HAI LECK
HOLDINGS LIMITED

STRENGTH IN UNITY

ANNUAL REPORT 2012

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 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 for the financial year ended 30 June 2012 ("FY2012") remained challenging with rising costs and inflation. The resurgence of the debt crisis in Europe and the uncertain global economy had affected investments in the energy and petrochemical sector. We also witnessed an increasingly competitive environment from global players entering into local markets in addition to existing competitors which resulted in pricing pressure.

Financial Highlights

During the year under review, we recorded a steady stream of revenue of S$88.3 million with profit attributable to shareholders amounting to S$3.9 million.

The Group continues to have a healthy financial position with total assets of S$120.1 million and cash and cash equivalents of S$48.7 million as at 30 June 2012.

We also invested heavily in fixed assets as the Company is expanding and we completed the acquisition of a property located at 40 Tuas West Road Singapore 638389.

Segment Highlights

The Group's focus was mainly in two business segments, namely Project Services and Maintenance Services. In addition, the Group added a new business segment pertaining to call centre services, telecommunications and information technology services.

During the year under review, the Group secured a major Engineering, Procurement and Construction ("EPC") contract. With the addition of the EPC contract, the Project Services segment registered an increase in contributions for FY2012. The Project Services segment is likely to improve with a new plant construction and plant expansion investments in the pipeline.

But with the entrant of global players in the market, the outlook is expected to remain challenging for all industry players locally. We will continue to focus on sharpening our competitive edge by improving on our core competency so as to effectively manage the challenges within the industry.

Maintenance Services segment registered a dip in contributions for FY2012. The Group continued to have recurring income from maintenance services. Contributions from this segment were stable and we expect it to continue to grow going forward when more facilities are built and will require maintenance services. We shall endeavour to further enhance our maintenance services to our clients.

Corporate Activities

The Group secured a major EPC contract to construct in Jurong Island a chemical plant with a production capacity of 540,000 tpa and an off-site facility consisting of pipe racks and 22 numbers of storage tanks. The EPC contracts along with other related projects summed up to a hefty sum of approximately S$73 million.

The Group had also acquired Tele-centre Services Pte Ltd, an award winning third party customer contact centre that provides innovative outsourced services in Singapore and the region. The acquisition will allow the Group to diversify its business and add strength and stability to its profitability, as well as improve the financial yield of available cash by re-investing in business with an attractive rate of return.

We have won four awards in the Safety and Health Award Recognition for Projects ("SHARP") category from Workplace Safety and Health Council ("WSH Council") and two of our employees have received Certificate of Commendation in the Workplace Safety and Health Awards for Supervisors category from WSH Council. In addition, one of our wholly owned subsidiary company has attained recognition from WSH Council to be part of the bizSAFE community as a bizSAFE Partner. We recognise the importance of work place safety and will continue to invest in staff training and organise safety campaigns and workshops.

Outlook

We see more challenges ahead with a generally weak and uncertain economic performance globally. Consequently, the external environment will continue to be challenging for all companies across the globe. Escalating costs, tightening of labour markets and keen competition will impact the Group's margins and pressure from local market competition will also remain going forward.

Nonetheless, we have strong fundamental and solid financial position to weather the storms ahead. There are still burgeoning opportunities in Asia with increased interests to invest in new plants and expansion of existing plants within the region where Asian energy sector remains fairly buoyant due to continued demand.

Going forward, we will continue to fine-tune our competitive edge through better service quality, safety and reliability. 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

On behalf of the Board of Directors (the "Board"), I would like to thank and extend our deepest appreciation to our shareholders, customers, suppliers, business associates for their confidence and support.

The Board and I would also like to thank our dedicated management team and staff for their commitment and diligence. Their cooperation and safe work practices have, collectively, contributed to another good financial year for the Group. To my fellow Board members, thank you for the consistently wise guidance.

CHENG BUCK POH
Executive Chairman, BBM

FINANCIAL AND OPERATIONS REVIEW

AS AT 30 JUNE 2012, THE GROUP'S FINANCIAL POSITION REMAINED STRONG AND HEALTHY WHERE TOTAL ASSETS AND NET TANGIBLE ASSETS STOOD AT $120.1 MILLION (FY2011: S$108.7 MILLION) AND S$87.7 MILLION (FY2011: S$87.0 MILLION) RESPECTIVELY.

Financial and Operations Review

During the financial year ended 30 June 2012 ("FY2012"), the Group recorded revenue of S$88.3 million, an increase of S$6.0 million or 7.2% compared to S$82.3 million in the preceding financial year ended 30 June 2011 ("FY2011") due to the increase of revenue from Project Services segment partly offset by lower revenue from Maintenance Services segment. The revenue from Project Services segment increased as a result of the contribution from the ongoing Engineering, Procurement and Construction ("EPC") business.

For FY2012, the Group's net profit attributable to shareholders was S$3.9 million, a reduction of S$4.0 million compared to FY2011, due to higher costs and expenses.

Earnings per share was 1.2 cents for FY2012 compared to 2.4 cents recorded for FY2011. Net asset value per share maintained at 27.1 cents as compared to 26.9 cents as at FY2011.

Costs of Sales and Operating Expenses

Costs of sales in FY2012 increased by S$9.2 million or 24.6% to S$46.5 million during FY2012 as compared to S$37.3 million in FY2011. During FY2012, the Group engaged more subcontractors in addition to more consumables, equipment rental and transportation costs that were required at much higher cost mainly due to inflation.

Operating expenses in FY2012 increased by S$1.9 million or 5.1% to S$39.6 million compared to S$37.7 million in FY2011. The increase was mainly due to an increase in provision for doubtful debt, an increase in payroll costs as a result of the tight labour market, the addition of two subsidiary companies towards the end of 2011, an increase in workers' transportation and travelling expenses partially offset by a decrease in directors' bonus and a decrease in depreciation charges for plant and equipment as more equipments have been fully depreciated.

Segment performance

The Group derives its revenue from servicing the Oil & Gas and Petrochemical sectors. The Group operates mainly in two business segments, namely Project Services and Maintenance Services. During the end of 2011, the Group added a new business segment which provides call centre services, telecommunications and information technology services. For FY2012, the increase in revenue was mainly due to higher contributions from the Project Services segment which amounted to S$46.6 million, representing 52.8% of total revenue. The Maintenance Services segment, which provided maintenance services conducted on a routine and turnaround basis decreased by 20.9%

year-on-year to S$38.4 million. The new service segment contributed S$3.3 million to the Group's revenue during FY2012.

By geographical spread, majority of the revenue were derived from the Singapore market representing 95.7% of total revenue with the remaining portion of the revenue contributed by other markets.

Balance sheet highlights

As at 30 June 2012, the Group's financial position remained strong and healthy where total assets and net tangible assets stood at S$120.1 million (FY2011: S$108.7 million) and S$87.7 million (FY2011: S$87.0 million) respectively.

Non-current assets increased by S$9.5 million or 28.7% to S$42.5 million as at 30 June 2012 from S$33.0 million as at 30 June 2011 mainly due to the acquisition of property at 40 Tuas West Road partly offset by depreciation charges against its property, plant and equipment.

Current assets increased by S$1.9 million or 2.5% to S$77.6 million as at 30 June 2012 from S$75.7 million as at 30 June 2011 mainly due to an increase in trade receivables attributable to an increase in billing from Project Services, an increase in gross amount due to customers for contract work-in-progress partially offset by a decrease in cash and cash equivalent as a result of the acquisition of the property at 40 Tuas West Road. Several major new contracts under Project Services were secured during FY2012. This resulted in the increase in trade receivables which was within the current credit period. The Group's cash and cash equivalents decreased by S$9.0 million or 15.6% from S$57.7 million as at 30 June 2011 to S$48.7 million as at 30 June 2012.

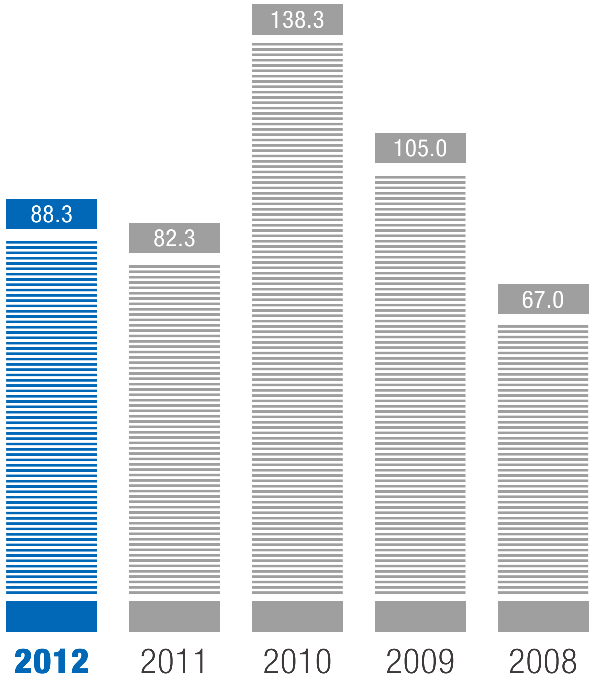
Current liabilities increased by S$11.4 million or 60.5% to S$30.3 million as at 30 June 2012 from S$18.9 million as at 30 June 2011 primarily due to an increase in trade and other payables and advances from a customer as a form of down payment for commencement of the project. Non-current liabilities decreased by S$0.7 million to S$1.7 million as at 30 June 2012 from S$2.4 million as at 30 June 2011, mainly due to a decrease in deferred taxation.

