**
	$'000	$'000
Unquoted equity investments, at cost	500	500

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

(a) *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	
			2014	2013
			%	%
Held by the Company				
Spottiswoode Development Pte Ltd ***	Property developer	Singapore	50	50
Great Development Pte Ltd ****	Property developer	Singapore	25	–
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	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 and reviewed by Ernst & Young LLP, Singapore, for consolidation purposes only

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

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

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade	8,544	3,782	–	–
Non-trade	3,004	3,250	27,284	26,879
	11,548	7,032	27,284	26,879

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.

(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	
	2014	**2013**
	$'000	$'000
Assets and liabilities :		
Current assets	239,751	206,280
Non-current assets	287	202
Total assets	240,038	206,482
Current liabilities	93,193	77,571
Non-current liabilities	140,885	130,142
Total liabilities	234,078	207,713
Income and expenses :		
Income	93,083	33,352
Expenses	(84,656)	(34,715)

8. Investment in associates

(a) *Investment in associates*

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Unquoted shares, at cost	2,434	1,230	1,400	200
Share of post-acquisition results	263	3,276	–	–
	2,697	4,506	1,400	200
Less: Inter-company unrealised profit	(2,862)	(936)	–	–
Less: Dividend received	(2,964)	(2,964)	–	–
	(3,129)	606	1,400	200
Add: Inter-company unrealised profit transferred to deferred income	2,566	498	–	–
	(563)	1,104	1,400	200

Details of the investments in associates are as follows:

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
Held by the Company				
Millennium Land Pte Ltd *	Investment holding	Singapore	38	38
Wealth Development Pte Ltd ***	Property developer	Singapore	40	40
United E&P Pte Ltd ***	Manufacture of asphalt premix for construction industry	Singapore	40	–
Held by subsidiaries				
Oxley Viva Pte Ltd *(1)	Property developer	Singapore	10	10
Oxley YCK Pte Ltd *(1)	Property developer	Singapore	10	10
Oxley Sanctuary Pte Ltd *(1)	Property developer	Singapore	15	15
Oxley Bliss Pte Ltd *	Property developer	Singapore	30	30

8. **Investment in associates** *(cont'd)*

(a) *Investment in associates (cont'd)*

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2014 %	2013 %
Held by subsidiaries				
Action Property Pte Ltd *(1)	Property developer	Singapore	19	19
Centurion Kovan Pte Ltd *(1)	Property developer	Singapore	19	19
Imperial South East Asia Investment Pte Ltd ****	Investment holding and property developer	Singapore	32.65	–
KAP Holdings (China) Pte Ltd **(1)	Investment holding	Singapore	15	–
Epic Land Pte Ltd ****	Property dealing and property rental business	Singapore	32	–

* 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 Deloitte & Touche 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

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

(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.

8. **Investment in associates** *(cont'd)*

(b) *Amounts due from associates*

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade	30,379	3,756	–	–
Non-trade	73,873	59,785	18,868	15,100
	104,252	63,541	18,868	15,100

The amounts due from associates are unsecured, interest-free except for an amount of $26,433,000 (2013: $21,255,000) which bears interest at 3% to 5.38% (2013: 5.38%) per annum, repayable on demand, expected to be settled in cash and are denominated in Singapore dollars.

(c) *Amounts due to associates*

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Non-trade	12,249	–	–	–

The amounts due to associates are unsecured, bear interest at 5.35% to 5.38% (2013: Nil) per annum, repayable on demand, expected to be settled in cash and are denominated in Singapore dollars.

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

	Group	
	2014	**2013**
	$'000	$'000
Assets and liabilities:		
Total assets	1,124,376	820,648
Total liabilities	(1,128,656)	(813,794)
Results:		
Revenue	58,178	186,411
(Loss)/profit for the year	(15,144)	17,079

9. Investment securities

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
(a) Non-current				
Available-for-sale financial assets				
– Quoted equity investments	29,077	750	28,120	–
– Unquoted equity investments	150	150	–	–
– 5.13% p.a. SGD corporate perpetual bond (quoted)	985	1,052	–	–
– 5% p.a. SGD corporate bond due 23 February 2017 (quoted) *	1,051	–	–	–
– 5.25% p.a. SGD corporate bond due 22 May 2015 (quoted) *	769	–	–	–
– 6% p.a. SGD corporate bond due 5 November 2015 (quoted) *	258	–	–	–
– 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) *	253	–	–	–
– 4.75% p.a. SGD corporate bond due 23 September 2015 (quoted)	20,230	–	–	–
– 5.6% p.a. SGD corporate bond due 6 November 2015 (quoted)	20,067	–	–	–
– 5.25% p.a. SGD corporate bond due 20 May 2016 (quoted)	4,085	–	–	–
– 5.25% p.a. SGD corporate bond due 10 October 2016 (quoted)	10,343	–	–	–
– 3.55% p.a. SGD corporate bond due 2 December 2016 (quoted)	2,045	–	–	–
– 4.5% p.a. SGD corporate bond due 23 January 2017 (quoted)	3,565	–	–	–
– 4.5% p.a. SGD corporate bond due 31 July 2018 (quoted)	5,539	–	–	–
	98,918	1,952	28,120	–

9. **Investment securities** *(cont'd)*

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
(a) **Non-current** *(cont'd)*				
Held to maturity investments				
– 4.13% p.a. SGD corporate bond due 13 May 2015 (quoted)	–	251	–	–
– 4.25% p.a. SGD corporate bond due 23 February 2015 (quoted)	–	1,013	–	–
– 5% p.a. SGD corporate bond due 23 February 2017 (quoted) *	–	1,015	–	–
– 5.25% p.a. SGD corporate bond due 22 May 2015 (quoted) *	–	753	–	–
– 6.25% p.a. SGD corporate bond due 30 May 2017 (quoted)	–	1,033	–	–
– 4.25% p.a. SGD corporate bond due 7 September 2018 (quoted)	–	253	–	–
– 3.25% p.a. SGD corporate bond due 15 December 2015 (quoted)	–	1,532	–	–
– 3.5% p.a. SGD corporate bond due 15 December 2014 (quoted)	–	508	–	–
– 6% 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	–	–
	98,918	9,313	28,120	–

* Reclassification of financial assets at amortised cost to fair value

During the financial year, the Group reclassified its investment in corporate bonds that was previously measured at cost of $2,771,000 to available-for-sale investments measured at fair value as the sales of the held to maturity investments during the year constitutes a more than insignificant amount.

9. Investment securities *(cont'd)*

	Group 2014 $'000	Group 2013 $'000
(b) **Current**		
Held for trading investments		
– Quoted equity investments	20	20
– SGD Index linked note due 30 June 2017 (quoted)	993	1,000
	1,013	1,020

Investments pledged as security

The Group's investment in bonds and equity shares amounting to $67,610,000 (2013:$Nil) has been pledged as security for a bank loan (Note 20).

Impairment loss

In the financial year ended 31 May 2012, 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.

In the previous financial year, the Group disposed its 10% effective interest at cost in Emerald and accordingly the Group recognised a gain of $1,194,000 on disposal.

During the financial year, there was no impairment loss (2013: $Nil) recognised.

