



LION TECK CHIANG LIMITED

# ANNUAL REPORT

2013



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# CHAIRMAN'S STATEMENT



**Group turnover for the period improved by 9.1% or \$16.0m compared to the previous corresponding period. The increase from \$174.9m to \$190.9m was mainly in steel and property development.**

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 2013. Turnover for steel business remained strong with higher tonnage delivered and order book growth during the year. Revenue for property development continued to be supported by the sale of industrial land under the Group's Mahkota Industrial Park development in Banting, Malaysia.

## FINANCIAL HIGHLIGHTS

Group turnover for the period improved by 9.1% or \$16.0m compared to the previous corresponding period. The increase from \$174.9m to \$190.9m was mainly in steel and property development. The Group registered a fair value gain on investment properties of \$13.1m. Net profit for the Group increased by \$3.3m from \$33.5m to \$36.8m.

## OUTLOOK

### *Steel Trading*

The Group's steel business is expected to remain stable. Overall construction demand remained healthy and the Building and Construction Authority (BCA) has projected demand of between \$26 - 32b for 2013, anchored by public sector projects. This strong construction demand augurs well for the next few years.

During the year under review, we completed many projects such as Carlton City Hotel, The Academia at Singapore General Hospital, addition and alternation works at Changi Airport Terminals 1 and 2, the Meyer Rise condominium and Marina Coast Expressway C482.

We expect more iconic construction projects to be released such as the incoming tenders for the Changi Terminal 4, JTC's very large floating structure (VLFS) at Pulau Sebarok, various contracts for the Thomson MRT Line and the expansion of Kallang Paya Lebar (KPE) Expressway/Tampines Expressway (TPE) Interchange.

The main challenges for our steel business have remained unchanged. The volatility of raw materials prices, changes in international steel prices, foreign exchange rate fluctuations 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 increased by 1.0% quarter-on-quarter in the second quarter of 2013, slightly higher than the 0.6% quarter-on-quarter growth in the previous quarter. However, the index for landed homes indicated marginal price increase of 0.3% in the second quarter of 2013, slightly lower than the 0.5% quarter-on-quarter moderate increase in the first quarter.

In June 2013, the Monetary Authority of Singapore (MAS) issued a tough new measure on the Total Debt Servicing Ratio on property loan restrictions to cool the property market which resulted in the sales of new private homes in July 2013 plunging 73% as compared to June 2013. Developers are more mindful and holding back launches while buyers turn more cautious over prices. It is not certain whether buying interest could be sustained in light of the recent tough cooling measures.

For FY2014, the Group will focus on the sales of its new cluster bungalows development project at Crescent Road.

#### **Malaysia**

The Group's Mahkota Industrial Park development in Banting has received favourable response with more industrial land released for sale and a significant number of foreign industrialists showing interest. We will continue to work closely with the relevant authorities like the Malaysia Industrial Development Authority (MIDA) and the Selangor State Investment Centre (SSIC) to attract more foreign investments to our industrial park.

A new project is being planned in Melaka, located next to Plaza Mahkota beside the Melaka River. This project will be a highrise waterfront development with an attractive mix of apartment units suitable for both local and foreign purchasers.

For FY2014, we shall continue to respond to the needs of the market and have effective marketing campaigns to clear all 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, undertakes two mixed-use developments comprising of residential units as well as commercial shops in Shenyang City, Liaoning Province, PRC.

Kairong Developments has successfully completed both development projects and received good response with all residential units sold. Efforts will be maintained to secure buyers for the remaining stock of shop units and parking lots. The company will continue to seek suitable new sites for investment and development.

#### *Property Rental*

The Group expects its investment properties in Singapore to continue to enjoy high occupancy and better rental rates as leases are renewed.

#### **PROPOSED DIVIDEND**

The Board is pleased to propose a first and final (one-tier) tax exempt dividend of 1.25 cents per ordinary share for the year ended 30 June 2013. The proposed first and final dividend, if approved at the Company's Annual General Meeting to be held on 25 October 2013, will be paid on 20 November 2013.

#### **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



Parkland Residences



Carlton City Hotel



Boathouse Residences



SGH Academia

#### Steel Trading

Steel turnover increased by \$10.9m from \$150.0m to \$160.9m due to higher tonnage delivered. Net operating profit for steel improved by \$6.6m to \$17.5m from \$10.9m for the previous corresponding period.

# PROPERTY

## PROPERTY PROJECTS



Cluster Bungalows at 7 Crescent, Singapore



Completed Residential and Shop Houses units at Shenyang City, Liaoning Province, PRC



Entrance to Mahkota Industrial Park, Banting, Malaysia

### Regional Property Development & Management

Property Development turnover increased by \$4.4m from \$17.1m to \$21.5m due to higher sales in Malaysia, mainly from industrial park development. Net operating profit for Property Development improved by \$2.8m to \$16.0m.

Turnover for Property Rental improved by \$0.7m to \$8.5m. However, net operating profit declined by \$2.1m to \$18.5m due mainly to a fair value gain on investment properties that was \$2.7m 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 was last re-elected as Director on October 2010. 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 steel, retail, property development, mining, tyre, motor, plantation 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 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 Independent Director. He was appointed the Lead Independent Director on 23 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 Consultants Council.



**ENCIK MAZLAN BIN DATO' 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.

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

Encik 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. Encik 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 2009. 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.





**MS JULIANA CHENG SAN SAN** joined the Board on 24 May 2002 and was appointed Alternate Director to Tan Sri Cheng Heng Jem. She started her career with the organisation in 1995. During her tenure, she held various positions in finance, human resource/administration and business development. In May 2006, she joined Chanel (China) Co., Ltd as the National Accounts Manager responsible for the promoting and marketing of the Chanel brand of products in the People's Republic of China. In June

2010, she rejoined The Lion Group as Regional Director overseeing retail operations in the People's Republic of China.

She holds a Bachelor Degree in Commerce (Management) from University of Western Sydney, Australia and completed a Program for Global Leadership from Harvard Business School in year 2000.

## 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  
Ong Teong Wan  
Mazlan Bin Dato' Harun  
Chay Yee  
Juliana Cheng San San  
(Alternate Director to Tan Sri Cheng Heng Jem)

### Audit Committee

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

### Nominating Committee

Ong Teong Wan (Chairman)  
Chay Yee  
Cheng Yong Liang

### Remuneration Committee

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

	2013 S\$'000	2012 S\$'000
<b>Turnover</b>		
Steel trading	160,852	149,986
Property development	21,484	17,131
Property rental	8,430	7,730
Investment holding	99	52
Total	190,865	174,899
<b>Net operating profit</b>		
Steel trading	17,569	10,941
Property development	16,011	13,188
Property rental	18,520	20,575
Investment holding	434	(188)
Total	52,534	44,516
<b>Earnings per share</b>	<b>Cents</b>	<b>Cents</b>
	23.5	21.5
<b>Net tangible assets per ordinary share</b>	<b>152.5</b>	<b>129.6</b>

