CREATING GROWTH
for the future

2014 ANNUAL REPORT

HAI LECK HOLDINGS LIMITED

COMPANY PROFILE

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 which provides engineering, procurement and construction (EPC) services to the oil & gas, petrochemical, pharmaceutical and utilities industries.

Commanding a workforce of more than 2000, the Group undertakes projects as well as maintenance services on routine and turnaround basis. Our competitive strengths include an outstanding track record; good safety performance; technical competency; effective project management; skilled manpower; quality workmanship; and responsiveness to customers' request.

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

The Group's dedicated project management team proactively participates in its customers' project planning and supports its customers by identifying and providing solutions to potential challenges. It manages and measures the projects with key performance indicators that focus on safety, quality, productivity and timely completion of the entire project. With its experienced management team, skilled tradesmen, 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 services, corrosion prevention services, thermal insulation services, refractory services complemented by passive fireproofing services and general civil engineering services.

MAINTENANCE SERVICES

- Provided on a routine and turnaround basis.

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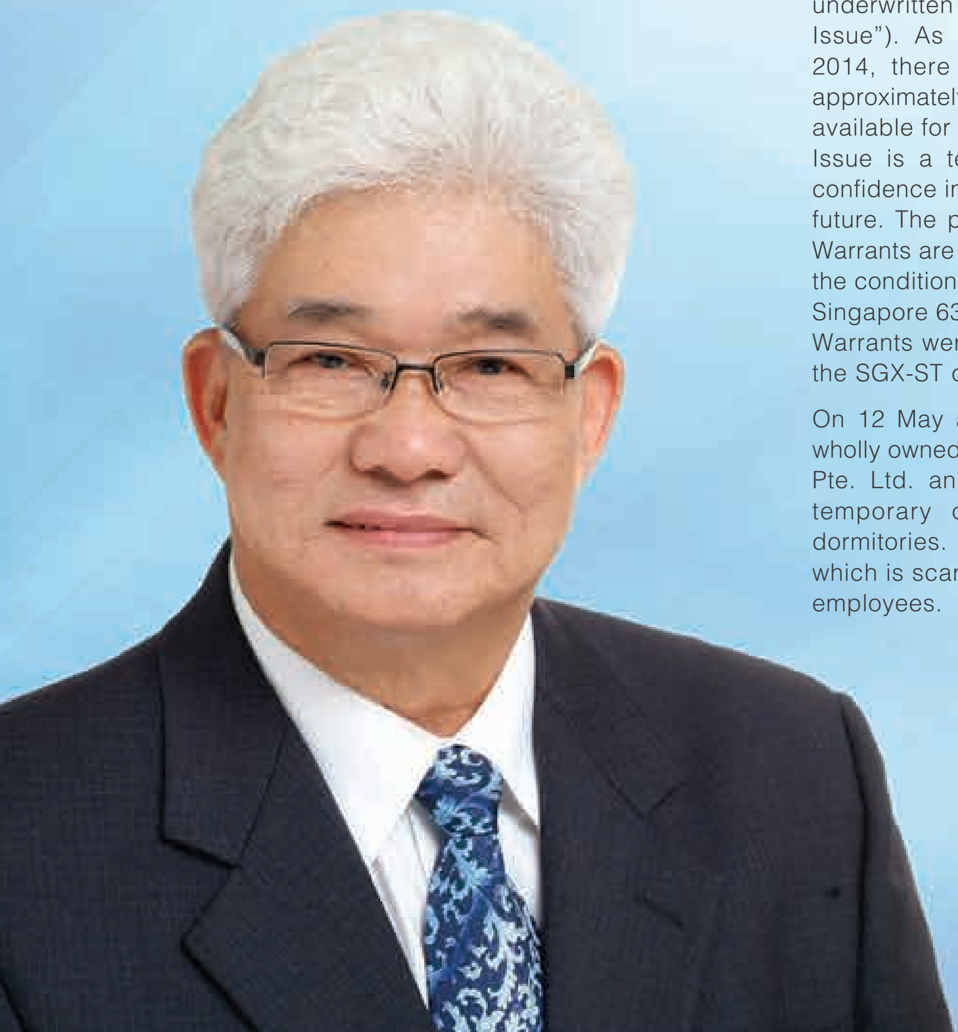
CHAIRMAN'S STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014, HAI LECK ENJOYED HEALTHY REVENUE OF $135.4 MILLION, WITH PROFIT ATTRIBUTABLE TO SHAREHOLDERS AMOUNTING TO $17.4 MILLION, WHICH IS A 24.5% INCREASE AS COMPARED TO THE FINANCIAL YEAR ENDED 30 JUNE 2013.



DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Hai Leck Holdings Limited (the "Company"), and together with its subsidiaries, (the "Group" or "Hai Leck"), I am pleased to present the Annual Report for the financial year ended 30 June 2014.

ROBUST STRATEGY

The past year was a year of many accomplishments for the Group's businesses as it continued to attract, retain and grow its customer base by establishing itself as a "one stop" service provider to its customers. With an increasing range of services, Hai Leck aims to offer its customers a comprehensive range of value added services and design solutions. In addition, the Group will continue to channel its expertise into complex projects such as the Engineering, Procurement and Construction ("EPC") contract for the construction of eight storage tanks in Jurong Island and to compete for bigger and better projects.

On 9 May 2014, the Company completed the non-underwritten rights issue of warrants (the "Warrants Issue"). As announced by the Company on 9 May 2014, there were excess applications representing approximately 1041.33% of the total number of Warrants available for subscription. The success of the Warrants Issue is a testament to the shareholders' continued confidence in the Group's business and strategy for the future. The proceeds from the issue of new shares, if Warrants are exercised, will be applied towards fulfilling the conditions to renew the lease at 40 Tuas West Road Singapore 638389 and other investment purposes. The Warrants were listed and quoted on the Main Board of the SGX-ST on 16 May 2014.

On 12 May and 24 September 2014, the Company's wholly owned subsidiaries, Hai Leck Integrated Services Pte. Ltd. and Hai Leck Services Pte. Ltd. obtained temporary occupancy permits ("TOPs") for their dormitories. These dormitories will provide housing, which is scarce in a tight labour market, to the Group's employees.

Notwithstanding our ambitions, the Group remains cautious and prudent in its investments and will monitor its operating costs to ensure stable and continued profitability.

RESILIENCE AND CONTINUED GROWTH

For the financial year ended 30 June 2014 ("FY2014"), Hai Leck enjoyed healthy revenue of $135.4 million, with profit attributable to shareholders amounting to $17.4 million, which is a 24.5% increase as compared to the financial year ended 30 June 2013 ("FY2013").

In FY2014, the Group continued to maintain a strong financial position with total assets of $152.9 million and cash and cash equivalents of $57.6 million as at FY2014 after we have invested $13.9 million in property, plant and equipment.

A COMMITMENT TO QUALITY

Hai Leck has steadily built an excellent track record for safety, quality, technical expertise and reliable service delivery – in the face of rising costs, Hai Leck has embarked on productivity initiatives, such as acquiring computer aided equipment and providing training programs to employees.

Our employees are the cornerstone of the Group and our commitment to safety extends to the workplace, where we ensure high standards in workplace safety, staff training and welfare. In the past three years, the Group won four awards in the Safety and Health Award Recognition for Projects ("SHARP") category from the Workplace Safety and Health Council ("WSH Council") and two of our employees received the Certificate of Commendation in the Workplace Safety and Health Awards for the Supervisors category from the WSH Council. In addition, our wholly owned subsidiary, Hai Leck Engineering (Private) Limited, has attained recognition from WSH Council to be part of the bizSAFE community. As a recognised bizSAFE Partner, the Company has organised safety campaigns, workshops and trainings with external contractors to aid contractors achieve the WSH standards. These accolades are a testament to our dedication towards ensuring workplace safety for Hai Leck and its employees.

FORGING AHEAD

The Group's operating environment remains challenging due to the weak global economy and keen competition. In addition, escalating costs, inflation and restrictions on foreign labour will impact the Group's margins and profits.

Nonetheless, the Group has maintained its solid financial position. In order to further enhance value for shareholders, we will continue to progressively expand our customer base, actively seek business opportunities and enhance our existing resources to propel the growth and expansion of Hai Leck.

DIVIDENDS

The Board of Directors is recommending a final ordinary dividend of 1 Singapore cents per ordinary share and a special dividend of 2 Singapore cents per ordinary share. Together with the interim dividend paid at mid-year, the total payout for FY2013/2014 will be 4 Singapore cents per ordinary share.

APPRECIATION

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. I also wish to thank my fellow Board members for their guidance and contributions to the Group.

