Issuer: Ley Choon Group Holdings Limited
Security: Ley Choon Group Holdings Limited

Meeting details:
Date: 28 July 2017
Time: 2.00 p.m.
Venue: No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556

Company Description

Ley Choon Group Holdings Limited, an investment holding company, provides underground utilities infrastructure construction and road works services in Singapore, Brunei, China, and Sri Lanka. It operates through two segments, Pipes and Roads, and Construction Materials. The Pipes and Roads segment constructs and maintains underground utilities infrastructure, including water pipes, NEWater pipes, high-pressure gas pipes, high-voltage power cables, and fibre optic cables, as well as roads, airfield taxiways, and aprons; and offers sewer pipeline rehabilitation services. The Construction Materials segment is involved in the manufacture of asphalt premix, a raw material for the construction and maintenance of roads, airfields, and road resurfacing; and recycling of construction waste. The company also offers building cleaning and maintenance services, as well as dry mortar concrete, concrete blocks, and sands. It serves Singapore government agencies and various companies. The company was founded in 1990 and is headquartered in Singapore. Ley Choon Group Holdings Limited is a subsidiary of Zheng Choon Holding Pte Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=)

Q1. As disclosed in the Chairman's Statement (pages 2 & 3 of the annual report), one of the key achievements of the group in the financial year was the successful completion of the debt restructuring exercise and executed the Debt Restructuring Agreement ("DRA") with several lenders.

As previously set out summarily in the announcement dated 8 June 2016, the material terms of the DRA include, inter alia, as follows (page 109):

(a) Eligible Lenders with existing securities over earnings from the Group's ongoing projects shall release current and future Project Proceeds into the Group's operating bank accounts subject to the terms of the DRA.
(b) The DRA provides for a mechanism for the repayment of the Project Proceeds, as well as other amounts owed to the Eligible Lenders.
(c) During the tenor of the DRA, the Group shall repay the principal and interest owing to Eligible Lenders according to a cash sweep mechanism. There will be a bullet repayment for all outstanding amounts due to Eligible Lenders on the final repayment date, being 31 March 2021.
(d) The Group has granted a security package over the Group's operating bank accounts, fixed assets, and shares in the Company's subsidiaries in favour of the Eligible Lenders whose rights over the security are held and will be exercised through a Security Trustee subject to the terms of, inter alia, the DRA.
(e) The Group shall continue to dispose its non-core assets and utilise the proceeds received to repay the Eligible Lenders with security over such assets subject to the terms of the DRA.
(f) Interest continues to be payable to the Eligible Lenders until 31 March 2021.

a) Has the company fulfilled all its obligation as required by the lenders in the DRA?

b) What is the estimated bullet repayment for the outstanding amounts on the final repayment date of 31 March 2021?

c) The group has a gearing ratio of 81% as at 31 March 2017 (page 130 – Capital Management). Is the current balance sheet able to support the group's activities and growth? Is the group still able to tap the capital market if it needs to access new funds to support its growth?

Q2. From the Consolidated Statement of Profit or loss (page 68), it can be seen that the group generated profit from continuing operations after taxation of $18.7 million in 2017. This was a improvement from the loss from continuing operations after taxation of $(53.3) million for the period from 1 January 2015 to 31 March 2016.

However, the group was positively impacted by a one-off $11.4 million gain on disposal of properties and a one-off $6.4 million reversal of impairment losses on property, plant and equipment.

a) The group achieved a gross profit margin of approximate 20% in FY2017 after improved efficiencies and better cost management. **For the new financial year, what are management's targets for the group's gross profit margin and profitability?**

b) Administrative expenses for FY2017 were $16.9 million. No notes were provided to show the breakdown of $16.9 million in administrative expenses. **Can management provide shareholders with better visibility into the administrative expenses incurred?**

Q3. Following the disposal of one of the group's asphalt plants in Kranji as part of the DRA, the group's remaining asphalt plant has a production capacity of 400 tonnes of asphalt premix per hour (page 5).

a) What is the utilisation rate of the remaining asphalt plant following the disposal?

b) What is the split between internal and external customers for the remaining asphalt plant?

In addition, can management also update shareholders on the progress of Ley Choon (Yantai) Eco-Green Construction Material Ltd. ("Yantai")? Yantai, which is engaged in the recycling of construction waste and the development, production and sale of eco-green construction materials, saw its revenue decreased from $6.4 million in 2016 to $2.5 million in 2017, a drop of more than 60%.