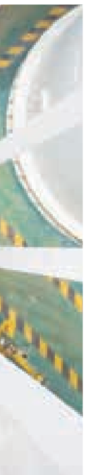
HAI LECK
HOLDINGS LIMITED

BUILDING UPON OUR
STRONG FOUNDATION

2019 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE



AN INTEGRATED SERVICE PROVIDER

Established in 1975, Hai Leck Holdings Limited and together with its subsidiaries (the "Group") is one of the leading Singapore companies that provides engineering, procurement and construction ("EPC") project and maintenance services to the oil and gas and petrochemical industries.

The Group has presence in Singapore, Malaysia and Thailand. Today, the Group commands a workforce of around 2,000 employees to service our customers. The Group operates through two business segments – Project and Maintenance Services and Contact Centre Services.

The Group's principal activities are:

PROJECT AND MAINTENANCE SERVICES

- Mechanical engineering services in structural steel and piping fabrication and installation as well as plant equipment installation, maintenance, modifications and repairs; scaffolding erection services; corrosion protection services utilising automated blasting; thermal insulation services; refractory and passive fireproofing services as well as general civil engineering services.
- Maintenance services provided on a routine or turnaround basis.

BUSINESS PROCESS OUTSOURCING – PROVISION OF CONTACT CENTRE SERVICES

- Premium contact centre providing innovative outsource services with professional and integrated solutions. Contact centre solutions include customer service support; technical helpdesk; virtual receptionist services; lead generation; live web chat; email management; redemption facilities as well as service centre assistance.

Our competitive strengths include our seamless integration of in-house competencies, strong performance track record, good safety performance, technical competency, effective project management, skilled manpower, quality workmanship and high responsiveness to customers' request.

The Group manages its EPC projects through seamless integration of in-house competencies such as automated shop blasting and coating, steel structure and piping shop fabrication and field installation, tankage, scaffolding, corrosion protection, thermal insulation, refractory and general civil works.

With our operational expertise, our dedicated project management team proactively participates in our customers' project planning, anticipating and providing solutions to challenges. We manage and measure our projects with key performance indicators that focus on safety, quality productivity and timely completion of the entire project. With our experienced management team, skilled tradesmen and advanced fabrication facilities and equipment, the Group is confident of meeting project requirements and expectations with the highest safety, reliability and quality standards.

Through the combined efforts of our two business segments, the Group strives to create value for our customers and stakeholders.

CHAIRMAN'S STATEMENT

Innovation continues to be an important focus for the Group as it looks towards the future. Nevertheless, a good balance must be struck between the need for investment and the overall financial security and flexibility for the Group.

CHENG BUCK POH
Executive Chairman, BBM

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Hai Leck Holdings Limited (the "Company" or "Hai Leck") and its subsidiaries (the "Group"), I am pleased to present the Annual Report for the financial year ended 30 June 2019 ("FY2019").

In the year under review, Hai Leck achieved revenue of S$83.0 million with a net profit attributable to shareholders amounting to S$0.8 million in FY2019; and maintained cash and cash equivalents of S$57.9 million. As at 30 June 2019, the Group's total assets comprise approximately S$140.1 million.

The Group's performance was reflective of the depressed market conditions, which have persisted due to volatility, stiff competition and external factors beyond our control. Nonetheless, the Group's foresight and established reputation have gained us some leverage in these difficult times; and the Group will continue to be prudent and disciplined in managing financial performance whilst nurturing long-term, sustainable growth.

INDUSTRY OUTLOOK

The engineering, procurement and construction ("EPC") industry is intricately intertwined with that of the oil & gas ("O&G") industry, which has been going through a challenging period due to depressed and volatile oil prices amongst other global economic factors affecting investments in the industry.

Whilst there may be potential investments in capital projects in the region by plant owners, the Company maintains a cautious outlook due to competition and broader economic events that may impinge on such capital investments. Nonetheless, our Company's endeavours in productivity improvements, automation and innovation had helped the Company secure new contracts and place us in a favourable position to secure new projects.

Despite the downturn in the O&G industry, our revenue remains fairly stable; and the Group's proven track record of excellence and judicious management of costs for our customers have enabled the Group to secure contract renewals.

A DELICATE BALANCE

Innovation continues to be an important focus for the Group as it looks towards the future. Nevertheless, a good balance must be struck between the need for investment and the overall financial security and flexibility for the Group. Moving forward, the Group will continue to strategically pursue opportunities and carefully assess how it can best cultivate long-term, sustainable growth.

Concurrently, the Group continues to invest in its people and their training, to enhance their ability to adapt to this new age of disruptive technology. Management has also put in significant effort to cultivate a workplace culture that appreciates and values employees who actively seek to safely deploy new innovative solutions to improve workplace processes. Our people are an important asset in this labour-intensive industry. Hence, identifying and nurturing talent within our ranks, as well as recognising talent that could help us take the next leap forward, will be essential for our long-term success.

DEDICATED TO EXCELLENCE

While we always maintain high expectations as our minimum standard, it always heartens me to see the efforts of our people recognised. Once again, our subsidiary Hai Leck Engineering (Private) Limited was awarded three awards at the Workplace Safety and Health ("WSH") Awards 2018; namely the WSH Innovation Award 2018 for its safe rolling platform, the WSH (SHARP) Award 2018 the on-going Bukom Project and the WSH Performance (Silver) Award 2018. The awards were presented to us by Minister for Manpower and Second Minister for Home Affairs, Ms Josephine Teo, on 31 July 2018 at a gala dinner at Marina Bay Sands Convention Centre.

Our group companies were also presented with accolades for our excellent safety records by various customers, including award for Injury Free 2018. These awards, whilst not reflective of any monetary gains, are a testament to our enduring commitment and dedication towards workplace safety, despite time and cost pressures on our people. I would like to take this opportunity to thank all our employees for their continued dedication towards preserving Hai Leck's excellent track record of workplace safety.

I am also pleased to announce that our organisation was certified as a bizSAFE Partner in August 2018. As a certified bizSAFE Partner, we only engage vendors, contractors and subcontractors that are (or will be) certified as bizSAFE Level 3. We have pursued this accreditation since 2012; and it reflects the fruition of the combined efforts, time and dedication from employees from all levels.

A WORKPLACE THAT CARES

Our Group had pledged its support to SPD (formerly known as the Society for the Physically Disabled) and together with 100 of our employees, expressed our support in SPD's annual Charity Walk, which was held on 2 September 2018.

CHAIRMAN'S STATEMENT

We were also one of the 17 awardees recognised at the Ministry of Manpower's Dormitory Awards 2018, which was held at Suntec City Convention Centre on 12 September 2018. In his speech, Minister of State for Manpower, Mr Zaqy Mohamed, highlighted our dormitory which provides a library to encourage continuous upgrading and learning; and organising English language classes for its residents. This pursuit of learning and knowledge reflects the inclusive, challenging and motivational workplace culture that our management has sought to cultivate; and we trust that our efforts will contribute positively towards Hai Leck's long-term future.

DIVIDENDS

For FY2019, the Company had paid a one-tier tax-exempt interim dividend of 1 cent per ordinary share to our shareholders.

The Board will be recommending a final one-tier tax-exempt cash dividend of 1 cent per ordinary share and a special one-tier tax-exempt cash dividend of 1 cent per ordinary share, subject to the approval of shareholders at the Annual General Meeting.

With this recommendation, the total cash dividend for FY2019 will be 3 cents per ordinary share.

A WORD OF THANKS

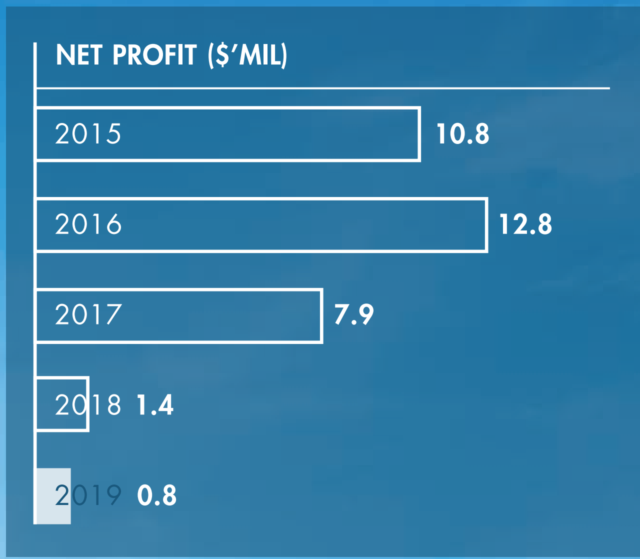
On behalf of the Board, I would like to thank our customers, business partners, associates and shareholders for their continuous co-operation and support.

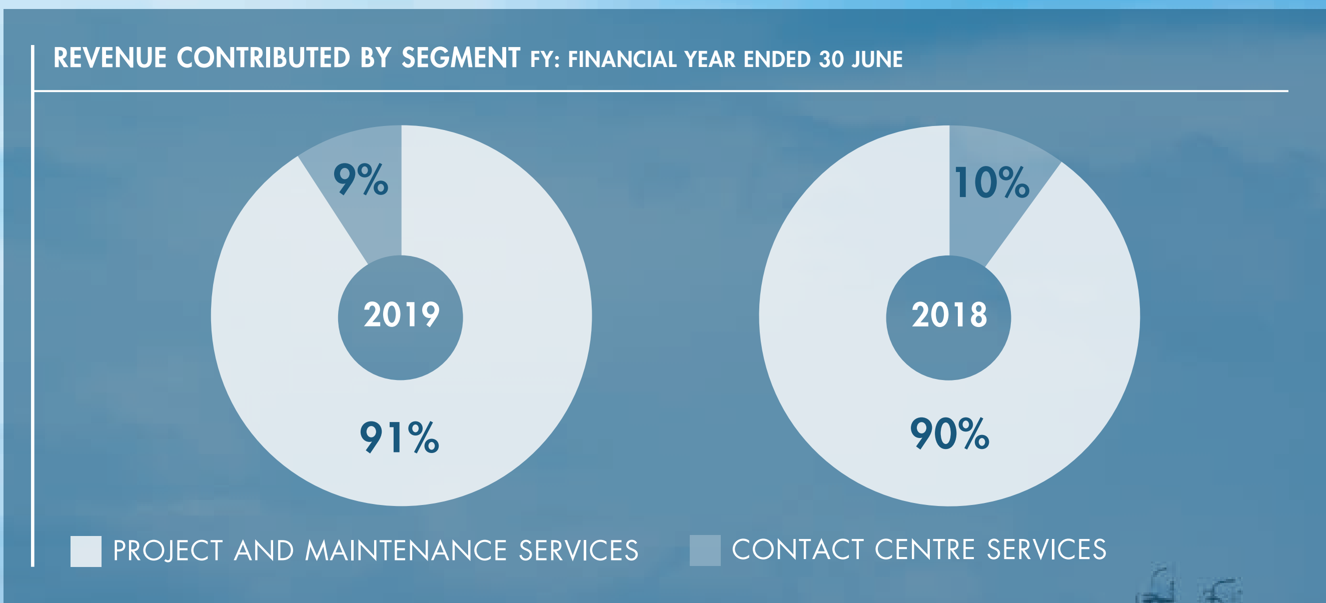
The Board would also like to express our gratitude to our management team and staff, for their vigilant efforts in nurturing Hai Leck amidst the obstacles that we have faced.

Last but not least, I would like to thank my fellow Directors for their wise counsel, advice and guidance throughout the year.

CHENG BUCK POH
Executive Chairman, BBM

FINANCIAL HIGHLIGHTS





FINANCIAL AND OPERATIONS REVIEW

AS AT 30 JUNE 2019, THE GROUP'S TOTAL ASSETS AMOUNTED TO

$140.1 Million

(FY2018: $147.9 million)

NET ASSETS STOOD AT

$119.5 Million

(FY2018: $120.3 million).

The oil and gas industry, from which the Group derives its core clients, remained challenging due to depressed and volatile oil prices and uncertain global economy. Nonetheless, with the Group's consistent and continued efforts to deploy solutions that reduce costs whilst improving productivity, the Group has managed to remain competitive in the Engineering, Procurement and Construction ("EPC") industry.

For FY2019, the Group recorded revenue of $83.0 million, a decrease of 5.3% as compared to $87.7 million for the financial year ended 30 June 2018 ("FY2018"). This was mainly due to lower revenue from the project and maintenance services segment.

Net profit attributable to equity holders decreased by $0.5 million to $0.8 million in FY2019 as compared to $1.4 million in FY2018.

Basic earnings per share decreased to 0.4 cents in FY2019 as compared to 0.7 cents in FY2018. Net assets per share decreased to 58.1 cents as at 30 June 2019 as compared to 58.5 cents as at 30 June 2018 pursuant to interim dividend payment of 1 cent per ordinary share in FY2019.

COST OF SALES AND OPERATING EXPENSES

Cost of sales increased marginally by $0.5 million (1.0%) to $51.0 million in FY2019 as compared to $50.5 million in FY2018 notwithstanding the lower revenue in FY2019 compared to FY2018. The higher cost of sales in FY2019 was mainly due to higher manpower related and material costs.

Operating expenses decreased by $4.5 million to $33.5 million in FY2019 as compared to $38.0 million in FY2018, mainly due to lower personnel related costs as well as absence of property, plant and equipment written off expenses in FY2019.

BALANCE SHEET HIGHLIGHTS

As at 30 June 2019, the Group's total assets amounted to $140.1 million (FY2018: $147.9 million) while net assets stood at $119.5 million (FY2018: $120.3 million).

Non-current assets decreased by $3.3 million to $51.8 million as at 30 June 2019, as compared to $55.0 million as at 30 June 2018. The decrease was mainly due to depreciation of property, plant and equipment and reclassification of customer retention to current assets.

Current assets decreased by $4.6 million from $92.9 million as at 30 June 2018 to $88.3 million as at 30 June 2019. The decrease was due to decrease in trade receivables and cash and cash equivalents, which was partially offset by increase in customer retention and contract assets.

Current liabilities decreased by $6.6 million to $19.2 million as at 30 June 2019 as compared to $25.8 million as at 30 June 2018. This was due to decrease in trade and other payables.

Non-current liabilities decreased from $1.8 million to $1.3 million as at 30 June 2019, mainly due to lower deferred tax liabilities as at 30 June 2019, which was partially offset by provision for reinstatement costs.

CASH FLOWS

The Group has continued to maintain its healthy cash position. As at 30 June 2019, cash and cash equivalents amounted to $57.9 million, a 5.3% decrease from 30 June 2018. Net cash flows generated from operating activities amounted to $0.4 million, while net cash flows used in investing activities was $2.1 million and net cash flows used in financing activities was $1.6 million.

With its strong financial position, the Group intends to continue pursuing business opportunities prudently and strategically.

CORPORATE STRUCTURE

HAI LECK HOLDINGS LIMITED

- 100% Hai Leck Engineering (Private) Limited
  - 100% Hai Leck Industrial Services Pte. Ltd.
  - 100% Hai Leck Corporation Sdn. Bhd.
  - 49% Logthai-Hai Leck Engineering Co., Ltd
- 100% Hai Leck Engineering & Construction Pte. Ltd.
- 100% Hai Leck Overseas Investments Pte. Ltd.
- 100% United Holding (1975) Pte. Ltd.
  - 100% Tele-centre Services Pte Ltd
- 100% Hai Leck Integrated Services Pte. Ltd.
- 100% Hai Leck Services Pte. Ltd.

BOARD OF DIRECTORS

MR CHENG BUCK POH @ CHNG BOK POH, BBM

is our founder and Executive Chairman. Appointed to the Board on 12 September 1998, Mr Cheng is responsible for charting and reviewing corporate directions and strategies for the Group. He has more than 30 years of experience in the industry and has led the Management in pursuing the Group's mission and objectives. Mr Cheng Buck Poh has total direct and deemed interest in 173,168,750 shares in the Company, representing 84.20%.

MR TAN SIM CHENG, BBM

is our Non-Executive Deputy Chairman and Lead Independent Director and was appointed to the Board on 5 June 2008 as an Independent Director. He brings more than 40 years of experience in finance, administration and human resource to the Group. Mr Tan obtained his Bachelor in Accountancy from the University of Singapore in 1969 and is a Fellow Life Member of the Institute of Singapore Chartered Accountants. Mr Tan Sim Cheng has total direct interest in 93,750 shares in the Company.

MR CHENG YAO TONG

is our Chief Executive Officer. He is responsible for overseeing management and development of the Group's business, locally and overseas, and is also responsible for sales and marketing for the Group's business. He was appointed to the Board on 3 January 2012. Mr Cheng holds a Diploma in Mechanical Engineering from the Ngee Ann Polytechnic, Bachelor Degree in Business Management from University College Dublin.

MS CHENG LI CHEN

was re-designated as Non-Executive Director on 3 January 2012 to provide oversight and value added input to strategy and strategic development. She was formerly our Chief Executive Officer and was appointed to the Board on 17 October 2007. Ms Cheng holds a Master of Business Administration from the University of Hull and a Bachelor of Business from Monash University.

MS CHENG LI HUI, PBM

was re-designated as Non-Executive Director on 16 January 2018 to provide oversight and value added input to strategy and strategic development. She was formerly our Deputy Chief Executive Officer and was appointed to the Board on 11 May 2010. Ms Cheng holds a Master of Applied Finance from Macquarie University and a Bachelor of Arts from National University of Singapore. She is an Elected Member of Parliament for Tampines GRC.

BOARD OF DIRECTORS

DR LOW SEOW CHAY

was appointed to the Board on 5 June 2008 as an Independent Director. He was an associate professor of the School of Mechanical and Aerospace Engineering at Nanyang Technological University for more than 30 years. In addition, Dr Low served as an elected Member of Parliament for 18 years, from 1988 to 2006, representing the ward of Chua Chu Kang. He currently sits on the Board of several listed companies such as Hor Kew Corporation Limited and Casa Holdings Limited. He was awarded with a Bachelor of Engineering degree from the University of Singapore in 1973 as well as a Master and a Doctorate degree from the University of Manchester in 1977 and 1981 respectively.