The Board and I would also like to express our gratitude to our management team and staff for their unwavering dedication and efforts. Together, we will work hand-in-hand to embrace Hai Leck's mission to be the leading integrated service provider to the oil and gas and petrochemical industries.

CHENG BUCK POH
Executive Chairman, BBM

FINANCIAL & OPERATIONS REVIEW

Building upon its success in the previous years, for the financial year ended 30 June 2014 ("FY2014"), the Group recorded revenue of $135.4 million, a 5.4% decrease as compared to $143.1 million in the financial year ended 30 June 2013 ("FY2013"). This decrease was due to the fact that several projects and maintenance services are still in the preliminary stages and the finalisation of accounts for completed projects is currently ongoing.

Net profit attributable to equity holders in FY2014 increased by $3.4 million (24.5%), as compared to $13.9 million in FY2013.

Basic earnings per share rose to 4.4 cents in FY2014, from 4.3 cents in FY2013, while net assets per share decreased from 32.6 cents in FY2013 to 30.1 cents in FY2014.

AS AT 30 JUNE 2014, THE GROUP'S TOTAL ASSETS AMOUNTED TO $152.9 MILLION (FY2013: $142.5 MILLION), WHILE NET TANGIBLE ASSETS STOOD AT $152.6 MILLION (FY2013: $142.2 MILLION).

In FY2014, the Company had embarked on and completed the non-underwritten rights issue of warrants (the "Warrants Issue"). The net proceeds of the Warrants Issue amounted to approximately $13,000 and have been applied as general working capital as announced on 9 May 2014. The Warrants were listed and quoted on the Main Board of the SGX-ST on 16 May 2014.

COST OF SALES AND OPERATING EXPENSES

Cost of sales in FY2014 decreased by $21.8 million or 24.1%, as compared to FY2013. The decrease was mainly due to a decrease in demand for materials and less manpower engaged during the preliminary stage of a few projects.

Operating expenses increased to $48.0 million, as compared to $41.7 million in FY2013, representing an increase of $6.3 million or 15.0%.

SEGMENTAL REVIEW

	FY2014 $'million	%	FY2013 $'million	%
Project Services	86.9	64.2	91.7	64.1
Maintenance Services	42.2	31.2	46.0	32.2
Contact Centre Services	6.3	4.6	5.3	3.7


Overall, the Project Services division continues to be the largest contributor.

Geographically, Singapore continues to be the biggest market for the Group, contributing 96.6% of total revenue.

BALANCE SHEET HIGHLIGHTS

As at 30 June 2014, the Group's total assets amounted to $152.9 million (FY2013: $142.5 million), while net tangible assets stood at $152.6 million (FY2013: $142.2 million).

Non-current assets increased by 6.8% to $49.2 million as at 30 June 2014. The increase of $3.1 million was mainly attributable to an increase in investment in property, plant and equipment, which set off with customers' retention monies became receivable and reclassified as current assets.

Current assets increased by 5% or $7.2 million, from $96.4 million as at 30 June 2014 to $103.6 million. This was mainly due to an increase of trade receivables, resulting from the above reclassification.

Current liabilities decreased by 9.6% or $3.2 million to $30.0 million as at 30 June 2014. This was due to a decrease in gross amount due to contract work-in-progress as a significant project has been finalised.

Non-current liabilities amounted to $1.8 million as at 30 June 2014, a decrease of $1.7 million as compared to $3.5 million as at 30 June 2013, due to suppliers' retention monies became payable and reclassified as current liabilities.

