聯明集團有限公司

LIAN BENG GROUP LTD

Annual Report 2011

Leaping Forward to SUCCESS

Mission Statement

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

Contents

"Our order book stood at a robust **S$839 million** following the award of two construction contracts for private residential developments in the month of June 2011, both worth a total of S$280 million. The aggregate order book is expected to provide the Group with a **continuous flow of activities** through FY15."

Mr Ong Pang Aik BBM
Chairman & Managing Director

Chairman's Statement

Dear Shareholders,

I am pleased to present to you Lian Beng Group's Annual Report for the Financial Year ended 31 May 2011 ("FY11").

FY11 has been a fruitful year for Lian Beng. We achieved our historical high with a 100.7% year-on-year increase of net profit to S$48.6 million from S$24.2 million in FY10, driven by record high revenue of S$507.3 million for the financial year of 2011, up 46.7% from S$345.7 million in FY10. In addition, the Group has exercised stringent cost management through an integrated engineering and construction capability which has delivered greater cost benefits and value.

The Group reported broad-based growth in all three business segments led by construction activities which grew 42.0% to S$423.0 million in FY11 from S$297.9 million in FY10. Construction accounts for the Group's largest business activity, forming 83.4% of the Group's revenue with secondary divisions of property development and other construction-related segments contributing 8.2% and 8.4% to total revenue respectively.

Gross profit increased 65.5% on overall higher revenue from S$45.3 million in FY10 to S$75.0 million in FY11, with gross profit margin growing from 13.1% in FY10 to 14.8% in FY11 due to a prudent project management system and efficient vertically-integrated business model leading to more cost savings.

Our order book stood at a robust S$839 million following the award of two construction contracts for private residential developments in the month of June 2011, both worth a total of S$280 million. The aggregate order book is expected to provide the Group with a continuous flow of activities through FY15.

DIVIDEND

Wrapping up an outstanding year, our Board wishes to thank all shareholders for the continuous support throughout the years and by way of thanks has recommended a first and final dividend of 1.0 cent per share and special dividend of 0.6 cent per share, making up an aggregate dividend for FY11 of 1.6 cents per share, representing a 17.6% dividend payout ratio and a 4.2% dividend yield.

Chairman's Statement

GOING FORWARD

Construction outlook appears stable with the Building and Construction Authority of Singapore ("BCA") forecasting higher demand between S$24 billion and S$30 billion for 2011[1] amidst a constant GDP forecast from 4%-6% in 2010 to 5%-6% in 2011[2]. With forecasted demand from building projects continue to form about 72% of total construction projects and remaining 28% by civil engineering projects, the Group will strive to keep our foundations solid, with an unwavering determination in growing our key business activities and prime ourselves for any prospective projects and investments.

APPRECIATION

Lian Beng's current key standing is not without much hard work and dedication by the team and partners. The collective strength from colleagues, business partners, suppliers, customers, sub-contractors and shareholders have lent us the required support and skills in our integrated business model.

On behalf of the board, I would like to extend my most sincere gratitude to all, for their ceaseless faith and confidence in us throughout the years. Additionally, I am blessed with a competent and committed board of directors who have provided many invaluable advices to the Group.

With a cohesive team of management, I am certain we will be able to overcome any obstacles and take on opportunities; maximising shareholder value through a sustainable growth plan.

ONG PANG AIK BBM
Chairman and Managing Director

1 Source: BCA Construction Statistics dated 4 August 2011
2 Source: Press Release, Ministry of Trade and Industry dated 10 August 2011

主席致辞

尊敬的股东们,

我很荣幸向各位呈报联明集团截止于2011年5月31日财政年度（“2011财年”）的财务报告。

2011财年对联明而言，是一个硕果累累的一年。我们创下了历史最高营收5亿730万新元，较2010财年的3亿4570万新元增长46.7%。受营收增长驱动，净利润从2010财年的2420万新元升至2011财年的4860万新元，以100.7%的增幅创下年利润新高。此外，集团还通过一体化的工程和建筑能力、严格的成本管理，实现了优越的成本效益和价值。

集团的三个业务分部均汇报了显著的增长，尤其是楼房建筑业务营收从2010财年的2亿979万新元增长42.0％至2011财年的4亿2300万新元。建筑业务是集团最大的业务部门，占集团营收的83.4%。房地产发展及其他建筑相关业务则分别为集团的营收贡献了8.2％和8.4％。

与营收增长同步，毛利润从2010财年的4530万新元增长至2011财年的7500万新元，上升了65.5%。此外，受益于审慎的项目管理体系和高效的垂直综合业务模式为本集团带来的成本节约，毛利率从2010财年的13.1%增长至2011财年的14.8%。

集团在2011年6月签下了两项私人住宅发展建造工程合约，总值2亿8000万新元，从而使本集团手持订单总额提高到8亿3900万新元。这将足以提供持续至2015财年的稳定工程量和商业活动。

股息

结束了杰出的一年，集团董事会非常感谢所有股东多年来的持续支持。为了表示谢意，董事会将提议派送每股1.0分新元首次末期股息，以及每股0.6分新元特别股息，合计每股1.6分新元股息，派息率达到17.6％，股息收益率为4.2％。

前景展望

目前，我国建筑行业前景表现稳定。新加坡建设局预计2011年建筑行业的市场需求将提高至240亿至300亿新元[i]，而国内生产总值将从2010年的4％-6％增至2011年的5％-6％[ii]。按照市场需求数据，72%的建筑需求将由建设项目组成，而其余的28％将来自土木工程项目。集团将继续夯实基础，坚定决心地发展我们的核心业务，并准备迎接任何具有潜力的未来项目或投资计划。

致谢

联明集团能够发展成为新加坡建筑行业的主力军离不开团队和各位合作伙伴的辛勤工作和奉献精神。同事，业务伙伴，供应商，客户，分包商和各位股东的集体力量给予了我们综合商业模式所需要的支持与技能。本人谨代表董事会，诚挚感谢多年来大家对我们的信心和信任。此外，我也非常庆幸身边拥有胜任能干的董事能为集团提供无数的宝贵意见。

在具有凝聚力的管理团队合作下，我确信我们能够克服任何障碍以及把握机会，并通过可持续的增长计划增加股东价值。

王邦益 BBM
集团主席兼执行董事

i 来源：新加坡建设局统计，2011年8月4日
ii 来源：新闻发布，新加坡贸易及工业部，2011年8月10日

Board of Directors

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

MR ONG PANG AIK BBM
Chairman & Managing Director

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

Appointed on 5 March 2003 as the Chairman of the Board, Mr Ong is responsible for the management, business development and overall strategic direction of the Group. With his clear vision, astute foresight and unwavering stewardship, Mr Ong has steered Lian Beng Group through several construction down cycles, each time emerging stronger while delivering sustained profitability.

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

Apart from his commitment to Lian Beng Group, Mr Ong participates actively in community work. He serves as a grassroots leader in the Marine Parade GRC–Braddell Heights CCMC and as Chairman of the Ang Mo Kio-Hougang 6-Miles Business Sub-committee. Mr Ong is also the Vice-Chairman 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 Zhong Hwa 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.

MR SITOH YIH PIN
Independent Director

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

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

Mr Sitoh was also the director of several publicly listed companies in the preceding 5 years including PNE Micron Holdings Ltd, Van Der Horst Energy Limited, Labroy Marine Pte Ltd and Auswin Holdings Limited.

Mr Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is a Fellow member of the Institute of Chartered Accountants in Australia.

Board 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 25 September 2009. 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 FHTK Holdings Limited in the preceding 5 years.

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

MS ONG LAY HUAN

Executive Director

Ms Ong Lay Huan joined the Group in 1991, and possesses some 20 years of experience in construction business.

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

Ms Ong was appointed as Executive Director of the Board on 20 March 1999 and was last re-elected on 24 September 2010. She holds a Diploma in Quantity Surveying from Singapore Polytechnic and is a member of the Singapore Institute of Directors.

MS ONG LAY KOON

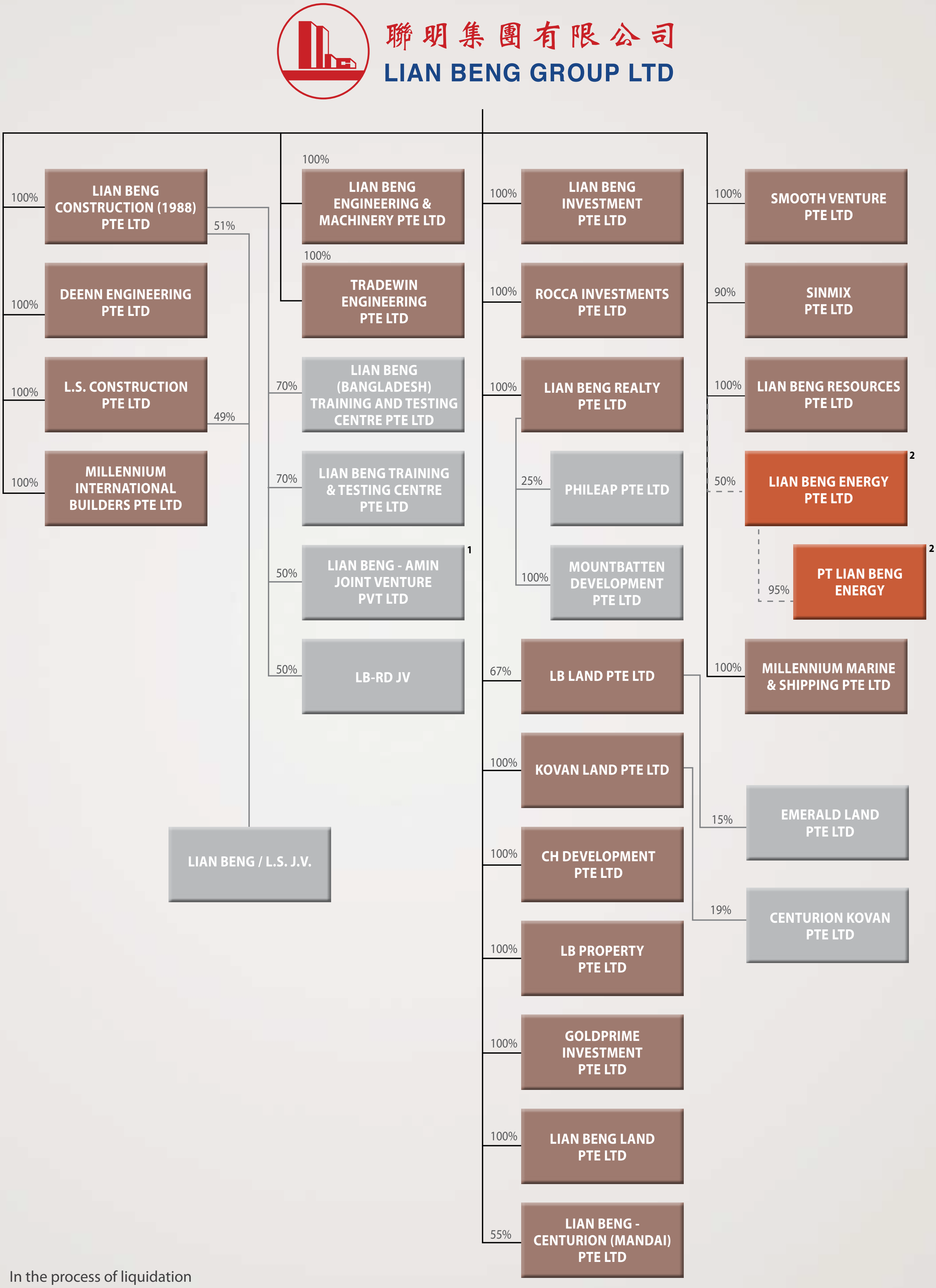
Executive Director

Ms Ong Lay Koon was appointed as Executive Director of the Board on 20 March 1999 and was last re-elected on 25 September 2009. She currently serves as a member on the Nominating, Audit and Remuneration Committees.

Ms Ong Lay Koon joined the Group in 1992, and heads the Group's finance and human resource functions. In her present capacity, she is responsible for the organization and management of the Group's accounting, finance and corporate actions, as well as for all matters relating to human resource management within the Group. Together with her fellow executive directors and key executives, she is also involved in progress reviews and implementation of workflow initiatives for the purpose of improving and fine-tuning the Group's work processes in accordance to new market trends and changes.

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

Group Structure



1 In the process of liquidation
2 In the process of transferring the company's 50% interest in Lian Beng Energy Pte Ltd to Manhattan Resources Limited

Key Executive Officers

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

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

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

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

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

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

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

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

Mr. Teo first joined the Group in 1992 as a Project Manager. He later re-joined the Group as a Senior Project Manager in 1997 and was promoted to the post of Construction Manager in 2004. He was subsequently appointed the 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.

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

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

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

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

Mr. Than has more than 20 years of experience in the construction industry with significant experience in structural designing, construction re-engineering and project management in conventional and Design & Build projects. He joined Deenn in 1994 as a Project Manager and was later promoted to the post of Senior Project Manager in 1998. He was appointed the Director of Deenn in 2001.

