



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Ley Choon Group Holdings Limited

Security: Ley Choon Group Holdings Limited

Meeting details:

Date: 30 July 2018

Time: 10.00 a.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; and offers sewer pipeline rehabilitation services. It also provides road and airfield pavement construction and maintenance services comprising supply and laying of graded stone and cement treated base, and milling and laying of asphalt premix. The Construction Materials segment produces asphalt premix, ready mix concrete, and cement bricks, as well as recycled aggregates from construction and demolition waste. Ley Choon Group Holdings Limited serves Singapore government agencies and various companies. The company was incorporated in 1987 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=Q0X)

1. In the Chairman's Statement, it was disclosed that while demand from the infrastructure construction sector is expected to be strong, margins are expected to come under intense pressure due to competition.

- (i) **Can the board/management help shareholders understand how it balances the need to tender competitively to ensure a steady stream of projects and the need to maintain healthy margins for each project?**
- (ii) The company has been making periodic announcements of contract wins such as the \$19.6 million from Public Utilities Board in December 2017 for replacement of water mains for network renewal. **Would the board consider disclosing its order book?**

2. The group has trade receivables past due but not impaired amounting to \$6.5 million as at 31 March 2018 or just approximately 20% of its total equity of \$34.4 million at the end of the reporting period. This is an improvement from the position of \$11.2 million in trade receivables past due but not impaired a year ago.

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables is as follows:

	Gross 2018 S\$'000	Impairment losses 2018 S\$'000	Gross 2017 S\$'000	Impairment losses 2017 S\$'000
The Group				
Not past due	10,946	-	6,256	-
Past due 0 to 30 days	993	-	5,783	-
Past due 31 to 60 days	663	-	1,227	-
Past due over 60 days	4,833	(1,186)	4,210	(1,605)
	17,435	(1,186)	17,476	(1,605)

Based on historical default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables as they mainly arise from customers that have a good credit record with the Group.

(Source: Company annual report)

However, for trade receivables past due over 60 days, the amount has increased from \$4.21 million as at 31 March 2017 to \$4.83 million at the end of the reporting period, even as an impairment loss of \$(1.19) million was recognised in FY2018.

- (i) **Can management help shareholders understand the specific reasons for the increase in trade receivables past due over 60 days but not impaired?**
- (ii) **What was the process by management to evaluate the collectability of these long outstanding debts?**
- (iii) **Can management provide a more meaningful analysis by providing an upper limit to the ageing (with the appropriate breakdown)?**

- (iv) **What are the efforts by management to collect these long outstanding debt?** Trade receivables past due over 60 days account for approximately 15% of the group's total equity.

3. In Note 28 (page 141 – Operating segments), revenue from PRC and Sri Lanka account for 3.5% and 7.7% of the group's revenue.

Total revenue and the non-current assets in the group's main geographical areas of operations are shown below (page 141):

	2018 S\$'000	2017 S\$'000
Revenue		
Singapore	93,815	105,094
PRC	3,734	2,450
Sri Lanka	8,113	7,833
Consolidated revenue	105,662	115,377
Non-current assets*		
Singapore	46,030	51,005
PRC	10,968	11,560
Sri Lanka	2,249	2,913
Consolidated non-current assets	59,247	65,478

- (i) **For the benefit of new and old shareholders, can management elaborate further on the group's operations in the PRC and in Sri Lanka? Specifically, which cities is the group operating in and what are the services provided by the group?**
- (ii) In addition, revenue generated from Sri Lanka are disproportionately larger than its non-current asset base (as shown in the table above). **What are the reasons why the Sri Lanka business unit is able to operate so efficiently?**
- (iii) On the other hand, the group is less efficient in the PRC where the segment revenue achieved was \$3.7 million while the non-current assets amounted to \$10.97 million. **Can management provide better visibility of the challenges in Yantai?**

How strategic are the overseas operations to the group's long term growth plans since they add up to just over 10% in revenue? Would it be timely to carry out a strategic review of the group's overseas operations so that resources (especially management attention and time) can be focused on the core Singapore operations?

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=255



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

The company's response could be found here: -----