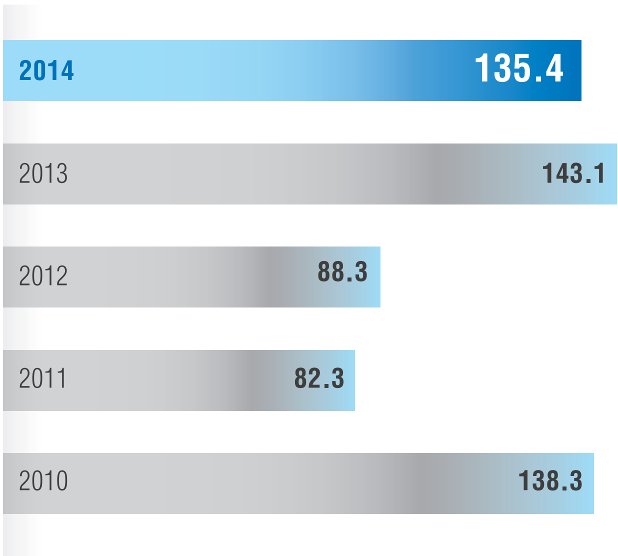
CASH FLOWS

The Group has continued to maintain its healthy cash position. As at 30 June 2014, cash and cash equivalents amounted to $57.6 million, a 5.1% decrease from 30 June 2013. Net cash flows generated from operating activities amounted to $12.4 million, while net cash flows used in investing activities was $13.6 million and net cash flows used in financing activities was $2.0 million.

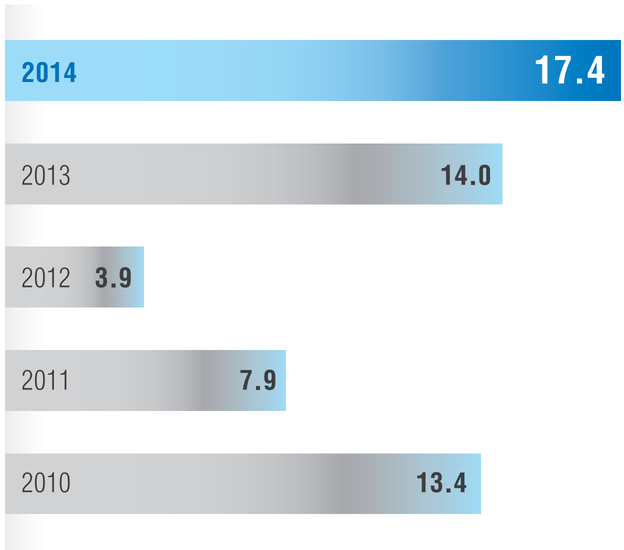
With its strong financial position, the Company will continue to pursue business opportunities that will benefit the Group and its shareholders.

FINANCIAL HIGHLIGHTS

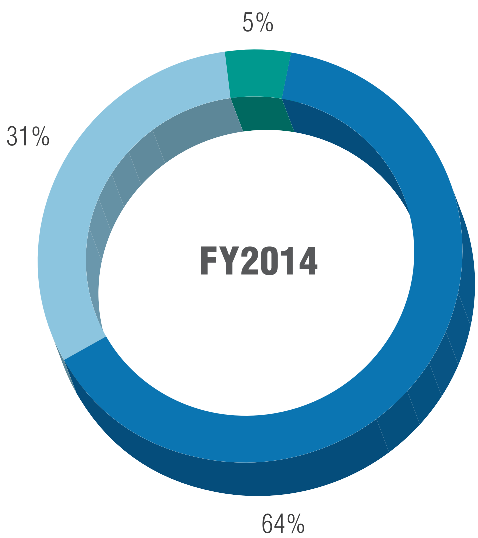
REVENUE (S$'MIL)

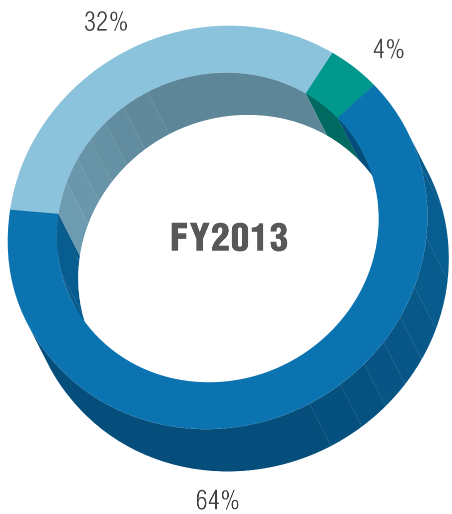


NET PROFIT (S$'MIL)



REVENUE CONTRIBUTED BY SEGMENT FY: FINANCIAL YEAR ENDED 30 JUNE





MAINTENANCE SERVICES
PROJECT SERVICES
CONTACT CENTRE 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.
- **100%** Hai Leck Overseas Investments Pte. Ltd.
  - **90%** Hai Leck Engineering Saudi Arabia Limited
- **100%** United Holding (1975) Pte. Ltd.
  - **100%** Tele-centre Services Pte Ltd
- **100%** Hai Leck Integrated Services Pte. Ltd.
- **100%** Hai Leck Services Pte. Ltd.