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

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

Mr. Ho joined the Group in 1997 as a Project Manager and progressively moved through the ranks to his current position in June 2008. He also serves as the Director of Millennium International Builders Pte Ltd.

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

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

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

MR CHEW TEOW LEONG, Financial Controller of the Group since March 1999, is responsible for the financial accounting, financial management and internal control functions of the Group.

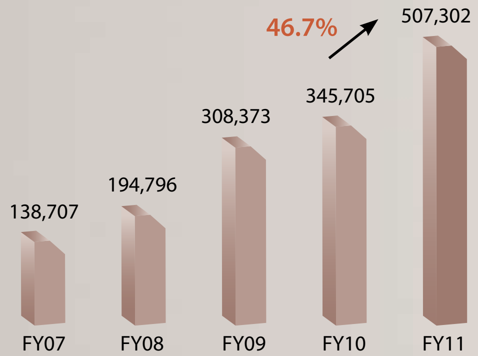
Prior to joining the Group, he had over 16 years experience in financial and management accounting, costs and budgetary control and financial management in the trading, construction and manufacturing business.

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

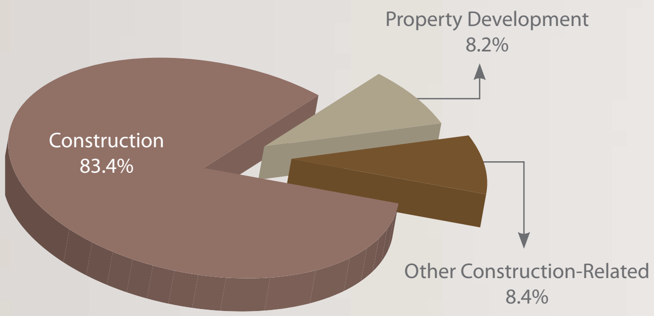
Financial Highlights

The Group **delivered** broad-based growth across the business segments for the financial year ended 31 May 2011 with the Group's revenue increase of 46.7% from S$345.7 million in FY10 to **S$507.3 million** in FY11. Construction segment remains as the Group's core division which led the overall revenue growth with S$423.0 million in FY11, up 42.0% from S$297.9 million in FY10.

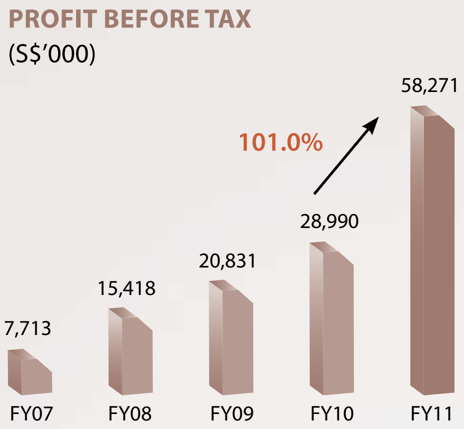
REVENUE
(S$'000)

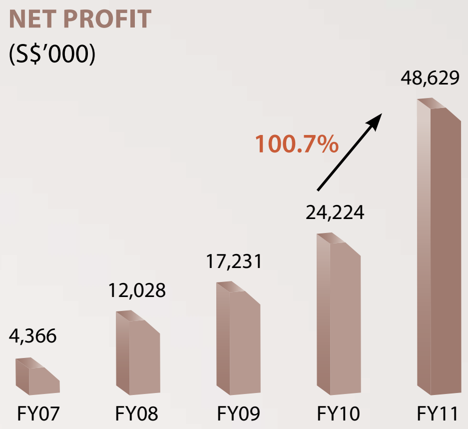


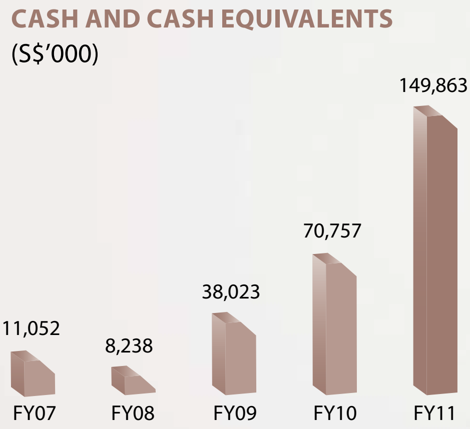
FY11 BUSINESS MIX SHARE OF REVENUE

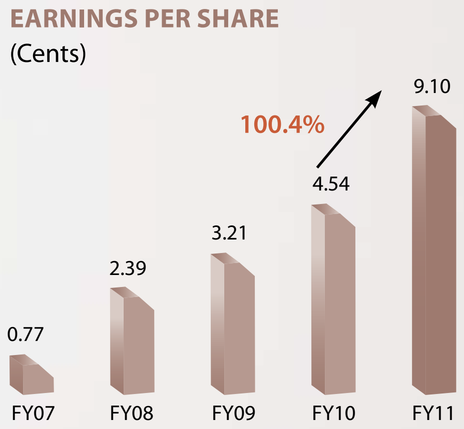


Revenue contributed by property development and other construction-related segments form 8.2% and 8.4% respectively of total revenue with ready-mixed concrete division leading the growth of other construction-related segment. The Group's profit before tax ended 101.0% higher in FY11 at S$58.3 million from S$29.0 million in FY10 and net profit doubled from S$24.2 million in FY10 to S$48.6 million in FY11, on higher cost efficiency generated by a vertically-integrated business model with a self-supplying value chain.









Cash and cash equivalents at the end of the financial year stood at a solid S$149.9 million.

Earnings per share saw a corresponding increase from 4.54 cents in FY10 to 9.10 cents in FY11, representing a 100.4% increase.

Bank borrowings of the Group increased from S$94.7 million to S$139.8 million largely to finance the acquisition of light industrial building along New Industrial Road and the freehold land parcel at Mandai Estate along Woodlands Road.

The Group remains in a net cash position with decreasing gearing across the years and increasing interest coverage.

Operations Review

Residences @ Emerald Hill

Park Natura Condominium

CONSTRUCTION

Construction activities remain as the Group's largest revenue contributor, accounting for about 83.4% of total Group's revenue.

During FY11 and 1Q12, the Group obtained four new contracts for the construction of private residential properties. These four new building construction contracts, namely Spottiswoode Residences, The Scala, Hedges Park Condominium and Waterfront Isle, are worth a total of S$487.3 million, contributing to more than half of the current order book value at S$839 million.

Spottiswoode Residences

A S$88.3 million project consists of one block of 36-storey residential flats with a six-storey multi-storey carpark building, swimming pool and communal facilities at Spottiswoode Park Road. The 33 months project which commenced in July 2010 is expected to be completed by FY13.

The Scala

Located at Serangoon Avenue 3, The Scala comprises of four blocks of 18-storey and one block of 17-storey residential buildings with a two-storey podium carpark, basement carpark, tennis court, swimming pool, clubhouse and communal facilities. Works for the S$119.5 million contract commenced in October 2010 and is expected to be completed by FY13.

Amber Residences

The Ritz-Carlton Residences (Artist's Impression)

Hedges Park Condominium

Another contract worth S$150.7 million garnered by the Group is for the earthworks and building construction of Hedges Park Condominium located at Upper Changi Road North/Flora Drive. The development consists of 10 blocks of residential flats with 1 basement carpark, swimming pools, landscape and ancillary facilities. Works commenced in June 2011 and is due to be completed by FY15.

Waterfront Isle

Located at Bedok Reservoir Road, the condominium development contract worth S$128.8 million comprises four blocks of 15-storey residential flats with two basement carparks, swimming pools and ancillary facilities. The project commenced in July 2011 and is expected to be completed by FY15.

COMPLETED AND NEAR-COMPLETED PROJECTS

During the financial year under review, the Group completed various construction projects such as The BelleRive, Park Natura Condominium, Residences @ Emerald Hill and Amber Residences.

Several projects, namely Kovan Residences, 111 Emerald Hill, OLA Residences and the construction of luxury development, The Ritz-Carlton Residences are also near to completion as at 31 May 2011.

Operations Review

Kovan Residences

OLA Residences

PROPERTY DEVELOPMENT

The business segment grew 45.3% year-on-year from S$28.7 million in FY10 to S$41.7 million in FY11 mainly due to revenue recognised from the sales of OLA Residences. During the financial year, all units at the 100% owned development were sold and revenue was recognised progressively.

Kovan Residences, a 19% joint venture project undertaken by the Group, is 99% sold as at 31 May 2011.

Lincoln Suites, a 175-unit freehold luxury condominium located within the prime neighbourhood of Novena, of which the Group holds a 25% equity stake, is already 70% sold.

During the financial year, the Group also acquired a freehold land parcel at Mandai Estate by way of a joint venture whereby the Group holds a 55% stake.

Property development will remain as the Group's secondary focus and the management will continue to keep an eye out for other investment opportunities when it presents itself.

Activities at RMC division

Scaffolding Works

OTHER CONSTRUCTION-RELATED BUSINESSES

Revenue contributed by the segment grew tremendously from S$19.2 million in FY10 to S$42.6 million in FY11, and is primarily driven by the ready-mixed concrete (RMC) division.

At present, about 26.8% of the RMC is consumed in-house and 73.2% sold to external parties. This segment grew 130.0% from S$18.3 million in FY10 to S$42.1 million in FY11, contributing about 8.3% to total revenue. With an overall upbeat construction outlook during 2011, the Group expects that the segment will continue to grow.

The Group's engineering and leasing segment contributed S$0.5 million to the Group's total revenue for FY11. This division is fundamental to the Group for its provision of civil engineering expertise and its support of the Group's construction division.

Significant Events

Spottiswoode Residences (Artist's Impression)

Lian Beng Building at 29 Harrison Road

June 2010

- The Group announced the award of the building contract for ***Spottiswoode Residences*** worth S$88.3 million, by UOL Development Pte Ltd.

August 2010

- The Group was awarded the construction project of The Scala, worth about S$119.5 million, by Circle Line Pte Ltd.

January 2011

- Purchased freehold land parcel at Mandai Estate along Woodlands Road, with an area of 201,443 sq ft, located near to Yew Tee MRT Station, Bukit Timah Expressway (BKE) and Kranji Expressway (KJE).

March 2011

- The Group relocated its corporate head office to the new Lian Beng Building at 29 Harrison Road, a proud recipient of BCA Green Mark (New Building) 2010 Platinum Award.

RoSPA
20 11
GOLD
Award


Hedges Park Condominium (Artist's Impression)


Waterfront Isle (Artist's Impression)

April 2011

- LBC was awarded the RoSPA Gold Award for Occupational Health and Safety for its project at Residences @ Emerald Hill by The Royal Society for the Prevention of Accidents (RoSPA) based in the United Kingdom.

  Presented since 1956, the gold awards are presented to companies that have achieved a high level of performance, demonstrating well developed occupational health and safety management systems and culture, outstanding control of risk and very low levels of error, harm and loss.

June 2011

- The Group clinched two new building construction contracts totalling S$279.5 million, bringing the order book to S$839 million.

  The first project awarded was for the earthworks and building contract of Hedges Park Condominium by Tripartite Developers Pte Limited, worth S$150.7 million.

  The second project worth S$128.8 million awarded during the same month was for the building contract of Waterfront Isle by FCL Peak Pte Ltd.

  Both private residential projects commenced in July 2011 and are expected to be completed by FY15.

Corporate Information

Board Of Directors

Ong Pang Aik BBM
Chairman and Managing Director

Ong Lay Huan
Executive Director

Ong Lay Koon
Executive Director

Dr Wan Soon Bee
Independent Director

Sitoh Yih Pin
Independent Director

Company Secretaries

Wee Woon Hong
Lee Hock Heng

Registered Office

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

Nominating Committee

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

Remuneration Committee

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

Audit Committee

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

Registrar And Share Transfer Office

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

Auditors

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

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

Solicitors

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

Principal Bankers

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

Investor & Media Relations

Financial PR Pte Ltd
4 Robinson Road, #04-01
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Corporate Governance

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

BOARD MATTERS

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

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

1. Provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the group to meet its objectives;
2. Establish a framework of prudent and effective controls which enables risk to be assessed and managed;
3. Review the management performance; and
4. Set the group's values and standards, and ensure that obligations to shareholders and others are understood and met.

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

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

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

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

Corporate Governance

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

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

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

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

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

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

Executive Directors

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

Independent & Non-Executive Directors

1. Dr Wan Soon Bee
2. Sitoh Yih Pin

Corporate Governance

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

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

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

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

a. Leading the Board to ensure its effectiveness on all aspects of its role and set its agenda;
b. Ensuring that the directors receive accurate, timely and clear information;
c. Ensuring effective communication with shareholders;
d. Encouraging constructive relations between the Board and Management;
e. Facilitating the effective contribution of non-executive directors;
f. Encouraging constructive relations between executive directors and non-executive directors; and
g. Promoting high standards of corporate governance.

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

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

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

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

The NC met once during the financial year under review.

Corporate Governance

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

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

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

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

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

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

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

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

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

The key information on the directors is set out in the Board of Directors write-up on page 6 to 8 of this report.