## FINANCIAL POSITION AS AT 30 JUNE

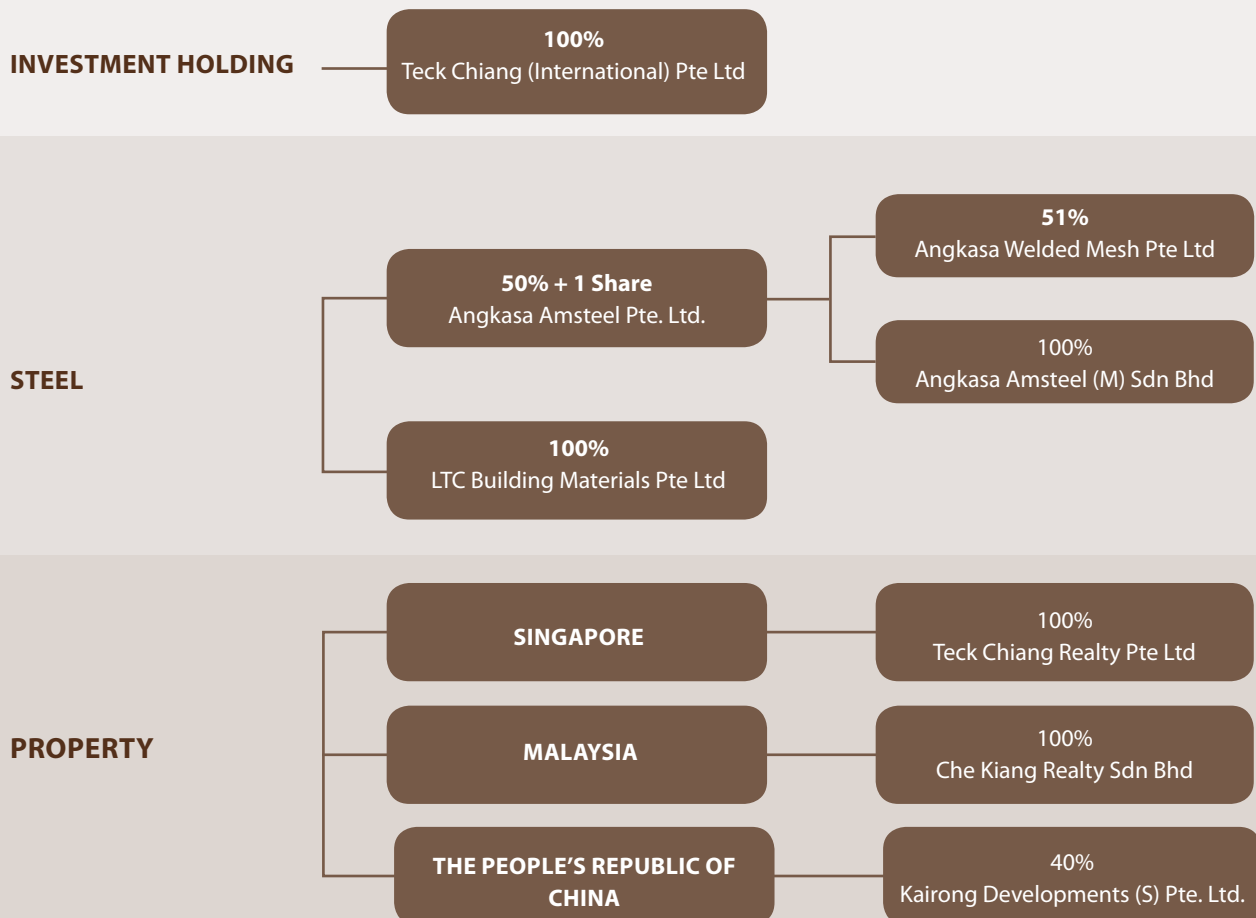
	2013 S\$'000	2012 S\$'000
Investment properties	115,000	101,890
Property, plant and equipment	15,903	14,741
Associated company	17,789	15,794
Properties under development	66,515	52,976
Non-current assets held for sale	1,620	5,125
Completed properties	17,918	21,425
Inventories	41,985	50,958
Other assets	66,480	57,071
Borrowings	(28,101)	(42,182)
Other liabilities	(47,427)	(51,176)
<b>Net assets</b>	<b>267,682</b>	<b>226,622</b>
Share capital	150,113	150,113
Reserves	(14,529)	(15,474)
Accumulated profits	103,077	68,189
Shareholders' funds	238,661	202,828
Non-controlling interests	29,021	23,794
<b>Total equity</b>	<b>267,682</b>	<b>226,622</b>

# 5-YEAR FINANCIAL HIGHLIGHTS

	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	<b>2013 \$'000</b>
Revenue	206,988	125,702	159,867	174,899	<b>190,865</b>
Net profit	429	12,875	18,936	33,565	<b>36,844</b>
Owners equity	140,178	157,582	171,325	202,828	<b>238,661</b>
Earnings per share (cents)	0.3	8.2	12.1	21.5	<b>23.5</b>
Net asset value per share (\$)	0.90	1.01	1.10	1.30	<b>1.53</b>

## CORPORATE STRUCTURE

### LION TECK CHIANG LIMITED



# CORPORATE GOVERNANCE

The Board of Directors are committed to high standards of corporate governance and have adopted the principles set out in the Code of Corporate Governance 2005 (the "Code"). The Board familiarized itself with the recommended guideline given under the revised Code of Corporate Governance (the "Revised Code") issued on 2 May 2012. The Company will implement the Revised Code as and when appropriate.

## ROLE OF THE BOARD

The Board meets at least four times yearly. The Board supervises and approves overall strategic plans, major investment and funding decisions, provide entrepreneurial leadership; ensure that necessary financial and human resources are in place. The Board establishes a framework of prudent and effective controls which enable risk to be assessed and managed, review management performance, set the Company's values and standards, and ensure that obligations to Shareholders and others are understood and met and all decisions are made objectively in the interest of the Company and its Shareholders.

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

The attendance of each Director at Board meetings and Board Committee meetings during the financial year ended 30 June 2013 is as follows:

	<b>Board</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nominating Committee</b>
Number of Meetings Held:	4	4	2	2
<b>Name</b>	<b>Number of Meetings Attended</b>	<b>Number of Meetings Attended</b>	<b>Number of Meetings Attended</b>	<b>Number of Meetings Attended</b>
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
Mazlan Bin Dato' Harun	3	3	1	NA
Tan Sri Cheng Heng Jem	0	NA	NA	NA
(Alternate: Juliana Cheng San San)	4	NA	NA	NA

\* Mr Ong Teong Wan was appointed the Lead Independent Director on 23 August 2013.

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 the 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.

## 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:-

<b><u>Executive</u></b>	<b><u>Non-Executive</u></b>	
Cheng Theng Kee	Ong Teong Wan	(Lead Independent Director)
Cheng Yong Liang	Chay Yee	(Independent Director)
	Mazlan Bin Dato' Harun	(Independent Director)
	Tan Sri Cheng Heng Jem (Alternate: Juliana Cheng San San)	

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 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.

The NC which reviews the independence of each Director on an annual basis, adopts the Code's definition of what constitute 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 NC after a review of the independence of each Director is satisfied of each Director's independence.

## CHAIRMAN AND MANAGING DIRECTOR

In compliance with 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

Mr Ong Teong Wan who is currently an Independent Non-Executive Director, the Chairman of the Audit Committee and Nominating Committee and a member of the Remuneration Committee of the Company was appointed as the Lead Independent Director on 23 August 2013.

# CORPORATE GOVERNANCE

## 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.

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 Chay Yee 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.

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.

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.

## REMUNERATION MATTERS

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

Mr Chay Yee (Chairman)  
Mr Ong Teong Wan  
Encik Mazlan Bin Dato' 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 takes 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.

# CORPORATE GOVERNANCE

## REMUNERATION MATTERS (CONT'D)

The annual remuneration bands for the Directors and Key Management staffs are set out below: -

Remuneration Band	Salary <sup>1</sup>	Fees	Bonus	Benefits-in-kind <sup>2</sup>	Total
	%	%	%	%	%
<b>Directors' Remuneration</b>					
<b>(\$250,000 to below \$500,000)</b>					
Cheng Yong Liang	52.9	-	44.4	2.7	100
<b>(Below \$250,000)</b>					
Cheng Theng Kee	75.1	-	22.9	2.0	100
Ong Teong Wan	-	100	-	-	100
Chay Yee	-	100	-	-	100
Mazlan Bin Dato' Harun	-	100	-	-	100
Tan Sri Cheng Heng Jem	-	100	-	-	100
Juliana Cheng San San (Alternate Director to Tan Sri Cheng Heng Jem)	-	100	-	-	100
<b>Key Management's Remuneration</b>					
<b>(\$250,000 to below \$500,000)</b>					
Cheng Theng How	55.0	-	42.0	3.0	100
<b>(Below \$250,000)</b>					
Freddy Mok	78.5	-	21.5	-	100
Jason Foon Lang Yeow	74.0	-	26.0	-	100
Tay Hui Siang	78.8	-	21.2	-	100
Wong Choy Ling	77.9	-	22.1	-	100

Note: -

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

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 \$150,000 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  
Encik Mazlan Bin Dato' Harun



## AUDIT COMMITTEE (CONT'D)

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.
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 Interested Person Transactions ("IPTs").
6. 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.

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.

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 \$200,000 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 has approved the nomination for the re-appointment of Ernst & Young LLP as auditors at the forthcoming AGM.

## 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 to 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.

# CORPORATE GOVERNANCE

## INTERNAL CONTROLS AND INTERNAL AUDIT (CONT'D)

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

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 and compliance risks, were adequate as at 30 June 2013 to meet the needs of the Group in its current business environment.

## 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, where 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 organisational risk management framework has been established by management to formalise and document the internal processes, and to enable significant business risks within the Group to be identified, assessed, monitored, managed and evaluated.

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.

The risk factors are discussed on page 80 of the Annual Report 2013 under the section on "Notes to the Financial Statements".

## RISK MANAGEMENT (CONT'D)

### 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
Amsteel Mills Sdn Bhd	–	3,042
Antara Steel Mills Sdn Bhd	–	11,925
Posim Marketing Sdn Bhd	–	2,889

## 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 10 Arumugam Road, #10-00 Lion Building A, Singapore 409957 on 25 October 2013 at 9.30 a.m.

# CORPORATE GOVERNANCE

## 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 23 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;

## 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.

# CORPORATE GOVERNANCE

## 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.

## 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.

# CORPORATE GOVERNANCE

## 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 2012 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 2013 and as at 10 September 2013 respectively, can be found on page 27 and page 89 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.



## 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.

# CORPORATE GOVERNANCE

## 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.

## 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 2013 and the balance sheet and statement of changes in equity of the Company as at 30 June 2013.

## 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	
Mazlan Bin Dato' Harun	
Ong Teong Wan	
Chay Yee	
Juliana Cheng San San	(Alternate Director to Tan Sri Cheng Heng Jem)

## 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 2013	At beginning of the year	At end of the year	At 21 July 2013
<b>Ordinary shares</b>						
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	-	-	-	33,902,000	31,064,000	30,752,000
Juliana Cheng San San	12,000	12,000	12,000	-	-	-

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.