BOARD OF DIRECTORS

top row, from left: Ms Cheng Li Chen, Ms Cheng Li Hui, PBM, Dr Low Seow Chay, Mr Chee Teck Kwong Patrick, PBM
bottom row, from left: Mr Cheng Yao Tong, Mr Cheng Buck Poh @ Chng Bok Poh, BBM, Mr Tan Sim Cheng, JP, BBM

MR CHENG BUCK POH @ CHNG BOK POH, BBM

is our founder and Executive Chairman. Appointed to the Board on 12 September 1998, Mr Cheng is responsible for charting and reviewing corporate directions and strategies for the Group. He has more than 30 years of experience in the industry and has led the Management in pursuing the Group's mission and objectives.

Mr Cheng Buck Poh's total shareholdings in the Company is 340,932,500 shares representing 84.67%*.

MR TAN SIM CHENG, JP, BBM

is our Non-Executive Deputy Chairman and Lead Independent Director and was appointed to the Board on 5 June 2008 as an Independent Director. Currently he sits on the Board of Directors of SKF Asia Pacific Pte. Ltd. (since 1973) and Kidney Dialysis Foundation Ltd. (since 2006). He brings more than 40 years of experience in finance, administration and human resource to the Group. Mr Tan obtained his Bachelor in Accountancy from the University of Singapore in 1969 and is a Fellow Member of the Institute of Singapore Chartered Accountants.

Mr Tan Sim Cheng's total shareholdings in the Company is 187,500 shares.*

MR CHENG YAO TONG

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

MS CHENG LI HUI, PBM

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

MS CHENG LI CHEN

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

DR LOW SEOW CHAY

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

Dr Low Seow Chay's total shareholdings in the Company is 613,000 shares.*

MR CHEE TECK KWONG PATRICK, PBM

was appointed as an Independent Director on 5 June 2008. Mr Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. He has been admitted as a Solicitor of the Senior Courts of England and Wales. Since 1980, he has been an advocate and solicitor of the Supreme Court of the Republic of Singapore. He is now practicing as a Senior Legal Consultant with KhattarWong LLP. Mr Chee is a Notary Public and a Commissioner for Oaths and a member of Singapore Institute of Arbitrators and Singapore Institute of Directors. He also sits on the Board of other listed companies: CSC Holdings Limited, China International Holdings Limited, Hanwell Holdings Limited, Hengxin Technology Limited, Ramba Energy Limited, and Tat Seng Packaging Group Limited.

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

Mr Patrick Chee's total shareholdings in the Company is 125,000 shares.*

* For more details, please refer to page 32 of the Directors' Report.

SENIOR MANAGEMENT

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

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

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

MANAGEMENT

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

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

MISS CHENG WEE LING is the General Manager of Tele-centre Services Pte Ltd. She has been with the company for 11 years and is responsible for directing the various departments to ensure the smooth running of the company. She holds a Degree in Business Administration from the Royal Melbourne Institute of Technology, Australia.

CORPORATE INFORMATION

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

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

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

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

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

COMPANY SECRETARY
Chew Kok Liang

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

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50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

PRINCIPAL BANKERS
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Standard Chartered Bank
6 Battery Road
Singapore 049909

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

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

Partner-in-charge:
Michael Sim Juat Quee
Appointed since financial year ended 30 June 2010

CORPORATE GOVERNANCE
AND FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and Management of Hai Leck Holdings Limited (the "Company", together with its subsidiaries, the "Group") places great importance on high standard of corporate conduct to uphold good corporate governance.

This commitment and continuous support of the Code of Corporate Governance, which was revised in May 2012 (the "Code"), can be seen from the efforts of the Board and Management to promote and maintain values that emphasize transparency, accountability, integrity and proper conduct at all times, in the business operations and dealings of the Group so as to create value for its stakeholders and safeguard the Group's assets.

1. BOARD MATTERS

1.1 The Board's Conduct of Affairs

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

The 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 entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- Monitoring and reviewing Management's performance and providing guidance and advice to the Management;
- Overseeing the evaluation of the adequacy of internal controls, risks management, financial reporting and compliance, and satisfy itself as to the sufficiency of such processes;
- Setting of the Company's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met;
- Considering sustainability issues, such as environmental and social factors, as part of its strategic formulation; and
- Being responsible for the corporate governance framework of the Group.

