HAI LECK
HOLDINGS LIMITED

BUILDING on STRENGTHS

2013
ANNUAL
REPORT

AN INTEGRATED SERVICE PROVIDER

Established in 1975, Hai Leck Holdings Limited and its subsidiaries ("Hai Leck" or "The Group") is one of the leading Singapore companies that provide engineering, procurement and construction (EPC) to the oil & gas, petrochemical, pharmaceutical and utilities industries.

The Group has presence in Singapore, Malaysia, Middle East, Thailand and Vietnam. Today, it has a workforce of more than 2000 in the region servicing its customers.

The Group undertakes projects including EPC projects as well as maintenance services on routine and turnaround basis, leveraging on its principal competitive strengths which include an approximate 36-year track record, technical competency, efficient project management, good safety records, skilled manpower, quality workmanship and responsiveness to customer's request.

The Group's EPC capability enables it to manage EPC projects with seamless integration of in-house competencies such as automated shop blasting & painting, piping and steel structure fabrication & field installation, tankage, scaffolding, corrosion protection, thermal insulation, refractory and general civil works.

The Group's dedicated project team ensures proactive participation with its clients to identify and resolve potential challenges. It manages and measures the projects with key performance indicators focusing on safety, quality, productivity and timely completion of the entire project. With its 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. The Group's principal activities comprise:

Project Services

- Mechanical engineering services, scaffolding and corrosion prevention services, thermal insulation services, refractory and passive fireproofing and complemented by general civil engineering services; and
- Insulation services, comprising thermal insulation and refractory services, complemented by passive fireproofing services.

Maintenance Services

- Provided on a routine and turnaround basis.

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CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

In the financial year 2013 ("FY2013"), we are extremely proud to have successfully completed the construction of a 540,000-tonnes per annum chemical plant and an off-site facility comprising pipe racks and 22 storage tanks in Jurong Island. This is an achievement for the Group as we overcame the technical challenges to complete the project for CCD (Singapore) Pte. Ltd./ Chang Chun (Singapore) Pte. Ltd. ("CCD/CC").

The successful project completion is a strong testament to our technical and execution capabilities, cementing Hai Leck's brand name in the oil and gas industry. This signature project also led us to win repeat business from CCD/CC in the form of a mechanical maintenance services contract for its three production plants in Jurong Island, amidst intense competition. The contract, which commenced in the fourth quarter of FY2013, will further enhance the quality of our earnings with a recurring revenue stream from FY2014.

During the year under review, we had also increased our order book with a new Engineering, Procurement and Construction (EPC) contract in October 2012 for the construction of eight storage tanks in Jurong Island.

We rounded the year with a set of sterling results. Net profit surged 261.3% to $14.0 million in FY2013, on the back of 62.1% growth in revenue to $143.1 million. The good showing was due to higher sales contribution from our Project Services division, with the completion of several high value projects during the year, as well as our ability to keep operating costs low. In FY2013, our operating costs increased by 5.0% – significantly lower than our revenue growth of 62.1%.

As at 30 June 2013, we continued to enjoy a healthy financial position with total assets amounting to $142.5 million, and cash and cash equivalents of $60.8 million. Compared to the corresponding period last year, this represented an improvement of 18.7% and 24.8% respectively. Our stronger cash position, which was due to revenue growth and the net proceeds of $3.9 million raised in January 2013 from the issuance of new warrants, equipped us with the financial resources to take on sizeable projects and pursue business opportunities that further added value to the Group.

Dividend

To reward loyal shareholders, the Board of Directors have recommended a first and final dividend of 2 Singapore cents per share.

Looking ahead

As we move forward, we will continue to adopt a prudent view due to the weaker global economic outlook amidst uncertainties in USA, Europe and China, coupled with the recent political unrest in Middle East. All of these will inadvertently affect the industries which we serve – including oil & gas, petrochemical, and utilities.

The road ahead of us will be challenging. We are anticipating a downward pressure on our margins against the backdrop of escalating costs and the tightening of foreign labour in Singapore.

We will continue to improve productivity through various measures, such as investing in plant and equipment as well as providing training programmes to employees. With the development of our engineering, procurement and construction (EPC) capabilities, the Group will continue to pursue business opportunities in this area.

Our tele-centre services unit, which we acquired last year, has yielded an attractive rate of return for the Group. We are optimistic of the prospects of this award winning customer contact centre, which provides innovative and high quality tele-data services in Singapore and the region.

A stronger Board

I would like to take this opportunity to congratulate Mr Tan Sim Cheng for his appointment as Lead Independent Director in May 2013. I am confident that the Board will continue to gain valuable insights from Mr Tan's leadership and wealth of experience.

Words of appreciation

On behalf of the Board of Directors, I would like to thank all our shareholders, customers and business associates for their continued support towards the Group. Special thanks also goes out to our staff at Hai Leck for their dedication and hard work. I look forward to another year of camaraderie with the team as we propel the Group forward.

CHENG BUCK POH, BBM
Executive Chairman

FINANCIAL AND OPERATIONS REVIEW

For the financial year ended 30 June 2013 ("FY2013"), the Group recorded revenue of $143.1 million, an increase of $54.8 million or 62.1% as compared to last year. The growth was due to higher revenue contribution from the Project Services division, which completed several high value projects in FY2013, including the construction of a chemical plant and an off-site facility in Jurong Island for CCD (Singapore) Pte. Ltd. / Chang Chun (Singapore) Pte. Ltd. ("CCD/CC").

As a result of higher sales and good cost management, net profit attributable to equity holders in FY2013 increased by $10.1 million or 261.3% to $14.0 million, from $3.9 million last year.

Basic earnings per share rose to 4.3 cents in FY2013, from 1.2 cents in FY2012, while net assets per share improved from 27.1 cents last year to 32.6 cents.

AS AT 30 JUNE 2013, THE GROUP CONTINUED TO ENJOY STRONG FINANCIAL POSITION. TOTAL ASSETS STOOD AT $142.5 MILLION (FY2012: $120.1 MILLION), WHILE NET TANGIBLE ASSETS WAS $105.5 MILLION (FY2012: $87.7 MILLION).

Cost of sales and operating expenses

Cost of sales in FY2013 increased by 94.4% or $43.9 million to $90.4 million, as compared to $46.5 million last year. The increase was mainly due to higher subcontractors costs as the Group outsourced more work. In addition, the Group purchased and utilised more materials to cope with the project demands.

Operating expenses increased to $41.7 million in FY2013, from $39.7 million last year, representing an increase of $2.0 million or 5.0%. This was partially offset by a decrease in depreciation charges for property, plant and equipment. Despite the 62.1% growth in revenue, distribution and selling expenses, as well as administrative expenses, increased by 9.7% and 11.7% respectively to $1.1 million and $35.2 million – a result of the Group's continued focus in cost management.

Segmental review

The Group recorded higher revenue across its three key business segments. Project Services, which contributed 64.1% of total revenue in FY2013, registered a 96.8% improvement in sales to $91.7 million. Revenue from the Maintenance Services division, which accounted for 32.2% of total revenue, increased 20.0% to $46.0 million in FY2013. With a new recurring revenue stream from the maintenance services contract with CCD/CC, the Group expects a more stable performance from this business division moving forward. The Tele-centre Services division recorded its first full year of revenue amounting to $5.3 million, as compared to $3.3 million in FY2012.

Geographically, Singapore continued to be the biggest market for the Group, contributing 96.9% of total revenue in FY2013. Other markets, comprising mainly Thailand, accounted for the remaining 3.1% of revenue.

Balance sheet highlights

As at 30 June 2013, the Group continued to enjoy strong financial position. Total assets stood at $142.5 million (FY2012: $120.1 million), while net tangible assets was $105.5 million (FY2012: $87.7 million).

Non-current assets increased by 8.5% or $3.6 million, to $46.1 million as at 30 June 2013, from $42.5 million as at 30 June 2012. This was mainly attributable to customers' retention monies for an Engineering, Procurement and Construction (EPC) project, which are due after one year.

Current assets increased by 24.2% or $18.8 million, from $77.6 million as at 30 June 2012 to $96.4 million as at 30 June 2013. This was mainly due to higher trade receivables as a result of increased billings from the Group's EPC business, higher gross amount due from customers for contract work-in-progress, improvement in trade receivables turnover, as well as an increase in cash and cash equivalent following the issuance of new warrants in FY2013 which raised net proceeds of $3.9 million.

Current liabilities increased by 9.5% or $2.9 million to $33.2 million as at 30 June 2013, from $30.3 million as at 30 June 2012. This was due to an increase in trade and other payables as a result of the increase in business activities.

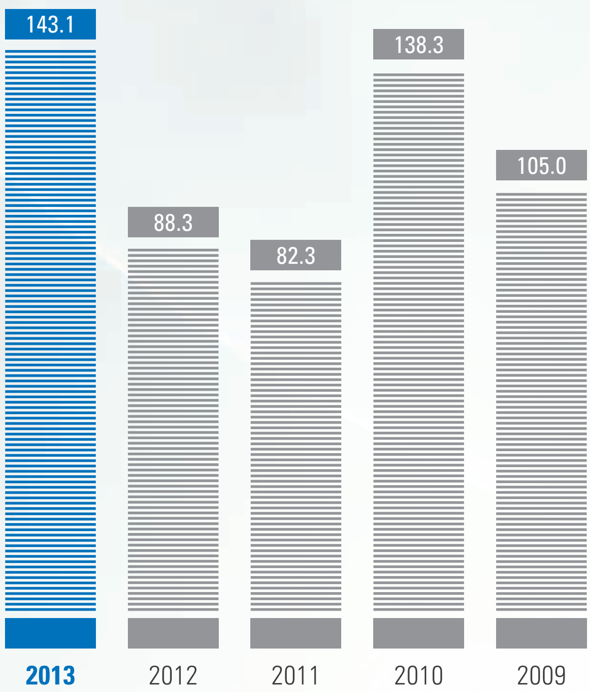
Non-current liabilities amounted to $3.5 million as at 30 June 2013, an increase of $1.8 million as compared to $1.7 million as at 30 June 2012 due to suppliers' retention monies payable after one year.

Cash flows

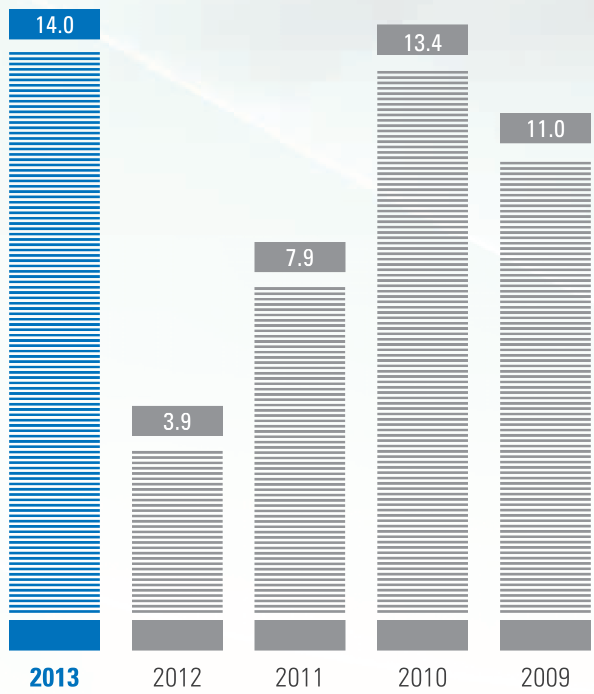
The Group continued with its healthy cash position. As at 30 June 2013, cash and cash equivalents improved to $60.8 million, from $48.7 million as at 30 June 2012. Net cash flows generated from operating activities amounted to $9.5 million, while net cash flows used in investing activities and net cash flows generated from financing activities were $1.2 million and $3.8 million respectively. The healthy cash flows and strong cash position will equip Hai Leck with the financial resources to take on sizeable projects and pursue business opportunities that can further add value the Group.