# DIRECTORS' REPORT

## 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)
Mazlan Bin Dato' 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 2013

# 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 2013, 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 2013

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2013 | 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 31 to 87, which comprise the balance sheets of the Group and the Company as at 30 June 2013, 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 2013 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 2013



# BALANCE SHEETS

as at 30 June 2013

	Note	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Non-current assets</b>					
Investment properties	4	115,000	101,890	-	-
Property, plant and equipment	5	15,903	14,741	-	-
Subsidiary companies	6	-	-	183,331	165,191
Associated company	7	17,789	15,794	-	-
Long-term investments	8	3,730	3,730	380	380
Properties under development	9	66,515	52,976	-	-
Deferred tax assets	10	366	347	-	-
		<b>219,303</b>	<b>189,478</b>	<b>183,711</b>	<b>165,571</b>
<b>Current assets</b>					
Non-current assets held for sale	11	1,620	5,125	-	-
Completed properties held for sale	12	17,918	21,425	-	-
Inventories	13	41,985	50,958	-	-
Prepayments		71	96	2	3
Trade debtors	14	31,421	27,523	-	-
Other debtors	15	1,906	2,255	-	-
Due from subsidiary company	16	-	-	2,003	1,500
Due from related parties	17	784	548	-	-
Fixed deposits	18	7,561	9,152	-	-
Cash and bank balances	18	20,641	13,420	38	26
		<b>123,907</b>	<b>130,502</b>	<b>2,043</b>	<b>1,529</b>
<b>Current liabilities</b>					
Trade creditors	19	32,366	34,410	-	-
Other creditors	20	4,088	5,615	234	188
Due to related parties	21	4,557	4,117	30	24
Interest-bearing loans and borrowings	22	45	1,001	-	-
Provision for taxation		3,714	4,756	-	-
		<b>44,770</b>	<b>49,899</b>	<b>264</b>	<b>212</b>
<b>Net current assets</b>		<b>79,137</b>	<b>80,603</b>	<b>1,779</b>	<b>1,317</b>
<b>Non-current liabilities</b>					
Trade creditors	19	950	605	-	-
Due to subsidiary companies	23	-	-	26,408	23,763
Interest-bearing loans and borrowings	22	28,056	41,181	-	-
Deferred tax liabilities	10	1,752	1,673	-	-
		<b>30,758</b>	<b>43,459</b>	<b>26,408</b>	<b>23,763</b>
		<b>267,682</b>	<b>226,622</b>	<b>159,082</b>	<b>143,125</b>
<b>Equity attributable to owners of the Company</b>					
Share capital	24	150,113	150,113	150,113	150,113
Capital reserve	25	2,612	2,642	-	-
Exchange translation reserve	25	(19,097)	(19,681)	-	-
Accumulated profits/(losses)		103,077	68,189	7,013	(8,553)
Dividend reserve	25	1,956	1,565	1,956	1,565
		<b>238,661</b>	<b>202,828</b>	<b>159,082</b>	<b>143,125</b>
<b>Non-controlling interests</b>		<b>29,021</b>	<b>23,794</b>	<b>-</b>	<b>-</b>
		<b>267,682</b>	<b>226,622</b>	<b>159,082</b>	<b>143,125</b>

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Revenues</b>			
26		<b>190,865</b>	174,899
Cost of sales	27	<b>(148,132)</b>	(144,953)
<b>Gross profit</b>		<b>42,733</b>	29,946
Other income	28	<b>3,030</b>	7,048
Selling and distribution expenses		<b>(902)</b>	(1,167)
Administrative expenses		<b>(6,838)</b>	(6,291)
Other operating expenses		<b>118</b>	173
Share of results of associated company		<b>1,283</b>	(983)
Fair value changes in investment properties	4	<b>13,110</b>	15,790
<b>Operating profit</b>		<b>52,534</b>	44,516
Finance costs	29	<b>(1,026)</b>	(792)
<b>Profit before taxation</b>		<b>51,508</b>	43,724
Taxation	32	<b>(7,437)</b>	(5,938)
<b>Profit for the financial year</b>		<b>44,071</b>	37,786
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Other capital reserve		<b>(30)</b>	(20)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on consolidation		<b>(128)</b>	(1,419)
Share of other comprehensive income of associated company		<b>712</b>	942
		<b>584</b>	(477)
<b>Other comprehensive income, net of tax</b>		<b>554</b>	(497)
<b>Total comprehensive income for the financial year</b>		<b>44,625</b>	37,289
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>36,844</b>	33,565
Non-controlling interests		<b>7,227</b>	4,221
		<b>44,071</b>	37,786
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>37,398</b>	33,068
Non-controlling interests		<b>7,227</b>	4,221
		<b>44,625</b>	37,289
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
– Basic and diluted	33	<b>23.5</b>	21.5

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

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2013

	Attributable to owners of the Company							
	Share capital \$'000	Capital reserve \$'000	Exchange translation reserve \$'000	Accumulated Profits \$'000	Dividend Reserve \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Group</b>								
<b>Balance as at 1 July 2011</b>	150,113	2,662	(19,204)	36,189	1,565	171,325	21,073	192,398
Profit for the financial year	-	-	-	33,565	-	33,565	4,221	37,786
Other comprehensive income for the financial year	-	(20)	(477)	-	-	(497)	-	(497)
Total comprehensive income for the financial year	-	(20)	(477)	33,565	-	33,068	4,221	37,289
Dividends paid (Note 34)	-	-	-	-	(1,565)	(1,565)	-	(1,565)
Dividends payable to non-controlling interests	-	-	-	-	-	-	(1,500)	(1,500)
Transfer to dividend reserve	-	-	-	(1,565)	1,565	-	-	-
<b>Balance as at 30 June 2012 and 1 July 2012</b>	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 payable to non-controlling interests	-	-	-	-	-	-	(2,000)	(2,000)
Transfer to dividend reserve	-	-	-	(1,956)	1,956	-	-	-
<b>Balance as at 30 June 2013</b>	150,113	2,612	(19,097)	103,077	1,956	238,661	29,021	267,682
						<b>Accumulated</b>		
						<b>Share capital</b>		
						<b>profits/</b>		
						<b>(losses)</b>		
						<b>Dividend</b>		
						<b>reserve</b>		
								<b>Total</b>
								<b>\$'000</b>
<b>Company</b>								
<b>Balance as at 1 July 2011</b>					150,113	(27,791)	1,565	123,887
Profit for the financial year					-	20,803	-	20,803
Total comprehensive income for the financial year					-	20,803	-	20,803
Dividends paid (Note 34)					-	-	(1,565)	(1,565)
Transfer to dividend reserve					-	(1,565)	1,565	-
<b>Balance as at 30 June 2012 and 1 July 2012</b>					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	-
<b>Balance as at 30 June 2013</b>					150,113	7,013	1,956	159,082

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

# CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 June 2013

	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities:</b>		
Profit before tax	51,508	43,724
Adjustments for:		
Depreciation of property, plant and equipment	1,607	1,515
Finance costs	1,026	792
Interest income	(683)	(400)
Gain on disposal of property, plant and equipment	(243)	(74)
Fair value changes in investment properties	(13,110)	(15,790)
(Gain)/loss on fair value changes on derivatives	(216)	23
(Write-back)/allowance for doubtful debts	(274)	240
Gain on sale of investment	(868)	–
Write-back of provision for accrued development cost	–	(2,855)
Write-back of provision for onerous contracts	–	(21)
Share of results of associated company	(1,283)	983
Currency realignment	(86)	(1,286)
<b>Operating profit before reinvestment in working capital</b>	<b>37,378</b>	<b>26,851</b>
Decrease/(increase) in inventories	8,973	(22,078)
(Increase)/decrease in debtors and prepayments	(3,034)	276
(Decrease)/increase in creditors	(3,226)	3,091
(Decrease)/increase in amounts due to related parties	(60)	842
Increase in amounts due from related parties	(236)	(314)
Decrease in non-current asset held for sale	3,505	1,890
Increase in properties under development	(13,539)	(2,530)
Decrease in completed properties held for sale	3,477	3,121
<b>Cash generated from operations</b>	<b>33,238</b>	<b>11,149</b>
Interest paid	(1,026)	(792)
Income taxes paid	(8,419)	(1,866)
<b>Net cash generated from operating activities</b>	<b>23,793</b>	<b>8,491</b>
<b>Cash flows from investing activities:</b>		
Interest received	683	400
Proceeds from sale of investment	868	–
Proceeds from disposal of property, plant and equipment	558	75
Purchase of property, plant and equipment	(3,059)	(595)
<b>Net cash used in investing activities</b>	<b>(950)</b>	<b>(120)</b>
<b>Cash flows from financing activities:</b>		
Decrease in finance lease obligations	(44)	(50)
(Repayment)/proceeds of long-term borrowings	(14,062)	3,770
Dividend paid to non-controlling interests of a subsidiary	(1,500)	–
Dividend paid	(1,565)	(1,565)
<b>Net cash (used in)/generated from financing activities</b>	<b>(17,171)</b>	<b>2,155</b>
Net increase in cash and cash equivalents	5,672	10,526
Effect of exchange rate changes on cash and cash equivalents	(42)	(130)
Cash and cash equivalents at beginning of financial year	22,572	12,176
<b>Cash and cash equivalents at end of financial year (Note 18)</b>	<b>28,202</b>	<b>22,572</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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 and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 July 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 19 <i>Employee Benefits</i>	1 January 2013
FRS 113 <i>Fair Value Measurement</i>	1 January 2013
Amendments to FRS 107 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Improvements to FRSs 2012	1 January 2013
– Amendment to FRS 1 <i>Presentation of Financial Statements</i>	1 January 2013
– Amendment to FRS 16 <i>Property, Plant and Equipment</i>	1 January 2013
– Amendment to FRS 32 <i>Financial Instruments: Presentation</i>	1 January 2013
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
Amendments to FRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

Except for the Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Revised FRS 28 and FRS 112 are described below.