10. Construction work-in-progress

	Group 2014 $'000	Group 2013 $'000
Construction costs	1,542,322	1,200,539
Attributable profits less recognised losses	270,969	244,187
	1,813,291	1,444,726
Progress billings	(1,886,541)	(1,539,146)
	(73,250)	(94,420)
Represented by:		
Construction work-in-progress less progress billings	9,252	4,397
Progress billings in excess of construction work-in-progress	(82,502)	(98,817)
	(73,250)	(94,420)
Retention monies on construction contract included in trade receivables	50,420	54,639

10. Construction work-in-progress *(cont'd)*

The following were capitalised in construction costs during the year:

	Group	
	2014	**2013**
	$'000	$'000
Depreciation of plant and machinery (Note 4)	2,010	1,460
Staff costs	34,911	26,171
Operating lease expenses	3,773	2,297

11. Development properties/development properties held for sale

	Group	
	2014	**2013**
	$'000	$'000
Statement of financial position:		
(a) **Development properties**		
Freehold land, at cost	246,165	250,309
Development expenditure	42,293	49,964
Interest costs	10,766	8,913
Property tax	2,307	1,357
	301,531	310,543
Attributable profits	19,185	2,268
	320,716	312,811
Progress billings	(150,246)	(144,995)
	170,470	167,816
Less: Transfer to development properties held for sale	(4,968)	(5,389)
	165,502	162,427
(b) **Development properties held for sale**	4,968	5,389
Statement of comprehensive income:		
Development properties recognised as an expense in cost of sales	135,994	20,656
Development properties held for sale recognised as an expense in cost of sales	421	765

The following table provides information about the agreements that are in progress as at the reporting date whose revenue is recognised on a percentage of completion basis:

Aggregate amount of costs incurred and recognised to date	279,206	256,374
Less: Progress billings	(150,246)	(97,406)
	128,960	158,968

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

Assets pledged as security

Development properties with carrying amount of $165,502,000 (2013: $162,427,000) are pledged to banks for loans granted to a subsidiary and jointly-controlled entities (Note 20).

Capitalisation of borrowing costs

The interest on bank borrowings capitalised in the current financial year amounted to $3,035,000 (2013: $2,799,000). The rate used to determine the amount of borrowing costs eligible for capitalisation ranged from 1.56% to 2.23% (2013: 1.56% to 2.56%) per annum. Interest ceases to be capitalised when the temporary occupation permit (TOP) has been obtained.

Transfer to investment properties

During the previous financial year, the Group has transferred a parcel of land with development cost amounting to $13,708,000 from development properties to investment properties (Note 5). There is no transfer in the current financial year.

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 2014 %	Interest held by the Group 2013 %
A mixed use commercial and residential building at Balestier Road, Singapore	Freehold	1,540	Certificate of statutory completion issued on 21 December 2005	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	Temporary Occupation Permit obtained on 1 April 2014	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	Temporary Occupation Permit obtained on 14 January 2014	55	55
Proposed condominium development of 1 block of 36-storey residential building at 16 Spottiswoode Park Road, Singapore	Freehold	3,740	Building under construction and expected completion date in June 2016	50	50

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

Details of the Group's development properties/development properties held for sale are as follows: *(cont'd)*

Description and Location	Tenure	Site Area (square metre)	Stage of development/ expected completion date	Interest held by the Group 2014 %	Interest held by the Group 2013 %
Proposed 12 storey mixed development comprising residential tower and retail podium (The Midtown & Midtown Residences) at 1189 Upper Serangoon Road, Singapore	Leasehold	5,300	Building under construction and expected completion date in December 2015	50	50
Proposed 11 storey ramp up food factory on Lot 1718L Mukim 14 at Mandai Link, Singapore	Leasehold	6,891	Awaiting sale launch and construction	65	–

12. Inventories

	Group 2014 $'000	Group 2013 $'000
Statement of financial position:		
Raw materials (at cost)	4,504	6,916
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	131,309	120,115

13. Trade receivables

	Group 2014 $'000	Group 2013 $'000
Trade receivables	109,538	107,362
Retention monies on construction contracts	50,420	54,639
	159,958	162,001
Less: Allowance for doubtful receivables	(1,361)	(833)
	158,597	161,168

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.

13. Trade receivables *(cont'd)*

Receivables that are past due but not impaired

The Group has trade receivables amounting to $38,341,000 (2013: $17,386,000), 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	
	2014	**2013**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	26,524	6,742
30 to 60 days	4,677	2,758
61 to 90 days	1,215	1,818
91 to 120 days	1,374	880
More than 120 days	4,551	5,188
	38,341	17,386

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**	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	–	–	1,361	833
Less: Allowance for impairment	–	–	(1,361)	(833)
	–	–	–	–
Movement in allowance accounts:				
At 1 June	–	–	833	564
Charge for the year	–	–	528	280
Written off	–	–	–	(11)
At 31 May	–	–	1,361	833

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.

14. Other receivables and deposits

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Other receivables (Note A)	12,933	1,622	130	4
Deposits	3,285	1,238	–	–
Deposit for purchase of leasehold property	6,001	–	–	–
	22,219	2,860	130	4
Allowance for doubtful receivables	(38)	(594)	–	–
	22,181	2,266	130	4

Note A

The amounts relating to other receivables are denominated in Singapore dollars, unsecured, interest-free, repayable on demand and are expected to be settled in cash.

15. Receivables from related parties

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amount due from affiliated companies	1	1	–	–
Amount due from subsidiary companies	–	–	117,197	71,799
	1	1	117,197	71,799
Allowance for doubtful receivables	–	–	–	(803)
	1	1	117,197	70,996

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

16. Cash and cash equivalents

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Fixed deposits (Note 17)	99,174	69,533	15,000	–
Cash on hand and at banks	77,532	101,352	20,369	831
Cash and cash equivalents	176,706	170,885	35,369	831

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

16. Cash and cash equivalents *(cont'd)*

Included in cash and cash equivalents are amounts of $25,522,000 (2013: $29,087,000) 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 as at 31 May are as follows:

	Group	
	2014	**2013**
	$'000	$'000
United States Dollar	80	819
Malaysia Ringgit	233	–
	313	819

17. Fixed deposits

Fixed deposits earn interest of 0.10% to 1.50% (2013: 0.05% to 1.10%) per annum and have maturities ranging between 1 month and 12 months (2013: 1 month and 12 months). Fixed deposits can be readily converted into known amount of cash and subject to insignificant risk of change in values.

18. Trade and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade payables (a)	139,983	129,729	–	–
Other payables (b)	12,275	5,074	46	68
	152,258	134,803	46	68

(a) *Trade payables*

Trade payables include amounts due to non-controlling interests of a subsidiary of $20,000 (2013: $192,000) and amounts due to the partners of jointly-controlled entities of $220,000 (2013: $202,000). Trade payables are non-interest bearing and normally settled on 30-90 days' terms.

Trade payables denominated in foreign currencies as at 31 May are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
United States Dollar	92	–	–	–
Malaysian Ringgit	20	–	–	–
	112	–	–	–

18. **Trade and other payables** *(cont'd)*

(b) *Other payables*

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Deferred income	2,566	498	–	–
Refundable deposits	3,898	2,319	–	–
Other payables	2,219	2,257	46	68
Amount due to non-controlling interests of subsidiaries (non-trade)	3,592	–	–	–
	12,275	5,074	46	68

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

Amounts due to non-controlling interests of subsidiaries (non-trade) are denominated in Singapore dollars, unsecured, interest-free and expected to be settled in cash.