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

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

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

a. Board size and composition;

b. Board processes;

c. Board information and accountability; and

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

Corporate Governance

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

a. Industry knowledge and/or functional expertise;

b. Contribution and workload requirements;

c. Sense of independence; and

d. Attendance at board and committee meetings.

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

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

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

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

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

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

REMUNERATION MATTERS

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

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

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

Corporate Governance

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

The RC met once during the financial year under review.

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

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

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

c. Reviewing the remuneration of Senior Management.

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

The Company does not have any employee share option scheme.

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

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

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

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

Corporate Governance

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

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

A breakdown, showing the level and mix of each individual director's remuneration payable for the financial year ended 31 May 2011 is as follows:

Remuneration Band	Name	Salary and CPF (%)	Bonus & Profit Sharing (%)	Other Benefits and Allowances (%)	Directors' Fees[1] (%)	Total
$3,000,001 – $3,250,000	Ong Pang Aik	15	79	1	5	100
$1,500,001 - $1,750,000	Ong Lay Huan	19	76	3	2	100
$1,250,001 - $1,500,000	Ong Lay Koon	20	74	3	3	100
Below $250,000	Dr Wan Soon Bee	-	-	-	100	100
Below $250,000	Sitoh Yih Pin	-	-	-	100	100

1. Includes fees for directorships held in the Company

A breakdown, showing the remuneration band of the top eight key executives' remuneration payable for the financial year ended 31 May 2011 is as follows:

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

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

There are four employees who are immediate family members of Mr Ong Pang Aik, Ms Ong Lay Huan and Ms Ong Lay Koon whose remunerations exceeded $100,000 during the year ended 31 May 2011.

For the financial year ended 31 May 2011, the total remuneration paid to the directors of the Company was S$6,338,681 and the total remuneration paid to the key executives was S$2,181,972.

Corporate Governance

ACCOUNTABILITY AND AUDIT

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

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

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

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

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

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

The Board is of the view that the AC, chaired by Dr Wan Soon Bee has sufficient financial management expertise and experience to discharge the AC's functions. Mr Sitoh Yih Pin is by profession a Certified Public Accountant and Ms Ong Lay Koon has more than 11 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 Audit Committee 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 with full attendance from all members. The AC has also met with the external auditors, without the presence of the Company's management at least once a year.

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

a. Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
b. Review the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;
c. Review significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
d. Review the adequacy of the Company's internal controls;

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

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

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

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

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

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

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

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

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

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has outsourced its internal audit function to a new professional firm, RSM Ethos Pte Ltd which was formed out of merger between our former internal auditor, Stone Forest Consulting Pte Ltd and Ethos Advisory Pte Ltd. The internal auditors report its finding directly to the AC.

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

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

Principle 15: Encouragement of Greater Shareholder Participation at AGMs

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

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

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

ADDITIONAL INFORMATION

Dealings in Securities

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

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

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 2011 in accordance with its existing procedures:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Associated KHL Industries Pte Ltd – Lease rental	$250,920.00	NA

Corporate Governance

Material Contracts and Loans

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

Financial Contents

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Lian Beng Group Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 May 2011.

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	17,100,800	18,937,800	133,782,400	133,782,400
Ong Lay Huan	11,275,200	11,275,200	–	–
Ong Lay Koon	7,275,200	7,275,200	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 June 2011.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr. Ong Pang Aik is 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 of the financial year, or at the end of financial year.

Directors' Report

Directors' contractual benefits

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

Options

During the financial year, there were:

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

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

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

Audit Committee

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

- Review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors and its cost effectiveness;
- Review significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Review the adequacy of the Company's internal controls;
- Make recommendations to the Board on the appointment, re-appointment and removal of the external and approve the remuneration and terms of engagement of the external auditor; and
- Review the audit plans and reports of the internal auditors and ensure the adequacy of the Company's system of internal controls.

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

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

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

Directors' Report

Auditors

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

On behalf of the board of directors,

Ong Pang Aik
Director

Ong Lay Huan
Director

Singapore
26 August 2011

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 2011 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
26 August 2011

Independent Auditors' Report

For the financial year ended 31 May 2011
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 39 to 125, which comprise the statements of financial position of the Group and the Company as at 31 May 2011, 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 consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

For the financial year ended 31 May 2011
To the Members of Lian Beng Group Ltd

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 May 2011 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
26 August 2011

Statements of Financial Position

as at 31 May 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-current assets					
Property, plant and equipment	4	42,612	41,930	–	–
Investment properties	5	47,317	14,071	–	–
Intangible assets	6	129	129	–	–
Investments in subsidiaries	7	–	–	30,738	28,688
Investment securities	10	11,589	11,292	–	–
		101,647	67,422	30,738	28,688
Current assets					
Investment property held for sale	5	24,309	–	–	–
Construction work-in-progress in excess of progress billings	11	8,784	20,783	–	–
Development properties	12	127,108	90,264	–	–
Development properties held for sale	12	6,154	6,154	–	–
Inventories	13	6,437	4,954	–	–
Trade receivables	14	133,566	104,402	–	–
Other receivables and deposits	15	10,586	37,453	3	9,443
Prepayments		815	1,439	8	8
Receivables from related parties	16	3	1	78,789	70,232
Amounts due from jointly-controlled entities	8	17	36	–	–
Asset held for sale	9	–	–	–	–
Investment securities	10	13	13	–	–
Cash and cash equivalents	17	149,863	70,757	20,661	177
		467,655	336,256	99,461	79,860
Current liabilities					
Progress billings in excess of construction work-in-progress	11	106,886	75,175	–	–
Trade and other payables	19	111,284	74,968	44	52
Accruals		10,816	8,787	412	401
Amounts due to subsidiaries	20	–	–	38,591	20,580
Bank loans	21	27,551	28,430	–	–
Bills payable	21	1,644	4,196	–	–
Obligations under hire purchase	22	3,634	2,829	–	–
Provision for taxation		8,474	4,484	–	–
		270,289	198,869	39,047	21,033
Net current assets		197,366	137,387	60,414	58,827
Non-current liabilities					
Bank loans	21	100,213	53,188	–	–
Obligations under hire purchase	22	6,771	6,080	–	–
Deferred tax liabilities	23	2,762	1,517	–	–
		109,746	60,785	–	–
Net assets		189,267	144,024	91,152	87,515
Equity attributable to owners of the parent					
Share capital	24	82,275	82,275	82,275	82,275
Reserves		105,531	61,185	8,877	5,240
		187,806	143,460	91,152	87,515
Non-controlling interests		1,461	564	–	–
Total equity		189,267	144,024	91,152	87,515

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 2011

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Revenue	26	507,302	345,705	11,000	6,000
Cost of sales		(432,329)	(300,401)	–	–
Gross profit		74,973	45,304	11,000	6,000
Other operating income	27	6,702	3,819	1	41
Distribution expenses		(1,257)	(1,787)	–	(5)
Administrative expenses		(14,724)	(11,758)	(1,118)	(957)
Other operating expenses	27	(6,473)	(5,473)	(2,006)	(514)
Finance costs	29	(950)	(1,115)	(2)	(17)
Profit before tax	27	58,271	28,990	7,875	4,548
Taxation	30	(9,642)	(4,766)	–	447
Profit for the year, net of tax		48,629	24,224	7,875	4,995
Other comprehensive income:					
Net gain on fair value changes of available-for-sale financial assets		46	144	–	–
Foreign currency translation		356	90	–	–
Other comprehensive income for the year, net of tax		402	234	–	–
Total comprehensive income for the year		49,031	24,458	7,875	4,995
Profit attributable to:					
Owners of the parent		48,182	24,036	7,875	4,995
Non-controlling interests		447	188	–	–
		48,629	24,224	7,875	4,995
Total comprehensive income attributable to:					
Owners of the parent		48,584	24,270	7,875	4,995
Non-controlling interests		447	188	–	–
		49,031	24,458	7,875	4,995
Earnings per share (Cents)					
Basic and diluted	31	9.10	4.54		

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 2011

	Attributable to owners of the parent					
	Share capital (Note 24) $'000	Accumulated profits $'000	Other reserves (Note 25) $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
2011						
Group						
Balance at 1 June 2010	82,275	60,919	266	61,185	564	144,024
Profit for the year	–	48,182	–	48,182	447	48,629
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	46	46	–	46
Foreign currency translation	–	–	356	356	–	356
Other comprehensive income for the year, net of tax	–	–	402	402	–	402
Total comprehensive income for the year	–	48,182	402	48,584	447	49,031
Contribution by and distribution to owners						
Dividends on ordinary shares (Note 41)	–	(4,238)	–	(4,238)	–	(4,238)
Contribution from minority shareholder of a subsidiary company	–	–	–	–	450	450
Total transactions with owners in the capacity as owners	–	(4,238)	–	(4,238)	450	(3,788)
Balance at 31 May 2011	82,275	104,863	668	105,531	1,461	189,267
2010						
Group						
Balance at 1 June 2009	82,275	40,062	32	40,094	376	122,745
Profit for the year	–	24,036	–	24,036	188	24,224
Other comprehensive income						
Net gain on fair value changes of available-for-sale financial assets	–	–	144	144	–	144
Foreign currency translation	–	–	90	90	–	90
Other comprehensive income for the year, net of tax	–	–	234	234	–	234
Total comprehensive income for the year	–	24,036	234	24,270	188	24,458
Contribution by and distribution to owners						
Dividends on ordinary shares (Note 41)	–	(3,179)	–	(3,179)	–	(3,179)
Balance at 31 May 2010	82,275	60,919	266	61,185	564	144,024

Statements of Changes in Equity

for the year ended 31 May 2011

	Attributable to owners of the parent		
	Share capital (Note 24)	**Accumulated profits**	**Total equity**
	$'000	$'000	$'000
2011			
Company			
Balance at 1 June 2010	82,275	5,240	87,515
Profit for the year	–	7,875	7,875
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	7,875	7,875
Contribution by and distribution to owners			
Dividends on ordinary shares (Note 41)	–	(4,238)	(4,238)
Balance at 31 May 2011	82,275	8,877	91,152
2010			
Company			
Balance at 1 June 2009	82,275	3,424	85,699
Profit for the year	–	4,995	4,995
Other comprehensive income for the year, net of tax	–	–	–
Total comprehensive income for the year	–	4,995	4,995
Contribution by and distribution to owners			
Dividends on ordinary shares (Note 41)	–	(3,179)	(3,179)
Balance at 31 May 2010	82,275	5,240	87,515

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 2011

	2011 $'000	2010 $'000
Cash flows from operating activities		
Profit before tax	58,271	28,990
Adjustments for:		
Depreciation of property, plant and equipment	5,918	4,377
Depreciation of investment properties	71	118
Dividend income from investment securities	(12)	(8)
Gain on disposal of plant and equipment	(126)	(231)
(Write-back)/impairment loss on value of property held as property, plant and equipment	(1,421)	1,421
Net fair value gain on investment securities	–	(3)
Write-back of foreseeable loss on development property held for sale	–	(314)
Gain on disposal of investment properties	(3,662)	(174)
Reversal of share of loss in jointly-controlled entity	–	(548)
Interest income	(702)	(382)
Interest expense	950	1,115
Exchange translation difference	356	93
Allowance for impairment on doubtful receivables	121	1,207
Write off of plant and equipment	16	7
Forgiveness of loan from minority shareholder of subsidiary	–	(25)
Bad debts written off	2,192	88
Operating cash flows before changes in working capital	61,972	35,731
Changes in working capital:		
Development properties	(35,421)	19,253
Construction work-in-progress	43,717	45,075
Inventories	(1,483)	(2,871)
Trade receivables	(29,463)	(17,795)
Other receivables and deposits	25,139	(8,077)
Prepayments	624	(397)
Trade payables, other payables, accruals and bills payable	28,197	14,532
Balances with related parties	17	1,740
Cash flows generated from operations	93,299	87,191
Interest paid, capitalised in development properties	(1,423)	(1,959)
Income tax paid	(4,477)	(4,024)
Income tax recovered	70	563
Net cash flows generated from operating activities	87,469	81,771
Cash flows from investing activities		
Interest received	415	38
Dividend income from investment securities	12	8
Purchase of property, plant and equipment (Note A)	(10,500)	(10,061)
Purchase of investment property held for sale	(24,309)	–
Proceeds from disposal of property, plant and equipment	230	485
Purchase of investment properties	(31,912)	(3,320)
Additional investments in investment securities	(251)	(2,504)
Amount due from long term other receivable	–	2,494
Proceeds from disposal of investment properties	11,138	1,264
Net cash flows used in investing activities	(55,177)	(11,596)

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 2011

	2011 $'000	2010 $'000
Cash flows from financing activities		
Interest paid	(950)	(1,115)
Repayment of hire purchase creditors	(2,190)	(2,917)
Proceeds from bank loans	68,979	4,955
Repayment of bank loans	(22,833)	(25,537)
Release of fixed deposits pledged to bank	–	2,714
Loan from minority shareholders of subsidiary companies	7,596	716
Dividend paid on ordinary shares	(4,238)	(3,179)
Contribution from minority shareholder of a subsidiary company	450	–
Net cash flows generated from/(used in) financing activities	46,814	(24,363)
Net increase in cash and cash equivalents	79,106	45,812
Cash and cash equivalents at beginning of the year	70,757	24,945
Cash and cash equivalents at end of the year (Note 17)	149,863	70,757

Note A

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $14,187,000 (2010: $15,465,000) of which $3,687,000 (2010: $5,404,000) were acquired by means of hire purchase arrangements. Cash payments of $10,500,000 (2010: $10,061,000) were made to purchase property, plant and equipment.