### Revised FRS 28 Investments in Associates and Joint Ventures

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

The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates. It is not expected to have any impact to the financial position and financial performance of the Group when implemented in 2014 as the Group does not have joint ventures.

### FRS 112 Disclosure of Interests in Other Entities

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

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

## **2.4 Basis of consolidation and business combinations**

### *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.

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

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

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

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

### *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) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

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

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

## **2.6 Foreign currency translation**

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

### *(i) 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 determined.

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.

### *(ii) 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 which reflects market conditions at the end of the reporting period. 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.

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, plant and equipment and furniture and fixtures 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2.8 *Property, plant and equipment (cont'd)*

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## **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.

## **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.

# NOTES TO THE FINANCIAL STATEMENTS

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

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

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, 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.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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## 2.14 *Financial assets (cont'd)*

### **Subsequent measurement (cont'd)**

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

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

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

### **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.

## 2.15 Impairment of financial assets (cont'd)

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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 assets become uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

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

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

### (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. These also include bank overdrafts that form an integral part of the Group's cash management.

# NOTES TO THE FINANCIAL STATEMENTS

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## 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.

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

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

#### *(b) Other financial liabilities*

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

### **Derecognition**

A financial liability is 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.



## 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## **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 2013

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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.

## 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 date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future 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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (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 2013 was \$15,903,000 (2012: \$14,741,000). 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 \$3,714,000 (2012: \$4,756,000). The carrying amount of the Group's deferred tax assets and deferred tax liabilities at 30 June 2013 was \$366,000 (2012: \$347,000) and \$1,752,000 (2012: \$1,673,000) respectively.

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

### 3.1 Key sources of estimation uncertainty (cont'd)

#### (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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 4. Investment properties

	Group	
	2013	2012
	\$'000	\$'000
<b>Balance sheet:</b>		
At 1 July	<b>101,890</b>	86,100
Net gain from fair value adjustment recognised in profit or loss	<b>13,110</b>	15,790
At 30 June	<b>115,000</b>	101,890
<b>Consolidated statement of comprehensive income:</b>		
Rental and service income from investment properties	<b>6,863</b>	6,098
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	<b>458</b>	595
- Non-rental generating properties	<b>16</b>	11

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
(i)	10 Arumugam Road Singapore 409957	Freehold	4,970 sq.m.	100%	Lion Building A / Industrial
(ii)	12 Arumugam Road Singapore 409958	Freehold	8,500 sq.m.	100%	Lion Building B / Industrial
(iii)	14 Arumugam Road Singapore 409959	Freehold	8,630 sq.m.	100%	Lion Building C / Industrial
(iv)	16 Arumugam Road Singapore 409961	Freehold	5,031 sq.m.	100%	Lion Building D / Industrial

### *Valuation of investment properties*

Investment properties are stated at fair value, which has been determined based on valuation at the balance sheet date. Valuations are performed by accredited independent valuer with recent experience in the location and category of the properties being valued. The valuation is based on the open market value using the Comparable Sales Method and the Investment Method.

The Comparable Sales Method involves the analysis of comparable sales of similar properties and adjusting the sales price to that reflective of the investment properties.

Under the Investment Method, the net rent of the investment properties is capitalised at suitable rate of return to arrive at its value. The net rent is the balance sum after deducting service charge, property tax and a reasonable percentage of vacancy from the gross rent.

### *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 2013

## 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	
<b>Group</b>										
<b>Cost or valuation:</b>										
At 1 July 2011	14,269	7,718	1,761	314	243	7	656	1,012	-	25,980
Additions	-	-	61	17	18	-	7	230	262	595
Disposals	-	-	-	-	(2)	-	-	(176)	-	(178)
Exchange differences	-	-	(1)	-	-	-	-	-	-	(1)
At 30 June 2012 and 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	14,269	8,310	1,895	342	338	7	676	1,066	355	27,258
<b>Accumulated depreciation and impairment loss:</b>										
At 1 July 2011	1,710	5,883	1,036	305	180	7	569	628	-	10,318
Charge for the financial year	770	323	208	4	10	-	24	176	-	1,515
Disposals	-	-	-	-	(1)	-	-	(176)	-	(177)
Exchange differences	-	-	(1)	-	-	-	-	-	-	(1)
At 30 June 2012 and 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	3,250	4,711	1,480	313	210	7	615	769	-	11,355
<b>Net book value</b>										
At 30 June 2012	11,789	1,512	578	22	70	-	70	438	262	14,741
At 30 June 2013	11,019	3,599	415	29	128	-	61	297	355	15,903

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

	<b>Computers</b> \$'000
<b>Company</b>	
Cost	
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	5
Accumulated depreciation	
As at 1 July 2011	4
Charge for the financial year	1
At 30 June 2012 and 1 July 2012	5
Charge for the financial year	-
At 30 June 2013	5
Net book value	
As at 30 June 2012	-
As at 30 June 2013	-

### *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:

<b>Location</b>	<b>Description</b>	<b>Approx. site area</b>	<b>Tenure of land</b>
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 \$7,397,000 (2012: \$7,845,000).

### *Assets held under finance leases*

During the financial year, the Group acquired plant and equipment with an aggregate cost of \$25,000 (2012: \$nil) by means of finance lease. The cash outflow on acquisition of property, plant and equipment amounted to \$3,059,000 (2012: \$595,000).

The carrying amount of motor vehicles held under finance leases at the balance sheet date was \$118,000 (2012: \$213,000).

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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 \$15,184,000 (2012: \$13,824,000) are subject to a floating charge to secure the Group's bills payable (Note 19).

## 6. Subsidiary companies

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	\$'000	\$'000
Unquoted equity investments, at cost	<b>130,070</b>	130,070
Due from a subsidiary company – non-current	<b>53,261</b>	35,121
	<b>183,331</b>	165,191

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.

In the previous financial year, the Company carried out a review of the discounted cashflow of the subsidiary company that has been impaired. From the review, a reversal of \$19,539,000 was recorded.

## 7. Associated company

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	\$'000	\$'000
Shares, at cost	–	–
Shareholders' loan	<b>13,500</b>	13,500
Negative goodwill	<b>3,319</b>	3,319
Share of post-acquisition loss	<b>(609)</b>	(1,892)
Share of post-acquisition reserves	<b>2,710</b>	1,427
Share of associated company's other comprehensive income	<b>1,579</b>	867
	<b>17,789</b>	15,794

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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	
	2013 \$'000	2012 \$'000
<b>Consolidated balance sheet:</b>		
Current assets	68,555	170,766
Non-current assets	47	69
Total assets	<u>68,602</u>	<u>170,835</u>
Current liabilities	48,905	159,618
Non-current liabilities	17,000	20,000
Total liabilities	<u>65,905</u>	<u>179,618</u>
<b>Consolidated result:</b>		
Revenue	<u>107,743</u>	5,034
Profit/(loss) for the financial year/period	<u>3,207</u>	(2,458)

## 8. Long-term investments

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Unquoted equity investments	3,685	3,685	380	380
Club memberships	45	45	-	-
	<u>3,730</u>	<u>3,730</u>	<u>380</u>	<u>380</u>

During the financial year, the Group disposed of an unquoted equity investment, which had been fully impaired previously.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 9. Properties under development

	Group	
	2013 \$'000	2012 \$'000
Land	37,226	36,491
Borrowing costs capitalised	4,075	3,490
Development costs	<b>25,924</b>	13,704
	<b>67,225</b>	53,685
Attributable profit	-	-
Less: Progress billings	-	-
Less: Allowance for foreseeable losses	<b>(710)</b>	(709)
	<b>66,515</b>	52,976
Analysis of allowance for foreseeable losses:		
At 1 July	<b>(709)</b>	(722)
Exchange differences	<b>(1)</b>	13
At 30 June	<b>(710)</b>	(709)

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

	Group	
	2013 \$'000	2012 \$'000
Payroll expenses	<b>179</b>	199
Borrowing costs	<b>585</b>	784

The rates used to determine the amount of borrowing costs eligible for capitalisation ranged from 1.69% to 1.91% (2012: 1.69% to 3.03%), which are the effective interest rate of the specific borrowing.