FINANCIAL HIGHLIGHTS

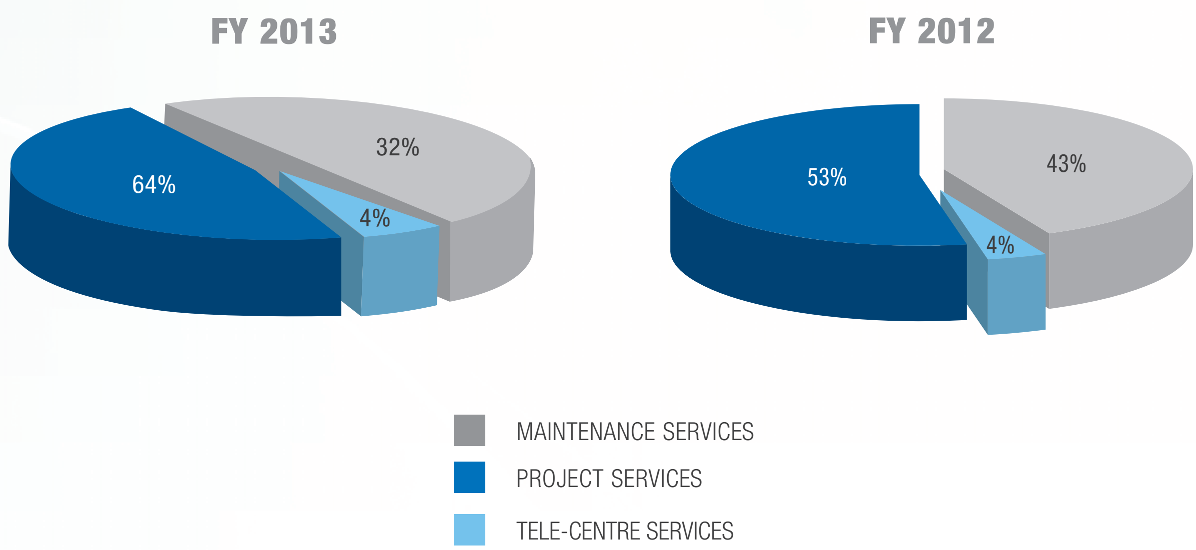
REVENUE (S$'MIL)



NET PROFIT (S$'MIL)



REVENUE CONTRIBUTED BY SEGMENT FY: FINANCIAL YEAR ENDED 30 JUNE



CORPORATE STRUCTURE

HAI LECK HOLDINGS LIMITED

- **100%** Hai Leck Engineering (Private) Limited
  - **100%** Industrial Services Pte. Ltd.
  - **100%** Hai Leck Corporation Sdn. Bhd.
  - **100%** Hai Leck (Vietnam) Engineering Co., Ltd
  - **49%** Logthai-Hai Leck Engineering Co., Ltd
- **100%** Hai Leck Engineering & Construction Pte. Ltd.
- **100%** Hai Leck Overseas Investments Pte. Ltd.
  - **90%** Hai Leck Engineering Saudi Arabia Limited
- **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 TAN SIM CHENG, JP, 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. Currently he sits on the Board of Directors of SKF Asia Pacific Pte. Ltd. (since 1973) and Kidney Dialysis Foundation Ltd. (since 2006). 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 Member of the Institute of Singapore Chartered Accountants.

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 and is a Level 1 Coating Inspector certified by NACE.

MS CHENG LI HUI, PBM was appointed as Deputy Chief Executive Officer on 3 January 2012. She assists our Chief Executive Officer in overseeing the daily operations of the Group with regard to its scaffolding, corrosion prevention, insulation and refractory as well as its maintenance businesses locally. She 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.

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.

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, Casa Holdings Limited and LK Technology 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 Institute of Science and Technology in 1977 and 1981, respectively.

MR CHEE TECK KWONG PATRICK, PBM was appointed as an Independent Director on 5 June 2008. Mr Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. He has been admitted as a Solicitor of the Senior Courts of England and Wales. Since 1980, he has been an advocate and solicitor of the Supreme Court of the Republic of Singapore. He is now practicing as a Senior Legal Consultant with KhattarWong LLP. Mr Chee is a Notary Public and a Commissioner for Oaths and a member of Singapore Institute of Arbitrators and Singapore Institute of Directors. He also sits on the Board of other listed companies: CSC Holdings Limited, China International Holdings Limited, Hanwell Holdings Limited, Hengxin Technology Limited, Ramba Energy Limited, Singapore Windsor Holdings Limited and Tat Seng Packaging Group Limited. Mr Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club and the Organising Chairman of National Street Soccer League. 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.

SENIOR MANAGEMENT

MR CHOO YOON KOW is our Group General Manager. He assists the Chief Executive Officer and is responsible for overseeing the daily operations of the Group with regard to its construction as well as its maintenance businesses both locally and overseas. He is also involved in business development, sales and marketing. Mr Choo has accumulated more than 25 years of experience in this industry and holds a Degree in Engineering, Mechanical from Monash University, Australia.

MR YOW HON MENG, JASON is our Chief Financial Officer, with more than 25 years of experience in the field of finance and management and is responsible for the full spectrum of financial, taxation and treasury functions in our Group. He oversees the day-to-day finance/accounts functions of the Group and consolidates the Group's accounts and reporting and provides financial analysis and appraisal of the Group's investments. Mr Yow is a Fellow Member of Institute of Singapore Chartered Accountants and a Member of CPA Australia.

MS GOH MUI LING JOYCE is our Head of Corporate Services. She is responsible for the Group's Corporate Communications, Estates & Facilities, General Administration, Human Resource Management and Development, Information Technology and Procurement. Ms Goh has accumulated more than 30 years of management experience covering the manufacturing, construction, education and legal industries. She holds a Degree in Business Administration from the Royal Melbourne Institute of Technology, Australia.

MANAGEMENT

MR LING KIN HUAT is our Estimation Manager and is responsible for projects estimation and safeguarding the Company's commercial interests. He has accumulated 30 years of project/construction management experience on plant equipment maintenance, plant turnaround and plant construction in oil & gas, chemical and petrochemical Industries.

MR JEFFERY FONSEKA is our Health, Safety, Security and Environment (HSSE) Manager and is overall in-charge of the group's health, safety & environmental management. He has 20 year experience in HSSE in the Oil & Gas, Petrochemical & Construction Industries in both Singapore as well as overseas and he has served major companies such as Shell, ExxonMobil, Singapore Refining Company, Emirates National Oil Company, and Fujairah Refinery. He is also a MOM registered Workplace Safety & Health Officer, a NEA registered Environmental Control Officer, and a registered Fire Safety Manager.

MS. VIVIEN ONG is the General Manager of Tele-centre Services Pte Ltd. She has been with the company for more than 13 years and oversees the human resources, sales & marketing, finance & administration, information technology, contact centre operations and service quality departments. She holds a Degree in Business Administration from Royal Melbourne Institute of Technology, Australia.

MISS CHENG WEE LING is the Business Development Manager of Tele-centre Services Pte Ltd. She is responsible for nurturing promising leads into actual accounts and providing customers with the best-fitting contact centre solutions. She has 10 years of experience in the contact centre space and holds a Degree in Business Administration from the Royal Melbourne Institute of Technology, Australia.

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)*
Cheng Li Hui *(Deputy Chief Executive Officer)*
Cheng Li Chen *(Non-Executive Director)*
Dr Low Seow Chay *(Independent Director)*
Chee Teck Kwong Patrick *(Independent Director)*

SENIOR MANAGEMENT
Choo Yoon Kow *(Group General Manager)*
Yow Hon Meng, Jason *(Chief Financial Officer)*
Goh Mui Ling, Joyce *(Head, Corporate Services)*

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

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Singapore 048623

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80 Raffles Place
UOB Plaza
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Standard Chartered Bank
6 Battery Road
Singapore 049909

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:
Michael Sim Juat Quee
Appointed since financial year ended 30 June 2010

CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Preamble

The Board of Directors (the "Board") of Hai Leck Holdings Limited (the "Company") together with its subsidiaries (the "Group") is committed to setting in place corporate governance practices to provide the structure through which the objectives of protecting the shareholders' interests and enhancement of shareholders' value are met. This report describes the Company's corporate governance framework and practices, with reference to the Code of Corporate Governance 2005 (the "Code"). Unless otherwise stated, these practices were in place throughout the financial year.

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 success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.***

The Board's primary role is to protect and enhance long-term shareholders' value and returns. Apart from its statutory responsibilities, the principal functions of the Board encompass, *inter alia*, the following:

- Providing stewardship to the Company including charting its corporate strategies;
- Monitoring the Management's performance and provide guidance and advice to the Management;
- Overseeing the evaluation of the adequacy of internal controls, risks management, financial reporting and compliance, and satisfy itself as to the sufficiency of such processes;
- Setting of the Company's values and standards and ensuring that obligations to shareholders and others are understood and met; and
- Being responsible for 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.

Board Committees

To assist the Board in the discharge of its responsibilities, the Board has established three Board Committees, namely, the Audit Committee (the "AC"), Nominating Committee (the "NC") and Remuneration Committee (the "RC"). These committees function within clearly defined terms of reference and operating procedures.

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 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.

CORPORATE GOVERNANCE REPORT

The Board's approval is required in matters such as 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, half year and full year financial results and interested person transactions of a material nature. The Board ensures that new directors are familiarised with the Group's businesses and corporate governance practices upon their appointments, to facilitate the effective discharge of their duties.

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	**5**	**4**	**1**	**1**
Name of Directors	**No. of meetings attended**			
Mr Cheng Buck Poh @ Chng Bok Poh	5	4*	1*	1*
Mr Cheng Yao Tong	4	3*	1*	1
Ms Cheng Li Hui	4	4*	1*	1*
Mr Lee See Kee(1)	2	1*	1*	1*
Ms Cheng Li Chen	5	4*	–	–
Mr Tan Sim Cheng	5	4	1	1
Dr Low Seow Chay	4	4	1	1
Mr Chee Teck Kwong Patrick	5	4	1	1

* By invitation
(1) Resigned on 23 October 2012

Newly appointed Directors will 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 seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. The Directors are also kept abreast of any developments which are relevant to the Group and any developments of relevant new laws and regulations.

CORPORATE GOVERNANCE REPORT

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. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises three Executive Directors and four Non-Executive Directors. Three of the Non-Executive Directors are independent. The independence of each Director is reviewed by the NC in accordance with the definition of independence in the Code annually. The NC confirms that the Independent Directors make up at least one-third of the Board. The members of the Board are as follows:

Executive Directors

Mr Cheng Buck Poh @ Chng Bok Poh	Executive Chairman
Mr Cheng Yao Tong	Chief Executive Officer
Ms Cheng Li Hui	Deputy Chief Executive Officer

Non-Executive Directors

Mr Tan Sim Cheng	Non-Executive Deputy Chairman and Lead Independent Director (re-designated on 13 May 2013)
Ms Cheng Li Chen	Non-Executive Director
Dr Low Seow Chay	Independent Director
Mr Chee Teck Kwong Patrick	Independent Director

The Board is able to exercise objective judgement independently from the Management and no individual or small group of individuals dominate the decisions of the Board.