Cash flows

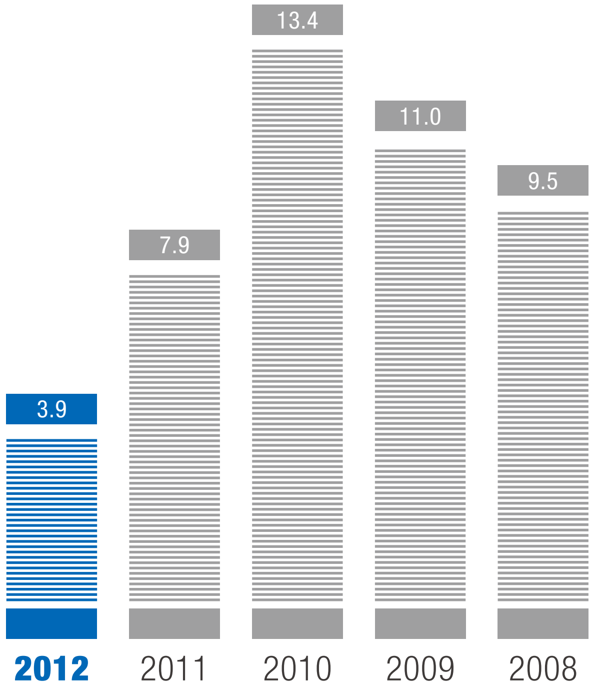
As at 30 June 2012, the Group's cash and cash equivalents stood at S$48.7 million, as compared to S$57.7 million as at 30 June 2011. During the financial year under review, net cash flows generated from operating activities amounting to S$10.2 million, while net cash flows used in investing and financing activities were S$15.4 million and S$3.8 million respectively where S$15.4 million was used to purchase property, plant and equipment as the Group was expanding its operation. Overall, net cash and cash equivalents decreased by S$9.0 million for FY2012.

FINANCIAL HIGHLIGHTS

REVENUE (S$'MIL)

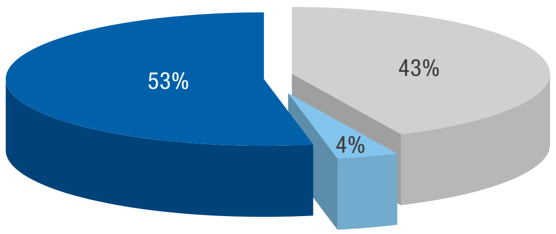


NET PROFIT (S$'MIL)



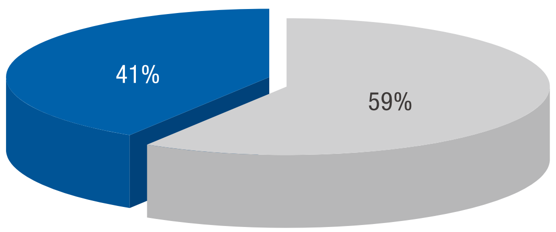
REVENUE CONTRIBUTED BY SEGMENT FY: FINANCIAL YEAR ENDED 30 JUNE

FY 2012



MAINTENANCE SERVICES
PROJECT SERVICES
OTHER SERVICES

FY 2011



MAINTENANCE SERVICES
PROJECT SERVICES

CORPORATE STRUCTURE

HAI LECK HOLDINGS LIMITED

- **100%** Hai Leck Engineering (Private) Limited
  - **100%** Industrial Services Pte Ltd
  - **100%** Hai Leck Corporation Sdn Bhd
  - **100%** Hai Leck (Vietnam) Engineering Co Ltd
  - **49%** Logthai-Hai Leck Engineering Co Ltd
- **100%** Hai Leck Engineering & Construction Pte Ltd (f.k.a. Allied Construction Pte Ltd)
- **100%** Hai Leck Overseas Investments Pte Ltd
- **100%** United Holding (1975) Pte Ltd
  - **100%** Tele-centre Services Pte Ltd

BOARD OF DIRECTORS

01 Mr Cheng Buck Poh @ Chng Bok Poh

02 Mr Tan Sim Cheng

03 Mr Cheng Yao Tong Don

04 Ms Cheng Li Hui

05 Ms Cheng Li Chen

06 Mr Lee See Kee

07 Dr Low Seow Chay

08 Mr Chee Teck Kwong Patrick

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.

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 he sits on the Board of Directors of SKF Asia Pacific Pte. Ltd. (since 1973) and Kidney Dialysis Foundation Ltd. (since 2006), he brings more than 40 years of experience in finance, administration and human resource to the Group. Mr Tan obtained his Bachelor in Accountancy from the University of Singapore in 1969 and is a Fellow of the Institute of Certified Public Accountants, Singapore. He is a Justice of Peace and a member of the Board of Visiting Justices and Inspection since 1998.

Mr Cheng Yao Tong

Mr Cheng Yao Tong is our Chief Executive Officer. He is responsible for overseeing management and development of the Group's business, locally and overseas, and is also responsible for sales and marketing for the Group's business. He was appointed to the Board on 3 January 2012. Mr Cheng holds a Diploma in Mechanical Engineering from the Ngee Ann Polytechnic, Bachelor Degree in Business Management from University College Dublin and is a Level 1 Coating Inspector certified by NACE.

Ms Cheng Li Hui

Ms Cheng Li Hui was appointed as Deputy Chief Executive Officer on 3 January 2012. She assists our Chief Executive Officer in overseeing the daily operations of the Group with regard to its scaffolding, corrosion prevention, insulation and refractory as well as its maintenance businesses locally. She was appointed to the Board on 11 May 2010. Ms Cheng holds a Master of Applied Finance from Macquarie University and a Bachelor of Arts from National University of Singapore.

Ms Cheng Li Chen

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

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.

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.

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 LLP.

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, Hanwell Holdings Limited, Hengxin Technology Limited, Ramba Energy Limited, Singapore Windsor Holdings Limited and Tat Seng Packaging Group Limited.

Mr Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club and the Organising Chairman of National Street Soccer League. Mr Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masyarakat) from the President of Republic of Singapore.

SENIOR MANAGEMENT

Mr Choo Yoon Kow

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 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 15 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 34 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.

Mr Brian Oliver Ratnam

Mr Brian Oliver Ratnam is our Health, Safety, Security and Environment (HSSE) Manager. He is also our Compliance Manager. He is responsible for the overall HSSE management in the organization and he also oversees that all the rules and regulations set forth by the company are complied with by all continuously and diligently. He holds a Bachelors in Environmental and Occupational Health and Safety from the University of Newcastle and a Diploma in Mechanical Engineering from Ngee Ann Polytechnic. He also holds an International General Certificate (Distinction) awarded by The National Examination Board in Occupational Safety and Health (NEBOSH), UK. He is a Registered Workplace, Safety and Health Officer with the Ministry of Manpower and a Registered Environmental Control Officer with the National Environment Agency, Singapore. Mr. Brian has 8 years of extensive experience in Workplace, Safety and Health.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheng Buck Poh @ Chng Bok Poh *(Executive Chairman)*
Tan Sim Cheng *(Non-Executive Deputy Chairman)*
Cheng Yao Tong *(Chief Executive Officer)*
Cheng Li Hui *(Deputy Chief Executive Director)*
Cheng Li Chen *(Non-Executive Director)*
Lee See Kee *(Non-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)*
Low Choon Hong *(HR Manager)*
Brian Oliver Ratnam *(Health, Safety, Security and Environment 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
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Fax: (65) 6861 0700
Website: www.haileck.com

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

PRINCIPAL BANKERS

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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") together with its subsidiaries (the "Group") 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"). Unless otherwise stated, these practices were in place throughout the financial year.

1. BOARD MATTERS

1.1 The Board's Conduct of Affairs

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

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

- Providing stewardship to the Company including charting its corporate strategies;
- Monitoring the Management 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.

The Board provides shareholders with a balanced and clear assessment of the Group's performance, position and prospects on a quarterly basis.

Board Committees

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

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

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 familiarised with the Group's businesses and corporate governance practices upon their appointments to facilitate the effective discharge of their duties.