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

Notes to the Financial Statements

31 May 2011

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 and jointly-controlled entities are disclosed in Note 7 and Note 8 to the financial statements, respectively.

2. Summary of significant accounting policies

1.1 ***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.

2.1 ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 June 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 June 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

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

2.2 *Changes in accounting policies (cont'd)*

FRS 103 Business Combinations (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss.

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively and does not impact the Group's consolidated financial statements. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 June 2010 are not adjusted.

FRS 27 Consolidated and Separate Financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 June 2010. The changes will affect future transactions with non-controlling interests.

Notes to the Financial Statements

31 May 2011

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**
Amendment to FRS 101 *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters*	1 July 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011
Updates to *The Conceptual Framework for Financial Reporting 2010 (Chapters 1 and 3)*	1 March 2011
Amendments to FRS 107 *Financial Instruments: Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 101 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.*	1 July 2011
Amendments to FRS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*	1 January 2012

Except for the revised FRS 24 and INT FRS 115, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 and INT FRS 115 are described below.

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in the next financial year.

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

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

INT FRS 115 Agreements for the Construction of Real Estate

INT FRS 115 clarifies when revenue and related expenses from a sale of real estate unit should be recognised if an agreement between a developer and buyer is reached before the construction of real estate is completed. INT FRS 115 determines that contracts which do not classify as construction contracts in accordance with FRS 11 can only be accounted for using the percentage of completion method if the entity continuously transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.

The Group is currently assessing the possible impact that application of INT FRS 115 will have on the Group's financial statements in the period of initial application.

2.4 *Basis of consolidation*

Business combinations 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 are eliminated in full.

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

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

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

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

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

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

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

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

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

Business combinations before 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.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be 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 measurements to the contingent consideration affected goodwill.

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

2.5 ***Transactions with non-controlling interests***

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

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

2.6 ***Foreign currency***

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent 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 statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the statement of financial position date 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) *Group companies*

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the statement of financial position date and their profit or loss are translated at the weighted average exchange rates for the year. 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 the profit or loss.

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

2.6 ***Foreign currency (cont'd)***

(b) *Group companies (cont'd)*

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.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

2.7 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.21. 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.

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

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

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

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

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

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

2.7 ***Property, plant and equipment (cont'd)***

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

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

2.8 ***Investment properties***

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

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

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

Freehold properties	–	50 years
Leasehold properties	–	50 – 96 years

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

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

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

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

2.9 *Intangible assets*

Goodwilll

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

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

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

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

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

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

2.10 *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.

2.11 *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 testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

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

2.11 *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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

2.12 *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.

2.13 *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.

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

2.13 ***Jointly-controlled entities (cont'd)***

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 transactions between the Group and its jointly-controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

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

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

2.14 ***Construction 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, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and 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.

The stage of completion is determined by reference to value of work performed as certified by quantity surveyors to the total contract sum.

Construction work-in-progress at the date of statement of financial position is recorded in the statement of financial position at cost plus attributable profit less recognised losses, net of progress claims, and is presented in the statement of financial position as "construction work-in-progress in excess of progress billings" (as an asset) or "progress billings in excess of construction work-in-progress" (as a liability), as applicable. Construction costs include cost of direct materials, direct labour and costs incurred in connection with the construction.

Progress claims not yet paid by the customer are included in the statement of financial position under "trade receivables". Amounts received before the related work is performed are included in the statement of financial position, as a liability, as "advances on construction work".

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

2.15 *Development properties/development properties held for sale*

Development properties/development properties held for sale are properties held or developed 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 held as inventories and are measured at the lower of cost and net realisable value.

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

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

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

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

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

2.16 *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

2.16 *Financial assets (cont'd)*

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

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

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

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

(b) *Loans and receivables*

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

(c) *Held-to-maturity investments*

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

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

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

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

2.16 *Financial assets (cont'd)*

(d) *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 derecognised.

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

Derecognition

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

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

2.17 *Impairment of financial assets*

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

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

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

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

(b) *Financial assets carried at cost*

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

(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)

2.17 *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 and is accrued 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.

2.18 *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.

2.19 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised on the statement of financial position 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 and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. 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.

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

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

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.

<u>Other financial liabilities</u>

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

Derecognition

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

2.20 ***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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each statement of financial position date 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.

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

2.22 ***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)	–	Determined on a weighted-average basis

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

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

2.23 ***Employee benefits***

(a) *Defined contribution plan*

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

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the statement of financial position date.

2.24 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *As lessee*

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

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

2.24 ***Leases (cont'd)***

(a) *As lessee (cont'd)*

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

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

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.27(i). Contingent rents are recognised as revenue in the period in which they are earned.

2.25 ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

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.

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

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

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

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

2.26 ***Non-current assets held for sale and discontinued operations (cont'd)***

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

2.27 ***Revenue***

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

(a) *Construction contracts*

The accounting policy for recognition of contract revenue is set out in Note 2.14.

(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*

Revenue from the sale of development properties/development properties held for sale is recognised using the percentage of completion method. Under the percentage of completion method, profits are recognised only in respect of finalized sales agreements and to the extent that such profits relate to the progress of the construction of development properties. Foreseeable losses are provided for when the likelihood is anticipated.

(e) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and reward of ownership of the goods to the customer which generally coincides with their delivery and acceptance. 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.

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

2.27 *Revenue (cont'd)*

(g) *Interest income*

Interest income is recognised using the effective interest method.

(h) *Dividend income*

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

(i) *Rental income*

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

2.28 *Taxes*

(a) *Current income tax*

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

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

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the statement of financial position date 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.

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

2.28 *Taxes (cont'd)*

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

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 each statement of financial position date 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 each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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.

(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

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

2.28 ***Taxes (cont'd)***

(c) *Sales tax (cont'd)*

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

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

2.29 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 ***Government grants***

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

2.31 ***Share capital and share issue expenses***

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

2.32 ***Contingencies***

A contingent liability is:

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

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

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

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

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

2.32 *Contingencies (cont'd)*

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

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

2.33 *Related parties*

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

3. Significant accounting estimates and judgements

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

(a) *Judgements made in applying accounting policies*

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

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

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

(i) Operating lease commitments – as lessor

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

(ii) 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 each date of statement of financial position 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 2011, there was no impairment loss recognised for available-for-sale financial assets (2010: $Nil)

(b) *Key sources of estimation uncertainty*

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

(i) Income taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payable and deferred tax liabilities at 31 May 2011 were $8,474,000 (2010: $4,484,000) and $2,762,000 (2010: $1,517,000) respectively.

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

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

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

Property, plant and equipment/investment properties are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment/investment properties to be within 3 to 96 years. These are common life expectancies applied in the construction industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment and investment properties at 31 May 2011 were $42,612,000 (2010: $41,930,000) and $47,317,000 (2010: $14,071,000) respectively.

(iii) Impairment of non-financial assets

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 6 of the financial statements.

(iv) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the date of statement of financial position is disclosed in Note 37 to the financial statements.

(v) Construction contracts and revenue recognition

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 contract revenue by reference to the stage of completion of the contract activity at the date of statement of financial position, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the value of work performed relative to the contract sum.

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

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

(v) Construction contracts and revenue recognition *(cont'd)*

Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and/or the work of the project specialists.

The carrying amounts of assets and liabilities arising from construction contracts at the date of statement of financial position are disclosed in Note 11 to the financial statements.

(vi) Development properties

Significant assumptions are required to estimate the stage of completion. The estimates are made based on past experience and knowledge of the project specialists. The Group recognises property development revenue by reference to the stage of completion of the property development project at the date of statement of financial position, 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 over the total contract value of construction of the development property. The carrying amount of asset arising from property development projects at the date of statement of financial position is disclosed in Note 12 to the financial statements.

(vii) Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 36.

4. Property, plant and equipment

Group	Freehold land $'000	Freehold property under construction $'000	Freehold properties $'000	Leasehold properties $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles and cabin cruiser $'000	Worker's dormitory under construction $'000	Worker's dormitory $'000	Total $'000
Cost										
At 1 June 2009	13,045	903	2,335	2,948	36,941	4,127	3,711	–	–	64,010
Additions	–	3,104	160	–	11,548	155	419	79	–	15,465
Disposals	–	–	–	–	(695)	(1)	(504)	–	–	(1,200)
Exchange difference	–	–	–	–	(19)	–	(2)	–	–	(21)
Written off	–	–	–	–	(53)	(10)	–	–	–	(63)
At 1 June 2010	13,045	4,007	2,495	2,948	47,722	4,271	3,624	79	–	78,191
Additions	–	3,524	–	–	7,531	1,809	909	414	–	14,187
Disposals	–	–	–	–	(313)	–	–	–	–	(313)
Transfer to investment property	(6,860)	–	(2,495)	–	–	–	–	–	–	(9,355)
Written off	–	–	–	–	(7)	(350)	–	–	–	(357)
Transfer	–	(7,531)	7,531	–	–	–	–	(493)	493	–
At 31 May 2011	6,185	–	7,531	2,948	54,933	5,730	4,533	–	493	82,353
Accumulated depreciation and impairment										
At 1 June 2009	–	–	418	1,206	24,052	3,513	2,297	–	–	31,486
Depreciation charge for the year	–	–	16	134	3,427	267	531	–	–	4,375
Disposals	–	–	–	–	(538)	(1)	(407)	–	–	(946)
Exchange difference	–	–	–	–	(17)	–	(2)	–	–	(19)
Impairment loss	1,421	–	–	–	–	–	–	–	–	1,421
Written off	–	–	–	–	(46)	(10)	–	–	–	(56)
At 1 June 2010	1,421	–	434	1,340	26,878	3,769	2,419	–	–	36,261
Depreciation charge for the year	–	–	95	134	4,664	361	589	–	82	5,925
Disposals	–	–	–	–	(209)	–	–	–	–	(209)
Transfer to investment property	–	–	(474)	–	–	–	–	–	–	(474)
Write back of impairment loss	(1,421)	–	–	–	–	–	–	–	–	(1,421)
Written off	–	–	–	–	(4)	(337)	–	–	–	(341)
At 31 May 2011	–	–	55	1,474	31,329	3,793	3,008	–	82	39,741
Net carrying amount										
At 31 May 2011	6,185	–	7,476	1,474	23,604	1,937	1,525	–	411	42,612
At 31 May 2010	11,624	4,007	2,061	1,608	20,844	502	1,205	79	–	41,930

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

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

	Group	
	2011	**2010**
	$'000	$'000
Depreciation for the year	5,925	4,375
Depreciation included in construction work-in-progress	(1,048)	(1,034)
Depreciation previously included in construction work-in-progress now charged to the profit or loss	1,041	1,036
Depreciation charged to the profit or loss (Note 27)	5,918	4,377

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

Freehold properties mortgaged to banks for credit facilities granted to subsidiaries	13,661	17,692
Plant, machinery and motor vehicles acquired under hire purchase arrangements	16,130	13,604

Details of the Group's properties are as follows:

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

<u>Capitalisation of borrowing costs</u>

The Group's property under construction includes borrowing costs arising from bank loan borrowed specifically for the purpose of the construction of an office building. During the financial year, the borrowing costs capitalised as cost of freehold property amounted to $80,000 (2010: $124,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.25% (2010: 4.25%), which is the effective interest rate of the specific borrowing.

<u>Impairment of assets</u>

During the financial year, the Group carried out a review of the recoverable amount of its property held as property, plant and equipment. A write back for impairment loss of $1,421,000 (2010: Impairment loss of $1,421,000) representing the write-back of the freehold land to the recoverable amount was recognised in "Other operating income" (Note 27) line item of the profit or loss for the financial year ended 31 May 2011. The recoverable amount is based on the valuations performed by accredited independent valuers.

