



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Email: admin@sias.org.sg
www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Ley Choon Group Holdings Limited

Stock code: Q0X

Meeting details:

Date: 30 Jul 2024

Time: 10.00 a.m.

Venue: No. 3 Sungei Kadut Drive, Kranji Industrial Estate, Singapore 729556

Q1. For the financial year ended 31 March 2024, the group experienced a 4.2% year-on-year growth in revenue, reaching \$129.1 million, accompanied by a 28.9% increase in gross profit to \$21.1 million. Net profit after tax increased by 18.1% to \$10.9 million. FY2024 was a watershed year for the group, characterised by substantial improvements in financial and operating performance and the early settlement of its debt restructuring.

The group has an order book of \$258.5 million.

- (i) **Can the board and management help shareholders better understand how it is managing input cost escalations, especially for its long-term contracts? What strategic levers are available to management to maintain and improve profitability margins while being competitive in tenders?**
- (ii) **Is the group the market leader in the underground utilities infrastructure construction segment? Were there any opportunities to acquire smaller players or complementary companies?**
- (iii) **Given the industry's tight labor market, what specific strategies and initiatives has management implemented to attract, retain, and develop skilled workers? How effective have these measures been in addressing the challenges posed by the limited supply of workers?**
- (iv) **Reflecting on the pre-2016 period that led to the debt restructuring, can the board identify the key factors that contributed to the company's financial troubles? In addition, what specific governance, risk management, and financial controls have been established post-restructuring to prevent similar issues in the future and ensure long-term financial stability?**

Q2. “Revenue recognition over time” is a key audit matter (KAM) highlighted by the independent auditors in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

In the KAM, the independent auditor noted the following:

For the long-term projects where the group satisfies its performance obligations over time, the group has determined that a cost-based input method provides a faithful depiction of the group’s performance in transferring control to the customers, as it reflects the group’s efforts incurred to date relative to the total inputs expected to be incurred on the projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the projects.

The audit committee (AC)’s response with regard to revenue recognition over time can be found on page 92 of the annual report.

- (i) **What is the group’s experience in estimating the total costs of a long-term project? In a high inflationary period, are there heightened risks of underestimation? How often or infrequently does the group experience cost overruns?**
- (ii) **How does management ensure the accuracy and completeness of the costs incurred to date for long-term projects? What specific controls and procedures are implemented to prevent and detect errors in cost reporting?**
- (iii) **What is the process for periodically reviewing and updating the estimates for long-term projects?**
- (iv) **What specific expertise and experience does the AC possess to effectively oversee the cost-based input method and revenue recognition for long-term projects? How does the AC ensure it has the necessary knowledge to engage in detailed and constructive oversight discussions with management?**

Q3. With the completion of the debt restructuring, the company declared a dividend of 0.27 cents per share, subject to shareholders' approval at the annual general meeting on 30 July 2024. This dividend is the first in a decade. The group no longer has any bank borrowings and held cash and bank balances amounting to \$9.37 million as at 31 March 2024.

- (i) **Having successfully exited the debt restructuring, can the board elaborate on the group's optimal capital structure to support its growth going forward?**
- (ii) **Has the board considered establishing a formal dividend policy to provide clarity and consistency to shareholders regarding future dividend distributions?**
- (iii) **What are the key strategic investments and major capital expenditures planned in the near term that are critical to sustaining and enhancing the group's growth trajectory?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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