The Board provides shareholders with a balanced and clear assessment of the Group's performance, position and prospects on a quarterly basis. All Directors have objectively discharged their duties and responsibilities at all times as fiduciaries in the interests of the Company.

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.

CORPORATE GOVERNANCE REPORT

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

The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends, acceptance of bank facilities, the release of the Group's quarterly, half year and full year financial results and interested person transactions of a material nature. The Board ensures that new directors are familiarised with the Group's businesses and corporate governance practices upon their appointments, to facilitate the effective discharge of their duties.

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

		Board Committees		
	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
No. of meetings held	**5**	**4**	**1**	**1**
Name of Directors	**No. of meetings attended**			
Mr Cheng Buck Poh @ Chng Bok Poh	5	4*	1*	1*
Mr Cheng Yao Tong	4	3*	1*	1*
Ms Cheng Li Hui	5	4*	1*	1*
Ms Cheng Li Chen	5	3*	–	–
Mr Tan Sim Cheng	5	4	1	1
Dr Low Seow Chay	5	4	1	1
Mr Chee Teck Kwong Patrick	5	4	1	1

* By invitation

Newly appointed Directors will be given letters explaining the terms of their appointment as well as their duties and obligations and will also be given briefings by the Management on the Company's business activities and its strategic directions. The Management will monitor new laws, regulations and commercial developments and will keep the Board informed accordingly. The Directors are encouraged to attend appropriate or relevant courses, conferences and 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 of any developments of relevant new laws and regulations which have an important bearing on the Group and the Directors' obligations to the Group, from time to time.

CORPORATE GOVERNANCE REPORT

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

1.2 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

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

The Board is able to exercise objective judgment independently from the Management and no individual or small group of individuals dominate the decisions of the Board. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decisions without any individual influencing or dominating the decision making process.

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

The Independent Directors also communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives and the remuneration of the Executive Directors and senior management. The Independent Directors constructively challenge and help develop proposals and strategies; review the performance of the Management in meeting agreed goals and objectives and

CORPORATE GOVERNANCE REPORT

monitor the reporting of performance. When necessary, the Company co-ordinates informal meetings for non-executive and independent directors to meet without the presence of the executive directors and/or Management.

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 between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear division of responsibilities at the top Management, with clearly defined lines of responsibility between the Board and executive functions of the management of the 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 (the "Chairman") and Mr Cheng Yao Tong is our CEO. Mr Cheng Yao Tong is Mr Cheng Buck Poh @ Chng Bok Poh's son.

The Chairman is responsible for the charting and reviewing of the corporate directions and strategies for the Group. He is also responsible for, among others, the exercise of control over quantity, quality and timeliness of information flow between the Management and the Board. He, with the assistance of the Company Secretary or his representatives, ensures that the Board receives accurate, timely and clear information and there is effective communication with shareholders of the company. He further ensures that the Board meetings are held as and when necessary and sets the Board's meeting agenda. He assists in ensuring compliance with the Group's guidelines on corporate governance and facilitating the effective contribution of the Non-Executive Directors. The Chairman also encourages constructive relations, mutual respect and trust within the Board and between the Board and Management and facilitates 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 the sales and marketing of the Group's business.

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

The Company has also appointed Mr Tan Sim Cheng, our Non-Executive Deputy Chairman and Lead Independent Director pursuant to the recommendation in Guideline 3.3 of the Code. The lead serves as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer have failed to resolve or for which such contact is inappropriate.

CORPORATE GOVERNANCE REPORT

1.4 Board Membership

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

The Company has established 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 compromises entirely of Independent Directors and the members of the NC are:

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

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

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

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

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

(iii) determining annually the independence of each Director;

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

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

(vi) assessing the effectiveness of the Board and its Board Committees; and

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

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

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

CORPORATE GOVERNANCE REPORT

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

Name of Director	Date of initial appointment	Date of last re-election/ reappointment
Mr Cheng Buck Poh @ Chng Bok Poh Executive Chairman	12 September 1998	22 October 2013
Mr Tan Sim Cheng Non-Executive Deputy Chairman and Lead Independent Director	5 June 2008	22 October 2013
Mr Cheng Yao Tong Chief Executive Officer	3 January 2012	22 October 2012
Ms Cheng Li Hui Deputy Chief Executive Officer	11 May 2010	22 October 2013
Ms Cheng Li Chen Non-Executive Director	17 October 2007	22 October 2012
Dr Low Seow Chay Independent Director	5 June 2008	22 October 2011
Mr Chee Teck Kwong Patrick Independent Director	5 June 2008	22 October 2011