5. Investment properties/investment property held for sale

a) Investment properties

	Freehold land $'000	Freehold properties $'000	Freehold property under construction $'000	Leasehold properties $'000	Leasehold property under construction $'000	Freehold land under development $'000	Total $'000
Group							
Statement of Financial Position:							
Cost							
At 1 June 2009	–	819	2,410	9,539	804	–	13,572
Additions	–	–	2,987	–	333	–	3,320
Disposal	–	(819)	–	(489)	–	–	(1,308)
At 1 June 2010	–	–	5,397	9,050	1,137	–	15,584
Additions	–	–	1,180	–	1,024	29,708	31,912
Disposal	–	–	–	(9,050)	–	–	(9,050)
Transfer from property, plant and equipment	6,860	2,495	–	–	–	–	9,355
At 31 May 2011	6,860	2,495	6,577	–	2,161	29,708	47,801
Accumulated depreciation and impairment							
At 1 June 2009	–	131	–	1,482	–	–	1,613
Depreciation for the year	–	4	–	114	–	–	118
Disposals	–	(135)	–	(83)	–	–	(218)
At 1 June 2010	–	–	–	1,513	–	–	1,513
Depreciation for the year	–	10	–	61	–	–	71
Disposals	–	–	–	(1,574)	–	–	(1,574)
Transfer from property, plant and equipment	–	474	–	–	–	–	474
At 31 May 2011	–	484	–	–	–	–	484
Net carrying amount							
At 31 May 2011	6,860	2,011	6,577	–	2,161	29,708	47,317
At 31 May 2010	–	–	5,397	7,537	1,137	–	14,071

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

a) Investment properties (cont'd)

Statement of Comprehensive Income:

	Group	
	2011	**2010**
	$'000	$'000
Rental income from investment properties:		
- Minimum lease payments	18	46
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	7	8
- Non-rental generating properties	47	64
	54	72

The freehold land and property, leasehold properties, leasehold property under construction and freehold land under development with carrying value of $8,871,000 (2010: $Nil), $Nil (2010: $6,917,000), $1,618,000 (2010: $1,075,000) and $29,708,000 (2010: $Nil) respectively are mortgaged to banks for credit facilities granted to subsidiaries.

The fair value of the investment properties excluding investment properties under construction and freehold land under development at 31 May 2011 is approximating $9,000,000 (2010: $9,810,000).

Capitalisation of borrowing costs

The Group's leasehold property under construction and freehold land under development includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of the properties. During the financial year, the borrowing costs capitalised as cost of leasehold property under construction and freehold land under development amounted to $6,000 (2010: $3,000) and $55,000 (2010: Nil) respectively. The rate used to determine the amount of borrowing costs eligible for capitalisation ranges from 1.56% to 2.45% (2010: 2.44 to 2.58%), which is the effective interest rate of the specific borrowing.

Transfer from property, plant and equipment

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

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

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

a) Investment properties (cont'd)

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

Description and location	Tenure	Existing Use	Gross Floor Area (square metre)	Interest held by the Group %
65 Cairnhill Road #06-01, The Ritz-Carlton Residences, Singapore	Freehold	Residential	263	100
1 Kovan Road #18-01, Kovan Residences, Singapore	Leasehold	Residential	283	100
38 Cairnhill Road #15-06 The Laurels, Singapore	Freehold	Residential	51	100
76 Dakota Crescent #18-13 Waterbank at Dakota Singapore	Leasehold	Residential	58	100
134 Serangoon Avenue 3 #15-15 The Scala, Singapore	Leasehold	Residential	97	100
1 Khiang Guan Avenue #22-02 Lincoln Suites Singapore	Freehold	Residential	150	100
Part of land lots 202V and 203P at 4A Mandai Estate Singapore	Freehold	Vacant land	8,000	55

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

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

b) Investment property held for sale

	Group	
	Freehold property	Total
	$'000	$'000
At 31 May 2009 and 2010	–	–
Additions	24,309	24,309
At 31 May 2011	24,309	24,309

The investment property held for sale is mortgaged to a bank for credit facilities granted to a subsidiary (Note 21, Loan A).

The details of investment property held for sale as at 31 May 2011 are as follows:

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

On 8 April 2011, Goldprime Investment Pte Ltd, a subsidiary of the Company has entered into an agreement to sell the property at 18 New Industrial Road to a third party, TAS Services Pte Ltd for $32,500,000. The sale was completed on 7 July 2011.

6. Intangible assets

	Group	
	2011	**2010**
	$'000	$'000
Goodwill arising from consolidation	129	129

Impairment losses

There was no impairment loss recognised during the financial year.

Impairment test of goodwill

Goodwill acquired through business combinations was related to the property development segment, which is an individual cash-generating unit.

The recoverable amount is determined based on the value in use calculation using cash flow projections based on financial budgets approved by management. The pre-tax discount rate applied to the cash flow projections is 5%.

The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Budgeted gross margins – Gross margins are based on budgeted margins expected to be achieved from the development property project approved by the management.
- Pre-tax discount rates - Discount rates reflect management's estimate of the specific risk relating to the property development segment.

7. Investments in subsidiaries

	Group	
	2011	**2010**
	$'000	$'000
Unquoted equity investments, at cost	30,738	28,688

7. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2011	2010	2011	2010
			%	%	$'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
Lian Beng Engineering & Machinery Pte Ltd **	Provision of engineering works and sale, rental and maintenance of construction machinery and equipment	Singapore	100	100	1,179	1,179
Tradewin Engineering Pte Ltd**	Sale, rental and maintenance of construction machinery and equipment and the provision of electrical works	Singapore	100	100	358	358
Lian Beng Investment Pte Ltd **	Property investment holding	Singapore	100	100	1,353	1,353
Lian Beng Realty Pte Ltd **	Property developer	Singapore	100	100	1,000	1,000

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7. Investments in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2011	2010	2011	2010
			%	%	$'000	$'000
Held by the Company						
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
Sinmix Pte Ltd **	Manufacture and supply of concrete	Singapore	90	90	450	450
CH Development Pte Ltd **	Investment holding	Singapore	100	100	# –	# –
Kovan Land Pte Ltd **	Investment holding	Singapore	100	100	# –	# –
LB Property Pte Ltd **	Provision of management services	Singapore	100	100	# –	# –
Goldprime Investment Pte Ltd**	Property investment holding	Singapore	100	100	# –	# –
LB Land Pte Ltd **	Investment holding	Singapore	67	67	# –	# –
Millennium International Builders Pte Ltd**	General building construction and civil engineering works	Singapore	100	100	600	600

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7. Investments in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2011	2010	2011	2010
			%	%	$'000	$'000
Held by the Company						
Lian Beng Resources Pte Ltd **(1)	Trading of construction materials	Singapore	100	–	1,500	–
Lian Beng-Centurion (Mandai) Pte Ltd**(1)	Property developer	Singapore	55	–	550	–
Lian Beng Land Pte Ltd ***(1)	Property investment holding	Singapore	100	–	# –	–
Millennium Marine & Shipping Pte Ltd ***(1)	Shipping operations including chartering of ships	Singapore	100	–	# –	–
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	–	–
					30,738	28,688

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

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

There was no impairment loss recognised during the financial year (2010: $Nil).

8. Investments in jointly-controlled entities

(a) *Investments in jointly-controlled entities*

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

Name of Company	Principal activities	Country of incorporation and place of business	2011	2010
			%	%
Lian Beng – Amin Joint Venture Private Limited *	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

* Not required to be audited as the Company is dormant. It is currently undergoing voluntary liquidation.

** Audited by Ernst & Young LLP, Singapore

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade	2,327	2,903	–	–
Less: Impairment loss	(2,323)	(2,867)	–	–
	17	36	–	–
Non-trade	3	3	6	6
Less: Impairment loss	(3)	(3)	(6)	(6)
	17	36	–	–

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

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

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

	Group	
	2011	2010
	$'000	$'000
Assets and liabilities :		
Current assets	69,170	69,972
Non-current assets	1	1
Total assets	69,171	69,973
Current liabilities	(30,657)	(30,585)
Non-current liabilities	(41,895)	(41,895)
Total liabilities	(72,552)	(72,480)
Income and expenses :		
Income	2,042	5,945
Expenses	(3,293)	(6,167)

9. Asset held for sale

	Company	
	2011	2010
	$'000	$'000
Investment in jointly-controlled entity :		
Shares, at cost	2,000	2,000
Less: Impairment loss	(2,000)	(2,000)
	–	–

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

Name of Company	Principal activities	Country of incorporation and place of business	2011	2010
			%	%
Lian Beng Energy Pte Ltd	Investment holding and the provision of agency services	Singapore	50	50

9. Asset held for sale (cont'd)

On 27 July 2007, the Company entered into a sale and purchase agreement whereby the Company will sell its 50% interest in Lian Beng Energy Pte Ltd ("LBE") to Manhattan Resources Limited ("Manhattan" or the "ex-jointly-controlled partner") for a cash consideration of $1.

Both parties in the agreement have agreed that the sale and purchase agreement is deemed to take effect on 1 January 2007. As a result, the Group has consolidated LBE's results until 31 December 2006, the date the Company classified the investment in LBE as Assets Held for Sale and Discontinued Operations in the financial year ended 31 May 2007.

In previous financial years, the Company took legal action against Manhattan for breach of the terms of the sale and purchase agreement. In the current financial year, the Company had reached an out-of-court settlement with Manhattan. In pursuance of the terms of settlement, Manhattan had paid $7,400,000 to the Company as full and final settlement (Note 15). Both parties are now in the process of executing the Share Transfer Form for the Company's 50% interest in LBE to Manhattan.

The various classes of assets and liabilities of LBE classified as held for sale as at 31 May are as follows:

	Group	
	2011	**2010**
	$'000	$'000
Assets:		
Plant and equipment	8,835	8,835
Inventories	2,000	2,000
Trade and other receivables	8,177	8,177
Cash and bank balances	758	758
Deferred tax assets	325	325
	20,095	20,095
Liabilities:		
Trade and other payables	16,198	16,198
Bank loans	3,897	3,897
	20,095	20,095
Net asset held for sale	–	–

10. Investment securities

	Group 2011 $'000	Group 2010 $'000
(a) Non-current		
Available-for-sale financial assets		
- Quoted equity investments	499	453
- Unquoted equity investments	10,839	10,839
	11,338	11,292
Held to maturity investment		
- 4.125% p.a. SGD corporate term note due 13 May 2015 (quoted)	251	–
	11,589	11,292
(b) **Current**		
Held for trading investments		
Quoted equity investments	13	13

<u>Investments pledged as security</u>

The Group has no investments pledged as security.

11. Construction work-in-progress

	Group 2011 $'000	Group 2010 $'000
Construction costs	882,867	737,987
Attributable profits less recognised losses	160,588	89,665
	1,043,455	827,652
Progress billings	(1,141,557)	(882,044)
	(98,102)	(54,392)
Represented by:		
Construction work-in-progress less progress billings	8,784	20,783
Progress billings in excess of construction work-in-progress	(106,886)	(75,175)
	(98,102)	(54,392)
Retention monies on construction contract included in trade receivables	48,519	41,673

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

The following were capitalised in construction costs during the year:

	Group	
	2011	**2010**
	$'000	$'000
Depreciation of plant and machinery	1,048	993
Staff costs	20,798	16,761
Operating lease expenses	1,952	1,160

12. Development properties/development properties held for sale

		Group	
		2011	**2010**
		$'000	$'000
(a)	Development properties		
	Freehold land, at cost	160,324	120,817
	Development expenditure	31,866	22,176
	Interest costs	9,310	7,887
	Property tax	1,031	654
		202,531	151,534
	Attributable profits	7,983	2,616
		210,514	154,150
	Progress billings	(77,252)	(57,732)
		133,262	96,418
	Less: Transfer to development properties held for sale	(6,154)	(6,154)
		127,108	90,264
(b)	Development properties held for sale	6,154	6,154

Development properties held for sale and development properties with carrying amount of $6,154,000 (2010: $6,154,000) and $127,108,000 (2010: $90,264,000) respectively are pledged to banks for loans granted to subsidiaries and a jointly-controlled entity (Note 21).

The interest on bank borrowings capitalised in the current financial year amounting to $1,423,000 (2010: $1,959,000) per annum. The rate used to determine the amount of borrowing costs eligible for capitalisation ranges from 1.56% to 3.25% (2010: 1.71% to 4%) Interest ceases to be capitalised when the temporary occupation permit (TOP) has been obtained.

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

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

Description and Location	Tenure	Site Area (square metre)	Stage of development/ expected completion date	Interest held by the Group	
				2011	2010
				%	%
A mixed use commercial cum residential building at Balestier Road, Singapore	Freehold	1,540	Certificate of statutory completion has been issued on 21 December 2005	100	100
Proposed condominium development of 3 blocks of 5 storey residential building with basement and attic at Mountbatten Road, Singapore	Freehold	4,443	Building under construction and expected completion date on Aug 2011	100	100
Proposed condominium housing development of 2 blocks of 30 storey apartment flats at No. 1 & 3 Khiang Guan Ave (Lincoln Suites), Singapore	Freehold	5,573	Building under construction and expected completion date on June 2013	25	25
Part of land lots 202V and 240K and 241N Mukim 14 at 4A and 6 Mandai Estate, Singapore	Freehold	10,714	Vacant land. Provisional permission approved for ramp-up factory for lots 240K and 241N	55	–

The Group uses the percentage of completion ("POC") method for recognising revenue from development properties. During the financial year, the Group has recognised the revenue and profit from sale of development property at Mountbatten Road. If the Company had adopted the completion of construction ("COC") method, the impact on the financial statements will be as follows:

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

	Group			
	2011		2010	
	POC	COC	POC	COC
	$'000	$'000	$'000	$'000
The opening balance of retained profit	60,919	57,916	40,062	40,062
Revenue	507,302	466,227	345,705	317,705
Profit for the year	48,629	44,141	24,224	21,221
The balance of work-in- progress as at				
- beginning of the period	90,264	87,054	107,558	107,558
- end of the period	127,108	118,530	90,264	87,054

13. Inventories

	Group	
	2011	2010
	$'000	$'000
Statement of financial position:		
Raw materials (at cost)	6,437	4,954
Profit or loss:		
Inventories recognised as an expense in cost of sales	51,665	35,694

14. Trade receivables

	Group	
	2011	2010
	$'000	$'000
Trade receivables	86,138	63,984
Retention monies on construction contracts	48,519	41,673
	134,657	105,657
Less: Allowance for doubtful receivables	(1,091)	(1,255)
	133,566	104,402

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.

14. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $ 14,684,000 (2010: $8,419,000), that are past due at the date of statement of financial position but not impaired. These receivables are unsecured and the analysis of their aging at the date of statement of financial position is as follows:

	Group	
	2011	**2010**
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	11,641	4,475
30 to 60 days	1,396	577
61-90 days	320	314
91-120 days	171	212
More than 120 days	1,156	2,841
	14,684	8,419

Receivables that are impaired

The Group's trade receivables that are impaired at the date of statement of financial position and the movement of the allowance accounts used to record the impairment is as follows:

	Group			
	Collectively impaired		Individually impaired	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	–	–	1,091	1,255
Less: Allowance for impairment	–	–	(1,091)	(1,255)
	–	–	–	–
Movement in allowance accounts:				
At 1 June	–	–	1,255	904
Charge for the year	–	–	113	509
Written off	–	–	(277)	(158)
At 31 May	–	–	1,091	1,255

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

15. Other receivables and deposits

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Other receivables (Note A)	9,356	27,082	3	4
Deposits	1,847	1,575	–	34
Amount due from ex-jointly-controlled partner (Note B)	–	9,474	–	9,405
	11,203	38,131	3	9,443
Allowance for doubtful receivables	(617)	(678)	–	–
	10,586	37,453	3	9,443

Note A

The amount relating to other receivables is denominated in Singapore dollars, unsecured, interest-free except for an amount of $4,608,000 (2010: $20,565,000) which bears interest at 8.0% (2010: 1.50% and 8.0%) per annum, and repayable on demand.

Note B

In previous financial year, the amount due from ex-jointly-controlled partner of $9,400,000 relates to the sale and purchase agreement entered into between the Company and Manhattan Resources Limited ("Manhattan") (Note 9), whereby Manhattan has undertaken to repay the shareholder's loan due to the Group. The Company had taken legal action against Manhattan for breach of the terms of the sale and purchase agreement.

As of 31 May 2011, the Company has received $7,400,000 and the Company has also filed a Notice of Discontinuance against Manhattan Suit 605 of 2008/Z in pursuance of the terms of Settlement. The balance of $2,000,000 has been written off as bad debt during the year.

16. Receivables from related parties

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Amount due from affiliated companies	3	1	–	–
Amount due from subsidiary companies	–	–	79,592	71,035
	3	1	79,592	71,035
Allowance for doubtful receivables	–	–	(803)	(803)
	3	1	78,789	70,232

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

17. Cash and cash equivalents

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Fixed deposits (Note 18)	9,858	36,396	127	127
Cash on hand and at banks	140,005	34,361	20,534	50
Cash and cash equivalents	149,863	70,757	20,661	177

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

Included in cash and cash equivalents are amounts of $7,780,000 (2010: $11,643,000) maintained in the Project Account. The funds in the Project Account can only be applied in accordance with the Housing Developers (Project Account) Rules.

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17. Cash and cash equivalents (cont'd)

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

	Group	
	2011	**2010**
	$'000	$'000
United States Dollar	2,301	3,553

18. Fixed deposits

Fixed deposits earn interest of 0.01% to 0.877% (2010: 0.024% to 2.75%) per annum (Note 17) and have maturities ranging between 1 day and 12 months (2010: 6 days and 12 months).

19. Trade and other payables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Trade payables (a)	97,583	69,013	–	–
Other payable (b)	13,701	5,955	44	52
	111,284	74,968	44	52

(a) *Trade payables*

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

All trade payables are denominated in Singapore Dollars.

19. Trade and other payables (cont'd)

(b) *Other payables*

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Refundable deposits	419	400	–	–
Other payables	1,216	700	44	52
Amount due to minority shareholder of subsidiaries (non-trade)	11,822	4,227	–	–
Amount due to a shareholder of jointly-controlled entity (trade)	244	628	–	–
	13,701	5,955	44	52

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

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

20. Amounts due to subsidiaries

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Short-term loans from subsidiaries	–	–	38,591	20,580

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

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21. Loans and borrowings

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current liabilities				
(a) Short-term bank loans				
- Loan A	14,854	–	–	–
- Loan B	1,600	2,000	–	–
	16,454	2,000	–	–
Current portion of long-term bank loans				
- Loan C	–	1,250	–	–
- Loan D	–	1,212	–	–
- Loan E	250	250	–	–
- Loan F	160	152	–	–
- Loan G	10,687	23,566	–	–
	11,097	26,430	–	–
Total current liabilities	27,551	28,430	–	–
(b) Bills payable	1,644	4,196	–	–
Non-current liabilities				
(c) Long-term bank loans				
- Later than one year but not later than five years				
- Loan C	–	3,438	–	–
- Loan D	–	2,728	–	–
- Loan E	1,000	1,000	–	–
- Loan F	709	679	–	–
- Loan H	41,895	41,895	–	–
- Loan I	268	268	–	–
- Loan J	53,600	–	–	–
- Later than five years				
- Loan E	910	1,160	–	–
- Loan F	1,831	2,020	–	–
Total non-current liabilities	100,213	53,188	–	–

21. Loans and borrowings (cont'd)

(a) ***Bank loans***

Loan A

The loan is secured by a subsidiary's investment property held for sale with carrying amount of $24,309,000 (2010: Nil) and is guaranteed by the Company. The loan is repayable by 180 equal monthly instalment of $94,387 commencing 1 April 2011 and interest is charged at 1.25% per annum above the prevailing three months SIBOR rate. During the financial year, interest was charged at 1.69% (2010: Nil) per annum. The loan was classified as current liabilities as the Company has served a 3 month's notice on 5 May 2011 to the bank to repay fully the loan on 7 July 2011, upon the completion of the sale of the underlying mortgaged investment property held for sale.

Loan B

The short-term loan is secured over a subsidiary's development properties held for sale with carrying amount of $6,154,000 (2010: $6,154,000) and is guaranteed by the Company. During the financial year, the Company used the rental proceed of $400,000 to repay the loan. Interest is charged at 1.50% (2010: 1.50%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 1.82% to 2.18% (2010: 2.14% to 2.18%) per annum.

Loan C

The long-term bridging loan was repaid on 6 August 2010. The loan was secured by a subsidiary's leasehold properties with a carrying value of Nil (2010: $6,917,000) and was guaranteed by the Company. Interest was charged at a fixed rate of 5.50% per annum.

Loan D

The long-term bridging loan was repaid on 23 August 2010. The loan was guaranteed by the Company. Interest was charged at a fixed rate of 5% per annum.

Loan E

The long-term loan is secured over a subsidiary's freehold land and building with carrying amount of $8,871,000 (2010: $7,500,000) and is guaranteed by the Company. The loan is repayable by yearly instalments of $250,000 and a final instalment of $660,000 due on 27 November 2017. Interest is charged at 1.75% (2010: 1.75%) above the bank's cost of funds per annum. During the financial year, interest was charged at rates ranging from 1.98% to 2.18% (2010: 2.18% to 2.85%) per annum.

21. Loans and borrowings (cont'd)

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

Loan F

The long term loan is secured by the following:

(1) The legal mortgage on a subsidiary's freehold land and building with carrying amount of $13,661,000 (2010: $10,192,000);
(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;
(4) Deed of Corporate Guarantee of the Company.

The loan is repayable in 180 equal monthly instalments of $22,569 commencing 29 June 2009 and interest is charged at prevailing bank prime rate. During the financial year, interest was charged at 4.25% (2010: 4.25%) per annum.

Loan G

The land loan, construction loan and working capital loan is secured by the following:

(1) The legal mortgage on a subsidiary's development property with carrying amount of $30,509,000 (2010: $31,198,000);
(2) Assignment of rights and benefits of a subsidiary in the sale and purchase agreements;
(3) Deed of Corporate Guarantee of a subsidiary company and the Company.

Interest is charged at 1.13% (2010: 1.13%) per annum over and above SIBOR rate. During the financial year, interest was charged at 3.25% (2010: 3.25% to 4.0%) per annum.

The loans are repayable 36 months from date of its first drawdown on 29 January 2008 or 6 months from date of issuance of TOP for the development property, whichever is earlier. During the year, the bank has extended the loan maturity to 28 July 2011 or 6 months from date of issuance of TOP, whichever is earlier.

Loan H

The land loan is secured by the following:

(1) The legal mortgage on a jointly-controlled entity's development property with carrying amount of $56,815,000 (2010: $59,066,000);
(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;
(6) Legal assignment of insurance policies.

21. Loans and borrowings (cont'd)

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

Loan H (cont'd)

Interest is charged at 1.125% (2010: 1.125%) per annum over the relevant S$ Swap Offer Rate from 9 January 2008 to 9 January 2012 and 1.875% per annum above swap offer rate from 10 January 2012 to 9 July 2013. During the financial year, interest was charged at rates ranging from 1.65% to 1.84% (2010: 1.71% to 2.27%) per annum. The land loan is repayable 66 months from date of its first drawdown on 9 January 2008 or 6 months after date of issuance of TOP for the development property, whichever is the earlier.

Loan I

The term loan is secured by a subsidiary's leasehold property under construction with carrying value of $1,618,000 (2010: $$1,075,000) and is guaranteed by the Company. The loan is repayable by 15 quarterly instalments of $40,000 each commencing on 31 March 2012 or 6 months after TOP issuance date for the property, whichever is the earlier. The 16^{th} instalment of $40,000 and balance of $1,236,000 shall be repaid as one lump sum not later than 31 Dec 2015. Interest is charged at 2% per annum over the bank's swap rate. During the financial year, interest was charged at rates ranging from 2.26% to 2.45% (2010: 2.44% to 2.58%) per annum.

Loan J

The land loan is secured by the following:

(1) The legal mortgage on a subsidiary's development property and investment property under development with carrying amount of $39,784,000 (2010: Nil) and $29,708,000 (2010: Nil) respectively.
(2) The assignment of the rights and benefits in the sales and purchase agreement of a subsidiary in respect of its development property and investment property under development.
(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 is repayable 48 months from date of first drawdown on 7 April 2011 or 6 months from date of issuance of TOP for the development property, whichever is earlier. Interest is charged at 1.25% (2010: Nil) per annum over prevailing SIBOR rate. During the financial year, interest was charged at rates ranging from 1.56% to 1.63% (2010: Nil) per annum.

(b) ***Bills payable***

Bills payable are repayable within 27 to 120 days and are guaranteed by the Company and a director of a subsidiary company, are secured by legal charges over a subsidiary's construction contracts or contract proceeds of the projects and over the Project Account maintained with the bank. Interest is charged at 1% to 2.25% (2010: 2.25%) above bank's swap cost of fund or 1.5% (2010: 0.25%) above prime rate per annum. During the financial year, interest was charged at rates ranging from 1.31% to 5.5% (2010: 2.93% to 5.50%) per annum.

22. Obligations under hire purchase

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

	Group		
	Minimum lease payments	Interest	Present value of payments
	$'000	$'000	$'000
2011			
Not later than one year	4,028	(394)	3,634
Later than one year but not later than five years	7,108	(340)	6,768
Later than five years	3	–	3
	11,139	(734)	10,405
2010			
Not later than one year	3,189	(360)	2,829
Later than one year but not later than five years	6,428	(393)	6,035
Later than five years	46	(1)	45
	9,663	(754)	8,909

Lease terms range from 3 to 7 (2010: 3 to 7) years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. Interest is charged at rates ranging from 3.69% to 6.77% (2010: 4.40% to 6.77%) per annum.

23. Deferred tax liabilities

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation	1,761	1,369	392	618
Provisions	(85)	(60)	(25)	(15)
Others	1,086	208	878	208
Total deferred tax liabilities	2,762	1,517		
Deferred income tax expense (Note 30)			1,245	811

23. Deferred tax liabilities (cont'd)

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

	Group	
	2011	**2010**
	$'000	$'000
Deductible temporary differences	3,049	2,044
Tax losses	413	744
	3,462	2,788

Deferred income tax related to other comprehensive income

There is no deferred income tax related to other comprehensive income for the current financial year (2010: $Nil).