The 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. The Company will continue to review its Board composition with a view to enhance corporate governance practices taking into account the Code of Corporate Governance 2012.

The Independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance 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.

The profiles of the Directors are set out on pages 8 and 9 of this Annual Report.

CORPORATE GOVERNANCE REPORT

1.3 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents 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 Company's business.

The roles and responsibilities between the Chairman and the Chief Executive Officer (the "CEO") are held by separate individuals. Mr Cheng Buck Poh @ Chng Bok Poh is our Executive 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, who is assisted by Mr Tan Sim Cheng, our Non-Executive Deputy Chairman and Lead Independent Director and the Chairman of the AC, is responsible for the charting and reviewing of the corporate directions and strategies for the Group.

The Chairman 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, ensures that the 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 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 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.

1.4 Board Membership

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

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

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

Mr Chee Teck Kwong Patrick	Chairman
Mr Tan Sim Cheng	Member
Dr Low Seow Chay	Member

CORPORATE GOVERNANCE REPORT

In accordance with the definition in the Code, the Chairman of the NC is not associated with any substantial shareholder of the Company.

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) assessing the effectiveness of the Board as a whole; and

(vii) ensure that the Company has a succession plan for key Executive Directors and its officers.

The NC decides 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 as a whole. 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/ reappointment
Mr Cheng Buck Poh @ Chng Bok Poh Executive Chairman	12 September 1998	22 October 2012
Mr Tan Sim Cheng Non-Executive Deputy Chairman and Lead Independent Director (re-designated on 13 May 2013)	5 June 2008	22 October 2012
Mr Cheng Yao Tong Chief Executive Officer	3 January 2012	22 October 2012
Ms Cheng Li Hui Deputy Chief Executive Officer	11 May 2010	22 October 2010

CORPORATE GOVERNANCE REPORT

Name of Director	Date of initial appointment	Date of last re-election/ reappointment
Ms Cheng Li Chen Non-Executive Director	17 October 2007	22 October 2012
Dr Low Seow Chay Independent Director	5 June 2008	21 October 2011
Mr Chee Teck Kwong Patrick Independent Director	5 June 2008	21 October 2011

The NC is of the view that despite multiple board representations in certain instances, each Director is able to allocate sufficient time and attention to the affairs of the Company and has adequately discharged his/her duties as a Director of the Company.

The Articles of Association of the Company require the number nearest to one-third of the Directors to retire by rotation and subject themselves to re-election by the shareholders in 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 Articles of Association of the Company that additional Directors appointed during the year shall only hold office until the next AGM of the Company and are subject to re-election by the shareholders.

The Board has accepted the NC's nomination of the retiring Director who has given her consent for re-election at the forthcoming AGM of the Company. The retiring Director is Ms Cheng Li Hui, who will retire pursuant to Article 93 of the Articles of Association of the Company.

In accordance with Section 153(6) of the Companies Act, Chapter 50, a Director of or over 70 years of age is required to vacate office every year. The Director is eligible to offer himself for re-appointment. The Board has accepted the NC's nomination of the re-appointment of Mr Tan Sim Cheng and Mr Cheng Buck Poh @ Chng Bok Poh as Directors of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50 at the forthcoming AGM of the Company.

1.5 Board Performance

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

Review of the Board's performance is conducted by the NC annually. The NC is guided by its written terms of reference which set out its responsibility for assessing the Board's effectiveness as a whole. The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Company's business and that each Director, with his/her special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

CORPORATE GOVERNANCE REPORT

With regard to the collective appraisal of the Board, each Director assesses the Board's performance as a whole and provides the feedback to the NC. In reviewing the Board's effectiveness as a whole, the NC takes into account feedback from the Board members as well as the Director's individual skills and experience. The NC also considers the guidelines set out in the Code for the evaluation and assessment of the performance of the Board as a whole in achieving strategic objectives.

During the financial year, the NC had met to discuss and assess the evaluation of the Board's performance as a whole and the results of the assessment had been communicated to and accepted by the Board.

1.6 Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

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.

In exercising their duties, the Directors have unrestricted access to the Company's Management, Company Secretary and independent auditors.

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 in order to fulfill 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 own remuneration.

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

Dr Low Seow Chay	Chairman
Mr Tan Sim Cheng	Member
Mr Chee Teck Kwong Patrick	Member

CORPORATE GOVERNANCE REPORT

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 framework of remuneration for the Directors and key executives officers, 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 executives;

(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 are 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.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and other benefits-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions in respect of his/her remuneration package.

2.2 Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

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 and the performance of individual Directors.

The Independent and Non-Executive Directors receive Directors' fees, in accordance with their contribution, taking into account 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.

CORPORATE GOVERNANCE REPORT

The service agreements entered into with the three Executive Directors, namely, (1) Mr Cheng Buck Poh @ Chng Bok Poh, is for a period of three years effective from 28 August 2011 and will continue for a further term of three years unless otherwise terminated by either party upon giving not less than three months' notice in writing to the other; and (2) Mr Cheng Yao Tong and (3) Ms Cheng Li Hui, are for a minimum term of three years with effect from 3 January 2012 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 all of the Executive Officers. Such letters typically provide for the salaries payable to the Executive Officers, their working hours, annual leave, medical benefits, grounds of termination and certain restrictive covenants.

2.3 Disclosure on Remuneration

Principle 9: ***Each company should provide clear disclosure of its remuneration policy, 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 executives, 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 2013 falling within the broad bands are set out below:

Remuneration Band and Name of Directors	Salary %	Variable Bonus %	Directors' Fees %	Benefits %	Total %
$750,000 – $999,999					
Mr Cheng Buck Poh @ Chng Bok Poh	39	61	–	–	100
$250,000 – $499,999					
Mr Cheng Yao Tong	43	55	–	2	100
Ms Cheng Li Hui	48	47	–	5	100
Below $250,000					
Mr Lee See Kee	–	–	100	–	100
Ms Cheng Li Chen	33	–	67	–	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 benchmarking gathered from companies in comparable industries.

CORPORATE GOVERNANCE REPORT

Details of remuneration paid to key executives of the Group (who are not Directors), in percentage terms showing the level and mix, for the financial year ended 30 June 2012 are set out below:

Remuneration Band and Name of Executive Officers	Salary %	Variable Bonus %	Benefits %	Total %
$250,000 – $499,999				
Mr Choo Yoon Kow	97	–	3	100
Below $250,000				
Mr Yow Hon Meng, Jason	92	–	8	100
Ms Goh Mui Leng, Joyce	93	–	7	100

After the Group streamlined its organisation and operation, there are presently three key executives.

Our CEO, Mr Cheng Yao Tong, our Deputy Chief Executive Officer, Ms Cheng Li Hui and our Non-Executive Director, Ms Cheng Li Chen are the children of Mr Cheng Buck Poh @ Chng Bok Poh.

Save as disclosed, no employee of the Group who is an immediate family member of any Director or the CEO or a controlling shareholder and whose remuneration exceeds S$150,000 during the financial year ended 30 June 2013. ("Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister or parent). The Company has no employee share option schemes or other long-term incentive scheme in place.

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 provide shareholders with confidence and trust in the Board's capability and integrity.

The Management is responsible to the Board and the Board itself is accountable to the shareholders. AGMs are held every year to obtain shareholders' approval for routine business, as well as the election of Directors.

In addition to its statutory responsibilities, the Board also ensures that the principal risks of the Company's business are identified and appropriately managed.

CORPORATE GOVERNANCE REPORT

3.2 Audit Committee

Principle 11: The Board should establish an Audit Committee 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:

Mr Tan Sim Cheng	Chairman
Dr Low Seow Chay	Member
Mr Chee Teck Kwong Patrick	Member

The members of the AC have had many years of experience in accounting, legal, business and financial management. 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 Chief Financial Officer (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 judgements 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 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;

CORPORATE GOVERNANCE REPORT

(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 Singapore Exchange Securities Trading Limited (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 cooperation of the Management, external auditors and internal auditors. It also has full discretion to invite any Director and Executive Officer to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

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. In the year, the AC met with the external auditors, separately 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 fee paid and payable to the external auditors for the financial year ended 30 June 2013 was S$130,000. The non-audit fee was S$10,000.

The Company has complied with Rule 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 will undertake a review of the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on annual basis. Ernst & Young LLP, the external auditor 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 the Board that Ernst & Young LLP be nominated for re-appointment as external auditor at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE REPORT

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory Authority had launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the guidance.

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 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.

3.3 Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Group has developed internal control system to provide reasonable assurance in safeguarding assets, ensuring proper accounting records are maintained, and ensuring that financial information used in the business and for publication is reliable.

The Board believes that the system of internal controls maintained by the Management provides adequate assurance against material financial misstatements or losses. The AC reviews the report from the internal auditor, RSM Ethos Pte. Ltd. to assess the effectiveness of the Group's internal control system in light of key business and financial risks affecting its operations.

Relying on the report from the internal auditors and considering the statutory audit performed by the external auditors, the AC carried out an assessment of the effectiveness of key internal controls during the 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. The joint venture which the Company does not control is not dealt with for the purpose of this statement.

Based on the various management controls in place, the report from the internal auditors and the statutory audit performed by the external auditors, reviews conducted by the Management, the Board with the concurrence of the AC, is of the opinion that the system of internal controls addressing financial, operational and compliance risks maintained by the Group during the year are adequate.

CORPORATE GOVERNANCE REPORT

The Board also notes that all internal control systems and risk managements systems contain inherent limitations and no system of internal controls or risk management system could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

As the Group continues to grow the business, the Board will continue to review and take appropriate steps to strengthen the Group's overall system of internal controls and risk management.

3.4 Internal Audit

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

The Company appointed RSM Ethos Pte. Ltd. ("IA") as the Internal Auditors. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The IA reviews the effectiveness of key internal controls in accordance with the internal audit plan and presents the internal audit reports to the Board. The IA has a direct and primary reporting line to the AC and assists the AC in overseeing and monitoring the implementation and improvements required on internal control weaknesses identified.

The AC reviews and approves the annual internal audit plans and reviews the scope and results of internal audit procedures issued by the IA.

4. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

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 are informed regularly and on a timely basis of every significant development that has an impact on the Group.

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

- Results and annual reports are announced or issued within the mandatory period;
- Material information are disclosed in a comprehensive, accurate and timely manner via SGXNet and the press; and
- Company's general meetings.

CORPORATE GOVERNANCE REPORT

All shareholders of the Company receive annual reports and are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited to put forth any questions that they may have on the motions to be debated and decided upon at these meetings.

In accordance with the Articles of Association of the Company, shareholders are allowed to appoint up to two proxies to attend and vote at general meetings in their absence through proxy forms sent in advance. All shareholders are allowed to vote in person or by proxy. Central Provident Fund investors of the Company's securities may attend shareholders' meetings as observers provided they have registered to do so with the agent banks within the specified time frame.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

Principle 15: Companies should encourage greater shareholder participation at AGMs and allow shareholders the opportunity to communicate their views on various matters affecting the company.

