



LION TECK CHIANG LIMITED

ANNUAL REPORT

2014

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CHAIRMAN'S STATEMENT



During the year, the Company faced a challenging business environment. Turnover for the steel business weakened due to falling steel prices and stiffer competition. The property market has also dampened due to the measures that are in place to cool the property market.

On behalf of the Board of Directors of Lion Teck Chiang Limited, I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 June 2014. During the year, the Company faced a challenging business environment. Turnover for the steel business weakened due to falling steel prices and stiffer competition. The property market has also dampened due to the measures that are in place to cool the property market.

FINANCIAL HIGHLIGHTS

Group turnover for FY2014 decreased by 13.2% or \$25.2m compared to FY2013. The decrease from \$190.9m to \$165.7m was in steel and property development. The Group registered a slight fair value gain of \$2.1m on its investment properties. Net Operating Profit of the Company decreased by \$36.3m from \$52.5m to \$16.2m.

OUTLOOK

Steel Trading

The Group's steel business is expected to face a challenging year ahead with new players entering the market. As a result, this will intensify the pressure on the margin due to stiff competition. Overall construction demand had remained stable and the Building and Construction Authority (BCA) forecasted demand for 2014 between \$31b to \$38b and a moderated forecast of \$25b to \$34b for 2015.

During the year under review, the Group completed several landmark projects such as Singapore University of Technology & Design, AZ Building Paya Lebar Development, The Seletar Mall, Bedok Residences as well as Palm Isles Condominium.

With the announcement of vast infrastructure projects slated to be constructed soon, i.e., the Thomson Line, Extension of East Coast Line, Project "Jewel" at Changi Airport, new community hospitals as well as make-over to the Jurong Lake District, the demand outlook for the Group's steel business looks promising. However, prices may have peaked and will remain competitive.

For FY2015, the main challenges for our steel business have remained unchanged. The volatility of raw materials prices, unstable foreign exchange rates, stiff competition amongst suppliers and other uncertain factors may affect our earnings outlook.

Property Development

Singapore

Based on Urban Redevelopment Authority (URA) statistics, the overall prices of private residential properties decreased by 1.0% quarter-on-quarter in the second quarter of 2014, following the 1.3% decline in the previous quarter. This marks a third consecutive quarter-on-quarter of decline in prices. The index for landed homes also indicated price decreases of 1.7% in the second quarter of 2014 compared to a 0.7% quarter-on-quarter decrease in the first quarter. On a year-on-year basis, prices have decreased by 2.8%.

With the existing property cooling measures and the tough Total Debt Servicing Ratio (TDSR) ruling, further price moderation is expected in most market segments. As buyers remain price-quantum sensitive, developers will have to continue pricing their projects competitively in order to encourage sales. Therefore, buying interest is not certain in light of the present cooling measures especially at the high-end market segment.

For FY2015, the Group will continue focusing on the marketing and promotion of its cluster bungalows development project at Crescent Road.

Malaysia

During the year, property development under the Group recorded a slight slow down as compared with the last financial year. The Group's Mahkota Industrial Park Development in Banting continues to receive interest from foreign industrialists. We will continue to work with the Malaysia Industrial Development Authority (MIDA) and the Selangor State Investment Centre (SSIC) and Real Estate Agents to establish more business opportunities.

In Melaka, a new development under planning will be located next to Plaza Mahkota beside the Melaka River. The project is a 38 storey high-rise waterfront development with a broad range of attractive mix apartments suitable for both local and foreign purchasers.

For FY2015, we shall strategise to focus on the market needs and design effective campaigns to clear all the completed stocks for all the projects under the Group.

The People's Republic of China ("PRC")

The Group's associated company, Kairong Developments (S) Pte. Ltd., undertook two mixed-use developments comprising of residential units as well as commercial shops in Shenyang City, Liaoning Province, PRC.

With the successful completion of Kairong Developments' projects, an effective marketing campaign is being made to clear the remaining stock of commercial shops. The Company will continue to seek suitable new sites for investment and development.

Property Rental

Rental income from its investment properties in Singapore is expected to be sustainable but the tenancy for the hypermarket in Malaysia will expire in early 2015. The Group intends to redevelop the land where the hypermarket is presently located.

CHANGE OF NAME

This year, Lion Teck Chiang Limited will be changing its name to the proposed new company name "LTC Corporation Limited", subject to shareholders' approval at the extraordinary general meeting to be held immediately following the conclusion/adjournment of the Company's annual general meeting. The proposed new company name "LTC Corporation Limited" would provide a more accurate and broader representation of the Company's current corporate profile and future business direction especially in the international business environment.

DIVIDEND PAID

An interim (one-tier) tax exempt dividend of 1.00 cent per ordinary share for the year ended 30 June 2014 was paid on 10 June 2014.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to thank all our management and staff for their achievements and contributions to our performance. I would also like to express my sincere appreciation to our customers, suppliers, shareholders and business associates for their continuing support. I am grateful to Members of the Audit Committee and my fellow Directors for their counsel and commitment.

Cheng Theng Kee
Chairman



OPERATIONS REVIEW

STEEL

STEEL PROJECTS



Steel Trading

Steel turnover decreased by \$14.8m from \$160.8m to \$146m due to lower steel prices. Net operating profit for steel decreased by \$6.1m from \$17.5m to \$11.4m for the previous corresponding period.

PROPERTY

PROPERTY PROJECTS



Seven Crescent, interior view



Construction of access road in progress for the Industrial Park



Drainage work in progress for the Industrial Park

Regional Property Development & Management

Property Development turnover decreased by \$11m from \$21.5m to \$10.5m due to lower turnover in Malaysia while net operating profit decreased by \$19m from \$16m to a loss of \$3m. No revenue was recorded for industrial park development in FY2014 but turnover in FY2013 included the sale of an industrial park lot for \$16.7m with contribution of \$12.6m to operating profit. A provision for impairment of completed properties of \$3.6m was made at the end of FY2014 in view of the weak residential property market in Singapore.

Turnover for Property Rental improved by \$0.7m to \$9.1m. However, net operating profit decreased by \$10.8m to \$7.7m due mainly to a fair value gain on investment properties that is \$11.0m lower compared to the previous corresponding period.

BOARD OF DIRECTORS



MR CHENG THENG KEE, Chairman of the Group, was appointed to the Board on 24 February 1997. He is subject to annual re-appointment as Director pursuant to Section 153(6). He is an Executive Director and also an entrepreneur with considerable experience in manufacturing, trading, property investment and development.

Mr Cheng was educated at the Chinese High School. He helped to steer and expand The Lion Group's construction and property arm to its current position today. He was also responsible for the development of the Teck Chiang Industrial Complex at Arumugam Road, Singapore.



MR CHENG YONG LIANG joined the Board since 24 February 1997 and is the Managing Director of the Group. He is also a member of the Nominating Committee. He was last re-elected as Director on October 2011.

Mr Cheng graduated with a Bachelor of Science Degree in Business Administration from the University of San Francisco and a Diploma in Building from Singapore Polytechnic. He has been involved with The Lion Group for more than 25 years, primarily in The Lion Group's Property Division.

Mr Cheng also sits on the board of Lion Industries Corporation Berhad, a company listed on the Bursa Malaysia.



TAN SRI CHENG HENG JEM joined the Board on 24 February 1997 and is a Non-Executive Director of the Group. He is subject to annual re-appointment as Director pursuant to Section 153(6).

Tan Sri William Cheng has more than 40 years of experience in the business operations of The Lion Group encompassing retail, property development, mining, steel, tyre, motor, agriculture and computer.

He is currently the Chairman and Managing Director of Lion Corporation Berhad and Parkson Holdings Berhad, and the Chairman of Lion Diversified Holdings Berhad and Lion Forest Industries Berhad, all public companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Chairman of Lion AMB Resources Berhad and ACB Resources Berhad, both public companies, and a Founding Trustee of The Community Chest, Malaysia, a company limited by guarantee incorporated for charity purposes.

Tan Sri William Cheng currently also sits on the boards of other public listed companies, namely; Lion Asiapac Limited and Parkson Retail Asia Limited in Singapore and Parkson Retail Group Limited in Hong Kong. He also served as Executive Chairman of Parkson Retail Asia Limited and Parkson Retail Group Limited.



MR ONG TEONG WAN joined the Board on 28 July 1998. He is a Non-Executive and the Lead Independent Director. He was appointed the Lead Independent Director on August 2013. He is subject to annual re-appointment as Director pursuant to Section 153(6). He is the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee.

Mr Ong holds an MBA (International Business) from the University of Southern California. He is currently Director and Managing Consultant of ManagementWise (International) Pte. Ltd. and is an Independent Director of Vicom Ltd, serving on the Audit Committee and the Nominating Committee.

He has been a Board Member of the Economic Development Board and the National Productivity Board. He was accorded the Friend of Labour Award by the National Trades Union Congress. He was in government service for more than 10 years and worked for two American multi-national companies at director level for 12 years. He has been a Corporate Consultant for more than 25 years at the Singapore Institute of Management. He is a Certified Senior Practising Management Consultant of the Singapore Business Advisors and Consultant Council.



DATO' MAZLAN BIN DATO' SERI HARUN joined the Board on 31 January 1986. He is a Non-Executive Director and Independent Director. He was last re-elected as Director on October 2012. He is a member of the Audit Committee and Remuneration Committee.

Dato' Mazlan holds a Second Class Honours Degree in Economics and Political Science from the University of Exeter, England.

Dato' Mazlan was previously elected to the Selangor State Assembly to represent the Seri Setia (Sungai Way) (1982 to 1986) and the Lindungan (1987 to 1990) constituencies. Dato' Mazlan was also the Chairman of several committees in the Selangor State Development Corporation (PKNS) and the Chairman of the Selangor State Public Accounts Committee from 1982 to 1990.



MR CHAY YEE joined the Board on 24 February 1997 and is a Non-Executive and Independent Director. He was last re-elected as Director on October 2013. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Mr Chay graduated with a B.A. (Hons), M. Soc. Sc. from the University of Hong Kong. He was a former public servant who has served in the Ministry of Finance and the CPF Board. He was the Deputy General Manager of the CPF Board before he became the Managing Director of Forte Investments Pte Ltd, a post he holds to this day.

KEY MANAGEMENT STAFF

MR FREDDY MOK is the Group Accountant. He is responsible for the overall financial accounting, treasury and corporate finance affairs of the Group. He holds a Bachelor of Accountancy Degree from National University of Singapore.

MR CHENG THENG HOW is a Director and General Manager of Angkasa Amsteel Pte. Ltd.. Mr Cheng is currently the Group Director in The Lion Group and Executive Director of Antara Steel Mills Sdn Bhd. He is also a Non-Executive Director of Lion Asiapac Limited. His expertise and responsibilities in the Group cover steel marketing and trading, project management, the maintenance of plant and machinery and rebar fabrication. He has more than 20 years of experience in steel milling operations. He holds a Diploma in Mechanical Engineering from Singapore Polytechnic.

MR JASON FOON LANG YEOW is the Assistant General Manager of Angkasa Amsteel Pte. Ltd.. He has over 20 years of experience in steel fabrication and related engineering works. He is in charge of overall day-to-day operations for cut and bend, pre-cagging, repairs and maintenance, wire mesh and factory safety.

MR TAY HUI SIANG is the Project Manager in the Property Development Department. He is responsible for the co-ordination and development of residential property projects in Singapore. He has been in construction related fields for more than 20 years. He holds a Bachelor of Science Degree in Construction Management and a Specialist Diploma in M&E Co-ordination.

MS WONG CHOY LING is the Manager in the Property Management Department. Ms Wong is responsible for the administration of leases and management of the investment properties at Arumugam Road, Singapore. She holds a Bachelor of Science Honours Degree in Real Estate Management.

CORPORATE INFORMATION

Board of Directors

Cheng Theng Kee (Chairman)
Cheng Yong Liang (Managing Director)
Tan Sri Cheng Heng Jem (Non-Executive Director)
Ong Teong Wan (Lead Independent Director)
Dato' Mazlan Bin Dato' Seri Harun (Independent Director)
Chay Yee (Independent Director)

Audit Committee

Ong Teong Wan (Chairman)
Chay Yee
Dato' Mazlan Bin Dato' Seri Harun

Nominating Committee

Ong Teong Wan (Chairman)
Chay Yee
Cheng Yong Liang

Remuneration Committee

Chay Yee (Chairman)
Ong Teong Wan
Dato' Mazlan Bin Dato' Seri Harun

Company Secretaries

Silvester Bernard Grant, ACIS
Tan Yen Hui, ACIS

Registered Office

10 Arumugam Road #10-00
Lion Building A
Singapore 409957
Tel : (65) 6745 9677
Fax : (65) 6747 9493

Registrar and Share Transfer Office

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Tel : (65) 6593 4848
Fax : (65) 6593 4847

Auditors

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
Level 18, North Tower
Singapore 048583
Tel : (65) 6535 7777
Fax : (65) 6532 7662
Partner in charge : Ms Lim Siew Koon
(Appointed during the financial ended 30 June 2011)

Solicitors

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel : (65) 6416 8000
Fax : (65) 6532 5711

Principal Bankers

DBS Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited

FINANCIAL SUMMARY

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

| | 2014 S\$'000 | 2013 S\$'000 |
|-----------------------------|-----------------|-----------------|
| Turnover | | |
| Steel trading | 146,019 | 160,852 |
| Property development | 10,487 | 21,484 |
| Property rental | 9,102 | 8,430 |
| Investment holding | 51 | 99 |
| | <hr/> | <hr/> |
| Total | 165,659 | 190,865 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Net operating profit | | |
| Steel trading | 11,440 | 17,569 |
| Property development | (2,982) | 16,011 |
| Property rental | 7,743 | 18,520 |
| Investment holding | 52 | 434 |
| | <hr/> | <hr/> |
| Total | 16,253 | 52,534 |
| | <hr/> <hr/> | <hr/> <hr/> |

FINANCIAL POSITION AS AT 30 JUNE

| | 2014 S\$'000 | 2013 S\$'000 |
|----------------------------------|-----------------|-----------------|
| Investment properties | 117,100 | 115,000 |
| Property, plant and equipment | 17,842 | 15,903 |
| Associated company | 16,913 | 17,789 |
| Properties under development | 13,868 | 66,515 |
| Non-current assets held for sale | 1,492 | 1,620 |
| Completed properties | 61,873 | 17,918 |
| Inventories | 44,122 | 41,985 |
| Other assets | 71,398 | 66,480 |
| Borrowings | (21,542) | (28,101) |
| Other liabilities | (49,584) | (47,427) |
| | <hr/> | <hr/> |
| Net assets | 273,482 | 267,682 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Share capital | 150,113 | 150,113 |
| Reserves | (18,850) | (14,529) |
| Accumulated profits | 110,001 | 103,077 |
| Shareholders' funds | 241,264 | 238,661 |
| Non-controlling interests | 32,218 | 29,021 |
| | <hr/> | <hr/> |
| Total equity | 273,482 | 267,682 |
| | <hr/> <hr/> | <hr/> <hr/> |

5-YEAR FINANCIAL HIGHLIGHTS

| | 2010 \$'000 | 2011 \$'000 | 2012 \$'000 | 2013 \$'000 | 2014 \$'000 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 125,702 | 159,867 | 174,899 | 190,865 | 165,659 |
| Net profit | 12,875 | 18,936 | 33,565 | 36,844 | 8,489 |
| Owners equity | 157,582 | 171,325 | 202,828 | 238,661 | 241,264 |
| Earnings per share (cents) | 8.2 | 12.1 | 21.5 | 23.5 | 5.4 |
| Net asset value per share (\$) | 1.01 | 1.10 | 1.30 | 1.53 | 1.54 |

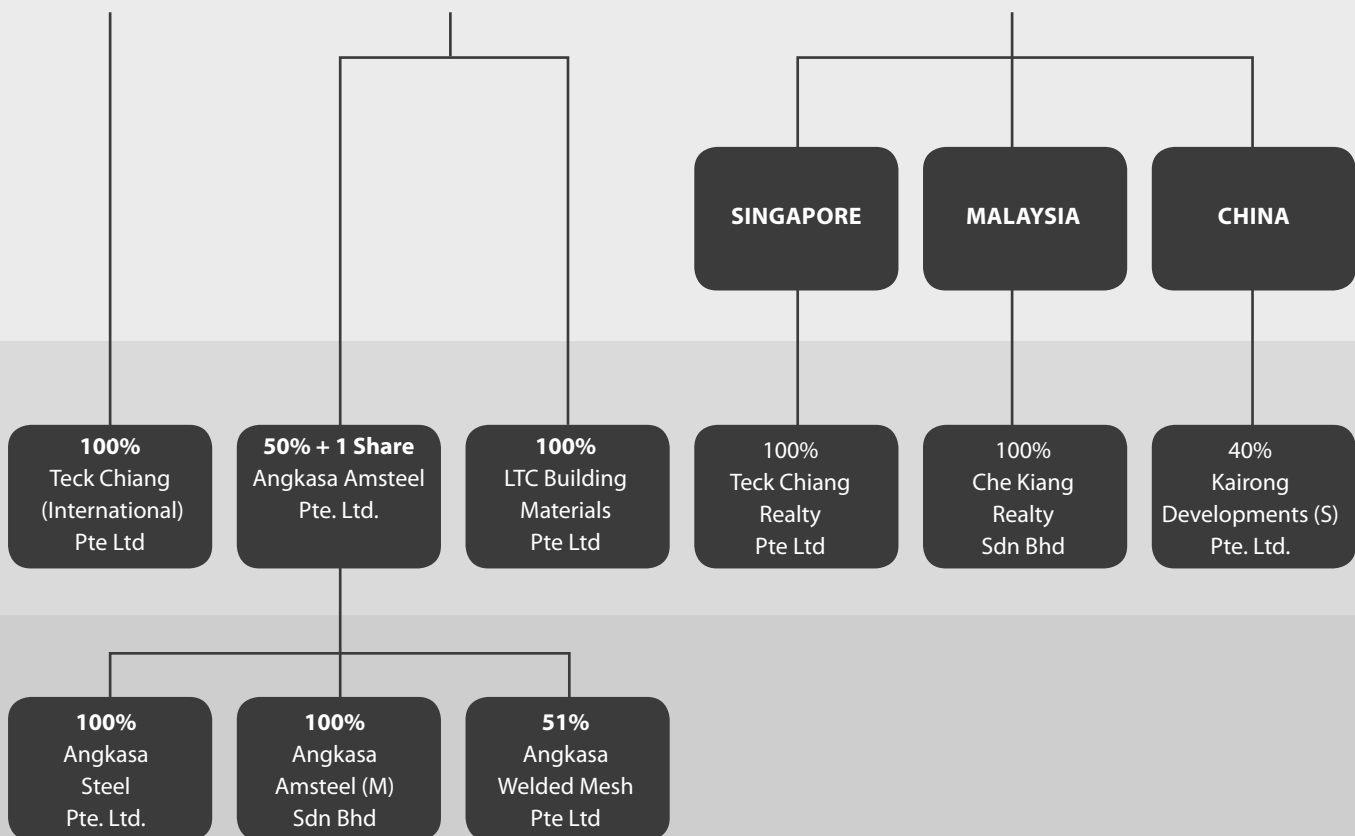
CORPORATE STRUCTURE

LION TECK CHIANG LIMITED

INVESTMENT HOLDING

STEEL

PROPERTY



CORPORATE GOVERNANCE

Lion Teck Chiang Limited (“LTC” or the Company”) believes in maintaining a high standard of corporate governance, and is committed to making sure that effective self-regulatory corporate practices exist to protect the interest of the shareholder.