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

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

* By invitation

(1) Appointed on 3 January 2012

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 five 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
Mr Cheng Yao Tong	Chief Executive Officer (appointed on 3 January 2012)
Ms Cheng Li Hui	Deputy Chief Executive Officer (re-designated on 3 January 2012)

Non-Executive Directors

Mr Tan Sim Cheng	Non-Executive Deputy Chairman
Mr Lee See Kee	Non-Executive Director
Ms Cheng Li Chen	Non-Executive Director (re-designated on 3 January 2012)
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 experiences 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 Mr Cheng Yao Tong is our CEO. Mr Cheng Yao Tong is Mr Cheng Buck Poh @ Chng Bok Poh's son.

The Chairman, who is assisted by Mr Tan Sim Cheng, our Non-Executive Deputy Chairman and the Chairman of the AC, 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 the members of the NC are:

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

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

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

(i) 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 addresses how the Board has enhanced long-term shareholders' value.

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

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

Name of Director	**Date of initial appointment**	**Date of last re-election/ reappointment**
Mr Cheng Buck Poh @ Chng Bok Poh Executive Chairman	12 September 1998	21 October 2009
Mr Tan Sim Cheng Non-Executive Deputy Chairman	5 June 2008	21 October 2011
Mr Cheng Yao Tong Chief Executive Officer (appointed on 3 January 2012)	3 January 2012	–
Ms Cheng Li Hui Deputy Chief Executive Officer (re-designated on 3 January 2012)	11 May 2010	22 October 2010

Name of Director	Date of initial appointment	Date of last re-election/ reappointment
Mr Lee See Kee Non-Executive Director	12 September 1998	22 October 2010
Ms Cheng Li Chen Non-Executive Director (re-designated on 3 January 2012)	17 October 2007	21 October 2009
Dr Low Seow Chay Independent Director	5 June 2008	21 October 2011
Mr Chee Teck Kwong Patrick Independent Director	5 June 2008	21 October 2011

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

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

The Board has accepted the NC's nomination of the retiring Directors who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors are, Mr Cheng Yao Tong who will retire pursuant to Article 92 of the Articles of Association of the Company; and Mr Cheng Buck Poh @ Chng Bok Poh and Ms Cheng Li Chen who will retire pursuant to Article 93 of the Articles of Association of the Company.

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

1.5 Board Performance

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

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

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 effectiveness as a whole, the NC takes into account feedback from the Board members as well as the Director's individual skills and experience. The NC also considers the guidelines set out in the Code for the evaluation and assessment of the performance of the Board as a whole in achieving strategic objectives.

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

1.6 Access to Information

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

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

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

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

2. REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

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

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

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

The RC is regulated by its terms of reference and has access to independent professional advice, if necessary.

The responsibilities of the RC are as follows:

(i) to review and recommend to the Board a framework of remuneration for the Directors and key executives officers, including those employees related to the Executive Directors and controlling shareholders of the Group, and 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 has access to expert advice inside and/or outside the Company with regard to remuneration matters. No individual Director shall be involved in deciding his/her own remuneration.

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

2.2 Level and Mix of Remuneration

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

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and 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 AGM of the Company.

The service agreements entered into with the three Executive Directors, namely, (1) Mr Cheng Buck Poh @ Chng Bok Poh, is for a period of three years effective from 28 August 2011 and will continue for a further term of three years unless otherwise agreed terminated by either party upon giving not less than three months' notice in writing to the other; and (2) Mr Cheng Yao Tong and (3) Ms Cheng Li Hui, are for a period of three years with effect from 3 January 2012 and will continue for a further term of three years unless otherwise agreed terminated by either party giving not less than six months' notice in writing to the other.

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

2.3 Disclosure on Remuneration

Principle 9: ***Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.***

The breakdown of remuneration of the Directors of the Company, in percentage terms showing the level and mix, for the financial year ended 30 June 2012 falling within the broad bands are set out below:

Remuneration Band and Name of Directors	Salary %	Variable Bonus %	Directors' Fees %	Benefits %	Total %
$250,000 – $499,999					
Mr Cheng Buck Poh @ Chng Bok Poh	80	20	–	–	100
Below $250,000					
Mr Cheng Yao Tong	72	23	–	5	100
Ms Cheng Li Hui	68	21	–	11	100
Mr Lee See Kee	82	13	–	5	100
Ms Cheng Li Chen	72	27	–	1	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's performance and industry benchmarking gathered from companies in comparable industries.

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

Remuneration Band and Name of Executive Officers	Salary %	Variable Bonus %	Benefits %	Total %
$250,000 – $499,999				
Mr Choo Yoon Kow	90	8	2	100
Below $250,000				
Mr Chua Tiong Kwey	84	14	2	100
Mr Ling Tien Yew	96	4	–	100
Mr Low Choon Hong	96	4	–	100
Mr Brian Oliver Ratnam	98	2	–	100

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

Save as disclosed, no employee of the group who is an immediate family member of any Director or the CEO or a controlling shareholder and whose remuneration exceeds S$150,000 during the financial year ended 30 June 2012. ("Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister or parent).

The Company has no employee share option schemes or other long-term incentive scheme in place.

3. ACCOUNTABILITY AND AUDIT

3.1 Accountability

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

The Board believes that it should conduct itself in ways that deliver maximum sustainable value to its shareholders. Timely releases of the Group's financial results and all significant information to shareholders as well as the prompt fulfillment of statutory requirements are ways to maintain shareholders' 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 the members of the AC are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The AC, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice and affect the independence and objectivity of the external auditors. The audit and non-audit fees paid/payable to the external auditors for the financial year ended 30 June 2012 were S$121,000 and S$10,000 respectively.

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

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

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) will continue to be appointed as the Qualified Accountant for the next financial year ending 30 June 2013.

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

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

3.3 Internal Controls

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

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

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

Relying on the report from the internal auditors and considering the statutory audit performed by the external auditors, the AC carried out assessment of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

The joint venture which the Company does not control, are not dealt with for the purpose of this statement.

Based on the various management controls in place, the report from the internal auditors and the statutory audit performed by the external auditors, reviews conducted by the Management, the Board with the concurrence of the AC, is of the opinion that the system of internal controls addressing financial, operational and compliance risks maintained by the Group during the year are adequate in meeting the needs of the Group's business operations and provide reasonable assurance against material financial misstatements or material loss and to safeguarding the Group's assets.

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

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

3.4 Internal Audit

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

RSM Ethos 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, Chapter 50, it is the Board's policy to ensure that all shareholders are informed regularly and on a timely basis of every significant development that has an impact on the Group.

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

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

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.

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

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

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

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

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

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

The Company has adopted and ensured compliance with the Rule 1207(19) of the Listing Manual of the SGX-ST with regards to dealings in the Company's securities by its Directors and officers. The Directors and its officers are prohibited from dealing in the securities of the Company during the period commencing two weeks immediately preceding the announcement of the Company's quarterly financial results and one month immediately preceding the announcement of the Company's full year financial results and ending on the date of the announcement of such results on the SGX-ST, or when they are in possession of any unpublished price sensitive information of the Group. In addition, the Directors, key executives and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short term considerations.

6. MATERIAL CONTRACTS

Save as disclosed in the Directors' report and financial statements, there were no other material contracts entered into by the Company or any of its subsidiaries, involving the interests of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 30 June 2012.

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 following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for the financial year ended 30 June 2012:

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)
United Holding (1975) Pte. Ltd.[(1)]		
– Human resource management service	S$465,000	–
Tele-centre Service Pte Ltd[(1)]		
– Call centre service	S$20,000	–

Note:

(1) This relates to services provided by United Holdings (1975) Pte. Ltd. and Tele-centre Services Pte Ltd to a subsidiary company prior to the acquisition by the Company on 30 November 2011.

Information relating to the related party transactions are set out on page 86 of this Annual Report.

The Company does not have any shareholders' mandate for interested person transactions.

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

8. RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

Information relating to the significant risk management policies are set out on pages 88 to 92 of this Annual Report.

9. UTILISATION OF WARRANT ISSUE PROCEEDS

On 26 November 2009, the Company had allotted and issued 130,000,00 Warrants and raised net proceeds of $1.2 million for working capital. The Company's Warrants were expired on 24 November 2011.

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

DIRECTORS' REPORT

(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 2012.

Directors

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

Cheng Buck Poh @ Chng Bok Poh
Cheng Yao Tong
Cheng Li Hui
Cheng Li Chen
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, Chapter 50 an interest in shares and warrants of the Company, as stated below:

	Direct interest as at		Deemed interest as at	
Name of Director	**1 July 2011**	**30 June 2012**	**1 July 2011**	**30 June 2012**
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, Chapter 50.

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

Name of Director	Direct interest as at 1 July 2011	Direct interest as at 30 June 2012	Deemed interest as at 1 July 2011	Deemed interest as at 30 June 2012
The Company				
Warrants to subscribe for ordinary shares*				
Cheng Buck Poh @ Chng Bok Poh	38,080,000	–	49,920,000	–
Lee See Kee	14,400,000	–	–	–
Tan Sim Cheng	40,000	–	–	–
Chee Teck Kwong Patrick	40,000	–	–	–

* The Company's Warrants expired on 24 November 2011.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 July 2012.