At general meetings of the Company, shareholders are given the opportunity to voice their views and participate effectively at the AGM through the open question and answer session, to address any concerns in relation to the proposed resolutions.

The Chairman of each Board Committee is normally available at the general meetings to address questions relating to the work of these Board Committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by the shareholders.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

The Company has adopted and ensures 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 the SGX-ST, or when they are in possession of any unpublished price sensitive information of the Group. In addition, the Company, Directors, key executives 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 on short term considerations.

CORPORATE GOVERNANCE REPORT

6. MATERIAL CONTRACTS

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 subsidiaries, involving the interests of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 30 June 2013.

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.

There were no interested person transactions above $100,000 for the year ended 30 June 2013.

Prior to entering into an interested person transactions 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, 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 87 to 90 of this Annual Report.

9. UTILISATION OF WARRANT ISSUE PROCEEDS

On 7 January 2013, the Company had allotted and issued 81,114,750 warrants and raised net proceeds of $3.9 million for working capital and business expansion.

As at 30 June 2013, the Group applied the proceeds as working capital and business expansion in accordance with the Announcement dated 4 January 2013.

CORPORATE GOVERNANCE REPORT

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	Warehousing and office premises	5,742/2,626	30 years commencing 1 July 2012, subject to terms and conditions of JTC
9 Tuas Avenue 1 Singapore 639494	Warehousing and office premises	4,703/3,032	30 years commencing 1 August 1993 with an option to extend for a further 30 years
47 Tuas View Circuit Singapore 637357	Workshop and office premises	24,161/11,683	30 years commencing 15 December 2007, subject to terms and conditions of JTC building agreement between JTC and Hai Leck Engineering (Private) Ltd dated 30 May 2008 being complied with
40 Tuas West Road Singapore 638389	Workshop and office premises	33,868/10,907	22 years commencing 1 May 1997

DIRECTORS' REPORT

The Directors are pleased to present their report 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 2013.

Directors

The Directors of the Company in office at the date of this report 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 object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Director's 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 2012**	**30 June 2013**	**1 July 2012**	**30 June 2013**
The Company				
Ordinary shares				
Cheng Buck Poh @ Chng Bok Poh	95,200,000	147,946,000	124,800,000	124,800,000
Low Seow Chay	541,000	541,000	72,000	72,000
Tan Sim Cheng	100,000	125,000	–	–
Chee Teck Kwong Patrick	100,000	125,000	–	–

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.

DIRECTORS' REPORT

Director's interests in shares, warrants and debentures (Continued)

	Direct interest as at		Deemed interest as at	
Name of Director	**1 July 2012**	**30 June 2013**	**1 July 2012**	**30 June 2013**
The Company				
Warrants to subscribe for ordinary shares*				
Cheng Buck Poh @ Chng Bok Poh	–	36,986,500	–	31,200,000

* The Company's Warrants were issued on 7 January 2013.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2013.

Except as disclosed in this report, no other Directors who held office at the end of the financial year had an interest in shares, 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.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, 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 Cheng Buck Poh @ Chng Bok Poh, Cheng Yao Tong and Cheng Li Hui have employment relations with the subsidiary companies, and Cheng Li Chen has a contractual relation as a consultant with a subsidiary company. They have received remuneration in those capacities.

Share options

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

Warrants

On 28 December 2012, the Company completed the renounceable non-underwritten rights issue of 81,114,750 warrants ("Warrants") at an issue price of $0.05 for each Warrant for cash, on the basis of one (1) Warrant for every four (4) existing ordinary shares in the capital of the Company held by the entitled shareholders as at the books closure date, fractional entitlements to be disregarded. Each Warrant entitles the holder to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of $0.13 per share.

The 81,114,750 Warrants allotted were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 January 2013. The New Shares into which the Warrants can be converted will rank pari passu in all respects with the existing ordinary shares of the Company. The New Shares arising from the exercise of the Warrants will be listed and quoted on the Official List of SGX-ST.

These Warrants will expire on 7 January 2018.

DIRECTORS' REPORT

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 Ltd. 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 2013, as well as the external auditor's report thereon.

The AC held 4 meetings during the financial year ended 30 June 2013.

The AC, having reviewed all the non-audit services provided by the external auditors, 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 Report on Corporate Governance.

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
16 September 2013

STATEMENT BY DIRECTORS

We, Cheng Buck Poh @ Chng Bok Poh and Cheng Yao Tong, being two of the Directors of Hai Leck Holdings Limited, do hereby state that, in the opinion of the Directors:

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2013, and the results of the business, 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

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Cheng Buck Poh @ Chng Bok Poh
Director

Cheng Yao Tong
Director

Singapore
16 September 2013

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

To the Members of Hai Leck Holdings Limited

Report on the Financial Statements

We have audited the accompanying 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 2013, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013
To the Members of Hai Leck Holdings Limited

Report on the Financial Statements (Continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
16 September 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Group	
		2013	2012
		$'000	$'000
Revenue	3	**143,074**	88,258
Cost of sales		**(90,357)**	(46,487)
Gross profit		**52,717**	41,771
Other income	4	**4,655**	2,502
Distribution and selling expenses		**(1,107)**	(1,009)
Administrative expenses		**(35,202)**	(31,513)
Other expenses		**(5,344)**	(7,135)
Interest expense	7	**(1)**	(15)
Profit before taxation	5	**15,718**	4,601
Taxation	8	**(1,725)**	(728)
Profit for the year		**13,993**	3,873
Attributable to:			
Equity holders of the Company		**13,993**	3,873
Earnings per share			
Basic (cents)	9	**4.3**	1.2
Fully diluted (cents)	9	**4.1**	1.2

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Group	
	2013	**2012**
	$'000	**$'000**
Profit net of tax	**13,993**	3,873
Other comprehensive income, net of tax:		
Items that may be reclassified to profit and loss		
Net charge in fair value of available-for-sale financial assets	**(32)**	–
Transfer to profit and loss account on redemption of investment	**(200)**	–
Net effect of exchange differences	**7**	43
Total comprehensive income for the year	**13,768**	3,916
Total comprehensive income attributable to:		
Equity holders of the Company	**13,768**	3,916

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

BALANCE SHEETS

AS AT 30 JUNE 2013

	Note	Group		Company	
		2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-current assets					
Property, plant and equipment	10	**39,885**	42,137	**–**	–
Investments in subsidiary companies	11	**–**	–	**30,957**	30,763
Intangible assets	13	**293**	371	**–**	–
Loans due from subsidiary companies	17	**–**	–	**21,961**	17,105
Customer retention		**5,873**	–	**–**	–
Deposits		**74**	–	**–**	–
		46,125	42,508	**52,918**	47,868
Current assets					
Inventories	14	**794**	419	**–**	–
Trade receivables	15	**30,199**	22,964	**–**	–
Other receivables and deposits	16	**1,888**	1,815	**–**	9
Prepayments		**799**	929	**9**	8
Amounts due from subsidiary companies (trade)	18	**–**	–	**2,262**	2,276
Other investments	19	**200**	1,232	**–**	–
Gross amount due from customers for contract work-in-progress	20	**1,376**	1,270	**–**	–
Fixed deposits pledged	21	**366**	272	**–**	–
Cash and cash equivalents	21	**60,790**	48,702	**29,905**	17,809
		96,412	77,603	**32,176**	20,102
Current liabilities					
Trade and other payables	22	**24,576**	21,994	**1,010**	1,689
Advances from customers		**838**	5,270	**–**	–
Amount due to a subsidiary company (non-trade)	23	**–**	–	**16**	–
Gross amount due to customers for contract work-in-progress	20	**2,600**	–	**–**	–
Finance lease obligations, current portion	24	**–**	3	**–**	–
Provision for warranty	25	**2,326**	1,753	**–**	–
Provision for taxation		**2,871**	1,320	**221**	31
		33,211	30,340	**1,247**	1,720
Net current assets		**63,201**	47,263	**30,929**	18,382
Non-current liabilities					
Other payables		**51**	51	**–**	–
Suppliers retention		**1,758**	–	**–**	–
Deferred taxation	26	**1,728**	1,641	**–**	–
		3,537	1,692	**–**	–
Net assets		**105,789**	88,079	**83,847**	66,250
Equity attributable to equity holders of the Company					
Share capital	27(a)	**48,859**	48,826	**48,859**	48,826
Treasury shares	27(b)	**(160)**	(160)	**(160)**	(160)
Accumulated profits		**52,353**	38,360	**30,083**	16,428
Capital reserve	28	**5,065**	1,156	**5,065**	1,156
Fair value reserve		**–**	232	**–**	–
Foreign currency translation reserve	29	**(328)**	(335)	**–**	–
Total equity		**105,789**	88,079	**83,847**	66,250

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

Group	Share capital (Note 27(a)) $'000	Treasury shares (Note 27(b)) $'000	Accumulated profits $'000	Capital reserve (Note 28) $'000	Fair value reserve $'000	Foreign currency translation reserve (Note 29) $'000	Total reserves $'000	Total equity $'000
	Attributable to equity holders of the Company							
Balance at 1 July 2012	48,826	(160)	38,360	1,156	232	(335)	39,253	88,079
Profit for the year	–	–	13,993	–	–	–	13,993	13,993
Other comprehensive income for the year	–	–	–	–	(232)	7	(225)	(225)
Total comprehensive income for the year	–	–	13,993	–	(232)	7	13,768	13,768
Contributions by and distributions to owners								
Issuance of ordinary shares	33	–	–	(9)	–	–	(9)	24
Issuance of warrants	–	–	–	4,056	–	–	4,056	4,056
Expenses incurred for new warrants	–	–	–	(138)	–	–	(138)	(138)
Balance at 30 June 2013	48,859	(160)	52,353	5,065	–	(328)	56,930	105,789

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	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**	**Fair value reserve $'000**	**Foreign currency translation reserve (Note 29) $'000**	**Total reserves $'000**	**Total equity $'000**
Balance at 1 July 2011	48,817	(160)	37,731	1,156	232	(378)	38,581	87,398
Profit for the year	–	–	3,873	–	–	–	3,873	3,873
Other comprehensive income for the year	–	–	–	–	–	43	43	43
Total comprehensive income for the year	–	–	3,873	–	–	43	3,916	3,916
Contributions by and distributions to owners								
Issuance of ordinary shares	9	–	–	–	–	–	–	9
Dividend on ordinary shares (Note 30)	–	–	(3,244)	–	–	–	(3,244)	(3,244)
Balance at 30 June 2012	48,826	(160)	38,360	1,156	232	(335)	39,253	88,079

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the Company				
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 2012	48,826	(160)	16,428	1,156	66,250
Profit for the year	–	–	13,655	–	13,655
Total comprehensive income for the year	–	–	13,655	–	13,655
Contributions by and distributions to owners					
Issuance of ordinary shares	33	–	–	(9)	24
Issuance of warrants	–	–	–	4,056	4,056
Expenses incurred for new warrants	–	–	–	(138)	(138)
Balance at 30 June 2013	48,859	(160)	30,083	5,065	83,847
Balance at 1 July 2011	48,817	(160)	18,423	1,156	68,236
Profit for the year	–	–	1,249	–	1,249
Total comprehensive income for the year	–	–	1,249	–	1,249
Contributions by and distributions to owners					
Issuance of ordinary shares	9	–	–	–	9
Dividend on ordinary shares (Note 30)	–	–	(3,244)	–	(3,244)
Balance at 30 June 2012	48,826	(160)	16,428	1,156	66,250

