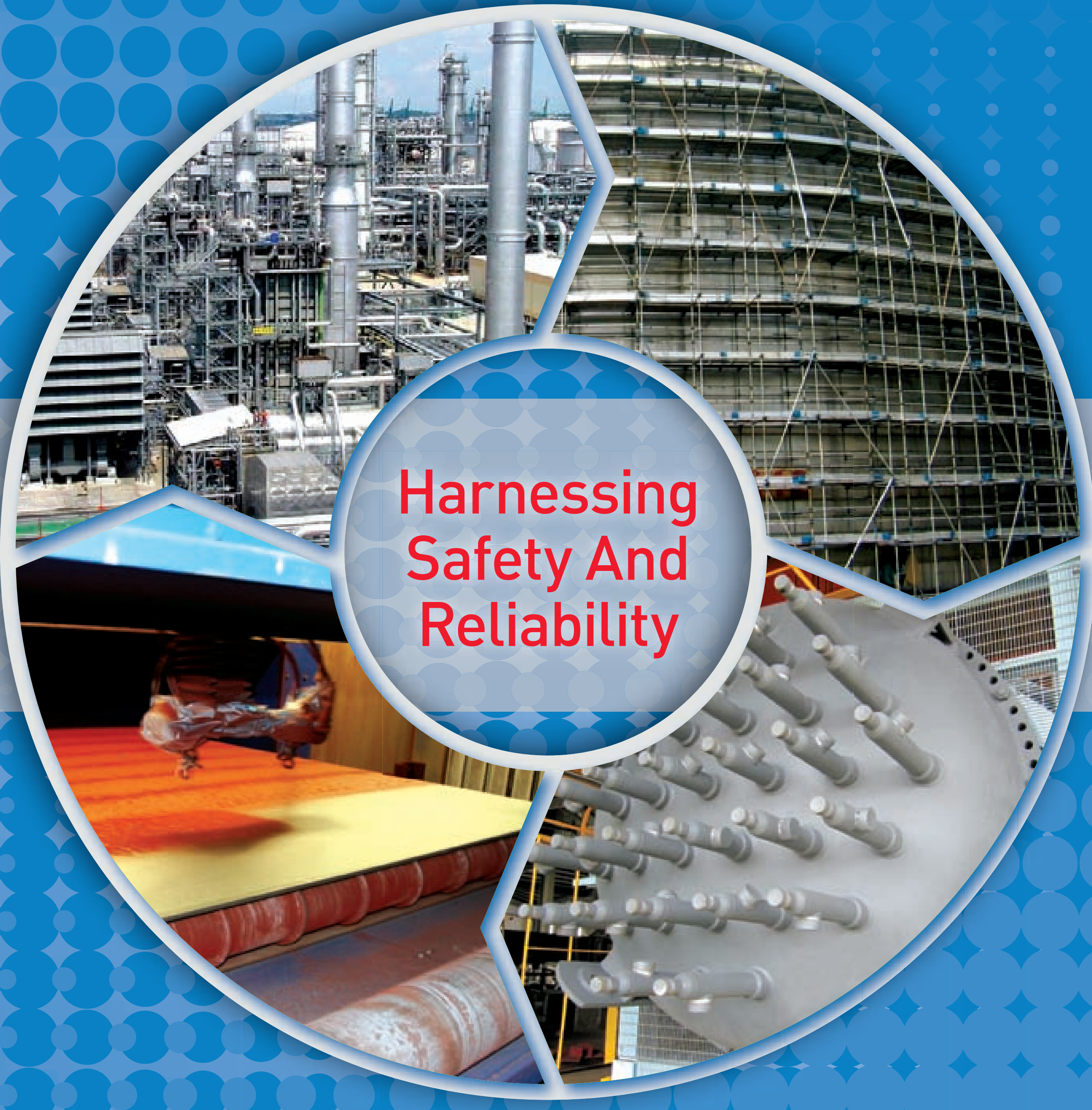
HAI LECK HOLDINGS LIMITED



Harnessing Safety And Reliability

ANNUAL REPORT **2011**

CONTENTS

COMPANY PROFILE, CORE COMPETENCIES AND VALUE-ADDED SERVICES

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 the needs of 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 the 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

CHAIRMAN'S STATEMENT

To our valued shareholders

The operating environment remained challenging in FY2011. The European and US debt situation continued to plague global and regional recovery and that affected investments in the energy sector. We also witnessed an increasingly competitive environment locally. We are encouraged that, amidst this backdrop, Hai Leck maintained healthy profitability.

Financial Highlights

Due to pressures from such external factors, we recorded lower but healthy top-line and bottom-line performances for the financial year ended 30 June 2011 ("FY2011"). Group revenue fell 40.5% to S$82.3 million, while profit attributable to shareholders slipped 41.5% to S$7.9 million during the year.

To thank our loyal shareholders for their faith in Hai Leck, the Board is recommending a final one-tier tax exempt cash dividend of 1.00 cent per ordinary share.

Segment Highlights

The Group's revenue is derived mainly from two business segments, Project Services and Maintenance Services.

Major projects from our Project Services segment, mostly contracted between 2006-07 and 2007-08 have been completed. Accordingly, this segment registered a dip in contributions for FY2011. With new plant construction and plant expansion investments in the pipeline, the Project Services segment is likely to improve. But with an influx of foreign players in the market, the outlook is expected to remain competitive for all industry players locally. We are focused on sharpening our competitive edge by improving on our core competency so as to effectively manage the challenges within the industry.

Maintenance Services delivered a stronger performance for the year. Traditionally, contributions from this segment are stable and we expect it to continue its growth trajectory going forward as more facilities are built and will require maintenance services. We shall endeavour to further enhance our maintenance services to our clients.

Corporate Activities

FY2011 was a busy year for us. We worked hard to complete and deliver a number of infrastructure construction projects in the Oil & Gas and Petrochemicals sectors. We also focused on a steady stream of maintenance project from Oil & Gas majors during the year, safely completing the turnaround maintenance of five major refineries and chemical plants in Singapore.

To accommodate our growing business, we exercised an option for the acquisition of a property in Tuas, Singapore. The acquisition is expected to enable the Group to expand our operations and facilities.

We are also proud to be recognised for our commitment and standards in workplace safety and health for our Shell (Bukom), ExxonMobil, Petrochemical Corporation of Singapore and Singapore Refining Company worksites at the Annual Workplace Safety and Health Awards 2011. As a responsible employer, we are fully aware of the safety issues at our workplace and we endeavour to develop effective and safe work methods and environment for all our employees.

Outlook

Looking ahead, we are faced with a generally weak economic performance in the US and Europe, which is contributing to an uncertain global economic outlook. Consequently, the external environment will continue to be challenging for all companies across the globe. Pressure from local market competition will also remain going forward.

Notwithstanding the challenges, we see bright spots for Hai Leck in both the near and longer terms. Fast growing,

developing countries will continue to lead global economic recovery, with Asia heading the growth. With burgeoning opportunities in Asia, we expect increased interests to invest in new plants and expansion of existing plants within the region. In particular, the Asian energy sector remains fairly buoyant due to continued demand.

At Hai Leck, we have invested much effort to streamline our processes and boost our core competency. This will allow us to effectively tap on the opportunities presented to us. Moving forward, we will ceaselessly endeavour to fine-tune our competitive edge through better service quality and a more competitive cost structure. With this, we will be able to effectively expand and diversify our range of services to our clients, and participate in major construction projects in Singapore and regionally. To grow our business, we are also exploring avenues to expand our customer base and diversify regionally.

Note of thanks

Hai Leck's success today is attributable to the combined support from our internal and external stakeholders. While we have always been grateful for the strong confidence we have received over the years, it is never more appropriate than now, to extend our deepest appreciation.

The Board and I would like to thank our supportive clients and shareholders for the faith in us. We are also grateful for the teamwork and contributions from our dedicated management team and staff. Their cooperation and safe work practices have, collectively, contributed to the good performance of the Group. To my fellow Board members, thank you for the consistently wise guidance.

Cheng Buck Poh
Executive Chairman, BBM

For the year ended 30 June 2011, the Group reported a net profit attributable to shareholders of $7.9 million with the Group's net assets as at 30 June 2011 grew by 5.4% to $87.4 million year-on-year.

FINANCIAL AND OPERATIONS REVIEW

Financial Highlights

During the financial year ended 30 June 2011, the Group's net profit attributable to shareholders was $7.9 million, a reduction of $5.6 million compared to the preceding financial year ("FY2010") due to lower revenue.

For FY2011, the Group's revenue was $82.3 million, a reduction of $56.0 million or 40.5% compared to $138.3 million in the previous year under review ("FY2010") as major projects contracted in the past have been completed.

Earnings per share was 2.4 cents for FY2011 compared to 4.1 cents recorded for FY2010, while net asset value per share improved 5.5% year-on-year to 26.9 cents from 25.5 cents.

The Company has proposed a one-tier tax exempt final dividend of 1.0 cent per ordinary share to be approved at the forthcoming Annual General Meeting on 21 October 2011. This represents a dividend payout ratio of about 41% based on FY2011 profits.

Costs of Sales and Operating Expenses

In line with the lower revenue, costs of sales fell by 53.4% or $42.8 million to $37.3 million during the FY2011 as compared to $80.2 million in the FY2010.

Operating expenses in FY2011 decreased by $6.2 million or 14.1% to $37.7 million compared to $44.0 million in the preceding financial year. The decrease was mainly due to lower depreciation charges for plant and equipment as more equipment have been fully depreciated.

Segment performance

The Group derives its revenue from servicing the Oil & Gas and Petrochemical sectors. The Group operates in two business segments, namely Project Services and Maintenance Services. For the year ended 30 June 2011, the decrease in revenue was due mainly to lower contributions from the Project Services segment, which amounted to $33.8 million, representing 41.1% of total revenue. The Maintenance Services segment, which provides maintenance services conducted on a routine and turnaround basis, increased by 8.0% year-on-year to $48.5 million.

By geographical spread, majority of the revenue were derived from the Singapore market representing 96.5% of total revenue with the remaining portion of the revenue contributed by other markets.