Dr Low Seow Chay has total direct and deemed interest in 306,500 shares in the Company.

MR CHEE TECK KWONG PATRICK, PBM

joined the Board as an Independent Director on 5 June 2008. Mr Chee holds a Bachelor of Law (Hons) Degree from the University of Singapore. He is an Advocate and Solicitor of the Supreme Court of Singapore and a Solicitor of the senior courts of England and Wales. He has been in private legal practice since 1980. He is now a Senior Legal Consultant with Withers KhattarWong LLP, an international law firm. His areas of practice are corporate and commercial matters, banking and finance, cross-border joint ventures and investments, mergers and acquisitions, and listing of companies. He has also advised on property law and has handled several landmark development projects in Singapore, Indonesia, Malaysia and China. He also conducts civil litigation and arbitration proceedings. He had initiated and was instrumental to the setting up of KhattarWong's full licensed law practice in Vietnam.

Mr Chee is a Notary Public and a Commissioner for Oaths. He is a member of Singapore Institute of Arbitrators, and Singapore Institute of Directors. He had served several years in the sub-committee of National Crime Prevention Council, Singapore, and worked with National Productivity Board, Singapore in developing and overseeing the successful launch of some well-known franchises in Singapore in the early 1990s.

From 2002 to 2013, Mr Chee was the Organising Chairman of the "National Street Soccer League – Lee Hsien Loong Challenge Trophy".

He also sits on the Board of several public listed companies, i.e. China International Holding Limited, MEGROUP Ltd and One Apex Limited. He is also Honorary Legal Advisor to Hospitality Purchasing Association Singapore, and several big clans and trade associations in Singapore.

Mr Chee is the recipient of the National Day Awards 2003 – "The Public Service Medal (Pingat Bakti Masyarakat)" from the President of Republic of Singapore.

Mr Patrick Chee has total direct interest in 62,500 shares in the Company.

SENIOR MANAGEMENT

MISS CHENG WEE LING

is the Managing Director of Tele-centre Services Pte Ltd. She has more than 15 years of experience in contact centre services and is responsible for directing the various departments to ensure the smooth running of the company. She holds a Degree in Business Administration from the Royal Melbourne Institute of Technology, Australia.

MS SIN WAN LIN

is our Chief Financial Officer. Ms Sin has 15 years of audit experience with Andersen and Ernst & Young LLP as well as more than 5 years of experience in the field of finance and management. She is responsible for the full spectrum of financial, taxation and treasury functions in our Group. She oversees the day-to-day finance/accounts functions of the Group, consolidates the Group's accounts and reporting, and provides financial analysis and appraisal of the Group's investments.

Ms Sin is a Fellow Member of the Institute of Chartered Accountants in England and Wales as well as the Institute of Singapore Chartered Accountants. She holds a Bachelor's Degree in Economics (specialising in Accounting and Finance) from the London School of Economics and Political Science and a Master of Philosophy Degree in Finance from University of Cambridge.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Buck Poh @ Chng Bok Poh *(Executive Chairman)*
Tan Sim Cheng *(Non-Executive Deputy Chairman and Lead Independent Director)*
Cheng Yao Tong *(Chief Executive Officer and Executive Director)*
Cheng Li Chen *(Non-Executive Director)*
Cheng Li Hui *(Non-Executive Director)*
Dr Low Seow Chay *(Independent Director)*
Chee Teck Kwong Patrick *(Independent Director)*

SENIOR MANAGEMENT

Cheng Wee Ling *(Managing Director of Tele-centre Services Pte Ltd)*
Sin Wan Lin *(Chief Financial Officer)*

AUDIT COMMITTEE

Tan Sim Cheng *(Chairman)*
Dr Low Seow Chay
Chee Teck Kwong Patrick

REMUNERATION COMMITTEE

Dr Low Seow Chay *(Chairman)*
Tan Sim Cheng
Chee Teck Kwong Patrick

NOMINATING COMMITTEE

Chee Teck Kwong Patrick *(Chairman)*
Tan Sim Cheng
Dr Low Seow Chay

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

47 Tuas View Circuit
Singapore 637357
Tel: (65) 6862 2211 Fax: (65) 6861 0700
Website: www.haileck.com

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Standard Chartered Bank (Singapore) Limited
Marina Bay Financial Centre (Tower 1)
8 Marina Boulevard
Level 27
Singapore 018981

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#08-01 HSBC Building
Singapore 049320

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge:
Ang Chuen Beng
(Appointed since financial year ended 30 June 2015)

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") and the Management of Hai Leck Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), aim to set in place corporate governance practices to provide the structure through which the objectives of protection of shareholders' interests and enhancement of long-term shareholders' value are met. This commitment and continuous support of the Code of Corporate Governance 2012 (the "**Code**") can be seen from the efforts of the Board and the Management to promote and maintain values which emphasize transparency, accountability, integrity and proper conduct at all times in the business operations and dealings of the Group so as to create value for its stakeholders and safeguard the Group's assets.

This report describes the practices the Company has undertaken with respect to each of the principles and guidelines, the extent of its compliance as well as any deviation from any guidelines of the Code together with an explanation for such deviation and should be read as a whole, instead of being read separately under the different principles of the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and any deviations are explained in this report.

The revised Code of Corporate Governance was recently issued on 6 August 2018 (the "**2018 Code**"), with the aim to enhance board quality by strengthening board independence and diversity and encourage better engagement between companies and all stakeholders. The 2018 Code is effective for annual reports covering financial years commencing from 1 January 2019. In this regard, the Company will endeavor to comply with 2018 Code once it is effective.

1. BOARD MATTERS

1.1 The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Company is headed by an effective Board comprising seven directors of whom two are Executive Directors, two are Non-Executive and Non-Independent and three are Independent Directors. Their combined wealth and diversity of skills, experience, gender and knowledge of the Company enable them to contribute effectively to the strategic growth and governance of the Group.

The Board's primary role is to protect and enhance long-term shareholders' value and returns for the shareholders. It strives to achieve this by providing leadership and guidance to the Management to develop and drive business directions and goals.

Apart from its statutory responsibilities, the principal functions of the Board encompass, *inter alia*, the following:

(i) Providing entrepreneurial leadership and setting the overall strategy and direction of the Group, taking into account environmental and social factors as part of its strategic formulation;

(ii) Overseeing the management of the Group's business affairs, financial controls, performances and resource allocation;

(iii) Approving the Group's strategic plans, key business initiatives, acquisition and disposal of assets, significant investments and funding decisions and major corporate policies;

(iv) Establishing a framework of prudent and effective controls and overseeing the processes of risk management, financial reporting and compliance, evaluating the adequacy of internal controls and safeguarding the shareholders' interests and the Company's assets;

(v) Setting of the Company's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met;

(vi) Considering sustainability issues, such as environmental and social factors, as part of its strategic formulation; and

(vii) Being responsible for the corporate governance framework of the Group.

The Board provides shareholders with a balanced and clear assessment of the Group's performance, position and prospects on a quarterly basis. All Directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interest of the Company. They have objectively discharged their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Board Committees

Our Directors recognise the importance of good corporate governance and in offering high standards of accountability to our shareholders. In order to provide an independent oversight and discharge its responsibilities more efficiently and to ensure that specific issues are subject to considerations and review before the Board makes its decisions, the Board has delegated certain functions to various Board Committees, namely the Audit Committee (the "**AC**"), Nominating Committee (the "**NC**") and Remuneration Committee (the "**RC**") (collectively "**Board Committees**"). These Board Committees are chaired by Independent Directors and operate within clearly defined terms of reference and play an important role in ensuring good corporate governance in the Company and within the Group. These terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance and to enhance the effectiveness of these Board Committees. The Chairman of the respective Committee will report to the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the Committee by the Board.

The Board will conduct at least four meetings a year to approve the quarterly financial results announcement and to oversee the business affairs of the Group. The yearly schedule of all the Board and Board Committees meetings for the calendar year is usually given to all the Directors well in advance. The Board is free to seek clarification and information from the Management on all matters within their purview. Ad-hoc meetings are also convened as and when the circumstances require.

The Company's Constitution (the "**Constitution**") provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all the relevant information relating to the proposed transaction.

The Company has adopted a set of Approving Authority and Limit, setting out the level of authorisation required for specified transactions, including those that require the Board's approval for decision making (which are embodied in its internal guidelines) such as the following:

- major funding proposals;
- investment and divestment proposals;

- major acquisitions and disposals;
- corporate or financial restructuring;
- mergers and acquisitions;
- share issuance and dividends;
- acceptance of bank facilities;
- the release of the Group's quarterly and annual results announcements;
- approval of annual report and accounts;
- approval of Board changes and appointments to Board Committees; and
- interested person transactions of a material nature.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, the Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

The Board and Board Committees meetings held during the financial year and the attendance of Directors at the meetings are set out as follows:

		Board Committees		
	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
No. of meetings held	4	4	2	1
Name of Directors	**No. of meetings attended**			
Cheng Buck Poh @ Chng Bok Poh	4	4*	–	–
Cheng Yao Tong	4	4*	–	1*
Cheng Li Chen	4	4*	–	–
Cheng Li Hui	4	4*	–	–
Tan Sim Cheng	4	4	2	1
Low Seow Chay	3	3	1	1
Chee Teck Kwong Patrick	4	4	2	1

* By invitation

No new director was appointed by the Company during the financial year ended 30 June 2019. The NC will perform the following steps before a new director is appointed to the Board to ensure that the director is equipped with appropriate skills and relevant industry knowledge to perform his/her roles on the Board and Board Committee effectively:

(i) To review the balance and diversity of skills, core experience and knowledge required by the Board that would be essential to aid decision-making;

(ii) Upon review and consultation with the Management, the NC will assess and determine the role and desirable qualities for a particular appointment;

(iii) The NC will interview the shortlisted candidates to determine his/her suitability for the position;

(iv) Thereafter the NC will make recommendation to the Board for approval.

Newly appointed directors will be given letters explaining the terms of their appointment as well as their duties and obligations and will also be given briefings by the Management on the Company's business activities and its strategic directions. The Management will monitor new laws, regulations and commercial developments and will keep the Board informed accordingly. The Directors are encouraged to attend relevant training programme, courses, conference and seminars on new laws, regulations and updates on commercial areas conducted by relevant professional organisations from time to time. To keep pace with such laws and regulatory changes, the Company will provide and fund the appropriate training and development programme for the Directors and/or key management personnel of the Company. The Company will arrange and ensure that the newly appointed directors attend the appropriate and relevant courses and training to equip themselves in order to effectively discharge their duties and responsibilities.

The Board ensures that newly appointed directors are familiarized with the Group's businesses by conducting site visits as part of their orientation programme so as to enhance their performance as Board or Board Committee members.

The Directors are also kept abreast of any developments which are relevant to the Group, and of any developments of relevant new laws and regulations which have an important bearing on the Group and the Directors' obligations to the Group, from time to time.

New releases issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and Accounting and Corporate Regulatory Authority ("**ACRA**"), which are relevant to the Directors are circulated to the Board. The Company Secretary also informs the Directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The external auditors update the AC and the Board on new and revised financial reporting standards annually.

1.2 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 5% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As of the date of this report, the Board comprises the following seven directors as follows:

Name of Director	Position held on the Board	Nature of Appointment
Mr Cheng Buck Poh @ Chng Bok Poh	Executive Chairman	Executive Director
Mr Cheng Yao Tong	Executive Director/Chief Executive Officer	Executive Director
Mr Tan Sim Cheng	Non-Executive Deputy Chairman and Director	Non-Executive/Lead Independent Director
Ms Cheng Li Chen	Director	Non-Executive/Non-Independent Director
Ms Cheng Li Hui	Director	Non-Executive/Non-Independent Director
Dr Low Seow Chay	Director	Non-Executive/Independent Director
Mr Chee Teck Kwong Patrick	Director	Non-Executive/Independent Director

The Board has adopted the Code's criteria of an independent director in its review and is of the view that all independent non-executive directors have satisfied the criteria of independence. The NC confirms that the Independent Directors make up at least one-third of the Board.

In view that the Chairman and the Chief Executive Officer (the "**CEO**") are immediate family members and the Chairman is not an independent director, the Board noted that the Company is required to comply with the requirement for independent directors to make up at least half of the Board. Although the independent directors do not make up half of the Board, there is strong and independent judgement in the conduct of the Group's affairs and thus enabling the Management to benefit from a diverse and objective external perspective on issues raised before the Board.

Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decisions without any individual or small group of individuals influencing or dominating the decision-making process. Furthermore, the Non-Executive Directors Ms. Cheng Li Chen and Ms. Cheng Li Hui, daughters of the Chairman, do not participate in the daily operations of the Group and have displayed independent judgement in their views when attending Board meetings. The NC will continue to assess annually on the need to change the board composition so that the number of independent directors will make up at least half of the Board.

The size and composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The NC is of the view that the Board is of the appropriate size for decision-making, with the right mix of skills and experience given the nature and scope of the Group's operations. Currently, the Board has two female directors, in recognition of the importance and value of gender diversity and the Company will continually review its Board composition with a view to enhance corporate governance practices taking into account the 2018 Code.

The Independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate initiatives and the remuneration of the Executive Directors and Senior Management. The Independent Directors constructively challenge and help develop proposals and strategies; review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. When necessary, the Company co-ordinates informal meetings for the Non-Executive and Independent Directors to meet without the presence of the Executive Directors and/or Management.

In line with Guideline 2.4 of the Code, the NC with the assistance of the Company Secretary had conducted rigorous review on the independence of the three (3) Independent Directors, who have served the Board beyond nine (9) years, with the assistance and advice from a legal advisor ("**Legal Advisor**") in FY2017 ("**Independent Evaluation**"). At the conclusion of the Independent Evaluation, the members of the NC were satisfied with the findings and documents presented and unanimously agree and confirm that all the three (3) Directors are considered independent. For FY2019, the NC is satisfied that there has been no change to the circumstances since the Independent Evaluation performed in FY2017 and unanimously agreed and confirmed that all the three (3) Directors are considered independent. Each member of the NC has abstained from participating in the discussion and voting on any resolution related to his independence. The relevant factors that were taken into consideration in determining the independence of the Non-Executive and Independent Directors are set out under Principle 4 on page 20.

To-date, none of the Independent Directors of the Company has been appointed as director of the Company's principal subsidiaries.

The profiles of the Directors are set out on pages 9 and 10 of this Annual Report.

1.3 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear division of responsibilities at the top Management, with clearly defined lines of responsibility between the Board and executive functions of the Management of the Group's business.

The roles and responsibilities between the Chairman and the CEO are held by separate individuals. Mr Cheng Buck Poh @ Chng Bok Poh is our Executive Chairman (the "**Chairman**") and Mr Cheng Yao Tong is our CEO. Mr Cheng Yao Tong is Mr Cheng Buck Poh @ Chng Bok Poh's son.

The Chairman is responsible for the charting and reviewing of the corporate directions and strategies for the Group. He is also responsible for, among others, the exercise of control over quantity, quality and timeliness of information flow between the Management and the Board.

He, with the assistance of the Company Secretary or his representatives, ensures that the Board receives accurate, timely and clear information and there is effective communication with shareholders of the Company. He further ensures that Board meetings are held as and when necessary and sets the Board's meeting agenda. He assists in ensuring compliance with the Group's guidelines on corporate governance and facilitating the effective contribution of the Non-Executive Directors. The Chairman also promotes a culture of openness and debate at the Board, encourages constructive relations, mutual respect and trust within the Board and between the Board and the Management.

The CEO oversees the management and development of the Group's business, locally and overseas, and is also responsible for sales and marketing for the Group's business.

The performance of the Chairman and the CEO are reviewed periodically by the NC and their remuneration packages are reviewed periodically by the RC. The Board also believes that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence. Furthermore, all the Board Committees are chaired by Independent Directors.

In view that the Chairman and the CEO are immediate family members and part of the executive management team, Mr Tan Sim Cheng, our Non-Executive Deputy Chairman has been appointed as our Lead Independent Director pursuant to the recommendation in Guideline 3.3 of the Code. The Lead Independent Director serves as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer have failed to resolve or for which such contact is inappropriate.

Led by the Lead Independent Director, the Independent Directors meet at least once annually without the presence of the other Directors to discuss matters of significance, which are thereafter reported to the Chairman accordingly.

Hence, the Board believes that notwithstanding the close family ties between the Chairman and the CEO, the current composition of the Board is able to make precise, objective and prudent judgement on the Group's corporate affairs. This Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and are based on collective decisions without any individual exercising any considerable concentration of power of influence.

1.4 Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Company has established an NC to, among other things, make recommendations to the Board, *inter alia*, on all Board appointments and re-appointments of Directors and oversees the Company's succession and leadership development plans.

The NC comprises entirely of Independent Directors and the members of the NC are:

Name of Director	Position held
Chee Teck Kwong Patrick	Chairman
Tan Sim Cheng	Member
Low Seow Chay	Member

In accordance with the definition in the Code, the Chairman of the NC is independent and has no relationship with the Company, its related corporations, its shareholders with shareholdings of 5% or more in the voting shares of the Company or its officer. The Lead Independent Director is also a member of the NC.

The NC is regulated by its terms of reference and its key functions include:

(i) The re-nomination of the Directors having regard to the Director's contribution and performance;

(ii) Identifying and nominating candidates for the approval of the Board, if required;

(iii) Determining annually the independence of each Director;

(iv) Recommending Directors who are retiring by rotation to be put forward for re-election;

(v) Assessing whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;

(vi) Reviewing the training and professional development programs for the Board;

(vii) Assessing the effectiveness of the Board and its Board Committees; and

(viii) Ensuring that the Company has a succession plan for Executive Directors and key management personnel, in particular, the Chairman and the CEO.

The NC's functions include how the Board's performance is to be evaluated, subject to the approval of the Board, which addresses how the Board has enhanced long-term shareholders' value.

The Board also implements a process to be carried out by the NC for assessing the effectiveness of the Board and its Board Committees. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as Director.