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Group 2013 $'000	Group 2012 $'000
Cash flows from operating activities			
Profit before taxation		**15,718**	4,601
Adjustments:			
Depreciation of property, plant and equipment	5	**4,623**	6,703
Realised return on redemption of investment	4	**(200)**	–
Amortisation of intangible assets	13	**84**	258
Gain on disposal of property, plant and equipment	4	**(84)**	(375)
Provision for warranty	25	**573**	423
Interest income	4	**(79)**	(105)
Interest expense	7	**1**	15
Unrealised exchange loss		**7**	67
Operating cash flows before working capital changes		**20,643**	11,587
Increase in:			
Customer retention, trade and other receivables and deposits and prepayments		**(13,125)**	(7,945)
Inventories		**(375)**	(102)
Gross amount due from/(to) customers for contract work-in-progress		**2,494**	(1,270)
Increase/(decrease) in:			
Suppliers retention, trade and other payables and advances from customers		**(92)**	9,909
Cash generated from operations		**9,545**	12,179
Tax paid		**(87)**	(1,987)
Net cash flows generated from operating activities		**9,458**	10,192
Cash flows from investing activities			
Acquisition of subsidiary companies, net of cash acquired		**–**	(720)
Interest received	4	**79**	105
Purchase of property, plant and equipment	10	**(2,428)**	(15,354)
Purchase of intangible assets	13	**(6)**	(6)
Proceeds from disposal of property, plant and equipment		**141**	560
Proceeds from redemption of investment		**1,000**	–
Net cash flows used in investing activities		**(1,214)**	(15,415)
Cash flows from financing activities			
Net proceeds from exercise of warrants		**24**	9
Proceeds of issue of new warrants		**4,056**	–
Expenses incurred for new warrants		**(138)**	–
Interest paid	7	**(1)**	(15)
Repayment of finance lease obligations		**(3)**	(276)
Increase in fixed deposits pledged		**(94)**	(272)
Dividend paid	30	**–**	(3,244)
Net cash flows generated from/(used in) financing activities		**3,844**	(3,798)
Net increase/(decrease) in cash and cash equivalents		**12,088**	(9,021)
Cash and cash equivalents at the beginning of year		**48,702**	57,723
Cash and cash equivalents at end of year	21	**60,790**	48,702

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

NOTES TO 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 11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on 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) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 July 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Amendments to FRS 107 *Offsetting of Financial Assets and Financial Liabilities*	1 January 2013
Amendments to FRS 101 *Government Loans*	1 January 2013
Improvements to FRSs 2012	
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
Improvements to FRSs 2012	
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Amendments to FRS 32 *Offsetting of Financial Assets and Financial Liabilities*	1 January 2014
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
INT FRS 121 Levies	1 January 2014

Except for FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

FRS 111 Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint venture. Upon adoption of FRS 111, the Group expects the change to equity accounting for the joint venture will affect the Group's financial statements presentation.

FRS 112 Disclosure of Interests in Other Entities

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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.

(i) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was 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.

- *Impairment of loans and receivables*

  The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

  Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

  The carrying amount of the Group's and the Company's loans and receivables at the end of the reporting period is disclosed in Note 35.

- *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 cost to sell 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(i) Key sources of estimation uncertainty *(Continued)*

- *Project revenue*

  The Group recognises project revenue to the extent of project costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is determined based on surveys of work done.

  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 as well as the recoverability of the project revenue. Total project revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgements, management relies on past experience and knowledge of project specialists.

  Project revenue for the year ended 30 June 2013 was $91,744,000 (2012: $46,614,000) for the Group.

- *Depreciation of property, plant and equipment*

  The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 33 years. The carrying amount of the Group's property, plant and equipment at 30 June 2013 was $39,885,000 (2012: $42,137,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 2% (2012: 9%) variance in the Group's profit for the year.

- *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 $2,326,000 (2012: $1,753,000) of provisions for warranty as at 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(ii) 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*

  The Group has exposure to income taxes in several jurisdictions. 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 tax payables and deferred tax liabilities at 30 June 2013 were $2,871,000 (2012: $1,320,000) and $1,728,000 (2012: $1,641,000) respectively.

2.5 Foreign currency

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

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its 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 determined.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency (Continued)

(i) *Transactions and balances* (Continued)

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(ii) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD or $ at the rate of exchange ruling at the end of each reporting period and their profit or loss are translated at the average exchange rates for the month, which approximates the exchange rates at the dates 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.

2.6 Basis of consolidation and business combinations

(i) *Basis of consolidation*

Basis of consolidation from 1 July 2009

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.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(i) Basis of consolidation *(Continued)*

Basis of consolidation from 1 July 2009 (Continued)

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:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary company at their carrying amounts at the date when controls is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

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

Basis of consolidation prior to 1 July 2009

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 July 2009, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 July 2009 were not reallocated between non-controlling interest and the owners of the Company.

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 July 2009 have not been restated.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(ii) Business combinations

Business combinations from 1 July 2009

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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 exceed the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 July 2009

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(ii) Business combinations *(Continued)*

Business combinations prior to 1 July 2009 (Continued)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.7 Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.8 Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Joint venture (Continued)

The financial statements of the joint venture are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Upon loss of joint control, the Group measures and recognised any retained investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of qualifying property, plant and equipment. The accounting policy for borrowing cost is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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	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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property, plant and equipment (Continued)

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 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.

2.10 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 indefinite. 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. The amortisation expense on intangible assets with finite lives is recognised in the 'other expenses' line item in profit or loss.

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 were acquired separately 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

Initial recognition and measurement

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised directly in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost *(Continued)*

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

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

(ii) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss, increase in their fair value after impairment are recognised directly in other comprehensive income.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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 as follows:

- Raw materials – purchase costs on a first-in, first-out basis; and
- Finished goods – costs are assigned 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.

2.16 Contract work-in-progress

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

The stage of completion of a contract is determined by surveys of work performed.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Contract work-in-progress (Continued)

Contract revenue corresponds to the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contracts are treated separately when:

– Separate proposals have been submitted for each asset

– Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset

– The costs and revenues of each asset can be identified

A group of contracts are treated as a single construction contract when:

– The group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin

– The contracts are performed concurrently or in a continuous sequence

Contract work-in-progress are presented in the balance sheet as "gross amount due from/(to) customers for contract work-in-progress" as applicable.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

2.18 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial liabilities (Continued)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.19 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.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Project revenue

Revenue from project is recognised by reference to the stage of completion when it can be measured reliably. The stage of completion is determined by surveys of work performed.

Where the project outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Revenue from sale of goods/services rendered

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods and acceptance by customers. Revenue from services is recognised when services are rendered and accepted by customers.

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.

(iv) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the 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.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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.

2.27 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.

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. REVENUE

	Group	
	2013	2012
	$'000	$'000
Project revenue	**91,744**	46,614
Maintenance revenue	**46,019**	38,355
Tele-centre services	**5,311**	3,289
	143,074	88,258

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INCOME

	Group	
	2013	**2012**
	$'000	**$'000**
Interest income		
– fixed deposits	**75**	101
– others	**4**	4
Gain on disposal of property, plant and equipment	**84**	375
Gain on disposal of unquoted investment	**–**	13
Write back of allowance for doubtful receivables	**1,605**	–
Rental income	**389**	657
Test-centre income	**29**	27
Income from project management services provided to sub-contractors	**861**	790
Sale of consumables and tools	**–**	46
Government grant	**–**	69
Waiver of directors' bonus entitlements	**1,389**	–
Realised return on redemption of investment	**200**	–
Others	**19**	420
	4,655	2,502

5. PROFIT BEFORE TAXATION

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

	Group	
	2013	**2012**
	$'000	**$'000**
Audit fees:		
– Auditors of the Company	**136**	121
– Other auditors	**3**	4
Non-audit fees:		
– Auditors of the Company	**10**	10
Depreciation of property, plant and equipment (Note 10)	**4,623**	6,703
Amortisation of intangible assets (Note 13)	**84**	258
Allowance for doubtful receivables (Note 15)	**–**	1,961
Employee benefits (Note 6)	**45,011**	35,716
Repair and maintenance	**464**	463
Rental expenses	**6,524**	4,824
Travelling expenses and transport charges	**1,390**	638
Telecommunication charges	**455**	431
Utility charges	**688**	605
Foreign exchange loss, net	**97**	44

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE BENEFITS

	Group	
	2013	**2012**
	$'000	**$'000**
Employee benefits expense (including Executive Directors)		
Wages, salaries, bonuses	**37,812**	30,986
Central Provident Fund contributions	**1,425**	1,220
Others	**6,053**	3,510
	45,290	35,716

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.

7. INTEREST EXPENSE

	Group	
	2013	**2012**
	$'000	**$'000**
Interest expense		
– Hire purchase	**1**	13
– Others	**–**	2
	1	15

8. TAXATION

	Group	
	2013	**2012**
	$'000	**$'000**
Current taxation		
– Current year	**2,216**	1,060
– Under/(over)provision in respect of prior years	**(578)**	468
Deferred taxation		
– Origination and reversal of temporary differences	**(373)**	(800)
– Under provision in respect of prior year	**460**	–
Tax expense	**1,725**	728

NOTES TO THE FINANCIAL STATEMENTS

8. TAXATION (CONTINUED)

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

	Group	
	2013	**2012**
	$'000	**$'000**
Profit before income tax	**15,718**	4,601
Tax at Singapore statutory tax rate of 17% (2012: 17%)	**2,672**	782
Adjustments:		
– Effect of partial tax exemption and tax incentives	**(726)**	(374)
– Non-deductible expenses in determining taxable income	**125**	67
– Income not subject to tax	**(213)**	(80)
- (Over)/under provision in respect of prior years' taxation	**(118)**	468
– Effect of different tax rates in foreign jurisdictions	**61**	63
– Others	**(76)**	(198)
	1,725	728

9. 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 2013 and 2012:

	Group	
	2013	**2012**
	$'000	**$'000**
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	**13,993**	3,873
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**324,476**	324,447
Effects of dilution:		
– warrants ('000)	**13,513**	–
Weighted average number of ordinary shares adjusted for dilution ('000)	**337,989**	324,447

Since the end of the year, 72,636,250 warrants have been exercised to acquire 72,636,250 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 statement.