Despite some of the Directors having multiple board representations, the NC is satisfied that these directors are able to and have adequately carried out their duties as Directors of the Company, after taking into the consideration the number of listed company board representations and other principal commitments. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

The Articles 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 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 nominations of the retiring Directors who have given their consents for re-election at the forthcoming AGM of the Company. The retiring Directors are Dr Low Seow Chay and Mr Chee Teck Kwong Patrick, who will retire pursuant to Article 93 of the Company. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation and any other factors as may be determined by the NC.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of his re-nomination as a director.

CORPORATE GOVERNANCE REPORT

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

1.5 Board Performance

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

The 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 and its Board Committees. 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 the collective appraisal of the Board, each Director assesses the Board's performance as a whole and its Board Committees and provides the feedback to the NC. In reviewing the Board's effectiveness as a whole and its Board Committees, 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 and its Board Committees in achieving strategic objectives. The NC has decided unanimously, that the directors will not be evaluated individually but factors taken into consideration for the re-nomination are the extent of their attendance, participation and contributions in the proceedings of the meetings.

The NC, in considering the re-appointment of any director, had considered the attendance records for the meetings of the Board and its Board committees, the intensity of participation at meetings, the quality of contributions to the development of strategy, the degree of preparedness, industry and business knowledge and experience each Director possesses, which are crucial to the Group's business. The selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

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

CORPORATE GOVERNANCE REPORT

1.6 Access to Information

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

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

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

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings 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 Company has established a RC 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 RC compromises entirely of Independent Directors and the members of the RC are:

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

The RC, in considering the remuneration of all directors, has not sought external advice nor appointed remuneration consultants for the financial year ended 30 June 2014.

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

2.2 Level and Mix of Remuneration

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

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

CORPORATE GOVERNANCE REPORT

The Independent and Non-Executive Directors receive Directors' fees, in accordance with their contribution, taking into account factors such as effort, time spent, responsibilities of the Directors and the necessity to pay competitive fees to attract, motivate and retain such Independent and Non-Executive Directors. Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

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

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

2.3 Disclosure on Remuneration

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

The breakdown of remuneration of the Directors of the Company, in percentage terms showing the level and mix, for the financial year ended 30 June 2014 falling within the broad bands are set out below:

The Board believes that it is for the benefit of the Company and the Group that the remuneration of the directors and the top executives (who are not directors of the Company) is kept confidential, due to its sensitive nature and the Company's concern over poaching of these executives by competitors.

Name of Directors	Salary %	Variable Bonus %	Fees %	Benefits %	Total %
$500,000 – $750,000					
Mr Cheng Buck Poh @ Chng Bok Poh	52	48	–	–	100
$250,000 – $500,000					
Mr Cheng Yao Tong	49	49	–	2	100
Ms Cheng Li Hui	60	40	–	–	100
Below $250,000					
Ms Cheng Li Chen	–	–	100	–	100
Mr Tan Sim Cheng	–	–	100	–	100
Dr Low Seow Chay	–	–	100	–	100
Mr Chee Teck Kwong Patrick	–	–	100	–	100

CORPORATE GOVERNANCE REPORT

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 management personnel of the Group (who are not Directors), in percentage terms showing the level and mix, for the financial year ended 30 June 2014 are set out below:

Top 3 Management Personnel of the Group

Names	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
$250,000 – $499,999				
Mr Choo Yoon Kow	87	10	3	100
Below $250,000				
Mr Yow Hon Meng, Jason	95	4	1	100
Ms Goh Mui Ling, Joyce	88	12	–	100

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

Our CEO, Mr Cheng Yao Tong, our Deputy Chief Executive Officer, Ms Cheng Li Hui, our Non-Executive Director, Ms Cheng Li Chen are the children of Mr Cheng Buck Poh @ Chng Bok Poh. In addition, Ms Cheng Wee Ling, the GM of Tele-Centre Services Pte Ltd is the daughter of Mr Cheng Buck Poh @ Chng Bok Poh.

Names	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Below $100,000				
Ms Cheng Wee Ling	86	14	–	100

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$50,000 during the financial year ended 30 June 2014. ("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 and will consider it as and when it deemed necessary.