Balance sheet highlights

As at 30 June 2011, the Group's financial position remained strong and healthy with total assets and net tangible assets standing at $108.7 million and $87.0 respectively.

Non-current assets decreased by 16.3% or $6.4 million to $33.0 million as at 30 June 2011 from $39.5 million as at 30 June 2010 mainly due to depreciation of property, plant and equipment and office premises at 47 Tuas View Circuit. While current assets increased marginally by 0.6% or $0.5 million to $75.7 million as at 30 June 2011 from $75.2 million as at 30 June 2010, the Group's cash balance increased by $8.6 million or 17.6% from $49.1 million as at 30 June 2010 to S$57.7 million at 30 June 2011 due mainly to profits generated during the financial year under review.

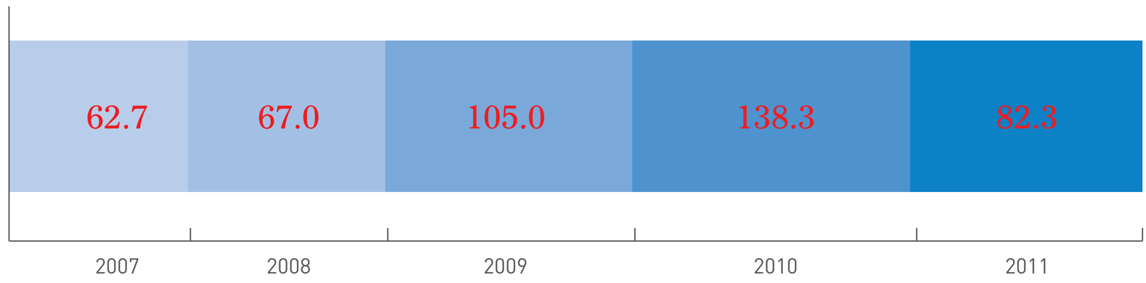
Current liabilities decreased by $9.9 million or 34.4% to $18.9 million as at 30 June 2011 from $28.8 million as at 30 June 2010 due mainly to a decrease in trade payables. Non-current liabilities decreased by $0.6 million or 19.0% to $2.4 million as at 30 June 2011 from $3.0 million as at 30 June 2010, mainly because of a decrease in deferred taxation and repayment of finance leases.

Cash flows

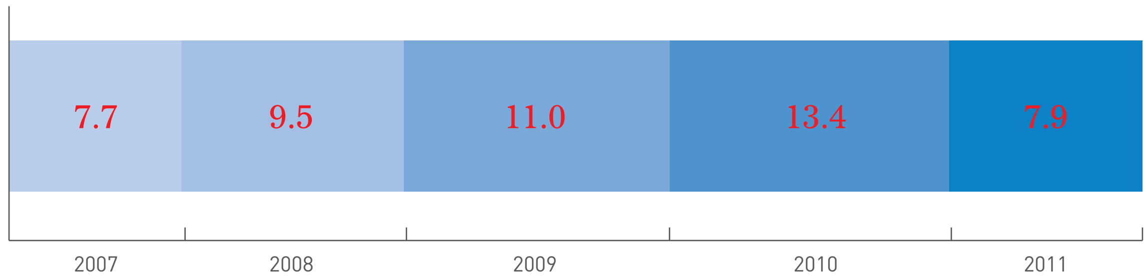
During the financial year under review, net cash flows generated from operating activities amounted to $15.5 million, while net cash flows used in investing and financing activities were $2.5 million and $4.3 million respectively. Overall, net cash and cash equivalents increased by $8.6 million for the financial year ended 30 June 2011.

FINANCIAL HIGHLIGHTS

Revenue (S$'mil)

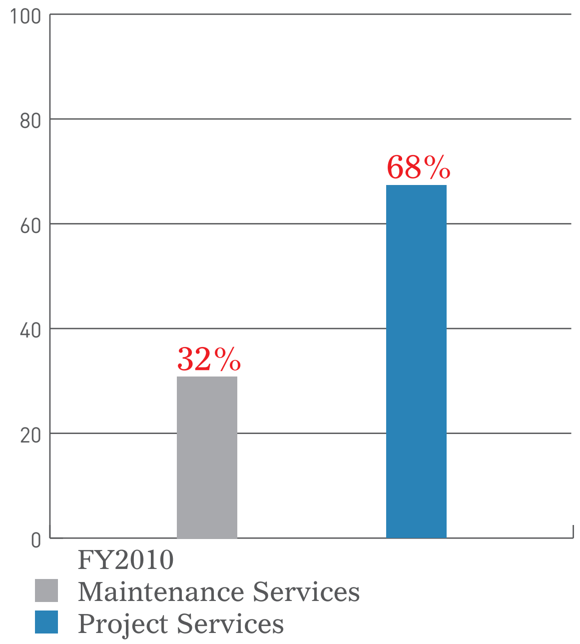


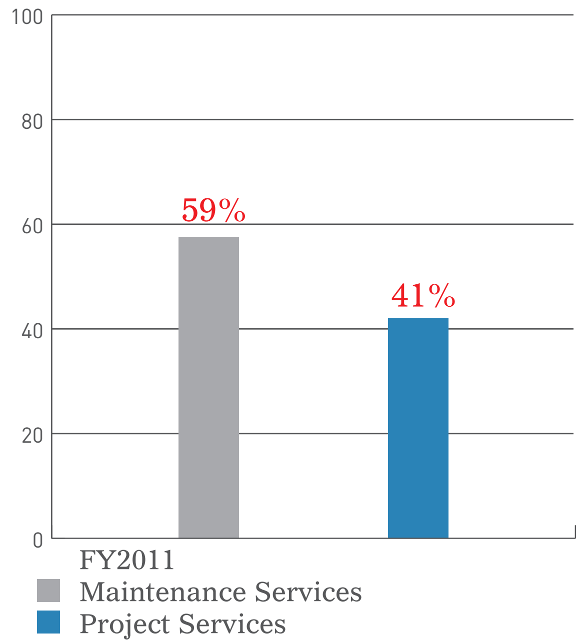
Net Profit (S$'mil)



Revenue Contributed by Segment

FY: Financial year ended 30 June





CORPORATE STRUCTURE

Hai Leck Holdings Limited

- Hai Leck Engineering (Private) Limited — 100%
  - Industrial Services Pte Ltd — 100%
  - Hai Leck Corporation Sdn Bhd — 100%
  - Hai Leck (Vietnam) Engineering Co Ltd — 100%
  - Logthai-Hai Leck Engineering Co Ltd — 49%
- Allied Construction Pte Ltd — 100%
- Hai Leck Overseas Investments Pte Ltd — 100%

BOARD OF DIRECTORS

01 Mr Cheng Buck Poh @ Chng Bok Poh

Mr Cheng Buck Poh @ Chng Bok Poh 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.

02 Mr Tan Sim Cheng

Mr Tan Sim Cheng is our Non-Executive Deputy Chairman and was appointed to the Board on 5 June 2008 as an Independent Director. Currently a consultant with Trims Management Consultant Pte Ltd and a director of SKF Asia Pacific Pte Ltd, Mr Tan brings more than 40 years of experience in finance, administration and human resource to the Group. Mr Tan obtained a Bachelor in Accountancy from the University of Singapore in 1969 and is a Fellow of the Institute of Certified Public Accountants, Singapore. Mr Tan is also a Director of the Kidney Dialysis Foundation.

03 Mr Lee See Kee

Mr Lee See Kee was re-designated as Non-Executive Director on 26 August 2011. He was formerly our Deputy Executive Chairman and was appointed to the Board on 12 September 1998. He has more than 30 years of experience in the industry and has led the management in pursuing the Group's overseas investment strategy.

04 Ms Cheng Li Chen

Ms Cheng Li Chen is our Chief Executive Officer. She oversees the development, implementation and evaluation of our Company's business development and expansion plans. She 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.

05 Ms Cheng Li Hui

Ms Cheng Li Hui is our Executive Director. 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 business 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.

06 Dr Low Seow Chay

Dr Low Seow Chay was appointed to the Board on 5 June 2008 as an Independent Director. He is currently an associate professor of the School of Mechanical and Aerospace Engineering at Nanyang Technological University ("NTU") and has been lecturing at NTU for more than 30 years. In addition, Dr Low has served as an elected Member of Parliament for 18 years, from 1988 to 2006, representing the ward of Chua Chu Kang. Dr Low currently sits on the Board of several listed companies such as Hor Kew Corporation Limited, Casa Holdings Limited and LK Technology Holdings Limited. He obtained a Bachelor of Engineering from the University of Singapore in 1973 as well as a Master of Science and a PhD in Engineering from the University of Manchester Institute of Science and Technology in 1977 and 1981 respectively.

07 Mr Chee Teck Kwong Patrick

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.

Mr Chee is a Notary Public and a Commissioner for Oaths. He is a member of Singapore Institute of Arbitrators and Singapore Institute of Directors. He also sits on the Board of other listed companies: CSC Holdings Limited, China International Holdings Limited, PSC Corporation Ltd, 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

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. Mr Choo holds a Degree in Engineering, Mechanical from Monash University, Australia.

Mr Cheng Yao Tong

Mr Cheng Yao Tong is our Business Development Manager. He is also the Managing Director of our Hai Leck Engineering Pte Ltd. He is responsible for the development of the Group's business, locally and overseas, and is also responsible for the procurement functions of our Group. 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.

Mr Ling Tien Yew

Mr Ling Tien Yew is our Chief Financial Officer and is overall responsible for the full spectrum of financial, taxation and treasury functions in our Group. He has about 14 years of experience in financial & management accounting and audit. Mr Ling holds a Bachelor of Business Studies(Accountancy) from Massey University, New Zealand and is a member of CPA Australia.

Mr Chua Tiong Kwey

Mr Chua Tiong Kwey is our Estimation Manager and he is responsible for projects estimation and to safeguard the Company's commercial interests. He had accumulated 33 years of experience in the industry. He holds a Degree in Mechanical Engineering from University of Strathclyde at Scotland, United Kingdom.