The initial appointment date and the date of last re-election of the Directors are set out below:

Name of Director	**Date of initial appointment**	**Date of last re-election as Director**
Mr Cheng Buck Poh @ Chng Bok Poh Executive Chairman	12 September 1998	19 October 2016
Mr Tan Sim Cheng Non-Executive Deputy Chairman and Lead Independent Director	5 June 2008	19 October 2018
Mr Cheng Yao Tong Executive Director and CEO	3 January 2012	19 October 2018
Ms Cheng Li Hui Non-Executive Director	11 May 2010	19 October 2016
Ms Cheng Li Chen Non-Executive Director	17 October 2007	19 October 2018
Dr Low Seow Chay Independent Director	5 June 2008	26 October 2017
Mr Chee Teck Kwong Patrick Independent Director	5 June 2008	26 October 2017

Despite some of the Directors having multiple board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as directors of the Company, after taking into consideration the number of listed company board representations and other principal commitments. Each of the Directors updates the Company of any changes in his/her external appointments and these changes, if any, are noted at the Board meetings.

After its evaluation and assessment of the Board and Board Committees' performance for this financial year, the NC and the Board concurred that it was not necessary to determine the maximum number of listed company board representations in which any director may hold. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a director of the Company, bearing in mind his other commitments. The NC and the Board will review the requirement to determine the maximum number of listed company board representations as and when it deems fit.

The Company does not have any alternate directors appointed to the Board.

The NC meets at least once a year. During FY2019, the NC met, discussed and reviewed the issue of board composition.

The Regulations of the Company's Constitution require the number nearest to one-third of the Directors to retire by rotation and subject themselves to re-election by the shareholders at every Annual General Meeting ("**AGM**") of the Company. In addition, all Directors of the Company shall retire from office once every three years. It was also provided in the Regulations that additional Directors appointed during the financial year shall only hold office until the next AGM of the Company and are subject to re-election by the shareholders.

A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation and any other factors as may be determined by the NC.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his/her re-nomination as a director. As no NC member has been nominated for re-election, no NC member abstained from the voting process.

Ms. Cheng Li Hui and Dr Low Seow Chay, while eligible for re-election, have expressed their intentions not to seek re-election at the AGM on 24 October 2019. The NC, in accordance with the Company's Constitution, has recommended that Mr Cheng Buck Poh @ Chng Bok Poh, who retire by rotation pursuant to Article 93, be nominated for re-election.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, when a candidate is proposed to be appointed for the first time or re-elected to the Board at a general meeting, the issuer shall provide the information relating to the candidate as prescribed in Appendix 7.4.1 of the Listing Manual, into the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting. Accordingly, the details of the retiring Director who is seeking re-election at the AGM are set out in Table A on pages 39 and 42 of this Annual Report.

Mr Tan Sim Cheng, Mr Chee Teck Kwong Patrick and Dr Low Seow Chay are Independent Directors of the Company who have served on the Board of the Company for more than nine (9) years from the date of their respective first appointments, and in view of the recommendation in Guideline 2.4 of the Code, the NC conducted a rigorous review of their independence together with the Company Secretary and Legal Advisor in FY2017.

As Mr Tan Sim Cheng, Mr Chee Teck Kwong Patrick and Dr Low Seow Chay have each confirmed that there has been no change to the circumstances declared since the Independent Evaluation performed in FY2017, the NC unanimously agreed and confirmed that Mr Tan Sim Cheng, Mr Chee Teck Kwong Patrick and Dr Low Seow Chay are independent. Each member of the NC has abstained from participating in the discussion and voting on any resolutions related to each of their independence and re-election.

Further, in considering whether an Independent Director who has served on the Board for more than nine (9) years is still independent, the Board has taken into consideration the following factors:

(i) The considerable amount of experience and wealth of knowledge that the Independent Director brings to the Company;

(ii) The attendance and active participation in the proceedings and decision-making process of the Board and Board Committee meetings;

(iii) Provision of continuity and stability to the Management at the Board level as the Independent Director has developed deep insight into the business of the Company and possesses experience in and knowledge of the business;

(iv) Whether the Independent Director's qualification and expertise provide reasonable checks-and-balances on the Management;

(v) Whether the Independent Director has provided adequate attention and devoted sufficient time to the proceedings and business of the Company; including whether he is adequately prepared, responsive and heavily involved in the discussions during meetings;

(vi) Whether the Independent Director provides overall guidance to the Management and acts as safeguard for the protection of Company's assets and shareholders' interests; and

(vii) Whether the Independent Director has led the Board Committees effectively in making independent and objective decisions.

In this regard, the NC, with the concurrence of the Board, has reviewed and assessed that Mr Tan Sim Cheng, Mr Chee Teck Kwong Patrick and Dr Low Seow Chay remain independent.

1.5 Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

The Board and the NC had developed a process of evaluation of performance of the Board and Board Committees and individual Directors through establishment of quantifiable performance criteria. The evaluation performance checklist is drawn up based on the guidelines provided in the Code.

Based on the recommendations of the NC, the Board has an annual performance evaluation process, carried out by the NC, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director.

(a) Assessment of the effectiveness of the Board as a whole

The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment evaluation forms to the Directors annually for their evaluation of various Board issues and processes, such as the Board structure, conduct of Board meetings, review of the Company's corporate strategy and planning, ensuring and reviewing the Company's risk management and internal control processes, review of the Company's performance, review of the Board's compensation evaluations and communication with the Company's shareholders. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 30 June 2019.

(b) Assessment of the effectiveness of the Board Committees

The NC has implemented a process to be carried out by the NC via the circulation of assessment evaluation forms to assess the effectiveness of the respective Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the respective Board Committees. The results of the Board Committees' assessments are reviewed and discussed by the NC, and any recommendations and suggestions arising from the evaluation exercise are circulated to the Board for consideration. The NC has reviewed and is satisfied with the performance and effectiveness of the respective Board Committees as a whole for the financial year ended 30 June 2019.

(c) Assessment of the contribution of individual Directors to the effectiveness of the Board

The individual Directors' assessments implemented by the NC are based on the Director's self-assessment which is evaluated annually and informally on a continual basis by the NC. The criteria taken into consideration by the NC and the Chairman include individual skills and experience, contribution and performance based on factors such as attendance, preparedness and participation. The evaluations are discussed by the NC and appropriate actions are taken as necessary. The NC has reviewed and is satisfied with the contributions by individual Directors to the effectiveness of the Board for the financial year ended 30 June 2019.

The NC is of the view that such assessments by the Directors are useful and constructive, and this collective process has provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped the Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board. The assessments also help the NC to determine whether the Directors with multiple Board representations are able to and have adequately discharged their duties as Directors of the Company.

In general, the selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

The Chairman, together with the NC, in considering the re-nomination and re-appointment of any director, consider the attendance records for the Board and Board Committees meetings, the intensity of participation at meetings, the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience that each Director possesses, which are key to the success of the Group's business.

During the financial year, the NC had met to discuss and evaluate the Board's performance as a whole, the Board Committees' and individual Directors' assessments. The results of the assessments had been communicated to and accepted by the Board.

1.6 Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in carrying out its duties. As such, the Board expects the Management to report the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company, in a timely and accurate manner.

The Directors are informed of any significant developments or events relating to the Group. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

Consistent with the Group's effort towards sustainability of the environment, the Board has adopted the practice of circulating all board papers by means of electronic format prior to the scheduled meetings. This gives the Directors sufficient time to review and consider the matters to be discussed, so that discussions during the meetings are more meaningful and productive.

In the course of carrying out their duties, the Directors have unrestricted access to the Company's Management, Company Secretary and independent auditors. Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and Board Committees, and between the Management and Non-Executive Directors. The Company Secretary and/or his representatives attend all Board meetings and Board Committee meetings and assist the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed so that the Board and Board Committees function effectively. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings, to assist them in performing their duties and responsibilities as Directors.

2. REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his/her own remuneration.

The Group's remuneration policy is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate directors and key management personnel.

The RC comprises entirely of Independent Directors and the members of the RC are as follows:

Name of Director	Position Held
Dr Low Seow Chay	Chairman
Mr Tan Sim Cheng	Member
Mr Chee Teck Kwong Patrick	Member

The RC is regulated by its terms of reference and has access to independent professional advice, if necessary. The responsibilities of the RC are as follows:

(i) To review and recommend to the Board a general framework of remuneration for the Directors and key management personnel, including those employees related to the Executive Directors and controlling shareholders of the Group, and determine specific remuneration packages for each Executive Director, Senior Management or key management personnel;

(ii) To carry out its duties in the manner deemed effective, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time; and

(iii) Ensure that all aspects of remuneration are covered, taking into consideration Principle 8 and Guidelines 8.1 to 8.4 of the Code, that the remuneration packages are comparable within the industry and comparable companies; and shall include a performance-related element with appropriate and meaningful measures of assessing performance. The remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The RC has access to expert advice inside and/or outside the Company with regard to remuneration matters. No individual Director shall be involved in deciding his/her own remuneration.

The RC, in considering the remuneration of all Directors, has not sought external advice nor appointed remuneration consultants for the financial year ended 30 June 2019. The directors' fees to be paid to the Independent and Non-Executive Directors are subject to shareholders' approval at the forthcoming AGM.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

The RC is responsible for recommending a remuneration framework for the Directors and key management personnel which is submitted to the Board for endorsement. The RC reviews and approves recommendations on remuneration policies and packages for Directors and key management personnel in the interest of improved corporate performance. The RC's review of remuneration packages takes into consideration pay and employment conditions within the industry and in comparable companies, the Company's relative performance, the performance of the individual Directors and key management personnel, the long-term interests of the Group and ensures that the interests of the Directors align with those of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, profit-sharing (where applicable) and benefits-in-kind.

The RC's recommendations are submitted for endorsement by the Board. Each member of the RC abstains from voting on any resolution concerning his/her own remuneration.

2.2 Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and comparable companies, as well as the Group's relative performance, the Company's risk policies and the performance of individual Directors.

The Independent and Non-Executive Directors receive directors' fees in accordance with their contribution, taking into consideration factors such as effort, time spent, responsibilities of the Directors and the necessity to pay competitive fees to attract, motivate and retain such Independent and Non-Executive Directors. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company. Non-Executive Directors are not to be over-compensated to the extent that their independence may be compromised.

The Executive Directors do not receive directors' fees. The remuneration of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component which is inclusive of bonuses and other benefits.

The RC has reviewed and approved the service agreements entered into with the two Executive Directors, namely, (1) Mr Cheng Buck Poh @ Chng Bok Poh, which has been renewed for a period of three years and will continue for a further term of three years unless otherwise terminated by either party upon giving not less than six months' notice in writing to the other; and (2) Mr Cheng Yao Tong which has been renewed for a minimum term of three years with effect from 3 January 2018 and unless otherwise terminated by either party, giving not less than six months' notice in writing to the other, or in lieu of such notice, six months' salary based on the Executive Director's last drawn monthly salary.

The Group has also previously entered into various letters of employment with the key management personnel. Such letters typically provide for the salaries payable to the key management personnel, their working hours, annual leave, medical benefits, grounds of termination and certain restrictive covenants.

The RC is of the view that the remuneration packages of the Executive Directors and key management personnel are moderate. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. Therefore, there is no necessity for the Company to institute contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

2.3 Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The breakdown of remuneration of the Directors of the Company, in percentage terms showing the level and mix, for the financial year ended 30 June 2019 falling within the broad bands are set out below.

The Board believes that it is for the benefit of the Company and the Group that the value of the Directors' remuneration be kept confidential due to its sensitive nature and the long-term performance of the Group, especially in this highly competitive industry. Similarly, the remuneration of the top key management personnel and the remuneration of the employees who are immediate family members of a Director or the CEO were shown in bands of $250,000 due to the Company's concern over poaching of these key management personnel by competitors.

Name of Directors	Salary %	Variable Bonus %	Directors' Fees %	Benefits %	Total %
$750,000 to $1,000,000					
Mr Cheng Buck Poh @ Chng Bok Poh	78	19	–	3	100
$500,000 to $750,000					
Mr Cheng Yao Tong	72	18	–	10	100
Below $100,000					
Ms Cheng Li Chen	–	–	100	–	100
Ms Cheng Li Hui	–	–	100	–	100
Mr Tan Sim Cheng	–	–	100	–	100
Dr Low Seow Chay	–	–	100	–	100
Mr Chee Teck Kwong Patrick	–	–	100	–	100

The Company's staff remuneration policy is based on individual's rank and role, individual performance, Company's performance and industry benchmark gathered from companies in comparable industries.

Details of remuneration paid to key management personnel of the Group (who are not directors), in percentage terms showing the level and mix, for the financial year ended 30 June 2019 are set out below:

Top 2 Management Personnel of the Group

Names	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
$250,000 to $500,000				
Ms Cheng Wee Ling	68	23	9	100
Below $250,000				
Ms Sin Wan Lin	74	8	18	100

The aggregate total remuneration paid to the top two key management personnel (who are not directors or the CEO) for the financial year ended 30 June 2019 is approximately $480,000.

The CEO, Mr Cheng Yao Tong and, Non-Executive Directors, Ms Cheng Li Chen and Ms Cheng Li Hui and Ms Cheng Wee Ling, the Managing Director of Tele-centre Services Pte Ltd, a subsidiary of the Company, are children of Mr Cheng Buck Poh @ Chng Bok Poh.

Save as disclosed, there are no other employees of the Group who is an immediate family member of any Director or the CEO or a controlling shareholder and whose remuneration exceeds $50,000 during the financial year ended 30 June 2019. ("**Immediate family member**" refers to the spouse, child, adopted child, step-child, brother, sister or parent).

No termination, retirement and post-employment benefit or other long-term incentive has been granted to the Director or key management personnel during the financial year ended 30 June 2019.

The Company currently has no employee share option scheme or other long-term incentive scheme in place, and the RC will consider such schemes as and when it deems necessary.

3. ACCOUNTABILITY AND AUDIT

3.1 Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Timely releases of the Group's financial results and all significant information to shareholders as well as the prompt fulfillment of statutory requirements to provide shareholders' confidence and trust in the Board's capability and integrity.

The Board is supported by Board Committees in certain areas of responsibilities and the provision of a continual flow of relevant information on a timely basis by the Management enables the Board to effectively discharge its duties.

The Management is responsible for providing the Board with detailed variance analysis and explanations in respect of financial figures to allow the Board to assess the Company's performance and take appropriate measures. AGMs are held every year to obtain shareholders' approval for routine resolutions, as well as the election of Directors.

The Board has undertaken measures to ensure compliance with its statutory responsibilities and any relevant legislative and regulatory requirements. The Board also ensures that the principal risks of the Company's business are identified and appropriately managed.

The Directors and key management personnel have provided undertakings of compliance with the requirements of the SGX-ST in accordance with Rule 720(1) of the Listing Manual.

3.2 Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognizes the importance of sound internal controls and risk management practices. The Board is responsible for the overall internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities.

The internal controls in place will address the financial, operational (including information technology) and compliance risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information are reliable and assets are safeguarded.

An Enterprise Risk Management ("**ERM**") programme has been implemented to identify, prioritise, assess, manage and monitor key risks. The risk management process in place covers, *inter alia*, financial, operational (including information technology) and compliance risks faced by the Group, as well as assesses its risk management systems. Key risks identified are deliberated by Senior Management and reported to the AC. The AC reviews the adequacy and effectiveness of the ERM programme against identified key risks vis-à-vis changes in the Group's operating environment.

Complementing the ERM programme is a Group-wide system of internal controls, which includes documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes.

To ensure that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. External auditors provide assurance over the risk of material misstatements in the Group's financial statements. The assistance of the internal and external auditors has enabled the AC to carry out assessments of the effectiveness of the key internal controls during the financial year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls and risk management processes are not satisfactory for the type and size of business conducted.

The Board has received assurances from the Executive Directors, the Chief Executive Officer and the Chief Financial Officer ("**CFO**") of the Company that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems are sufficiently effective.

Based on the various management controls in place, internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board with the concurrence of the AC, is of the opinion that the Group's system of internal controls and risk management procedures in addressing the financial, operational (including information technology) and compliance risks and risk management during the financial year are adequate and effective as at 30 June 2019.

3.3 Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

The AC comprises entirely of Independent Directors and the members of the AC are as follows:

Name of Director	Position held
Mr Tan Sim Cheng	Chairman
Dr Low Seow Chay	Member
Mr Chee Teck Kwong Patrick	Member

The members of the AC have many years of expertise and experience in accounting, legal, business and financial management. In addition, Dr Low Seow Chay and Mr Chee Teck Kwong Patrick either hold position of AC Chairman or are audit committee members of other Singapore listed companies. The Board considers the members of the AC appropriately qualified to discharge the responsibilities of the AC.

The AC is regulated by its terms of reference and its key functions include:

(i) To review the audit plans of the internal auditors and external auditors of the Company with the CFO, the internal auditors' evaluation of the adequacy of the Company's system of accounting controls and the co-operation given by the Company's Management to the internal auditors and external auditors;

(ii) To review significant financial reporting issues and judgments with the CFO and the external auditors so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance, before submission to the Board;

(iii) To review the adequacy and effectiveness of the Company's material internal controls with the CFO, including financial, operational (including information technology) and compliance controls and risk management via reviews carried out by the internal auditors;

(iv) To review the effectiveness of the Company's internal audit functions;

(v) To meet with the external auditors, other Board Committees and the Management in separate sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(vi) To review legal and regulatory matters with the CFO and the external auditors that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) To review the co-operation given by the Management to the auditors;

(viii) To consider the appointment and re-appointment of the external auditors and internal auditors;

(ix) To review the cost effectiveness and the independence and objectivity of the external auditors;

(x) To review the nature and extent of non-audit services provided by the external auditors;

(xi) To recommend to the Board the external auditors to be nominated, to approve the compensation of the external auditors and to review the scope and results of the audit;

(xii) To report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate;

(xiii) To review interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST; and

(xiv) To generally undertake such other functions and duties, as may be required by statute or the Listing Manual of the SGX-ST and by such amendments made thereto from time to time.

The AC has full access to and co-operation of the Management, external auditors and internal auditors. The AC Chairman usually reviews the external and internal audit plans before meetings, focusing on changes in the accounting policies and matters that would affect the Group’s performance.