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 Yao Tong, Cheng Li Chen and Cheng Li Hui have employment relations 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.

These Warrants expired on 24 November 2011.

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, Chapter 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and Best Practices Guide issued by Singapore Exchange Securities Trading Ltd. In performing those functions, the AC reviewed the overall scope of the internal audit functions, external audit functions and the assistance given by the Company's officers to the auditors.

The AC met with the external auditors to discuss the results of their audit. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2012, as well as the external auditor's report thereon.

The AC held 4 meetings during the financial year ended 30 June 2012.

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

Messrs 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 Yao Tong
Director

Singapore
28 September 2012

STATEMENT BY DIRECTORS

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

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012, and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

On behalf of the Board of Directors,

Cheng Buck Poh @ Chng Bok Poh
Director

Cheng Yao Tong
Director

Singapore
28 September 2012

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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 2012, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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.

Report on the Financial Statements (CONTINUED)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2012 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
28 September 2012

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

(Amounts in Singapore dollars)

	Note	Group	
		2012	2011
		S$'000	S$'000
Revenue	3	**88,258**	82,296
Cost of sales		**(46,487)**	(37,323)
Gross profit		**41,771**	44,973
Other income	4	**2,502**	1,968
Distribution and selling expenses		**(1,009)**	(714)
Administrative expenses		**(31,513)**	(27,897)
Other expenses		**(7,135)**	(9,136)
Interest expense	7	**(15)**	(25)
Profit before taxation	5	**4,601**	9,169
Taxation	8	**(728)**	(1,301)
Profit for the year		**3,873**	7,868
Attributable to:			
Equity holders of the Company		**3,873**	7,868
Earnings per share			
Basic (cents)	9	**1.2**	2.4
Fully diluted (cents)	9	**1.2**	2.4

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 2012

(Amounts in Singapore dollars)

	Group	
	2012	**2011**
	S$'000	**S$'000**
Profit net of tax	**3,873**	7,868
Other comprehensive income, net of tax:		
Net gain on available-for-sale financial assets	**–**	232
Net effect of exchange differences	**43**	(187)
Total comprehensive income for the year	**3,916**	7,913
Total comprehensive income attributable to:		
Equity holders of the Company	**3,916**	7,913

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

BALANCE SHEETS

AS AT 30 JUNE 2012

(Amounts in Singapore dollars)

	Note	Group		Company	
		2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000
Non-current assets					
Property, plant and equipment	10	**42,137**	32,677	**–**	–
Investments in subsidiary companies	11	**–**	–	**30,763**	28,013
Intangible assets	13	**371**	352	**–**	–
Loans due from subsidiary companies	17	**–**	–	**17,105**	15,605
		42,508	33,029	**47,868**	43,618
Current assets					
Inventories	14	**419**	317	**–**	–
Trade receivables	15	**22,964**	13,286	**–**	–
Other receivables and deposits	16	**1,815**	2,960	**9**	18
Prepayments		**929**	140	**8**	–
Amounts due from subsidiary companies (trade)	18	**–**	–	**2,276**	1,121
Other investments	19	**1,232**	1,256	**–**	–
Gross amount due from customers for contract work-in-progress	20	**1,270**	–	**–**	–
Fixed deposits pledged	21	**272**	–	**–**	–
Cash and cash equivalents	21	**48,702**	57,723	**17,809**	24,919
		77,603	75,682	**20,102**	26,058
Current liabilities					
Trade and other payables	22	**21,994**	15,537	**1,689**	1,422
Advances from customers		**5,270**	–	**–**	–
Amounts due to a subsidiary company (non-trade)	23	**–**	–	**–**	12
Provision for taxation		**1,320**	1,754	**31**	6
Finance lease obligations, current portion	24	**3**	278	**–**	–
Provision for warranty	25	**1,753**	1,330	**–**	–
		30,340	18,899	**1,720**	1,440
Net current assets		**47,263**	56,783	**18,382**	24,618
Non-current liabilities					
Deferred taxation	26	**1,641**	2,413	**–**	–
Other payables		**51**	–	**–**	–
Finance lease obligations, non-current portion	24	**–**	1	**–**	–
		1,692	2,414	**–**	–
Net assets		**88,079**	87,398	**66,250**	68,236
Equity attributable to equity holders of the Company					
Share capital	27(a)	**48,826**	48,817	**48,826**	48,817
Treasury shares	27(b)	**(160)**	(160)	**(160)**	(160)
Capital reserve	28	**1,156**	1,156	**1,156**	1,156
Accumulated profits		**38,360**	37,731	**16,428**	18,423
Fair value reserve		**232**	232	**–**	–
Foreign currency translation reserve	29	**(335)**	(378)	**–**	–
Total equity		**88,079**	87,398	**66,250**	68,236

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 2012

(Amounts in Singapore dollars)

Group	Share capital (Note 27(a)) S$'000	Treasury shares (Note 27(b)) S$'000	Accumulated profits S$'000	Capital reserve (Note 28) S$'000	Fair value reserve S$'000	Foreign currency translation reserve (Note 29) S$'000	Total reserves S$'000	Total equity S$'000
	Attributable to equity holders of the Company							
Balance at 1 July 2011	48,817	(160)	37,731	1,156	232	(378)	38,581	87,398
Profit for the year	–	–	3,873	–	–	–	3,873	3,873
Other comprehensive income for the year	–	–	–	–	–	43	43	43
Total comprehensive income for the year	–	–	3,873	–	–	43	3,916	3,916
Issuance of ordinary shares	9	–	–	–	–	–	–	9
Dividend on ordinary shares (Note 30)	–	–	(3,244)	–	–	–	(3,244)	(3,244)
Balance at 30 June 2012	48,826	(160)	38,360	1,156	232	(335)	39,253	88,079

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

(Amounts in Singapore dollars)

Group	Share capital (Note 27(a)) S$'000	Treasury shares (Note 27(b)) S$'000	Accumulated profits S$'000	Capital reserve (Note 28) S$'000	Fair value reserve S$'000	Foreign currency translation reserve (Note 29) S$'000	Total reserves S$'000	Total equity S$'000
	Attributable to equity holders of the Company							
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 30)	–	–	(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.

(Amounts in Singapore dollars)

Company	Share capital (Note 27(a)) S$'000	Treasury shares (Note 27(b)) S$'000	Accumulated profits S$'000	Capital reserve (Note 28) S$'000	Total equity S$'000
	Attributable to equity holders of the Company				
Balance at 1 July 2011	48,817	(160)	18,423	1,156	68,236
Profit for the year	–	–	1,249	–	1,249
Total comprehensive income for the year	–	–	1,249	–	1,249
Issuance of ordinary shares	9	–	–	–	9
Dividend on ordinary shares (Note 30)	–	–	(3,244)	–	(3,244)
Balance at 30 June 2012	48,826	(160)	16,428	1,156	66,250
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 30)	–	–	(3,250)	–	(3,250)
Balance at 30 June 2011	48,817	(160)	18,423	1,156	68,236

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 2012

(Amounts in Singapore dollars)

	Group 2012 S$'000	Group 2011 S$'000
Cash flows from operating activities		
Profit before taxation	**4,601**	9,169
Adjustments:		
Depreciation of property, plant and equipment	**6,703**	9,081
Property, plant and equipment written off	**–**	1
Amortisation of intangible assets	**258**	15
Gain on disposal of property, plant and equipment	**(375)**	(159)
Provision for warranty	**423**	490
Interest income	**(105)**	(82)
Interest expense	**15**	25
Currency realignment	**67**	(99)
Operating cash flows before working capital changes	**11,587**	18,441
(Increase)/decrease in:		
Trade and other receivables and deposits and prepayments	**(7,945)**	8,706
Inventories	**(102)**	(100)
Gross amount due from/to customers for contract work-in-progress	**(1,270)**	(1,500)
Increase/(decrease) in:		
Trade and other payables and advances from customers	**9,909**	(7,280)
Cash generated from operations	**12,179**	18,267
Tax paid	**(1,987)**	(2,778)
Net cash flows generated from operating activities	**10,192**	15,489
Cash flows from investing activities		
Acquisition of subsidiary companies, net of cash acquired (Note 11)	**(720)**	–
Interest received	**105**	82
Purchase of property, plant and equipment	**(15,354)**	(2,640)
Purchase of intangible assets	**(6)**	(139)
Proceeds from disposal of property, plant and equipment	**560**	175
Net cash flows used in investing activities	**(15,415)**	(2,522)
Cash flows from financing activities		
Net proceeds from exercise of warrants	**9**	12
Purchase of treasury shares (Note 27(b))	**–**	(160)
Repayment of loan to a non-controlling interest of a subsidiary company	**–**	(392)
Interest paid	**(15)**	(25)
Repayment of finance lease obligations	**(276)**	(509)
Increase in fixed deposits pledged	**(272)**	–
Dividend paid	**(3,244)**	(3,250)
Net cash flows used in financing activities	**(3,798)**	(4,324)
Net (decrease)/increase in cash and cash equivalents	**(9,021)**	8,643
Cash and cash equivalents at the beginning of year	**57,723**	49,080
Cash and cash equivalents at end of year (Note 21)	**48,702**	57,723

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

1. CORPORATE INFORMATION

Hai Leck Holdings Limited (the "Company") is a limited liability company, domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 47 Tuas View Circuit, Singapore 637357.