This report set out the Company’s corporate governance processes and activities which are in line with the Code of Corporate Governance 2012 (the “Code”). Where the Company practices differ from the recommendations under the Code, the Company’s positions in respect of the same is also set out in this report.

ROLE OF THE BOARD

The Board is responsible for the overall strategy and direction of the Group. It provides entrepreneurial leadership, sets strategic aims, and ensures that the necessary financial and human resources are in places for the Company to meet its objectives. It also ensures that the Company’s strategies are in the interest of the Company and its shareholders.

The Board supervises management and reviews management performance, as well as establishes a framework of prudent and effective controls which enables risk to be assessed and managed. It sets the Company’s value and standards, and ensures that obligations to shareholders and others are understood and met.

During the financial year, the Board met four times. The Board reviews and approves appropriate strategic plans, key operational and financial matters, major acquisitions and divestment plans, major expenditure projects and funding decisions.

BOARD COMPOSITION AND BALANCE

The Board comprises 6 members, 2 of whom are Executives, 1 Non-Executive and 3 Independent Directors. The Directors are professionals in business, commerce, and manufacturing. The strong independent element of the Board ensures that it is able to exercise objective and independent judgement on corporate affairs.

The members of the Board are as follows:-

| Executive | Non-Executive | |
|------------------|-----------------------------------|-----------------------------|
| Cheng Theng Kee | Ong Teong Wan | (Lead Independent Director) |
| Cheng Yong Liang | Chay Yee | (Independent Director) |
| | Dato’ Mazlan Bin Dato’ Seri Harun | (Independent Director) |
| | Tan Sri Cheng Heng Jem | |

Certain functions have been delegated by the Board to various Board Committees, which operate under clearly defined terms of reference.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND BALANCE (CONT'D)

The attendance of each Director at Board meetings and Board Committee meetings during the financial year ended 30 June 2014 is as follows:

| | Board | Audit Committee | Remuneration Committee | Nominating Committee |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Number of Meetings Held: | 4 | 4 | 2 | 2 |
| Name | Number of Meetings Attended | Number of Meetings Attended | Number of Meetings Attended | Number of Meetings Attended |
| Cheng Theng Kee | 4 | NA | NA | NA |
| Cheng Yong Liang | 4 | NA | NA | 2 |
| Ong Teong Wan | 4 | 4 | 2 | 2 |
| Chay Yee | 4 | 4 | 2 | 2 |
| Dato' Mazlan Bin Dato' Seri Harun | 4 | 4 | 2 | NA |
| Tan Sri Cheng Heng Jem | 0 | NA | NA | NA |
| (Alternate: Juliana Cheng San San)* | 4 | NA | NA | NA |

* Ms Juliana Cheng San San ceased as an alternate director to Tan Sri Cheng Heng Jem on 30 June 2014.

NA : Not Applicable

The Board has delegated day-to-day operations to the Management while reserving certain key matters for its approvals. Matters that require Board approval are Group's financial results, interested person transactions, material acquisition and disposal of assets, corporate or financial restructuring, share issuance and dividend payment.

Newly appointed Directors are provided orientation and training, if necessary, to enable them to familiarise with the Group's business activities and the relevant regulations and governance requirements.

The Directors are updated on the regulations of the SGX-ST, Companies Act and other statutory requirements when the need arises.

The Nominating Committee ("NC") is of the view that the current Board comprises directors who as a group provide core competencies such as commerce, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

The Code further requires the independence of any Director who has served on the Board beyond nine years to be rigorously reviewed. The Board having taken into account the contributions by Mr Ong Teong Wan, Mr Chay Yee and Dato' Mazlan Bin Dato' Seri Harun to be independent notwithstanding that they have served on the Board beyond nine years. Mr Ong Teong Wan, Mr Chay Yee and Dato' Mazlan Bin Dato' Seri Harun have contributed effectively by providing impartial and autonomous views, advice and judgement. They have continued to demonstrate strong independence in character and mind and the Board is of the opinion that their length of service has not, in any way diminished their independence.

The NC which reviews the independence of each Director on an annual basis adopts the Code's definition of what constitutes an Independent Director. Each Independent Director is required to complete a confirmation on the Independent Director Checklist, which is drawn up in accordance with the Code, and requires each Director to assess his own independence. The NC will then review the Independent Director Checklist to determine whether a director is independent.

The Board is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Company's operations.

CORPORATE GOVERNANCE

CHAIRMAN AND MANAGING DIRECTOR

In compliance of the Code, the Chairman and the Managing Director (“MD”) are separate persons. The Chairman is Mr Cheng Theng Kee, while the MD is Mr Cheng Yong Liang. Both Chairman and MD are related to each other, in that the MD is the son of the Chairman.

The roles of the Chairman and the MD are separate. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman facilitates effective communication between the Board and Management, engaging them in important matters relating to strategic issues and provides overall leadership for the Group. The Board has delegated the day-to-day management to the MD. The MD is the overall coordinator of the Management team for the effective implementation of business strategies and policies and is supported by the respective Heads of Departments. The MD also assists in ensuring compliance with the Company’s guidelines on corporate governance.

LEAD INDEPENDENT DIRECTOR

As recommended by the Code, on 23 August 2013 the Board had appointed Independent Director, Mr Ong Teong Wan as Lead Independent Director. The Lead Independent Director shall be available to shareholders where they have concerns for which contact through the normal channels of the Chairman and MD has failed to resolve or for which such contact is inappropriate. The Lead Independent Director may call for a meeting of Independent Directors from time to time without the presence of other Directors and provide feedback to the Chairman after such meetings. The Lead Independent Director meets the Independent Directors, without the presence of other Directors, at least once a year.

BOARD MEMBERSHIP AND BOARD PERFORMANCE

The NC comprises 3 Directors, 2 of whom, including its Chairman, are Independent Directors. The NC members are:

Mr Ong Teong Wan (Chairman)
Mr Chay Yee
Mr Cheng Yong Liang

The NC meets at least twice a year and serves to provide a formal, transparent and objective procedure for appointing Board members and evaluating each Board member’s performance. The NC performs the following functions:

1. To recommend appointment and re-appointment of directors in accordance with the Articles of Association of the Company.
2. To re-nominate directors, taking into account the individual director’s contribution and performance.
3. To determine annually whether or not a director is independent, taking into account the relationship a director may have with the company and its related companies.
4. To determine whether or not a director is able to and has been adequately carrying out his/her duties as a director of the company, in the event that a director has multiple board representations.
5. To evaluate the Board’s performance and the contribution by each director to the effectiveness of the Board, and to adopt appropriate measures to assess performance.

BOARD MEMBERSHIP AND BOARD PERFORMANCE (CONT'D)

At present, the Company's Articles of Association require one-third of the Directors, including a person holding the office of Managing Director, to retire from office by rotation at each Annual General Meeting. Accordingly, the NC recommended to the Board that Mr Cheng Yong Liang who is subjected to retire by rotation, nominated himself for re-election at the forthcoming Annual General Meeting. Three directors, Mr Cheng Theng Kee, Tan Sri Cheng Heng Jem and Mr Ong Teong Wan, are subject to Section 153(6) of the Companies Act to hold office until the conclusion of each Annual General Meeting and they shall be eligible for re-appointment, but shall not be subject to the provisions of the articles relating to the rotation and retirement of Directors. Tan Sri Cheng Heng Jem has informed the Board that he does not wish to seek re-appointment at the forthcoming Annual General Meeting.

The NC has an established appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors.

The assessments of a director are experience in being a company director, competence and knowledge, including level and quality of involvement during the course of the year, attendance record at meetings of the Board and Board Committees, intensity of participation at meetings, the quality of interventions and special contributions.

On an annual basis, each Director will assess the effectiveness and performance of the Board as a whole and fellow Directors' performance based on the assessments adopted by the Board. The Chairman, in consultation with the NC, would evaluate and act on the results of the assessments and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors.

In addition, the NC requires all Directors to declare their representations on the Board of other companies. The NC is satisfied that Directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Company and are able to effectively carry out their duties as a Director of the Company.

Each member of the Board has and will continue to have full access to the Management and records.

ACCESS TO PERSONNEL AND INFORMATION

Prior to each Board meeting, all Directors are provided with Board reports. These reports provide information on the Company's performance, financial position and significant issues.

All Directors are updated on an on-going basis via Board meetings and by way of circulars on matters relating to changes to the regulations of the SGX-ST, Companies Act, accounting standards and other statutory requirements. Each Director may also seek independent professional advice on any Company matters, as he requires. The phone numbers and email addresses of each Director and Company Secretary have also been provided to facilitate access to any required information.

All Directors have independent access to the senior management of the Company and also the Company Secretary. The Company Secretary attends all Board meetings and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is responsible for assisting the Company in its compliance with the requirement of the Companies Act, rules of the SGX-ST Listing Manual and other applicable regulations. The Company Secretary shall ensure good information flows within the Board and its committees, as well as between senior management and non-executive directors, and shall facilitate orientation and assist in professional development when required. The appointment and removal of the Company Secretary are subject to Board approval.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

The Remuneration Committee ("RC") comprises 3 Independent Non-Executive Directors. The RC members are:

Mr Chay Yee (Chairman)
Mr Ong Teong Wan
Dato' Mazlan Bin Dato' Seri Harun

The RC meets at least twice a year and their responsibilities include:

1. Recommend to the Board a framework of remuneration for the directors and key executives.
2. Ensure that the remuneration package are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The Company has a formal and transparent process for fixing the directors' fees for individual Directors. The RC ensures that the remuneration packages take into consideration the Company's relative performance and the performance of individual Directors. The RC has access to external expert advice, if required.

Directors' fees are set in accordance with a framework comprising board fees and meeting fees, which are subject to Shareholders' approval at the Annual General Meeting ("AGM") of the Company.

During the financial period under review, only non-executive directors are paid directors' fees. The payment of such fee is recommended for approval at the AGM of the Company. No Director is involved in deciding his own remuneration.

The level and mix of the Directors' remuneration in bands of \$250,000 for FY2014 are set out below: -

| Remuneration Band | Salary ¹ | Fees | Bonus | Benefits-in-kind ² | Total |
|--|---------------------|------|-------|-------------------------------|-------|
| | % | % | % | % | % |
| Directors' Remuneration | | | | | |
| (\$250,000 to below \$500,000) | | | | | |
| Cheng Yong Liang | 53.7 | - | 43.8 | 2.5 | 100 |
| (Below \$250,000) | | | | | |
| Cheng Theng Kee | 76.2 | - | 21.9 | 1.9 | 100 |
| Ong Teong Wan | - | 100 | - | - | 100 |
| Chay Yee | - | 100 | - | - | 100 |
| Dato' Mazlan Bin Dato' Seri Harun | - | 100 | - | - | 100 |
| Tan Sri Cheng Heng Jem | - | 100 | - | - | 100 |
| Juliana Cheng San San* (Alternate Director to Tan Sri Cheng Heng Jem) | - | 100 | - | - | 100 |

Note: -

1. Salary included basic salaries, employer's CPF
2. Benefits-in-kind includes cars and club membership

* Ms Juliana Cheng San San ceased as an alternate director to Tan Sri Cheng Heng Jem on 30 June 2014.

Having considered the recommendation in the Code on disclosure of Director's remuneration, the Board does not believe it is in the interest of Company to disclose the Directors' remuneration to the nearest thousand dollars, and that the current disclosure on a named basis and in bands of \$250,000 including the provision of a break down in percentage terms is sufficient.

CORPORATE GOVERNANCE

REMUNERATION MATTERS (CONT'D)

The level and mix of the remuneration of the top five key management personnel who are not Directors for FY2014 are set out in bands of \$250,000 below: -

| Remuneration Band | Salary ¹ | Fees | Bonus | Benefits -in-kind ² | Total |
|---------------------------------------|---------------------|------|-------|-----------------------------------|-------|
| | % | % | % | % | % |
| Key Management's Remuneration | | | | | |
| (\$300,000 to below \$350,000) | | | | | |
| Cheng Theng How | 49.0 | - | 47.0 | 4.0 | 100 |
| (Below \$250,000) | | | | | |
| Freddy Mok | 77.6 | - | 22.4 | - | 100 |
| Jason Foon Lang Yeow | 61.0 | - | 39.0 | - | 100 |
| Tay Hui Siang | 78.7 | - | 21.3 | - | 100 |
| Wong Choy Ling | 76.9 | - | 23.1 | - | 100 |

Note: -

1. Salary includes basic salaries, employer's CPF
2. Benefits-in-kind includes car and club membership

The remuneration of the key management personnel is not disclosed to the nearest thousand dollars in the Annual Report due to the opinion of the Company that the key management remuneration package is competitive advantage of the Group. The aggregate amount of the total remuneration for the top five key management personnel was approximately \$829,000.

Apart from Mr Cheng Theng How, who is a brother to Mr Cheng Theng Kee and Tan Sri Cheng Heng Jem, there are no other employees who are immediate family members of a Director whose remuneration exceeds \$50,000 during the year.

ACCOUNTABILITY AND AUDIT

It is the aim of the Board to provide Shareholders with explanation and assessment of the Group's financial position and prospects. The Directors have access to senior management at all times.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises 3 members, all of whom are Independent Non-Executive Directors. The AC members are:

Mr Ong Teong Wan (Chairman)
Mr Chay Yee
Dato' Mazlan Bin Dato' Seri Harun

The AC meets at least four times a year to perform the following functions:

1. To review with the external auditors the audit plan, and the results of their examination and evaluation of the Group's system of internal accounting controls.
2. To review the Group's financial and operating results and accounting policies.

CORPORATE GOVERNANCE

AUDIT COMMITTEE (CONT'D)

3. To review, with the internal auditors, the scope and results of the internal audit procedures and to monitor the response to their findings to ensure that appropriate follow-up measures are taken.
4. To review compliance with the corporate governance guidelines on processes and activities adopted by the Board.
5. To review the Risk Management of the Group and to ensure that there are adequate controls in place.
6. To review Interested Person Transactions ("IPTs").
7. To make recommendations to the Board on the nominating of the external auditors, as well as reviewing the remuneration and terms of engagement of the external auditors.

The AC has full access to both the external and internal auditors. The internal audit plan is reviewed by the AC in consultation with the external auditors.

The AC meets with the external auditors, without the presence of the Company's Management, at least once a year.

Both the AC and the Board of the Company have reviewed the appointment of different auditors. Based on their review, the AC and the Board are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the consolidated financial statements of the Group.

The AC and the Board of the Company confirmed that in appointing the auditing firms for the Company's significant subsidiaries and associated company (whether incorporated in Singapore or elsewhere), the Group has complied with SGX-ST Listing Rules 712 and 716 respectively.

The AC has reviewed the non-audit services provided by the external auditors to the Group to assess the independence and objectivity of the external auditors. During the year under review, the aggregate amount of fees paid to the external auditors for audit and non-audit services amounted to \$194,000 and \$1,000 respectively. The AC is satisfied that the nature and extent of non-audit services has not prejudiced the independence and objectivity of the external auditors. The AC has recommended and the Board had approved the re-appointment of Ernst & Young LLP as auditors at the forthcoming AGM.

WHISTLE BLOWING POLICY

There is a whistle blowing policy for the Group and policies and procedures are in place for any staff of the Group who may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Arrangements are also in place for the independent investigation of such matters and for appropriate follow up action. Such policies and procedures have been reviewed by the AC.