The AC also has full discretion to invite any Director and key management personnel to attend its meetings and explicit authority to investigate any matters within its terms of reference which may give rise to suspected fraud, infringement of any law which will lead to a material impact on the Company. The AC has adequate resources to enable it to discharge its responsibilities properly.

Each member of the AC abstains from voting on any resolutions and making any recommendations and/or participating in any deliberations of the AC in respect of matters in which he/she is interested.

The external auditors have unrestricted access to the AC. Both the external auditors and internal auditors report directly to the AC in respect of their findings and recommendations. During the financial year, the AC met with the internal and external auditors separately at least once a year without the presence of the Management. The AC reviews the findings from the auditors and the assistance given to the auditors by the Management.

The AC, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice and affect the independence and objectivity of the external auditors. The audit fees paid/payable to the external auditors for the financial year ended 30 June 2019 were $148,500. There were no non-audit fees paid/payable to the external auditors for the financial year ended 30 June 2019.

The Company has complied with Rules 715 of the Listing Manual of the SGX-ST as all principal subsidiaries of the Company are audited by Ernst & Young LLP, for the purposes of the consolidated financial statements of the Group.

The AC has reviewed the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on an annual basis. Ernst & Young LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with Accounting and Corporate Regulatory Authority and provided a confirmation of their independence to the AC. The AC had assessed the external auditors based on factors such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, given the size and complexity of the Group. Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with and has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

The AC had evaluated the performance of the external auditors based on the key indicators of audit quality and guidance, where relevant, as set out in the "Guidance to Audit Committee on Evaluation of Quality of Work performed by the External Auditors" such as performance, adequacy of resources and experience of the audit engagement partner and audit team assigned to the Group's audit, the size and complexity of the Group.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC and highlighted by the external auditors in their meetings with the AC. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

In the review of the financial statements, the AC has discussed with the Management and the external auditor the accounting principles that were applied and their judgment of items that might affect the true and fair view of the financial statements. In particular, the following significant matters impacting the financial statements were discussed with the Management and the external auditor and were reviewed by the AC.

Significant matters	**How the AC reviewed these matters and what decisions were made**
Accounting for projects – Revenue recognition, recoverability of contract assets and provision for warranty	The AC reviewed revenue recognition, recoverability of contract assets and provision for warranty and the findings of the external auditors, and was satisfied that these had been appropriately accounted for in the consolidated financial statements.
Allowance for expected credit losses of trade receivables	The AC reviewed and discussed the aging of trade receivables as well as the allowance for expected credit losses of trade receivables with the Management. Taking into consideration the findings of the external auditors, the AC was satisfied with the review process and the justification of the amount of expected credit losses.

The AC had reviewed, approved and implemented a Whistle-Blowing Policy whereby staff of the Group may, in confidence, raise concerns about possible improprieties in the matter of financial reporting or other matters. The policy includes arrangements for independent investigation and appropriate follow up of such matters. As at the date of this report, there was no report received through the whistle-blowing mechanism.

3.4 Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of maintaining a system of internal controls in order to safeguard the shareholders' investments and the Company's assets. The Company has outsourced its internal audit functions to independent internal auditors ("**IA**"), RSM Risk Advisory Pte Ltd ("**RSM**") for the financial year ended 30 June 2019.

The internal audit function is expected to meet the standard set by internationally recognized professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditors has unfettered access to all the Company's documents, records, properties and personnel, including access to the Board, the AC and the Management, where necessary, and has the right to seek information and explanation.

The appointed Internal Auditors reports directly to the AC and is responsible for assessing the reliability, adequacy and effectiveness of the system of internal controls that are in place to protect the funds and assets of the Group, ensuring control procedures are complied with, assessing if the operations of the business processes under review are conducted efficiently and effectively, and identifying and recommending improvements to internal control procedures, where required.

The Internal Auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the Internal Auditors, including overseeing and monitoring of the implementation of improvements required for internal control weaknesses identified.

For FY2019, the AC met once with the Internal Auditors without the presence of the Management. The AC is of the opinion that RSM is adequately resourced with qualified personnel to discharge its responsibilities. The AC has reviewed the internal audit reports based on the controls in place and is satisfied that the internal audit function has been (i) adequately resourced, (ii) staffed by suitably qualified and experienced professionals with the relevant experiences and has the appropriate standing within the Group; and (iii) conducted in accordance with the standards set by professional bodies.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

4.1 Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights and continually review and update such governance arrangements.

The Company firmly believes in high standards of transparent corporate disclosure, in line with the continuous disclosure obligations of the Company pursuant to the Listing Rules of the SGX-ST and the Singapore Companies Act, Chapter 50. It is the Board's policy to ensure that all shareholders should equally and on timely basis be informed of all major developments that have impact on the Group. Quarterly financial results and news releases (if any) will be published through SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

All the shareholders of the Company receive annual reports together with the notice of AGM by post and publication in a newspaper and via SGXNet within the mandatory period. The AGM is held within four months after the end of the financial year. In addition, all shareholders also receive relevant circulars together with the notice of Extraordinary General Meeting ("**EGM**") by post. A copy of the annual report and relevant circular are also available on SGXNet.

A copy of the proxy form for the shareholders accompanies the notice of AGM and EGM, so that shareholders may appoint up to a maximum of two proxies to attend, vote and question the Board and the Management, for and on behalf of the shareholders who are not able to attend the general meetings personally.

In view of the above, all the shareholders are given an opportunity to participate effectively and vote at the general meetings.

4.2 Communications with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises the importance of actively engaging with stakeholders to promote effective and fair communication.

The Company does not have a dedicated investor relations team. However, the Company's CEO and CFO are responsible for the Company's communication with shareholders. The Board also acknowledges its obligation to furnish timely information to shareholders and ensure that full disclosure of material information to comply with statutory requirements and the Listing Manual of the SGX-ST is made.

The Company adopts the practice of providing adequate and timely disclosure of material information to its shareholders. Where there is an inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable.

Pertinent information is communicated to shareholders on a regular and timely basis through the following means:

- Results, annual reports and sustainability reports are announced or issued within the mandatory period;
- Material information are disclosed in a comprehensive, accurate and timely manner via SGXNet and/or the press;
- Updates on the Company's website – www.haileck.com; and
- Company's general meetings.

The Company does not practice selective disclosure: price-sensitive information is first publicly released through SGXNet prior to meeting with any investors or analysts. All shareholders of the Company will receive the annual report with the notice of AGM.

The Company does not have any dividend policy in place. The Board considers various factors when deliberating over payment of dividends annually.

4.3 Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Our shareholders are encouraged to attend the AGM to ensure a high level of accountability and to be updated on the Company's strategies and goals. Notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least fourteen clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the AGM. Voting procedures and rules that govern general meetings of shareholders are clearly disclosed to the shareholders at the AGM. The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary[1] may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the meeting in person. CPF and SRS Investors who are unable to attend the meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the meeting.

Every matter requiring shareholders' approval is proposed as a separate resolution at the general meeting to address each distinct issue and all the resolutions are voted on by poll. The Company has implemented the system of voting by poll at its upcoming AGM. Results of each resolution put to vote at the AGM will be announced immediately at the AGM and via SGXNet with the detailed voting results, including the total number and/or percentage of votes cast for or against each resolution tabled at the AGM.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes are available to shareholders upon request.

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1 A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

The Company has adopted and ensured compliance with the Rule 1207(19) of the Listing Manual of the SGX-ST with regards to dealings in the Company's securities by its Directors and officers. The Company, Directors and its officers are prohibited from dealing in the securities of the Company during the period commencing two weeks immediately preceding the announcement of the Company's quarterly financial results and one month immediately preceding the announcement of the Company's full year financial results and ending on the date of the announcement of such results on SGXNet, or when they are in possession of any unpublished price-sensitive information of the Group.

In addition, the Company, Directors, key management personnel and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares based on short-term considerations.

6. MATERIAL CONTRACTS

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, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, except that Mr Cheng Buck Poh @ Chng Bok Poh and Mr Cheng Yao Tong have employment relations with the subsidiary companies, while Ms Cheng Li Chen and Mr Cheng Buck Poh @ Chng Bok Poh have contractual relations as a consultant with subsidiary companies and the Group's joint venture respectively. They have received remuneration in those capacities.

Save as disclosed in the Directors' Report and financial statements, there were no other material contracts entered into by the Company or any of its subsidiary companies, involving the interests of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 30 June 2019.

7. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and those transactions are carried out on normal commercial terms and are not prejudicial to the interests of the shareholders.

The AC has reviewed the Interested Person Transactions ("**IPTs**") for the financial year ended 30 June 2019 and noted that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for the financial year ended 30 June 2019:

Name of interested person	Aggregate value of all IPTs 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 IPTs conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	$'000	$'000
Cheng Buck Poh @ Chng Bok Poh	169	Nil
Cheng Li Chen	147	Nil

Prior to entering into an interested person transaction by the Group, the Board and the AC will review such a transaction to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with.

8. RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, to ensure that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

Information relating to the significant risk management policies are set out on pages 103 to 110 of this Annual Report.

9. UTILISATION OF WARRANT ISSUE PROCEEDS

2013 Warrants

On 16 May 2014, the Company had allotted and issued 200,990,250 2013 Warrants and raised net proceeds of $13,000 for general working capital. The amount was applied in accordance with the announcement dated 9 May 2014.

From 16 May 2014 to the expiration date on 13 May 2019, 6,196,359 2013 Warrants were exercised for 6,196,359 new shares. The Company raised net proceeds of approximately $2.0 million, which was used to acquire property, plant and equipment for business expansion.

10. PROPERTIES OWNED BY THE GROUP

The Group owns the following properties:

Location	Use	Land area/ Built-in area (sq m) (approximately)	Tenure
12 Tuas Drive 1 Singapore 638679	Workshop and dormitory	5,742/5,409	30 years commencing 1 July 2012, subject to terms and conditions of JTC
9 Tuas Avenue 1 Singapore 639494	Workshop and dormitory	4,703/5,836	30 years with an additional 30 years, commencing 1 August 1993
47 Tuas View Circuit Singapore 637357	Workshop and office premises	24,164/17,008	30 years commencing 15 December 2007, subject to terms and conditions of JTC building agreement between JTC and Hai Leck Engineering (Private) Limited dated 30 May 2008 being complied with
40 Tuas West Road Singapore 638389	Workshop and office premises	33,868/16,058	28 years and 8 months commencing 1 May 1997 to 31 December 2025

Table A	
Name of Director	**Mr Cheng Buck Poh @ Chng Bok Poh**
Date of first appointment	12 September 1998
Date of last election	19 October 2016
Age	77
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board has accepted the NC's recommendation, which has reviewed and considered Mr Cheng's performance as an Executive Director.
Whether appointment is executive, and if so, the area of responsibility	Executive. Responsible for formulation/ reviewing of the Group's corporate strategies/directions and expansion plans.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman
Professional Qualification	N.A.
Working experience and occupation(s) during the past 10 years	Executive Chairman of Hai Leck Holdings Limited and group of companies

Name of Director	Mr Cheng Buck Poh @ Chng Bok Poh
Shareholding interest in the listed issuer and its subsidiaries	Direct and deemed interest in 95,168,750 and 78,000,000 ordinary shares in the Company respectively. Pursuant to Section 7 of the Companies Act, Cap. 50, Mr Cheng is deemed to have an interest in the shares of the Company's subsidiary companies in proportion to the Company's interest in the subsidiary companies by virtue of his interest in more than 20% of the issued share capital of the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Cheng is father of the Executive Director and CEO, Mr Cheng Yao Tong, Non-Executive Directors, Ms Cheng Li Chen and Ms Cheng Li Hui, and Ms Cheng Wee Ling, the Managing Director of Tele-centre Services Pte Ltd, a subsidiary of the Company.
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)	
Past (for the last 5 years)	Nil
Present	Cheng Capital Holdings Pte. Ltd.

The general statutory disclosures of the Retiring Directors are as follows:		
	Question	**Mr Cheng Buck Poh @ Chng Bok Poh**
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No

Question		Mr Cheng Buck Poh @ Chng Bok Poh
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–	
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
	Any prior experience as a director of an issuer listed on the Exchange?	Yes
	If yes, please provide details of prior experience.	Hai Leck Holdings Limited
	If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hai Leck Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2019.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the 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.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Cheng Buck Poh @ Chng Bok Poh
Cheng Yao Tong
Cheng Li Hui
Cheng Li Chen
Tan Sim Cheng
Low Seow Chay
Chee Teck Kwong Patrick

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects 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' STATEMENT

DIRECTORS' INTERESTS IN SHARES, WARRANTS 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, Chapter 50, an interest in shares and warrants of the Company, as stated below:

	Direct interest as at			Deemed interest as at		
Name of director	**1 July 2018**	**30 June 2019**	**21 July 2019**	**1 July 2018**	**30 June 2019**	**21 July 2019**
The Company						
Ordinary shares						
Cheng Buck Poh @ Chng Bok Poh	93,422,350	95,168,750	95,168,750	78,000,000	78,000,000	78,000,000
Low Seow Chay	270,500	270,500	270,500	36,000	36,000	36,000
Tan Sim Cheng	93,750	93,750	93,750	–	–	–
Chee Teck Kwong Patrick	62,500	62,500	62,500	–	–	–

Cheng Buck Poh @ Chng Bok Poh is deemed to have an interest in the shares of the Company's subsidiary companies in proportion to the Company's interest in the subsidiary companies by virtue of his interest in more than 20% of the issued share capital of the Company as provided by Section 7 of the Companies Act, Chapter 50.

	Direct interest as at			Deemed interest as at		
Name of director	**1 July 2018**	**30 June 2019**	**21 July 2019**	**1 July 2018**	**30 June 2019**	**21 July 2019**
The Company						
Warrants to subscribe for ordinary shares						
2013 Warrants[1]						
Cheng Buck Poh @ Chng Bok Poh	46,233,125	–	–	39,000,000	–	–
Chee Teck Kwong Patrick	31,250	–	–	–	–	–

[1] The Company's 2013 Warrants were issued on 14 May 2014 and expired on 13 May 2019.

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

SHARE OPTIONS

No share options have been granted by the Company since its incorporation.

AUDIT COMMITTEE

The Audit Committee ("AC") comprises the following three independent directors:

Tan Sim Cheng (Chairman)
Low Seow Chay
Chee Teck Kwong Patrick

The AC performs the functions set out in the Singapore Companies Act, the Listing Manual and Best Practices Guide issued by Singapore Exchange Securities Trading Limited. In performing those functions, the AC reviewed the overall scope of the internal audit functions, external audit functions and the assistance given by the Company's officers to the auditors.

The AC met with the external auditors to discuss the results of their audit. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2019, as well as the external auditor's report thereon.

The AC held 4 meetings during the financial year ended 30 June 2019.

The AC, having reviewed all the non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

Further details regarding the AC are disclosed in the Corporate Governance Report.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor of the Company.

On behalf of the Board of Directors,

Cheng Buck Poh @ Chng Bok Poh Director	Cheng Yao Tong Director

Singapore
18 September 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hai Leck Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (Continued)

Accounting for projects – Revenue recognition, recoverability of contract assets and provision for warranty

The Group recognises revenue for projects over time by reference to the stage of completion of the contract activity at the end of each reporting period. The stage of completion is determined by proportion of total contract costs incurred to-date and the estimated costs to complete. The determination of the estimated costs to complete (including rectification works and post-completion warranties) requires significant management judgement, which could have a material impact on the amounts of contract assets/liabilities, project revenues, costs and profits recognised in the year. Accordingly, we have identified this as a key audit matter.

We obtained an understanding of internal controls with respect to project management, project cost and revenue estimation process, and the accounting for such contracts. On a sample basis, we read the contracts and obtained an understanding of the key terms and conditions. We performed procedures with respect to estimated costs to complete, and management's assessment thereof. In connection with this, we discussed a range of financial and other risks and any ongoing disputes and related estimation uncertainties with the Group's finance and operational management and assessed whether these have been adequately addressed in the project costing. We reviewed project files and discussed with management the progress of significant contracts to determine if there are any delays, penalties, or overruns that it is probable that total contract costs could exceed total contract revenue that require provision for onerous contracts. We also tested the mathematical accuracy of contract revenues and profits based on the stage of completion calculations. In addition, we reviewed the historical trends of warranty claims and the warranty periods for certain projects for which management had used to estimate the expected warranty claims post completion. We tested, on a sample basis, the warranty costs recorded in respect of certain completed projects by comparing the actual warranty claims incurred to-date against the provision made.

We also assessed the adequacy of the Group's disclosures on the significant accounting policies for contract assets/liabilities in Notes 2.20 and 21 to the financial statements.

Allowance for expected credit losses of trade receivables

Trade receivable balances are significant to the Group as they represent 9.0% of the consolidated total assets. In addition, the expected credit loss assessment of trade receivables requires significant management judgement in assessing the financial conditions of the customer and make estimates with respect to the probability of default and loss given default. As such, we determined that this is a key audit matter.