Mr Low Choon Hong

Mr Low Choon Hong is our HR Manager and is responsible for our Group's Human Resource Management. He is a Business Continuity Certified Planner and has various experiences in Human Resource, Engineering and Operations. Mr Low holds a Bachelor of Engineering Management from the University of Western Sydney. He also holds a Professional Diploma in Employment relations from the Ong Teng Cheong Labour Leadership Institute & NUS Extension, Specialist Diploma in Strategic Brand Management from Nanyang Polytechnic, Professional Diploma in Asia Pacific Marketing from NUS Extension & Marketing Institute of Singapore and Diploma in Electrical Engineering from Singapore Polytechnic.

CORPORATE INFORMATION

Board of Directors

Cheng Buck Poh @ Chng Bok Poh
(Executive Chairman)

Tan Sim Cheng
(Non-Executive Deputy Chairman)

Lee See Kee
(Non-Executive Director)

Cheng Li Chen
(Chief Executive Officer)

Cheng Li Hui
(Executive Director)

Dr Low Seow Chay
(Independent Director)

Chee Teck Kwong Patrick
(Independent Director)

Key Executives

Choo Yoon Kow
(Group General Manager)

Ling Tien Yew
(Chief Financial Officer)

Chua Tiong Kwey
(Estimation Manager)

Cheng Yao Tong
(Business Development Manager)

Low Choon Hong
(HR Manager)

Audit Committee

Tan Sim Cheng
(Chairman)

Dr Low Seow Chay

Chee Teck Kwong Patrick

Remuneration Committee

Dr Low Seow Chay
(Chairman)

Tan Sim Cheng

Chee Teck Kwong Patrick

Nominating Committee

Chee Teck Kwong Patrick
(Chairman)

Tan Sim Cheng

Dr Low Seow Chay

Company Secretary

Chew Kok Liang

Registered Office

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

Share Registrar and Share Transfer Office

Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

Principal Bankers

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Standard Chartered Bank
6 Battery Road
Singapore 049909

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

Auditors

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") is committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of 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").

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 performance in achieving an adequate return for shareholders;
- 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;
- Guidance and advice to the Management; and
- Being responsible for corporate governance framework of the Group.

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.

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 incoming new Directors are familiarized with the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties.

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

		Board Committees		
	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	**4**	**4**	**1**	**1**
Name	**No. of meetings attended**			
Mr Cheng Buck Poh @ Chng Bok Poh	4	4*	1*	1*
Mr Lee See Kee	4	4*	1*	1*
Ms Cheng Li Chen	4	4*	1*	1*
Ms Cheng Li Hui	3	3*	1*	1*
Mr Tan Sim Cheng	4	4	1	1
Dr Low Seow Chay	4	4	1	1
Mr Chee Teck Kwong Patrick	4	4	1	1

* By invitation

Newly appointed Directors will be given briefings by the Management on the 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.

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 as follows:

Executive Directors

Mr Cheng Buck Poh @ Chng Bok Poh	Executive Chairman
Ms Cheng Li Chen	Chief Executive Officer
Ms Cheng Li Hui	Executive Director

Non-Executive Directors

Mr Tan Sim Cheng	Non-Executive Deputy Chairman
Mr Lee See Kee	Non-Executive Director (re-designated on 26 August 2011)
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 possess 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 and with the right mix of skills and experience given the nature and scope of the Group's operations.

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. 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.

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 Ms Cheng Li Chen is our CEO. Ms Cheng Li Chen is Mr Cheng Buck Poh @ Chng Bok Poh's daughter.

The Chairman, who is assisted by Mr Tan Sim Cheng, an Independent Director, Chairman of the Audit Committee and Non-Executive Deputy Chairman, is responsible for the charting and reviewing of 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 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. Further, 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 oversees the Company's succession and leadership development plans.

The NC comprises entirely Independent Directors and they are:

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

The responsibilities of the NC are as follows:

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

(ii) identify and nominate candidates for the approval of the Board, if required;

(iii) determine annually whether or not a Director is independent;

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

(v) assess 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) assess the effectiveness of the Board as a whole; and

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

The NC decides how the Board's performance is to be evaluated, subject to the approval of the Board, which address 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	21 October 2009
Mr Tan Sim Cheng Non-Executive Deputy Chairman	5 June 2008	22 October 2010
Mr Lee See Kee Non-Executive Director (re-designated on 26 August 2011)	12 September 1998	22 October 2010
Ms Cheng Li Chen Chief Executive Officer (re-designated on 28 October 2010)	17 October 2007	21 October 2009
Ms Cheng Li Hui Executive Director	11 May 2010	22 October 2010
Dr Low Seow Chay Independent Director	5 June 2008	7 November 2008
Mr Chee Teck Kwong Patrick Independent Director	5 June 2008	7 November 2008

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"). 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 and are subject to re-election by the shareholders.

The Board has accepted NC's nomination of the retiring Directors who have given their consent for re-election at the Company's forthcoming AGM. The retiring Directors are, Dr Low Seow Chay and Mr Chee Teck Kwong Patrick who will retire pursuant to Article 93 of the Company's Articles of Association.

In accordance with Section 153(6) of the Companies Act, Cap.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 NC's nomination of the re-appointment of Mr Tan Sim Cheng as Director of the Company pursuant to Section 153(6) of the Companies Act, Cap.50 at the forthcoming AGM.

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.

With regard to collective Board's appraisal, each Director assesses the Board's performance as a whole and provides the feedback to the NC. In reviewing the Board's effective 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 guideline set out in the Code for the evaluation and assessment of the performance of the Board as a whole in achieving strategic objectives.

The NC is of the view that despite multiple board representations in certain instances, each Director is able and has been adequately carrying out his/her duties as a Director of the Company.

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 they are:

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

The RC is regulated by a set of written 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 determines specific remuneration packages for each Executive Director, senior Management or key executives;

(ii) to carry out its duties in the manner that it deemed expedient, 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 industry and in comparable companies and shall include a performance-related element with appropriate and meaningful measures of assessing performance and the remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The RC will have to 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 Director's 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 in 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 need 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 Company's AGM.

The service agreement of 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 agreed terminated by either party upon giving not less than three months' notice in writing to the other.

Our 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 for the financial year ended 30 June 2011 is as follows:

Remuneration Band & Name of Director	Salary %	Variable Bonus %	Director's Fees %	Benefits %	Total %
$500,000 - $749,999					
Mr Cheng Buck Poh @ Chng Bok Poh	50	49	–	1	100
Mr Lee See Kee	48	51	–	1	100
$250,000 - $499,999					
Ms Cheng Li Chen	50	49	–	1	100
Below $250,000					
Ms Cheng Li Hui	80	20	–	–	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, its individual performance, Company performance and industry benchmarking gathered from companies in comparable industries.

Details of remuneration paid to key executives of the Group (who are not Directors) for the financial year ended 30 June 2011 are set out below:

Remuneration Band & Name of Executive Officers	Salary %	Variable Bonus %	Benefits %	Total %
$250,000 - $499,999				
Mr Choo Yoon Kow	89	10	1	100
Below $250,000				
Mr Cheng Yao Tong	77	18	5	100
Mr Chua Tiong Kwey	78	20	2	100
Mr Ling Tien Yew	100	–	–	100
Mr Khaizar Abbas Nomanbhoy	77	19	4	100

Our CEO, Ms Cheng Li Chen, our Executive Director, Ms Cheng Li Hui and our Business Development Manager, Mr Cheng Yao Tong are the children of Mr Cheng Buck Poh @ Chng Bok Poh.

Except as disclosed, no employee of the group was an immediate family member of the Directors whose remuneration exceeds S$150,000 during the financial year ended 30 June 2011.("Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent).

The Company does not have any employee shares option schemes.

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 are ways to maintain shareholder's 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 should also ensure that the principal risks of the Company's business are identified and appropriately managed.

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 they are:

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

The members have had many years of experience in accounting, legal, business and financial management. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

The AC shall meet periodically to perform the following functions:

(i) To review the audit plans of the internal 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 external and internal 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 their 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 Committees and the Management in separate executive 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 our auditors;

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

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

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

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

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

(xiii) To review interested person transactions in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"); and

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

The AC has full access to and co-operation of the Management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any Director and Executive Officer to attend its meetings.

The external auditors have unrestricted access to the AC. Both the external 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 once without the presence of the Management.

The AC, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, are satisfied that the nature and extent of such services will not prejudice and affect the independence and objectivity of the external auditors. The AC has recommended to the Directors the nomination of Messrs Ernst & Young LLP for re-appointment as external auditors of the Company at the forthcoming AGM.

In 2008, the Company has given an undertaking to the SGX-ST to appoint an independent qualified accountant (the "Qualified Accountant") to conduct a full review of the Group's internal control and accounting system annually for two years and report the finding to the AC. Thereafter on a going basis, the AC will consider whether it is necessary for the Company to commission further reviews. RSM Ethos Pte Ltd ("RSM Ethos") (formerly known as Stone Forest Consulting Pte Ltd) was appointed as the Qualified Accountant.

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. In the year under review, 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 with 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 RSM Ethos to assess the effectiveness of the Group's internal control system in light of key business and financial risks affecting its operations.

3.4 Internal Audit

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

RSM Ethos has adopted the Singapore Standard on Auditing and reported directly to the AC, with full and direct access to the members of the AC at all times.

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

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, Cap. 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.

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 at such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance.

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

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

The shareholders will be given the opportunity to voice their views and ask Directors or the Management questions regarding the Company in the forthcoming AGM.

The Chairman of each Board Committee is required to be present to address questions at the AGM. External auditors are also present at such meeting to assist the Directors to address shareholders' queries, if necessary.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

The Company has adopted and ensured compliance with the Rule 1207(18) of the Listing Manual of the SGX-ST on dealings in securities. The Company and its officers are prohibited from dealing in the securities of the Company (i) during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full year financial results, and ending on the date of the announcements of the relevant results and (ii) when they are in possession of any unpublished price sensitive information on the Group.

In addition, the Directors and the Management are expected not to deal in the Company's securities on short term consideration.