INTERNAL CONTROLS AND INTERNAL AUDIT

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard Shareholder's investments and the Group's assets.

An internal audit team is in place to review, at least once annually, the risks incurred by the Group in its activities and promote continuous improvement to the Group's operations. The internal audit team reports the AC on any material non-compliance and internal control weakness.

The internal auditor reports directly to the Chairman of the AC on audit matters and to the Management on administrative matters.

The AC reviews, on an annual basis, the adequacy of the internal audit function.

INTERNAL CONTROLS AND INTERNAL AUDIT (CONT'D)

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information controls, and risk management systems were adequate as at 30 June 2014 to meet the needs of the Group in its current business environment.

The Board had received assurance from the MD and Group Accountant that the financial records as at 30 June 2014 have been properly maintained and the financial statements for the financial year ended 30 June 2014 give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to disseminate effective and fair information to Shareholders on a timely basis. Announcement on material information and the release of quarterly and full year results are released to SGX-ST via SGXNET.

All Shareholders of the Company receive the annual report of the Company and notice of AGM, together with explanatory notes at least 14 working days before the meeting. The notice is also advertised in a national newspaper.

The chairpersons of the Audit, Nominating and Remuneration Committees are present and available to address questions at AGM with the presence of external auditors.

The Company's main forum for dialogue with Shareholders takes place at its AGM, whereas members of the Board, senior management and the external auditors are in attendance. At the AGM, Shareholders are given the opportunity to air their views and ask questions regarding the Company. The Company's Articles of Association allow a Shareholder to appoint one or two proxies to attend and vote at general meetings on his/her behalf.

DEALINGS IN SECURITIES

The Group has adopted an Internal Compliance Code on Securities Transaction ("Compliance Code") which provides guidance and internal regulation with regard to the Company's securities by its Director and officers. These guidelines prohibit dealing in the Company's securities while in possession of unpublished material price-sensitive information in relation to such securities and during the "close period", which is defined as 2 weeks before the date of announcement of results for each of the first 3 quarters of the Company's financial year and one month before the date of announcement of the full year financial results.

The Compliance Code discourages all Directors and officers of the Group to deal in securities on short-term considerations.

RISK MANAGEMENT

An Enterprise Risk Management framework has been established by Management to formalise and documents the internal processes to enable significant strategic, financial, operation, compliance and information technology risks within the Group. Strong emphasis is placed on creating risk awareness, promoting accountability and setting the appropriate tone at the top.

The Risk Management Committee of the Group is set up to implement and maintain risk policies and initiatives within the Group. The Risk Management Committee reports yearly to the AC. On an ongoing basis, Management reviews the Group's business operations to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group's risk tolerance limits. Risk management training is conducted to communicate and enhance the Group's risk culture.

The AC has reviewed the Group's risk management process and is satisfied that there are adequate internal controls in place to manage any risks identified.

CORPORATE GOVERNANCE

RISK MANAGEMENT (CONT'D)

The risk factors are discussed on page 83 of the Annual Report 2014 under the section on "Notes to the Financial Statements".

Other risk factors

Factors affecting the Group's property development activity in Singapore and Malaysia include the general state of the economy in the country where the project is located, the availability of suitable land banks for future development, level of interest rates and other factors that affect the housing affordability. The prospects for the Group are also dependent upon levels of infrastructure development, which in turn would affect the demand and supply of residential property, timing of development of properties and the property sales price.

In the property investment sector, rental and occupancy rates of industrial space are affected by the state of the Singapore economy, the future supply of industrial spaces and overall rental rates.

In the steel business activity, factors which affect the price of steel include the state of the construction industry, cost of raw materials and the international demand and supply of rebars.

During periods of slowdown in construction industry, the collection of trade receivables generally takes longer and the rate of default also tends to increase. Any significant default in payment by trade debtors will have a negative impact on our earnings and cash flow position.

INTERESTED PERSON TRANSACTIONS

The aggregate value of IPT entered into during the financial period under review pursuant to the Shareholders' Mandate obtained under Chapter 9 of the Listing Manual were as follows:

| 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) |
|----------------------------------|--|--|
| | \$'000 | \$'000 |
| Antara Steel Mills Sdn Bhd | - | 17,292 |

RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. Introduction

The Directors' of Lion Teck Chiang Limited ("the Company") proposed to renew the Shareholders' Mandate for Interested Person Transactions ("IPT Mandate") that will enable the Company and its subsidiaries and associated company ("LTC Group" or the "Group"), or any of them, to enter into transactions with the Company's interested person ("Interested Person").

The approval of Shareholders of the Company ("Shareholders") for the renewal of the IPT Mandate will be sought at the Annual General Meeting of the Company ("AGM") to be held at The Conference Room, 10 Arumugam Road, #10-00 Lion Building A, Singapore 409957 on 30 October 2014 at 9.30 a.m.

RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (CONT'D)

1. Introduction (cont'd)

The Singapore Exchange Securities Trading Limited ("SGX-ST") takes no responsibility for the accuracy of any statements or opinions made in this IPT Mandate.

General information with respect to listing rules of the SGX-ST relating to interested person transactions, including meanings or terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual, is also set out on page 24 of this Report.

2. Rationale for the proposed renewal of IPT Mandate

It is envisaged that the Group which is considered to be entity at risk within the meaning of Chapter 9 of the Listing Manual ("the EAR Group"), or any of them, would, in the ordinary course of their businesses, enter into Interested Person Transactions ("IPT or IPTs") with certain classes of Interested Persons in the categories of transactions as set out in paragraphs 5 and 6 below.

Given that such IPTs will occur with some degree of frequency and may arise at any time, the IPT Mandate is intended to facilitate transactions in the normal course of business of LTC Group provided that such IPTs are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

3. Scope of IPT Mandate

The IPT Mandate will cover a range of transactions arising in the ordinary course of business operations of the EAR Group as set out in paragraph 6 below.

The IPT Mandate will not cover any IPT, which has a value below \$100,000 as the threshold and aggregate requirements of Chapter 9 of the Listing Manual do not apply to such transactions.

Transactions by the EAR Group with Interested Persons that do not fall within the ambit of the IPT Mandate (including any renewal thereof) will be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

4. Benefits of IPT Mandate

The IPT Mandate is intended to facilitate specified categories of IPTs in the normal course of business of the EAR Group which are transacted, from time to time, with the specified classes of Interested Persons, provided that they are carried out on the EAR Group's normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

Where the IPTs relate to the purchase of products and receipt of services from Interested Persons, the EAR Group will benefit from having access, where applicable, to competitive quotes from its Interested Persons, and may also derive savings in terms of cost efficiencies and greater economies of scale in its transactions with Interested Persons. The sale of products and provision of services to Interested Persons are also an additional source of revenue for the EAR Group, provided that such products and services are sold or provided on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The IPT Mandate will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when the need to enter a specified category of IPT with an Interested Person arises, thereby substantially reducing the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the EAR Group.

5. Classes of Interested Persons

The IPT Mandate will apply to transactions (described in paragraph 6 below) that are carried out with the following classes of Interested Persons:

- (a) Lion Investment (Singapore) Pte. Ltd. and its associates;
- (b) Lion Realty Private Limited and its associates;

CORPORATE GOVERNANCE

RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (CONT'D)

5. Classes of Interested Persons (cont'd)

- (c) William Cheng Sdn Bhd and its associates; and
- (d) Mr Cheng Theng Kee, Mr Cheng Yong Liang, Tan Sri Cheng Heng Jem, Ms Juliana Cheng San San and their associates.

6. Categories of IPTs

The IPTs entered into by the EAR Group with the Interested Persons (as described in paragraph 5 above) which will be covered by the IPT Mandate and which will not include transactions in respect of the purchase or sale of assets, undertakings or business, are as follows:

(a) Revenue Transactions

This category covers the revenue transactions ("Revenue Transactions") entered into by the EAR Group, including the sale or provision to, or the purchase or obtaining from, Interested Persons of products and services in the normal course of the businesses of the EAR Group which are defined as follows:

- (i) the leasing or rental of office space and plant premises to Interested Persons;
- (ii) the provision and obtaining of property services, including project management, building maintenance, estate management, and security, sales and marketing services;
- (iii) the sale and purchase of iron and steel products, including steel rebars, deformed bars, round bars and wire rods; and
- (iv) the provision and obtaining of services in relation to the iron and steel business, including contract manufacturing, storage, marketing, distribution and transportation services.

(b) General Transactions

This category covers transactions in relation to the provision or obtaining of management, support and other related services, including internal audit and information technology services.

7. Review Procedures for IPTs

In general, the EAR Group has internal control procedures to ensure that the IPTs are undertaken on normal commercial terms, are not prejudicial to the interests of the Company and its minority Shareholders, and consistent with the EAR Group's usual business practices and policies, which (in relation to products or services to be provided to an Interested Person) are no more favourable to the Interested Person than those extended to unrelated third parties, or (in relation to products or services to be obtained from an Interested Person) are no less favourable than those extended to the EAR Group by unrelated third parties.

In particular, the following review procedures have been established: -

Revenue Transactions

(a) Leasing or Rental of Office Space and Plant Premises

The EAR Group will determine that the rental arrangements between the EAR Group and the Interested Person, including but not limited to, the rental rates and terms offered to the Interested Person, are comparable to the then prevailing market rates and terms for other properties within the vicinity of similar or comparable standing and facilities, after taking into account the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (CONT'D)

7. Review Procedures for IPTs (cont'd)

Revenue Transactions (cont'd)

(b) Provision of Services or Sale of Products

The review procedures are as follows: -

- (i) All contracts entered into or transactions with an Interested Person are to be carried out at the prevailing market rates or prices and on normal commercial terms of the service or product provider within the EAR Group, which are no more favourable than those extended to unrelated third parties. As a basis to determine whether the price and terms offered to the Interested Person are no more favourable than those extended to unrelated third parties, the EAR Group will take into account at least two recent contracts for the same or substantially similar type of unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to a class of customers or for long-term contracts or for bulk purchases, where the giving of such preferential rates/prices/discounts are commonly practiced within the applicable industry), or otherwise in accordance with applicable industry norms.
- (ii) Where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, or where it is not possible to obtain at least two recent contracts for the same or substantially similar type of unrelated third party transaction (for instance, if there are no unrelated third party purchasers or customers for similar products or services, or if the product or service is proprietary), the terms of supply will (where applicable) be in accordance with the EAR Group's usual business practices and pricing policies. In determining the transaction price payable by the Interested Person for such service or product, the EAR Group will take into account various factors including, where applicable, the type and volume of the product to be sold, the prices of raw materials, the type and complexity of the service to be provided, the credit worthiness of the customers, the duration of the contract, the strategic purposes of the transaction, and the then prevailing business conditions.

(c) Obtaining of Services or Purchase of Products

The review procedures are as follows: -

- (i) All contracts entered into or transactions with an Interested Person are to be carried out at the prevailing market rates or prices and on normal commercial terms for the service or product obtained by the EAR Group from unrelated third parties. As a basis to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties to the EAR Group for the same or substantially similar type of service or product, the EAR Group will obtain at least two quotations from unrelated third party vendors or suppliers for the same or substantially similar type of service or product and will take into account, where applicable, factors such as, but are not limited to, preferential rates, rebates, discounts accorded to long-term contracts or bulk purchases and credit terms.
- (ii) Where the prevailing market rates or prices are not available due to the nature of the service to be obtained or the product to be purchased, or where it is impractical or not possible for such quotes to be obtained (for instance, if there are no unrelated third party vendors or suppliers of similar services or products, or if the service or product is proprietary), the EAR Group will ensure that the price and terms of purchase are in accordance with industry norms, and/or will take into account, where relevant, factors such as, but are not limited to, specification compliance, skill, track record, quality of service, and delivery schedules.

CORPORATE GOVERNANCE

RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (CONT'D)

7. Review Procedures for IPTs (cont'd)

General Transactions

Provision and Obtaining of Management, Support and Other Related Services

In relation to the provision and obtaining of management, support and other related services, the EAR Group will ensure that the costs for any management, support and other related services provided to, or obtained from, any Interested Person shall be in accordance with the cost recovery or sharing formula agreed with the Interested Person. The EAR Group will review and approve the computation of the cost recovery or sharing formula prior to the entry of the agreement with the Interested Person and will ensure that such cost recovery or sharing formula shall be based on actual costs incurred and shall not be prejudicial to the interests of the Company and its minority Shareholders.

Other Review Procedures

In addition to the review procedures set out above, the following review and approval procedures for IPTs will be applied to ensure that the IPTs are undertaken on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders: -

- (a) IPTs equal to or exceeding \$100,000 but less than \$3 million in value will be reviewed and approved by two (2) senior members of the management of the relevant company of the EAR Group who are designated by the Audit Committee (the "Management Members");
- (b) IPTs equal to or exceeding \$3 million but less than \$5 million in value will be reviewed and approved by either one (1) of the Management Members and any one of the Independent Directors of the LTC Group; and
- (c) IPTs equal to or exceeding \$5 million in value will be reviewed and approved by the Audit Committee.

IPTs which need not have the prior approval of the Audit Committee will be reviewed on a half-yearly basis by the Audit Committee.

A register will be maintained by the Company to record all IPTs (and the basis on which they are entered into) which are entered into pursuant to the IPT Mandate.

The Company shall, on a half-yearly basis, report to the Audit Committee on all IPTs, and the basis of such transactions, entered into with Interested Persons during the preceding half-year. The Audit Committee shall review such IPTs at its half-yearly meetings except where such IPTs are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

The Company's annual internal audit plan shall incorporate a review of all IPTs, including the established review procedures for the monitoring of such IPTs, entered into during the current financial year pursuant to the IPT Mandate.

The Audit Committee shall, in conjunction with its review of the IPTs and the internal audit report, ascertain whether the established review procedures have been complied with. If, during its reviews, the Audit Committee is of the view that the review procedures as stated above are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the EAR Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that the IPTs will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to the Shareholders for a fresh Shareholders' Mandate based on new guidelines for the IPTs. In such a case, all IPTs will be reviewed and approved by the Audit Committee prior to their entry thereof.

For the purposes of the above review and approval process, any Director who is not considered independent for purposes of the IPT Mandate and/or any IPT will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the IPTs or during its review or approval of any IPT.

RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS (CONT'D)

8. Expiry and renewal of the IPT Mandate

If approved by Shareholders at the AGM, the IPT Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next AGM of the Company and will apply to IPTs entered into from the date receipt of Shareholders' approval. Approval from the Shareholders will be sought for the renewal of the IPT Mandate at each subsequent AGM, subject to review by the Audit Committee of its continued application to the IPTs.

9. Disclosures

Pursuant to Chapter 9 of the Listing Manual, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted under the IPT Mandate during the financial year, and in the annual reports for the subsequent financial year during which the IPT Mandate is in force. In addition, the Company will announce the aggregate value of the IPTs conducted pursuant to the IPT Mandate for the financial periods which it is required to report on (in accordance with Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 907 of the Listing Manual.

10. Statement of the Audit Committee

The Audit Committee of the Company confirms that:

- (a) the methods and procedures for determining the transaction prices of the IPTs conducted under the IPT Mandate have not changed since the Shareholders' approval of the IPT Mandate at the 2013 AGM;
- (b) the methods and procedures referred to in (a) above continue to be sufficient to ensure that these IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders; and
- (c) the Company will obtain a fresh mandate from the Shareholders if the methods or procedures for determining transaction prices referred to in paragraph 10(a) becomes inappropriate.

11. Directors' and Substantial Shareholders' interest

The interest of the Directors' and Substantial Shareholders' interests of the Company as at 30 June 2014 and as at 9 September 2014 respectively, can be found on page 28 and page 93 of this Report respectively.

Directors and his alternate director of the Company will abstain from voting their shareholdings in the Company, if any, on the resolution relating to the renewal of the IPT Mandate at the forthcoming AGM.

Controlling Shareholders and their respective associates, being Interested Persons under the IPT Mandate, will abstain from voting their respective shareholdings in the Company on the resolution relating to the renewal of the IPT Mandate at the forthcoming AGM.

12. Independent directors' recommendation

The independent directors having considered, inter alia, the terms, the rationale and the benefits of the IPT Mandate, are of the view that the IPT Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the resolution relating to the renewal of the IPT Mandate at the forthcoming AGM.

13. Directors' responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated herein are fair and accurate and that there are no material facts the omission of which would make any statement in this report misleading.

CORPORATE GOVERNANCE

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1. Introduction

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or associated companies (other than a subsidiary or an associated company that is itself listed on the SGX-ST or an approved stock exchange, or an associated company over which the listed group and/or its interested persons(s) has no control) proposes to enter into with a counterparty who is an interested person of the listed company.

2. Terms used in Chapter 9 of the Listing Manual

“Entity at Risk”

The term “entity at risk” is defined to mean (a) the listed company, (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange and (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries and its interested person(s) has control over the associated company.

“Interested Person”

The term “interested person” is defined to mean a director, or controlling shareholder of the listed issuer, or an associate of any such director, or controlling shareholder.

“Interested Person Transaction”

The term “interested person transaction” is defined to mean a transaction between an entity at risk and an interested person.

“Associate”

In relation to any director, substantial or controlling shareholder (being an individual), an “associate” is defined to be an immediate family member (that is, spouse, child, adopted child, step child, sibling and parent); the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the individual and his immediate family together (directly or indirectly) have an interest of 30% or more.