The principal activities of the Company are those of investment holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of the subsidiary companies are disclosed in Note 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 year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 July 2011. 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 (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Amendments to FRS 107 *Offsetting of Financial Assets and Financial Liabilities*	1 January 2013
Amendments to FRS 101 *Government Loans*	1 January 2013
Amendments to FRS 32 *Offsetting of Financial Assets and Financial Liabilities*	1 January 2014
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014

Except for the Amendments to FRS 1 and FRS 111 and Revised FRS 28, the directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012. As the Amendments only affect the presentation of items that are already recognised in other comprehensive income, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

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

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

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

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

2.4 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that 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 end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- *Impairment of loans and receivables*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

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

- *Impairment of loans and receivables (Continued)*

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

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

- *Impairment of non-financial assets*

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

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

- *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 actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

  Significant judgement is required in determining the stage of completion, the extent of the project 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.

  Project and maintenance revenue for the year ended 30 June 2012 was S$84,969,000 (2011: S$82,296,000) for the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

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

- *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 2012 was S$42,137,000 (2011: S$32,677,000). 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 9% (2011: 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 and the warranty periods. It is expected that the provision will be utilised within the respective warranty periods. The Group provided S$1,753,000 (2011: S$1,330,000) of provisions for warranty as at 30 June 2012.

(ii) *Judgements made in applying accounting policies*

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

- *Income taxes*

  The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 30 June 2012 were S$1,320,000 (2011: S$1,754,000) and S$1,641,000 (2011: S$2,413,000) respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency

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

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

(ii) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD or S$ at the rate of exchange ruling at the end of each reporting period and their profit or loss are translated at the average exchange rates for the month, which approximates the exchange rates at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations

(i) Basis of consolidation

Basis of consolidation from 1 July 2009

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the end of the reporting period. The financial statements of the subsidiary companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

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

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

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(i) Basis of consolidation (Continued)

Basis of consolidation prior to 1 July 2009

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

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

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

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

(ii) Business combinations

Business combinations from 1 July 2009

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(ii) Business combinations (Continued)

Business combinations from 1 July 2009 (Continued)

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

Business combinations prior to 1 July 2009

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

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

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

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

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

2.7 Subsidiary companies

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss.

2.9 Property, plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Property, plant and equipment (Continued)

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

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

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

Improvements to leasehold premises are depreciated over the remaining life of the lease. 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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 expenses' line item in profit or loss.

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 profit or loss 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.

- ***Customer contracts***

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal of an impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of 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 profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognised.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

Derecognition

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

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 end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(i) Financial assets carried at amortised cost

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (Continued)

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

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

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

(ii) Available-for-sale financial assets

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

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, 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 (CONTINUED)

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials – purchase costs on a first-in, first-out basis; and

- Finished goods – costs 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.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Contract work-in-progress

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

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

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

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

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Contract work-in-progress (Continued)

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

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

Assets covered by a single contracts are treated separately when:

– The separate proposals have been submitted for each asset

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

– The costs and revenues of each asset can be identified

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

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

– The contracts are performed concurrently or in a continuous sequence

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognised when service is provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.18 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.20 Borrowing costs

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

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.

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

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

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

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.23 Revenue

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

(i) Project 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 actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue (Continued)

(ii) Revenue from sale of goods/services rendered

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

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

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Dividend income

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

2.24 Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period, in the countries where the group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relating to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiary companies and interest in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiary companies and interest in joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(ii) Deferred tax (Continued)

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

(iii) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 Segment reporting

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

2.26 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Treasury shares

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.29 Related parties

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Related parties (Continued)

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

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

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

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

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

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

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

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

3. REVENUE

	Group	
	2012	**2011**
	S$'000	**S$'000**
Project revenue	**46,614**	33,807
Maintenance revenue	**38,355**	48,489
Services	**3,289**	–
	88,258	82,296

4. OTHER INCOME

	Group 2012 S$'000	Group 2011 S$'000
Interest income		
– fixed deposits	**101**	74
– others	**4**	8
Gain on disposal of property, plant and equipment	**375**	159
Gain on disposal of unquoted investment	**13**	–
Rental income	**657**	72
Test-centre income	**27**	58
Income from project management services provided to sub-contractors	**790**	1,187
Sale of consumables and tools	**46**	70
Government grant	**69**	–
Others	**420**	340
	2,502	1,968

5. PROFIT BEFORE TAXATION

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

	Group 2012 S$'000	Group 2011 S$'000
Audit fees:		
– Auditors of the Company	**121**	103
– Other auditors	**4**	6
Non-audit fees:		
– Auditors of the Company	**10**	10
– Other auditors	**–**	–
Depreciation of property, plant and equipment (Note 10)	**6,703**	9,081
Property, plant and equipment written off	**–**	1
Amortisation of intangible assets	**258**	15
Gain on disposal of property, plant and equipment	**(375)**	(159)
Allowance for doubtful receivables (Note 15)	**1,961**	235
Employee benefits (Note 6)	**35,716**	32,009
Repair and maintenance	**463**	389
Rental expenses	**4,824**	3,765
Travelling expenses and transport charges	**638**	312
Telecommunication charges	**431**	328
Utility charges	**605**	492
Foreign exchange loss, net	**44**	97

6. EMPLOYEE BENEFITS

	Group	
	2012	**2011**
	S$'000	**S$'000**
Employee benefits expense (including executive directors)		
Wages, salaries, bonuses	**30,986**	28,392
Central Provident Fund contributions	**1,220**	526
Others	**3,510**	3,091
	35,716	32,009

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

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

7. INTEREST EXPENSE

	Group	
	2012	**2011**
	S$'000	**S$'000**
Interest expense		
– hire purchase	**13**	24
– others	**2**	1
	15	25

8. TAXATION

	Group	
	2012	**2011**
	S$'000	**S$'000**
Current taxation		
– current year	**1,060**	1,715
– Under/(over)provision in respect of prior year	**468**	(125)
Deferred taxation		
– origination and reversal of temporary differences	**(800)**	(289)
Tax expense	**728**	1,301

8. TAXATION (CONTINUED)

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

	Group	
	2012	2011
	S$'000	S$'000
Accounting profit before income tax	**4,601**	9,169
Tax at Singapore statutory tax rate of 17% (2011: 17%)	**782**	1,559
Adjustments:		
– Effect of partial tax exemption and tax incentives	**(374)**	(52)
– Non-deductible expenses in determining taxable income	**67**	51
– Income not subject to tax	**(80)**	(97)
– Utilisation of previously unrecognised tax losses	**–**	(12)
– Under/(over)provision in respect of prior year's taxation	**468**	(125)
– Effect of different tax rates in foreign jurisdictions	**63**	33
– Others	**(198)**	(56)
	728	1,301

As at 30 June 2012, the Group had unutilised tax losses of approximately S$145,000 (2011: S$145,000) and unutilised donations of approximately S$500,000 (2011: 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 2012 and 2011:

	Group	
	2012	**2011**
	S$'000	**S$'000**
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	**3,873**	7,868
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**324,447**	324,839
Effects of dilution:		
– warrants ('000)	**–**	3,249
Weighted average number of ordinary shares adjusted for dilution ('000)	**324,447**	328,088

There has been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statement.

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$'000	Trucks, cranes and forklifts S$'000	Computers S$'000	Electrical appliances, air-conditioners, furniture and fittings and renovation S$'000	Total S$'000
Cost									
At 1 July 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 and 1 July 2011	20,635	40,184	4,071	803	2,545	6,182	1,037	1,030	76,487
Additions	12,830	1,223	–	53	311	772	139	26	15,354
Acquisition of subsidiary companies	–	–	–	448	–	–	339	207	994
Disposals	–	(200)	(465)	(5)	–	(53)	–	–	(723)
At 30 June 2012	**33,465**	**41,207**	**3,606**	**1,299**	**2,856**	**6,901**	**1,515**	**1,263**	**92,112**
Accumulated depreciation									
At 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 and 1 July 2011	4,144	29,344	2,351	394	2,138	3,859	859	721	43,810
Depreciation charge for the year	1,028	3,382	513	99	281	883	432	85	6,703
Disposals	–	–	(483)	(2)	–	(53)	–	–	(538)
At 30 June 2012	**5,172**	**32,726**	**2,381**	**491**	**2,419**	**4,689**	**1,291**	**806**	**49,975**
Net carrying value									
At 30 June 2012	**28,293**	**8,481**	**1,225**	**808**	**437**	**2,212**	**224**	**457**	**42,137**
At 30 June 2011	16,491	10,840	1,720	409	407	2,323	178	309	32,677

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$Nil (2011: S$240,000) and S$22,000 (2011: S$944,000) respectively.