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

19. **Amounts due to subsidiaries**

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Short-term loans from subsidiaries	–	–	148,845	55,043

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

20. **Loans and borrowings**

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Current liabilities				
(a) Short-term bank loans				
– Loan A	800	500	–	–
– Loan B	1,500	800	–	–
– Loan C	7,500	–	–	–
– Loan D	42,737	–	–	–
	52,537	1,300	–	–

20. Loans and borrowings *(cont'd)*

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current liabilities *(cont'd)*				
Current portion of long-term bank loans				
– Loan E	–	1,143	–	–
– Loan F	169	169	–	–
– Loan G	175	178	–	–
– Loan H	181	173	–	–
– Loan I	4,282	–	–	–
– Loan J	977	–	–	–
– Loan K	247	–	–	–
– Loan L	348	–	–	–
– Loan M	693	–	–	–
– Loan N	18,395	–	–	–
	25,467	1,663	–	–
Total current liabilities	78,004	2,963	–	–
(b) Bills payable	–	–	–	–
Non-current liabilities				
(c) Long-term bank loans				
– Later than one year but not later than five years				
– Loan E	–	2,899	–	–
– Loan F	141	309	–	–
– Loan G	366	534	–	–
– Loan H	805	771	–	–
– Loan I	20,555	18,517	–	–
– Loan J	2,032	–	–	–
– Loan K	640	–	–	–
– Loan L	1,392	–	–	–
– Loan M	2,514	–	–	–
– Loan N	–	25,145	–	–
– Loan O	45,500	45,500	–	–
– Loan P	54,097	59,497	–	–
– Loan Q	–	31,313	–	–
– Loan R	3,183	–	–	–
– Loan S	40,000	–	–	–
– Later than five years				
– Loan H	1,215	1,429	–	–
– Loan I	77,938	70,362	–	–
– Loan L	2,214	–	–	–
– Loan R	12,808	–	–	–
Total non-current liabilities	265,400	256,276	–	–

20. **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% (2013: 1.50%) per annum over the bank's swap rate. During the financial year, the effective interest rate ranged from 2.31% to 2.36% (2013: 2.31% to 2.57%) per annum.

Loan B

The revolving loan is guaranteed by the Company and is repayable on demand. Interest is charged at 1% (2013: 1.00% to 1.25%) per annum above bank's cost of fund. During the financial year, the effective interest rate ranged from 1.70% to 1.92% (2013: 1.70% to 2.00%) 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 loan is secured by the following:

(1) The legal mortgage on a jointly-controlled entity's development property with carrying amount of $23,500,000 (2013:$Nil);

(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.

The last 15% of the committed sale proceeds from the development property shall be used firstly for repayment under the loan and subsequently for repayment of other amount due to the bank. Interest is charged at 1.875% (2013: Nil) per annum over the relevant S$ Swap Offer Rate. During the financial year, the effective interest rate ranged from 2.13% to 2.14% (2013: Nil) per annum. The loan is repayable on demand.

Loan D

The loan is secured by a Memorandum of Charge and Pledge over assets in respect of a subsidiary's cash deposits, marketable-securities, commodities and other assets. The securities charged must be placed in a sub-account with the bank and the subsidiary shall execute all such forms and documents as the bank may require (including any forms prescribed by the Central Depository Pte Ltd).

20. Loans and borrowings *(cont'd)*

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

Loan D *(cont'd)*

Interest is charged at 0.65% (2013: Nil) per annum above bank prevailing 1,3,6 and 12-month cost of funds. During the financial year, the effective interest rate was 1.13% (2013: Nil) per annum. The loan is repayable on demand.

Loan E

The term loan was secured by the following:

(1) The legal mortgage on a subsidiary's leasehold property with carrying amount of $Nil (2013: $3,981,000); and

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

The loan was fully repaid during the financial year and interest was charged at prevailing 3-month SIBOR plus 1.25% (2013: 1.25%) per annum. During the financial year, the effective interest rate ranged from 1.62% to 1.65% (2013: 1.62% to 1.63%) per annum.

Loan F

The term loan is secured by the following:

(1) The legal mortgage on a subsidiary's barge with carrying amount of $765,000 (2013: $825,000);

(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% (2013: 2.5%) per annum. During the financial year, the effective interest rate ranged from 2.87% to 2.91% (2013: 2.88% to 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.

20. **Loans and borrowings** *(cont'd)*

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

Loan G

The term loan is secured by the following:

(1) The legal mortgage on a subsidiary's tug boat with carrying amount of $833,000 (2013: $931,000);

(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% (2013: Nil) per annum. During the financial year, the effective interest rate was 2.89% (2013: Nil) 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 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 H

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 $13,178,000 (2013: $13,329,000);

(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% (2013: 4.25%) per annum.

20. Loans and borrowings *(cont'd)*

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

Loan I

The loan is secured by the following:

(1) The legal mortgage on a subsidiary's investment property with carrying amount of $220,000,000 (2013: $168,854,000);

(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% (2013: 55%).

The loan is repayable in 20 years with fixed monthly principal repayment from 1 August 2014. Interest is charged at 1.5% to 1.75% (2013: 1.5% to 1.75%) per annum over prevailing SIBOR rate for the period up to 26 June 2014. Subsequently, interest is charged at 1.5% per annum over prevailing SIBOR rate. During the financial year, the effective interest rate ranged from 1.81% to 2.11% (2013: 1.81% to 2.06%) 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 investment property at all times.

Loan J

The loans are secured by the following:

(1) The legal mortgage on the subsidiary's two barges and two tugs with carrying amount of $2,542,000 (2013: $Nil) and $1,740,000 (2013: $Nil) respectively;

(2) A deed of covenants and assignment which incorporates the assignment of insurance in favour of the bank in respect of the two barges and two tugs; and

(3) A corporate guarantee from the Company.

The loans are repayable by 48 monthly instalments commencing from July 2013 and interest is charged at cost of funds plus 1.875% (2013: Nil) per annum. During the financial year, the effective interest rate ranged from 2.22% to 2.32% (2013: Nil) per annum. The loan includes a financial covenant which requires the guarantor shall at all times maintain the ratio of its Total Debts to Total Tangible Net worth to be not more than 1.75 at consolidated level.

20. Loans and borrowings *(cont'd)*

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

Loan K

The loan is secured by the following:

(1) The legal mortgage on the subsidiary's barge with carrying amount of $1,134,000 (2013: $Nil); and

(2) A corporate guarantee from the Company.

The loan is repayable by 48 monthly instalments commencing from November 2013 and interest is charged at 0.5% (2013: Nil) per annum above the finance company's base rate. During the financial year, the effective interest rate was 2.21% (2013: Nil) per annum.

Loan L

The loan is charged at 1.3% (2013: Nil) per annum above bank's swap and is secured by way of pledge against a subsidiary's leasehold building with carrying amount of $11,097,000 (2013: $Nil) and corporate guarantee by the Company. During the financial period, the effective interest rate ranged from 1.65% to 1.66% (2013: Nil) per annum. The loan is repayable over 119 monthly instalments of $29,000 each commencing November 2013 and a final instalment of $702,833. The loan includes a financial covenant which requires the aggregate loan outstanding to the bank shall not exceed 70% of the market value of the leasehold building at all times.

Loan M

The loan is secured by the following:

(1) The legal mortgage on the subsidiary's leasehold property with carrying amount of $2,690,000 (2013: $Nil); and

(2) Corporate guarantee given by the Company.

The loan is repayable by 60 monthly instalments commencing from January 2014 and interest is charged at 1.5% (2013: Nil) per annum above SIBOR rate for the first and second year. Thereafter, interest will be charged at 2.75% above SIBOR rate per annum. During the financial year, the effective interest rate was 1.90% (2013: Nil) per annum.

20. Loans and borrowings *(cont'd)*

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

Loan N

The land loan is secured by the following:

(1) The legal mortgage on a jointly-controlled entity's development property with carrying amount of $23,500,000 (2013: $43,203,000);

(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 1.875% (2013: 1.875%) per annum over the relevant SGD Swap Offer Rate. During the financial year, the effective interest rate ranged from 2.05% to 2.15% (2013: 2.04% 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.

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 O

The loan is secured by the following:

(1) First legal mortgage on a jointly-controlled entity's development property with carrying amount of $57,707,000 (2013: $54,959,000);

(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.