In relation to a substantial shareholder or controlling shareholder (being a company), an “associate” is defined to be any other company which is a subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

“Associated Company”

A listed company’s “associated company” is defined as a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

“Controlling Shareholder”

A “controlling shareholder” of a listed company is a person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the listed company, or a person who in fact exercised control over the listed company.

“Approved Exchange”

An “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual.

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL (CONT'D)

2. Terms used in Chapter 9 of the Listing Manual (Cont'd)

“Chief Executive Officer”

“Chief Executive Officer” is defined in the Listing Manual to mean the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of listed issuer.

3. Materiality Thresholds, Disclosure Requirements and Shareholders' Approval

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA) are reached or exceeded.

Immediate Announcement

An immediate announcement is required where the interested person transaction is of a value equal to, or more than, 3% of the listed group's latest audited NTA.

Where the aggregate value of all the transactions entered into with the same interested person during the same financial year amounts to 3% or more of the listed group's latest audited NTA, the issuer must make an announcement of the latest transaction and all future transactions entered into with the same interested person during that financial year.

Shareholders' Approval

Shareholders' approval is required where the interested person transaction is of a value equal to or more than: -

- (a) 5% of the listed group's latest audited NTA; or
- (b) 5% of the listed group's latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below \$100,000.

4. Exceptions

Rule 916 of the Listing Manual provides that the following transactions are not required to comply with Rule 906: -

- (1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.
- (2) Investment in a joint venture with an interested person if: -
 - (a) the risks and rewards are in proportion to the equity of each joint venture partner;
 - (b) the issuer confirms by an announcement that its Audit Committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
 - (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.

CORPORATE GOVERNANCE

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL (CONT'D)

4. Exceptions (cont'd)

- (3) The provision of a loan to a joint venture with an interested person if: -
- (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
 - (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and
 - (c) the issuer confirms by an announcement that its Audit Committee is of the view that: -
 - (i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and
 - (ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.
- (4) The award of a contract by way of public tender to an interested person if: -
- (a) the awarder entity at risk announces the following information: -
 - (i) the prices of all bids submitted;
 - (ii) an explanation of the basis for selection of the winning bid; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.
- (5) The receipt of a contract which was awarded by way of public tender, by an interested person if: -
- (a) the bidder entity at risk announces the prices of all bids submitted; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

5. Shareholders' Mandate

Rule 920(1) of the Listing Manual permits a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Lion Teck Chiang Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2014 and the balance sheet and statement of changes in equity of the Company as at 30 June 2014.

DIRECTORS

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

Cheng Theng Kee (Chairman)
Cheng Yong Liang (Managing Director)
Tan Sri Cheng Heng Jem
Dato' Mazlan Bin Dato' Seri Harun
Ong Teong Wan
Chay Yee

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 object 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 and share options of the Company, as stated below:

| Name of Director | Held in the name of Director | | | Deemed interest | | |
|------------------------|------------------------------|--------------------|-----------------|--------------------------|--------------------|-----------------|
| | At beginning of the year | At end of the year | At 21 July 2014 | At beginning of the year | At end of the year | At 21 July 2014 |
| Ordinary shares | | | | | | |
| Cheng Theng Kee | 300,000 | 300,000 | 300,000 | 53,134,000 | 53,134,000 | 53,134,000 |
| Cheng Yong Liang | 150,000 | 150,000 | 150,000 | – | – | – |
| Tan Sri Cheng Heng Jem | – | – | – | 31,064,000 | 25,476,000 | 25,241,000 |

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Cheng Theng Kee and Tan Sri Cheng Heng Jem are deemed to have an interest in shares of the subsidiary companies of the Company.

Except as disclosed in this report, no Director who held office at the end of the financial year had interest in shares or debentures of the Company, or of related corporations either at the beginning or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director (other than emoluments paid or payable by the Company or related corporation as employees), or with a firm of which the Director is a member, or with a company in which the Director has substantial financial interest.

SHARE OPTIONS

During the financial year there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

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

AUDIT COMMITTEE

The Audit Committee comprises the following members:

| | |
|-----------------------------------|--|
| Ong Teong Wan (Chairman) | (Non-Executive and Independent Director) |
| Chay Yee | (Non-Executive and Independent Director) |
| Dato' Mazlan Bin Dato' Seri Harun | (Non-Executive and Independent Director) |

The Audit Committee carries out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including a review of the financial statements of the Company and of the Group for the financial year and the Auditor's report thereon.

Pursuant to Rule 1207(6) of the Listing Manual of Singapore Exchange Securities Trading Limited, the Committee has conducted an annual review of the non-audit services provided by its external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence of the external auditors. It has recommended to the Board of Directors the nomination of Ernst & Young LLP as external auditors at the forthcoming Annual General Meeting of the Company.

The functions performed are detailed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Cheng Theng Kee
Director

Cheng Yong Liang
Director

Singapore
10 September 2014

STATEMENT BY DIRECTORS

We, Cheng Theng Kee and Cheng Yong Liang, being two of the Directors of Lion Teck Chiang Limited, do hereby state that, in the opinion of the Directors:

- (a) the accompanying balance sheets, consolidated statement 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 30 June 2014, and of the results, changes in equity and cash flows of the Group and the changes in the equity of the Company for the financial 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,

Cheng Theng Kee
Director

Cheng Yong Liang
Director

Singapore
10 September 2014

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2014 | To the Members of Lion Teck Chiang Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Lion Teck Chiang Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 91, which comprise the balance sheets of the Group and the Company as at 30 June 2014, the statements of changes in equity of the Group and the Company, and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet 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 30 June 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young LLP

Public Accountants and Chartered Accountants

Singapore

10 September 2014

BALANCE SHEETS

as at 30 June 2014

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Non-current assets | | | | | |
| Investment properties | 4 | 117,100 | 115,000 | – | – |
| Property, plant and equipment | 5 | 17,842 | 15,903 | – | – |
| Subsidiary companies | 6 | – | – | 181,077 | 183,331 |
| Associated company | 7 | 16,913 | 17,789 | – | – |
| Long-term investments | 8 | 3,730 | 3,730 | 380 | 380 |
| Properties under development | 9 | 13,868 | 66,515 | – | – |
| Deferred tax assets | 10 | 1,050 | 366 | – | – |
| | | 170,503 | 219,303 | 181,457 | 183,711 |
| Current assets | | | | | |
| Non-current assets held for sale | 11 | 1,492 | 1,620 | – | – |
| Completed properties held for sale | 12 | 61,873 | 17,918 | – | – |
| Inventories | 13 | 44,122 | 41,985 | – | – |
| Prepayments | | 96 | 71 | 2 | 2 |
| Trade debtors | 14 | 24,453 | 31,421 | – | – |
| Other debtors | 15 | 2,204 | 1,906 | 66 | – |
| Due from subsidiary company | 16 | – | – | 1,500 | 2,003 |
| Due from related parties | 17 | 862 | 784 | – | – |
| Fixed deposits | 18 | 7,788 | 7,561 | – | – |
| Cash and bank balances | 18 | 31,215 | 20,641 | 46 | 38 |
| | | 174,105 | 123,907 | 1,614 | 2,043 |
| Current liabilities | | | | | |
| Trade creditors | 19 | 33,704 | 32,366 | – | – |
| Other creditors | 20 | 5,494 | 4,088 | 247 | 234 |
| Due to related parties | 21 | 5,436 | 4,557 | 10 | 30 |
| Interest-bearing loans and borrowings | 22 | 16,750 | 45 | – | – |
| Provision for taxation | | 2,482 | 3,714 | – | – |
| | | 63,866 | 44,770 | 257 | 264 |
| Net current assets | | 110,239 | 79,137 | 1,357 | 1,779 |
| Non-current liabilities | | | | | |
| Trade creditors | 19 | 554 | 950 | – | – |
| Due to subsidiary companies | 23 | – | – | 25,746 | 26,408 |
| Interest-bearing loans and borrowings | 22 | 4,792 | 28,056 | – | – |
| Deferred tax liabilities | 10 | 1,914 | 1,752 | – | – |
| | | 7,260 | 30,758 | 25,746 | 26,408 |
| | | 273,482 | 267,682 | 157,068 | 159,082 |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 24 | 150,113 | 150,113 | 150,113 | 150,113 |
| Capital reserve | 25 | 2,597 | 2,612 | – | – |
| Exchange translation reserve | 25 | (21,447) | (19,097) | – | – |
| Accumulated profits | | 110,001 | 103,077 | 6,955 | 7,013 |
| Dividend reserve | 25 | – | 1,956 | – | 1,956 |
| | | 241,264 | 238,661 | 157,068 | 159,082 |
| Non-controlling interests | | 32,218 | 29,021 | – | – |
| | | 273,482 | 267,682 | 157,068 | 159,082 |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2014

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|------|------------------|----------------|
| Revenues | 26 | 165,659 | 190,865 |
| Cost of sales | 27 | (139,127) | (148,132) |
| Gross profit | | 26,532 | 42,733 |
| Other income | 28 | 1,057 | 3,030 |
| Selling and distribution expenses | | (1,558) | (902) |
| Administrative expenses | | (8,369) | (6,838) |
| Other operating expenses | | (3,154) | 118 |
| Share of results of associated company | | (355) | 1,283 |
| Fair value changes in investment properties | 4 | 2,100 | 13,110 |
| Operating profit | | 16,253 | 52,534 |
| Finance costs | 29 | (995) | (1,026) |
| Profit before taxation | 30 | 15,258 | 51,508 |
| Taxation | 32 | (2,072) | (7,437) |
| Profit for the financial year | | 13,186 | 44,071 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Other capital reserve | | (15) | (30) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on consolidation | | (1,829) | (128) |
| Share of other comprehensive income of associated company | | (521) | 712 |
| | | (2,350) | 584 |
| Other comprehensive income, net of tax | | (2,365) | 554 |
| Total comprehensive income for the financial year | | 10,821 | 44,625 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 8,489 | 36,844 |
| Non-controlling interests | | 4,697 | 7,227 |
| | | 13,186 | 44,071 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 6,124 | 37,398 |
| Non-controlling interests | | 4,697 | 7,227 |
| | | 10,821 | 44,625 |
| | | Cents | Cents |
| Earnings per share | | | |
| – Basic and diluted | 33 | 5.4 | 23.5 |

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2014

| | Attributable to owners of the Company | | | | | Equity | Non-controlling interests | Total equity |
|--|---------------------------------------|-----------------|------------------------------|---------------------|------------------|---------------------------------------|---------------------------|--------------|
| | Share capital | Capital reserve | Exchange translation reserve | Accumulated profits | Dividend reserve | attributable to owners of the Company | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Group | | | | | | | | |
| Balance as at 1 July 2012 | 150,113 | 2,642 | (19,681) | 68,189 | 1,565 | 202,828 | 23,794 | 226,622 |
| Profit for the financial year | - | - | - | 36,844 | - | 36,844 | 7,227 | 44,071 |
| Other comprehensive income for the financial year | - | (30) | 584 | - | - | 554 | - | 554 |
| Total comprehensive income for the financial year | - | (30) | 584 | 36,844 | - | 37,398 | 7,227 | 44,625 |
| Dividends paid (Note 34) | - | - | - | - | (1,565) | (1,565) | - | (1,565) |
| Dividends to non-controlling shareholder of a subsidiary | - | - | - | - | - | - | (2,000) | (2,000) |
| Transfer to dividend reserve | - | - | - | (1,956) | 1,956 | - | - | - |
| Balance as at 30 June 2013 and 1 July 2013 | 150,113 | 2,612 | (19,097) | 103,077 | 1,956 | 238,661 | 29,021 | 267,682 |
| Profit for the financial year | - | - | - | 8,489 | - | 8,489 | 4,697 | 13,186 |
| Other comprehensive income for the financial year | - | (15) | (2,350) | - | - | (2,365) | - | (2,365) |
| Total comprehensive income for the financial year | - | (15) | (2,350) | 8,489 | - | 6,124 | 4,697 | 10,821 |
| Dividends paid (Note 34) | - | - | - | (1,565) | (1,956) | (3,521) | - | (3,521) |
| Dividends to non-controlling shareholder of a subsidiary | - | - | - | - | - | - | (1,500) | (1,500) |
| Balance as at 30 June 2014 | 150,113 | 2,597 | (21,447) | 110,001 | - | 241,264 | 32,218 | 273,482 |
| | | | | | | Accumulated | | |
| | | | | | | Share capital | | |
| | | | | | | profits/ (losses) | | |
| | | | | | | Dividend reserve | | |
| | | | | | | Total | | |
| | | | | | | \$'000 | \$'000 | \$'000 |
| Company | | | | | | | | |
| Balance as at 1 July 2012 | 150,113 | (8,553) | 1,565 | 143,125 | | | | |
| Profit for the financial year | - | 17,522 | - | 17,522 | | | | |
| Total comprehensive income for the financial year | - | 17,522 | - | 17,522 | | | | |
| Dividends paid (Note 34) | - | - | (1,565) | (1,565) | | | | |
| Transfer to dividend reserve | - | (1,956) | 1,956 | - | | | | |
| Balance as at 30 June 2013 and 1 July 2013 | 150,113 | 7,013 | 1,956 | 159,082 | | | | |
| Profit for the financial year | - | 1,507 | - | 1,507 | | | | |
| Total comprehensive income for the financial year | - | 1,507 | - | 1,507 | | | | |
| Dividends paid (Note 34) | - | (1,565) | (1,956) | (3,521) | | | | |
| Balance as at 30 June 2014 | 150,113 | 6,955 | - | 157,068 | | | | |

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 June 2014

| | 2014 \$'000 | 2013 \$'000 |
|---|-----------------|-----------------|
| Cash flows from operating activities: | | |
| Profit before tax | 15,258 | 51,508 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,831 | 1,607 |
| Finance costs | 995 | 1,026 |
| Interest income | (375) | (683) |
| Gain on disposal of property, plant and equipment | (106) | (243) |
| Fair value changes in investment properties | (2,100) | (13,110) |
| Gain on fair value changes on derivatives | (5) | (216) |
| Allowance/(write-back) for doubtful debts | 7 | (274) |
| Gain on sale of investment | - | (868) |
| Allowance for impairment of completed properties | 3,559 | - |
| Provision for onerous contracts | 44 | - |
| Share of results of associated company | 355 | (1,283) |
| Currency realignment | (1,424) | (86) |
| Operating profit before reinvestment in working capital | 18,039 | 37,378 |
| (Increase)/decrease in inventories | (2,181) | 8,973 |
| Decrease/(increase) in debtors and prepayments | 6,643 | (3,034) |
| Increase/(decrease) in creditors | 2,348 | (3,226) |
| Increase/(decrease) in amounts due to related parties | 879 | (60) |
| Increase in amounts due from related parties | (78) | (236) |
| Decrease in non-current asset held for sale | 128 | 3,505 |
| Increase in properties under development | (4,005) | (13,539) |
| Decrease in completed properties held for sale | 9,123 | 3,477 |
| Cash generated from operations | 30,896 | 33,238 |
| Interest paid | (995) | (1,026) |
| Income taxes paid | (3,826) | (8,419) |
| Net cash generated from operating activities | 26,075 | 23,793 |
| Cash flows from investing activities: | | |
| Interest received | 375 | 683 |
| Proceeds from sale of investment | - | 868 |
| Proceeds from disposal of property, plant and equipment | 230 | 558 |
| Purchase of property, plant and equipment | (3,894) | (3,059) |
| Net cash used in investing activities | (3,289) | (950) |
| Cash flows from financing activities: | | |
| Decrease in finance lease obligations | (45) | (44) |
| Proceeds of short-term borrowings | 11,705 | - |
| Repayment of long-term borrowings | (18,219) | (14,062) |
| Dividend paid to non-controlling interests of a subsidiary | (1,500) | (1,500) |
| Dividend paid | (3,521) | (1,565) |
| Net cash used in financing activities | (11,580) | (17,171) |
| Net increase in cash and cash equivalents | 11,206 | 5,672 |
| Effect of exchange rate changes on cash and cash equivalents | (405) | (42) |
| Cash and cash equivalents at beginning of financial year | 28,202 | 22,572 |
| Cash and cash equivalents at end of financial year (Note 18) | 39,003 | 28,202 |

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

1. Corporate information

Lion Teck Chiang Limited (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 10 Arumugam Road #10-00, Lion Building A, Singapore 409957.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary and associated companies are disclosed in Note 38 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet 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 S\$) and all values are rounded to the nearest thousand (\$'000).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

| Description | Effective for annual periods beginning on or after |
|---|--|
| Revised FRS 27 <i>Separate Financial Statements</i> | 1 January 2014 |
| Revised FRS 28 <i>Investments in Associates and Joint Ventures</i> | 1 January 2014 |
| FRS 110 <i>Consolidated Financial Statements</i> | 1 January 2014 |
| FRS 111 <i>Joint Arrangements</i> | 1 January 2014 |
| FRS 112 <i>Disclosure of Interests in Other Entities</i> | 1 January 2014 |
| FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2014 |
| <i>Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities</i> | 1 January 2014 |
| <i>Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities</i> | 1 January 2014 |
| <i>Amendments to FRS 36: Recoverable Amount Disclosures for Non-financial Assets</i> | 1 January 2014 |
| <i>Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting</i> | 1 January 2014 |
| <i>Amendments to FRS 19: Defined Benefit Plans: Employee Contributions</i> | 1 July 2014 |
| INT FRS 121 <i>Levies</i> | 1 January 2014 |
| – Improvements to FRSs (January 2014) | 1 July 2014 |
| – Improvements to FRSs (February 2014) | 1 July 2014 |
| FRS 114 <i>Regulatory Deferral Accounts</i> | 1 January 2016 |

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

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

Except for FRS 112, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 112 is described below.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied in 2015.