As at 30 June 2013, 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 \$1,775,000 (2012: \$1,252,000).

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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 30.6.2013/ expected date of completion	Site area/ gross floor area	Group's effective interest	Description and existing use
<b>Malaysia</b>						
(i)	Kawasan Bandar XLII District of Melaka Tengah	99 years	Planning Stage	0.65 hectare/ 15,216 sq.m.	100%	36 units of 4-storey shop/apartment
(ii)	Lot 8243 (formerly Lot 1916) Mukim Tanjung Duabelas, District of Kuala Langat, Selangor	Freehold	Planning Stage	73.18 hectare	100%	Commercial and industrial land
(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%	Held for sale
(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
<b>Singapore</b>						
(v)	Lot 96927P, 96929A MK 25 7 Crescent Road	Freehold	95%/ August 2013	3,078.3 sq.m./ 6,024 sq.m.	100%	14 units of 2-storey strata detached houses

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 10. Deferred taxation

	Group	
	2013	2012
	\$'000	\$'000
<b>Deferred tax assets</b>		
At 1 July	347	734
Addition/(utilisation) during the financial year	20	(382)
Currency alignment	(1)	(5)
At 30 June	<u>366</u>	<u>347</u>
<b>Deferred tax liabilities</b>		
At 1 July	1,673	1,647
Provisions during the financial year	79	26
At 30 June	<u>1,752</u>	<u>1,673</u>

	Group			
	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax assets</b>				
Provisions	422	410	(12)	185
Unutilised tax losses	-	-	-	208
Revaluations	(56)	(63)	(1)	(11)
	<u>366</u>	<u>347</u>	<u>(13)</u>	<u>382</u>
<b>Deferred tax liabilities</b>				
Differences in depreciation for tax purposes	788	709	79	26
Revaluations	964	964	-	-
	<u>1,752</u>	<u>1,673</u>	<u>79</u>	<u>26</u>

## 11. Non-current assets held for sale

	Group	
	2013	2012
	\$'000	\$'000
At 1 July	5,125	7,015
Transfer on sale	(3,492)	(2,727)
Exchange loss	(13)	(121)
Reclassified from properties under development, net of allowance for foreseeable losses	-	958
At 30 June	<u>1,620</u>	<u>5,125</u>

Certain land included in non-current assets held for sale amounting to \$1,620,000 (RM4,060,000) is held under the name of a related company of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 11. Non-current assets held for sale (cont'd)

The Group had entered into two sale and purchase agreements on 5 April 2011 and an escrow agreement on 27 April 2011 for the disposal of freehold lands in Tempat Ladang Brooklands, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan for a total consideration of \$29,821,000 (RM74,367,000).

On 1 June 2012, the conditions precedent in relation to the sale of land under H.S. (M) 18984-18989, P.T. No. 32228-32233, Tempat Ladang Brooklands, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan has been met. With this, sales amounting to \$13,374,000 (RM32,715,000) has been recognised during the prior year.

On 20 February 2013, the conditions precedent in relation to the sale of land held under H.S. 31922, P.T. No. 33741, Tempat Ladang Brooklands, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan has been met. With this, sales amounting to \$16,703,000 (RM41,653,000) has been recognised during the year.

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).

Pending the completion of the above transactions, the assets remain reclassified as non-current assets held for sale.

These are included under the "Property development" segment in Note 37.

## 12. Completed properties held for sale

	Group	
	2013	2012
	\$'000	\$'000
Freehold and leasehold land	4,244	5,349
Construction costs	12,432	14,589
Interest capitalised	1,242	1,487
	<u>17,918</u>	<u>21,425</u>

Certain properties included in completed properties held for sale are rented out and generate 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. This mortgage has been discharged on 27 June 2013.

Certain land, amounting to \$1,682,000 (2012: \$2,795,000) are held under the names of related parties of the Group.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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
	<i>Malaysia</i>				
(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
			0.33 hectare/ 5,072 sq.m.	100%	12 units of 4-storey shop/apartment
(ii)	Lot 3066 & 3067 Mukim Tebrau District of Johor Bahru, Johor	Freehold	3.19 hectare/ 20,241 sq.m.	100%	Hypermarket
			0.79 hectare/ 15,080 sq.m.	100%	48 units of shop houses

## 13. Inventories

	Group	
	2013	2012
	\$'000	\$'000
Trading stocks	20,323	24,648
Goods in transit	8,616	17,236
Raw material	12,936	8,912
Remnant	110	162
	<b>41,985</b>	<b>50,958</b>

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

## 14. Trade debtors

	Group	
	2013	2012
	\$'000	\$'000
Trade receivables	31,529	27,763
Less: Allowance for doubtful debts	(108)	(240)
	<b>31,421</b>	<b>27,523</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. Trade debtors (cont'd)

The Group has pledged a floating charge over the trade debtors net of allowance for uncollectible amounts, amounting to \$29,580,000 (2012: \$19,717,000) as security over the bills payable (Note 19).

The Group held security deposits of \$1,709,000 as at 30 June 2013 (2012: \$1,588,000) from tenants against the trade receivables of its property rental business.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to \$12,948,000 (2012: \$8,447,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2013	2012
	\$'000	\$'000
<b>Trade receivables past due:</b>		
Less than 30 days	11,352	7,285
30 to 60 days	1,463	1,051
60 to 90 days	34	13
More than 90 days	99	98
	<b>12,948</b>	<b>8,447</b>

### Receivables that are impaired

The Group's trade receivables 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	
	2013	2012
	\$'000	\$'000
Trade receivables – nominal amounts	108	240
Less: Allowance for doubtful debts	(108)	(240)
	–	–
<b>Movement in allowance accounts:</b>		
At 1 July	240	–
Provision during the financial year	18	240
Written back	(150)	–
At 30 June	<b>108</b>	<b>240</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 15. Other debtors

	Group	
	2013 \$'000	2012 \$'000
Deposits	1,499	502
Sundry debtors	314	1,753
	<b>1,813</b>	2,255
Derivative instruments	93	–
	<b>1,906</b>	2,255

The Group has pledged a floating charge over the other debtors, amounting to \$1,330,000 (2012: \$204,000) as security over the bills payable (Note 19).

Included in sundry debtors in 2012 was an amount of \$1,666,000 which was placed in an escrow account with CIMB Trustee Berhad pending the completion of the sale of pieces of freehold land in Tempat Ladang Brooklands, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan. The sale was completed during the financial year.

### ***Movement in allowance accounts:***

At 1 July	142	142
Written back	(142)	–
At 30 June	–	142

## 16. Due from subsidiary company

Amount due from a 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	
	2013 \$'000	2012 \$'000
Trade related	12	8
Non-trade related	772	540
	<b>784</b>	548

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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	
	2013	2012
	\$'000	\$'000
Fixed deposits	7,561	9,152
Cash and bank balances	20,641	13,420
	<u>28,202</u>	<u>22,572</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The interest rates on fixed deposits ranged from 2.30% to 3.00% (2012: ranged from 2.30% to 3.15%) per annum. The maturity dates of these deposits range from 1 July 2013 to 10 July 2013 (2012: 2 July 2012 to 31 December 2012).

Included in the cash and bank balances is an amount of \$8,790,000 (2012: \$7,951,000) held pursuant to local and foreign Housing Development Act and therefore restricted from use in other operations. Out of this amount, \$4,078,000 (2012: \$3,880,000) 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 \$11,135,000 (2012: \$4,681,000) and \$24,000 (2012: \$24,000) as security over the bills payable and unutilised credit facilities respectively (Note 19 and 22).

## 19. Trade creditors

	Group	
	2013	2012
	\$'000	\$'000
Current:		
Trade payables	6,619	23,184
Bills payable	24,308	9,637
Retention sum	680	606
Rental deposits	759	983
	<u>32,366</u>	<u>34,410</u>
Non-current:		
Rental deposits	950	605

Included in trade payables are accrued purchases of \$2,710,000 (2012: \$20,478,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 20. Other creditors

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deposits received	272	279	-	-
Sundry creditors	1,135	2,161	-	-
Accruals	1,930	2,353	234	188
Accrued development cost	751	699	-	-
	<b>4,088</b>	5,492	<b>234</b>	188
Derivative instruments	-	123	-	-
	<b>4,088</b>	5,615	<b>234</b>	188

In 2012, a sum of \$1,666,000 was included in sundry creditors, which was refundable by the Group upon the failure to complete the sale of pieces of freehold land in Tempat Ladang Brooklands, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan as mentioned in Note 11. As the sale has been completed in the current financial year, the refundable deposit has been recognised in the consolidated statement of comprehensive income.

## 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.

## 22. Interest-bearing loans and borrowings

	Maturity	Group	
		2013 \$'000	2012 \$'000
Current:			
Term loan	-	-	960
Obligations under finance leases	2014	45	41
		<b>45</b>	1,001
Non-current:			
Bank loan	2015	22,944	21,746
Revolving credit facility	2014	5,000	17,500
Term loan	-	-	1,800
Obligations under finance leases	2014-2017	112	135
		<b>28,056</b>	41,181

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

### *Term loan*

The secured term loan bore interest at 7.23% (2012: 7.23%) per annum.