24. Share capital

	Group and Company			
	2011		**2010**	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares	529,760	82,275	529,760	82,275

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

25. Other reserves

(a) *Foreign currency translation reserve*

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

	Group	
	2011	**2010**
	$'000	$'000
At 1 June	19	(71)
Net effect of exchange differences arising from translation of financial statements of foreign operations	356	90
At 31 May	375	19

(b) *Fair value adjustment reserve*

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

At 1 June	247	103
Net gain on fair value changes during the year	46	144
At 31 May	293	247
Total other reserves	668	266

26. Revenue

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Construction contracts	421,070	296,776	–	–
Rental of plant and machinery	344	799	–	–
Sales of development properties	41,075	28,000	–	–
Maintenance of plant and machinery	12	12	–	–
Civil engineering and other works	295	189	–	–
Income from training of construction workers	303	246	–	–
Office rental income from affiliated companies	6	6	–	–
Project management - service income	2,079	1,366	–	–
Sales of concrete	42,118	18,311	–	–
Dividend income from unquoted subsidiaries	–	–	11,000	6,000
	507,302	345,705	11,000	6,000

27. Profit before tax

Profit before tax includes the following:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
(a) Other operating income:				
Write back of impairment loss on value of property held as property, plant and equipment	1,421	–	–	–
Dividend income				
- short-term quoted equity investments	1	1	–	–
- long-term quoted equity investments	11	7	–	–
Interest income				
- fixed deposits	47	38	1	2
- bank balances	89	1	–	–
- others	566	343	–	–
Gain on sale of plant and equipment	126	231	–	–
Rental income from investment properties (Note 5)	18	46	–	–
Operating lease income				
- affiliated companies	2	2	–	–
- others	316	1,083	–	–
Fair value gain on investment securities	–	3	–	–
Write back for foreseeable losses on development property held for sale	–	314	–	–
Doubtful debt recovered	–	10	–	–
Jobs credit scheme grant	52	678	–	–
Gain on foreign exchange, net	–	–	–	39
Reversal of share of loss in jointly-controlled entity	–	548	–	–
Gain on disposal of investment properties	3,662	174	–	–
Management fee	186	186	–	–
Forgiveness of loan from minority shareholder of subsidiary	–	25	–	–
Storage handling charges	159	69	–	–
Others	46	60	–	–
	6,702	3,819	1	41

During the financial year ended 31 May 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme ("Scheme"). Under this Scheme, the Company received a 3% (2010: 6% to 12%) cash grant on the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll. During the financial year, the Group received grant income of $52,000 (2010: $678,000) under the Scheme.

27. Profit before tax (cont'd)

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(b) Other operating expenses:				
Depreciation of property, plant and equipment – office	2,562	1,620	–	–
Depreciation of investment properties	71	118	–	–
Loss on foreign exchange, net	710	211	–	–
Allowance for doubtful trade and other receivables	121	792	–	–
Allowance for amount due from a subsidiary company	–	–	–	514
Allowance for amount due from jointly-controlled entity (trade and non-trade)	–	415	–	–
Management fees	279	100	–	–
Bad debts written-off	2,192	88	2,006	–
Write-off of plant and equipment	16	7	–	–
Impairment loss on value of property held as property, plant and equipment	–	1,421	–	–
Others	522	701	–	–
	6,473	5,473	2,006	514
(c) Other expenses:				
Non-audit fees				
- auditors of the Company	139	203	32	92
- other auditors	2	6	–	–
Depreciation of property, plant and equipment – others	3,356	2,757	–	–
Directors' fees to directors				
- of the Company	360	340	360	340
- of the subsidiaries	–	105	–	–
Operating lease expenses	4,062	3,194	–	–
Direct operating expenses arising from investment properties (Note 5)	54	72	–	–
Inventories recognised as an expense in cost of sales (Note 13)	51,665	35,694	–	–
Utility charges	2,209	1,581	2	2
Transportation charges	667	502	–	–
Legal and other professional fees	3,441	3,433	344	263
Staff costs (Note 28)	39,074	30,136	–	–

28. Staff costs

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Wages and salaries	34,148	26,594	–	–
Contributions to defined contribution plans	1,982	1,560	–	–
Others	2,944	1,982	–	–
	39,074	30,136	–	–
Included in staff costs are directors' remuneration payable to:				
- directors of the Company	5,953	3,577	–	–
- directors of the subsidiaries	2,001	1,560	–	–
	7,954	5,137	–	–

The directors' remuneration payable to directors of the Company and directors of the subsidiaries excluded other benefits of $26,000 (2010: $18,000) and $67,000 (2010: $67,000) respectively.

29. Finance costs

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest expense on:				
- bank loans and bank overdrafts	1,992	2,789	2	17
- hire purchase	522	412	–	–
	2,514	3,201	2	17
Less: Interest expenses capitalised in:				
Development properties (Note 12)	(1,423)	(1,959)	–	–
Property under construction (Note 4)	(80)	(124)	–	–
Investment property under construction and development (Note 5)	(61)	(3)	–	–
	950	1,115	2	17

30. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 May 2011 and 2010 are:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Current income tax				
- Current income taxation	8,622	4,423	–	–
- Over provision in respect of prior years	(225)	(468)	–	(447)
Deferred income tax				
- Current deferred taxation	1,001	811	–	–
- Under provision in respect of prior years	244	–	–	–
Income tax expense/(credit) recognised in the statement of comprehensive income	9,642	4,766	–	(447)

30. Taxation (cont'd)

Relationship between tax expense and accounting profit

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 31 May 2011 and 2010 is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Profit before taxation	58,271	28,990	7,875	4,548
Income tax using Singapore tax rate of 17%	9,906	4,928	1,339	773
Non-deductible expenses	1,202	1,007	394	146
Tax exempt income	(1,150)	(506)	(1,733)	(919)
Utilisation of previously unrecognised deferred tax assets	(64)	(284)	–	–
Deferred tax assets not recognised	179	137	–	–
Consideration for losses transferred in from related company	–	23	–	–
Tax benefit on losses transferred in from related company	–	(23)	–	–
Over provision of current income taxation in respect of prior years	(225)	(468)	–	(447)
Under provision of deferred taxation in respect of prior years	244	–	–	–
Effects of tax incentive*	(452)	(48)	–	–
Others	2	–	–	–
Income tax expense/(credit) recognised in the statement of comprehensive income	9,642	4,766	–	(447)

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

31. Earnings per share – basic and diluted

Earnings per share is calculated based on the Group's net profit attributable to equity holders of the Company for the year of $48,182,000 (2010: $24,036,000) over 529,760,000 (2010: 529,760,000) shares, being the weighted average number of shares in issue during the year.

32. Significant related party transactions

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

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

(i) Staff costs of $1,146,000 (2010: $962,000) of the Group were paid to individuals who are close members of the family of certain directors.

(ii) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased certain furniture and fittings amounting to $932 (2010: $1,200) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd. Certain Directors of the Group have equity interests in these companies.

(iii) A subsidiary, Lian Beng Investment Pte Ltd, leased office space amounting to $2,981 (2010: $2,880) each to Evergrande Realty & Development Pte Ltd and Ong Sek Chong & Sons Pte Ltd. Certain Directors of the Group have equity interests in these companies.

(iv) A subsidiary, Lian Beng Construction (1988) Pte Ltd, leased storage space amounting to $226,920 (2010: $194,100) from Associated KHL Industries Pte Ltd. One of the Directors of the Group has equity interests in the company.

(v) A subsidiary, Tradewin Engineering Pte Ltd, leased storage space amounting to $24,000 (2010: $24,000) from Associated KHL Industries Pte Ltd. One of the Directors of the Group has equity interests in the company.

	Group	
	2011	**2010**
	$'000	$'000
(b) Compensation of key management personnel		
Short-term employee benefits	8,396	5,643
Contributions to defined contribution plans	124	134
	8,520	5,777
Comprise amounts paid to:		
- Directors of the Company	6,338	3,935
- Other key management personnel	2,182	1,842
	8,520	5,777

33. Commitments

(a) *Capital commitment*

Capital expenditure contracted for as at the date of statement of financial position but not recognised in the financial statements are as follows:

	Group	
	2011	**2010**
	$'000	$'000
Capital commitments in respect of:		
Plant and equipment	1,494	3,050
Investment properties	11,734	9,424

(b) *Operating lease commitment – as lessee*

The Group has entered into commercial leases on certain land, equipment and office space. As at 31 May 2011, the Group has terminated the lease of office space. These non-cancellable leases have remaining lease terms of between 1 and 11 years.

Future minimum rentals payable under non-cancellable operating leases at the date of statement of financial position are as follows:

	Group	
	2011	**2010**
	$'000	$'000
Not later than one year	1,413	1,347
Later than one year but not later than five years	1,514	2,212
Later than five years	2,280	2,591
	5,207	6,150

(c) *Operating lease commitment – as lessor*

The Group has entered into commercial property leases on its investment properties and development property held for sale. As at 31 May 2011, the Group has terminated the lease of its investment properties. These non-cancellable leases have remaining lease terms of between 1 and 3 years.

Future minimum rentals receivable under non-cancellable operating leases at the date of statement of financial position are as follows:

	Group	
	2011	**2010**
	$'000	$'000
Not later than one year	318	284
Later than one year but not later than five years	372	166
	690	450

34. Financial support to subsidiaries

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

35. Directors' remuneration - Group

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

	Executive Directors	Non-Executive Directors	Total
2011			
Above $1,749,999	1	–	1
$1,500,000 to $1,749,999	1	–	1
$1,250,000 to $1,499,999	1	–	1
$1,000,000 to $1,249,999	–	–	–
$500,000 to $999,999	–	–	–
$250,000 to $499,999	–	–	–
Below $250,000	–	2	2
	3	2	5
2010			
Above $1,749,999	1	–	1
$1,500,000 to $1,749,999	–	–	–
$1,250,000 to $1,499,999	–	–	–
$1,000,000 to $1,249,999	1	–	1
$500,000 to $999,999	1	–	1
$250,000 to $499,999	–	–	–
Below $250,000	–	2	2
	3	2	5

36. Fair value of financial instruments

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

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

	Group 2011 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial assets:				
Held for trading investments (Note 10)				
- Equity instruments (quoted)	13	–	–	13
Available-for-sale financial assets (Note 10)				
- Equity instruments (quoted)	499	–	–	499
At 31 May 2011	512	–	–	512

	Group 2010 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial assets:				
Held for trading investments (Note 10)				
- Equity instruments (quoted)	13	–	–	13
Available-for-sale financial assets (Note 10)				
- Equity instruments (quoted)	453	–	–	453
At 31 May 2010	466	–	–	466

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

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

Fair value hierarchy

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

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

Determination of fair value

Quoted equity instruments (Note 10): Fair value is determined directly by reference to their published market bid price at the date of statement of financial position.

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

Cash and cash equivalents (Note 17) and other current financial assets and liabilities

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

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

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

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

		Group			
		2011		2010	
	Note	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets		$'000	$'000	$'000	$'000
Equity instruments, at cost	10	10,839	*	10,839	*
Held to maturity investment	10	251	251	–	–
Financial liabilities					
Obligation under hire purchase	22	10,405	10,953	8,909	9,162
Fixed rate bank loans		–	–	8,628	8,890

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

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

Held to maturity investment (Note 10)

Fair value is determined by reference to their published market bid price at the end of the date of the statement of financial position.

Obligations under hire purchase (Note 22) and fixed rate bank loans (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 date of statement of financial position.

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37. Classification of financial assets and liabilities

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Fair value through profit and loss				
Investment securities	13	13	–	–
Held to maturity investment				
Investment securities	251	–	–	–
Available-for-sale financial assets				
Investment securities	11,338	11,292	–	–
Loans and receivables				
Trade receivables	133,566	104,402	–	–
Other receivables and deposits	10,586	37,453	3	9,443
Receivables from related parties	3	1	78,789	70,232
Amounts due from jointly-controlled entities	17	36	–	–
Cash and cash equivalents	149,863	70,757	20,661	177
	294,035	212,649	99,453	79,852
Financial liabilities at amortised cost				
Trade and other payables	111,284	74,968	44	52
Accruals	10,816	8,787	412	401
Amounts due to related parties	–	–	38,591	20,580
Bank overdrafts	–	–	–	–
Bank loans	127,764	81,618	–	–
Bills payable	1,644	4,196	–	–
Obligations under hire purchase	10,405	8,909	–	–
	261,913	178,478	39,047	21,033

38. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Managing Director, Executive Director and Financial Controller. 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.

<u>Exposure to credit risk</u>

At the date of statement of financial position, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial positions as disclosed in Note 37.

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

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

Credit risk concentration profile

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

	Group			
	2011		**2010**	
	$'000	% of total	$'000	% of total
By country:				
Singapore	133,566	100	104,402	100
By industry sectors:				
Construction	117,441	88	98,842	95
Engineering and leasing of construction machinery	144	–	479	–
Property development	5,677	4	1,163	1
Investment holding	7	–	21	–
Sales of concrete	10,297	8	3,897	4
	133,566	100	104,402	100

At the date of statement of financial position, approximately:

– 60% (2010: 53%) of the Group's trade receivables were due from 5 major customers; and

– Nil% (2010: Nil%) of the Group's trade and other receivables were due from related parties while 100% (2010: 88%) of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

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

(b) *Liquidity risk*

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

At the date of statement of financial position, approximately 23% (2010: 37%) of the Group's loans and borrowings (Note 21 and 22) will mature in less than one year based on the carrying amount reflected in the financial statements. The Company has no (2010: 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 and liabilities at the date of statement of financial position based on contractual undiscounted repayment obligations.