20. **Loans and borrowings** *(cont'd)*

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

Loan O *(cont'd)*

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% (2013: 1.6%) per annum above the bank's cost of funds. During the financial year, the effective interest rate ranged from 1.87% to 1.96% (2013: 1.86% to 2.01%) 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 P

The loan is secured by the following:

(1) First legal mortgage on a jointly-controlled entity's development property with carrying amount of $61,970,000 (2013: $60,324,000);

(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% (2013: 1.65%) per annum above the bank's cost of funds. During the financial year, the effective interest rate ranged from 2.03% to 2.18% (2013: 2.03% to 2.23%) 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 Q

The land loan was secured by the following:

(1) The legal mortgage on a subsidiary's development property with carrying amount of $Nil (2013: $3,941,000);

20. Loans and borrowings *(cont'd)*

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

Loan Q *(cont'd)*

(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%.

The land loan was fully repaid during the financial year. Interest was charged at 1.25% to 1.88% (2013: 1.25% to 1.88%) per annum over prevailing SIBOR rate. During the financial year, the effective interest rate ranged from 1.56% to 2.23% (2013: 1.56% to 2.19%) per annum.

Loan R

The loan is secured by the following:

(1) The legal mortgage on a subsidiary's development property under development with carrying amount of $22,325,000 (2013:$Nil);

(2) The assignment of the rights and benefits in connection with insurance policies, building contracts, tenancy agreements and/or sale and purchase agreements of the subsidiary in respect of the development property and building agreements;

(3) Proportionate guarantee given by the Company in the ratio of 65% as guarantors;

(4) A charge on all bank accounts maintained by the subsidiary with the bank; and

(5) Deed of subordination of all loans given by shareholders, related parties and Company to the subsidiary.

The loan is repayable in 18 years from 1 Nov 2015 or 3 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 1.50% (2013: Nil) per annum above the bank's Swap offer rate. During the financial year, the effective interest rate ranged from 1.65% to 1.80% (2013: Nil) per annum.

The loan includes the following financial covenants:

(1) Outstanding loan under facility shall at all times not exceed 70% of prevailing open market value of the Gross Development Value of the development property as determined by professional valuers;

20. **Loans and borrowings** *(cont'd)*

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

Loan R *(cont'd)*

(2) The Company's gearing ratio shall at all times not exceed maximum of 2.5 times;

(3) The debt service coverage ratio of the subsidiary should be maintained at minimum of 1 time from 18 month after TOP or 31 Jul 2015, whichever is earlier;

(4) The paid up capital of the subsidiary and subordinated shareholder's loans shall not be less than $1 million; and

(5) The subsidiary must at all times be legally and beneficially 65% owned by the Company.

Loan S

The loan is secured by the following:

(1) First legal mortgage on a jointly-controlled entity's development property with carrying amount of $61,970,000 (2013: $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 full on the Final Maturity Date, which is 30 months from the date of first drawdown on 16 April 2014 or 6 months from date of TOP or 12 June 2016, whichever is earlier. Interest is charged at 1.9% (2013: Nil) per annum above bank cost of funds. During the financial year, the effective interest rate was 2.28% (2013: 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.

20. **Loans and borrowings** *(cont'd)*

(b) ***Bills payable***

Bills payable were repaid during the year and were guaranteed by the Company and a director of a subsidiary company. Interest was charged at 1% (2013: 1%) per annum above the bank's prevailing cost of funds or 1.5% (2013: 1.5%) per annum above the bank's swap rate. During the financial year, the effective interest rate ranged from 1.19% to 1.90% (2013: 1.29% to 1.91%) per annum.

21. **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
2014			
Not later than one year	4,509	(287)	4,222
Later than one year but not later than five years	8,648	(296)	8,352
Later than five years	2	–	2
	13,159	(583)	12,576
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

Lease terms range from 3 to 8 (2013: 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% (2013: 2.41% to 6.61%) per annum.

22. Deferred tax assets/liabilities

	Group			
	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax assets				
Differences in depreciation	(204)	–	190	–
Tax losses	286	200	(86)	(200)
Productivity and Innovation Credit	509	–	(509)	–
Total deferred tax assets	591	200		
Deferred tax liabilities				
Acquisition of subsidiary – depreciation	(5)	–	–	–
Differences in depreciation	(2,691)	(2,267)	438	364
Provisions	16	16	–	133
Profit on sale of development properties	(1,289)	–	1,289	–
Productivity and Innovation Credit	386	–	(386)	–
Total deferred tax liabilities	(3,583)	(2,251)		
Deferred income tax expense (Note 29)			936	297

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	
	2014	2013
	$'000	$'000
Deductible temporary differences	10,327	13,690
Tax losses	670	42
	10,997	13,732

22. Deferred tax assets/liabilities *(cont'd)*

Unrecognised temporary differences relating to investments in subsidiaries and joint venture

At the end of the reporting period, no deferred tax liability (2013: 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 (2013: Nil).

23. Share capital

	Group and Company			
	2014		2013	
	No. of shares		No. of shares	
	'000	$'000	'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.

24. 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		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At 1 June	(11)	(19)	–	–
Foreign currency translation	3	8	–	–
At 31 May	(8)	(11)	–	–

24. Other reserves *(cont'd)*

(b) *Fair value adjustment reserve*

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
At 1 June	592	379	–	–
Net gain on fair value changes during the year	6,850	213	6,400	–
At 31 May	7,442	592	6,400	–

(c) *Capital reserve*

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
At 1 June	474	351	–	–
Acquisition and disposal of non-controlling interests without a change in control	–	123	–	–
At 31 May	474	474	–	–
Total other reserves	7,908	1,055	6,400	–

25. Revenue

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Construction contracts	422,319	374,506	–	–
Rental of plant and machinery	290	282	–	–
Rental of vessel	1,685	488	–	–
Sales of development properties (recognised based on percentage of completion method)	75,392	23,256	–	–
Sales of development properties (recognised based on completion of construction method)	123,993	–	–	–
Maintenance of plant and machinery	3	6	–	–
Civil engineering and other works	249	251	–	–
Income from training of construction workers	769	742	–	–
Rental income from affiliated companies	8	8	–	–
Office rental income – other	253	–	–	–
Project management – service income	481	806	–	–
Sales of concrete and sand	109,269	102,949	–	–
Rental and service income from dormitories	18,183	1,244	–	–
Sales of formwork	995	1,068	–	–
Dividend income from unquoted subsidiaries	–	–	26,000	8,000
	753,889	505,606	26,000	8,000

26. **Profit before tax**

Profit before tax includes the following:

	Group 2014 $'000	Group 2013 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
(a) Other operating income:				
Write back of impairment loss on investment property	–	180	–	–
Dividend income				
– short-term quoted equity investments	2	1	–	–
– long-term quoted equity investments	253	15	228	–
Interest income				
– fixed deposits	528	623	5	–
– bank balances	139	99	13	3
– associates	78	–	–	–
– bonds	2,176	377	–	–
– others	9	115	–	–
Gain on disposal of plant and equipment	735	468	–	–
Rental income from investment properties (Note 5)	193	38	–	–
Operating lease income				
– others	826	1,813	–	–
Gain on foreign exchange, net	3	–	–	–
Gain on disposal of investment properties	–	634	–	–
Management fee	201	195	–	–
Storage handling charges	76	76	–	–
Grant, ACAP funding and PIC bonus	329	204	–	–
Sale of material	–	166	–	–
Fair value gain on investment securities	–	8	–	–
Accounting service income from jointly controlled entity	–	7	–	–
Gain on disposal of investment securities	154	1,194	–	–
Gain on bargain purchase	121	–	–	–
Others	310	182	–	1
	6,133	6,395	246	4