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

11. INVESTMENTS IN SUBSIDIARY COMPANIES

These comprise:

	Company 2012 S$'000	Company 2011 S$'000
Unquoted equity shares, at cost	**30,763**	28,013

Details of subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group 2012 %	Percentage of equity held by the Group 2011 %
Held by the Company				
Hai Leck Engineering (Private) Limited*	Oil & gas and chemical industries related construction and maintenance services	Singapore	**100**	100
Hai Leck Engineering & Construction Pte. Ltd. (formerly known as Allied Construction Pte. Ltd.)*	Engineered solutions and mechanical works	Singapore	**100**	100
Hai Leck Overseas Investments Pte. Ltd.*	Investment holding	Singapore	**100**	100
United Holding (1975) Pte.Ltd.*	Investment holding	Singapore	**100**	–
Held by subsidiary companies				
Industrial Services Pte. Ltd.*	Trading and contracting for thermal insulations, refractories and fire-protection for steel structures	Singapore	**100**	100
Tele-centre Services Pte Ltd*	Providing call centre services, telecommunications and information technology	Singapore	**100**	–
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

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

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

Acquisition of subsidiary companies

On 30 November 2011 (the "acquisition date"), the Company acquired 100% equity interest in United Holding (1975) Pte. Ltd., a investment holding company, from three Directors, Cheng Buck Poh @ Chng Bok Poh and Lee See Kee, and Goo Guik Bing @ Goh Guik Bing, spouse of Cheng Buck Poh @ Chng Bok Poh.

United Holding (1975) Pte. Ltd. holds 100% equity interest in Tele-centre Services Pte Ltd, a company providing call centre services, telecommunications and information technology in Singapore.

The acquisition allows the Group to diversify its business and add strength and stability to its profitability, as well as improve the financial yield of available cash by re-investing in business with an attractive rate of return.

The fair value of the identifiable assets and liabilities of the subsidiaries acquired as at the acquisition date were:

	Fair value recognised on acquisition S$'000
Plant and equipment	994
Customer contracts	271
Trade receivables	1,181
Other receivables and deposits	196
Cash and cash equivalents	2,030
	4,672
Trade and other payables	(1,869)
Provision for taxation	(25)
Deferred taxation	(28)
	(1,922)
Total identifiable net assets at fair value	2,750
Effect on the acquisition on cash flows	
Cash paid, representing total consideration transferred	2,750
Less: cash and cash equivalents of subsidiary companies acquired	(2,030)
	720

The consideration was arrived at after arm's length negotiations after taking into consideration the net book value, external valuation and future earning potential of the subsidiaries acquired.

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Transaction costs

Transaction costs related to the acquisition of S$22,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 30 June 2012.

Impact of the acquisition on profit or loss

From the acquisition date, Tele-centre Services Pte Ltd has contributed S$3,289,000 of revenue and S$309,000 to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the Group's revenue would have been S$90,382,000 and the Group's profit for the year would have been S$4,101,000.

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 2012 %	2011 %
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:

	2012 S$'000	2011 S$'000
Joint venture		
Assets and liabilities:		
Current assets	**2,233**	2,007
Non-current assets	**694**	951
Total assets	**2,927**	2,958
Current and total liabilities	**656**	759
Results:		
Revenue	**3,834**	2,869
Profit for the year	**23**	188

13. INTANGIBLE ASSETS

	Club memberships S$'000	Customer contracts S$'000	Total S$'000
Cost			
At 1 July 2010	258	–	258
Addition	139	–	139
30 June 2011 and 1 July 2011	397	–	397
Addition	6	–	6
Arising from acquisition of subsidiary companies	–	271	271
At 30 June 2012	**403**	**271**	**674**
Accumulated amortisation			
At 1 July 2010	30	–	30
Amortisation for the year	15	–	15
At 30 June 2011 and 1 July 2011	45	–	45
Amortisation for the year	35	223	258
At 30 June 2012	**80**	**223**	**303**
Net carrying amount			
At 30 June 2012	**323**	**48**	**371**
At 30 June 2011	352	–	352

14. INVENTORIES

	Group	
	2012 S$'000	2011 S$'000
Raw materials	**30**	30
Finished goods	**389**	287
	419	317

During the year, inventories recognised as an expense in the income statement under cost of sales amounted to S$6,842,000(2011: S$8,712,000) for the Group.

15. TRADE RECEIVABLES

	Group	
	2012	2011
	S$'000	S$'000
Trade receivables – external	**24,494**	13,004
Amount due from a joint venture (trade)	**601**	517
Less: Allowance for doubtful receivables	**(2,131)**	(235)
	22,964	13,286

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$3,938,000 (2011: S$6,859,000) that are past due at the balance sheet date but not impaired. These debtors are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2012	2011
	S$'000	S$'000
Trade receivables past due for:		
– 1 – 30 days	**2,055**	1,002
– 31 – 60 days	**573**	3,937
– More than 60 days	**1,310**	1,920
	3,938	6,859

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	
	2012	2011
	S$'000	S$'000
Trade receivables – nominal	**2,139**	249
Less: Allowance for doubtful receivables	**(2,131)**	(235)
	8	14

15. TRADE RECEIVABLES (CONTINUED)

	Group Individually impaired 2012 S$'000	Group Individually impaired 2011 S$'000
Movement in allowance		
At beginning of the year	**235**	633
Charge for the year	**1,961**	235
Written back	**(65)**	(633)
At end of the year	**2,131**	235

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$65,000 (2011: S$633,000) of allowance for doubtful receivables upon collection of these debts.

16. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000
Other receivables	**951**	475	**9**	18
Deposits	**864**	2,465	**–**	–
Tax recoverable	**–**	20	**–**	–
	1,815	2,960	**9**	18

17. LOANS DUE FROM SUBSIDIARY COMPANIES

These amounts are unsecured, interest-free, has no fixed repayment terms but are not expected to be repaid within the next twelve months from the end of the reporting period.

18. AMOUNTS DUE FROM SUBSIDIARY COMPANIES (TRADE)

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

19. OTHER INVESTMENTS

	Group 2012 S$'000	Group 2011 S$'000
Available-for-sale:		
Debentures (quoted), at fair value	**200**	196
Shares (quoted), at fair value	**1,032**	1,032
Others	**–**	28
	1,232	1,256

Quoted debentures

The quoted debentures bear interest at 3.85% (2011: 3.85%) per annum and matures in 2014.

Quoted shares

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

20. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group 2012 S$'000	Group 2011 S$'000
This comprises:		
Aggregate project costs incurred and recognised profits to-date	**20,083**	–
Less: Progress billings	**(18,813)**	–
	1,270	–
Presented as:		
Gross amount due from customers for contract work-in-progress	**1,270**	–

21. FIXED DEPOSITS PLEDGED CASH AND CASH EQUIVALENTS

Fixed deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fixed deposits of S$272,000 are pledged by a subsidiary company to secure its banker's guarantee. Interest of fixed deposits is at rates ranging from 0.05% to 0.45% (2011: 0.1% to 0.5%) per annum, which are also the effective interest rates.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Cash and bank balances	**23,422**	25,106	**281**	898
Fixed deposits	**25,552**	32,617	**17,528**	24,021
	48,974	57,723	**17,809**	24,919
Fixed deposits pledged with bank	**(272)**	–	**–**	–
Cash and cash equivalents	**48,702**	57,723	**17,809**	24,919

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	**2011**	**2012**	**2011**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Trade payables	**9,297**	4,046	**–**	–
Other payables	**1,867**	1,493	**152**	84
Amount due to related parties	**–**	185	**–**	–
Accrued operating expenses	**10,830**	9,813	**1,537**	1,338
	21,994	15,537	**1,689**	1,422

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)

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

24. 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% (2011: 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 2012 S$'000	Present value of payments 2012 S$'000	Minimum payments 2011 S$'000	Present value of payments 2011 S$'000
Not later than one year	**3**	**3**	291	278
Later than one year but not later than five years	**–**	**–**	1	1
Total minimum lease payments	**3**	**3**	292	279
Less: Amounts representing finance charges	**–***	**–***	(13)	–
Present value of minimum lease payments	**3**	**3**	279	279

* Amount is less than S$1,000.

25. PROVISION FOR WARRANTY

	Group 2012 S$'000	Group 2011 S$'000
At beginning of year	**1,330**	840
Provided during the year	**423**	490
At end of the year	**1,753**	1,330

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.