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

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

	2011				2010			
	1 year or less	**1 to 5 years**	**Over 5 years**	**Total**	**1 year or less**	**1 to 5 years**	**Over 5 years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Financial Assets:								
Trade and other receivables	144,152	–	–	144,152	141,855	–	–	141,855
Cash and cash equivalents	149,863	–	–	149,863	70,757	–	–	70,757
Receivables from related parties	3	–	–	3	1	–	–	1
Amounts due from jointly-controlled entities	17	–	–	17	36	–	–	36
Investment securities	13	11,589	–	11,602	13	11,292	–	11,305
Total undiscounted financial assets	294,048	11,589	–	305,637	212,662	11,292	–	223,954
Financial Liabilities:								
Trade and other payables	111,284	–	–	111,284	74,968	–	–	74,968
Accruals	10,816	–	–	10,816	8,787	–	–	8,787
Bank loans	29,490	101,463	3,097	134,050	30,326	51,514	3,642	85,482
Bills payable	1,647	–	–	1,647	4,205	–	–	4,205
Obligations under hire purchase	4,028	7,108	3	11,139	3,189	6,428	46	9,663
Total undiscounted financial liabilities	157,265	108,571	3,100	268,936	121,475	57,942	3,688	183,105
Total net undiscounted financial assets/(liabilities)	136,783	(96,982)	(3,100)	36,701	91,187	(46,650)	(3,688)	40,849

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

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

	2011				2010			
	1 year or less	**1 to 5 years**	**Over 5 years**	**Total**	**1 year or less**	**1 to 5 years**	**Over 5 years**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company								
Financial Assets:								
Other receivables and deposits	3	–	–	3	9,443	–	–	9,443
Cash and cash equivalents	20,661	–	–	20,661	177	–	–	177
Receivables from related parties	78,789	–	–	78,789	70,232	–	–	70,232
Total undiscounted financial assets	99,453	–	–	99,453	79,852	–	–	79,852
Financial Liabilities:								
Trade and other payables	44	–	–	44	52	–	–	52
Accruals	412	–	–	412	401	–	–	401
Amounts due to related parties	38,591	–	–	38,591	20,580	–	–	20,580
Total undiscounted financial liabilities	39,047	–	–	39,047	21,033	–	–	21,033
Total net undiscounted financial assets	60,406	–	–	60,406	58,819	–	–	58,819

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

(c) *Interest rate risk*

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

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

<u>Sensitivity analysis for interest rate risk</u>

At the date of statement of financial position, if SGD interest rates had been 75 (2010: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $133,000 (2010: $27,000) 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 $625,000 (2010: $491,000) lower/higher. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) *Foreign currency risk*

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and USD.

It is not the Group's policy to enter into derivative forward foreign exchange contracts for hedging and speculative purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, namely Maldives. The Group's net investments in Maldives are not hedged as currency positions in USD are considered to be long-term in nature.

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

(d) *Foreign currency risk* (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax.

			2011 Profit net of tax $'000	2010 Profit net of tax $'000
USD/SGD	-	strengthened 5% (2010: 5%)	260	323
	-	weakened 5% (2010: 5%)	(260)	(323)

39. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 May 2011 and 31 May 2010.

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.

39. Capital management (cont'd)

	Group	
	2011	**2010**
	$'000	$'000
Bank loans (Note 21)	127,764	81,618
Bills payable (Note 21)	1,644	4,196
Obligations under hire purchase (Note 22)	10,405	8,909
Trade and other payables (Note 19)	111,284	74,968
Accruals	10,816	8,787
Less: Cash and cash equivalents (Note 17)	(149,863)	(70,757)
Net debt	112,050	107,721
Equity attributable to the owners of the parent	187,806	143,460
Less: Fair value adjustment reserve (Note 25)	(293)	(247)
Total capital	187,513	143,213
Capital and net debt	299,563	250,934
Gearing ratio	37%	43%

40. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has five operating segments as follows:

(i) The construction segment is in the business of constructing residential, institutional, industrial and commercial properties as the main contractor. It also to a lesser extent undertakes civil engineering projects in both private and public sectors.

(ii) The engineering and leasing of construction machinery segment is involved in the provision of construction related services, such as scaffolding, electrical installations, leasing of metal formworks as well as leasing of construction machinery and equipment.

(iii) The property development segment is involved in the development and sale of residential properties 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.

(v) Investment holding segment holds investments in unquoted securities and property for long-term capital appreciation and rental as well as dividend yields.

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40. Segment information (cont'd)

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.

40. Segment information (cont'd)

	Construction		Engineering and leasing of construction machinery		Property development		Investment holding		Manufacturing of Concrete		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010		2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:															
External customers	423,036	297,853	481	868	41,661	28,668	6	6	42,118	18,310	–	–		507,302	345,705
Inter-segment	12,947	8,587	24,815	17,947	–	–	11,339	6,289	15,400	16,031	(64,501)	(48,854)	A	–	–
Total revenue	435,983	306,440	25,296	18,815	41,661	28,668	11,345	6,295	57,518	34,341	(64,501)	(48,854)		507,302	345,705
Results:															
Interest income	103	19	–	–	33	17	566	346	–	–	–	–		702	382
Dividend income	12	8	–	–	–	–	–	–	–	–	–	–		12	8
Finance cost	380	570	49	64	37	82	152	82	332	317	–	–		950	1,115
Depreciation and amortisation	3,428	2,635	1,296	975	31	37	16	3	1,378	1,039	(160)	(194)		5,989	4,495
Impairment of non-financial asset – property held as property, plant and equipment	–	–	–	–	–	–	–	1,421	–	–	–	–		–	1,421
Other non-cash income:															
Reversal of share of loss in jointly-controlled entity	–	548	–	–	–	–	–	–	–	–	–	–		–	548
Write-back for foreseeable loss of development property held for sale	–	–	–	–	–	314	–	–	–	–	–	–		–	314
Write-back of impairment of non- financial asset – property held as property, plant and equipment	–	–	–	–	–	–	1,421	–	–	–	–	–		1,421	–
Others	–	25	–	–	–	–	–	–	–	–	–	–		–	25
Other non-cash expenses															
Allowance for doubtful receivables	113	867	–	73	8	–	–	267	–	–	–	–		121	1,207
Bad debt written off	173	–	12	–	–	–	2,006	–	1	–	–	–		2,192	–
Others	–	87	–	–	–	–	–	–	–	1	–	–		–	88
Segment profit/(loss)	45,321	23,420	6,760	4,099	4,286	2,089	(1,352)	(2,306)	4,040	1,686	(784)	2	B	58,271	28,990
Assets:															
Additions to non-current assets	11,320	8,192	2,925	2,546	29,991	–	827	3,235	1,641	4,816	(605)	(4)	C	46,099	18,785
Segment assets	346,095	253,743	26,546	18,619	178,677	112,759	151,100	114,348	24,763	16,353	(157,879)	(112,144)	D	569,302	403,678
Segment liabilities	244,135	171,651	12,593	9,162	173,599	110,224	59,911	33,715	16,854	13,090	(127,057)	(78,188)	E	380,035	259,654

40. Segment information (cont'd)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.

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

	2011 $'000	**2010** $'000
(Profit)/loss from inter-segment sales	(784)	2

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

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

	2011 $'000	**2010** $'000
Inter-segment assets	(157,879)	(112,144)

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

	2011 $'000	**2010** $'000
Deferred tax liabilities	2,762	1,517
Income tax payable	8,474	4,484
Inter-segment liabilities	(138,293)	(84,189)
	(127,057)	(78,188)

40. Segmental 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	
	2011	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000
Singapore	507,302	345,701	90,058	56,130
Maldives	–	4	–	–
	507,302	345,705	90,058	56,130

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

Information about major customers

Revenue from two (2010: three) major customers amount to $124,443,000 (2010: $160,862,000), arising from construction segments.

41. Dividends

	Group and Company	
	2011	**2010**
	$'000	$'000
Declared and paid during the year		
Dividends on ordinary shares:		
- Exempt (one-tier) dividend for 2010: Final dividend of 0.4 cent and special dividend of 0.4 cent per share (2009: Final dividend of 0.4 cent and special dividend of 0.2 cent per share)	4,238	3,179
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 2011: Final dividend of 1 cent and special dividend of 0.6 cent per share (2010: Final dividend of 0.4 cent and special dividend of 0.4 cent, exempt (one-tier) per share)	8,476	4,238

42. Authorisation of financial statements

The financial statements for the year ended 31 May 2011 were authorised for issue in accordance with a resolution of the directors on 26 August 2011.

Statistics of Shareholdings

As at 19 August 2011

SHARE CAPITAL

Issued and fully paid-up capital - S$83,666,121.52
Number of Shares - 529,760,000
Number of Treasury Share held - Nil
Class of Shares - Ordinary shares
Voting rights - 1 vote per share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 65.87% of the issued ordinary shares of the Company were held in the hands of the public as at 19 August 2011 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	11	0.13	3,941	0.00
1,000 - 10,000	4,636	53.44	30,085,344	5.68
10,001 - 1,000,000	4,003	46.14	195,241,533	36.85
1,000,001 and above	25	0.29	304,429,182	57.47
Total	**8,675**	**100.00**	**529,760,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No	Name of Shareholder	Number of Shares Held	Percentage
1	Ong Sek Chong & Sons Pte Ltd	133,782,400	25.25
2	Citibank Nominees Singapore Pte Ltd	24,935,000	4.71
3	United Overseas Bank Nominees Pte Ltd	19,968,318	3.77
4	DBS Nominees Pte Ltd	19,097,000	3.60
5	Ong Pang Aik	18,937,800	3.57
6	OCBC Securities Private Limited	11,792,029	2.23
7	Ong Lay Huan	11,275,200	2.13
8	Ong Bee Dee	9,787,000	1.85
9	UOB Kay Hian Pte Ltd	9,077,000	1.71
10	Ong Lay Koon	7,275,200	1.37
11	Ang Mui Geok	4,428,799	0.84
12	Kim Eng Securities Pte Ltd	3,956,000	0.75
13	Hong Leong Finance Nominees Pte Ltd	3,594,000	0.68
14	Morgan Stanley Asia (Singapore) Pte Ltd	3,496,042	0.66
15	Phillip Securities Pte Ltd	3,374,000	0.64
16	HSBC (Singapore) Nominees Pte Ltd	3,369,000	0.63
17	DBS Vickers Securities (S) Pte Ltd	2,945,398	0.56
18	OCBC Nominees Singapore Pte Ltd	2,778,000	0.52
19	Loh Wing Wah	2,156,000	0.41
20	Raffles Nominees (Pte) Ltd	2,085,000	0.39
		298,109,186	56.27

Statistics of Shareholdings

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Ong Sek Chong & Sons Pte Ltd	133,782,400	25.25	-	-
Ong Pang Aik*	18,937,800	3.57	133,782,400	25.25

Note:

* Mr Ong Pang Aik's deemed interests refer to the 133,782,400 shares held by Ong Sek Chong & Sons Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of LIAN BENG GROUP LTD (the "Company") will be held at 29 Harrison Road, Lian Beng Building, Singapore 369648 on Monday, 26 September 2011 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 2011 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 2011. **(Resolution 2)**

3. To declare a special (tax exempt one-tier) dividend of 0.6 cent per ordinary share for the financial year ended 31 May 2011. **(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$360,000 for the financial year ended 31 May 2011 (2010: S$340,000). **(Resolution 6)**

7. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:-

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

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

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

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

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

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

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

Notice of Annual General Meeting

provided that:

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

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

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

(bb) any subsequent consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." *[see explanatory note 3]*

9 **Renewal of Share Buy Back Mandate** **(Resolution 9)**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

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);

Notice of Annual General Meeting

"**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 Circular) and parties acting in concert with them.

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

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries
Singapore

9 September 2011

Notice of Annual General Meeting

EXPLANATORY NOTES:

1. Ms Ong Lay Koon will, upon re-election as a Director of the Company, remain as a member of the Audit Committee.

2. Dr Wan Soon Bee will, upon re-appointment as a Director of the Company, remain as the Chairman of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

3. The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

4. The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company from the date of the AGM until the date of the next annual general meeting is to be held or is required by law to be held, whichever is the earlier, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to ten per cent (10%) of the total number of Shares (excluding treasury shares) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the source of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate are set out in greater detail in the Addendum accompanying this Annual Report.

NOTES:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 29 Harrison Road, Lian Beng Building, Singapore 369648 not less than 48 hours before the time appointed for holding the above Meeting.

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 Monday, 26 September 2011 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 2011				
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.*

Dated this ____________ day of ____________ 2011.

Total number of shares held

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

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

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

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

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

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

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

聯明集團有限公司

LIAN BENG GROUP LTD

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