2.4 Basis of consolidation and business combinations

Basis of consolidation

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

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

Basis of consolidation (cont'd)

Business combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not 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), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

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

2.6 Foreign currency

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet 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 measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet 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) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

2.7 Investment properties

Investment properties are properties owned by the Group in order to earn rental income 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 are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an investment property at the time that cost is incurred if the recognition criteria are met.

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

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 are recognised in profit or loss in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

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

2.7 Investment properties (cont'd)

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 2.8 up to the date of change in use.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than industrial buildings are measured at cost less accumulated depreciation and accumulated impairment losses. 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.

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 plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Industrial buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed by an independent professional valuer at least once every five years to ensure that the carrying amount does not differ materially from the fair value of the industrial buildings at the balance sheet date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the capital reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the capital reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the capital reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

| | | |
|------------------------|---|---|
| Industrial buildings | – | Over the terms of the lease of 30 years |
| Plant and machinery | – | 3 – 10 years |
| Renovation | – | 5 – 10 years |
| Furniture and fittings | – | 8 – 10 years |
| Office equipment | – | 5 – 10 years |
| Electrical fittings | – | 3 – 10 years |
| Computers | – | 5 years |
| Motor vehicles | – | 5 – 10 years |

Assets under construction are not depreciated as these assets are not yet available for use.

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

2.8 Property, plant and equipment (cont'd)

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

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

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

2.9 Development properties

Development properties are properties held and developed for sale in the ordinary course of business. Development properties are stated at the lower of cost and net realisable value. The costs are assigned by using specific identification. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Costs of properties under development include land cost, development and construction expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding development properties are capitalised as cost of the development property until the date of its practical completion, which is taken to be the date of issue of the Temporary Occupation Permit ("TOP").

Revenue and costs associated with the development property are recognised as revenue and expenses respectively, by reference to the stage of completion of the development property at the end of the reporting period, when the outcome of the construction contract can be estimated reliably. The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the total estimated contract costs, costs in both cases exclude land and interest costs. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are likely to be recoverable and development costs are recognised as expense in the period which they are incurred.

When it is probable that total development costs will exceed total revenue of the construction contract, provision for expected loss is recognised as an expense immediately. Revenue of the construction contract 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 development property will be transferred to completed properties held for sale when it has been completed, the TOP has been obtained and it is available for sale.

2.10 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 impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

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

2.11 Associates

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

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

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

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

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

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

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the date of the audited financial statements used is not co-terminus with that of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the financial year.

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

2.12 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 indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

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

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

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

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

2.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a weighted average cost formula; and
- Finished goods – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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.

2.14 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

2.14 Financial assets (cont'd)

Subsequent measurement

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

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

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

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

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

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

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

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 measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group does not have any held-to-maturity financial assets.

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

2.14 Financial assets (cont'd)

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 has been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of financial asset

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

2.15 Impairment of financial assets

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

(a) 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.

(b) Financial assets carried at amortised cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

2.15 Impairment of financial assets (cont'd)

(b) Financial assets carried at amortised cost (cont'd)

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

(c) Available-for-sale financial assets

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

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

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset 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.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2.17 Financial liabilities

Initial recognition and measurement

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

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

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

2.17 Financial liabilities (cont'd)

Subsequent measurement

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

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

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

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

(b) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(c) *Offsetting of financial instruments*

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

Derecognition

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

2.18 Provisions

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

Provisions are reviewed at each balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

2.19 Share capital and share issuance 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.

2.20 Revenue

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

(a) Sale from properties under development

The Group recognises income on property development projects when the significant risks and rewards of ownership have been transferred to the purchasers.

For development projects under progressive payment scheme in Singapore, whereby the legal terms in the sale contracts result in continuous transfer of work-in-progress to the purchasers, revenue is recognised based on the percentage of completion method. Under the percentage of completion method, profit is brought into profit or loss only in respect of sales procured and to the extent that such profit relates to the progress of construction work. The progress of construction work is measured by the proportion of the construction costs incurred to date to the estimated total construction costs for each project.

For development projects under deferred payment scheme in Singapore and overseas development projects, the revenue will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

Revenue excludes goods and services or other sale taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of unit sold.

(b) Sale of goods

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

(c) 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 cost of incentives provided to leases are recognised as a reduction of rental income over the lease term on a straight-line basis.

Rental income arising on storage of sold but undelivered goods is recognised upon it being rendered and invoiced.

(d) Dividend income

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

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

2.20 Revenue (cont'd)

(e) *Management fee*

Management fee is recognised upon rendering the services to its related companies.

(f) *Interest income*

Interest income is recognised using the effective interest method.

2.21 Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying 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 ready for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 Employee benefits

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.

Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.23 Income taxes

(a) *Current income tax*

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

Current income 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

2.23 Income taxes (cont'd)

(b) *Deferred tax*

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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 balance sheet 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.

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

2.23 Income taxes (cont'd)

(c) Sales tax

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

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 profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in 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 2.20 (c). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

2.25 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group or of a parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.26 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

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

2.27 Financial guarantee

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

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.

2.28 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

3. Significant accounting estimates and judgments

The preparation of the Group's financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. 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 periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

3.1 Key sources of estimation uncertainty (cont'd)

(a) *Useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 30 years. The carrying amount of the Group's property, plant and equipment at 30 June 2014 was \$17,842,000 (2013: \$15,903,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets. As a result, future depreciation charges could be revised.

(b) *Income taxes*

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for tax was \$2,482,000 (2013: \$3,714,000). The carrying amount of the Group's deferred tax assets and deferred tax liabilities at 30 June 2014 was \$1,050,000 (2013: \$366,000) and \$1,914,000 (2013: \$1,752,000) respectively.

(c) *Impairment of loans and receivables*

The Group assesses at each balance sheet date 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 receivables at the balance sheet date is disclosed in Note 40 to the financial statements.

(d) *Revenue recognition – properties under development*

The stage of completion of its properties under development is measured by reference to the proportion that contract costs incurred for work performed to date vis-a-vis the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. Where the final cost incurred by the Group is different from the amounts that were initially estimated, such differences will impact the revenue recognised in the period in which such determination is made. The carrying amounts of assets and liabilities arising from properties under development are disclosed in Note 9 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

3.1 Key sources of estimation uncertainty (cont'd)

(e) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the highest of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period.

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

3.2 Judgments made in applying accounting policies

The management has not made any significant judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date.

4. Investment properties

| | Group | |
|---|---------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Balance sheet: | | |
| At 1 July | 115,000 | 101,890 |
| Net gain from fair value adjustment recognised in profit or loss | 2,100 | 13,110 |
| At 30 June | 117,100 | 115,000 |
| Consolidated statement of comprehensive income: | | |
| Rental and service income from investment properties | 7,590 | 6,863 |
| Direct operating expenses (including repairs and maintenance) arising from: | | |
| - Rental generating properties | 446 | 458 |
| - Non-rental generating properties | 16 | 16 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

4. Investment properties (cont'd)

The details of the Group's investment properties are as follows:

| | Location | Tenure of land | Approximate lettable area | Group's effective interest | Description and existing use | Name of valuer | Valuation method |
|-------|--------------------------------------|----------------|---------------------------|----------------------------|------------------------------------|-------------------------|----------------------|
| (i) | 10 Arumugam Road Singapore 409957 | Freehold | 4,970 sq.m. | 100% | Lion Building A / Industrial | Knight Frank Pte Ltd | Investment method |
| (ii) | 12 Arumugam Road Singapore 409958 | Freehold | 8,500 sq.m. | 100% | Lion Building B / Industrial | Knight Frank Pte Ltd | Investment method |
| (iii) | 14 Arumugam Road Singapore 409959 | Freehold | 8,630 sq.m. | 100% | Lion Building C / Industrial | Knight Frank Pte Ltd | Investment method |
| (iv) | 16 Arumugam Road Singapore 409961 | Freehold | 5,031 sq.m. | 100% | Lion Building D / Industrial | Knight Frank Pte Ltd | Investment method |

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuation at the end of reporting period. Valuations are performed by accredited independent valuer with recent experience in the location and category of the properties being valued.

Details of valuation techniques and inputs used are disclosed in Note 40.

Properties pledged as security

The investment properties have been mortgaged to secure various banking facilities as disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

5. Property, plant and equipment

| | At valuation | At cost | | | | | | | | Total \$'000 |
|------------------------------------|--------------------------------|-------------------------------|----------------------|----------------------------------|----------------------------|-------------------------------|---------------------|--------------------------|------------------------------------|-----------------|
| | Industrial buildings \$'000 | Plant and machinery \$'000 | Renovation \$'000 | Furniture and fittings \$'000 | Office equipment \$'000 | Electrical fittings \$'000 | Computers \$'000 | Motor vehicles \$'000 | Construction in progress \$'000 | |
| Group | | | | | | | | | | |
| Cost or valuation: | | | | | | | | | | |
| At 1 July 2012 | 14,269 | 7,718 | 1,821 | 331 | 259 | 7 | 663 | 1,066 | 262 | 26,396 |
| Additions | - | 2,810 | 74 | 11 | 79 | - | 17 | - | 93 | 3,084 |
| Disposals | - | (2,218) | - | - | - | - | (4) | - | - | (2,222) |
| At 30 June 2013 and 1 July 2013 | 14,269 | 8,310 | 1,895 | 342 | 338 | 7 | 676 | 1,066 | 355 | 27,258 |
| Additions | - | 2,753 | 98 | 36 | 77 | 64 | 12 | 817 | 37 | 3,894 |
| Disposals | - | (813) | - | (40) | (37) | - | (49) | (132) | - | (1,071) |
| At 30 June 2014 | 14,269 | 10,250 | 1,993 | 338 | 378 | 71 | 639 | 1,751 | 392 | 30,081 |
| Accumulated depreciation: | | | | | | | | | | |
| At 1 July 2012 | 2,480 | 6,206 | 1,243 | 309 | 189 | 7 | 593 | 628 | - | 11,655 |
| Charge for the financial year | 770 | 408 | 237 | 4 | 21 | - | 26 | 141 | - | 1,607 |
| Disposals | - | (1,903) | - | - | - | - | (4) | - | - | (1,907) |
| At 30 June 2013 and 1 July 2013 | 3,250 | 4,711 | 1,480 | 313 | 210 | 7 | 615 | 769 | - | 11,355 |
| Charge for the financial year | 650 | 625 | 243 | 9 | 25 | 7 | 30 | 242 | - | 1,831 |
| Disposals | - | (690) | - | (40) | (36) | - | (49) | (132) | - | (947) |
| At 30 June 2014 | 3,900 | 4,646 | 1,723 | 282 | 199 | 14 | 596 | 879 | - | 12,239 |
| Net carrying amount | | | | | | | | | | |
| At 30 June 2013 | 11,019 | 3,599 | 415 | 29 | 128 | - | 61 | 297 | 355 | 15,903 |
| At 30 June 2014 | 10,369 | 5,604 | 270 | 56 | 179 | 57 | 43 | 872 | 392 | 17,842 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

| | Computers \$'000 |
|--|----------------------------|
| Company | |
| Cost | |
| At 1 July 2011, 30 June 2013, 1 July 2013 and 30 June 2014 | 5 |
| Accumulated depreciation | |
| As at 1 July 2012 | 5 |
| Charge for the financial year | - |
| At 30 June 2013 and 1 July 2013 | 5 |
| Charge for the financial year | - |
| At 30 June 2014 | 5 |
| Net carrying amount | |
| As at 30 June 2013 | - |
| As at 30 June 2014 | - |

Revaluation of industrial buildings

Industrial buildings were revalued based on valuations performed by accredited independent valuers on 30 June 2010. The valuations were based on the open market value method that assumed the properties are sold in the open market.

The following are industrial buildings held by the Group:

| Location | Description | Approx. site area | Tenure of land |
|------------------------------|-----------------------------|--------------------------|--|
| 20 Woodlands Loop, Singapore | Factory and office building | 11,203 sq.m. | 30-year leasehold commencing 1 October 1994, with option to renew another 30 years |
| 22 Woodlands Loop, Singapore | Plant | 9,007 sq.m. | 30-year leasehold commencing 1 September 2002 |

If the industrial buildings were measured using the cost model, the carrying amounts would be \$6,949,000 (2013: \$7,397,000).

Assets held under finance leases

During the financial year, the aggregate cost of plant and equipment acquired by the Group by means of finance lease was \$Nil (2013: \$25,000). The cash outflow on acquisition of property, plant and equipment amounted to \$3,894,000 (2013: \$3,059,000).

The carrying amount of motor vehicles held under finance leases at the balance sheet date was \$24,000 (2013: \$118,000).

Leased assets are pledged as security for the related finance lease liabilities (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

Assets pledged as security

In addition to assets held under finance leases, property, plant and equipment with a carrying amount of \$17,308,000 (2013: \$15,184,000) are subject to a floating charge to secure the Group's bills payable (Note 19).

6. Subsidiary companies

| | Company | |
|---|----------------|-------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Shares, at cost | 130,070 | 130,070 |
| Due from a subsidiary company – non-current | 51,007 | 53,261 |
| | 181,077 | 183,331 |

Amount due from a subsidiary company (non-current) is non-trade related, unsecured, non-interest bearing, and is not expected to be repaid within the next twelve months. The amount is to be settled in cash.

Subsidiary companies are detailed in Note 38 to the financial statements.

7. Associated company

| | Group | |
|--|---------------|-------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Shares, at cost | – | – |
| Shareholders' loan | 13,500 | 13,500 |
| Negative goodwill | 3,319 | 3,319 |
| Share of post-acquisition loss | (964) | (609) |
| Share of post-acquisition reserves | 2,355 | 2,710 |
| Share of associated company's other comprehensive income | 1,058 | 1,579 |
| | 16,913 | 17,789 |

Associated company is detailed in Note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

7. Associated company (cont'd)

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

| | Group | |
|--|---------------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Consolidated balance sheet: | | |
| Current assets | 65,595 | 68,555 |
| Non-current assets | 39 | 47 |
| Total assets | 65,634 | 68,602 |
| Current liabilities | 64,961 | 48,905 |
| Non-current liabilities | – | 17,000 |
| Total liabilities | 64,961 | 65,905 |
| Consolidated result: | | |
| Revenue | 7,583 | 107,743 |
| (Loss)/profit for the financial period | (886) | 3,207 |

8. Long-term investments

| | Group | | Company | |
|-----------------------------|--------------|--------|------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Unquoted equity investments | 3,685 | 3,685 | 380 | 380 |
| Club memberships | 45 | 45 | – | – |
| | 3,730 | 3,730 | 380 | 380 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

9. Properties under development

| | Group | |
|--|----------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Land | 8,299 | 37,226 |
| Borrowing costs capitalised | – | 4,075 |
| Development costs | 6,702 | 25,924 |
| | 15,001 | 67,225 |
| Attributable profit | – | – |
| Less: Progress billings | – | – |
| Less: Allowance for foreseeable losses | (1,133) | (710) |
| | 13,868 | 66,515 |
| Analysis of allowance for foreseeable losses: | | |
| At 1 July | (710) | (709) |
| Provision transferred from non-current asset held for sale | (441) | – |
| Exchange differences | 18 | (1) |
| At 30 June | (1,133) | (710) |

The following expense incurred during the financial year has been capitalised in properties under development:

| | Group | |
|------------------|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Payroll expenses | 22 | 179 |
| Borrowing costs | 75 | 585 |

The rates used to determine the amount of borrowing costs eligible for capitalisation ranged from 1.61% to 1.77% (2013: 1.69% to 1.91%), which are the effective interest rate of the specific borrowing.

As at 30 June 2014, a parcel of land, which is in the planning stage of development, is held under the names of related parties of the Group. The land and development costs incurred on this piece of land amounted to \$3,462,000 (2013: \$1,775,000).