We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered ageing to identify collection risks. On a sample basis, we obtained trade receivable confirmations and evidence of receipts from the customers subsequent to the year end. We evaluated the assumptions used by management in determining the expected credit loss amount through analysis of ageing of receivables and assessment of significant overdue trade receivables taking into consideration their specific profiles and risks. We reviewed the customers' payment history and correspondences between the Group and the customers where applicable. We also assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as liquidity risk, credit risk and the aging of receivables in Notes 34(b) and 34(c) to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I), 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Chuen Beng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
18 September 2019

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group	
		2019	**2018**
		$'000	**$'000**
			(Restated)
Revenue	4	**83,009**	87,690
Cost of sales		**(50,976)**	(50,495)
Gross profit		**32,033**	37,195
Other income	5	**1,394**	1,770
Distribution and selling expenses		**(414)**	(1,017)
Administrative expenses		**(26,405)**	(30,220)
Other expenses		**(6,683)**	(6,733)
Interest expense	8	**(11)**	(11)
Share of results of joint venture		**298**	(210)
Profit before taxation	6	**212**	774
Taxation	9	**635**	584
Profit for the year		**847**	1,358
Attributable to:			
Equity holders of the Company		**847**	1,358
Earnings per share			
Basic (cents)	10	**0.4**	0.7
Fully diluted (cents)	10	**0.4**	0.7

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Group	
	2019	2018
	$'000	$'000
Profit net of tax	**847**	1,358
Other comprehensive income, net of tax:		
Items that may be reclassified to profit and loss		
Foreign currency translation	**428**	70
Total comprehensive income for the year	**1,275**	1,428
Total comprehensive income attributable to:		
Equity holders of the Company	**1,275**	1,428

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2019

	Note	Group			Company		
		30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**	**30 June 2019 $'000**	**30 June 2018 $'000**	**1 July 2017 $'000**
			(Restated)	(Restated)			
Non-current assets							
Property, plant and equipment	11	**44,284**	47,063	50,770	**502**	433	163
Investments in subsidiary companies	12	**–**	–	–	**52,615**	54,351	54,574
Investment in joint venture	13	**7,154**	6,453	6,632	**–**	–	–
Intangible assets	14	**166**	341	501	**–**	–	–
Customer retention	15	**–**	1,139	791	**–**	–	–
Other receivables and deposits		**15**	25	141	**–**	–	100
Deferred tax assets	26	**158**	23	192	**–**	–	–
		51,777	55,044	59,027	**53,117**	54,784	54,837
Current assets							
Inventories	16	**2,107**	2,790	1,610	**–**	–	–
Trade receivables	17	**12,659**	21,189	33,650	**–**	–	–
Other receivables and deposits	18	**586**	990	1,203	**227**	186	6,020
Prepayments	19	**207**	284	469	**91**	87	115
Customer retention	15	**3,685**	2,474	898	**–**	–	–
Amounts due from subsidiary companies (non-trade)	20	**–**	–	–	**244**	776	814
Contract assets	21	**9,891**	2,215	371	**–**	–	–
Fixed deposits pledged	22	**1,308**	1,827	1,686	**–**	–	–
Cash and cash equivalents	22	**57,871**	61,135	52,222	**30,277**	25,449	12,286
		88,314	92,904	92,109	**30,839**	26,498	19,235

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2019

	Note	Group			Company		
		30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
			(Restated)	(Restated)			
Current liabilities							
Trade and other payables	23	**14,218**	21,243	23,300	**390**	334	468
Advances from customers		**153**	153	153	**–**	–	–
Suppliers retention		**578**	537	290	**–**	–	–
Amounts due to subsidiary companies (trade)	20	**–**	–	–	**71**	59	65
Contract liabilities	21	**592**	325	1,413	**–**	–	–
Provision for warranty	24	**3,049**	3,384	3,407	**–**	–	–
Obligations under finance lease, current	25	**20**	78	79	**–**	–	–
Income tax payable		**614**	82	2,547	**47**	36	205
		19,224	25,802	31,189	**508**	429	738
Net current assets		**69,090**	67,102	60,920	**30,331**	26,069	18,497
Non-current liabilities							
Deferred tax liabilities	26	**732**	1,577	1,171	**3**	5	28
Suppliers retention		**–**	232	–	**–**	–	–
Provision for reinstatement cost		**600**	–	–	**–**	–	–
Obligations under finance lease, non-current	25	**–**	20	98	**–**	–	–
		1,332	1,829	1,269	**3**	5	28
Net assets		**119,535**	120,317	118,678	**83,445**	80,848	73,306
Equity attributable to equity holders of the Company							
Share capital	27(a)	**65,403**	65,403	65,112	**65,403**	65,403	65,112
Treasury shares	27(b)	**(160)**	(160)	(160)	**(160)**	(160)	(160)
Accumulated profits		**52,748**	53,958	52,600	**17,156**	14,559	7,228
Capital reserve	28	**1,046**	1,046	1,126	**1,046**	1,046	1,126
Foreign currency translation reserve	29	**498**	70	–	**–**	–	–
Total equity		**119,535**	120,317	118,678	**83,445**	80,848	73,306

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Attributable to equity holders of the Company						
Group	**Share capital (Note 27(a)) $'000**	**Treasury shares (Note 27(b)) $'000**	**Accumulated profits $'000**	**Capital reserve (Note 28) $'000**	**Foreign currency translation reserve (Note 29) $'000**	**Other reserves, total $'000**	**Total equity $'000**
Balance at 1 July 2018	65,403	(160)	53,958	1,046	70	1,116	120,317
Profit for the year	–	–	847	–	–	–	847
Other comprehensive income for the year	–	–	–	–	428	428	428
Total comprehensive income for the year	–	–	847	–	428	428	1,275
Contributions by and distributions to owners							
Dividend on ordinary shares (Note 30)	–	–	(2,057)	–	–	–	(2,057)
Balance at 30 June 2019	65,403	(160)	52,748	1,046	498	1,544	119,535

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Attributable to equity holders of the Company						
Group	**Share capital (Note 27(a)) $'000**	**Treasury shares (Note 27(b)) $'000**	**Accumulated profits $'000**	**Capital reserve (Note 28) $'000**	**Foreign currency translation reserve (Note 29) $'000**	**Other reserves, total $'000**	**Total equity $'000**
Balance at 1 July 2017 (FRS framework)	65,112	(160)	52,393	1,126	207	1,333	118,678
Cumulative effects of adopting SFRS(I)	–	–	207	–	(207)	(207)	–
Balance at 1 July 2017 (SFRS(I) framework)	65,112	(160)	52,600	1,126	–	1,126	118,678
Profit for the year	–	–	1,358	–	–	–	1,358
Other comprehensive income for the year	–	–	–	–	70	70	70
Total comprehensive income for the year	–	–	1,358	–	70	70	1,428
<u>Contributions by and distributions to owners</u>							
Issuance of ordinary shares	291	–	–	(80)	–	(80)	211
Balance at 30 June 2018	65,403	(160)	53,958	1,046	70	1,116	120,317

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Company	Attributable to equity holders of the Company				
	Share capital (Note 27(a)) $'000	Treasury shares (Note 27(b)) $'000	Accumulated profits $'000	Capital reserve (Note 28) $'000	Total equity $'000
Balance at 1 July 2018	65,403	(160)	14,559	1,046	80,848
Profit for the year	–	–	4,654	–	4,654
Total comprehensive income for the year	–	–	4,654	–	4,654
Contributions by and distributions to owners					
Dividend on ordinary shares (Note 30)	–	–	(2,057)	–	(2,057)
Balance at 30 June 2019	65,403	(160)	17,156	1,046	83,445
Balance at 1 July 2017	65,112	(160)	7,228	1,126	73,306
Profit for the year	–	–	7,331	–	7,331
Total comprehensive income for the year	–	–	7,331	–	7,331
Contributions by and distributions to owners					
Issuance of ordinary shares	291	–	–	(80)	211
Balance at 30 June 2018	65,403	(160)	14,559	1,046	80,848

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities			
Profit before taxation		**212**	774
Adjustments:			
Depreciation of property, plant and equipment	11	**6,235**	6,364
Amortisation of intangible assets	14	**168**	235
Property, plant and equipment written off	6	**1**	629
Intangible assets written off	14	**11**	–
Gain on disposal of property, plant and equipment	5	**(253)**	(597)
Gain on disposal of intangible asset	5	**(87)**	–
Share of results of joint venture		**(298)**	210
Write-back of provision for onerous contract		**(36)**	(1,441)
Provision for warranty	24	**260**	371
Write-back of provision for warranty	24	**(569)**	(394)
Utilisation of provision for warranty	24	**(26)**	–
Allowance for doubtful trade receivables	17	**91**	151
Write-back of allowance for doubtful trade receivables	17	**(2)**	–
Interest income	5	**(489)**	(335)
Interest expense	8	**11**	11
Unrealised exchange (gain)/loss		**(20)**	39
Operating cash flows before working capital changes		**5,209**	6,017
Changes in working capital:			
Decrease in customer retention, trade and other receivables and deposits and prepayments		**8,915**	10,971
Decrease/(increase) in inventories		**683**	(1,180)
Increase in contract assets/liabilities, net		**(7,373)**	(1,491)
Decrease in suppliers retention, trade and other payables and advances from customers		**(7,216)**	(1,578)
Cash generated from operations		**218**	12,739
Tax refund/(paid)		**228**	(1,306)
Net cash flows generated from operating activities		**446**	11,433
Cash flows from investing activities			
Interest received		**438**	264
Purchase of property, plant and equipment	11	**(2,986)**	(3,391)
Purchase of intangible assets	14	**(4)**	(75)
Proceeds from disposal of property, plant and equipment		**382**	702
Proceeds from disposal of intangible assets		**87**	–
Net cash flows used in investing activities		**(2,083)**	(2,500)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		**–**	211
Interest paid		**(11)**	(11)
Repayment of finance lease obligations		**(78)**	(79)
Decrease/(increase) in fixed deposits pledged	22	**519**	(141)
Dividends paid	30	**(2,057)**	–
Net cash flows used in financing activities		**(1,627)**	(20)
Net (decrease)/increase in cash and cash equivalents		**(3,264)**	8,913
Cash and cash equivalents at the beginning of year		**61,135**	52,222
Cash and cash equivalents at end of year	22	**57,871**	61,135

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Hai Leck Holdings Limited (the "Company") is a limited liability company, domiciled and incorporated 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 47 Tuas View Circuit, Singapore 637357.

The principal activities of the Company are those of investment holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of the subsidiary companies are disclosed in Note 12.

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 (International) (SFRS(I)).

For all periods up to and including the year ended 30 June 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 30 June 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $). All values are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 First-time adoption of SFRS(I)

These financial statements for the year ended 30 June 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 June 2019, together with the comparative period data for the year ended 30 June 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 July 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 July 2018 are disclosed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 July 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS (I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent and are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 July 2017. As a result, an amount of $207,000 was adjusted against the opening accumulated profits as at 1 July 2017.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual periods beginning on or after 1 July 2018. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 July 2017 to the balance sheet of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

New accounting standards effective on 1 January 2018 (Continued)

	Group			
	1 July 2017 (FRS) $'000	**SFRS(I) 1 adjustments $'000**	**SFRS(I) 15 adjustments $'000**	**1 July 2017 (SFRS(I)) $'000**
Non-current assets				
Property, plant and equipment	50,770	–	–	50,770
Investment in joint venture	6,632	–	–	6,632
Intangible assets	501	–	–	501
Customer retention	791	–	–	791
Other receivables and deposits	141	–	–	141
Deferred tax assets	192	–	–	192
	59,027	–	–	59,027
Current assets				
Inventories	1,610	–	–	1,610
Trade receivables	33,650	–	–	33,650
Other receivables and deposits	1,203	–	–	1,203
Prepayments	469	–	–	469
Customer retention	898	–	–	898
Gross amounts due from customers for contract work-in-progress	371	–	(371)	–
Contract assets	–	–	371	371
Fixed deposits pledged	1,686	–	–	1,686
Cash and cash equivalents	52,222	–	–	52,222
	92,109	–	–	92,109

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

New accounting standards effective on 1 January 2018 (Continued)

	Group			
	1 July 2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	1 July 2017 (SFRS(I)) $'000
Current liabilities				
Trade and other payables	23,300	–	–	23,300
Advances from customers	153	–	–	153
Suppliers retention	290	–	–	290
Gross amounts due to customers for contract work-in-progress	1,413	–	(1,413)	–
Contract liabilities	–	–	1,413	1,413
Provision for warranty	3,407	–	–	3,407
Obligations under finance lease, current	79	–	–	79
Income tax payable	2,547	–	–	2,547
	31,189	–	–	31,189
Net current assets	60,920	–	–	60,920
Non-current liabilities				
Deferred tax liabilities	1,171	–	–	1,171
Obligations under finance lease, non-current	98	–	–	98
	1,269	–	–	1,269
Net assets	118,678	–	–	118,678
Equity attributable to equity holders of the Company				
Share capital	65,112	–	–	65,112
Treasury shares	(160)	–	–	(160)
Accumulated profits	52,393	207	–	52,600
Capital reserve	1,126	–	–	1,126
Foreign currency translation reserve	207	(207)	–	–
Total equity	118,678	–	–	118,678

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

New accounting standards effective on 1 January 2018 (Continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 30 June 2018 and 1 July 2018 to the balance sheet of the Group.

	Group			
	30 June 2018 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	1 July 2018 (SFRS(I)) $'000
Non-current assets				
Property, plant and equipment	47,063	–	–	47,063
Investment in joint venture	6,453	–	–	6,453
Intangible assets	341	–	–	341
Customer retention	1,139	–	–	1,139
Other receivables and deposits	25	–	–	25
Deferred tax assets	23	–	–	23
	55,044	–	–	55,044
Current assets				
Inventories	2,790	–	–	2,790
Trade receivables	21,189	–	–	21,189
Other receivables and deposits	990	–	–	990
Prepayments	284	–	–	284
Customer retention	2,474	–	–	2,474
Gross amounts due from customers for contract work-in-progress	2,215	–	(2,215)	–
Contract assets	–	–	2,215	2,215
Fixed deposits pledged	1,827	–	–	1,827
Cash and cash equivalents	61,135	–	–	61,135
	92,904	–	–	92,904
Current liabilities				
Trade and other payables	21,243	–	–	21,243
Advances from customers	153	–	–	153
Suppliers retention	537	–	–	537
Gross amounts due to customers for contract work-in-progress	325	–	(325)	–
Contract liabilities	–	–	325	325
Provision for warranty	3,384	–	–	3,384
Obligations under finance lease, current	78	–	–	78
Income tax payable	82	–	–	82
	25,802	–	–	25,802
Net current assets	67,102	–	–	67,102

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (Continued)

New accounting standards effective on 1 January 2018 (Continued)

	Group			
	30 June 2018 (FRS) $'000	**SFRS(I) 1 adjustments $'000**	**SFRS(I) 15 adjustments $'000**	**1 July 2018 (SFRS(I)) $'000**
Non-current liabilities				
Deferred tax liabilities	1,577	–	–	1,577
Suppliers retention	232	–	–	232
Obligations under finance lease, non-current	20	–	–	20
	1,829	–	–	1,829
Net assets	120,317	–	–	120,317
Equity attributable to equity holders of the Company				
Share capital	65,403	–	–	65,403
Treasury shares	(160)	–	–	(160)
Accumulated profits	53,751	207	–	53,958
Capital reserve	1,046	–	–	1,046
Foreign currency translation reserve	277	(207)	–	70
Total equity	120,317	–	–	120,317

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS (I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening accumulated profits at the date of initial application, 1 July 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 July 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognize right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency

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

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies 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 end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(ii) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD or $ at the rate of exchange ruling at the end of each 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.

2.5 Basis of consolidation and business combinations

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies 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.

Subsidiary companies 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Basis of consolidation and business combinations (Continued)

(i) Basis of consolidation (Continued)

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

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

– Derecognises the assets (including goodwill) and liabilities of the subsidiary company at their carrying amounts at the date when control is lost;

– Derecognises the carrying amount of any non-controlling interest;

– Derecognises 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;

– Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(ii) 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 profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Basis of consolidation and business combinations (Continued)

(ii) Business combinations (Continued)

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

2.6 Subsidiary companies

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed or has rights, to variable returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

2.7 Joint arrangement

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Joint arrangement (Continued)

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. 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 joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.8 Property, plant and equipment

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

Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

	Rate of depreciation (%)
Leasehold premises	3 – 4
Scaffolding materials	20 or over project duration*
Machineries and equipment	10
Motor vehicles	20
Office equipment	10
Workshop tools and equipment	20 – 33
Trucks, cranes and forklifts	20
Computers	33 – 100
Electrical appliances, air-conditioners, furniture and fittings and renovation	10 – 33

* Certain scaffolding materials designated for specific projects are depreciated over the duration of the projects.

Improvements to leasehold premises are depreciated over the remaining life of the lease. Assets under construction included in property, plant and equipment 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 values, 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 arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

- ***Club memberships***

  Club memberships is stated at cost less impairment losses and are amortised on a straight-line basis over 7 to 30 years.

- ***Customer contracts***

  Customer contracts were acquired in a business combination and measured at fair value as at the date of acquisition. Subsequently, customer contracts are amortised over their estimated useful lives of 1 to 2 years.

- ***Intellectual property***

  Intellectual property is stated at cost less impairment losses and are amortised on a straight-line basis over 3 years.

- ***Computer software***

  Computer software that is integral to the computer is included in property, plant and equipment. Computer software that is used on a computer and is not an integral part of the related hardware is accounted for as an intangible asset.

  Computer software that is accounted for as an intangible asset is stated at cost less impairment losses and are amortised on a straight-line basis over 3 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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.

Impairment losses are recognised in profit or loss.

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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal of an impairment loss is recognised in profit or loss.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

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

(b) 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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

(b) Financial liabilities (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for using purchase costs on a first-in, first-out basis.

When 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.

2.15 Provisions

General

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 benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when service is provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually and any change is charged or credited to income statement.

2.16 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 instrument.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset 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 being incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. 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.

2.18 Employee benefits

(i) Defined contribution plans

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.

(ii) Employee leave entitlement

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 end of the reporting period.

2.19 Leases – 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) Project revenue

Revenue from project whereby the Group has an enforceable right to payment for performance completed to-date is recognised over time, based on proportion of total contract costs incurred to-date and the estimated costs to complete.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified project milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relate less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(ii) Maintenance revenue/contact centre services

Revenue from maintenance and contact centre services rendered is recognised at a point in time when the Group satisfies a performance obligation by transferring the promised service to the customer, which is when the customer obtains control of the service.

Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated cost or the possible return of goods.

(iii) Interest income

Interest income is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Taxes

(i) 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 end of each reporting period.

Current income taxes are recognised in profit or loss except to the extent that the tax relating 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.

(ii) 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 taxable temporary differences, except:

- Where the deferred tax liability 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 accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiary companies and interest in joint venture, 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 subsidiary companies and interest in joint venture, deferred 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Taxes (Continued)

(ii) Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of 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 the end of 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 recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) 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.

2.22 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 reviews 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.

For the financial year ended 30 June 2019, Project Services and Maintenance Services segments were combined into a single segment, namely Project and Maintenance Services segment as the management and oversight of these segments become increasingly integrated for greater operational efficiency and effectiveness.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share capital and share issue 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.