26. Profit before tax *(cont'd)*

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000 (Restated)	$'000	$'000
(b) Other operating expenses:				
Fair value loss on investment securities	7	–	–	–
Proposed listing expenses	–	123	–	–
Depreciation of property, plant and equipment	4,596	4,195	–	–
Loss on foreign exchange, net	–	55	–	–
Allowance for doubtful trade and other receivables	528	280	–	–
Write-off of property, plant and equipment	9	–	–	–
Management fees	908	364	–	–
Bad debts written-off	35	59	–	–
Impairment loss on investment property	500	–	–	–
Deposit written off	–	322	–	–
Loss on disposal of investment securities	–	12	–	–
Property tax	1,453	–	–	–
Others	547	445	–	–
	8,583	5,855	–	–
(c) Other expenses:				
Non-audit fees				
– auditors of the Company	276	165	46	8
– other auditors	52	190	15	21
Depreciation of property, plant and equipment – others	7,275	5,333	–	–
Directors' fees to directors – of the Company	380	360	380	360
Operating lease expenses	6,643	5,350	–	–
Utility charges	3,816	2,627	3	3
Transportation charges	2,225	1,641	–	–
Legal and other professional fees	6,095	3,107	252	162
Staff costs (Note 27)	65,051	49,249	–	–

27. Staff costs

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Wages and salaries	53,437	40,503	–	–
Contributions to defined contribution plans	2,520	2,314	–	–
Others	9,094	6,432	–	–
	65,051	49,249	–	–
Included in staff costs are directors' remuneration payable to:				
– directors of the Company	9,886	5,354	–	–
– directors of the subsidiaries	3,094	2,645	–	–
	12,980	7,999	–	–

The directors' remuneration payable to directors of the Company excluded other benefits of $97,000 (2013: $33,000) and directors' fees of $380,000 (2013: $360,000). The directors' remuneration payable to directors of the subsidiaries excluded other benefits of $126,000 (2013: $73,000).

28. Finance costs

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Interest expense on:				
– bank loans	5,752	4,250	–	–
– hire purchase	338	414	–	–
– loan from a non-controlling interests of a subsidiary company	–	179	–	–
	6,090	4,843	–	–
Less: Interest expenses capitalised in:				
– Development properties (Note 11)	(3,035)	(2,799)	–	–
– Investment property under construction and development (Note 5)	(148)	(997)	–	–
	2,907	1,047	–	–

29. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2014 and 2013 are:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Current income tax				
– Current income taxation	14,053	7,913	–	–
– Over provision in respect of prior years	(469)	(843)	–	–
Deferred income tax				
– Current deferred taxation	986	166	–	–
– (Over)/under provision in respect of prior years	(50)	131	–	–
Income tax expense recognised in the statement of comprehensive income	14,520	7,367	–	–

Relationship between tax expense and profit

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 May 2014 and 2013 are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000 (Restated)	$'000	$'000
Profit before taxation	141,517	98,923	25,257	7,124
Income tax using Singapore tax rate of 17% (2013: 17%)	24,058	16,817	4,294	1,211
Non-deductible expenses	1,035	842	7	38
Effect of partial tax exemption and tax relief	(994)	(750)	(3)	–
Utilisation of previously unrecognised deferred tax assets	(919)	(130)	–	–
Deferred tax assets not recognised	454	1,470	–	–
Tax benefit on losses transferred in from related company	(26)	–	–	–
Over provision of current income taxation in respect of prior years	(469)	(843)	–	–
(Over)/under provision of deferred taxation in respect of prior years	(50)	131	–	–
Effects of tax incentive*	(2,171)	(510)	–	–
Share of results of associates	512	(565)	–	–
Income not subject to taxation	(6,908)	(9,115)	(4,298)	(1,249)
Others	(2)	20	–	–
Income tax expense recognised in the statement of comprehensive income	14,520	7,367	–	–

29. Taxation *(cont'd)*

* 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.

Tax consequences of proposed dividends

There are no income tax consequences (2013: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 39).

30. 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 $87,138,000 (Restated 2013: $72,992,000) over 529,760,000 (2013: 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.

31. 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 $1,733,000 (2013: $1,548,000) of the Group were paid to individuals who are close members of the family of certain directors.

(ii) In previous financial year, 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 (2013: $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.

31. **Significant related party transactions** *(cont'd)*

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

(iv) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased storage space amounting to $138,276 (2013: $250,920) from Associated KHL Industries Pte Ltd (KHL) before KHL was fully acquired by the Company. One of the directors of the Group has 100% equity interests in KHL before the acquisition.

(v) A subsidiary, Tradewin Engineering Pte Ltd, leased storage space amounting to $19,839 (2013: $29,600) from Associated KHL Industries Pte Ltd (KHL) before KHL was fully acquired by the Company. One of the directors of the Group has 100% equity interests in KHL before the acquisition.

(vi) In previous financial year, 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) In previous financial year, 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.

(viii) In previous financial year, a 50%-owned jointly-controlled entity, Spottiswoode Development Pte Ltd sold a unit of residential property at Spottiswoode Park Road (Spottiswoode Suites) 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) In previous financial year, a 50%-owned jointly-controlled entity, Spottiswoode Development Pte Ltd sold a unit of residential property at Spottiswoode Park Road (Spottiswoode Suites) to Deenn Engineering Pte Ltd, a subsidiary of the Company for $2,268,000.

(x) The Group earned construction revenue of $21,393,000 (2013: $8,809,000) and $75,182,000 (2013: $3,756,000) from the jointly-controlled entities and associates respectively. In addition, the Group charged the jointly-controlled entities for project management of $428,000 (2013: $342,000).

(xi) During the financial year, the Company acquired 2,900,000 ordinary shares representing the entire issued share capital of Associated KHL Industries Pte Ltd from Mr Ong Pang Aik, who is a director and controlling shareholder of the Company, for a purchase consideration of $3,824,000.

31. Significant related party transactions *(cont'd)*

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

	Group	
	2014	**2013**
	$'000	$'000
Short-term employee benefits	13,057	8,379
Contributions to defined contribution plans	161	103
	13,218	8,482
Comprise amounts paid to:		
– Directors of the Company	10,363	5,747
– Other key management personnel	2,855	2,735
	13,218	8,482

32. 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	
	2014	**2013**
	$'000	$'000
Capital commitments in respect of:		
– Plant and equipment	13,239	2,863
– Freehold and leasehold properties	43,394	5,252

(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 1 month to 100 months (2013: 2 months to 108 months).

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

	Group	
	2014	**2013**
	$'000	$'000
Not later than one year	3,026	3,062
Later than one year but not later than five years	2,574	4,774
Later than five years	906	1,622
	6,506	9,458

32. Commitments *(cont'd)*

(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 1 month to 50 months (2013: 4 months to 58 months).

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

	Group	
	2014	**2013**
	$'000	$'000
Not later than one year	14,287	11,870
Later than one year but not later than five years	6,241	6,777
	20,528	18,647

33. 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.

34. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

34. Fair value of assets and liabilities *(cont'd)*

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	2014 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Recurring fair value measurements				
Group				
Financial assets:				
Held for trading investments (Note 9)				
– Equity instruments (quoted)	20	–	–	20
– SGD Index linked note due 30 June 2017 (quoted)	–	993	–	993
Available-for-sale financial assets (Note 9)				
– Equity instruments (quoted)	29,077	–	–	29,077
– Bonds (quoted)	–	69,691	–	69,691
Financial assets as at 31 May 2014	29,097	70,684	–	99,781
Company				
Financial assets:				
Available-for-sale financial assets (Note 9)				
– Equity instruments (quoted)	28,120	–	–	28,120
Financial assets as at 31 May 2014	28,120	–	–	28,120

34. Fair value of assets and liabilities *(cont'd)*

(b) ***Assets and liabilities measured at fair value (cont'd)***

	Group			
	2014			
	$'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Recurring fair value measurements				
Non-financial asset:				
Investment properties (Note 5)				
– Commercial	–	–	234,000	234,000
– Residential	–	28,386	–	28,386
Non-financial assets as at 31 May 2014	–	28,386	234,000	262,386

(c) ***Level 2 fair value measurements***

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy:

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.