26. DEFERRED TAXATION

Deferred tax liabilities relate to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**1,971**	2,722	**(751)**	(234)
Fair value adjustments on acquisition of subsidiary companies	**28**	–	**–**	–
Deferred tax assets				
Provisions	**(358)**	(309)	**(49)**	(55)
	1,641	2,413		
Deferred income tax expense			**(800)**	(289)

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2012		2011	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At beginning of the year	**325,061**	**48,817**	325,014	48,804
Issuance of ordinary shares upon exercise of warrants	**38**	**9**	47	13
At end of the year	**325,099**	**48,826**	325,061	48,817

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.

27. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

(b) Treasury shares

	Group and Company			
	2012		2011	
	No. of shares ('000)	S$'000	No. of shares ('000)	S$'000
At beginning of the year	**640**	**160**	–	–
Acquired during the year	**–**	**–**	640	160
At end of the year	**640**	**160**	640	160

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

In 2011, the Company acquired 640,000 shares in the Company through purchases on the Singapore Exchange during that financial year. The total amount paid to acquire the shares was S$160,000 and this was represented as a component within shareholders' equity.

28. 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.

28. CAPITAL RESERVE (CONTINUED)

During the year, 38,000 (2011: 47,000) Warrants were exercised to acquire 38,000 (2011: 47,000) New Shares. As of 30 June 2012, 99,000 (2011: 61,000) Warrants have been exercised and no (2011: 129,939,000) Warrants were outstanding. These Warrants expired on 24 November 2011.

	Group and Company	
	2012	**2011**
	S$'000	**S$'000**
At beginning of the year	**1,156**	1,157
Issuance of warrants	**–**	–
Transfer to share capital on exercise of warrants	**–***	(1)
	1,156	1,156

* Amount is less than S$1,000.

29. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2012	**2011**
	S$'000	**S$'000**
At beginning of the year	**(378)**	(191)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**43**	(187)
At end of the year	**(335)**	(378)

30. DIVIDEND

	Group and Company	
	2012	**2011**
	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$0.01 (2011: S$0.008) per ordinary share	**3,244**	2,600
– Tax exempt (one tier) special dividend paid in respect of the previous financial year of nil (2011: S$0.002) per ordinary share	**–**	650
	3,244	3,250

30. DIVIDEND (CONTINUED)

	Group and Company 2012 S$'000	2011 S$'000
Proposed but not recognised as a liability as at 30 June:		
Dividends on ordinary shares, subject to shareholders' approval at AGM:		
– Tax exempt (one tier) final dividend paid in respect of the current financial year of nil (2011: S$0.01) per ordinary share	–	3,244
	–	3,244

Tax consequences of proposed dividends

There are no income tax consequences (2011: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

31. RELATED PARTY INFORMATION

(a) Sales and purchase of services and equipment

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

Related parties	Group 2012 S$'000	2011 S$'000
Provision of service by related parties*	**485**	981

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

31. RELATED PARTY INFORMATION (CONTINUED)

(b) Compensation of key management personnel

	Group 2012 S$'000	Group 2011 S$'000
Central Provident Fund contributions	**82**	62
Directors' remuneration	**2,315**	2,595
Directors' fees	**180**	140
Total compensation paid to key management personnel	**2,577**	2,797
Comprise amounts paid to:		
– Directors of the Company	**2,577**	2,797

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

32. COMMITMENTS

Operating lease

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

	Group 2012 S$'000	Group 2011 S$'000
Future minimum lease payments		
– not later than one year	**3,906**	2,788
– one year through five years	**3,590**	1,115
– more than five years	**3,517**	–
	11,013	3,903

Minimum lease payments recognised as an expense in the income statement for the financial year ended 30 June 2012 amounted to S$4,806,000 (2011: S$3,734,000) for the Group.

33. CONTINGENT LIABILITIES

The Company has provided corporate guarantees amounting to approximately S$44,490,000 (2011: S$44,490,000) in favour of certain financial institutions for banking and finance lease facilities granted to a subsidiary company.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's principal financial instruments comprise investment securities, 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 end of the reporting period have similar exposure.

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

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

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

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

	2012			2011		
	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	**1,232**	**–**	**1,232**	1,256	–	1,256
Trade and other receivables	**24,779**	**–**	**24,779**	16,246	–	16,246
Fixed deposits pledged	**272**	**–**	**272**	–	–	–
Cash and cash equivalents	**48,702**	**–**	**48,702**	57,723	–	57,723
Total undiscounted financial assets	**74,985**	**–**	**74,985**	75,225	–	75,225
Financial liabilities:						
Trade and other payables	**21,994**	**–**	**21,994**	15,537	–	15,537
Finance lease obligations	**3**	**–**	**3**	291	1	292
Total undiscounted financial liabilities	**21,997**	**–**	**21,997**	15,828	1	15,829
Total net undiscounted financial assets/(liabilities)	**52,988**	**–**	**52,988**	59,397	(1)	59,396

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

	2012				2011			
	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	**–**	**–**	**17,105**	**17,105**	–	–	15,605	15,605
Amounts due from subsidiary companies (trade)	**2,276**	**–**	**–**	**2,276**	1,121	–	–	1,121
Trade and other receivables	**9**	**–**	**–**	**9**	18	–	–	18
Cash and cash equivalents	**17,809**	**–**	**–**	**17,809**	24,919	–	–	24,919
Total undiscounted financial assets	**20,094**	**–**	**17,105**	**37,199**	26,058	–	15,605	41,663
Financial liabilities:								
Trade and other payables	**1,689**	**–**	**–**	**1,689**	1,422	–	–	1,422
Amounts due to subsidiary companies (non-trade)	**–**	**–**	**–**	**–**	12	–	–	12
Total undiscounted financial liabilities	**1,689**	**–**	**–**	**1,689**	1,434	–	–	1,434
Total net undiscounted financial assets	**18,405**	**–**	**17,105**	**35,510**	24,624	–	15,605	40,229

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the credit control team.

Exposure to credit risk

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

– The carrying amounts of other investments, trade and other receivables, fixed deposits pledged and cash and cash equivalents. Fixed deposits pledged and cash and cash equivalents are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade receivables based upon expected collectability of all trade debts.

Credit risk concentration profile

At the end of the reporting period, approximately 60% (2011: 64%) of the Group's trade receivables were due from 5 major customers who are multi-national corporations located in Singapore.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Other investments, fixed deposits pledged and cash and cash equivalents, 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).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 end of the reporting period, if the Straits Times and SET index had been 20% (2011: 20%) lower/higher with all other variables held constant, the Group's fair value adjustment reserve would have been S$200,000 (2011: 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.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. 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
2012				
Financial assets:				
Available-for-sale financial assets				
Shares (quoted)	**1,032**	**–**	**–**	**1,032**
Debentures (quoted)	**200**	**–**	**–**	**200**
	1,232	**–**	**–**	**1,232**

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	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

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

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

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

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

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

Quoted investments

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

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

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

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(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.

Finance lease obligations

Management believes that the carrying amount recorded at the end of the reporting period approximates its fair value as the interest rates of the finance leases closely approximates the market interest rates on or near the end of the reporting period.

(d) Categories of financial instruments

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

Group	**Loans and receivables S$'000**	**Available for sale S$'000**	**Liabilities at amortised cost S$'000**
2012			
Assets			
Trade receivables (Note 15)	22,964	–	–
Other receivables and deposits (Note 16)	1,815	–	–
Other investments (Note 19)	–	1,232	–
Fixed deposits pledged (Note 21)	272	–	–
Cash and cash equivalents (Note 21)	48,702	–	–
Total	73,753	1,232	–
Liabilities			
Trade and other payables (Note 22)	–	–	21,994
Finance lease obligations (Note 24)	–	–	3
Total	–	–	21,997

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Categories of financial instruments (Continued)

Group (Continued)	Loans and receivables S$'000	Available for sale S$'000	Liabilities at amortised cost S$'000
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 24)	–	–	279
Total	–	–	15,816

Company	Loans and receivables S$'000	Liabilities at amortised cost S$'000
2012		
Assets		
Loans due from subsidiary companies (Note 17)	**17,105**	**–**
Amounts due from subsidiary companies (trade) (Note 18)	**2,276**	**–**
Other receivables and deposits (Note 16)	**9**	**–**
Cash and cash equivalents (Note 21)	**17,809**	**–**
Total	**37,199**	**–**
Liabilities		
Trade and other payables (Note 22)	**–**	**1,689**
Total	**–**	**1,689**

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Categories of financial instruments (Continued)

Company (Continued)	**Loans and receivables S$'000**	**Liabilities at amortised cost S$'000**
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

36. 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 2012 and 2011. The Group is not subjected to any externally imposed capital requirements.

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

	Group	
	2012 S$'000	**2011 S$'000**
Trade and other payables	**21,994**	15,537
Finance lease obligations	**3**	279
Gross debts	**21,997**	15,816
Equity attributable to equity holders of the Company	**88,079**	87,398
Gross debt equity ratio	**25.00%**	18.10%

37. SEGMENT INFORMATION

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

(i) Project 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.