This was secured by:

- (a) first fixed charge over a parcel of land (3.19 hectares) which forms part of a larger freehold land (14.17 hectares) at Lot 3066 and 3067, Mukim Tebrau, Johor Bahru and the building erected on the land with a total carrying amount of \$15,645,000;
- (b) assignment of rental proceeds; and
- (c) corporate guarantee from the Company

The term loan was repaid during the financial year.

### *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 4.86% (2012: 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:

	<b>Minimum payments 2013 \$'000</b>	<b>Present value of payments 2013 \$'000</b>	<b>Minimum payments 2012 \$'000</b>	<b>Present value of payments 2012 \$'000</b>
Within one year	<b>50</b>	<b>45</b>	46	41
After one year but not more than five years	<b>126</b>	<b>112</b>	154	135
Total minimum lease payments	<b>176</b>	<b>157</b>	200	176
Less: Amount representing finance charges	<b>(19)</b>	-	(24)	-
Present value of minimum lease payments	<b>157</b>	<b>157</b>	176	176

### *Bank loan*

The secured bank loan bears interest ranging from 1.61% to 1.78% (2012: 1.69% to 2.23%) per annum.

This is secured by:

- (a) first legal mortgage over one of the land in the Group's properties under development with a carrying value of \$53,913,000 (2012: \$41,755,000);
- (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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

### *Revolving credit facility*

The revolving credit facility is denominated in SGD and bears interest at 1.69% to 1.91% (2012: 1.73% to 3.03%) 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

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	\$'000	\$'000
Issued and fully paid:		
Balance at beginning and end of year:		
156,453,000 ordinary shares	<u><b>150,113</b></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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 26. Revenues

	Group	
	2013	2012
	\$'000	\$'000
Sales of goods	160,852	149,986
Sales from property development	21,484	17,131
Rental and service revenue	8,430	7,730
Dividend income from unquoted investments	99	52
	<b>190,865</b>	<b>174,899</b>

## 27. Cost of sales

	Group	
	2013	2012
	\$'000	\$'000
Included in cost of sales are the following items:		
Direct labour and related costs	2,434	1,833
Operating lease expenses	463	437
Write-back of provision for onerous contracts	-	(21)
Inventories recognised as an expense in cost of sales	132,937	132,478

## 28. Other income

	Group	
	2013	2012
	\$'000	\$'000
Included in other income are the following items:		
Compensation from a customer	-	3,278
Gain on disposal of property, plant and equipment	243	74
Interest income	683	400
Management and consulting fees	242	255
Service income	99	119
Gain on sale of investment	868	-
Write-back of accrued development cost	-	2,855
Forfeiture of deposits received	635	-



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 29. Finance costs

	Group	
	2013	2012
	\$'000	\$'000
Interest expense on:		
Bank overdrafts	-	6
Revolving credit facilities and bank loans	133	243
Hire purchases	5	7
Trust receipts	490	475
Interest on debt	391	-
Others	7	61
	<u>7</u>	<u>61</u>
	<u>1,026</u>	<u>792</u>

## 30. Profit before taxation

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

	Group	
	2013	2012
	\$'000	\$'000
Audit fees paid to:		
- Auditors of the Company	175	181
- Other auditors	25	12
Non-audit fees paid to other auditors	1	1
Depreciation of property, plant and equipment	1,607	1,515
Staff costs (Note 31)	3,550	3,111
(Gain)/loss on fair value changes on derivatives	(216)	23
Foreign currency gain, net	(119)	(173)
(Write-back)/allowance for doubtful debts, net	(274)	240
	<u>(274)</u>	<u>240</u>

## 31. Staff costs

	Group	
	2013	2012
	\$'000	\$'000
Directors of the Company and its subsidiary companies		
- Directors' remuneration	629	560
- CPF contributions	23	23
Key management personnel of the Company and its subsidiary companies		
- Employees' remuneration	691	625
- CPF contributions	51	52
Staff costs		
- Salaries and other benefits	1,958	1,676
- CPF and other defined contributions	198	175
	<u>198</u>	<u>175</u>
	<u>3,550</u>	<u>3,111</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 31. Staff costs (cont'd)

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

	2013	2012
Number of Directors in remuneration bands:		
\$250,000 to below \$500,000	1	1
Below \$250,000	5	5
	<u>6</u>	<u>6</u>
Number of key management officers in remuneration bands:		
\$250,000 to below \$500,000	1	1
Below \$250,000	4	4
	<u>5</u>	<u>5</u>

## 32. Taxation

### (a) Major components of taxation

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

	Group	
	2013	2012
	\$'000	\$'000
Current income tax:		
- Singapore	3,106	2,053
- Foreign	3,979	3,272
- Underprovision in respect of previous financial years	286	205
	<u>7,371</u>	<u>5,530</u>
Deferred income tax:		
- Origination and reversal of temporary differences	149	1,002
- Recognition of previously unrecognised tax losses	-	(127)
- Overprovision in respect of previous financial years	(83)	(467)
	<u>66</u>	<u>408</u>
	<u>7,437</u>	<u>5,938</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 32. Taxation (cont'd)

### (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	
	2013 \$'000	2012 \$'000
Accounting profit	<b>51,508</b>	43,724
Tax at statutory rate of 17% (2012: 17%)	<b>8,756</b>	7,433
Adjustments:		
Tax effect on different tax rate of other country	<b>1,250</b>	1,234
Non-deductible expenses	<b>164</b>	147
Income not subjected to tax	<b>(2,659)</b>	(2,597)
Under/(over) provision in respect of previous financial years	<b>203</b>	(262)
Effect of partial tax exemption and tax relief	<b>(510)</b>	(160)
Utilisation of deferred tax asset not recognised previously	–	(38)
Tax effect on benefit from operating losses not recorded	<b>112</b>	111
Others	<b>121</b>	70
	<b>7,437</b>	5,938

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 2013 and 2012. The subsidiary incorporated in Malaysia is subject to income tax at the statutory tax rate of 25% for the financial years ended 30 June 2013 and 2012.

### 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
<b>2013</b>			
Other capital reserve	(30)	–	(30)
Exchange differences on consolidation	(128)	–	(128)
Share of comprehensive income of associated company	712	–	712
<b>2012</b>			
Other capital reserve	(20)	–	(20)
Exchange differences on consolidation	(1,419)	–	(1,419)
Share of comprehensive income of associated company	942	–	942

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 33. Earnings per share

	Group	
	2013 \$'000	2012 \$'000
Net earnings attributable to ordinary shareholders	<b>36,844</b>	33,565
Weighted average number of ordinary shares for calculation of basic and fully diluted earnings per share ('000)	<b>156,453</b>	156,453
	Cents	Cents
Earnings per share – basic and diluted	<b>23.5</b>	21.5

## 34. Dividends

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

The proposed dividend, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company, has not been accrued as liability for the current financial year.

## 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Dividend income received from a subsidiary company	–	–	<b>(18,125)</b>	(1,500)
Management fee received from associated company	<b>(192)</b>	(192)	–	–
Management fee paid to related company	<b>79</b>	85	<b>79</b>	85
Sales of goods to related companies	<b>(499)</b>	(582)	–	–
Purchases of goods from related company	<b>14,439</b>	23,873	–	–
Rental paid to a subsidiary company	–	–	<b>43</b>	27
Rental and service income from related companies	<b>(163)</b>	(153)	–	–

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 35. Related party transactions (cont'd)

### *Compensation of key management personnel*

The details of the remuneration are in Note 31.

## 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 (2012: 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 \$463,000 (2012: \$437,000).

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

	Group	
	2013	2012
	\$'000	\$'000
Within one year	486	461
After one year but not more than five years	1,966	1,863
More than five years	4,702	4,922
	<u>7,154</u>	<u>7,246</u>

### (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	
	2013	2012
	\$'000	\$'000
Not later than one year	6,380	5,198
Later than one year but not later than five years	4,195	2,745
	<u>10,575</u>	<u>7,943</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 36. Commitments and contingencies (cont'd)

### (iii) Capital commitments

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

	Group	
	2013 \$'000	2012 \$'000
Capital commitments in respect of property, plant and equipment	<u>386</u>	<u>167</u>

### (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 66% (2012: 59%) 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	
	2013 \$'000	2012 \$'000
Guarantees given by the Company to banks in connection with bank facilities provided to subsidiary and associated companies	<u>73,120</u>	<u>85,745</u>
Amount utilised in respect of guarantees issued at 30 June	<u>37,594</u>	<u>54,021</u>

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 37. Segment information (cont'd)

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.