Residential investment properties: The valuation of residential investment properties are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

34. Fair value of assets and liabilities *(cont'd)*

(d) ***Level 3 fair value measurements***

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description and location	Fair value at 31 May 2014 ($'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)
Recurring fair value measurements				
Investment properties:				
Commercial, Singapore	14,000	Comparative Method of Valuation	Floor Area adjustment	7% to 27%
			Location and condition	5%
	220,000	Income approach	Discount rate	7.5%
			Occupancy rate	95% to 99%

For commercial investment properties, a significant increase (decrease) in yield adjustments based on management's assumptions would result in a significantly higher (lower) fair value measurement.

The following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

34. Fair value of assets and liabilities *(cont'd)*

(d) ***Level 3 fair value measurements*** *(cont'd)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

	Carrying amount ($'000)	Effect of reasonably possible alternative assumptions: Profit or loss ($'000)	Effect of reasonably possible alternative assumptions: Other comprehensive income ($'000)
31 May 2014			
Recurring fair value measurements			
Investment properties:			
Commercial	234,000	7,020	–

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the following key unobservable inputs used in the fair value measurement:

– For commercial investment properties, the Group adjusted the yield adjustments based on management's assumption by increasing and decreasing the adjustments by 3% depending on nature, location or condition of the specific property.

(ii) *Movements in Level 3 assets and liabilities measured at fair value*

The following table presents the reconciliation for investment properties which are measured at fair value based on significant unobservable inputs (Level 3):

	Group **2014** $'000
Beginning of financial year (restated)	184,654
– Additions to investment properties	8,878
– Transfer from property, plant and equipment	1,907
– Net fair value gain recognised in profit or loss	38,561
End of financial year (restated)	234,000

34. **Fair value of assets and liabilities** *(cont'd)*

(d) ***Level 3 fair value measurements*** *(cont'd)*

(iii) *Valuation policies and procedures*

The senior management of the Group (the "Management") oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. The Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the Management reviews the appropriateness of the valuation methodologies and assumptions adopted. The Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the Management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(e) ***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			
		2014		2013	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		$'000	$'000	$'000	$'000
Financial assets					
Equity instruments, at cost	9	150	*	150	*
Held to maturity investment	9	–	–	7,361	7,405
Financial liabilities					
Obligation under hire purchase	21	12,576	12,556	11,138	11,240

34. Fair value of assets and liabilities *(cont'd)*

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

* Investment in equity instruments carried at cost (Note 9)

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 investment holding and computer software companies that are not quoted on any market.

Held to maturity investment (Note 9)

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 21)

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.

35. Classification of financial assets and liabilities

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Fair value through profit or loss				
Investment securities	1,013	1,020	–	–
Held to maturity investment				
Investment securities	–	7,361	–	–
Available-for-sale financial assets				
Investment securities	98,918	1,952	28,120	–
Loans and receivables				
Trade receivables	158,597	161,168	–	–
Other receivables and deposits	22,181	2,266	130	4
Receivables from related parties	1	1	117,197	70,996
Amounts due from jointly-controlled entities	11,548	7,032	27,284	26,879
Cash and cash equivalents	176,706	170,885	35,369	831
Amounts due from associates	104,252	63,541	18,868	15,100
	473,285	404,893	198,848	113,810
Financial liabilities at amortised cost				
Trade and other payables	149,692	134,305	46	68
Accruals	24,998	15,030	448	431
Amounts due to subsidiaries	–	–	148,845	55,043
Amounts due to associates	12,249	–	–	–
Bank loans	343,404	259,239	–	–
Obligations under hire purchase	12,576	11,138	–	–
	542,919	419,712	149,339	55,542

36. 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 35.

– A nominal amount of $139,790,000 (2013: $78,747,000) relating to corporate guarantee provided by the Group to the banks on associates' loans.

36. **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			
	2014		**2013**	
	$'000	% of total	$'000	% of total
By country:				
Singapore	158,597	100	161,168	100
By industry sectors:				
Construction	103,794	65	123,009	77
Engineering and leasing of construction machinery	70	–	363	–
Property development	30,948	20	13,219	8
Investment holding	444	–	328	–
Sales of concrete and sands	23,341	15	24,249	15
	158,597	100	161,168	100

At the end of the reporting period, approximately:

– 47% (2013: 63%) of the Group's trade receivables were due from 5 major customers; and

– 39.1% (2013: 30.2%) of the Group's trade and other receivables were due from jointly-controlled entities and associates while 99.9% (2013: 100%) of the Company's receivables were balances with subsidiaries, jointly-controlled entities and associates.

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

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13.

(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 23.1% (2013: 3%) of the Group's loans and borrowings (Note 20 and 21) will mature in less than one year based on the carrying amount reflected in the financial statements. The Company has no (2013: 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) and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

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

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

	2014				2013			
	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	180,778	–	–	180,778	163,434	–	–	163,434
Cash and cash equivalents	176,706	–	–	176,706	170,885	–	–	170,885
Receivables from related parties	1	–	–	1	1	–	–	1
Amounts due from jointly-controlled entities	11,548	–	–	11,548	7,032	–	–	7,032
Amounts due from associates	104,252	–	–	104,252	63,541	–	–	63,541
Investment securities	1,013	98,918	–	99,931	1,020	1,952	–	2,972
Total undiscounted financial assets	474,298	98,918	–	573,216	405,913	1,952	–	407,865
Financial liabilities:								
Trade and other payables	149,692	–	–	149,692	134,305	–	–	134,305
Amounts due to associates	12,249	–	–	12,249	–	–	–	–
Accruals	24,998	–	–	24,998	15,030	–	–	15,030
Bank loans	83,868	182,778	108,314	374,960	8,091	196,785	83,512	288,388
Obligations under hire purchase	4,509	8,648	2	13,159	4,630	7,032	22	11,684
Total undiscounted financial liabilities	275,316	191,426	108,316	575,058	162,056	203,817	83,534	449,407
Total net undiscounted financial assets/(liabilities)	198,982	(92,508)	(108,316)	(1,842)	243,857	(201,865)	(83,534)	(41,542)

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

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

	2014				2013			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial assets:								
Other receivables and deposits	130	–	–	130	4	–	–	4
Cash and cash equivalents	35,369	–	–	35,369	831	–	–	831
Receivables from related parties	117,197	–	–	117,197	70,996	–	–	70,996
Investment securities	–	28,120	–	28,120	–	–	–	–
Amounts due from jointly-controlled entities	27,284	–	–	27,284	26,879	–	–	26,879
Amounts due from associates	18,868	–	–	18,868	15,100	–	–	15,100
Total undiscounted financial assets	198,848	28,120	–	226,968	113,810	–	–	113,810
Financial liabilities:								
Trade and other payables	46	–	–	46	68	–	–	68
Accruals	448	–	–	448	431	–	–	431
Amounts due to subsidiaries	148,845	–	–	148,845	55,043	–	–	55,043
Total undiscounted financial liabilities	149,339	–	–	149,339	55,542	–	–	55,542
Total net undiscounted financial assets	49,509	28,120	–	77,629	58,268	–	–	58,268

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

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

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	One year or less	One to five years	Over five years	Total
	$	$	$	$
2014				
Group				
Financial guarantees	33,340	160,861	54,620	248,821
Company				
Financial guarantees	33,340	160,861	54,620	248,821
2013				
Group				
Financial guarantees	2,963	162,061	40,128	205,152
Company				
Financial guarantees	1,820	159,162	40,128	201,110

(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 (2013: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $1,175,000 (2013: $652,000) 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 $1,167,000 (2013: $1,022,000) 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.