NOTES TO THE FINANCIAL STATEMENTS

10. 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 2011	20,635	40,184	4,071	803	2,545	6,182	1,037	1,030	–	76,487
Additions	12,784	1,223	–	53	311	772	139	26	46	15,354
Acquisition of subsidiary companies	–	–	–	448	–	–	339	207	–	994
Disposals/Write-offs	–	(200)	(465)	(5)	–	(53)	–	–	–	(723)
At 30 June 2012 and 1 July 2012	33,419	41,207	3,606	1,299	2,856	6,901	1,515	1,263	46	92,112
Additions	34	723	77	210	154	–	110	326	794	2,428
Disposals	–	(142)	(234)	(42)	(25)	–	–	(276)	–	(719)
At 30 June 2013	**33,453**	**41,788**	**3,449**	**1,467**	**2,985**	**6,901**	**1,625**	**1,313**	**840**	**93,821**
Accumulated depreciation										
At 1 July 2011	4,144	29,344	2,351	394	2,138	3,859	859	721	–	43,810
Depreciation charge for the year	1,028	3,382	513	99	281	883	432	85	–	6,703
Disposals	–	–	(483)	(2)	–	(53)	–	–	–	(538)
At 30 June 2012 and 1 July 2012	5,172	32,726	2,381	491	2,419	4,689	1,291	806	–	49,975
Depreciation charge for the year	1,110	1,415	464	138	217	962	245	72	–	4,623
Disposals	–	(142)	(187)	(36)	(21)	–	–	(276)	–	(662)
At 30 June 2013	**6,282**	**33,999**	**2,658**	**593**	**2,615**	**5,651**	**1,536**	**602**	**–**	**53,936**
Net carrying value										
At 30 June 2013	**27,171**	**7,789**	**791**	**874**	**370**	**1,250**	**89**	**711**	**840**	**39,885**
At 30 June 2012	28,247	8,481	1,225	808	437	2,212	224	457	46	42,137

Assets held under finance leases

The carrying amount of trucks, cranes and forklifts held under finance leases at the end of the reporting period was $Nil (2012: $22,000).

Leased assets were pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS IN SUBSIDIARY COMPANIES

These comprise:

	Company 2013 $'000	Company 2012 $'000
Unquoted equity shares, at cost	**30,957**	30,763

Details of subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group 2013 %	Percentage of equity held by the Group 2012 %
Held by the Company				
Hai Leck Engineering (Private) Limited*	Oil & gas and chemical industries related construction and maintenance services	Singapore	**100**	100
Hai Leck Engineering & Construction Pte. Ltd.*	Engineered solutions and mechanical works	Singapore	**100**	100
Hai Leck Overseas Investments Pte. Ltd.*	Investment holding	Singapore	**100**	100
United Holding (1975) Pte. Ltd.*	Mixed construction activities and investment holding	Singapore	**100**	100
Hai Leck Integrated Services Pte. Ltd.*	Asset, Business and Management Consultancy Services	Singapore	**100**	–
Hai Leck Services Pte. Ltd.*	Asset Management and Consultancy Services	Singapore	**100**	–

NOTES TO THE FINANCIAL STATEMENTS

11. 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 2013 %	2012 %
Held by subsidiary companies				
Industrial Services Pte. Ltd.*	Trading and contracting for thermal insulations, refractories and fire-protection for steel structures	Singapore	**100**	100
Tele-centre Services Pte Ltd*	Providing call centre services, telecommunications and information technology	Singapore	**100**	100
Hai Leck (VN) Engineering Co., Ltd**	Oil & gas and chemical industries related construction and maintenance services	Vietnam	**100**	100
Hai Leck Corporation Sdn. Bhd.***	Oil & gas and chemical industries related construction and maintenance services	Malaysia	**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 Audit & Informatic Services Company, Vietnam
*** Audited by Gow & Tan, Malaysia
+ Not required to be audited by the law of the country of incorporation

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

During the year, Hai Leck Engineering & Construction Pte. Ltd. ("HLEC") increased its issued and paid up capital from $6,000 to $200,000 by a further allotment of 194,000 ordinary shares at a consideration of $194,000. The aggregate consideration is satisfied by way of capitalisation of the loan previously extended by the Company to HLEC as working capital.

NOTES TO THE FINANCIAL STATEMENTS

12. JOINT VENTURE

The Group has a joint venture agreement with the other shareholder 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 2013 %	2012 %
Held by a subsidiary company				
Logthai – Hai Leck Engineering Co.,Ltd*	Oil & gas and chemical industries related construction and maintenance services	Thailand	**49**	49

* Audited by Audit Teams, Thailand

The Group recognises its interest in the joint venture using proportionate consolidation.

The aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities, revenue and income related to the Group's interests in the jointly-controlled entity are as follows:

	2013 $'000	2012 $'000
Joint venture		
Assets and liabilities:		
Current assets	**2,940**	2,233
Non-current assets	**678**	694
Total assets	**3,618**	2,927
Current liabilities	**628**	656
Non-current liabilities	**51**	–
Total liabilities	**679**	656
Results:		
Revenue	**4,388**	3,834
Profit for the year	**321**	23

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

	Club memberships $'000	Customer contracts $'000	Total $'000
Cost			
At 1 July 2011	397	–	397
Addition	6	–	6
Arising from acquisition of subsidiary companies	–	271	271
30 June 2012 and 1 July 2012	403	271	674
Addition	6	–	6
At 30 June 2013	**409**	**271**	**680**
Accumulated amortisation			
At 1 July 2011	45	–	45
Amortisation for the year	35	223	258
At 30 June 2012 and 1 July 2012	80	223	303
Amortisation for the year	36	48	84
At 30 June 2013	**116**	**271**	**387**
Net carrying amount			
At 30 June 2013	**293**	**–**	**293**
At 30 June 2012	323	48	371

14. INVENTORIES

	Group	
	2013 $'000	2012 $'000
Raw materials	**30**	30
Finished goods	**764**	389
	794	419

During the year, inventories recognised as an expense in the income statement under cost of sales amounted to $9,961,000 (2012: $6,842,000) for the Group.

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE RECEIVABLES

	Group	
	2013	2012
	$'000	$'000
Trade receivables – external	**30,436**	24,494
Amount due from a joint venture (trade)	**289**	601
Less: Allowance for doubtful receivables	**(526)**	(2,131)
	30,199	22,964

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

The Group has trade receivables amounting to $6,955,000 (2012: $3,938,000) 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	
	2013	2012
	$'000	$'000
Trade receivables past due for:		
– 1 – 30 days	**3,096**	2,055
– 31 – 60 days	**2,174**	573
– More than 60 days	**1,685**	1,310
	6,955	3,938

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	
	2013	2012
	$'000	$'000
Trade receivables – nominal	**527**	2,139
Less: Allowance for doubtful receivables	**(526)**	(2,131)
	1	8

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE RECEIVABLES (CONTINUED)

	Group Individually impaired 2013 $'000	Group Individually impaired 2012 $'000
Movement in allowance		
At beginning of the year	**2,131**	235
Charge for the year	**–**	1,961
Written back	**(1,605)**	(65)
At end of the year	**526**	2,131

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 year, the Group wrote-back $1,605,000 (2012: $65,000) of allowance for doubtful receivables upon collection of these debts.

16. OTHER RECEIVABLES AND DEPOSITS

	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Other receivables	**758**	1,238	**–**	9
Deposits	**1,344**	864	**–**	–
Tax recoverable	**25**	–	**–**	–
Less: Allowance for doubtful receivables				
– other receivables	**(239)**	(287)	**–**	–
	1,888	1,815	**–**	9

17. LOANS DUE FROM SUBSIDIARY COMPANIES

These amounts are unsecured, interest-free, to be settled in cash, and are not expected to be repaid within the next twelve months from the end of the reporting period.

18. AMOUNTS DUE FROM SUBSIDIARY COMPANIES (TRADE)

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

NOTES TO THE FINANCIAL STATEMENTS

19. OTHER INVESTMENTS

	Group	
	2013	**2012**
	$'000	**$'000**
Available-for-sale:		
Debentures (quoted), at fair value	**200**	200
Shares (quoted), at fair value	**–**	1,232
Less: Impairment loss	**–**	(200)
	200	1,232

Quoted debentures

The quoted debentures bear interest at 3.85% (2012: 3.85%) per annum and matures in 2014.

20. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2013	**2012**
	$'000	**$'000**
This comprises:		
Aggregate project costs incurred and recognised profits to-date	**65,760**	20,083
Less: Progress billings	**(66,984)**	(18,813)
	(1,224)	1,270
Presented as:		
Gross amount due from customers for contract work-in-progress	**1,376**	1,270
Gross amount due to customers for contract work-in-progress	**(2,600)**	–
	(1,224)	1,270

NOTES TO THE FINANCIAL STATEMENTS

21. 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 $366,000 (2012: $272,000) are pledged by a subsidiary company to secure its banker's guarantee. Interest of fixed deposits is at rates ranging from 0.10% to 1.10% (2012: 0.05% to 0.45%) per annum, which are also the effective interest rates.

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash and bank balances	**40,496**	23,422	**13,361**	281
Fixed deposits	**20,660**	25,552	**16,544**	17,528
	61,156	48,974	**29,905**	17,809
Fixed deposits pledged with bank	**(366)**	(272)	**–**	–
Cash and cash equivalents	**60,790**	48,702	**29,905**	17,809

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables	**11,131**	9,297	**–**	–
Other payables	**2,270**	1,867	**58**	152
Accrued operating expenses	**11,175**	10,830	**952**	1,537
	24,576	21,994	**1,010**	1,689

Trade payables

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

Other payables

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

NOTES TO THE FINANCIAL STATEMENTS

23. AMOUNT DUE TO A SUBSIDIARY COMPANY (NON-TRADE)

This amount is unsecured, interest-free, repayable on demand and to be settled in cash.

24. FINANCE LEASE OBLIGATIONS

The Group has finance leases for motor vehicles and trucks, cranes and forklifts. These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease. The average discount rate implicit in the leases is Nil% (2012: 2.2%) per annum.

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

Group	**Minimum payments 2013 $'000**	**Present value of payments 2013 $'000**	**Minimum payments 2012 $'000**	**Present value of payments 2012 $'000**
Not later than one year	–	–	3	3
Later than one year but not later than five years	–	–	–	–
Total minimum lease payments	–	–	3	3
Less: Amounts representing finance charges	–	–	–*	–*
Present value of minimum lease payments	–	–	3	3

* Amount is less than $1,000.

25. PROVISION FOR WARRANTY

	Group 2013 $'000	**Group 2012 $'000**
At beginning of year	**1,753**	1,330
Provided during the year	**573**	423
At end of the year	**2,326**	1,753

The Group provides a 5 years 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 ongoing basis and revised where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

26. DEFERRED TAXATION

Deferred tax liabilities relate to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**2,306**	1,971	**335**	(751)
Fair value adjustments on acquisition of subsidiary companies	**–**	28	**(28)**	–
Deferred tax assets				
Provisions	**(578)**	(358)	**(220)**	(49)
Net deferred tax liabilities	**1,728**	1,641		
Deferred income tax expense			**87**	(800)

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2013		2012	
	No. of shares ('000)	$'000	No. of shares ('000)	$'000
At beginning of the year	**325,099**	**48,826**	325,061	48,817
Issuance of ordinary shares upon exercise of warrants	**184**	**33**	38	9
At end of the year	**325,283**	**48,859**	325,099	48,826

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.

NOTES TO THE FINANCIAL STATEMENTS

27. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

(b) Treasury shares

	Group and Company			
	2013		2012	
	No. of shares ('000)	$'000	No. of shares ('000)	$'000
At beginning and end of the year	**640**	**160**	640	160

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

28. CAPITAL RESERVE

On 28 December 2012, the Company completed the renounceable non-underwritten rights issue of 81,114,750 warrants ("Warrants") at an issue price of $0.05 for each Warrant for cash, on the basis of one (1) Warrant for every four (4) existing ordinary shares in the capital of the Company held by the entitled shareholders as at the books closure date, fractional entitlements to be disregarded. Each Warrant entitles the holder to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of $0.13 per share.