Certain properties under development are mortgaged as detailed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

9. Properties under development (cont'd)

The details of the Group's properties under development are as follows:

| | Property | Tenure of land | Percentage of completion at 30.6.2014/ expected date of completion | Site area/ gross floor area | Group's effective interest | Description and existing use |
|-------|--|-----------------------|---|------------------------------------|-----------------------------------|---------------------------------------|
| | Malaysia | | | | | |
| (i) | Kawasan Bandar XLII District of Melaka Tengah | 99 years | Planning Stage | 0.65 hectare | 100% | Commercial |
| (ii) | Lot 8243 (formerly Lot 1916) Mukim Tanjung Duabelas, District of Kuala Langat, Selangor | Freehold | Planning Stage | 61.52 hectare | 100% | Commercial and industrial land |
| | | | | 7.27 hectare | | Held for sale |
| (iii) | Lot 1644, 1645, 1647 & 1648 Mukim Tanjung Duabelas Daerah District of Kuala Langat, Selangor | Freehold | Planning Stage | 0.17 hectare/ 1,449 sq.m. | 100% | 12 units single-storey low cost shops |
| | | | | 3.43 hectares | 100% | Industrial land |
| (iv) | Lot 2090 Mukim Plentong District of Johor Bahru, Johor | Freehold | Planning Stage | 0.58 hectare/ 6,317 sq.m. | 100% | 80 units of low cost flats |

10. Deferred taxation

| | Group | |
|--|--------------|-------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Deferred tax assets | | |
| At 1 July | 366 | 347 |
| Addition during the financial year | 693 | 20 |
| Currency alignment | (9) | (1) |
| At 30 June | 1,050 | 366 |
| Deferred tax liabilities | | |
| At 1 July | 1,752 | 1,673 |
| Provision made during the financial year | 162 | 79 |
| At 30 June | 1,914 | 1,752 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

10. Deferred taxation (cont'd)

| | Group | | | |
|--|-------------------------------|--------|---|--------|
| | Consolidated balance sheet | | Consolidated statement of comprehensive income | |
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred tax assets | | | | |
| Provisions | 1,100 | 422 | (694) | (12) |
| Revaluations | (50) | (56) | 4 | (1) |
| | 1,050 | 366 | (690) | (13) |
| Deferred tax liabilities | | | | |
| Differences in depreciation for tax purposes | 950 | 788 | 162 | 79 |
| Revaluations | 964 | 964 | - | - |
| | 1,914 | 1,752 | 162 | 79 |

11. Non-current assets held for sale

| | Group | |
|--|--------------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| At 1 July | 1,620 | 5,125 |
| Transfer on sale | - | (3,492) |
| Exchange loss | - | (13) |
| Reclassified from properties under development | 1,492 | - |
| Reclassified to properties under development | (1,620) | - |
| At 30 June | 1,492 | 1,620 |

On 3 March 2011, the Group entered into a sale and purchase agreement with RHB Investment Bank Berhad being the trustee for Lion Blast Furnace Sdn. Bhd. to dispose of pieces of land in Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan for a total purchase consideration of \$1,620,000 (RM4,060,000).

During the financial year, the property was reclassified back to properties under development as the buyer could not complete the purchase.

During the financial year, the Group entered into a sale and purchase agreement for the disposal of a piece of land held under HS (D) 31923, No. PT 33742, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan for a selling price of RM23,094,547.

Pending the completion of the above transaction, the asset remains reclassified as a non-current asset held for sale.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

12. Completed properties held for sale

| | Group | |
|---------------------------------------|---------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Freehold and leasehold land | 28,456 | 4,244 |
| Construction costs | 32,214 | 12,432 |
| Borrowing costs capitalised | 4,762 | 1,242 |
| Allowance for impairment loss | (3,559) | - |
| | 61,873 | 17,918 |
| Movement in allowance account: | | |
| At 1 July | - | - |
| Provision during the financial year | 3,559 | - |
| At 30 June | 3,559 | - |

Certain properties included in completed properties held for sale are rented out and are generating rental income. It is the intention of the Group to dispose of these properties and as such, they have been retained as completed properties held for sale on the reporting date.

Certain completed properties held for sale are mortgaged as detailed in Note 22 to the financial statements.

Certain land, amounting to \$1,026,000 (2013: \$1,682,000) are held under the names of related parties of the Group.

The Group estimates the allowance for impairment loss by taking into account the estimated selling prices against the carrying value of the completed properties held for sale.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

12. Completed properties held for sale (cont'd)

The Group's completed properties held for sale comprise mainly of unsold units in the following projects:

| | Property | Tenure of land | Site area/ gross floor area | Group's effective interest | Description and existing use |
|-------|--|--------------------------------------|--|---|---|
| | Malaysia | | | | |
| (i) | Kawasan Bandar XLII District of Melaka Tengah | 99 years lease (expiring in 2090) | 8.92 hectare/ 104,516 sq.m. | 100% | 280 units of 4-storey shop/office ^(a) |
| (ii) | Lot 3066 & 3067 Mukim Tebrau District of Johor Bahru, Johor | Freehold | 3.19 hectare/ 20,241 sq.m. 0.79 hectare/ 15,080 sq.m. | 100% 100% | Hypermarket 48 units of shop houses ^(b) |
| | Singapore | | | | |
| (iii) | Lot 96927P, 96929A MK 25 7 Crescent Road | Freehold | 3,078.3 sq.m./ 6,024 sq.m. | 100% | 14 units of 2-storey strata detached houses ^(c) |
| (a) | 5 units unsold (2013: 8 units unsold) | | | | |
| (b) | 3 units unsold (2013: 5 units unsold) | | | | |
| (c) | 12 units unsold (2013: Not applicable) | | | | |

13. Inventories

| | Group | |
|------------------|---------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Trading stocks | 28,420 | 20,323 |
| Goods in transit | 6,125 | 8,616 |
| Raw material | 9,498 | 12,936 |
| Remnant | 79 | 110 |
| | 44,122 | 41,985 |

The Group has pledged a floating charge over the inventories as security over the bills payable (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

14. Trade debtors

| | Group | |
|------------------------------------|---------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Trade debtors | 24,469 | 31,529 |
| Less: Allowance for doubtful debts | (16) | (108) |
| | 24,453 | 31,421 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group has pledged a floating charge over the trade debtors net of allowance for uncollectible amounts, amounting to \$22,771,000 (2013: \$29,580,000) as security over the bills payable (Note 19).

The Group held security deposits of \$1,814,000 as at 30 June 2014 (2013: \$1,709,000) from tenants against the trade debtors of its property rental business.

Debts that are past due but not impaired

The Group has trade debtors amounting to \$9,298,000 (2013: \$12,948,000) that are past due at the balance sheet date but not impaired. These debts are unsecured and the analysis of their ageing at the balance sheet date is as follows:

| | Group | |
|---------------------------------------|--------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| <i>Trade debtors past due:</i> | | |
| Less than 30 days | 7,794 | 11,352 |
| 30 to 60 days | 1,114 | 1,463 |
| 60 to 90 days | 128 | 34 |
| More than 90 days | 262 | 99 |
| | 9,298 | 12,948 |

NOTES TO THE FINANCIAL STATEMENTS

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14. Trade debtors (cont'd)

Debts that are impaired

The Group's trade debtors that are individually impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

| | Group | |
|--|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Trade debtors – nominal amounts | 16 | 108 |
| Less: Allowance for doubtful debts | (16) | (108) |
| | <u>-</u> | <u>-</u> |
| Movement in allowance accounts: | | |
| At 1 July | 108 | 240 |
| Provision during the financial year | 7 | 18 |
| Written back | - | (150) |
| Written off | (99) | - |
| At 30 June | <u>16</u> | <u>108</u> |

Trade debtors that are individually determined to be impaired at the balance sheet date relates to certain charges to customers that are in dispute.

15. Other debtors

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Deposits | 1,938 | 1,499 | - | - |
| Sundry debtors | 168 | 314 | 66 | - |
| | <u>2,106</u> | <u>1,813</u> | <u>66</u> | <u>-</u> |
| Derivative instruments | 98 | 93 | - | - |
| | <u>2,204</u> | <u>1,906</u> | <u>66</u> | <u>-</u> |

The Group has pledged a floating charge over the other debtors, amounting to \$1,732,000 (2013: \$1,330,000) as security over the bills payable (Note 19).

Movement in allowance accounts:

| | | |
|--------------|----------|----------|
| At 1 July | - | 142 |
| Written back | - | (142) |
| At 30 June | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

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16. Due from subsidiary company

Amount due from subsidiary company is unsecured, non-interest bearing, and is repayable on demand. The amount has been repaid subsequent to year end.

17. Due from related parties

| | Group | |
|-------------------|------------|------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Trade related | 106 | 12 |
| Non-trade related | 756 | 772 |
| | 862 | 784 |

Trade related amounts are unsecured, non-interest bearing, and repayable within trade credit terms. The amounts are to be settled in cash.

Non-trade related amounts are unsecured, non-interest bearing and repayable on demand. The amounts are to be settled in cash.

18. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the balance sheet date:

| | Group | | Company | |
|------------------------|---------------|---------------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed deposits | 7,788 | 7,561 | - | - |
| Cash and bank balances | 31,215 | 20,641 | 46 | 38 |
| | 39,003 | 28,202 | 46 | 38 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The weighted average effective interest rates on fixed deposits ranged from 2.35% to 3.15% (2013: 2.60% to 3.02%) per annum. The maturity dates of these deposits ranged from 22 to 365 days (2013: 22 to 95 days).

Included in the cash and bank balances is an amount of \$9,009,000 (2013: \$8,790,000) held pursuant to local and foreign Housing Development Act and therefore restricted from use in other operations. Out of this amount, \$4,065,000 (2013: \$4,078,000) are held under the names of director related companies, of which the Group is the beneficiary and has control over.

The Group has pledged a floating charge over the cash and bank balances and fixed deposits, amounting to \$20,659,000 (2013: \$11,135,000) and \$261,000 (2013: \$24,000) as security over the bills payable (Note 19) and unutilised credit facilities respectively.

NOTES TO THE FINANCIAL STATEMENTS

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19. Trade creditors

| | Group | |
|-----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Current: | | |
| Trade creditors | 8,919 | 6,619 |
| Bills payable | 22,819 | 24,308 |
| Retention sum | 705 | 680 |
| Rental deposits | 1,261 | 759 |
| | 33,704 | 32,366 |
| Non-current: | | |
| Rental deposits | 554 | 950 |

Included in trade creditors are accrued purchases of \$6,125,000 (2013: \$2,710,000) which the risk has been transferred to the Group but invoices are not yet received as at financial year end.

Bills payable of the Group is secured by letters of comfort from the Company and a floating charge over all assets of a subsidiary company.

20. Other creditors

| | Group | | Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Deposits received | 262 | 272 | - | - |
| Sundry creditors | 1,187 | 1,135 | - | - |
| Accruals | 1,994 | 1,930 | 247 | 234 |
| Accrued development cost | 2,051 | 751 | - | - |
| | 5,494 | 4,088 | 247 | 234 |

21. Due to related parties

Amounts due to related parties are non-trade related, unsecured, non-interest bearing, and are repayable on demand. The amounts are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

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22. Interest-bearing loans and borrowings

| | Maturity | Group | |
|---|-----------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Current: | | | |
| Revolving credit facility | 2014 | 16,705 | – |
| Obligations under finance leases | 2014 | 45 | 45 |
| | | 16,750 | 45 |
| Non-current: | | | |
| Bank loan | 2015 | 4,725 | 22,944 |
| Revolving credit facility | 2014 | – | 5,000 |
| Obligations under finance leases | 2014-2017 | 67 | 112 |
| | | 4,792 | 28,056 |
| Total interest-bearing loans and borrowings | | 21,542 | 28,101 |

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 5). The average discount rate implicit in the leases is 3.86% (2013: 4.86%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group. There are no restrictions placed upon the Group by entering into these leases.

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

| | Minimum payments 2014 \$'000 | Present value of payments 2014 \$'000 | Minimum payments 2013 \$'000 | Present value of payments 2013 \$'000 |
|---|---------------------------------------|---|---------------------------------------|---|
| Within one year | 50 | 45 | 50 | 45 |
| After one year but not more than five years | 75 | 67 | 126 | 112 |
| Total minimum lease payments | 125 | 112 | 176 | 157 |
| Less: Amount representing finance charges | (13) | – | (19) | – |
| Present value of minimum lease payments | 112 | 112 | 157 | 157 |

NOTES TO THE FINANCIAL STATEMENTS

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22. Interest-bearing loans and borrowings (cont'd)

Bank loan

The secured bank loan bears interest ranging from 1.61% to 1.69% (2013: 1.61% to 1.78%) per annum.

This is secured by:

- (a) first legal mortgage over one of the land in the Group's completed properties/ properties under development with a carrying value of \$45,259,000 (2013: \$53,913,000);
- (b) assignment of all of a subsidiary company's rights, title and interest under the construction contracts and performance bonds; and
- (c) corporate guarantee from the Company.

Revolving credit facility

The revolving credit facility is denominated in SGD and bears interest at 1.66% to 1.80% (2013: 1.69% to 1.91%) per annum respectively.

This is secured by:

- (a) first legal mortgage over the Group's investment properties;
- (b) first equity mortgage on the Company's 11,518,000 shares in Angkasa Amsteel Pte. Ltd.; and
- (c) corporate guarantee from the Company.

23. Due to subsidiary companies

Amounts due to subsidiary companies are non-trade related, unsecured, non-interest bearing and are not due for repayment within the next 12 months. The amounts are to be settled in cash.

24. Share capital

| | Company | |
|---------------------------------------|-----------------------|----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Issued and fully paid: | | |
| Balance at beginning and end of year: | | |
| 156,453,000 ordinary shares | <u>150,113</u> | <u>150,113</u> |

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 restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

25. Capital reserve, exchange translation reserve and dividend reserve

Capital reserve

Capital reserve comprises revaluation reserves for certain property, plant and equipment, and completed properties.

Exchange translation reserve

The exchange 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.

Dividend reserve

The dividend reserve comprises amounts transferred from accumulated profits for dividends proposed by the directors on or before the balance sheet date.

26. Revenues

| | Group | |
|---|----------------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Sales of goods | 146,019 | 160,852 |
| Sales from property development | 10,487 | 21,484 |
| Rental and service revenue | 9,102 | 8,430 |
| Dividend income from unquoted investments | 51 | 99 |
| | 165,659 | 190,865 |

27. Cost of sales

| | Group | |
|---|----------------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Included in cost of sales are the following items: | | |
| Direct labour and related costs | 2,348 | 2,434 |
| Operating lease expenses | 486 | 463 |
| Provision for onerous contracts | 44 | - |
| Inventories recognised as an expense in cost of sales | 122,894 | 132,937 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

28. Other income

| | Group | |
|---|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Included in other income are the following items: | | |
| Gain on disposal of property, plant and equipment | 106 | 243 |
| Interest income | 375 | 683 |
| Management and consulting fees | 192 | 242 |
| Service income | 154 | 99 |
| Gain on sale of investment | - | 868 |
| Forfeiture of deposits received | - | 635 |

29. Finance costs

| | Group | |
|--|------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Interest expense/bank charges: | | |
| Revolving credit facilities and bank loans | 340 | 133 |
| Hire purchases | 5 | 5 |
| Trust receipts | 480 | 490 |
| Interest on debt | - | 391 |
| Commitment fee | 146 | - |
| Others | 24 | 7 |
| | 995 | 1,026 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

30. Profit before taxation

This is determined after charging/(crediting) the following:

| | Group | |
|--|--------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Audit fees paid to: | | |
| - Auditors of the Company | 178 | 175 |
| - Other auditors | 16 | 25 |
| Non-audit fees paid to other auditors | 1 | 1 |
| Depreciation of property, plant and equipment | 1,831 | 1,607 |
| Staff costs (Note 31) | 4,268 | 3,794 |
| Gain on fair value changes on derivatives | (5) | (216) |
| Foreign currency gain, net | (405) | (119) |
| Allowance/(write-back) for doubtful debts, net | 7 | (274) |
| Allowance for impairment of completed properties | 3,559 | - |

31. Staff costs

| | Group | |
|--|--------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Directors of the Company and its subsidiary companies | | |
| - Directors' remuneration | 661 | 629 |
| - CPF contributions | 23 | 23 |
| Key management personnel of the Company and its subsidiary companies | | |
| - Employees' remuneration | 779 | 691 |
| - CPF contributions | 50 | 51 |
| Staff costs | | |
| - Salaries and other benefits | 2,407 | 2,202 |
| - CPF and other defined contributions | 348 | 198 |
| | 4,268 | 3,794 |

The remuneration is paid to Directors and key management officers in their capacity as employees.

Number of Directors in remuneration bands:

| | | |
|------------------------------|----------|----------|
| \$250,000 to below \$500,000 | 1 | 1 |
| Below \$250,000 | 5 | 5 |
| | 6 | 6 |

Number of key management officers in remuneration bands:

| | | |
|------------------------------|----------|----------|
| \$250,000 to below \$500,000 | 1 | 1 |
| Below \$250,000 | 4 | 4 |
| | 5 | 5 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

32. Taxation

(a) Major components of taxation

Major components of income tax expense for the financial years ended 30 June were:

| | Group | |
|---|--------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Current income tax: | | |
| - Singapore | 2,631 | 3,106 |
| - Foreign | 581 | 3,979 |
| - (Over)/under provision in respect of previous financial years | (612) | 286 |
| | 2,600 | 7,371 |
| Deferred income tax: | | |
| - Origination and reversal of temporary differences | (571) | 149 |
| - Under/(over) provision in respect of previous financial years | 43 | (83) |
| | (528) | 66 |
| | 2,072 | 7,437 |

(b) Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates is as follows:

| | Group | |
|---|---------------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Accounting profit | 15,258 | 51,508 |
| Tax at statutory rate of 17% (2013: 17%) | 2,594 | 8,756 |
| Adjustments: | | |
| Tax effect on different tax rate of other country | 148 | 1,250 |
| Non-deductible expenses | 382 | 382 |
| Income not subjected to tax | (508) | (2,659) |
| (Over)/under provision in respect of previous financial years | (569) | 203 |
| Effect of partial tax exemption and tax relief | (157) | (510) |
| Tax effect on benefit from operating losses not recorded | 117 | 112 |
| Share of results of associates | 60 | (218) |
| Others | 5 | 121 |
| | 2,072 | 7,437 |

NOTES TO THE FINANCIAL STATEMENTS

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32. Taxation (cont'd)

The Company and its subsidiary companies incorporated in Singapore are subject to income tax at the statutory tax rate of 17% for the financial years ended 30 June 2014 and 2013. The subsidiary incorporated in Malaysia is subject to income tax at the statutory tax rate of 25% for the financial years ended 30 June 2014 and 2013.