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

(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, Cayman Islands and Malaysia. The Group's net investments in Maldives, Cayman Islands and Malaysia are not hedged as currency positions in USD, TWD and MYR 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 and MYR exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax.

	Group	
	2014	**2013**
	$'000	$'000
USD/SGD – strengthened 5% (2013: 5%)	–	41
– weakened 5% (2013: 5%)	–	(41)
MYR/SGD – strengthened 5% (2013: 5%)	11	–
– weakened 5% (2013: 5%)	(11)	–

37. 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 2014 and 31 May 2013.

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.

37. Capital management *(cont'd)*

	Group 2014 $'000	Group 2013 $'000
Amounts due to associates (Note 8)	12,249	–
Bank loans (Note 20)	343,404	259,239
Obligations under hire purchase (Note 21)	12,576	11,138
Trade and other payables (Note 18)	152,258	134,803
Accruals	24,998	15,030
Less: Cash and cash equivalents (Note 16)	(176,706)	(170,885)
Net debt	368,779	249,325
Equity attributable to the owners of the parent	394,637	307,268
Less: Fair value adjustment reserve (Note 24)	(7,442)	(592)
Total capital	387,195	306,676
Capital and net debt	755,974	556,001
Gearing ratio	48.8%	44.8%

38. 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.

38. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000 (Restated)	$'000	$'000	$'000	$'000 (Restated)		$'000	$'000 (Restated)
Revenue:															
External customers	424,724	376,792	274	506	199,494	23,617	18,443	1,253	110,954	103,438	–	–		753,889	505,606
Inter-segment	38,928	64,191	21,831	18,724	–	–	26,677	8,677	12,736	14,732	(100,172)	(106,324)	A	–	–
Total revenue	463,652	440,983	22,105	19,230	199,494	23,617	45,120	9,930	123,690	118,170	(100,172)	(106,324)		753,889	505,606
Results:															
Interest income	2,556	1,008	79	35	180	52	73	117	42	2	–	–		2,930	1,214
Dividend income	27	16	–	–	–	–	228	–	–	–	–	–		255	16
Finance cost	497	168	11	24	243	1	1,817	544	339	310	–	–		2,907	1,047
Depreciation and amortisation	6,313	5,235	1,792	1,586	26	34	158	46	3,520	2,692	(28)	(65)		11,781	9,528
Share of results of associates	(280)	–	–	–	(2,277)	114	(456)	3,210	–	–	–	–		(3,013)	3,324
Fair value gain on investment properties	122	–	–	–	–	–	34,881	46,994	–	–	2,239	4,026		37,242	51,020
Write-back of impairment loss on investment property	–	180	–	–	–	–	–	–	–	–	–	–		–	180
Gain on disposal of unquoted investment securities	–	–	–	–	–	–	–	1,194	–	–	–	–		–	1,194
Other non-cash expenses:															
Impairment loss on investment property	500	–	–	–	–	–	–	–	–	–	–	–		500	–
Allowance for doubtful receivables	–	120	–	–	–	–	–	–	528	160	–	–		528	280
Bad debt written off	31	–	–	1	–	–	4	–	–	58	–	–		35	59
Deposit written off	–	–	–	–	–	–	–	–	–	322	–	–		–	322
Segment profit	30,233	39,946	4,213	3,495	57,087	557	46,796	47,594	4,973	5,814	(1,785)	1,517	B	141,517	98,923

38. 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000 (Restated)	$'000	$'000	$'000	$'000 (Restated)		$'000	$'000 (Restated)
Assets:															
Investment in associates	920	–	–	–	(1,466)	668	(17)	436	–	–	–	–		(563)	1,104
Additions to non-current assets	14,715	7,724	4,223	1,545	–	6	13,521	77,127	7,709	10,211	(2,238)	(4,628)	C	37,930	91,985
Segment assets	489,897	417,897	32,166	29,594	331,695	283,298	511,525	341,633	60,426	53,909	(321,530)	(258,793)	D	1,104,179	867,538
Segment liabilities	304,311	245,868	7,954	9,076	299,404	278,562	253,244	160,633	35,571	33,306	(251,687)	(196,864)	E	648,797	530,581

38. **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:

	Group	
	2014	**2013**
	$'000	$'000
Share of results of associates	(3,013)	3,324
Profit from inter-segment sales	1,228	(1,807)
	(1,785)	1,517

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:

	Group	
	2014	**2013**
	$'000	$'000
Investment in associates	–	1,104
Inter-segment assets	(322,121)	(260,097)
Deferred tax assets	591	200
	(321,530)	(258,793)

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

	2014	**2013**
	$'000	$'000
Investment in associates	3,129	498
Deferred tax liabilities	3,583	2,251
Provision for taxation	16,100	9,303
Inter-segment liabilities	(274,499)	(208,916)
	(251,687)	(196,864)

38. **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	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Singapore	753,889	505,606	344,414	270,196

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 one (2013: three) major customer arising from the construction segment amounted to $115,756,000 (2013: $216,140,000).

39. **Dividends**

	Group and Company	
	2014	**2013**
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares:		
– 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 per share)	6,622	10,595
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 2014: Final dividend of 1 cent and special dividend of 1.25 cent per share (2013: Final dividend of 1 cent and special dividend of 0.25 cent, exempt (one-tier) per share)	11,920	6,622

40. Events occurring after the reporting period

Subsequent to the financial year end:

(i) On 3 June 2014, the Company incorporated a subsidiary, Goldprime (M) Pte Ltd. The subsidiary will be principally engaged in investment holding.

(ii) On 5 June 2014, a subsidiary of the Company, Goldprime Property Pte Ltd, together with Heeton Corporation Pte Ltd and KSH Capital Pte Ltd has incorporated a new joint venture company named Wickham Invesco Pte Ltd ("Wickham"). Goldprime Property Pte. Ltd, KSH Capital Pte Ltd, Heeton Corporation Pte. Ltd. hold equity interest of 30%, 15% and 55% respectively. The principal activities of Wickham are those of real estate activities and investment holding.

On 12 June 2014, Wickham has incorporated a new company, Wickham 186 Pty Ltd ("Wickham 186"), in Queensland, Australia. Wickham 186 will be principally engaged in real estate development and investment holding.

On 14 August 2014, Wickham 186 has entered into a shareholders agreement with Marvel Investments Pty Ltd ("Marvel") and 186 Wickham Street (Residential) Pty Ltd ("Wickham Residential") and subscribed for 330 ordinary shares, representing approximately 33% of the share capital of Wickham Residential for a consideration of Australian Dollar 3.3 million or approximately S$3.83 million. Marvel owns the balance 67% of the share capital of Wickham Residential.

Wickham Residential is the legal and beneficial owner of a freehold land located at 186 Wickham Street, Fortitude Valley in Brisbane, Australia (the "Property"). Wickham Residential intends to develop the Property into 2 residential towers, one 30-storey and the other 23-storey with a total of approximately 324 units.

(iii) On 1 July 2014, Goldprime Property Pte Ltd has subscribed for 30% equity interest (30 ordinary shares) in Prospere Holdings Pte Ltd ("Prospere"). The remaining 70% equity interest (70 ordinary shares) is held by Heeton Corporation Pte Ltd. Prospere will be principally engaged in investment holding.