6. MATERIAL CONTRACTS

Except as disclosed in the financial statements, there were no material contracts entered into by the Company or its subsidiaries, involving the interests of any Director or controlling shareholder subsisting at the end of the financial year ended 30 June 2011.

7. INTERESTED PERSON TRANSACTIONS

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

The interested persons transactions in respect of the financial year ended 30 June 2011 are disclosed in note 32 (Related Party Transactions) of the financial statements on page 73:–

Name of Interested person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
Tele-Centre Services Pte Ltd	S$48,000	–
United Holding (1975) Pte Ltd	S$933,000	–

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.

The significant risk management policies are as disclosed in the audited financial statements of this Annual Report.

9. UTILISATION OF WARRANT ISSUE PROCEEDS

On 26 November 2009, the Company had allotted and issued 130,000,000 Warrants and raised net proceeds of $1.2 million for working capital.

As at 30 June 2011, the Group has applied the proceeds as working capital in accordance with the Announcement dated 26 August 2009.

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 1982 with an option to extend further 30 years
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

REPORT OF THE DIRECTORS

(Amounts in Singapore dollars)

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 2011.

Directors

The Directors of the Company in office at the date of this report are:

Cheng Buck Poh @ Chng Bok Poh
Cheng Li Chen
Cheng Li Hui
Lee See Kee
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, Cap. 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 2010**	**30 June 2011**	**1 July 2010**	**30 June 2011**
The Company				
Ordinary shares				
Cheng Buck Poh @ Chng Bok Poh	95,200,000	95,200,000	124,800,000	124,800,000
Lee See Kee	36,000,000	36,000,000	–	–
Low Seow Chay	541,000	541,000	72,000	72,000
Tan Sim Cheng	100,000	100,000	–	–
Chee Teck Kwong Patrick	100,000	100,000	–	–

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, Cap. 50.

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

Name of Director	Direct interest as at 1 July 2010	Direct interest as at 30 June 2011	Deemed interest as at 1 July 2010	Deemed interest as at 30 June 2011
The Company				
Warrants to subscribe for ordinary shares				
Cheng Buck Poh @ Chng Bok Poh	38,080,000	38,080,000	49,920,000	49,920,000
Lee See Kee	14,400,000	14,400,000	–	–
Tan Sim Cheng	40,000	40,000	–	–
Chee Teck Kwong Patrick	40,000	40,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2011.

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, Lee See Kee, Cheng Li Chen and Cheng Li Hui have employment relationships with the subsidiary companies, and have received remuneration in those capacities.

Share options

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

Warrants

On 26 November 2009, the Company had undertaken a renounceable non-underwritten rights issue of 130,000,000 warrants ("Warrants") at an issue price of S$0.01 for each Warrant, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of S$0.26 for each New Share during the exercise period on the basis of two (2) Warrants for every five (5) 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.

The 130,000,000 Warrants allotted were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 November 2009. The New Shares arising from the exercise of the Warrants will be listed and quoted on the Official List of SGX-ST.

As of 30 June 2011, 129,939,000 Warrants were outstanding where 61,000 Warrants have been exercised to acquire 61,000 New Shares. These Warrants will expire on 24 November 2011.

REPORT OF THE DIRECTORS

Audit Committee

The Audit Committee ("AC") comprises the following three Independent Directors:

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

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

The AC met with the external auditors to discuss the results of their audit. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2011, as well as the external auditors' report thereon.

The AC held 4 meetings during the financial year ended 30 June 2011.

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.

Auditors

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

On behalf of the Board of Directors,

Cheng Buck Poh @ Chng Bok Poh
Director

Cheng Li Chen
Director

Singapore
26 September 2011

STATEMENT BY DIRECTORS

We, Cheng Buck Poh @ Chng Bok Poh and Cheng Li Chen, 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 2011, 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 Li Chen
Director

Singapore
26 September 2011

INDEPENDENT AUDITORS' REPORT

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 2011, 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 notes.

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, Cap. 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.

Auditors' 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 the 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.

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 2011 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 Certified Public Accountants
Singapore
26 September 2011

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2011

(Amounts in Singapore dollars)

	Note	Group	
		2011	**2010**
		S$'000	**S$'000**
Revenue	3	**82,296**	138,329
Cost of sales		**(37,323)**	(80,172)
Other income	4	**1,968**	1,915
Distribution and selling expenses		**(714)**	(1,285)
Administrative expenses		**(27,897)**	(28,641)
Other operating expenses		**(9,136)**	(14,026)
Interest expense	7	**(25)**	(29)
Profit before taxation	5	**9,169**	16,091
Taxation	8	**(1,301)**	(2,642)
Profit for the year		**7,868**	13,449
Attributable to:			
Equity holders of the Company		**7,868**	13,449
Earnings per share			
Basic (cents)	9	**2.4**	4.1
Fully diluted (cents)	9	**2.4**	4.0

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 2011

(Amounts in Singapore dollars)

	Group	
	2011	**2010**
	S$'000	**S$'000**
Profit net of tax	**7,868**	13,449
Other comprehensive income, net of tax:		
Net gain on available-for-sale financial assets	**232**	–
Net effect of exchange differences	**(187)**	85
Total comprehensive income for the year	**7,913**	13,534
Total comprehensive income attributable to:		
Equity holders of the Company	**7,913**	13,534

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

BALANCE SHEETS

as at 30 June 2011

(Amounts in Singapore dollars)

	Note	Group 2011 S$'000	Group 2010 S$'000	Company 2011 S$'000	Company 2010 S$'000
Non-current assets					
Property, plant and equipment	10	**32,677**	39,235	**–**	–
Investments in subsidiary companies	11	**–**	–	**28,013**	28,000
Intangible assets	13	**352**	228	**–**	–
Loans due from subsidiary companies	17	**–**	–	**15,605**	21,496
		33,029	39,463	**43,618**	49,496
Current assets					
Inventories	14	**317**	217	**–**	–
Trade receivables	15	**13,286**	22,409	**–**	–
Other receivables and deposits	16	**2,960**	2,396	**18**	–
Prepayments		**140**	102	**–**	–
Amounts due from subsidiary companies (trade)	18	**–**	–	**1,121**	3,017
Other investments	19	**1,256**	1,012	**–**	–
Cash and cash equivalents	21	**57,723**	49,080	**24,919**	10,314
		75,682	75,216	**26,058**	13,331
Current liabilities					
Trade and other payables	22	**15,537**	22,632	**1,422**	1,243
Amounts due to a subsidiary company (non-trade)	23	**–**	–	**12**	12
Loan due to a non-controlling interest	24	**–**	392	**–**	–
Gross amount due to customers for contract work-in-progress	20	**–**	1,500	**–**	–
Provision for taxation		**1,754**	2,942	**6**	6
Finance lease obligations, current portion	25	**278**	510	**–**	–
Provision for warranty	26	**1,330**	840	**–**	–
		18,899	28,816	**1,440**	1,261
Net current assets		**56,783**	46,400	**24,618**	12,070
Non-current liabilities					
Deferred taxation	27	**2,413**	2,702	**–**	–
Finance lease obligations, non-current portion	25	**1**	278	**–**	–
		2,414	2,980	**–**	–
Net assets		**87,398**	82,883	**68,236**	61,566
Equity attributable to equity holders of the Company					
Share capital	28(a)	**48,817**	48,804	**48,817**	48,804
Treasury shares	28(b)	**(160)**	–	**(160)**	–
Capital reserve	29	**1,156**	1,157	**1,156**	1,157
Accumulated profits		**37,731**	33,113	**18,423**	11,605
Fair value reserve		**232**	–	**–**	–
Foreign currency translation reserve	30	**(378)**	(191)	**–**	–
Total equity		**87,398**	82,883	**68,236**	61,566

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 2011

(Amounts in Singapore dollars)

	Attributable to equity holders of the Company							
Group	Share capital (Note 28(a)) S$'000	Treasury shares (Note 28(b)) S$'000	Accumulated profits S$'000	Capital reserve (Note 29) S$'000	Fair value reserve S$'000	Foreign currency translation reserve (Note 30) S$'000	Total reserves S$'000	Total equity S$'000
Balance at 1 July 2010	48,804	–	33,113	1,157	–	(191)	34,079	82,883
Profit for the year	–	–	7,868	–	–	–	7,868	7,868
Other comprehensive income for the year	–	–	–	–	232	(187)	45	45
Total comprehensive income for the year	–	–	7,868	–	232	(187)	7,913	7,913
Issuance of ordinary shares	13	–	–	(1)	–	–	(1)	12
Purchase of treasury shares	–	(160)	–	–	–	–	(160)	(160)
Dividend on ordinary shares (Note 31)	–	–	(3,250)	–	–	–	(3,250)	(3,250)
Balance at 30 June 2011	48,817	(160)	37,731	1,156	232	(378)	38,581	87,398

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 2011

(Amounts in Singapore dollars)

Group	Share capital (Note 28(a)) S$'000	Accumulated profits S$'000	Capital reserve (Note 29) S$'000	Foreign currency translation reserve (Note 30) S$'000	Total reserves S$'000	Total equity S$'000
	Attributable to equity holders of the Company					
Balance at 1 July 2009	48,800	22,914	–	(276)	22,638	71,438
Profit for the year	–	13,449	–	–	13,449	13,449
Other comprehensive income for the year	–	–	–	85	85	85
Total comprehensive income for the year	–	13,449	–	85	13,534	13,534
Issuance of ordinary shares	4	–	–	–	–	4
Issuance of warrants (Note 29)	–	–	1,300	–	1,300	1,300
Warrant issue expenses	–	–	(143)	–	(143)	(143)
Dividend on ordinary shares (Note 31)	–	(3,250)	–	–	(3,250)	(3,250)
Balance at 30 June 2010	48,804	33,113	1,157	(191)	34,079	82,883

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

(Amounts in Singapore dollars)