Tax charge relating to other comprehensive income

The tax charge relating to each component of other comprehensive income is as follows:

| | Before tax | Group Tax Charge | After tax |
|---|-------------------|-----------------------------|------------------|
| | \$'000 | \$'000 | \$'000 |
| 2014 | | | |
| Other capital reserve | (15) | – | (15) |
| Exchange differences on consolidation | (1,829) | – | (1,829) |
| Share of comprehensive income of associated company | (521) | – | (521) |
| 2013 | | | |
| Other capital reserve | (30) | – | (30) |
| Exchange differences on consolidation | (128) | – | (128) |
| Share of comprehensive income of associated company | 712 | – | 712 |

33. Earnings per share

| | Group | |
|---|----------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Net earnings attributable to ordinary shareholders | 8,489 | 36,844 |
| Weighted average number of ordinary shares for calculation of basic and fully diluted earnings per share ('000) | 156,453 | 156,453 |
| | Cents | Cents |
| Earnings per share – basic and diluted | 5.4 | 23.5 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

34. Dividends

| | Group and Company | |
|---|--------------------------|-------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Declared and paid during the financial year: | | |
| Dividends on ordinary shares: | | |
| Final one-tier tax exempt dividend – 2013: 1.25 cents (2012: 1.00 cents) per share | 1,956 | 1,565 |
| Interim one-tier tax exempt dividend – 2014: 1.00 cents | 1,565 | – |
| | <hr/> <hr/> | <hr/> <hr/> |
| Proposed but not recognised as a liability as at 30 June: | | |
| Dividends on ordinary shares: | | |
| Final one-tier tax exempt dividend for 2013: 1.25 cents per share | – | 1,956 |
| | <hr/> <hr/> | <hr/> <hr/> |

35. Related party transactions

Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following are the transactions entered into by the Group and the Company with related parties:

| | Group | | Company | |
|--|---------------|-------------|----------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Dividend income received from a subsidiary company | – | – | (1,500) | (18,125) |
| Management fee received from associated company | (192) | (192) | – | – |
| Management fee paid to related company | 92 | 79 | 92 | 79 |
| Sales of goods to related companies | (184) | (499) | – | – |
| Purchases of goods from related company | 19,147 | 14,439 | – | – |
| Rental paid to a subsidiary company | – | – | 47 | 43 |
| Rental and service income from related companies | (163) | (163) | – | – |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Compensation of key management personnel

The details of the remuneration are in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

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36. Commitments and contingencies

(i) Operating lease commitments – as lessee

The Group's industrial buildings, used for its steel business, are constructed on land leased under operating leases. The 2 plots of leasehold land have remaining non-cancellable lease terms of 11 and 19 years (2013: 12 and 20 years) respectively. The leases include a clause that enables revision of the rental charge on an annual basis based on prevailing market conditions. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognised in the consolidated statement of comprehensive income during the financial year amounted to \$486,000 (2013: \$463,000).

Future minimum lease payments payable under these non-cancellable leases as at the balance sheet date are as follows:

| | Group | |
|---|--------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Within one year | 512 | 486 |
| After one year but not more than five years | 2,074 | 1,966 |
| More than five years | 4,673 | 4,702 |
| | 7,259 | 7,154 |

(ii) Operating lease commitments – as lessor

The Group has entered into property leases on its investment properties in Singapore and a completed property held for sale in Malaysia. These non-cancellable leases have remaining lease terms of less than 3 years. Some leases have specified higher rental charges applicable as the leases progress.

Future minimum lease payments receivable under the leases as at the balance sheet date are as follows:

| | Group | |
|---|--------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Not later than one year | 5,354 | 6,380 |
| Later than one year but not later than five years | 1,500 | 4,195 |
| | 6,854 | 10,575 |

(iii) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

| | Group | |
|---|--------------|------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Capital commitments in respect of property, plant and equipment | 3,833 | 386 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

36. Commitments and contingencies (cont'd)

(iv) Significant commitments

During the financial year, a significant portion of new orders for the Group's steel business were contracted on a variable-price basis. The price is pegged to the cost of steel as published by the Building Construction Authority. At the end of the financial year, total steel deliverable to customers on variable-price contracts ("VPC") amounted to 71% (2013: 66%) of its total contracts on hand.

As the selling prices for VPC are not fixed, the economic benefits to be received cannot be ascertained. Due to the long duration of VPC and its re-pricing nature, the purchases of supplies to fulfil such contracts are not yet committed. As such it is also not possible to determine the costs of meeting the Group's obligations on VPC.

For these reasons, VPC have not been included in the assessment on provision for onerous contracts.

(v) Contingent liabilities

Guarantees

| | Company | |
|---|---------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Guarantees given by the Company to banks in connection with bank facilities provided to subsidiary and associated companies | 52,564 | 73,120 |
| Amount utilised in respect of guarantees issued at 30 June | 31,080 | 37,594 |

37. Segment information

For management purposes, the Group is organized into business units based on their products and services, and has four reportable segments as follows:

- (i) The steel trading segment is a supplier of steel reinforcement bars (rebars) for building construction and civil works. It also provides services to cut, bend or assemble the rebars to customer requirements.
- (ii) The property development segment is in the business of building residential, commercial and industrial properties for sale.
- (iii) The property rental segment owns, manages and leases industrial and commercial properties.
- (iv) The investment holding segment manages the Group's long-term investments.

Management monitors the operating results of its business segments separately for making decisions on resource allocation and performance assessment. Segment performance is evaluated on operating profit or loss. Group financing (including finance costs) and taxation are managed on a group basis and are not allocated to the segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

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37. Segment information (cont'd)

| | Steel trading | | Property development | | Property rental | | Investment holding | | Eliminations | | Consolidated | |
|--|----------------|----------------|----------------------|----------------|-----------------|----------------|--------------------|----------------|----------------|-----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Revenues: | | | | | | | | | | | | |
| Sales to external customers | 146,019 | 160,852 | 10,487 | 21,484 | 9,102 | 8,430 | - | - | - | - | 165,608 | 190,766 |
| Dividend income | - | - | - | - | - | - | 51 | 99 | - | - | 51 | 99 |
| Inter-segment sales | - | - | - | - | 47 | 43 | - | - | (47) | (43) | - | - |
| Total revenues | 146,019 | 160,852 | 10,487 | 21,484 | 9,149 | 8,473 | 51 | 99 | (47) | (43) | 165,659 | 190,865 |
| Results: | | | | | | | | | | | | |
| Interest income | - | - | 375 | 683 | - | - | - | - | - | - | 375 | 683 |
| Depreciation of property, plant and equipment | (1,501) | (1,287) | (2) | - | (328) | (320) | - | - | - | - | (1,831) | (1,607) |
| Provision for onerous contracts | (44) | - | - | - | - | - | - | - | - | - | (44) | - |
| Allowance for impairment of completed properties | - | - | (3,559) | - | - | - | - | - | - | - | (3,559) | - |
| Fair value changes in investment properties | - | - | - | - | 2,100 | 13,110 | - | - | - | - | 2,100 | 13,110 |
| Share of results of associated company | - | - | (355) | 1,283 | - | - | - | - | - | - | (355) | 1,283 |
| Operating profit | 11,440 | 17,569 | (2,982) | 16,011 | 7,743 | 18,520 | 1,552 | 18,559 | (1,500) | (18,125) | 16,253 | 52,534 |
| Finance costs | | | | | | | | | | | (995) | (1,026) |
| Profit before tax | | | | | | | | | | | 15,258 | 51,508 |
| Assets and liabilities: | | | | | | | | | | | | |
| Segment assets | 106,917 | 99,397 | 114,315 | 124,208 | 135,156 | 132,904 | 48,471 | 51,203 | (61,301) | (64,868) | 343,558 | 342,844 |
| Deferred tax assets | | | | | | | | | | | 1,050 | 366 |
| Total assets | | | | | | | | | | | 344,608 | 343,210 |
| Segment liabilities | 38,877 | 36,916 | 4,870 | 4,458 | 45,222 | 46,988 | 17,520 | 18,467 | (61,301) | (64,868) | 45,188 | 41,961 |
| Tax liabilities | | | | | | | | | | | 4,396 | 5,466 |
| Loans and borrowings | | | | | | | | | | | 21,542 | 28,101 |
| Total liabilities | | | | | | | | | | | 71,126 | 75,528 |
| Other segment information: | | | | | | | | | | | | |
| Capital expenditure | 3,776 | 2,962 | 39 | - | 79 | 122 | - | - | - | - | 3,894 | 3,084 |
| Investment in associated company | - | - | 16,913 | 17,789 | - | - | - | - | - | - | 16,913 | 17,789 |

- A Inter-segment revenues are eliminated on consolidation.
 B Inter-segment transactions are eliminated on consolidation.
 C Inter-segment balances are eliminated on consolidation.
 D Capital expenditure consists of additions to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

37. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the entity's country of domicile and geographical location of assets respectively are as follows:

| | Singapore | | Malaysia | | People's Republic of China | | Consolidated | |
|--------------------|----------------|----------------|----------------|----------------|-------------------------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Segment revenue | 162,453 | 167,772 | 3,206 | 23,093 | - | - | 165,659 | 190,865 |
| Non-current assets | 138,635 | 188,546 | 13,905 | 12,602 | 16,913 | 17,789 | 169,453 | 218,937 |

Non-current assets information presented above consist of investment properties, property, plant and equipment, associated company, long-term investments, and properties under development as presented in the consolidated balance sheet.

Information about a major customer

In FY2013, the revenue from one major customer amounted to \$16,703,000 arising from sales in Malaysia by the property development segment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

38. Subsidiary and associated companies

The subsidiary and associated companies at 30 June are:

| | Name of company | Principal activities | Country of incorporation and place of business | Proportion of ownership interest held | |
|---|--|--|--|---------------------------------------|-----------------|
| | | | | 2014 % | 2013 % |
| Subsidiary companies: | | | | | |
| Held by the Company: | | | | | |
| b | Che Kiang Realty Sdn Bhd | Property development | Malaysia | 100 | 100 |
| a | Teck Chiang Realty Private Limited | Investment holding, property investment and development and general merchants | Singapore | 100 | 100 |
| a | Angkasa Amsteel Pte. Ltd. | Importers, exporters and distributors of steel and iron products and commission agents | Singapore | 50 plus 1 share | 50 plus 1 share |
| a | LTC Building Materials Pte Ltd | Dormant | Singapore | 100 | 100 |
| Held through Teck Chiang Realty Private Limited: | | | | | |
| a | Teck Chiang (International) Pte Ltd | Investment holding | Singapore | 100 | 100 |
| Held through Angkasa Amsteel Pte. Ltd.: | | | | | |
| a | Angkasa Welded Mesh Pte Ltd | Dormant | Singapore | 51 | 51 |
| a | Angkasa Steel Pte. Ltd. | Steel trader | Singapore | 100 | – |
| b | Angkasa Amsteel (M) Sdn Bhd | Steel trader | Malaysia | 100 | 100 |
| Associated companies: | | | | | |
| Held by Teck Chiang (International) Pte Ltd: | | | | | |
| c | Kairong Developments (S) Pte. Ltd. | Investment holding | Singapore | 40 | 40 |
| Held by Kairong Developments (S) Pte. Ltd.: | | | | | |
| d | Kairong Developments (Shenyang) Co., Ltd. | Property development | People's Republic of China | 100 | 100 |
| a | Audited by Ernst & Young LLP, Singapore. | | | | |
| b | Audited by Ernst & Young, Chartered Accountants, Malaysia. | | | | |
| c | Audited by KPMG, Singapore | | | | |
| d | Audited by other CPA firms | | | | |

39. Financial risk management objectives and policies

The Group and the Company is 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. 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 except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these 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 debtors. For other financial assets (including cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing 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 verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, 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 balance sheets, including derivatives with positive fair values; and
- a nominal amount of \$31,080,000 (2013: \$37,594,000) relating to corporate guarantees provided by the Company for the bank loans taken by subsidiary companies.

Information regarding credit enhancements for trade debtors is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industrial sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period are as follows:

| | 2014 | | 2013 | |
|-------------------------|---------------|------------|--------|------------|
| | \$'000 | % of total | \$'000 | % of total |
| Group | | | | |
| By geographical: | | | | |
| Singapore | 17,796 | 73 | 26,054 | 83 |
| Malaysia | 6,657 | 27 | 5,367 | 17 |
| | 24,453 | 100 | 31,421 | 100 |
| By business: | | | | |
| Steel trading | 22,771 | 93 | 29,580 | 94 |
| Property development | 1,270 | 5 | 1,368 | 4 |
| Property rental | 412 | 2 | 473 | 2 |
| | 24,453 | 100 | 31,421 | 100 |

The Group determines credit risk concentration for its Steel and Property related businesses separately.

Property development and property rental business

Trade debtors for these business segments do not have concentration of credit risk as the customers are individuals or corporates of diverse background or nature.

Steel business

There is no significant concentration of credit risk except that customers are predominantly in the construction industry. As at 30 June 2014, approximately 65% (2013: 66%) of the trade debtors of the Steel business are due from the top 5 (2013: 5) customers who are key players in the local construction industry.

Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies.

Financial assets that are either past due or impaired

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

39. 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.

The Board and the management of the Group constantly reviews its cash and borrowing position to ensure that the Group maintains sufficient liquidity to meets its obligations as and when they fall due.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and the Group does not have any debt maturing within 12 months other than the finance leases obligations.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

| | 2014 | | | | 2013 | | | |
|--|-----------------------------|---------------------------|---------------------------|-----------------|-----------------------------|---------------------------|---------------------------|-----------------|
| | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
| Group | | | | | | | | |
| Financial assets | | | | | | | | |
| Long-term investments | - | - | 3,730 | 3,730 | - | - | 3,730 | 3,730 |
| Trade debtors | 24,453 | - | - | 24,453 | 31,421 | - | - | 31,421 |
| Other debtors | 2,204 | - | - | 2,204 | 1,906 | - | - | 1,906 |
| Due from related parties | 862 | - | - | 862 | 784 | - | - | 784 |
| Fixed deposits | 7,788 | - | - | 7,788 | 7,561 | - | - | 7,561 |
| Cash and bank balances | 31,215 | - | - | 31,215 | 20,641 | - | - | 20,641 |
| Total undiscounted financial assets | 66,522 | - | 3,730 | 70,252 | 62,313 | - | 3,730 | 66,043 |
| Financial liabilities | | | | | | | | |
| Trade creditors | 33,704 | 554 | - | 34,258 | 32,366 | 950 | - | 33,316 |
| Other creditors | 5,494 | - | - | 5,494 | 4,088 | - | - | 4,088 |
| Interest-bearing loans and borrowings | 16,803 | 4,901 | - | 21,704 | 50 | 29,031 | - | 29,081 |
| Due to related parties | 5,436 | - | - | 5,436 | 4,557 | - | - | 4,557 |
| Total undiscounted financial liabilities | 61,437 | 5,455 | - | 66,892 | 41,061 | 29,981 | - | 71,042 |
| Total net undiscounted financial assets/(liabilities) | 5,085 | (5,455) | 3,730 | 3,360 | 21,252 | (29,981) | 3,730 | (4,999) |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

(b) Liquidity risk (cont'd)

| | 2014 | | | | 2013 | | | |
|--|-----------------------------|---------------------------|---------------------------|-----------------|-----------------------------|---------------------------|---------------------------|-----------------|
| | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
| Company | | | | | | | | |
| Financial assets | | | | | | | | |
| Due from subsidiary companies | 1,500 | – | 51,007 | 52,507 | 2,003 | – | 53,261 | 55,264 |
| Long-term investments | – | – | 380 | 380 | – | – | 380 | 380 |
| Other debtors | 66 | – | – | 66 | – | – | – | – |
| Cash and bank balances | 46 | – | – | 46 | 38 | – | – | 38 |
| Total undiscounted financial assets | 1,612 | – | 51,387 | 52,999 | 2,041 | – | 53,641 | 55,682 |
| Financial liabilities | | | | | | | | |
| Other creditors | 247 | – | – | 247 | 234 | – | – | 234 |
| Due to related parties | 10 | – | – | 10 | 30 | – | – | 30 |
| Due to subsidiary companies | – | – | 25,746 | 25,746 | – | – | 26,408 | 26,408 |
| Total undiscounted financial liabilities | 257 | – | 25,746 | 26,003 | 264 | – | 26,408 | 26,672 |
| Total net undiscounted financial assets | 1,355 | – | 25,641 | 26,996 | 1,777 | – | 27,233 | 29,010 |

(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 interest-bearing financial liabilities.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, the Group enters into interest rate swap unless market interest rates are persistently low. During the financial year, the Group did not enter any interest rate swap. At the balance sheet date, 100% (2013: 100%) of the Group's interest-bearing financial liabilities are at floating interest rates.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 75 (2013: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$275,000 (2013: \$282,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate interest-bearing financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

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

(d) Foreign currency risk

The Group enters into fixed price contracts, mainly in US Dollars (USD) and Malaysian Ringgit (RM), with its suppliers for the purchase of steel. The Group is thus exposed to transactional foreign currency exposure dependent on the timing of its future purchases and when the liabilities are settled or are converted into the functional currency. Approximately 86% (2013: 86%) of the Group's steel purchases is denominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At balance sheet date, such foreign currency balances amount to \$18,699,000 and \$11,000 (2013: \$17,668,000 and \$14,000) in RM and USD respectively. At balance sheet date, the Group has trade debts denominated in RM which amount to \$6,657,000 (2013: \$5,367,000).