	Steel trading		Property development		Property rental		Investment holding		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>												
Sales to external customers	160,852	149,986	21,484	17,131	8,430	7,730	-	-	-	-	190,766	174,847
Dividend income	-	-	-	-	-	-	99	52	-	-	99	52
Inter-segment sales	-	-	-	-	43	27	-	-	(43)	(27)	-	-
<b>Total revenues</b>	<b>160,852</b>	<b>149,986</b>	<b>21,484</b>	<b>17,131</b>	<b>8,473</b>	<b>7,757</b>	<b>99</b>	<b>52</b>	<b>(43)</b>	<b>(27)</b>	<b>190,865</b>	<b>174,899</b>
<b>Results:</b>												
Interest income	-	-	683	400	-	-	-	-	-	-	683	400
Depreciation of property, plant and equipment	1,287	1,188	-	-	320	326	-	1	-	-	1,607	1,515
Write-back of provision for onerous contracts	-	21	-	-	-	-	-	-	-	-	-	21
Write-back of accrued development cost	-	-	-	2,855	-	-	-	-	-	-	-	2,855
Fair value changes in investment properties	-	-	-	-	13,110	15,790	-	-	-	-	13,110	15,790
Share of results of associated company	-	-	1,283	(983)	-	-	-	-	-	-	1,283	(983)
<b>Operating profit</b>	<b>17,569</b>	<b>10,941</b>	<b>16,011</b>	<b>13,188</b>	<b>18,520</b>	<b>20,575</b>	<b>18,559</b>	<b>1,312</b>	<b>(18,125)</b>	<b>(1,500)</b>	<b>52,534</b>	<b>44,516</b>
Finance costs											(1,026)	(792)
<b>Profit before tax</b>											<b>51,508</b>	<b>43,724</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 37. Segment information (cont'd)

	Steel trading		Property development		Property rental		Investment holding		Eliminations		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets and liabilities:</b>												
Segment assets	99,397	89,590	124,208	121,193	132,904	121,162	51,203	32,298	(64,868)	(44,610)	342,844	319,633
Deferred tax assets											366	347
Total assets											<u>343,210</u>	<u>319,980</u>
Segment liabilities	36,916	38,384	4,458	5,252	46,988	28,985	18,467	16,736	(64,868)	(44,610)	41,961	44,747
Tax liabilities											5,466	6,429
Loans and borrowings											<u>28,101</u>	<u>42,182</u>
Total liabilities											<u>75,528</u>	<u>93,358</u>
<b>Other segment information:</b>												
Capital expenditure	2,962	332	-	-	122	263	-	-	-	-	3,084	595
Investment in associated company	-	-	17,789	15,794	-	-	-	-	-	-	<u>17,789</u>	<u>15,794</u>

- 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.

### 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	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue	167,772	156,108	23,093	18,791	-	-	190,865	174,899
Non-current assets	<u>188,546</u>	<u>162,116</u>	<u>12,602</u>	<u>11,221</u>	<u>17,789</u>	<u>15,794</u>	<u>218,937</u>	<u>189,131</u>

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

Revenue from one major customer amounted to \$16,703,000 (2012: \$13,374,000) arising from sales by the property development segment.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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	
				2013 %	2012 %
<b>Subsidiary companies:</b>					
<b>Held by the Company:</b>					
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
<b>Held through Teck Chiang Realty Private Limited:</b>					
a	Teck Chiang (International) Pte Ltd	Investment holding	Singapore	100	100
<b>Held through Angkasa Amsteel Pte. Ltd.:</b>					
a	Angkasa Welded Mesh Pte Ltd	Dormant	Singapore	51	51
b	Angkasa Amsteel Sdn Bhd	Dormant	Malaysia	100	–
<b>Associated companies:</b>					
<b>Held by Teck Chiang (International) Pte Ltd:</b>					
c	Kairong Developments (S) Pte. Ltd.	Investment holding	Singapore	40	40
<b>Held by Kairong Developments (S) Pte. Ltd.:</b>					
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				

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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 receivables. 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 \$37,594,000 (2012: \$54,021,000) 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 2013

## 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:

	2013		2012	
	\$'000	% of total	\$'000	% of total
<b>Group</b>				
<b>By geographical:</b>				
Singapore	26,054	83	20,064	73
Malaysia	5,367	17	7,459	27
	<b>31,421</b>	<b>100</b>	<b>27,523</b>	<b>100</b>
<b>By business:</b>				
Steel trading	29,580	94	19,718	72
Property development	1,368	4	7,238	26
Property rental	473	2	567	2
	<b>31,421</b>	<b>100</b>	<b>27,523</b>	<b>100</b>

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 2013, approximately 66% (2012: 72%) of the trade debtors of the Steel business are due from the top 5 (2012: 4) 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 2013

## 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 meet 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.

	2013				2012			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Group</b>								
<b>Financial assets</b>								
Long-term investments	-	-	3,730	3,730	-	-	3,730	3,730
Trade debtors	31,421	-	-	31,421	27,523	-	-	27,523
Other debtors	1,906	-	-	1,906	2,255	-	-	2,255
Due from related parties	784	-	-	784	548	-	-	548
Fixed deposits	7,561	-	-	7,561	9,152	-	-	9,152
Cash and bank balances	20,641	-	-	20,641	13,420	-	-	13,420
Total undiscounted financial assets	62,313	-	3,730	66,043	52,898	-	3,730	56,628
<b>Financial liabilities</b>								
Trade creditors	32,366	950	-	33,316	34,410	605	-	35,015
Other creditors	4,088	-	-	4,088	5,615	-	-	5,615
Interest-bearing loans and borrowings	50	29,031	-	29,081	1,075	42,633	-	43,708
Due to related parties	4,557	-	-	4,557	4,117	-	-	4,117
Total undiscounted financial liabilities	41,061	29,981	-	71,042	45,217	43,238	-	88,455
Total net undiscounted financial assets/(liabilities)	21,252	(29,981)	3,730	(4,999)	7,681	(43,238)	3,730	(31,827)

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

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

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

	2013				2012			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Company</b>								
<b>Financial assets</b>								
Due from subsidiary companies	2,003	-	53,261	55,264	1,500	-	35,121	36,621
Long-term investments	-	-	380	380	-	-	380	380
Cash and bank balances	38	-	-	38	26	-	-	26
Total undiscounted financial assets	<u>2,041</u>	<u>-</u>	<u>53,641</u>	<u>55,682</u>	<u>1,526</u>	<u>-</u>	<u>35,501</u>	<u>37,027</u>
<b>Financial liabilities</b>								
Other creditors	234	-	-	234	188	-	-	188
Due to related parties	30	-	-	30	24	-	-	24
Due to subsidiary companies	-	-	26,408	26,408	-	-	23,763	23,763
Total undiscounted financial liabilities	<u>264</u>	<u>-</u>	<u>26,408</u>	<u>26,672</u>	<u>212</u>	<u>-</u>	<u>23,763</u>	<u>23,975</u>
Total net undiscounted financial assets	<u>1,777</u>	<u>-</u>	<u>27,233</u>	<u>29,010</u>	<u>1,314</u>	<u>-</u>	<u>11,738</u>	<u>13,052</u>

### (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% (2012: 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 (2012: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been \$282,000 (2012: \$268,000) 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 2013

## 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% (2012: 88%) of the Group's steel purchases is denominated in foreign currencies.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At balance sheet date, such foreign currency balances amount to \$17,668,000 and \$14,000 (2012: \$16,991,000 and \$3,000) in RM and USD respectively.

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 2013, the Group had hedged 63% (2012: 85%) 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	
	2013	2012
	\$'000	\$'000
<b>USD</b>		
- strengthened 2% (2012: 4%)	205	615
- weakened 2% (2012: 4%)	(205)	(615)
<b>RM</b>		
- strengthened 1% (2012: 2%)	(222)	(422)
- weakened 1% (2012: 2%)	222	422

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 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	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Financial assets</b>					
<b>Fair value through profit or loss</b>					
Other debtors – derivative instruments	15	<b>93</b>	–	–	–
<b>Available for sale</b>					
Long-term investments	8	<b>3,730</b>	3,730	<b>380</b>	380
<b>Loan and receivables</b>					
Due from subsidiary companies		–	–	<b>55,264</b>	36,621
Trade debtors	14	<b>31,421</b>	27,523	–	–
Other debtors	15	<b>1,813</b>	2,255	–	–
Due from related parties	17	<b>784</b>	548	–	–
Fixed deposits	18	<b>7,561</b>	9,152	–	–
Cash and bank balances	18	<b>20,641</b>	13,420	<b>38</b>	26
		<b>62,220</b>	52,898	<b>55,302</b>	36,647
<b>Financial liabilities</b>					
<b>Fair value through profit or loss</b>					
Other creditors – derivative instruments	20	–	123	–	–
<b>At amortised cost</b>					
Trade creditors	19	<b>33,316</b>	35,015	–	–
Other creditors	20	<b>4,088</b>	5,492	<b>234</b>	188
Due to related parties	21	<b>4,557</b>	4,117	<b>30</b>	24
Interest-bearing loans and borrowings	22	<b>28,101</b>	42,182	–	–
Due to subsidiary companies	23	–	–	<b>26,408</b>	23,763
		<b>70,062</b>	86,806	<b>26,672</b>	23,975

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 40. Financial instruments (cont'd)

### A. Fair value of financial instruments that are carried at fair value

Derivatives (Note 15 and 20) are carried at "significant other observable" (Level 2) fair value hierarchy.