Company	Share capital (Note 28(a)) S$'000	Treasury shares (Note 28(b)) S$'000	Accumulated profits S$'000	Capital reserve (Note 29) S$'000	Total equity S$'000
	Attributable to equity holders of the Company				
Balance at 1 July 2010	48,804	–	11,605	1,157	61,566
Profit for the year	–	–	10,068	–	10,068
Total comprehensive income for the year	–	–	10,068	–	10,068
Issuance of ordinary shares	13	–	–	(1)	12
Purchase of treasury shares	–	(160)	–	–	(160)
Dividend on ordinary shares (Note 31)	–	–	(3,250)	–	(3,250)
Balance at 30 June 2011	48,817	(160)	18,423	1,156	68,236
Balance at 1 July 2009	48,800	–	6,391	–	55,191
Profit for the year	–	–	8,464	–	8,464
Total comprehensive income for the year	–	–	8,464	–	8,464
Issuance of ordinary shares	4	–	–	–	4
Issuance of warrants (Note 29)	–	–	–	1,300	1,300
Warrant issue expenses	–	–	–	(143)	(143)
Dividend on ordinary shares (Note 31)	-	-	(3,250)	-	(3,250)
Balance at 30 June 2010	48,804	-	11,605	1,157	61,566

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 2011

(Amounts in Singapore dollars)

	Group 2011 S$'000	2010 S$'000
Cash flows from operating activities		
Profit before taxation	**9,169**	16,091
Adjustments:		
Depreciation of property, plant and equipment	**9,081**	13,384
Property, plant and equipment written off	**1**	-
Amortisation of intangible assets	**15**	14
(Gain)/loss on disposal of property, plant and equipment	**(159)**	8
Interest income	**(82)**	(19)
Interest expense	**25**	29
Currency realignment	**(99)**	97
Operating cash flows before working capital changes	**17,951**	29,604
Decrease in trade and other receivables and deposits and prepayments	**8,706**	5,432
(Increase)/decrease in inventories	**(100)**	133
(Decrease)/increase in trade and other payables	**(6,790)**	1,519
(Decrease)/increase in gross amount due to customers for contract work-in-progress	**(1,500)**	2,910
Cash generated from operations	**18,267**	39,598
Tax paid	**(2,778)**	(971)
Net cash flows generated from operating activities	**15,489**	38,627
Cash flows from investing activities		
Interest received	**82**	19
Purchase of property, plant and equipment	**(2,640)**	(5,129)
Purchase of intangible assets	**(139)**	-
Proceeds from disposal of property, plant and equipment	**175**	240
Net cash flows used in investing activities	**(2,522)**	(4,870)
Cash flows from financing activities		
Net proceeds from issue of new shares	**12**	4
Net proceeds from issue of new warrants	**-**	1,157
Purchase of treasury shares (Note 28(b))	**(160)**	-
Repayment of loan to a non-controlling interest of a subsidiary company	**(392)**	-
Interest paid	**(25)**	(29)
Repayment of finance lease obligations	**(509)**	(591)
Dividend paid	**(3,250)**	(3,250)
Net cash flows used in financing activities	**(4,324)**	(2,709)
Net increase in cash and cash equivalents	**8,643**	31,048
Cash and cash equivalents at the beginning of year	**49,080**	18,032
Cash and cash equivalents at end of year (Note 21)	**57,723**	49,080

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

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 was 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 "S$") which is the Company's functional currency and all values are rounded to the nearest thousand (S$'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial period 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 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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:

Description	**Effective for annual periods beginning on or after**
Improvements to FRSs 2010:	
– Amendments to FRS 1 *Presentation of Financial Statements*	1 January 2011
– Amendments to FRS 34 *Interim Financial Reporting*	1 January 2011
– Amendments to FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2011
– Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2011
– Amendments to INT FRS 113 *Customer Loyalty Programmes*	1 January 2011
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011
Amendments to FRS 101 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could 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 balance sheet date, 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.

- **Impairment of loans and receivables**

  The Group assesses at each balance sheet date 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 balance sheet is disclosed in Note 36.

- **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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgements (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

- **Project and maintenance revenue**

  The Group recognises project and maintenance revenue to the extent of project and maintenance 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 performed.

  Significant judgement is required in determining the stage of completion, the extent of the project and maintenance costs incurred, the estimated total project and maintenance revenues and costs, as well as the recoverability of the project and maintenance services. Total project and maintenance 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.

  Revenue from project and maintenance revenue for the year ended 30 June 2011 was S$82,296,000 (2010: S$138,329,000) 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 2011 was S$32,677,000 (2010: S$39,235,000). 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 3% (2010: 3%) 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. It is expected that all of these warranty costs will have been incurred within five years from the balance sheet date. The Group provided $1,330,000 (2010: $840,000) of provisions for warranty as at 30 June 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Significant accounting estimates and judgements (cont'd)

(ii) Critical judgements made in applying accounting policies

The following is the judgement made by management in the process of applying the Group's accounting policies.

- **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 2011 were S$1,754,000 (2010: S$2,942,000) and S$2,413,000 (2010: S$2,702,000) respectively.

2.5 Foreign currency

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 closing rate of exchange ruling at the balance sheet date. 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.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary company. In the Company's separate financial statements, such exchange differences are recognised in the income statement.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their statement of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Subsidiary companies and basis of consolidation

(i) 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.

(ii) Basis of consolidation

Business combinations from 1 July 2009

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. 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 for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions 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.

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 income statement or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Subsidiary companies and basis of consolidation (cont'd)

(ii) Basis of consolidation (cont'd)

Business combinations from 1 July 2009 (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

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

Business combinations before 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.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies 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 measurements to the contingent consideration were recognised as part of goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Related parties

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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.

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 the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. 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.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. 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.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

	Rate of depreciation (%)
Scaffolding materials	20 or over project duration*
Machineries	10
Motor vehicles	20
Office equipment	10
Truck, cranes and forklifts	20
Leasehold premises	3
Workshop tools and equipment	20 – 30
Computers	33 – 100
Electrical appliances, air-conditioners, furniture and fittings and renovation	10 – 33

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

Improvements to leasehold premises are depreciated over the remaining life of the lease. Capital work-in-progress is not depreciated as this asset is 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 to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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 the income statement in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. 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 operating expenses' line item in the income statement.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

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 the income statement when the asset is derecognised.

- **Club memberships**

  Club memberships were acquired separately and are amortised on a straight-line basis over 12 to 30 years.

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.

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. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of non-financial assets (cont'd)

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 the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised on the balance sheet 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.

Except for loans and receivables and available-for-sale financial assets, the Group does not have any other financial assets.

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 the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets (cont'd)

Subsequent measurement (cont'd)

(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 such financial assets are recognised directly in other comprehensive income, except that impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in the income statement. 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 the income statement.

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 balance sheet 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. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets (cont'd)

(i) Financial assets carried at amortised cost (cont'd)

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.

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 the income statement.

(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 the income statement, is transferred from other comprehensive income and recognised in the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in income statement. Reversals of impairment losses on debt instruments are recognised in the income statement, 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, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in, first-out basis.

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.

When necessary, allowance is provided for deteriorated, damaged, obsolete and slow-moving stocks to adjust the carrying value of inventories to the lower of cost and net realisable value.

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 balance sheet date, when the outcome of a construction contract can be estimated reliably. When the outcome of a contract cannot be estimated reliably, 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.

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

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised on the balance sheet 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 other than financial liabilities at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, which are measured at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. For financial liabilities other than financial liabilities at fair value through profit or loss, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of financial liabilities at fair value through profit or loss are recognised in the income statement.

2.18 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 the income statement 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 the income statement.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 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 economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 balance sheet date.

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 the income statement. 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 the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.23 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 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue (cont'd)

(i) Project and maintenance revenue

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

Where the project and maintenance 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, which generally coincides with 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.

Group turnover excludes intercompany transactions.

(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.

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 by the balance sheet date, in the countries where the group operates and generates taxable income.

Current income taxes are recognised in income statement except to the extent that the tax relating to items recognised outside income statement, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

(ii) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date 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;

- In respect of taxable temporary differences associated with investments in subsidiary companies, 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; and

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 subsidiaries, associates and interests in joint ventures, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 each balance sheet date 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 by the balance sheet date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

(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 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

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 the income statement 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3. REVENUE

	Group	
	2011	**2010**
	S$'000	**S$'000**
Project revenue	33,807	93,427
Maintenance revenue	48,489	44,902
	82,296	**138,329**

4. OTHER INCOME

	Group	
	2011	**2010**
	S$'000	**S$'000**
Interest income		
– fixed deposits	74	18
– others	8	1
Gain on disposal of property, plant and equipment	159	–
Rental income	72	79
Test-centre income	58	19
Job credits	–	405
Income from project management services provided to sub-contractors	1,187	922
Incentives from customers	–	196
Sale of consumables and tools	70	175
Others	340	100
	1,968	**1,915**

5. PROFIT BEFORE TAXATION

Profit before taxation are determined after (crediting)/charging the following:

	Group	
	2011 S$'000	**2010 S$'000**
Non-audit fees paid to auditors of the Company	10	10
Depreciation of property, plant and equipment (Note 10)	9,081	13,384
Property, plant and equipment written off	1	–
Amortisation of intangible assets	15	14
(Gain)/loss on disposal of property, plant and equipment	(159)	8
Allowance for doubtful receivables	235	583
Employee benefits (Note 6)	32,009	35,000
Foreign exchange loss	97	110

6. EMPLOYEE BENEFITS

	Group	
	2011 S$'000	**2010 S$'000**
Employee benefits expense (including executive directors)		
Wages, salaries, bonuses	28,392	29,697
Central Provident Fund contributions	526	613
Others	3,091	4,690
	32,009	**35,000**

Employee benefits include the amount of Directors' remuneration as shown in Note 32(b).