37. SEGMENT INFORMATION (CONTINUED)

(iii) Tele-centre services

Tele-centre services pertain to call centre services, telecommunications and information technology services.

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

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

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

	Project services		Maintenance services		Tele-centre services		Adjustments and eliminations		Notes	Consolidated financial statements	
	2012	2011	2012	2011	2012	2011	2012	2011		2012	2011
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000		S$'000	S$'000
Revenue:											
External customers	**46,614**	33,807	**38,355**	48,489	**3,289**	–	**–**	–		**88,258**	82,296
Inter-segment sales	**4,636**	6,267	**3,486**	8,467	**–**	–	**(8,122)**	(14,734)	A	**–**	–
Total revenue	**51,250**	40,074	**41,841**	56,956	**3,289**	–	**(8,122)**	(14,734)		**88,258**	82,296
Results:											
Interest income	**49**	24	**55**	58	**1**	–	**–**	–		**105**	82
Depreciation and amortisation	**3,936**	3,997	**2,592**	5,007	**341**	–	**92**	92		**6,961**	9,096
Segment profit before tax	**2,196**	8,019	**2,863**	11,296	**132**	–	**(590)**	(10,146)	B	**4,601**	9,169
Assets:											
Additions to non-current assets	**9,378**	1,047	**5,976**	1,593	**994**	–	**–**	–	C	**16,348**	2,640
Segment assets	**63,917**	38,321	**48,641**	52,550	**5,346**	–	**2,207**	17,840	D	**120,111**	108,711
Segment liabilities:	**31,397**	13,753	**20,576**	18,176	**1,403**	–	**(21,344)**	(10,616)	E	**32,032**	21,313

37. SEGMENT INFORMATION (CONTINUED)

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

A. Inter-segment revenues are eliminated on consolidation.

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

	2012 S$'000	2011 S$'000
Inter-segment income and expenses	**68**	(10,054)
Others	**(658)**	(92)
	(590)	(10,146)

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:

	2012 S$'000	2011 S$'000
Inter-segment liabilities	**(24,305)**	(14,783)
Provision for taxation	**1,320**	1,754
Deferred taxation	**1,641**	2,413
	(21,344)	(10,616)

37. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Revenue		Non-current assets	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'000
Singapore	**84,424**	79,384	**41,654**	31,906
Others	**3,834**	2,912	**854**	1,123
Total	**88,258**	82,296	**42,508**	33,029

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$18,813,000 (2011: Nil) arising from the project segment.

Revenue from one major customer amounted to S$14,706,000 (2011: S$24,715,711) arising from the maintenance segment.

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company proposed renounceable non-underwritten rights issue of warrants on the basis of one (1) warrant for every four (4) existing ordinary shares on 21 September 2012. The Company is proposing to undertake a renounceable non-underwritten rights issue of up to 81,114,750 warrants ("Warrants"), based on the existing issued share capital of the Company of 324,459,000 ordinary shares ("Shares"), at an issue price of S$0.05 for each Warrant, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company at an exercise price of S$0.13, on the basis of one (1) Warrant for every four (4) existing Shares held by the entitled shareholders as at a books closure date to be determined by the Directors.

39. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 28 September 2012.

STATISTICS OF SHAREHOLDINGS

AS AT 10 SEPTEMBER 2012

SHAREHOLDERS' INFORMATION

Total number of shares excluding treasury shares	:	324,459,000
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	312	23.76	8,653	0.00
1,000 – 10,000	529	40.29	2,088,885	0.65
10,001 – 1,000,000	458	34.88	36,415,991	11.22
1,000,001 and above	14	1.07	285,945,471	88.13
	1,313	**100.00**	**324,459,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	CHENG CAPITAL HOLDINGS PTE LTD	124,800,000	38.46
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.	PHILLIP SECURITIES PTE LTD	1,731,596	0.53
6.	UOB KAY HIAN PTE LTD	1,573,005	0.48
7.	OCBC SECURITIES PRIVATE LTD	1,545,820	0.48
8.	BANK OF SINGAPORE NOMINEES PTE LTD	1,408,000	0.43
9.	QUEK CHIAU BENG	1,341,000	0.41
10.	LIM & TAN SECURITIES PTE LTD	1,224,050	0.38
11.	DB NOMINEES (S) PTE LTD	1,200,000	0.37
12.	TNG KUM CHOE	1,078,000	0.33
13.	ONG ENG LOKE	1,067,000	0.33
14.	THOMAS DENNIS WILLIAM	1,031,000	0.32
15.	LEE SAU LEUNG	936,000	0.29
16.	TENG HOO POO	893,000	0.28
17.	DMG & PARTNERS SECURITIES PTE LTD	750,000	0.23
18.	LOW CHIN YEE	747,000	0.23
19.	STUART GEORGE MONTGOMERY	710,000	0.22
20.	YEE CHIA HSING	688,000	0.21
	TOTAL	**290,669,471**	**89.58**

STATISTICS OF SHAREHOLDINGS
AS AT 10 SEPTEMBER 2012

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Cheng Capital Holdings Pte Ltd[(1) (2)]	124,800,000	38.46	–	–
Cheng Buck Poh @ Chng Bok Poh[(1) (2) (3) (5)]	95,200,000	29.34	124,800,000	38.46
Lee See Kee[(5)]	36,000,000	11.10	–	–
Violetbloom Investments Pte Ltd	16,746,000	5.16	–	–
Goo Guik Bing @ Goh Guik Bing[(1) (3) (6)]	–	–	220,000,000	67.80
MTQ Corporation Limited[(4)]	–	–	16,746,000	5.16

The percentage of shareholding above is computed based on the total issued shares of 324,459,000 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, Mr Cheng Yao Tong, our Deputy Chief Executive Officer and Executive Director, Ms Cheng Li Hui, our Non-Executive Director, Ms Cheng Li Chen, as well as Ms Cheng Li Peng and Ms Cheng Wee Ling are their children.

2. Mr Cheng Buck Poh @ Chng Bok Poh is deemed to be interested in the 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, Chapter 50.

5. Subsequent to the married deal between Mr Cheng Buck Poh @ Chng Bok Poh and Mr Lee See Kee on 26 September 2012, Mr Lee See Kee disposed his 11.10% shareholding interest in the issued share capital of the Company to Mr Cheng Buck Poh @ Chng Bok Poh who acquired the same. As at 26 September 2012, Mr Lee See Kee ceases to be a substantial shareholder of the Company. Mr Cheng Buck Poh @ Chng Bok Poh currently holds direct interest of 131,200,000 shares (40.44%).

6. Subsequent to the married deal between Mr Cheng Buck Poh @ Chng Bok Poh and Mr Lee See Kee on 26 September 2012, Mdm Goo Guik Bing @ Goh Guik Bing is deemed to be interested in the 124,800,000 shares held by Cheng Capital Holdings Pte Ltd by virtue of the shareholdings held by her husband, Mr Cheng Buck Poh @ Chng Bok Poh in Cheng Capital Holdings Pte Ltd and 131,200,000 shares held by her husband.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

15.37% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hai Leck Holdings Limited (the “Company”) will be held at 40 Tuas West Road, Singapore 638389 on Monday, 22 October 2012 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 2012 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 92 and Article 93 of the Articles of Association of the Company:

Mr Cheng Yao Tong	(Retiring under Article 92)	**(Resolution 2)**
Mr Cheng Buck Poh @ Chng Bok Poh	(Retiring under Article 93)	**(Resolution 3)**
Ms Cheng Li Chen	(Retiring under Article 93)	**(Resolution 4)**

3. 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, Chapter 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 5)**
[See Explanatory Note (i)]

4. To approve the payment of Directors’ fees of S$180,000 for the financial year ending 30 June 2013 to be paid quarterly in arrears. (FY2012: S$180,000) **(Resolution 6)**

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

6. To transact any other ordinary business which may properly 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:

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

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

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

(ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "Share Issue Mandate")

provided that:

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

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

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

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

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

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **(Resolution 8)**
[See Explanatory Note (ii)]

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore
5 October 2012

Explanatory Notes:

(i) The effect of the Ordinary Resolution 5 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.

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

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

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting 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.

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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.

ANNUAL GENERAL MEETING
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 40 Tuas West Road, Singapore 638389 on Monday, 22 October 2012 at 10.00 a.m and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	**Resolutions relating to:**	**For**	**Against**
Ordinary Business			
1	Directors' Report and Audited Accounts for the financial year ended 30 June 2012		
2	Re-election of Mr Cheng Yao Tong as Director		
3	Re-election of Mr Cheng Buck Poh @ Chng Bok Poh as Director		
4	Re-election of Ms Cheng Li Chen 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 2013		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors		
Special Business			
8	Authority to issue new shares		

Dated this ________ day of ________________ 2012

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

HAI LECK HOLDINGS LIMITED
(COMPANY REGISTRATION NUMBER 199804461D)

47, TUAS VIEW CIRCUIT
SINGAPORE 637357