On 15 August 2014, Fortitude Valley (Hotels) Pty Ltd ("FVH"), a wholly-owned subsidiary of Prospere, has completed the purchase of a freehold property at 29 Ranwell Lane Fortitude Valley in Brisbane, Australia (the "Property"), at a consideration of Australian Dollar 5.5 million or approximately S$6.38 million. FVH intends to develop the Property into a 23-storey hotel tower consisting of 198 rooms.

(iv) On 23 June 2014, a subsidiary of the Company, Wealth Assets Pte Ltd has completed the acquisition of the leasehold property at 24 Leng Kee Road, Singapore. On 11 August 2014, the Company has decided to obtain approval from its Shareholders to diversify into the automotive business. Accordingly, the Company has entered into a legally binding heads of agreement with VinCar Leasing Pte Ltd in relation to a proposed venture to carry out the automotive business.

(v) On 16 July 2014, an associate of the Company, Imperial South East Asia Investment Pte Ltd ("ISEA"), together with the respective parties in the joint venture agreement and the sale and purchase agreement (the "SPA") have mutually agreed not to proceed with the investment in Cambodia. The instalments of purchase price paid by ISEA under the SPA have been refunded, and the bonds issued to ISEA shareholders will, accordingly, be cancelled.

41. Comparatives

With effect from 1 March 2014, the Group changed its accounting policy with respect to the subsequent measurement of investment properties from cost method to fair value model, with the changes in fair values recognised in the statement of comprehensive income. This change aligns the Group's accounting policy with industry practice and provides more relevant financial information to the users of the financial statements.

The change in accounting policy was applied retrospectively and accordingly with the restatement of the comparative financial statements. The effects of the change on the Group's financial statements are as follows:

	Consolidated statement of financial position		
	31.5.2014	31.5.2013	1.6.2012
		Increase	
	$'000	$'000	$'000
Investment properties	114,126	74,863	23,508
Retained earnings	67,947	46,618	13,068
Non-controlling interests	46,179	28,245	10,440

	Consolidated statement of comprehensive income for year ended	
	31.5.2014	31.5.2013
	Increase/(decrease)	
	$'000	$'000
Cost of sales (depreciation)	(2,021)	(379)
Fair value gain on the Group's investment properties	37,242	51,020
Other operating income	–	(44)
Profit attributable to:		
Equity holders of the Company	21,329	33,550
Non-controlling interests	17,934	17,805

42. Authorisation of financial statements

The financial statements for the year ended 31 May 2014 were authorised for issue in accordance with a resolution of the directors on 21 August 2014.

STATISTICS OF SHAREHOLDINGS
as at 14 August 2014

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 63.46% of the issued ordinary shares of the Company were held in the hands of the public as at 14 August 2014 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	13	0.26	4,662	0.00
1,000 – 10,000	3,162	62.54	19,076,779	3.60
10,001 – 1,000,000	1,852	36.63	94,299,001	17.80
1,000,001 and above	29	0.57	416,379,558	78.60
Total	**5,056**	**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	115,190,400	21.74
2	DBS Nominees Pte Ltd	52,625,106	9.93
3	Citibank Nominees Singapore Pte Ltd	50,027,000	9.44
4	United Overseas Bank Nominees Pte Ltd	32,964,156	6.22
5	HSBC (Singapore) Nominees Pte Ltd	28,934,100	5.46
6	Ong Pang Aik	23,170,800	4.37
7	UOB Kay Hian Pte Ltd	11,690,000	2.21
8	Ong Lay Huan	11,583,200	2.19
9	Ong Bee Dee	11,087,000	2.09
10	Maybank Kim Eng Securities Pte Ltd	9,517,000	1.80
11	Morgan Stanley Asia (S) Securities Pte Ltd	8,968,416	1.69
12	Ong Lay Koon	8,539,200	1.61
13	Li Feichang	6,763,000	1.28
14	DB Nominees (S) Pte Ltd	6,025,288	1.14
15	OCBC Securities Pte Ltd	5,801,029	1.10
16	Raffles Nominees (Pte) Ltd	4,914,466	0.93
17	Ang Mui Geok	4,428,799	0.84
18	DBS Vickers Securities (S) Pte Ltd	4,387,398	0.83
19	DBSN Services Pte Ltd	2,542,000	0.48
20	CIMB Securities (Singapore) Pte Ltd	2,430,000	0.46
		401,588,358	75.81

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	No. of Shares	%	No. of Shares	%
Ong Sek Chong & Sons Pte Ltd[(1)]	115,190,400	21.74	25,000,000	4.72
Ong Pang Aik[(2)]	23,170,800	4.37	140,190,400	26.46
Ong Lay Huan[(3)]	11,583,200	2.19	140,190,400	26.46

Notes:

(1) Ong Sek Chong & Sons Pte Ltd is deemed to be interested in 25,000,000 ordinary shares registered in the name of a nominee account.

(2) Ong Pang Aik's deemed interests refer to 140,190,400 shares held by Ong Sek Chong & Sons by virtue of Section 7 of the Companies Act.

(3) Ong Lay Huan's deemed interests refer to 140,190,400 shares held by Ong Sek Chong & Sons by virtue of Section 7 of the Companies Act.

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of LIAN BENG GROUP LTD (the "**Company**") will be held at 29 Harrison Road, Lian Beng Building, Singapore 369648 on Friday, 26 September 2014 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 2014 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 2014. **(Resolution 2)**
3. To declare a special (tax exempt one-tier) dividend of 1.25 cents per ordinary share for the financial year ended 31 May 2014. **(Resolution 3)**
4. To re-elect Ms Ong Lay Koon, 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$380,000 for the financial year ended 31 May 2014 (2013: S$360,000). **(Resolution 6)**
7. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without amendments:

8. **General Share Issue Mandate** **(Resolution 8)**

"That, authority be and is hereby given to the Directors of the Company to:

(i) (aa) allot and issue shares, whether by way of rights, bonus or otherwise; and/or

(bb) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued during the continuance of such authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Board may, in their absolute discretion, deem fit; and

(ii) issue Shares in pursuance of any Instrument made or granted by the Board while such authority was in force (notwithstanding that such issue of the Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution);

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph 2 below) of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph 2 below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1 above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(aa) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(bb) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company;

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM 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,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable (the "**Share Buy Back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held or is required by law to be held;

(ii) the date on which the share buy back is carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked;

(d) for purposes of this Resolution:

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities;

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution; and

(f) Shareholders by voting to approve the Share Buy Back Mandate are waiving their rights to a general offer at a required price from Ong Directors (as defined in the Addendum) and parties acting in concert with them." *[see explanatory note 4]*

10. To transact any other business that may be properly transacted at the AGM of the Company.

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries
Singapore

10 September 2014

EXPLANATORY NOTES:

1. Ms Ong Lay Koon will, upon re-election as a Director of the Company, remains as a member of the Audit Committee, Nominating Committee and Remuneration Committee.
2. Dr Wan Soon Bee will, upon re-election as a Director of the Company, remains as the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee. He 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.

LIAN BENG GROUP LTD
Registration No. 199802527Z
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING
PROXY FORM

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 Friday, 26 September 2014 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 2014				
2.	Payment of proposed first and final dividend				
3.	Payment of proposed special dividend				
4.	Re-election of Ms Ong Lay Koon 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 ______________ 2014.

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 a proxy or proxies must be deposited at the Company's registered office at 29 Harrison Road, Lian Beng Building, Singapore 369648, not less than 48 hours before the time appointed for the meeting.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

LIAN BENG GROUP LTD
29 Harrison Road, Lian Beng Building
Singapore 369648
Tel: +65 6283 1468 **Fax:** +65 6280 9360
Email: lianbeng@singnet.com.sg
www.lianbeng.com.sg