Unless there is persistent weakness in the trend of the USD, the Group uses forward currency contracts to hedge between 50% to 100% of its anticipated steel purchases denominated in USD.

At 30 June 2014, the Group had hedged 69% (2013: 63%) of its foreign currency denominated purchases.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group uses its borrowings from the subsidiary denominated in RM as a natural partial hedge against its cost of investment.

Sensitivity analysis for foreign currency risk

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

| | Profit net of tax | |
|------------------------------|-------------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| USD | | |
| - strengthened 1% (2013: 2%) | 102 | 205 |
| - weakened 1% (2013: 2%) | (102) | (205) |
| RM | | |
| - strengthened 1% (2013: 1%) | (190) | (222) |
| - weakened 1% (2013: 1%) | 190 | 222 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

40. Financial instruments

Classification of financial instruments

Set out below is a comparison by category of carrying amounts of all the Group's and Company's financial instruments that are carried in the financial statements:

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Financial assets | | | | | |
| Fair value through profit or loss | | | | | |
| Other debtors – derivative instruments | 15 | 98 | 93 | – | – |
| Available for sale | | | | | |
| Long-term investments | 8 | 3,730 | 3,730 | 380 | 380 |
| Loan and receivables | | | | | |
| Due from subsidiary companies | | – | – | 52,507 | 55,264 |
| Trade debtors | 14 | 24,453 | 31,421 | – | – |
| Other debtors | 15 | 2,106 | 1,813 | 66 | – |
| Due from related parties | 17 | 862 | 784 | – | – |
| Fixed deposits | 18 | 7,788 | 7,561 | – | – |
| Cash and bank balances | 18 | 31,215 | 20,641 | 46 | 38 |
| | | 66,424 | 62,220 | 52,619 | 55,302 |
| Financial liabilities | | | | | |
| At amortised cost | | | | | |
| Trade creditors | 19 | 34,258 | 33,316 | – | – |
| Other creditors | 20 | 5,494 | 4,088 | 247 | 234 |
| Due to related parties | 21 | 5,436 | 4,557 | 10 | 30 |
| Interest-bearing loans and borrowings | 22 | 21,542 | 28,101 | – | – |
| Due to subsidiary companies | 23 | – | – | 25,746 | 26,408 |
| | | 66,730 | 70,062 | 26,003 | 26,672 |

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

40. Financial instruments (cont'd)

A. Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

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

B. Assets and liabilities measured at fair value

| | | Group 2014 | | |
|--|------|---|--|-----------------|
| | Note | Significant observable inputs other than quoted prices Level 2 \$'000 | Significant unobservable inputs Level 3 \$'000 | Total \$'000 |
| Financial assets | | | | |
| Fair value through profit or loss | | | | |
| Other debtors – derivative instruments | 15 | 98 | – | 98 |
| Financial assets as at 30 June | | 98 | – | 98 |
| Non-financial assets | | | | |
| Property, plant and equipment | | | | |
| Industrial building | 5 | 10,369 | – | 10,369 |
| Investment properties | | | | |
| Industrial | 4 | – | 117,100 | 117,100 |
| Non-financial assets as at 30 June | | 10,467 | 117,100 | 127,567 |

There have been no transfers between Level 1, Level 2 and Level 3 during 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

40. Financial instruments (cont'd)

C. Level 2 fair value measurements

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

The notional amounts of derivative instruments are as follows:

| | Group | |
|------------------------------------|-----------------|---------------|
| | Notional amount | |
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Forward foreign exchange contracts | <u>12,332</u> | <u>12,786</u> |

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The Group has 7 open derivative contracts as at 30 June 2014 (2013: 9).

Industrial buildings

The fair value of industrial buildings is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market. The most significant input into this valuation approached is the selling price per square foot.

D. Level 3 fair value measurements

The following table presents the information about fair value measurements using significant unobservable inputs:

| Description | Fair value as at 30 June 2014 \$'000 | Valuation technique(s) | Key unobservable inputs | Rate |
|------------------------------|--|---------------------------|----------------------------|------|
| Investment properties | | | | |
| Industrial | 117,100 | Investment method | Capitalisation rate | 5.3% |

The valuations of the investment properties are generally sensitive to changes in yield and rental rates. A significant increase (decrease) in yield and rental adjustments would result in a significantly higher (lower) fair value measurement.

The movement for Level 3 investment properties are detailed in note 4 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

40. Financial instruments (cont'd)

E. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Due from subsidiary company (Note 6) and Due to subsidiary companies (Note 23): The fair value information has not been disclosed due to uncertain timing of the future cash flow repatriation and hence fair value cannot be estimated reliably.

Long-term investments (Note 8): 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 the investee's companies that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

41. Capital management

The primary objective of the Group's capital management is to ensure that it maintains 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 financial years ended 30 June 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, provisions, interest-bearing loans and borrowings, trade and other creditors (excluding derivative instruments), amounts due to related parties, less cash, bank balances and fixed deposits. Equity includes equity attributable to the owners of the Company. The Group is not subjected to any externally imposed capital requirement.

| | Group | |
|---------------------------------------|----------|----------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Trade creditors | 34,258 | 33,316 |
| Other creditors | 5,494 | 4,088 |
| Interest-bearing loans and borrowings | 21,542 | 28,101 |
| Due to related parties | 5,436 | 4,557 |
| Fixed deposits | (7,788) | (7,561) |
| Cash and bank balances | (31,215) | (20,641) |
| Net debt | 27,727 | 41,860 |
| Total equity | 241,264 | 238,661 |
| Equity and net debt | 268,991 | 280,521 |
| Gearing ratio | 10% | 15% |

42. Authorisation of financial statements

The financial statements for the financial year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 10 September 2014.

ANALYSIS OF SHAREHOLDINGS

as at 9 September 2014

| | | |
|----------------------------------|---|-----------------------------|
| Issued and fully paid-up capital | : | \$150,112,500 |
| No. of shares issued | : | 156,453,000 ordinary shares |
| Class of shares | : | Ordinary shares fully paid |
| Voting rights | : | 1 Vote per share |
| No. of treasury shares held | : | Nil |

DISTRIBUTION OF SHAREHOLDINGS AS AT 9 SEPTEMBER 2014

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|--------|---------------|--------|
| 1 - 999 | 1,055 | 13.71 | 307,983 | 0.20 |
| 1,000 - 10,000 | 6,134 | 79.71 | 11,164,861 | 7.14 |
| 10,001 - 1,000,000 | 493 | 6.41 | 34,237,061 | 21.88 |
| 1,000,001 and above | 13 | 0.17 | 110,743,095 | 70.78 |
| Total | 7,695 | 100.00 | 156,453,000 | 100.00 |

TWENTY LARGEST SHAREHOLDERS AS AT 9 SEPTEMBER 2014

| No. | Name of Shareholders | No. of Shares | % |
|-----|---|---------------|-------|
| 1 | Lion Investment (Singapore) Pte. Ltd. | 53,100,000 | 33.94 |
| 2 | Lion Realty Private Limited | 12,950,000 | 8.28 |
| 3 | BNP Paribas Securities Services Singapore | 8,858,000 | 5.66 |
| 4 | Lion Enterprise (Kuala Lumpur) Sdn Bhd | 8,450,000 | 5.40 |
| 5 | UOB Kay Hian Pte Ltd | 8,101,450 | 5.18 |
| 6 | Phillip Securities Pte Ltd | 5,162,474 | 3.30 |
| 7 | Leh Bee Hoe | 2,810,000 | 1.80 |
| 8 | DBS Nominees Pte Ltd | 2,562,000 | 1.64 |
| 9 | Ng Soo Giap Or Chew Sooi Guat | 1,892,000 | 1.21 |
| 10 | Saw Tze Choon | 1,868,000 | 1.19 |
| 11 | HSBC (Singapore) Nominees Pte Ltd | 1,861,371 | 1.19 |
| 12 | DBS Vickers Securities (S) Pte Ltd | 1,729,800 | 1.10 |
| 13 | Morph Investments Ltd | 1,398,000 | 0.89 |
| 14 | See Beng Lian Janice | 989,000 | 0.63 |
| 15 | Tan Boon Kay | 965,000 | 0.62 |
| 16 | Yim Chee Tong | 948,000 | 0.61 |
| 17 | Estate Of Ching Kwong Yew, Deceased | 935,000 | 0.60 |
| 18 | Vellayappan S/O Karruppiah | 870,000 | 0.56 |
| 19 | United Overseas Bank Nominees Pte Ltd | 747,000 | 0.48 |
| 20 | Chiam Hock Poh | 744,000 | 0.47 |
| | Total: | 116,941,095 | 74.75 |

SHAREHOLDINGS IN THE HANDS OF PUBLIC AS AT 9 SEPTEMBER 2014

On the basis of the information available to the Company, approximately 41.13% of the equity securities of the Company are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST, which requires at least 10% of a listed issuer's equity securities to be held by the public.

SUBSTANTIAL SHAREHOLDERS

as at 9 September 2014

| Name of Shareholder | Direct Interest | | Deemed Interest | |
|--|-----------------|------------|-----------------|------------|
| | No. of Shares | Percentage | No. of Shares | Percentage |
| Lion Investment (Singapore) Pte. Ltd. | 53,100,000 | 33.94% | – | – |
| Tan Sri Cheng Yong Kim ⁽²⁾ | 50,000 | 0.03% | 53,100,000 | 33.94% |
| Lion Realty Private Limited | 12,950,000 | 8.28% | – | – |
| Lion Enterprise (Kuala Lumpur) Sdn Bhd | 8,450,000 | 5.40% | – | – |
| Cheng Theng Kee ⁽¹⁾ | 300,000 | 0.19% | 53,134,000 | 33.96% |
| Tan Sri Cheng Heng Jem ⁽³⁾ | – | – | 25,241,000 | 16.13% |
| ACB Resources Berhad ⁽⁴⁾ | – | – | 16,658,000 | 10.65% |
| Lion Corporation Berhad ⁽⁵⁾ | – | – | 16,658,000 | 10.65% |

Notes: -

- (1) Mr Cheng Theng Kee is deemed to be interested in 53,134,000 shares comprising 53,100,000 shares held by Lion Investment (Singapore) Pte. Ltd. and 34,000 shares held by his spouse, Madam Chen Shok Ching.
- (2) Tan Sri Cheng Yong Kim, who is a son of Mr Cheng Theng Kee, is deemed to be interested in 53,100,000 shares held by Lion Investment (Singapore) Pte. Ltd..
- (3) Tan Sri Cheng Heng Jem is deemed to be interested in 25,241,000 shares comprising 16,658,000 shares deemed held by Lion Corporation Berhad, 8,450,000 shares held by Lion Enterprise (Kuala Lumpur) Sdn Bhd, 100,000 shares held by Lion AMB Resources Berhad and 33,000 shares held by Lion Industries Corporation Berhad.
- (4) ACB Resources Berhad is deemed to be interested in 16,658,000 shares comprising 5,583,000 shares deemed held by Akurjaya Sdn Bhd, 7,800,000 shares deemed held by Angkasa Marketing (Singapore) Pte Ltd and 3,275,000 shares held by Umatrac Enterprises Sdn Bhd. Akurjaya Sdn Bhd and Umatrac Enterprises Sdn Bhd are the beneficial owners of 5,583,000 shares and 3,275,000 shares, respectively; registered under BNP Paribas Securities Services Singapore.
- (5) Lion Corporation Berhad is deemed to be interested in 16,658,000 shares comprising 16,658,000 shares deemed held by ACB Resources Berhad.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Lion Teck Chiang Limited (the “Company”) will be held at The Conference Room, 10 Arumugam Road, #10-00 Lion Building A, Singapore 409957 on Thursday, 30 October 2014 at 9.30 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts and Report of the Directors and Auditors of the Company for the year ended 30 June 2014. (Resolution 1)
2. To re-elect Mr Cheng Yong Liang, a Director retiring pursuant to Article 91 of the Company’s Articles of Association. (Resolution 2)
3. To pass the following resolutions under Section 153(6) of the Companies Act (Chapter 50 of Singapore) (the “Companies Act”):-
 - (a) That pursuant to Section 153(6) of the Companies Act, Mr Cheng Theng Kee be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. (Resolution 3a)
 - (b) That pursuant to Section 153(6) of the Companies Act, Mr Ong Teong Wan be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. (Resolution 3b)

Mr Ong Teong Wan will, upon re-appointment, remain as the Chairman of the Audit Committee and Nominating Committee and as a member of the Remuneration Committee and will be considered independent.

Note : Tan Sri Cheng Heng Jem, a Director is retiring pursuant to Section 153(6) of the Companies Act and would not be seeking re-appointment.
4. To approve the payment of Directors’ fees of S\$122,000 for the year ended 30 June 2014 (2013: S\$121,500). (Resolution 4)
5. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)

AS SPECIAL BUSINESS

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

6. **General Mandate to Directors to Issue Shares**

THAT pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the capital of the Company (“shares”) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, 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 Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS (CONT'D)

6. General Mandate to Directors to Issue Shares (cont'd)

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

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 total number of issued shares (excluding treasury 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 total number of 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 ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) 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
 - (ii) any subsequent bonus issue, 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; and
- (4) (unless revoked or varied by the Company in general meeting) the 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 i) (Resolution 6)

7. Renewal of the Shareholders' Mandate for Interested Person Transactions

THAT for the purpose of Chapter 9 of the Listing Manual of the SGX-ST ("Chapter 9"):-

- (a) approval be and is hereby given for the Company, its subsidiaries and its associated companies which are entities at risk as defined under Chapter 9, to enter into any of the transactions falling within the categories of Interested Person Transactions as described on page 20 of this Annual Report, with any person who falls within the classes of Interested Persons as described on pages 19 and 20 of this Annual Report, provided that such transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders and in accordance with the review procedures for Interested Person Transactions set out on pages 20 to 22 of this Annual Report (the "IPT Mandate");
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, 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;

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS (CONT'D)

7. Renewal of the Shareholders' Mandate for Interested Person Transactions (cont'd)

- (c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and
- (d) authority be given to the Directors to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.
(See Explanatory Note ii) (Resolution 7)

8. To transact such other ordinary business as can be transacted at an Annual General Meeting of the Company.

By Order of the Board

Silvester Bernard Grant
Company Secretary

Singapore, 7 October 2014

Explanatory Note on Special Business to be transacted:-

- (i) Resolution 6 proposed in item 6 above, if passed, authorises the Directors of the Company to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company for issues other than on a *pro rata* basis to shareholders.
- (ii) Resolution 7 proposed in item 7 above, if passed, renews the IPT Mandate and allows the Company, its subsidiaries and its associated companies who are entities at risk as defined under Chapter 9 to enter into certain interested person transactions as described on pages 19 and 20 of this Annual Report and will empower the Directors to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at 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.

Notes :

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend at the same meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company.

The instrument appointing a proxy must be deposited at the Registered Office of the Company at 10 Arumugam Road, #10-00 Lion Building A, Singapore 409957, not less than 48 hours before the time appointed for holding the meeting.

PROXY FORM

LION TECK CHIANG LIMITED

Company Registration No. 196400176K
(Incorporated in the Republic of Singapore)

IMPORTANT : FOR CPF INVESTORS ONLY

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR YOUR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name), _____ (NRIC/Passport No.)

of _____ (Address)

being a member / members of LION TECK CHIANG LIMITED hereby appoint :

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings (%) |
|--------------------------------|---------|-----------------------|------------------------------------|
| | | | |
| and/or (delete as appropriate) | | | |
| | | | |

or failing him/her, the Chairman of the Meeting 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 Annual General Meeting of the Company to be held at The Conference Room, 10 Arumugam Road, #10-00 Lion Building A, Singapore 409957 on Thursday, 30 October 2014 at 9.30 a.m., and at any adjournment(s) thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

| No. | Ordinary Resolutions : | For | Against |
|-----|--|-----|---------|
| 1. | Adoption of Audited Accounts, Directors' Report and Auditors' Report | | |
| 2. | Re-election of Mr Cheng Yong Liang as a Director of the Company | | |
| 3a. | Re-appointment of Mr Cheng Theng Kee as a Director of the Company | | |
| 3b. | Re-appointment of Mr Ong Teong Wan as a Director of the Company | | |
| 4. | Approval of Directors' Fees | | |
| 5. | Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| 6. | General Mandate to Directors to issue shares and convertible securities | | |
| 7. | Renewal of the Shareholders' Mandate for Interested Person Transactions | | |

Dated this _____ day of _____ 2014.

| Total No. of Shares in: | No. of Shares |
|-------------------------|---------------|
| (1) CDP Register | |
| (2) Register of Members | |

Signature(s) of Member(s)/Corporation's 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, (Chapter 50 of Singapore)), 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 shares registered in your name in 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 one or two proxies to attend and vote in his stead and such proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 10 Arumugam Road, #10-00 Lion Building A, Singapore 409957, not less than 48 hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 seal or under the hand of an officer or attorney duly authorised.
6. 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 Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

General :

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or 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 shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

AGM
Proxy Form

AFFIX
POSTAGE
STAMP

The Company Secretary
LION TECK CHIANG LIMITED
10 Arumugam Road
#10-00 Lion Building A,
Singapore 409957

LION TECK CHIANG LIMITED
(Co. Reg. No. 196400176K)

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