#### Fair value hierarchy

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

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

*Derivatives (Note 15 and 20):* 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 fair values of derivative instruments are as follows:

	Group			
	Total notional amount		Aggregate net fair value	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Forward foreign exchange contracts	<b>12,786</b>	19,924	<b>93</b>	(123)

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 9 open derivative contracts as at 30 June 2013 (2012: 12).

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

*Trade debtors (Note 14), Other debtors (Note 15), Due from subsidiary company (Note 16), Due from related parties (Note 17), Trade creditors (Note 19), Other creditors (Note 20), Due to related parties (Note 21) and Interest-bearing loans and borrowings (Note 22).*

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



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2013

## 40. Financial instruments (cont'd)

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

*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 2013 and 2012.

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	
	2013 \$'000	2012 \$'000
Trade creditors	<b>33,316</b>	35,015
Other creditors	<b>4,088</b>	5,492
Interest-bearing loans and borrowings	<b>28,101</b>	42,182
Due to related parties	<b>4,557</b>	4,117
Fixed deposits	<b>(7,561)</b>	(9,152)
Cash and bank balances	<b>(20,641)</b>	(13,420)
Net debt	<b>41,860</b>	64,234
Total equity	<b>238,661</b>	202,828
Equity and net debt	<b>280,521</b>	267,062
Gearing ratio	<b>15%</b>	24%

## 42. Authorisation of financial statements

The financial statements for the financial year ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 10 September 2013.

# ANALYSIS OF SHAREHOLDINGS

as at 10 September 2013

Issued and fully paid-up capital	:	S\$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 10 SEPTEMBER 2013

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	1,064	13.31	312,784	0.20
1,000 - 10,000	6,400	80.05	11,680,611	7.47
10,001 - 1,000,000	517	6.47	34,014,481	21.74
1,000,001 and above	14	0.17	110,445,124	70.59
Total	7,995	100.00	156,453,000	100.00

## TWENTY LARGEST SHAREHOLDERS AS AT 10 SEPTEMBER 2013

No.	Name of Shareholders	No. of Shares	%
1	Lion Investment (Singapore) Pte Ltd	53,100,000	33.94
2	Lion Realty Pte Ltd	11,450,000	7.32
3	BNP Paribas Securities Services Singapore	10,819,000	6.91
4	UOB Kay Hian Pte Ltd	10,180,050	6.51
5	Lion Holdings Sdn Bhd	6,498,571	4.15
6	Lion Enterprise (Kuala Lumpur) Sdn Bhd	3,451,429	2.21
7	Phillip Securities Pte Ltd	3,158,274	2.02
8	Ng Soo Giap or Chew Sooi Guat	1,887,000	1.21
9	Neo Aik Soo	1,857,000	1.19
10	Saw Tze Choon	1,744,000	1.11
11	Leh Bee Hoe	1,723,000	1.10
12	DBS Vickers Securities (S) Pte Ltd	1,699,800	1.09
13	DBS Nominees Pte Ltd	1,479,000	0.94
14	Morph Investments Ltd	1,398,000	0.89
15	Tan Boon Kay	965,000	0.62
16	See Beng Lian Janice	959,000	0.61
17	Yim Chee Tong	948,000	0.61
18	Estate of Ching Kwong Yew, Deceased	935,000	0.60
19	Vellayappan S/O Karrupiah	870,000	0.56
20	United Overseas Bank Nominees (Pte) Ltd	834,000	0.53
	Total:	115,956,124	74.12

## SHAREHOLDINGS IN THE HANDS OF PUBLIC AS AT 10 SEPTEMBER 2013

On the basis of the information available to the Company, approximately 38.6% 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 10 September 2013

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 <sup>(2)</sup>	50,000	0.03%	53,100,000	33.94%
Lion Realty Private Limited	11,450,000	7.32%	–	–
Lion Development (Penang) Sdn Bhd <sup>(3)</sup>	–	–	9,950,000	6.36%
Lion Holdings Sdn Bhd <sup>(4)</sup>	9,950,000	6.36%	–	–
Angkasa Marketing (Singapore) Pte Ltd <sup>(5)</sup>	9,850,000	6.30%	–	–
Cheng Theng Kee <sup>(1)</sup>	300,000	0.19%	53,134,000	33.96%
Tan Sri Cheng Heng Jem <sup>(6)</sup>	–	–	30,752,000	19.66%
ACB Resources Berhad <sup>(7)</sup>	–	–	20,669,000	13.21%
Lion Corporation Berhad <sup>(8)</sup>	–	–	20,669,000	13.21%

**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) Lion Development (Penang) Sdn Bhd is deemed to be interested in 9,950,000 shares held by Lion Holdings Sdn Bhd.
- (4) Lion Holdings Sdn Bhd is the beneficial owner of 3,451,429 shares registered under Lion Enterprise (Kuala Lumpur) Sdn Bhd.
- (5) Angkasa Marketing (Singapore) Pte Ltd is the beneficial owner of 9,850,000 shares registered under UOB Kay Hian Pte Ltd.
- (6) Tan Sri Cheng Heng Jem is deemed to be interested in 30,752,000 shares comprising 20,669,000 shares deemed held by Lion Corporation Berhad, 9,950,000 shares held by Lion Holdings Sdn Bhd, 100,000 shares held by Lion AMB Resources Berhad and 33,000 shares held by Lion Industries Corporation Berhad.
- (7) ACB Resources Berhad is deemed to be interested in 20,669,000 shares comprising 7,544,000 shares deemed held by Akurjaya Sdn Bhd, 9,850,000 shares deemed held by Angkasa Marketing (Singapore) Pte Ltd and 3,275,000 shares deemed held by Umatrac Enterprises Sdn Bhd. Akurjaya Sdn Bhd and Umatrac Enterprises Sdn Bhd are the beneficial owners of 7,544,000 shares and 3,275,000 shares, respectively; registered under BNP Paribas Securities Services Singapore.
- (8) Lion Corporation Berhad is deemed to be interested in 20,669,000 shares comprising 20,669,000 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 10 Arumugam Road #10-00, Lion Building A, Singapore 409957 on Friday, 25 October 2013 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 2013. (Resolution 1)
2. To declare a first and final (one-tier) tax exempt dividend of 1.25 cents per ordinary share for the year ended 30 June 2013. (Resolution 2)
3. To re-elect Mr Chay Yee, a Director retiring pursuant to Article 91 of the Company's Articles of Association. (Resolution 3)

*My Chay Yee will, upon re-election, remain as the Chairman of the Remuneration Committee and as a member of the Audit Committee and Nominating Committee and will be considered independent.*

4. 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 4a)
  - (b) That pursuant to Section 153(6) of the Companies Act, Tan Sri Cheng Heng Jem 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 4b)
  - (c) 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 4c)

*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.*

5. To approve the payment of Directors' fees of S\$121,500 for the year ended 30 June 2013 (2012: S\$123,500). (Resolution 5)
6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

## AS SPECIAL BUSINESS

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

### 7. **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

# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS (CONT'D)

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

- (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

- (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 7)

### 8. 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 19 of this Annual Report, with any person who falls within the classes of Interested Persons as described on pages 18 and 19 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 19 to 21 of this Annual Report (the "IPT Mandate");

# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS (CONT'D)

### 8. **Renewal of the Shareholders' Mandate for Interested Person Transactions (cont'd)**

- (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;
- (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 8)

9. 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 2013

*Explanatory Note on Special Business to be transacted:-*

- (i) Resolution 7 proposed in item 7 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 8 proposed in item 8 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 18 and 19 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.

## **NOTICE OF BOOKS CLOSURE**

**NOTICE IS HEREBY GIVEN THAT** the Transfer Books and Register of Members of the Company will be closed on 12 November 2013, for the preparation of dividend warrants. Duly completed transfers received by the Company's Registrar, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 up to the close of business at 5.00 p.m. on 11 November 2013 will be registered to determine shareholders' entitlement to the proposed first and final dividend.

The proposed first and final dividend if approved at the Annual General Meeting will be paid on 20 November 2013.

## 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 10 Arumugam Road #10-00, Lion Building A, Singapore 409957 on Friday, 25 October 2013 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.	Declaration of first and final dividend		
3.	Re-election of Mr Chay Yee as a Director of the Company		
4a.	Re-appointment of Mr Cheng Theng Kee as a Director of the Company		
4b.	Re-appointment of Tan Sri Cheng Heng Jem as a Director of the Company		
4c.	Re-appointment of Mr Ong Teong Wan as a Director of the Company		
5.	Approval of Directors' Fees		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
7.	General Mandate to Directors to issue shares and convertible securities		
8.	Renewal of the Shareholders' Mandate for Interested Person Transactions		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

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.

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AGM  
Proxy Form



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

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**LION TECK CHIANG LIMITED**

(Co. Reg. No. 196400176K)

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