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

7. INTEREST EXPENSE

	Group	
	2011 S$'000	**2010 S$'000**
Interest expense		
– hire purchase	24	27
– others	1	2
	25	**29**

8. TAXATION

	Group 2011 S$'000	Group 2010 S$'000
Current taxation		
– current year	1,715	2,592
– (Over)/underprovision in respect of prior year	(125)	53
Deferred taxation		
– origination and reversal of temporary differences	(289)	(3)
Tax expense	**1,301**	**2,642**

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

	Group 2011 S$'000	Group 2010 S$'000
Accounting profit before income tax	9,169	16,091
Tax at Singapore statutory tax rate of 17% (2010: 17%)	1,559	2,735
Adjustments:		
– Effect of partial tax exemption	(52)	(52)
– Non-deductible expenses in determining taxable income	51	344
– Income not subject to tax	(97)	(162)
– Utilisation of previously unrecognised tax losses	(12)	(120)
– Under/(over)provision in respect of prior year's taxation	(125)	53
– Effect of different tax rates in foreign jurisdictions	33	17
– Others	(56)	(173)
	1,301	**2,642**

As at 30 June 2011, the Group had unutilised tax losses of approximately S$145,000 (2010: S$213,000) and unutilised donations of approximately S$500,000 (2010: S$500,000) available for offset against future taxable profits of the companies in which these losses were incurred and donations were made. No deferred tax assets are recognised due to the uncertainty of its recoverability. The use of these tax losses and unutilised donations is subject to agreement with the Income Tax Authorities and compliance with the relevant provisions of the Singapore Income Tax Act.

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 2011 and 2010:

	Group	
	2011 S$'000	**2010 S$'000**
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	7,868	13,449
Weighted average number of ordinary shares for basic earnings per share computation ('000)	324,839	325,008
Effects of dilution:		
– warrants ('000)	3,249	14,846
Weighted average number of ordinary shares adjusted for dilution ('000)	**328,088**	**339,854**

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold premises S$'000	Machineries and equipment S$'000	Motor vehicles S$'000	Office equipment S$'000	Workshop tools and equipment S$'000	Truck, cranes and forklifts S$'000	Computers S$'000	Electrical appliances, air-conditioners, furniture and fittings and renovation S$'000	Total S$'000
Cost									
At 1 July 2009	20,672	36,029	2,973	613	1,664	5,694	520	921	69,086
Additions	1	3,270	447	150	698	488	224	79	5,357
Disposals	–	(255)	(16)	(1)	(3)	–	–	–	(275)
Translation differences	–	–	4	–	–	–	–	–	4
At 30 June 2010 and 1 July 2010	20,673	39,044	3,408	762	2,359	6,182	744	1,000	74,172
Additions	5	1,140	938	46	188	–	293	30	2,640
Disposals/Write-offs	–	–	(218)	(5)	(2)	–	–	–	(225)
Translation differences	(43)	–	(57)	–	–	–	–	–	(100)
At 30 June 2011	**20,635**	**40,184**	**4,071**	**803**	**2,545**	**6,182**	**1,037**	**1,030**	**76,487**
Accumulated depreciation									
At 1 July 2009	2,707	12,864	1,579	280	1,087	1,995	451	599	21,562
Depreciation charge for the year	702	10,450	499	56	491	947	177	62	13,384
Disposals	–	(24)	(2)	–	(1)	–	–	–	(27)
Translation differences	19	–	(1)	–	–	–	–	–	18
At 30 June 2010 and 1 July 2010	3,428	23,290	2,075	336	1,577	2,942	628	661	34,937
Depreciation charge for the year	716	6,054	482	60	561	917	231	60	9,081
Disposals/Write-offs	–	–	(206)	(2)	–	–	–	–	(208)
At 30 June 2011	**4,144**	**29,344**	**2,351**	**394**	**2,138**	**3,859**	**859**	**721**	**43,810**
Net carrying value									
At 30 June 2011	16,491	10,840	1,720	409	407	2,323	178	309	32,677
At 30 June 2010	17,245	15,754	1,333	426	782	3,240	116	339	39,235

Assets held under finance leases

The carrying amount of motor vehicles and trucks, cranes and forklifts held under finance leases at the balance sheet date were S$240,000 (2010: S$380,000) and S$944,000 (2010: S$1,309,000) respectively.

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

11. INVESTMENTS IN SUBSIDIARY COMPANIES

These comprise:

	Company 2011 S$'000	Company 2010 S$'000
Unquoted equity shares, at cost	28,013	28,000

Details of subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group 2011 %	Percentage of equity held by the Group 2010 %
Held by the Company				
Hai Leck Engineering (Private) Limited*	Oil & gas and chemical industries related construction and maintenance services	Singapore	100	100
Allied Construction Pte Ltd*	Civil engineering services	Singapore	100	51
Hai Leck Overseas Investments Pte Ltd*	Investment holding	Singapore	100	–
Held by a subsidiary company				
Industrial Services Pte Ltd*	Trading and contracting for thermal insulations, refractories and fire-protection for steel structures	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

* Audited by Ernst & Young LLP, Singapore

** Audited by Audit & Informatic Services Company, Vietnam

*** Audited by Gow & Tan, Malaysia

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	
			2011 %	2010 %
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:

	2011 S$'000	2010 S$'000
Joint venture		
Assets and liabilities:		
Current assets	2,007	1,758
Non-current assets	951	808
Total assets	**2,958**	**2,566**
Current and total liabilities	759	1,096
Results:		
Revenue	2,869	2,230
Profit for the year	188	87

13. INTANGIBLE ASSETS

Group	Club memberships S$'000
Cost	
At 1 July 2009, 30 June 2010 and 1 July 2010	258
Addition	139
At 30 June 2011	**397**
Accumulated amortisation	
At 1 July 2009	16
Amortisation for the year	14
At 30 June 2010 and 1 July 2010	30
Amortisation for the year	15
At 30 June 2011	**45**
Net carrying amount	
At 30 June 2011	352
At 30 June 2010	228

14. INVENTORIES

	Group	
	2011 S$'000	**2010 S$'000**
Raw materials	30	38
Finished goods	287	179
	317	**217**

During the year, inventories recognised as an expense in the income statement under cost of sales amounted to S$8,712,000 (2010: S$14,905,000) for the Group.

15. TRADE RECEIVABLES

	Group	
	2011	**2010**
	S$'000	**S$'000**
Trade receivables – external	13,004	22,850
Amount due from a joint venture (trade)	517	192
Less: Allowance for doubtful receivables	(235)	(633)
	13,286	**22,409**

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 S$6,859,000 (2010: S$9,791,000) that are past due at the balance sheet date but not impaired. These debtors are unsecured and the analysis of their ageing at the balance sheet date is as follows:

	Group	
	2011	**2010**
	S$'000	**S$'000**
Trade receivables past due for:		
– 1 – 30 days	1,002	641
– 31 – 60 days	3,937	2,250
– More than 60 days	1,920	6,900
	6,859	**9,791**

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment are as follows:

	Group Individually impaired	
	2011	**2010**
	S$'000	**S$'000**
Trade receivables – nominal	249	658
Less: Allowance for doubtful receivables	(235)	(633)
	14	**25**

15. TRADE RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

	Group Individually impaired	
	2011 S$'000	2010 S$'000
Movement in allowance		
At beginning of the year	633	50
Charge for the year	235	583
Written back	(633)	–
At end of the year	**235**	**633**

Trade receivables that are individually determined to be impaired at the balance sheet date 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 S$633,000 (2010: nil) of allowance for doubtful receivables upon collection of these debts.

16. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000
Other receivables	475	1,390	18	–
Deposits	2,465	983	–	–
Tax recoverable	20	23	–	–
	2,960	**2,396**	**18**	**–**

17. LOANS DUE FROM SUBSIDIARY COMPANIES

The loans due from subsidiary companies are unsecured, interest-free and not expected to be repaid within the next twelve months from the balance sheet date.

18. AMOUNTS DUE FROM SUBSIDIARY COMPANIES (TRADE)

The amounts due from subsidiary companies (trade) are unsecured, interest-free, repayable on demand and to be settled in cash.

19. OTHER INVESTMENTS

	Group	
	2011 S$'000	2010 S$'000
Available-for-sale:		
Debentures (quoted), at fair value	196	212
Shares (quoted), at fair value	1,232	1,000
Others	28	–
Less: impairment loss	(200)	(200)
	1,256	**1,012**

Quoted shares

The quoted shares are non-redeemable and non-cumulative preference shares.

Quoted debentures

The quoted debentures bear interest at 3.85% (2010: 6.25%) per annum.

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

	Group	
	2011 S$'000	2010 S$'000
This comprises:		
Aggregate project costs incurred and recognised profits (less recognised loses) to-date	–	46,635
Less: Progress billings	–	(48,135)
	–	**(1,500)**
Presented as:		
Gross amount due from customers for contract work-in-progress	–	–
Gross amount due to customers for contract work-in-progress	–	1,500

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000
Cash and bank balances	25,106	44,666	898	10,314
Fixed deposits	32,617	4,414	24,021	–
	57,723	**49,080**	**24,919**	**10,314**

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. Interest of fixed deposits is at rates ranging from 0.1% to 0.5% (2010: 0.2% to 0.3%) per annum, which are also the effective interest rates.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000
Trade payables	4,046	9,654	–	–
Other payables	1,493	781	84	143
Amount due to related parties	185	9	–	–
Accrued operating expenses	9,813	12,188	1,338	1,100
	15,537	**22,632**	**1,422**	**1,243**

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.

Amount due to related parties

These amounts are trade in nature, unsecured, non-interest bearing and are repayable on demand.

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

The amounts due to subsidiary companies (non-trade) are unsecured, interest-free, repayable on demand and to be settled in cash.

24. LOAN DUE TO A NON-CONTROLLING INTEREST

In 2010, the loan due to a non-controlling interest was unsecured, interest-free, repayable on demand and to be settled in cash. The loan was repaid during the year.

25. FINANCE LEASE OBLIGATIONS

The Group has finance leases for certain items of plant and equipment and furniture and fittings. 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 2.2% (2010: 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 2011 S$'000	Present value of payments 2011 S$'000	Minimum payments 2010 S$'000	Present value of payments 2010 S$'000
Not later than one year	291	278	535	510
Later than one year but not later than five years	1	1	291	278
Total minimum lease payments	**292**	**279**	**826**	**788**
Less: Amounts representing finance charges	(13)	–	(38)	–
Present value of minimum lease payments	**279**	**279**	**788**	**788**

26. PROVISION FOR WARRANTY

	Group 2011 S$'000	Group 2010 S$'000
At beginning of year	840	840
Provided during the year	490	–
At end of the year	**1,330**	**840**

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.