2.24 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.25 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that 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 the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- **Allowance for expected credit losses of trade receivables and contract assets**

  The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

  The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

  The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 34(c).

- **Impairment of non-financial assets**

  The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

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

  The carrying amount of the Group's property, plant and equipment as at 30 June 2019 was $44,284,000 (30 June 2018: $47,063,000; 1 July 2017: $50,770,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Key sources of estimation uncertainty (Continued)

- **Project revenue**

The Group recognises project revenue over time based on the stage of completion of the contract activity. The stage of completion was determined based on proportion of total contract costs incurred to-date and the estimated costs to complete.

Significant judgement is required in determining the stage of completion, the extent of the project costs incurred, the estimated total project revenues and costs, including provision for rectification work and warranties post-completion. In making these judgements, management relies on past experience and knowledge of project specialists.

Project revenue for the year ended 30 June 2019 was $38,369,000 (2018: $37,173,000) for the Group.

- **Provision for warranty**

Provision for warranty is recognised for expected warranty claims from painting works. Management has estimated the amount of provision based on their past experience and understanding of the historical trends of warranty claims and the warranty periods. It is expected that the provision will be utilised within the respective warranty periods. The Group provided $3,049,000 (30 June 2018: $3,384,000; 1 July 2017: $3,407,000) of provisions for warranty as at 30 June 2019.

3.2 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

- **Income taxes**

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 income tax payables, deferred tax assets and deferred tax liabilities at 30 June 2019 were $614,000 (30 June 2018: $82,000; 1 July 2017: $2,547,000), $158,000 (30 June 2018: $23,000; 1 July 2017: $192,000) and $732,000 (30 June 2018: $1,577,000; 1 July 2017: $1,171,000) respectively.

4. REVENUE

	Group	
	2019	**2018**
	$'000	**$'000**
Project revenue	**38,369**	37,173
Maintenance revenue	**37,219**	41,733
Contact centre services	**7,421**	8,784
	83,009	87,690

5. OTHER INCOME

	Group	
	2019	**2018**
	$'000	**$'000**
Interest income		
– fixed deposits	**471**	333
– others	**18**	2
Gain on disposal of property, plant and equipment	**253**	597
Gain on disposal of intangible asset	**87**	–
Others	**565**	838
	1,394	1,770

6. PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before tax:

	Group	
	2019	**2018**
	$'000	**$'000**
Audit fees:		
– Auditors of the Company	**149**	151
Non-audit fees:		
– Auditors of the Company	**–**	14
Depreciation of property, plant and equipment (Note 11)	**6,235**	6,364
Amortisation of intangible assets (Note 14)	**168**	235
Property, plant and equipment written off	**1**	629
Employee benefits expenses (Note 7)	**35,774**	39,541
Foreign exchange loss, net	**73**	6
Provision for warranty (Note 24)	**260**	371
Write-back of provision for warranty (Note 24)	**(569)**	(394)
Write-back of provision for onerous contract	**(36)**	(1,441)
Allowance for doubtful trade receivables (Note 17)	**91**	151
Write-back of allowance for doubtful trade receivables (Note 17)	**(2)**	–

7. EMPLOYEE BENEFITS EXPENSES

	Group	
	2019	2018
	$'000	$'000
Employee benefits expense (including Executive Directors)		
Wages, salaries, bonuses	**27,936**	31,447
Central Provident Fund contributions	**1,265**	1,448
Others	**6,573**	6,646
	35,774	39,541

Employee benefits include the amount of Directors' remuneration as disclosed in Note 31(b).

Employee benefits costs are charged into cost of sales and administrative expenses according to where the employees are deployed.

8. INTEREST EXPENSE

	Group	
	2019	2018
	$'000	$'000
Interest expense on finance leases	**11**	11

9. TAXATION

	Group	
	2019	2018
	$'000	$'000
Current taxation		
– Current year	**349**	162
– Overprovision in respect of prior years	**(4)**	(1,321)
Deferred taxation		
– Origination and reversal of temporary differences	**(66)**	301
– (Over)/underprovision in respect of prior years	**(914)**	274
Tax credit	**(635)**	(584)

9. TAXATION (CONTINUED)

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit before income tax	**212**	774
Tax at Singapore statutory tax rate of 17% (2018: 17%)	**36**	132
Adjustments:		
– Effect of partial tax exemption and tax incentives	**(180)**	(82)
– Non-deductible expenses in determining taxable income	**418**	413
– Overprovision in respect of prior years, net	**(918)**	(1,047)
– Tax on undistributed earnings of joint venture	**9**	–
	(635)	(584)

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 30 June:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	**847**	1,358
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**205,674**	205,341
Effects of dilution:		
– warrants ('000)	**–**	236
Weighted average number of ordinary shares adjusted for dilution ('000)	**205,674**	205,577

No 2013 warrants were exercised to subscribe for new ordinary shares in the Company. There has been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold premises $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Workshop tools and equipment $'000	Trucks, cranes and forklifts $'000	Computers $'000	Electrical appliances, air-conditioners, furniture and fittings and renovation $'000	Assets under construction $'000	Total $'000
Cost										
At 1 July 2017	43,125	43,090	3,589	1,447	5,638	7,889	2,747	1,588	1,871	110,984
Additions	5	371	1,038	127	291	277	61	49	1,172	3,391
Disposals	–	(2,200)	(686)	(29)	(4)	(46)	(4)	(28)	–	(2,997)
Written off	–	(15)	(8)	(425)	(710)	–	(276)	(244)	–	(1,678)
At 30 June 2018 and 1 July 2018	43,130	41,246	3,933	1,120	5,215	8,120	2,528	1,365	3,043	109,700
Additions	600	1,213	889	10	125	28	109	49	563	3,586
Disposals	–	(1,334)	(400)	(3)	(7)	(124)	(36)	–	–	(1,904)
Written off	–	–	–	(24)	–	–	–	–	–	(24)
Reclassification	2,855	–	–	–	–	–	–	–	(2,855)	–
At 30 June 2019	46,585	41,125	4,422	1,103	5,333	8,024	2,601	1,414	751	111,358

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold premises $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Workshop tools and equipment $'000	Trucks, cranes and forklifts $'000	Computers $'000	Electrical appliances, air-conditioners, furniture and fittings and renovation $'000	Assets under construction $'000	Total $'000
Accumulated depreciation										
At 1 July 2017	9,405	34,863	2,134	725	4,157	6,219	1,905	806	–	60,214
Depreciation charge for the year	2,036	1,888	559	138	557	561	420	205	–	6,364
Disposals	–	(2,197)	(600)	(16)	(1)	(46)	(4)	(28)	–	(2,892)
Written off	–	(13)	(6)	(251)	(363)	–	(246)	(170)	–	(1,049)
At 30 June 2018 and 1 July 2018	11,441	34,541	2,087	596	4,350	6,734	2,075	813	–	62,637
Depreciation charge for the year	2,185	1,859	663	87	371	563	360	147	–	6,235
Disposals	–	(1,301)	(330)	(1)	(7)	(124)	(12)	–	–	(1,775)
Written off	–	–	–	(23)	–	–	–	–	–	(23)
At 30 June 2019	13,626	35,099	2,420	659	4,714	7,173	2,423	960	–	67,074
Net carrying amount										
At 30 June 2019	32,959	6,026	2,002	444	619	851	178	454	751	44,284
At 30 June 2018	31,689	6,705	1,846	524	865	1,386	453	552	3,043	47,063
At 1 July 2017	33,720	8,227	1,455	722	1,481	1,670	842	782	1,871	50,770

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers $'000	Motor vehicles $'000	Total $'000
Cost			
At 1 July 2017	311	248	559
Additions	33	399	432
Written off	(15)	–	(15)
At 30 June 2017 and 1 July 2018	329	647	976
Additions	9	217	226
Disposal	(33)	–	(33)
At 30 June 2019	305	864	1,169
Accumulated depreciation and impairment losses			
At 1 July 2017	226	170	396
Depreciation charge for the year	66	96	162
Written off	(15)	–	(15)
At 30 June 2018 and 1 July 2018	277	266	543
Depreciation charge for the year	25	108	133
Disposals	(9)	–	(9)
At 30 June 2019	293	374	667
Net carrying amount			
At 30 June 2019	12	490	502
At 30 June 2018	52	381	433
At 1 July 2017	85	78	163

The cash outflow on acquisition of property, plant and equipment of the Group amounted to $2,986,000 (2018: $3,391,000).

Assets held under finance lease

The carrying amount of office equipment held under finance lease at the end of the reporting period was $204,000 (30 June 2018: $243,000; 1 July 2017: $283,000).

Leased assets are pledged as security for the related lease liabilities.

12. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Unquoted equity shares, at cost	**38,757**	38,757	38,757
Capital contributions	**20,484**	22,091	22,314
Impairment losses	**(6,626)**	(6,497)	(6,497)
	52,615	54,351	54,574

12. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group		
			30 June 2019 %	30 June 2018 %	1 July 2017 %
Held by the Company					
Hai Leck Engineering (Private) Limited*	Oil & gas and chemical industries related construction and maintenance services	Singapore	**100**	100	100
Hai Leck Engineering & Construction Pte. Ltd.*	Engineered solutions and mechanical works	Singapore	**100**	100	100
Hai Leck Overseas Investments Pte. Ltd.*	Investment holding	Singapore	**100**	100	100
United Holding (1975) Pte. Ltd.*	Mixed construction activities and investment holding	Singapore	**100**	100	100
Hai Leck Integrated Services Pte. Ltd.*	Asset, business and management consultancy services	Singapore	**100**	100	100
Held by subsidiary companies					
Hai Leck Services Pte. Ltd.*	Asset management and consultancy services	Singapore	**100**	100	100
Hai Leck Industrial Services Pte. Ltd.*	Trading and contracting for thermal insulations, refractories and fire-protection for steel structures	Singapore	**100**	100	100
Tele-centre Services Pte Ltd*	Providing call centre services, telecommunications and information technology	Singapore	**100**	100	100
Hai Leck Corporation Sdn. Bhd.**	Oil & gas and chemical industries related construction and maintenance services	Malaysia	**100**	100	100
Hai Leck Engineering Saudi Arabia Limited+	Oil & gas and chemical industries related construction and maintenance services	Saudi Arabia	**–**	90	90

* Audited by Ernst & Young LLP, Singapore

** Audited by Gow & Tan, Malaysia

\+ Not required to be audited by the law of the country of incorporation. Member's voluntary liquidation of the subsidiary was completed during the financial year.

In appointing the audit firms for the Company, subsidiary companies and joint venture, the Company has complied with Listing Rules 712 and 715.

Capital contributions are unsecured, interest-free loans provided to subsidiary companies. The loans are repayable at the sole discretion of the respective subsidiary companies.

13. INVESTMENT IN JOINT VENTURE

The Group has a joint venture agreement with the other party in Thailand that provides both parties with joint control over the financial and operating policies of Logthai – Hai Leck Engineering Co., Ltd.

Details of the joint venture are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group		
			30 June 2019 %	**30 June 2018 %**	**1 July 2017 %**
Held by a subsidiary company					
Logthai – Hai Leck Engineering Co., Ltd*	Oil & gas and chemical industries related construction and maintenance services	Thailand	**49**	49	49

* Audited by Audit Teams, Thailand

The Group recognises its interest in the joint venture using the equity method.

Summarised financial information in respect of Logthai – Hai Leck Engineering Co., Ltd is as follows:–

	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Joint venture			
Assets and liabilities:			
Cash and cash equivalents	**4,060**	5,011	4,856
Other current assets	**9,272**	8,270	8,813
Current assets	**13,332**	13,281	13,669
Non-current assets	**2,371**	772	880
Total assets	**15,703**	14,053	14,549
Current liabilities	**829**	681	987
Non-current liabilities	**275**	203	200
Total liabilities	**1,104**	884	1,187
Results:			
Revenue	**10,133**	6,773	12,469
Depreciation and amortisation	**169**	150	165
Taxation	**92**	111	660
Profit/(loss) for the year	**516**	(429)	1,120

The Group's share of 49% of net assets of the joint venture amounted to $7,154,000 (30 June 2018: $6,453,000; 1 July 2017: $6,632,000).

14. INTANGIBLE ASSETS

	Club memberships $'000	Customer contracts $'000	Intellectual property $'000	Computer software $'000	Total $'000
Cost					
At 1 July 2017	414	271	132	371	1,188
Additions	18	–	54	3	75
At 30 June 2018 and 1 July 2018	432	271	186	374	1,263
Additions	–	–	4	–	4
Disposals	(176)	–	–	–	(176)
Written off	(11)	–	–	–	(11)
At 30 June 2019	245	271	190	374	1,080
Accumulated amortisation					
At 1 July 2017	255	271	59	102	687
Amortisation for the year	60	–	51	124	235
At 30 June 2018 and 1 July 2018	315	271	110	226	922
Amortisation for the year	11	–	41	116	168
Disposals	(176)	–	–	–	(176)
At 30 June 2019	150	271	151	342	914
Net carrying amount					
At 30 June 2019	95	–	39	32	166
At 30 June 2018	117	–	76	148	341
At 1 July 2017	159	–	73	269	501

15. CUSTOMER RETENTION

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Customer retention, current	**3,685**	2,474	898
Customer retention, non-current	**–**	1,139	791
	3,685	3,613	1,689

16. INVENTORIES

	Group 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Raw materials, supplies and consumables	**2,107**	2,790	1,610

During the financial year, inventories recognised as an expense in the income statement under cost of sales amounted to $7,739,000 (2018: $6,325,000) for the Group.

17. TRADE RECEIVABLES

	Group 30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Trade receivables – external	**12,900**	21,352	33,532
Amount due from a joint venture (trade)	**–**	–	130
Less: Allowance for doubtful debts – trade receivables	**(241)**	(163)	(12)
	12,659	21,189	33,650
Less: Net GST receivable	**–**	(89)	–
	12,659	21,100	33,650

Trade receivables

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

Receivables that are past due but not impaired

As at 30 June 2018 and 1 July 2017, the Group has trade receivables amounting to $3,856,000 and $7,849,000 respectively that are past due at the end of the reporting period but not impaired. These debtors are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group 30 June 2018 $'000	1 July 2017 $'000
Trade receivables past due for:		
– 1 – 30 days	1,782	5,523
– 31 – 60 days	711	1,556
– More than 60 days	1,363	770
	3,856	7,849

17. TRADE RECEIVABLES (CONTINUED)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group Individually impaired	
	30 June 2018 $'000	**1 July 2017 $'000**
Trade receivables – nominal	163	12
Less: Allowance for doubtful receivables	(163)	(12)
	–	–
Movements in allowance		
At beginning of the year	12	732
Charge for the year	151	11
Written-back	–	(11)
Written off	–	(720)
	163	12

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

During the financial year ended 30 June 2017, the Group wrote-back $11,000 of allowance for doubtful receivables upon collection of these receivables.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group Trade receivables 30 June 2019 $'000
Movement in allowance accounts	
At beginning of year	**163**
Charge for the year	**91**
Written-back	**(2)**
Written off	**(11)**
At end of year	**241**

18. OTHER RECEIVABLES AND DEPOSITS

	Group			Company		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**	**30 June 2019 $'000**	**30 June 2018 $'000**	**1 July 2017 $'000**
Other receivables	**397**	567	414	**227**	186	14
Deposits	**189**	423	789	**–**	–	6
Dividend receivable	**–**	–	–	**–**	–	6,000
	586	990	1,203	**227**	186	6,020

19. PREPAYMENTS

	Group			Company		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**	**30 June 2019 $'000**	**30 June 2018 $'000**	**1 July 2017 $'000**
Prepaid expenses	**182**	237	214	**91**	87	115
Advances to suppliers	**25**	47	255	**–**	–	–
	207	284	469	**91**	87	115

20. AMOUNTS DUE FROM SUBSIDIARY COMPANIES (NON-TRADE) AMOUNTS DUE TO SUBSIDIARY COMPANIES (TRADE)

These amounts are unsecured, interest-free, repayable on demand and to be settled in cash.

21. CONTRACT ASSETS/LIABILITIES

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Receivables from contracts with customers	**3,159**	9,086	11,228
Contract assets	**9,891**	2,215	371
Contract liabilities	**592**	325	1,413

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for projects. Contract assets are transferred to receivables when the rights become unconditional.

21. CONTRACT ASSETS/LIABILITIES (CONTINUED)

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for projects.

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2019	2018
	$'000	$'000
Contract asset reclassified to receivables	**2,215**	371

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2019	2018
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**325**	1,413

22. FIXED DEPOSITS PLEDGED CASH AND CASH EQUIVALENTS

Fixed deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fixed deposits of $1,308,000 (30 June 2018: $1,827,000; 1 July 2017: $1,686,000) are pledged by subsidiary companies to secure banker's guarantees. Interest on fixed deposits is at rates ranging from 0.20% to 3.30% (30 June 2018: 0.19% to 3.30%; 1 July 2017: 0.50% to 3.25%) per annum, which are also the effective interest rates.

	Group			Company		
	30 June 2019	30 June 2018	1 July 2017	30 June 2019	30 June 2018	1 July 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and bank balances	**25,802**	37,969	29,514	**2,944**	6,584	4,022
Fixed deposits	**33,377**	24,993	24,394	**27,333**	18,865	8,264
	59,179	62,962	53,908	**30,277**	25,449	12,286
Fixed deposits pledged with bank	**(1,308)**	(1,827)	(1,686)	**–**	–	–
Cash and cash equivalents	**57,871**	61,135	52,222	**30,277**	25,449	12,286

23. TRADE AND OTHER PAYABLES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Trade payables	**4,732**	7,476	11,477	**–**	–	–
Amount due to a joint venture (trade)	**91**	41	20	**–**	–	–
Net GST payable	**417**	954	1,009	**20**	14	29
Other payables	**1,289**	1,674	1,340	**23**	–	2
Accrued operating expenses	**7,689**	11,098	9,454	**347**	320	437
	14,218	21,243	23,300	**390**	334	468

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days terms.

Other payables

Other payables are non-interest bearing and have an average term of 2 months.