The 81,114,750 Warrants allotted were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 January 2013. The New Shares into which the Warrants can be converted will rank pari passu in all respects with the existing ordinary shares of the Company. The New Shares arising from the exercise of the Warrants will be listed and quoted on the Official List of SGX-ST.

The value ascribed to the Warrants less issue expenses is credited as a reserve in equity under capital reserve and an appropriate amount is transferred to the share capital account as and when the Warrants are exercised.

The Warrants issued by the Company do not entitle the holders of the Warrants, by virtue of such holdings, to any right to participate in any share issue of any other subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

28. CAPITAL RESERVE (CONTINUED)

During the year, 184,000 (2012: 38,000) Warrants were exercised to acquire 184,000 (2012: 38,000) new ordinary shares. As of 30 June 2013, 184,000 (2012: 99,000) Warrants have been exercised and 80,930,750 (2012: Nil) Warrants were outstanding.

	Group and Company	
	2013	**2012**
	$'000	**$'000**
At beginning of the year	**1,156**	1,156
Issuance of warrants	**4,056**	–
Expenses incurred for new warrants	**(138)**	–
Transfer to share capital upon exercise of warrants	**(9)**	–*
	5,065	1,156

* Amount is less than $1,000.

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	
	2013	**2012**
	$'000	**$'000**
At beginning of the year	**(335)**	(378)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**7**	43
At end of the year	**(328)**	(335)

30. DIVIDEND

	Group and Company	
	2013	**2012**
	$'000	**$'000**
Declared and paid during the year:		
Dividends on ordinary shares:		
– Tax exempt (one tier) final dividend paid in respect of the previous financial year of nil (2012: $0.01) per ordinary share	**–**	3,244

NOTES TO THE FINANCIAL STATEMENTS

30. DIVIDEND (CONTINUED)

	Group and Company	
	2013	2012
	$'000	$'000
Proposed but not recognised as a liability as at 30 June:		
Dividends on ordinary shares, subject to shareholders' approval at AGM:		
– Tax exempt (one tier) final dividend paid in respect of the current financial year of $0.02 (2012: nil) per ordinary share	**6,506**	–

Tax consequences of proposed dividends

There are no income tax consequences (2012: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

31. RELATED PARTY INFORMATION

(a) Sales and purchase of services and equipment

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:

	Group	
Related parties	2013	2012
	$'000	$'000
Provision of service by related parties*	–	485

* This relates to human resource management services and call centre services provided by United Holding (1975) Pte. Ltd. and Tele-centre Services Pte Ltd to a subsidiary company prior to the Company's acquisition of United Holding (1975) Pte. Ltd. and Tele-centre Services Pte Ltd on 30 November 2011.

NOTES TO THE FINANCIAL STATEMENTS

31. RELATED PARTY INFORMATION (CONTINUED)

(b) Compensation of key management personnel

	Group 2013 $'000	Group 2012 $'000
Central Provident Fund contributions	**74**	82
Short-term employee benefits	**2,845**	2,495
Total compensation paid to key management personnel	**2,919**	2,577
Comprise amounts paid to:		
– Directors of the Company	**2,111**	2,577
– Other key management personnel	**808**	–
	2,919	2,577

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

The Group has various operating lease agreements for leasehold premises and office equipment. These leases have an average tenure of between 1 and 3 years with no renewal option or contingent rent provision included in the contracts. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

	Group 2013 $'000	Group 2012 $'000
Future minimum lease payments		
– not later than one year	**3,988**	3,906
– one year through five years	**3,790**	3,590
– more than five years	**2,680**	3,517
	10,458	11,013

Minimum lease payments recognised as an expense in the income statement for the financial year ended 30 June 2013 amounted to $6,046,000 (2012: $4,806,000) for the Group.

33. CONTINGENT LIABILITIES

The Company has provided corporate guarantees amounting to approximately $44,490,000 (2012: $44,490,000) in favour of certain financial institutions for banking and finance lease facilities granted to a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's principal financial instruments comprise investment securities and 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.

(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, Thailand and Vietnam. 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

	2013			2012		
	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	**–**	**5,873**	**5,873**	–	–	–
Deposits	**–**	**74**	**74**	–	–	–
Other investments	**200**	**–**	**200**	1,232	–	1,232
Trade and other receivables and deposits	**32,087**	**–**	**32,087**	24,779	–	24,779
Fixed deposits pledged	**366**	**–**	**366**	272	–	272
Cash and cash equivalents	**60,790**	**–**	**60,790**	48,702	–	48,702
Total undiscounted financial assets	**93,443**	**5,947**	**99,390**	74,985	–	74,985
Financial liabilities:						
Suppliers retention	**–**	**1,758**	**1,758**	–	–	–
Other payables	**–**	**51**	**51**	–	51	51
Trade and other payables (excluding net GST payable)	**23,331**	**–**	**23,331**	21,139	–	21,139
Finance lease obligations	**–**	**–**	**–**	3	–	3
Total undiscounted financial liabilities	**23,331**	**1,809**	**25,140**	21,142	51	21,193
Total net undiscounted financial assets/(liabilities)	**70,112**	**4,138**	**74,250**	53,843	(51)	53,792

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

	2013				2012			
	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:								
Loans due from subsidiary companies	**–**	**–**	**21,961**	**21,961**	–	–	17,105	17,105
Amounts due from subsidiary companies (trade)	**2,262**	**–**	**–**	**2,262**	2,276	–	–	2,276
Trade and other receivables and deposits	**–**	**–**	**–**	**–**	9	–	–	9
Cash and cash equivalents	**29,905**	**–**	**–**	**29,905**	17,809	–	–	17,809
Total undiscounted financial assets	**32,167**	**–**	**21,961**	**54,128**	20,094	–	17,105	37,199
Financial liabilities:								
Trade and other payables (excluding net GST payable)	**999**	**–**	**–**	**999**	1,540	–	–	1,540
Amounts due to a subsidiary company (non-trade)	**16**	**–**	**–**	**16**	–	–	–	–
Total undiscounted financial liabilities	**1,015**	**–**	**–**	**1,015**	1,540	–	–	1,540
Total net undiscounted financial assets	**31,152**	**–**	**21,961**	**53,113**	18,554	–	17,105	35,659

NOTES TO THE FINANCIAL STATEMENTS

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 ongoing basis with the result that the Group's exposure to bad debts is not significant. 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.

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 other investments, 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 ongoing 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 39% (2012: 60%) of the Group's trade receivables were due from 5 major customers who are multi-national corporations located in Singapore.

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. Other investments, 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.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade receivables) and Note 19 (Other investments).

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(a) Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
2013				
Financial assets:				
Debentures (quoted)	**200**	–	–	200
	200	–	–	200

	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
2012				
Financial assets:				
Available-for-sale financial assets				
Shares (quoted)	**1,032**	–	–	1,032
Debentures (quoted)	**200**	–	–	200
	1,232	–	–	1,232

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value of financial instruments that are carried at fair value (Continued)

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

(b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(c) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between the levels during the current and previous financial year.

Quoted investments

The fair values of quoted investments are estimated based on quoted market prices for these investments. The carrying value of quoted investments approximates their fair values.

(b) 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, trade and other payables and amounts due from/(to) subsidiary companies, amount due from joint venture

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

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

Loans due from subsidiary companies

The loans due from subsidiary companies are quasi-equity in nature, have no repayment term and are only repayable when the cash flows of those subsidiary companies permit. Therefore the fair value of the loans is not determinable as the timing of the future cash flows arising from the loans cannot be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) 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	Loans and receivables $'000	Available for sale $'000	Liabilities at amortised cost $'000
2013			
Assets			
Customer retention	**5,873**	–	–
Deposits	**74**	–	–
Trade receivables (Note 15)	**30,199**	–	–
Other receivables and deposits (Note 16)	**1,888**	–	–
Other investments (Note 19)	–	**200**	–
Fixed deposits pledged (Note 21)	**366**	–	–
Cash and cash equivalents (Note 21)	**60,790**	–	–
Total	**99,190**	**200**	–
Liabilities			
Suppliers retention	–	–	**1,758**
Other payables	–	–	**51**
Trade and other payables (excluding net GST payable) (Note 22)	–	–	**23,331**
Finance lease obligations (Note 24)	–	–	–
Total	–	–	**25,140**

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Categories of financial instruments (Continued)

Group (Continued)	Loans and receivables $'000	Available for sale $'000	Liabilities at amortised cost $'000
2012			
Assets			
Trade receivables (Note 15)	22,964	–	–
Other receivables and deposits (Note 16)	1,815	–	–
Other investments (Note 19)	–	1,232	–
Fixed deposits pledged (Note 21)	272	–	–
Cash and cash equivalents (Note 21)	48,702	–	–
Total	73,753	1,232	–
Liabilities			
Other payables	–	–	51
Trade and other payables (excluding net GST payable) (Note 22)	–	–	21,139
Finance lease obligations (Note 24)	–	–	3
Total	–	–	21,193

Company	Loans and receivables $'000	Liabilities at amortised cost $'000
2013		
Assets		
Loans due from subsidiary companies (Note 17)	**21,961**	**–**
Amounts due from subsidiary companies (trade) (Note 18)	**2,262**	**–**
Cash and cash equivalents (Note 21)	**29,905**	**–**
Total	**54,128**	**–**
Liabilities		
Trade and other payables (excluding net GST payable) (Note 22)	**–**	**999**
Amount due to a subsidiary company (non-trade) (Note 23)	**–**	**16**
Total	**–**	**1,015**

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Categories of financial instruments (Continued)

Company (Continued)	Loans and receivables $'000	Liabilities at amortised cost $'000
2012		
Assets		
Loans due from subsidiary companies (Note 17)	17,105	–
Amounts due from subsidiary companies (trade) (Note 18)	2,276	–
Other receivables and deposits (Note 16)	9	–
Cash and cash equivalents (Note 21)	17,809	–
Total	37,199	–
Liabilities		
Trade and other payables (excluding net GST payable) (Note 22)	–	1,540
Total	–	1,540

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 2013 and 2012. The Group is not subjected to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

36. CAPITAL MANAGEMENT (CONTINUED)

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 and finance lease obligations. Total equity means equity attributable to equity holders of the Company.

	Group	
	2013	2012
	$'000	$'000
Trade and other payables	**24,576**	21,994
Finance lease obligations	**–**	3
Suppliers retention	**1,758**	–
Other payables	**51**	51
Gross debt	**26,385**	22,048
Equity attributable to equity holders of the Company	**105,789**	88,079
Gross debt equity ratio	**24.94%**	25.03%

37. SEGMENT INFORMATION

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

(i) Project services

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

Mechanical services refer to engineered solutions in structural steel and piping fabrication and installation, plant 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.

NOTES TO THE FINANCIAL STATEMENTS

37. SEGMENT INFORMATION (CONTINUED)

(ii) Maintenance 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.

(iii) Tele-centre services

Tele-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.