27. DEFERRED TAXATION

Deferred tax liabilities relate to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	2,722	2,956	(234)	166
Deferred tax assets				
Provisions	(309)	(254)	(55)	(169)
	2,413	2,702		
Deferred income tax expense			(289)	(3)

28. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2011		2010	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At beginning of the year	325,014	48,804	325,000	48,800
Issuance of ordinary shares	47	13	14	4
At end of the year	**325,061**	**48,817**	**325,014**	**48,804**

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.

28. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) Treasury shares

	Group and Company			
	2011		2010	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At beginning of the year	–	–	–	–
Acquired during the year	640	160	–	–
At end of the year	**640**	**160**	**–**	**–**

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

The Company acquired 640,000 (2010: nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was S$160,000 (2010: nil) and this was represented as a component within shareholders' equity.

29. CAPITAL RESERVE

On 26 November 2009, the Company had undertaken a renounceable non-underwritten rights issue of 130,000,000 warrants ("Warrants") at an issue price of S$0.01 for each Warrant, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of S$0.26 for each New Share during the exercise period on the basis of two (2) Warrants for every five (5) 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.

The 130,000,000 Warrants allotted were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 November 2009. 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.

During the year, 47,000 Warrants were exercised to acquire 47,000 New Shares. As of 30 June 2011, 61,000 Warrants have been exercised and 129,939,000 Warrants were outstanding. These Warrants will expire on 24 November 2011.

	Group and Company	
	2011 S$'000	2010 S$'000
At beginning of the year	1,157	–
Issuance of warrants	–	1,157
Transfer to share capital on exercise of warrants	(1)	–
	1,156	**1,157**

30. 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	
	2011	**2010**
	S$'000	**S$'000**
At beginning of the year	(191)	(276)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(187)	85
At end of the year	**(378)**	**(191)**

31. DIVIDEND

	Group and Company	
	2011	**2010**
	S$'000	**S$'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 S$0.008 (2010: S$0.008) per ordinary share	2,600	2,600
– Tax exempt (one tier) special dividend paid in respect of the previous financial year of S$0.002 (2010: S$0.002) per ordinary share	650	650
	3,250	**3,250**
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 S$0.010 (2010: S$0.008) per ordinary share	3,250	2,600
– Tax exempt (one tier) special dividend paid in respect of the current financial year of nil (2010: S$0.002) per ordinary share	–	650
	3,250	**3,250**

Tax consequences of proposed dividends

There are no income tax consequences (2010: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

32. 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	**2011**	**2010**
	S$'000	**S$'000**
Provision of service by related parties	981	48

(b) Compensation of key management personnel

	Group	
	2011	**2010**
	S$'000	**S$'000**
Central Provident Fund contributions	62	60
Directors' remuneration	2,595	2,684
Directors' fees	140	131
Total compensation paid to key management personnel	**2,797**	**2,875**
Comprise amounts paid to:		
– Directors of the Company	2,797	2,875

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

33. COMMITMENTS

(a) 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	
	2011	**2010**
	S$'000	**S$'000**
Future minimum lease payments		
– not later than one year	2,788	2,888
– one year through five years	1,115	9,519
	3,903	**12,407**

Minimum lease payments recognised as an expense in the income statement for the financial year ended 30 June 2011 amounted to S$3,734,000 (2010: S$4,174,000) for the Group.

(b) Option to purchase

During the year, the Group exercised an option to purchase a property at a purchase price of $11,500,000 to store its fixed assets. The transfer of title of the property is expected to occur in 2012.

34. CONTINGENT LIABILITIES

The Company has provided corporate guarantees amounting to approximately S$44,490,000 (2010: S$58,990,000) in favour of certain financial institutions for banking and finance lease facilities granted to subsidiary companies.

35. 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, finance leases 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, credit risk and market 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 balance sheet date 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

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 balance sheet date based on the contractual undiscounted repayment obligations.

	2011			2010		
	Within 1 year S$'000	1 to 5 years S$'000	Total S$'000	Within 1 year S$'000	1 to 5 years S$'000	Total S$'000
Group						
Financial assets:						
Other investments	1,256	–	1,256	1,012	–	1,012
Trade and other receivables	16,246	–	16,246	24,805	–	24,805
Cash and cash equivalents	57,723	–	57,723	49,080	–	49,080
Total undiscounted financial assets	**75,225**	**–**	**75,225**	**74,897**	**–**	**74,897**
Financial liabilities:						
Trade and other payables	15,537	–	15,537	22,632	–	22,632
Loan due to a non-controlling interest	–	–	–	392	–	392
Finance lease obligations	291	1	292	535	291	826
Total undiscounted financial liabilities	**15,828**	**1**	**15,829**	**23,559**	**291**	**23,850**
Total net undiscounted financial assets/ (liabilities)	59,397	(1)	59,396	51,338	(291)	51,047

	2011				2010			
	Within 1 year S$'000	1 to 5 years S$'000	More than 5 years S$'000	Total S$'000	Within 1 year S$'000	1 to 5 years S$'000	More than 5 years S$'000	Total S$'000
Company								
Financial assets:								
Loans due from subsidiary companies	–	–	15,605	15,605	–	–	21,496	21,496
Amounts due from subsidiary companies (trade)	1,121	–	–	1,121	3,017	–	–	3,017
Trade and other receivables	18	–	–	18	–	–	–	–
Cash and cash equivalents	24,919	–	–	24,919	10,314	–	–	10,314
Total undiscounted financial assets	**26,058**	**–**	**15,605**	**41,663**	**13,331**	**–**	**21,496**	**34,827**
Financial liabilities:								
Trade and other payables	1,422	–	–	1,422	1,243	–	–	1,243
Amounts due to subsidiary companies (non-trade)	12	–	–	12	12	–	–	12
Total undiscounted financial liabilities	**1,434**	**–**	**–**	**1,434**	**1,255**	**–**	**–**	**1,255**
Total net undiscounted financial assets	24,624	–	15,605	40,229	12,076	–	21,496	33,572

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– The carrying amounts of investment securities, trade and other receivables and cash and cash equivalents. 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

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	2011 S$'000	**2010 S$'000**
By country:		
Singapore	11,576	21,521
Thailand	1,710	888
	13,286	**22,409**

At the balance sheet date, approximately 64% (2010: 9%) 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. Cash and cash equivalents, other investments 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).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investments in quoted shares and debentures. These instruments are quoted on the SGX-ST and Stock Exchange of Thailand ("SET") and are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

It is the Group's policy not to engage in shares speculation or trading for profit purpose. The Group's objective is to invest in shares of companies with growth potential.

Sensitivity analysis for equity price risk

At the balance sheet date, if the Straits Times and SET index had been 20% (2010: 20%) lower/higher with all other variables held constant, the Group's fair value adjustment reserve would have been S$200,000 (2010: S$200,000) lower/higher, arising as a result of a decrease/increase in the fair value of equity instruments classified as available-for-sale.

36. 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

(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
2011				
Financial assets:				
Available-for-sale financial assets				
Shares (quoted)	1,032	–	–	1,032
Debentures (quoted)	196	–	–	196
	1,228	**–**	**–**	**1,228**

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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

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

Cash and cash equivalents

The carrying amount approximates fair value due to their nature and liquidity.

Trade receivables, other receivables and deposits, trade and other payables, loan due to a non-controlling interest and amounts due from/(to) subsidiary companies

The carrying amounts approximate fair values because these assets and liabilities are of short-term maturity.

(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.

Lease obligations

It is not practicable to estimate the fair value of the Group's long-term finance leases because of the inability to estimate fair value without incurring excessive costs. However, management believes that the carrying amount recorded at the balance sheet date approximates its fair value.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(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:

	Loans and receivables S$'000	Available for sale S$'000	Liabilities at amortised cost S$'000
Group			
2011			
Assets			
Trade receivables (Note 15)	13,286	–	–
Other receivables and deposits (Note 16)	2,960	–	–
Other investments (Note 19)	–	1,256	–
Cash and cash equivalents (Note 21)	57,723	–	–
Total	**73,969**	**1,256**	**–**
Liabilities			
Trade and other payables (Note 22)	–	–	15,537
Finance lease obligations (Note 25)	–	–	279
Total	**–**	**–**	**15,816**
2010			
Assets			
Trade receivables (Note 15)	22,409	–	–
Other receivables and deposits (Note 16)	2,396	–	–
Other investments (Note 19)	–	1,012	–
Cash and cash equivalents (Note 21)	49,080	–	–
Total	**73,885**	**1,012**	**–**
Liabilities			
Trade and other payables (Note 22)	–	–	22,632
Loan due to a non-controlling interest (Note 24)	–	–	392
Finance lease obligations (Note 25)	–	–	788
Total	**–**	**–**	**23,812**

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(d) Categories of financial instruments (cont'd)

	Loans and receivables S$'000	Liabilities at amortised cost S$'000
Company		
2011		
Assets		
Loans due from subsidiary companies (Note 17)	15,605	–
Amounts due from subsidiary companies (trade) (Note 18)	1,121	–
Other receivables and deposits (Note 16)	18	–
Cash and cash equivalents (Note 21)	24,919	–
Total	**41,663**	**–**
Liabilities		
Trade and other payables (Note 22)	–	1,422
Amounts due to subsidiary companies (non-trade) (Note 23)	–	12
Total	**–**	**1,434**
2010		
Assets		
Loans due from subsidiary companies (Note 17)	21,496	–
Amounts due from subsidiary companies (trade) (Note 18)	3,017	–
Cash and cash equivalents (Note 21)	10,314	–
Total	**34,827**	**–**
Liabilities		
Trade and other payables (Note 22)	–	1,243
Amounts due to subsidiary companies (non-trade) (Note 23)	–	12
Total	**–**	**1,255**

37. CAPITAL MANAGEMENT

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 2011 and 2010.