24. PROVISION FOR WARRANTY

	Group		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
At beginning of year	**3,384**	3,407	2,593
Provided during the year	**260**	371	1,237
Reversed during the year	**(569)**	(394)	(423)
Utilised during the year	**(26)**	–	–
At end of the year	**3,049**	3,384	3,407

The Group typically provides a 5-year warranty to its customers for painting works. The amount of the provision for warranty is estimated based on past experience of operations management. The estimation basis is reviewed on an on-going basis and revised where appropriate.

25. OBLIGATIONS UNDER FINANCE LEASE

These obligations are secured by a charge over the leased assets (Note 11). The discount rate implicit in the leases is 5.47% (30 June 2018: 5.47%; 1 July 2017: 5.47%) per annum.

A reconciliation of liabilities arising from financing activities is as follows:

	Group			
			Non-cash changes	
	2018	**Cash flows**	**Other**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Obligations under finance lease				
– current	78	(78)	20	**20**
– non-current	20	–	(20)	**–**
Total	98	(78)	–	**20**

	Group			
			Non-cash changes	
	2017	**Cash flows**	**Other**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Obligations under finance lease				
– current	79	(79)	78	78
– non-current	98	–	(78)	20
Total	177	(79)	–	98

The 'other' column relates to reclassification of non-current portion of obligations under finance lease due to passage of time.

26. DEFERRED TAXATION

Deferred tax relates to the following:

	Group and Company				
		Consolidated balance sheet		Consolidated income statement	
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	2019 $'000	2018 $'000
Deferred tax liabilities					
Differences in depreciation for tax purposes	**1,880**	2,264	2,022	**(384)**	242
Undistributed earnings of joint venture	**97**	88	88	**9**	–
Deferred tax assets					
Provisions	**(1,403)**	(756)	(1,131)	**(647)**	375
Unutilised tax losses	**–**	(42)	–	**42**	(42)
Net deferred tax liabilities	**574**	1,554	979		
Deferred income tax (credit)/ expense				**(980)**	575
Presented as:					
Deferred tax assets	**(158)**	(23)	(192)		
Deferred tax liabilities	**732**	1,577	1,171		
	574	1,554	979		

Unrecognised temporary differences relating to investment in joint venture

The joint venture cannot distribute its earnings until it obtains the consent of both of the venture partners. As at the end of the reporting period, the Group has determined that 15% of the undistributed earnings of the joint venture will be distributed in the foreseeable future.

The temporary difference arising from the Group's share of remaining undistributed earnings for which no deferred tax liability has been recognised amounted to $5,480,000 (30 June 2018: $4,922,000; 1 July 2017: $5,012,000). The deferred tax liability is estimated to be $548,000 (30 June 2018: $492,000; 1 July 2017: $501,000).

27. SHARE CAPITAL AND TREASURY SHARES

Share Consolidation

The Company undertook a share consolidation of every two (2) existing shares in the share capital of the Company into one (1) consolidated share, which was approved by the shareholders at the Extraordinary General Meeting of the Company held on 19 October 2015 (the "Share Consolidation"). Following the completion of the Share Consolidation, which became effective on 25 November 2015, the total number of issued shares of the Company excluding treasury shares was 204,578,897 after disregarding any fractions of a consolidated share arising from the Share Consolidation.

2012 Warrants

On 7 January 2013, the Company had allotted and issued the Warrants ("2012 Warrants") pursuant to the Warrants Issue. The 81,114,750 2012 Warrants were listed and quoted on the Official List of SGX-ST on 9 January 2013. The new shares arising from the exercise of the Warrants will be listed and quoted on the Official List of SGX-ST.

Further to the completion of the above Share Consolidation, the Company has made the following adjustments to the 2012 Warrants on the same date:

a. on the basis that two (2) 2012 Warrants will be consolidated into one (1) Consolidated 2012 Warrant.

b. the existing exercise price of each Consolidated 2012 Warrant will be adjusted from $0.13 to $0.26.

c. each Consolidated 2012 Warrant shall carry the right to receive one (1) Consolidated Share.

2013 Warrants

On 14 May 2014, the Company had allotted and issued the Warrants ("2013 Warrants") pursuant to the Warrants Issue. The 200,990,250 2013 Warrants were listed and quoted on the Official List of SGX-ST on 16 May 2014. The new shares arising from the exercise of the Warrants will be listed and quoted on the Official List of SGX-ST.

Further to the completion of the above Share Consolidation, the Company has made the following adjustments to the 2013 Warrants on the same date:

a. on the basis that two (2) 2013 Warrants will be consolidated into one (1) Consolidated 2013 Warrant.

b. the existing exercise price of each Consolidated 2013 Warrant will be adjusted from $0.33 to $0.66.

c. each Consolidated 2013 Warrant shall carry the right to receive one (1) Consolidated Share.

27. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

2013 Warrants (Continued)

In view of the above, the changes in the Group and Company's share capital and treasury shares are as follows:

(a) Share capital

	Group and Company					
	30 June 2019		**30 June 2018**		**1 July 2017**	
	No. of shares ('000)	**$'000**	**No. of shares ('000)**	**$'000**	**No. of shares ('000)**	**$'000**
At beginning of the year	**205,994**	**65,403**	205,189	65,112	204,929	65,019
Issuance of ordinary shares upon exercise of warrants	**–**	**–**	805	291	260	93
At end of the year	**205,994**	**65,403**	205,994	65,403	205,189	65,112

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 restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company					
	30 June 2019		**30 June 2018**		**1 July 2017**	
	No. of shares ('000)	**$'000**	**No. of shares ('000)**	**$'000**	**No. of shares ('000)**	**$'000**
At beginning and end of the year	**320**	**160**	320	160	320	160

Treasury shares relate to ordinary shares of the Company that are held by the Company.

28. CAPITAL RESERVE

2013 Warrants

Since 1 July 2017, no Consolidated 2013 Warrants were exercised to acquire new shares.

The Consolidated 2013 Warrants expired on 13 May 2019. Consequently, the remaining 97,396,852 unexercised Consolidated 2013 Warrants lapsed.

28. CAPITAL RESERVE (CONTINUED)

2012 Warrants

During the financial year ended 30 June 2018, 804,825 Consolidated 2012 Warrants were exercised to acquire 804,825 new shares.

The Consolidated 2012 Warrants expired on 5 January 2018. Consequently, the remaining 211,075 unexercised Consolidated 2012 Warrants lapsed.

	Group and Company		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
At beginning of the year	**1,046**	1,126	1,152
Transfer to share capital upon exercise of warrants	**–**	(80)	(26)
At end of the year	**1,046**	1,046	1,126

29. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record 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.

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
		(Restated)	(Restated)
At beginning of the year	**70**	–	–
Net effect of exchange differences arising from translation of financial statements of foreign operations	**428**	70	–
At end of the year	**498**	70	–

30. DIVIDEND

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Declared and paid during the year:		
Dividends on ordinary shares:		
– Tax-exempt (one-tier) interim dividend paid in respect of the current financial year of $0.01 (2018: $Nil) per ordinary share	**2,057**	–

No final dividends were proposed and recognised as a liability as at 30 June 2018. Tax-exempt (one-tier) final dividend of $0.01 per ordinary share and tax-exempt (one-tier) special dividend of $0.01 per ordinary share were proposed out of accumulated profits for the financial year ended 30 June 2019.

31. RELATED PARTY INFORMATION

(a) Sales and purchases of services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year on terms agreed between the parties:

Related parties	**2019**	**2018**
	$'000	**$'000**
Provision of consultancy services by directors	**313**	109
Lease payments to directors	**3**	37

(b) Compensation of key management personnel

	Group	
	2019	**2018**
	$'000	**$'000**
Central Provident Fund contributions	**99**	175
Short-term employee benefits	**1,688**	2,646
Total compensation paid to key management personnel	**1,787**	2,821
Comprise amounts paid to:		
– Directors of the Company	**1,266**	2,051
– Other key management personnel	**521**	770
	1,787	2,821

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. COMMITMENTS

Operating lease commitments

The Group has various non-cancellable operating lease agreements for leasehold premises, staff accommodation and office equipment. These leases have tenures of between 3 and 60 years (30 June 2018: 2 and 60 years; 1 July 2017: 3 and 61 years) with no contingent rent provision included in the contracts. Certain contracts contain renewal option. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Future minimum lease payments			
– not later than one year	**768**	979	1,103
– one year through five years	**2,794**	2,876	3,335
– more than five years	**4,653**	5,833	6,120
	8,215	9,688	10,558

Minimum lease payments recognised as an expense in the income statement for the financial year ended 30 June 2019 amounted to $1,674,000 (2018: $2,703,000) for the Group. In addition, included in the above lease payments of the Group is an amount of $3,000 (2018: $37,000) payable to related parties (Note 31(a)).

Finance lease commitments

The Group has finance leases for certain items of office equipment. These leases have purchase options but no terms of renewal and escalation clauses.

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

	30 June 2019 $'000		30 June 2018 $'000		1 July 2017 $'000	
	Minimum lease payments	**Present value of payment (Note 25)**	**Minimum lease payments**	**Present value of payment (Note 25)**	**Minimum lease payments**	**Present value of payment (Note 25)**
Not later than one year	**23**	**20**	90	78	90	79
Later than one year but not later than five years	**–**	**–**	22	20	112	98
Total minimum lease payments	**23**	**20**	112	98	202	177
Less: Amounts representing finance charges	**(3)**	**–**	(14)	–	(25)	–
Present value of minimum lease payments	**20**	**20**	98	98	177	177

32. COMMITMENTS (CONTINUED)

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		
	30 June 2019 $'000	**30 June 2018 $'000**	**1 July 2017 $'000**
Capital commitment in respect of property, plant and equipment	**1,444**	–	827

33. CONTINGENT LIABILITIES

The Company has provided corporate guarantees amounting to approximately $42,640,000 (30 June 2018: $40,640,000; 1 July 2017: $40,640,000) in favour of certain financial institutions for banking facilities granted to subsidiary companies.

The Company has undertaken to provide continuing financial support to Hai Leck Engineering & Construction Pte. Ltd., Hai Leck Overseas Investments Pte. Ltd. and Hai Leck Services Pte. Ltd.. These subsidiaries are in net liability or net current liability positions as at 30 June 2019.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments.

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which the Group manages and measures the risks.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposure.

The Group is also exposed to currency translation risks arising from its net investments in foreign operations including Malaysia and Thailand. The Group's net investments in these operations are not hedged as these are considered to be long-term in nature.

Foreign exchange risk is deemed not significant by management as the Group's transactions are mainly in the respective entities' functional currency. It is the Group's policy not to trade in derivative contracts.

(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.

To manage liquidity risk, the Group and the Company monitors its net operating cash flow and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

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

	30 June 2019			30 June 2018			1 July 2017		
	Within 1 year $'000	1 to 5 years $'000	Total $'000	Within 1 year $'000	1 to 5 years $'000	Total $'000	Within 1 year $'000	1 to 5 years $'000	Total $'000
Group									
Financial assets:									
Customer retention	**3,685**	**–**	**3,685**	2,474	1,139	3,613	898	791	1,689
Trade and other receivables and deposits (excluding net GST receivable)	**13,245**	**15**	**13,260**	22,090	25	22,115	34,853	141	34,994
Fixed deposits pledged	**1,308**	**–**	**1,308**	1,827	–	1,827	1,686	–	1,686
Cash and cash equivalents	**57,871**	**–**	**57,871**	61,135	–	61,135	52,222	–	52,222
Total undiscounted financial assets	**76,109**	**15**	**76,124**	87,526	1,164	88,690	89,659	932	90,591
Financial liabilities:									
Suppliers retention	**578**	**–**	**578**	537	232	769	290	–	290
Trade and other payables (excluding net GST payable)	**13,801**	**–**	**13,801**	20,289	–	20,289	22,291	–	22,291
Obligations under finance lease	**23**	**–**	**23**	90	22	112	90	112	202
Total undiscounted financial liabilities	**14,402**	**–**	**14,402**	20,916	254	21,170	22,671	112	22,783
Total net undiscounted financial assets	**61,707**	**15**	**61,722**	66,610	910	67,520	66,988	820	67,808

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	30 June 2019				30 June 2018				1 July 2017			
	Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000	Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000	Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Company												
Financial assets:												
Other receivables and deposits	**227**	**–**	**–**	**227**	186	–	–	186	6,020	100	–	6,120
Amounts due from subsidiary companies (non-trade)	**244**	**–**	**–**	**244**	776	–	–	776	814	–	–	814
Cash and cash equivalents	**30,277**	**–**	**–**	**30,277**	25,449	–	–	25,449	12,286	–	–	12,286
Total undiscounted financial assets	**30,748**	**–**	**–**	**30,748**	26,411	–	–	26,411	19,120	100	–	19,220
Financial liabilities:												
Trade and other payables (excluding net GST payable)	**370**	**–**	**–**	**370**	320	–	–	320	439	–	–	439
Amounts due to subsidiary companies (trade)	**71**	**–**	**–**	**71**	59	–	–	59	65	–	–	65
Total undiscounted financial liabilities	**441**	**–**	**–**	**441**	379	–	–	379	504	–	–	504
Total net undiscounted financial assets	**30,307**	**–**	**–**	**30,307**	26,032	–	–	26,032	18,616	100	–	18,716

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) 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 and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively 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 on-going basis. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the credit control team.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making contractual payment.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation

– There is disappearance of an active market for the financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and qualitative information about amount arising from expected credit losses for each class of financial assets.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on business segment. The loss allowance provision as at 30 June 2019 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecast of economic conditions.

Summarised below is the information about the credit risk exposure with respect to the Group's trade receivables and contract assets using provision matrix, grouped by operating segments:

Project and maintenance services

		Trade receivables (Days past due)					
30 June 2019	**Contract assets $'000**	**Current $'000**	**1 to 30 $'000**	**More than 30 $'000**	**More than 60 $'000**	**More than 90 $'000**	**Total $'000**
Gross carrying amount	**9,891**	**5,747**	**1,991**	**214**	**1,505**	**1,476**	**10,933**
Loss allowance provision	**–**	**–**	**36**	**–**	**–**	**161**	**197**

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Contact centre services

30 June 2019	Trade receivables (Days past due) Current $'000	1 to 30 $'000	More than 30 $'000	More than 60 $'000	More than 90 $'000	Total $'000
Gross carrying amount	**1,547**	**221**	**116**	**71**	**12**	**1,967**
Loss allowance provision	**11**	**–**	**11**	**20**	**2**	**44**

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 17.

During the financial year, the Group wrote-off $11,000 of trade receivables which are more than 365 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

– The carrying amounts of trade and other receivables (including joint venture balances), fixed deposits pledged and cash and cash equivalents. Fixed deposits pledged and cash and cash equivalents are placed with banks of good standing. The Group performs on-going credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade receivables based upon expected collectability of all trade debts.

Credit risk concentration profile

At the end of the reporting period, approximately 76% (30 June 2018: 73%; 1 July 2017: 77%) of the Group's trade receivables were due from 5 major customers who are multi-national corporations located in Singapore or government agencies.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Fixed deposits pledged and cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade receivables).

35. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

Trade receivables, other receivables and deposits, customer retention, trade and other payables, suppliers retention and amounts due from/(to) subsidiary companies

The carrying amounts of these financial assets and liabilities are reasonable approximation of their values due to their short-term nature.

(b) Categories of financial instruments

Set out below is the carrying amount of each of the category of the Group's and the Company's financial instruments that are carried in the financial statements:

Group	Assets at amortised cost $'000	Liabilities at amortised cost $'000
30 June 2019		
Assets		
Customer retention	**3,685**	**–**
Trade receivables (excluding net GST receivable)	**12,659**	**–**
Other receivables and deposits	**601**	**–**
Fixed deposits pledged	**1,308**	**–**
Cash and cash equivalents	**57,871**	**–**
Total	**76,124**	**–**
Liabilities		
Suppliers retention	**–**	**578**
Trade and other payables (excluding net GST payable)	**–**	**13,801**
Obligations under finance lease	**–**	**20**
Total	**–**	**14,399**

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Categories of financial instruments (Continued)

Group	Loans and receivables $'000	Liabilities at amortised cost $'000
30 June 2018		
Assets		
Customer retention	3,613	–
Trade receivables (excluding net GST receivable)	21,100	–
Other receivables and deposits	1,015	–
Fixed deposits pledged	1,827	–
Cash and cash equivalents	61,135	–
Total	88,690	–
Liabilities		
Suppliers retention	–	769
Trade and other payables (excluding net GST payable)	–	20,289
Obligations under finance lease	–	98
Total	–	21,156

Group	Loans and receivables $'000	Liabilities at amortised cost $'000
1 July 2017		
Assets		
Customer retention	1,689	–
Trade receivables (excluding net GST receivable)	33,650	–
Other receivables and deposits	1,344	–
Fixed deposits pledged	1,686	–
Cash and cash equivalents	52,222	–
Total	90,591	–
Liabilities		
Suppliers retention	–	290
Trade and other payables (excluding net GST payable)	–	22,291
Obligations under finance lease	–	177
Total	–	22,758

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Categories of financial instruments (Continued)

Company	**Assets at amortised cost $'000**	**Liabilities at amortised cost $'000**
30 June 2019		
Assets		
Other receivables and deposits	**227**	**–**
Amounts due from subsidiary companies (non-trade)	**244**	**–**
Cash and cash equivalents	**30,277**	**–**
Total	**30,748**	**–**
Liabilities		
Trade and other payables (excluding net GST payable)	**–**	**370**
Amounts due to subsidiary companies (trade)	**–**	**71**
Total	**–**	**441**

Company	**Loans and receivables $'000**	**Liabilities at amortised cost $'000**
30 June 2018		
Assets		
Other receivables and deposits	186	–
Amounts due from subsidiary companies (non-trade)	776	–
Cash and cash equivalents	25,449	–
Total	26,411	–
Liabilities		
Trade and other payables (excluding net GST payable)	–	320
Amounts due to subsidiary companies (trade)	–	59
Total	–	379

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Categories of financial instruments (Continued)

Company	Loans and receivables $'000	Liabilities at amortised cost $'000
1 July 2017		
Assets		
Other receivables and deposits	6,120	–
Amounts due from subsidiary companies (non-trade)	814	–
Cash and cash equivalents	12,286	–
Total	19,220	–
Liabilities		
Trade and other payables (excluding net GST payable)	–	439
Amounts due to subsidiary companies (trade)	–	65
Total	–	504

36. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and 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 issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2019 and 2018. The Group is not subjected to any externally imposed capital requirements.