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

NOTES TO THE FINANCIAL STATEMENTS

37. SEGMENT INFORMATION (CONTINUED)

	Project services		Maintenance services		Tele-centre services		Adjustments and eliminations		Notes	Consolidated financial statements	
	2013	2012	2013	2012	2013	2012	2013	2012		2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:											
External customers	**91,744**	46,614	**46,019**	38,355	**5,311**	3,289	**–**	–		**143,074**	88,258
Inter-segment sales	**13,220**	4,636	**5,332**	3,486	**–**	–	**(18,552)**	(8,122)	A	**–**	–
Total revenue	**104,964**	51,250	**51,351**	41,841	**5,311**	3,289	**(18,552)**	(8,122)		**143,074**	88,258
Results:											
Interest income	**52**	49	**26**	55	**1**	1	**–**	–		**79**	105
Depreciation and amortisation	**3,178**	3,936	**1,130**	2,592	**259**	341	**140**	92		**4,707**	6,961
Segment profit before tax	**11,290**	2,196	**3,938**	2,863	**595**	132	**(105)**	(590)	B	**15,718**	4,601
Assets:											
Additions to non-current assets	**1,390**	9,378	**596**	5,976	**442**	994	**–**	–	C	**2,428**	16,348
Segment assets	**146,207**	63,917	**59,489**	48,641	**4,635**	5,346	**(67,794)**	2,207	D	**142,537**	120,111
Segment liabilities:	**44,917**	31,397	**17,492**	20,576	**880**	1,403	**(26,541)**	(21,344)	E	**36,748**	32,032

NOTES TO THE FINANCIAL STATEMENTS

37. SEGMENT INFORMATION (CONTINUED)

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:

	2013 $'000	2012 $'000
Inter-segment income and expenses	**–**	68
Others	**(105)**	(658)
	(105)	(590)

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

D. Inter-segment assets are eliminated on consolidation.

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

	2013 $'000	2012 $'000
Inter-segment liabilities	**(31,140)**	(24,305)
Provision for taxation	**2,871**	1,320
Deferred taxation	**1,728**	1,641
	(26,541)	(21,344)

NOTES TO THE FINANCIAL STATEMENTS

37. SEGMENT INFORMATION (CONTINUED)

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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**138,686**	84,424	**39,352**	41,654
Others	**4,388**	3,834	**826**	854
Total	**143,074**	88,258	**40,178**	42,508

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

Information about a major customer

Revenue from one major customer amounted to $48,466,000 (2012: $18,813,000) arising from the project segment.

Revenue from one major customer amounted to $17,526,000 (2012: $14,706,000) arising from the maintenance segment.

38. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 16 September 2013.

STATISTICS OF SHAREHOLDINGS

AS AT 17 SEPTEMBER 2013

SHAREHOLDERS' INFORMATION

Total number of shares excluding treasury shares	:	397,279,250
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	:	640,000
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 – 999	396	28.74	10,302	0.00
1,000 – 10,000	506	36.72	1,915,801	0.48
10,001 – 1,000,000	465	33.74	36,445,352	9.18
1,000,001 and above	11	0.80	358,907,795	90.34
TOTAL	**1,378**	**100.00**	**397,279,250**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Cheng Buck Poh @ Chng Bok Poh	184,932,500	46.55
2	Cheng Capital Holdings Pte Ltd	156,000,000	39.27
3	Lee Sau Leung	3,892,000	0.98
4	Bank Of Singapore Nominees Pte Ltd	2,681,750	0.68
5	UOB Kay Hian Private Limited	2,040,005	0.51
6	OCBC Securities Private Ltd	1,894,820	0.48
7	Phillip Securities Pte Ltd	1,868,720	0.47
8	Lim Guan Pheng	1,754,000	0.44
9	DMG & Partners Securities Pte Ltd	1,650,000	0.42
10	Ong Eng Loke	1,163,000	0.29
11	Thomas Dennis William	1,031,000	0.26
12	DBS Nominees Pte Ltd	870,234	0.22
13	Teng Hoo Poo	843,000	0.21
14	Quek Chiau Beng	841,000	0.21
15	Yee Chia Hsing	725,000	0.18
16	Tng Kum Choe	702,000	0.18
17	Teo Soon Seng	650,000	0.16
18	Koh Soon Chuang	543,000	0.14
19	Low Seow Chay	541,000	0.14
20	Chong Kim Lian	521,000	0.13
	TOTAL	**365,144,029**	**91.92**

STATISTICS OF SHAREHOLDINGS

AS AT 17 SEPTEMBER 2013

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Cheng Capital Holdings Pte Ltd[(1) (2)]	156,000,000	39.27	–	–
Cheng Buck Poh @ Chng Bok Poh[(1) (2) (3)]	184,932,500	46.55	156,000,000	39.27
Goo Guik Bing @ Goh Guik Bing[(1) (3)]	–	–	340,932,500	85.82

The percentage of shareholding above is computed based on the total issued shares of 397,279,250 excluding treasury shares.

Notes:

1. Cheng Capital Holdings Pte Ltd ("Cheng Capital Holdings") is held by Messrs Cheng Buck Poh @ Chng Bok Poh (52 shares (52%)), Goo Guik Bing @ Goh Guik Bing (10 shares (10%)), Cheng Yao Tong (10 shares (10%)), Cheng Li Peng (7 shares (7%)), Cheng Li Chen (7 shares (7%)), Cheng Li Hui (7 shares (7%)), and Cheng Wee Ling (7 shares (7%)). 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 Deputy Chief Executive Officer and Executive Director, Ms Cheng Li Hui, our Non-Executive Director, Ms Cheng Li Chen, 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 156,000,000 shares held by Cheng Capital Holdings by virtue of his 52% shareholdings in Cheng Capital Holdings.

3. Mdm Goo Guik Bing @ Goh Guik Bing is deemed to be interested in the 156,000,000 shares held by Cheng Capital Holdings by virtue of her husband's 52% shareholdings in Cheng Capital Holdings and 184,932,500 shares held by her husband.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

13.98% 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.

STATISTICS OF WARRANT HOLDINGS

AS AT 17 SEPTEMBER 2013

DISTRIBUTION OF WARRANT HOLDINGS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1 – 999	6	2.17	1,850	0.02
1,000 – 10,000	168	60.87	680,250	8.20
10,001 – 1,000,000	102	36.96	7,612,400	91.78
TOTAL	**276**	**100.00**	**8,294,500**	**100.00**

TWENTY LARGEST WARRANT HOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	OCBC Securities Private Ltd	863,650	10.41
2	Low Chin Yee	650,000	7.84
3	Forte Capital Management Pte Ltd	500,000	6.03
4	Phillip Securities Pte Ltd	496,000	5.98
5	CIMB Securities (Singapore) Pte Ltd	400,000	4.82
6	DMG & Partners Securities Pte Ltd	288,000	3.47
7	Lim Guan Pheng	200,000	2.41
8	Teo Sim Thye	185,000	2.23
9	UOB Kay Hian Private Limited	183,000	2.21
10	Koh Cheoh Liang Vincent	170,000	2.05
11	Lim Tong Kwang (Lin Zhongguang)	166,000	2.00
12	Yee Khor Soo Katheleen (Yu Keshu Katheleen)	159,000	1.92
13	Auw Chor Ee	150,000	1.81
14	Koh Chwee Seng	150,000	1.81
15	Ow Soh Tin	139,000	1.68
16	Koh Soon Chuang	136,000	1.64
17	Tok Boon Seong	130,000	1.57
18	Ang Boon Siang	103,000	1.24
19	Lim Bee Leng	101,000	1.22
20	Chua Suan Keow	100,000	1.21
	TOTAL	**5,269,650**	**63.55**

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 Tuesday, 22 October 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 30 June 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt (one tier) Final Dividend of 2.0 Singapore cents per ordinary share for the financial year ended 30 June 2013. **(Resolution 2)**

3. To re-elect Ms Cheng Li Hui, a Director of the Company, retiring pursuant to Article 93 of the Articles of Association of the Company. **(Resolution 3)**
   [See Explanatory Note (i)]

4. To re-appoint the following Directors of the Company who are over 70 years old of age, pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:

   Mr Tan Sim Cheng **(Resolution 4)**
   Mr Cheng Buck Poh @ Chng Bok Poh **(Resolution 5)**
   [See Explanatory Note (ii)]

5. To approve and ratify the additional payment of S$23,334 in Directors' fees for the financial year ended 30 June 2013. **(Resolution 6)**
   [See Explanatory Note (iii)]

6. To approve the payment of Directors' fees of S$200,000 for the financial year ending 30 June 2014 to be paid quarterly in arrears. (FY2013: S$180,000) **(Resolution 7)**

7. To re-appoint Messrs Ernst & Young LLP, Certified Public Accountants, as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

9. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 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 ("shares") 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 in pursuant to any Instrument 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 in pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

(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) 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 the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; 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 Articles of Association 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 of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is 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.

(Resolution 9)

[See Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOK CLOSURE DATE FOR FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 1 November 2013 for the purpose of determining to the members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 22 October 2013.

Duly completed registrable transfers in respect of the shares of the Company received by the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Pte. Ltd. up to 5.00 p.m. on 1 November 2013 will be registered to determine members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares of the Company as at 5.00 p.m. on 1 November 2013 will be entitled to such proposed dividends.

Payment of the dividend, if approved by the members at the Annual General Meeting, will be paid on 15 November 2013.

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore
4 October 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ms Cheng Li Hui will, upon re-election as a Director, remain as Executive Director.

(ii) The effect of the Ordinary Resolution 3 above, is to re-appoint the Directors of the Company who are over 70 years of age.

a. Mr Tan Sim Cheng will, upon re-appointment as a Director of the Company, remain as Lead Independent Director, Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee respectively and will be considered independent.

b. Mr Cheng Buck Poh @ Chng Bok Poh will, upon re-appointment as a Director of the Company, remain as Executive Chairman.

(iii) The Company is seeking approval from the shareholders to approve and ratify the payment of Director's fee of S$23,334 to a non-executive Director who was re-designated from executive to non-executive director during the financial year ended 30 June 2012.

(iv) The Ordinary Resolution 7 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, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (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) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") 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. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 47 Tuas View Circuit, Singapore 637357 not less than forty-eight (48) hours before the time appointed for Annual General Meeting.

Please note that transport arrangements from Boon Lay MRT station (pick-up point near UOB taxi stand) at 9.00 a.m. to the AGM venue is available. Any enquiries, please call 68622211 for details.

HAI LECK HOLDINGS LIMITED

(Company Registration No. 199804461D)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING
PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy Hai Leck Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____

of ____

being a member/members of **Hai Leck Holdings Limited** (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/ proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 47 Tuas View Circuit, Singapore 637357 on Tuesday, 22 October 2013 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
Ordinary Business			
1	Directors' Report and Audited Accounts for the financial year ended 30 June 2013		
2	Payment of proposed Final Dividend		
3	Re-election of Ms Cheng Li Hui as Director		
4	Re-appointment of Mr Tan Sim Cheng as Director		
5	Re-appointment of Mr Cheng Buck Poh @ Chng Bok Poh as Director		
6	Approve and ratify the additional payment of S$23,334 in Directors' fees for the financial year ended 30 June 2013		
7	Approval of Directors' Fees amounting to S$200,000 for the financial year ending 30 June 2014		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors		
Special Business			
9	Authority to issue new shares		

Dated this ________ day of ________________ 2013

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

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If the proportion of shareholding is not indicated, the second proxy will be deemed as alternate.

4. Completion and return of this instrument appointing a proxy 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.

5. 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 forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her 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.

7. 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.

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/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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(65) 6578 6522

HAI LECK HOLDINGS LIMITED
(COMPANY REGISTRATION NUMBER 199804461D)

47, TUAS VIEW CIRCUIT
SINGAPORE 637357