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, loan due to a non-controlling interest and finance lease obligations. Total equity means equity attributable to equity holders of the Company.

	Group	
	2011 S$'000	**2010 S$'000**
Trade and other payables	15,537	22,632
Loan due to a non-controlling interest	–	392
Finance lease obligations	279	788
Gross debts	**15,816**	**23,812**
Equity attributable to equity holders of the Company	87,398	82,883
Gross debt equity ratio	18.10%	28.73%

38. SEGMENT INFORMATION

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

(i) Project 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.

(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.

38. SEGMENT INFORMATION (CONT'D)

(ii) Maintenance services (cont'd)

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.

	Project services		Maintenance services		Adjustments and eliminations		Notes	Consolidated financial statements	
	2011 S$'000	**2010 S$'000**	**2011 S$'000**	**2010 S$'000**	**2011 S$'000**	**2010 S$'000**		**2011 S$'000**	**2010 S$'000**
Revenue:									
External customers	33,807	93,427	48,489	44,902	–	–		82,296	138,329
Inter-segment sales	6,267	13,145	8,467	6,004	(14,734)	(19,149)	A	–	–
Total revenue	**40,074**	**106,572**	**56,956**	**50,906**	**(14,734)**	**(19,149)**		**82,296**	**138,329**
Results:									
Interest income	24	11	58	8	–	–		82	19
Depreciation and amortisation	3,997	10,181	5,007	3,125	92	92		9,096	13,398
Segment profit before tax	8,019	18,030	11,296	8,635	(10,146)	(10,574)	B	9,169	16,091
Assets:									
Additions to non-current assets	1,047	3,721	1,593	1,636	–	–	C	2,640	5,357
Segment assets	38,321	82,101	52,550	34,237	17,840	(1,659)	D	108,711	114,679
Segment liabilities:	13,753	39,096	18,176	15,572	(10,616)	(22,872)	E	21,313	31,796

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:

	2011 S$'000	**2010 S$'000**
Inter-segment income and expenses	(10,054)	(10,482)
Others	(92)	(92)
	(10,146)	**(10,574)**

38. SEGMENT INFORMATION (CONT'D)

Notes (cont'd)

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:

	2011 S$'000	2010 S$'000
Inter-segment liabilities	(14,783)	(28,516)
Provision for taxation	1,754	2,942
Deferred taxation	2,413	2,702
	(10,616)	**(22,872)**

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	
	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000
Singapore	79,384	136,099	31,906	38,426
Others	2,912	2,230	1,123	1,037
Total	**82,296**	**138,329**	**33,029**	**39,463**

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 S$24,715,711 (2010: S$49,894,426) arising from the project and maintenance segments.

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 26 September 2011.

STATISTICS OF SHAREHOLDINGS
as at 8 September 2011

SHAREHOLDERS' INFORMATION

Issued and fully paid-up capital	:	S$50,115,860
Total Number of Shares	:	324,422,000
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	:	0.20%

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	326	23.92	8,015	0.00
1,000 - 10,000	554	40.65	2,256,355	0.70
10,001 - 1,000,000	470	34.48	37,217,987	11.47
1,000,001 and above	13	0.95	284,939,643	87.83
	1,363	**100.0**	**324,422,000**	**100.0**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1.	CHENG CAPITAL HOLDINGS PTE LTD	124,800,000	38.47
2.	CHENG BUCK POH @ CHNG BOK POH	95,200,000	29.34
3.	LEE SEE KEE	36,000,000	11.10
4.	VIOLETBLOOM INVESTMENT PTE. LTD.	16,746,000	5.16
5.	UOB KAY HIAN PTE LTD	1,858,005	0.57
6.	OCBC SECURITIES PRIVATE LTD	1,842,984	0.57
7.	PHILLIP SECURITIES PTE LTD	1,731,604	0.53
8.	QUEK CHIAU BENG	1,341,000	0.41
9.	DB NOMINEES (S) PTE LTD	1,200,000	0.37
10.	TNG KUM CHOE	1,078,000	0.33
11.	ONG ENG LOKE	1,067,000	0.33
12.	LIM & TAN SECURITIES PTE LTD	1,044,050	0.32
13.	THOMAS DENNIS WILLIAM	1,031,000	0.32
14.	M RAJARAM	987,000	0.30
15.	LEE SAU LEUNG	936,000	0.29
16.	TENG HOO POO	843,000	0.26
17.	DMG & PARTNERS SECURITIES PTE LTD	750,000	0.23
18.	STUART GEORGE MONTGOMERY	692,000	0.21
19.	YEE CHIA HSING	688,000	0.21
20.	TEO SOON SENG	650,000	0.20
	TOTAL	**290,485,643**	**89.52**

STATISTICS OF SHAREHOLDINGS
as at 8 September 2011

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders as at 8 September 2011)

	Direct Interest	%	Deemed Interest	%
Cheng Capital Holdings Pte Ltd [1][2]	124,800,000	38.47	–	–
Cheng Buck Poh @ Chng Bok Poh [1][2][3]	95,200,000	29.34	124,800,000	38.47
Lee See Kee	36,000,000	11.10	–	–
Violetbloom Investments Pte Ltd	16,746,000	5.16	–	–
Goo Guik Bing @ Goh Guik Bing [1][3]	–	–	220,000,000	67.81
MTQ Corporation Limited [4]	–	–	16,746,000	5.16

The percentage of shareholding above is computed based on the total issued shares of 324,422,000 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, Ms Cheng Li Chen, our Executive Director, Ms Cheng Li Hui, Mr Cheng Yao Tong, 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 124,800,000 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 124,800,000 shares held by Cheng Capital Holdings by virtue of her husband's 52% shareholdings in Cheng Capital Holdings and 95,200,000 shares held by her husband.

4. MTQ Corporation Limited is deemed to be interested in the 16,746,000 shares held by Violetbloom Investment Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

15.36% 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 WARRANTHOLDINGS
as at 8 September 2011

DISTRIBUTION OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 999	285	36.49	11,814	0.01
1,000 – 10,000	309	39.56	1,216,738	0.94
10,001 – 1,000,000	180	23.05	15,572,728	11.98
1,000,001 AND ABOVE	7	0.90	113,136,720	87.07
	781	**100.00**	**129,938,000**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Warrants	%
1	CHENG CAPITAL HOLDINGS PTE LTD	49,920,000	38.42
2	CHENG BUCK POH@CHNG BOK POH	38,080,000	29.31
3	LEE SEE KEE	14,400,000	11.08
4	VIOLETBLOOM INVESTMENT PTE. LTD.	6,698,400	5.16
5	LEE HING SUAN	1,763,000	1.36
6	CHENG WA SING	1,150,000	0.89
7	OCBC SECURITIES PRIVATE LTD	1,125,320	0.87
8	MAK YEOW SENG	790,000	0.61
9	DBS NOMINEES PTE LTD	580,090	0.45
10	TENG HOO POO	580,000	0.45
11	UOB KAY HIAN PTE LTD	573,002	0.44
12	TAY BUAN CHUAN MICHAEL	570,000	0.44
13	PHILLIP SECURITIES PTE LTD	516,472	0.40
14	CHUA BENG HENG	472,000	0.36
15	YEAP LAM WAH	441,000	0.34
16	CHONG KIM LIAN	405,000	0.31
17	KWAN KIM TEE	400,000	0.31
18	LOW CHIN YEE	400,000	0.31
19	ONG HOCK SIONG@ BENNY ONG HOCK SIONG	377,000	0.29
20	DMG & PARTNERS SECURITIES PTE LTD	308,000	0.24
	TOTAL	**119,549,284**	**92.04**

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 Friday, 21 October 2011 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 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt (one tier) Final Dividend of 1.0 Singapore cent per ordinary share for the financial year ended 30 June 2011. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 93 of the Articles of Association of the Company:

   Dr Low Seow Chay **(Resolution 3)**

   Mr Chee Teck Kwong Patrick **(Resolution 4)**
   [See Explanatory Note (i)]

4. To re-appoint Mr Tan Sim Cheng, a Director of the Company who is 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.
   [See Explanatory Note (ii)] **(Resolution 5)**

5. To approve the payment of Directors' fees of S$180,000 (FY2011: S$140,000) for the financial year ending 30 June 2012 to be paid quarterly in arrears. **(Resolution 6)**

6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

8. **Authority to issue shares in the capital of the Company pursuant to Section 161 of 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, 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 pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of 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);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that maybe issued under sub-paragraph (1) above, the percentage 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 and 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 authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority 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 8)**
[See Explanatory Note (iii)]

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 3 November 2011 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 21 October 2011.

Duly completed registrable transfers in respect of the shares of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. up to 5.00 p.m. on 2 November 2011 will be registered to determine members' entitlements to such dividend. Member whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares of the Company as at 5.00 p.m. on 2 November 2011 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 16 November 2011.

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore
6 October 2011

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Dr Low Seow Chay will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee, a member of the Audit Committee and Nominating Committee respectively and will be considered independent.

Mr Chee Teck Kwong Patrick will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee respectively and will be considered independent.

(ii) The effect of the Ordinary Resolution 5 in item 4 above, is to re-appoint the Director of the Company who is over 70 years of age. Mr Tan Sim Cheng will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit Committee, a member of the Nominating Committee and Remuneration Committee respectively and will be considered independent.

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

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

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

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.

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

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 Friday, 21 October 2011 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
1	Directors' Report and Audited Accounts for the financial year ended 30 June 2011		
2	Payment of proposed Final Dividend		
3	Re-election of Dr Low Seow Chay as Director		
4	Re-election of Mr Chee Teck Kwong Patrick as Director		
5	Re-appointment of Mr Tan Sim Cheng as Director		
6	Approval of Directors' Fees amounting to S$180,000 for the financial year ending 30 June 2012		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors		
8	Authority to issue new shares		

Dated this ________ day of ________ 2011

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.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

HAI LECK HOLDINGS LIMITED
(COMPANY REGISTRATION NUMBER 199804461D)

47, TUAS VIEW CIRCUIT
SINGAPORE 637357