The Group monitors capital using the gearing ratio, calculated as gross debt over total equity. The Group's policy is to keep the gearing ratio between 10% to 50%. Gross debt includes all trade and other payables. Total equity means equity attributable to equity holders of the Company.

	Group	
	2019 $'000	2018 $'000
Trade and other payables	**14,218**	21,243
Suppliers retention	**578**	769
Gross debt	**14,796**	22,012
Equity attributable to equity holders of the Company	**119,535**	120,317
Gross debt equity ratio	**12.38%**	18.30%

37. SEGMENT INFORMATION

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

(i) Project and maintenance services

Project and maintenance services comprise mechanical engineering services, scaffolding, corrosion prevention services, thermal insulation services, refractory and passive fireproofing and complemented by general civil engineering services.

Maintenance services pertain to routine and/or turnaround maintenance service for the abovementioned specialist engineering services. Routine maintenance is carried out on a daily basis without shutting down the operations of the facilities. Turnaround maintenance is carried out periodically and requires the facilities to temporarily shut-down for major clean-up works, replacements and/or additions of pipings and equipment.

Mechanical services refer to engineered solutions in structural steel and piping fabrication and installation, plant and equipment installation, maintenance, modifications and repairs to oil refinery, petrochemical, chemical and power plants.

Scaffolding services pertain to erection of scaffolds which are a temporary framework used to support workmen in the construction or repair of buildings and other large structures.

Corrosion prevention involves using high pressure blasting equipment and cleaning processes to remove surface contaminants ("Surface Preparation") before the application of a coat of paint onto clean surfaces of metal structures ("Coating").

Thermal protection and insulation refers to methods and processes used to reduce heat transfer and involves either (i) hot insulation, which is the prevention of heat loss from pipes, vessels and other process equipment, or (ii) cold insulation, which is the prevention of pipes, vessels and other process equipment from rising in temperature by maintaining the temperature of the cold fluids in these pipes, vessels and other process equipment.

(ii) Contact centre services

Contact centre services pertain to call centre services, telecommunications and information technology services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group income taxes are managed on a group basis and are not allocated to operating segments.

37. SEGMENT INFORMATION (CONTINUED)

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

	Project and maintenance services		Contact centre services		Adjustments and eliminations		Notes	Consolidated financial statements	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000		2019 $'000	2018 $'000
Revenue:									
External customers	**75,588**	78,906	**7,421**	8,784	**–**	–		**83,009**	87,690
Inter-segment sales	**42,414**	40,395	**40**	40	**(42,454)**	(40,435)	A	**–**	–
Total revenue	**118,002**	119,301	**7,461**	8,824	**(42,454)**	(40,435)		**83,009**	87,690
Results:									
Interest income	**477**	304	**12**	31	**–**	–		**489**	335
Depreciation and amortisation	**5,880**	5,958	**523**	641	**–**	–		**6,403**	6,599
Segment (loss)/profit before tax	**(745)**	(1,052)	**1,093**	2,036	**(136)**	(210)	B	**212**	774
Assets:									
Additions to non-current assets	**3,452**	3,394	**134**	–	**–**	–	C	**3,586**	3,394
Segment assets	**223,804**	230,746	**8,374**	9,433	**(92,087)**	(92,231)	D	**140,091**	147,948
Segment liabilities:	**79,063**	85,738	**1,453**	1,150	**(59,960)**	(59,257)	E	**20,556**	27,631

As at 1 July 2017

	Project and maintenance services $'000	Contact centre services $'000	Adjustments and eliminations $'000	Notes	Consolidated financial statements $'000
Assets:					
Additions to non-current assets	4,861	1,034	–	C	5,895
Segment assets	241,026	15,695	(105,585)	D	151,136
Segment liabilities:	102,267	1,088	(70,897)	E	32,458

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.

B. The following items are deducted from segment profit before tax to arrive at profits before tax presented in consolidated income statement:

	2019 $'000	2018 $'000
Inter-segment income and expenses	**–**	–
Others	**(136)**	(210)
	(136)	(210)

37. SEGMENT INFORMATION (CONTINUED)

C. Additions to non-current assets consist of additions to property, plant and equipment and computer software.

D. Inter-segment assets are eliminated on consolidation. Deferred tax assets are added to segment assets to arrive at total assets reported in the consolidated balance sheet.

E. The following items are (deducted from)/added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	30 June 2019 $'000	30 June 2018 $'000	1 July 2018 $'000
Inter-segment liabilities	**(61,306)**	(60,916)	(74,615)
Provision for taxation	**614**	82	2,547
Deferred tax liabilities	**732**	1,577	1,171
	(59,960)	(59,257)	(70,897)

Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets		
			30 June	30 June	1 July
	2019	2018	2019	2018	2017
	$'000	$'000	$'000	$'000	$'000
Singapore	**83,009**	81,872	**44,450**	47,404	51,271
Others	**–**	5,818	**–**	–	–
Total	**83,009**	87,690	**44,450**	47,404	51,271

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

Information about major customers

The Group derives revenue from three (2018: four) major customers arising from the project and maintenance services segment as follows:

	Project and maintenance services	
	2019	2018
	$'000	$'000
Customer A	**31,259**	30,156
Customer B	**21,617**	9,860
Customer C	**19,209**	12,126
Customer D	**1,186***	17,291

* This figure has been shown for comparative purposes.

38. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with current year's presentation:

	Group	
	2018	**2018**
	As previously stated	**As restated**
	$'000	**$'000**
Consolidated income statement		
Cost of sales	(47,842)	(50,495)
Administrative expenses	(32,873)	(30,220)

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 18 September 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 16 SEPTEMBER 2019

SHAREHOLDERS' INFORMATION

Total number of shares excluding treasury shares	:	205,673,947
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share (excluding treasury shares)

TREASURY SHARES

Total number of shares held as treasury shares	:	320,000
Voting rights	:	None
Percentage of holding against the total number of issued shares excluding treasury shares	:	0.16%

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	380	31.05	2,764	0.00
100 – 1,000	295	24.10	162,317	0.08
1,001 – 10,000	267	21.81	1,502,949	0.73
10,001 – 1,000,000	276	22.55	16,298,950	7.93
1,000,001 AND ABOVE	6	0.49	187,706,967	91.26
TOTAL	**1,224**	**100.00**	**205,673,947**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG BUCK POH @ CHNG BOK POH	95,168,750	46.27
2	CHENG CAPITAL HOLDINGS PTE LTD	78,000,000	37.92
3	DBS NOMINEES (PRIVATE) LIMITED	5,972,342	2.90
4	WING HUAT LOONG PTE LTD	4,413,650	2.15
5	IFAST FINANCIAL PTE. LTD.	3,037,200	1.48
6	RAFFLES NOMINEES (PTE.) LIMITED	1,115,025	0.54
7	CITIBANK NOMINEES SINGAPORE PTE LTD	823,900	0.40
8	CHENG HWEE PEOW @ CHONG HUI PING	700,000	0.34
9	TAN WEI YI (CHEN WEIYI)	631,700	0.31
10	THOMAS DENNIS WILLIAM	515,500	0.25
11	TAN KIAN CHUAN (CHEN JIANZHUAN)	400,000	0.19
12	PHILLIP SECURITIES PTE LTD	386,762	0.19
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	341,607	0.17
14	KOH SOON CHUANG	339,500	0.17
15	TEO SOON SENG	325,000	0.16
16	LOW SEOW CHAY	270,500	0.13
17	LOW CHIN YEE	260,000	0.13
18	LIM TONG KWANG (LIN ZHONGGUANG)	214,750	0.10
19	YEE CHOY CHAN	213,000	0.10
20	UOB KAY HIAN PRIVATE LIMITED	210,500	0.10
	TOTAL	**193,339,686**	**94.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Cheng Capital Holdings Pte Ltd	78,000,000	37.92	–	–
Cheng Buck Poh @ Chng Bok Poh	95,168,750	46.27	78,000,000	37.92
Goo Guik Bing @ Goh Guik Bing	–	–	173,168,750	84.19

The percentage of shareholding above is computed based on the total issued shares of 205,673,947 excluding treasury shares.

Notes:

1. Cheng Capital Holdings Pte Ltd ("Cheng Capital Holdings") is held by Messrs Cheng Buck Poh @ Chng Bok Poh (32 shares (31.68%)), Goo Guik Bing @ Goh Guik Bing (10 shares (9.90%)), Cheng Yao Tong (15 shares (14.85%)), Cheng Li Peng (7 shares (6.93%)), Cheng Li Chen (15 shares (14.85%)), Cheng Li Hui (7 shares (6.93%)), and Cheng Wee Ling (15 shares (14.85%)). Mr Cheng Buck Poh @ Chng Bok Poh and Mdm Goo Guik Bing @ Goh Guik Bing are husband and wife and our Chief Executive Officer, Mr Cheng Yao Tong, our Non-Executive Directors, Ms Cheng Li Chen and Ms Cheng Li Hui, as well as Ms Cheng Li Peng and Ms Cheng Wee Ling are their children.

2. Mr Cheng Buck Poh @ Chng Bok Poh is deemed to be interested in the 78,000,000 shares held by Cheng Capital Holdings by virtue of his 31.68% shareholdings in Cheng Capital Holdings.

3. Mdm Goo Guik Bing @ Goh Guik Bing is deemed to be interested in the 78,000,000 shares held by Cheng Capital Holdings by virtue of her husband's 31.68% shareholdings in Cheng Capital Holdings and 95,168,750 shares held by her husband.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

15.58% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hai Leck Holdings Limited (the "**Company**") will be held at 47 Tuas View Circuit, Singapore 637357 on Thursday, 24 October 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a special dividend of 1.00 Singapore cent (S$0.01) per ordinary share and a final dividend of 1.00 Singapore cent (S$0.01) per ordinary share (one-tier, tax-exempt) for the year ended 30 June 2019:

(Resolution 2)

3. To re-elect Mr Cheng Buck Poh @ Chng Bok Poh, Director of the Company retiring pursuant to Regulation 93 of the Constitution of the Company.

[See Explanatory Note (i)] **(Resolution 3)**

4. To note the retirement of Ms. Cheng Li Hui and Dr Low Seow Chay pursuant to Regulation 93 of the Constitution of the Company at the conclusion of this Annual General Meeting.

5. To approve the payment of Directors' fees amounting to S$204,016 for the financial year ending 30 June 2020 to be paid quarterly in arrears. (FY2019: S$245,000)

(Resolution 4)

6. To re-appoint Ernst & Young LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 5)

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as ordinary resolutions, with or without modifications:

8. **Authority to Issue Shares**

That pursuant to Section 161 of the Companies Act, Chapter. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, 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 of the Company 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 pursuant to any Instruments made or granted by the Directors of the Company while this Resolution was in force,

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate 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 Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 6)**

9. **Proposed renewal of the share buy back mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Singapore Companies Act, Chapter 50 ("**Companies Act**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire the shares not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:–

(i) market purchases (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other provisions of the Companies Act and the Listing Manual of the SGX-ST as may for the time being be applicable ("**Share Buy Back Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy Back Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earliest of:–

(i) the date on which the next annual general meeting ("**AGM**") of the Company is held or is required by law to be held;

(ii) the date on which the share buy backs are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked;

(d) for purposes of this resolution:–

"**Prescribed Limit**" means 10% of the issued ordinary share capital of the Company as at the date of the passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time and subsidiary holdings);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this resolution; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:–

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:–

"**Average Closing Price**" means the average of the closing market prices of a Share over the last 5 Market Days, on which transactions in the shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

(e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this resolution.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore
9 October 2019

Explanatory Notes:

(i) Mr. Cheng Buck Poh @ Chng Bok Poh will, upon re-election as a Director, remain as Executive Chairman of the Company. Please refer to Table A of the Corporate Governance Statement from page 39 to 42 of the Annual Report 2019 for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

(ii) The **Ordinary Resolution 6** in item 8 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) **Resolution 7** above, if passed, will empower the Directors of the Company from the date of the above AGM up to the earliest of (i) the conclusion of the date of the next AGM of the Company or the date by which such AGM of the Company is required by law to be held; (ii) the date on which the share buy backs are carried out to the full extent mandated; or (iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked by the Company to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date of the AGM at which this Ordinary Resolution is passed. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy Back Mandate on the audited consolidated financial results of the Group for the financial year ended 30 June 2019 are set out in greater detail in the Addendum despatched together with the Annual Report 2019.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares should be specified).

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 47 Tuas View Circuit, Singapore 637357 not less than seventy-two (72) hours before the time appointed for the AGM.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Notice of Books Closure Date and Payment Date for Dividends

Notice is hereby given that, subject to the approval of the shareholders for the proposed special and final (one-tier tax-exempt) dividends being obtained at the coming Annual General Meeting, the register of members and the transfer book of the Company will be closed on 1 November 2019 for the purpose of determining shareholders' entitlements to the proposed special and final dividends for the financial year ended 30 June 2019.

Duly completed transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 up to 5.00 p.m. on 1 November 2019 will be registered before entitlements to the proposed dividends are determined.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 1 November 2019 will be entitled to the proposed special and final dividends.

The proposed special and final dividends, if approved by shareholders at the coming Annual General Meeting will be paid on 13 November 2019.

Please note that transportation to the AGM is available at Boon Lay MRT at 9.00 am. Pick-up point is near the UOB taxi stand. Please call (65) 6862 2211 for any enquiries or further details.

HAI LECK HOLDINGS LIMITED
(Company Registration No. 199804461D)
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS 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 **Hai Leck Holdings Limited** (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her*, the Chairman of the Annual General Meeting (the "**Meeting**") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Meeting of the Company to be held at 47 Tuas View Circuit, Singapore 637357 on Thursday, 24 October 2019 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Resolutions relating to:	No. of Votes For**	No. of Votes Against**
Ordinary Business			
1	Audited Financial Statements for the financial year ended 30 June 2019		
2	Payment of proposed special and final dividends		
3	Re-election of Mr. Cheng Buck Poh @ Chng Bok Poh as a Director		
4	Approval of Directors' fees amounting to S$204,016.00 for the financial year ending 30 June 2020, to be paid quarterly in arrears		
5	Re-appointment of Ernst & Young LLP as Auditors		
Special Business			
6	Authority to allot and issue new shares		
7	Renewal of Share Buy Back Mandate		

** *If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ________________ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Member
and/or, Common Seal of Corporate Shareholder

* Delete where inapplicable

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 81SF of the Securities and Futures Act, Chapter 289 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 (other than a Relevant Intermediary*), 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/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 47 Tuas View Circuit Singapore 637357 not less than seventy-two (72) hours before the time appointed for the Meeting.

7. 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. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. 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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 October 2019.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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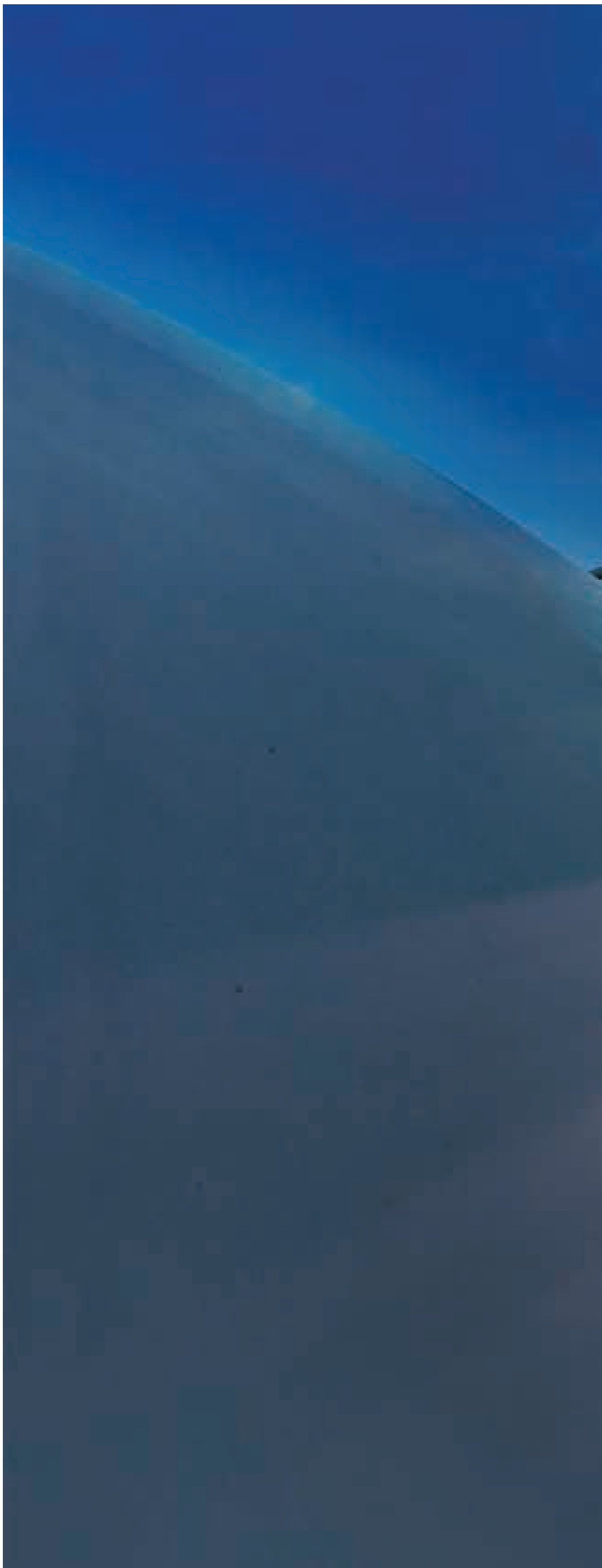

HAI LECK HOLDINGS LIMITED

(Company Registration Number 199804461D)
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