CORPORATE GOVERNANCE REPORT

3. ACCOUNTABILITY AND AUDIT

3.1 Accountability

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

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

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

The Management is responsible 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.

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

3.2 Risk Management and Internal Controls

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

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

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

In the financial year ended 30 June 2014, the AC, together with Management and RSM Ethos Pte Ltd, ("RSM") has been reviewing and discussing an Enterprise Risk Management (ERM) programme. This ERM programme will identify, prioritise, assess, manage and monitor key risks. The risk management process in place covers, *inter alia*, financial, operational (including information technology) and compliance risks faced by the Group, as well as assess its risk management systems. RSM has been engaged to assist in enhancing

CORPORATE GOVERNANCE REPORT

the ERM programme over the identification, prioritisation, assessment, management and monitoring of key risks. The AC will review the adequacy and effectiveness of the ERM programme against leading industry practices and significant risks vis-a-vis changes in the operating environment.

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

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

The Board has received assurances from the Executive Directors, the Chief Executive Officer and the Chief Financial Officer ("CFO") of the Company that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are sufficiently effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the Board with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls and risk management procedures are adequate in addressing the financial, operational (including information technology) and compliance risks of the Group.

3.3 Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xiii) to review interested person transactions in accordance with the requirements of the Listing Manual of the 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 co-operation 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.

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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 and the internal 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 2014 were S$137,500 and S$10,000 respectively.

The Company has complied with Rules 715 of the Listing Manual of the SGX-ST as all principal subsidiaries of the Company are audited by 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, given the size and complexity of the Group. Accordingly, the AC is satisfied that Rule 712 of the Listing Manual of the SGX-ST is complied with and has recommended the Board that Messrs Ernst & Young LLP be nominated for re-appointment as external auditors at the forthcoming AGM of the Company.

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.

3.4 Internal Audit

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

The Company had outsourced it internal audit functions to the independent internal auditors ("IA"), Messrs RSM Ethos Pte. Ltd. for the financial year ended 30 June 2014. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The IA reviews the effectiveness of key internal controls in accordance with the internal audit plan and presents the internal audit reports to

CORPORATE GOVERNANCE REPORT

the Board. The IA has a direct and primary reporting line to the AC and assists the AC in overseeing and monitoring the implementation and improvements required on internal control weaknesses identified.

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

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

4.1 Shareholder Rights

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

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.

All the shareholders of the Company receive annual reports together with the notice of Annual General Meeting ("AGM") by post, published in a newspaper and via SGXNet within the mandatory period. Besides that, all shareholders also will receive the relevant circular together with the notice of Extraordinary General Meeting ("EGM") by post, published in a newspaper and via SGXNet. Accompanying the notice of AGM and EGM, a copy of the proxy form is attached for the shareholders, so that the shareholders may appoint maximum of up to two proxies to attend, vote and question the Board and Management, for an on behalf of the shareholders who are not able to attend the general meetings personally.

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

4.2 Communications with Shareholders

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

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

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

- Results 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

CORPORATE GOVERNANCE REPORT

- Company's general meetings.

The Company does not practice selective disclosure, price sensitive information is first publicly released through SGX-Net prior to the Company meeting with any investors or analysts. All shareholders of the Company will receive the Annual Report with notice of AGM.

4.3 Conduct of Shareholder Meetings

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

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

The Board also notes that there should be a separate resolution on each substantially separate issue that is to be tabled at the general meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company prepares minutes of general meetings relating to the agenda of the meeting. These minutes are available to shareholders upon their request.

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

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

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

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 2014.

7. INTERESTED PERSON TRANSACTIONS

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

There are no interested person transactions above S$100,000 for the year ended 30 June 2014.

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, to ensure that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC.

Information relating to the significant risk management policies are set out on pages 94 to 98 of this Annual Report.

9. UTILISATION OF WARRANT ISSUE PROCEEDS

2012 Warrants

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

In accordance with the announcement released on 4 January 2014, the Group had applied S$0.5 million of the proceeds for business expansion and S$3.4 million as working capital.

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From 7 January 2013 to 30 June 2014, 77,546,500 warrants were exercised for 77,546,500 ordinary shares.

The Group has raised net proceeds of about $10.1 million, which has been used to acquire property, plant and equipment for business expansion.

2013 Warrants

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

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 with an additional 30 years, commencing 1 August 1993
47 Tuas View Circuit Singapore 637357	Warehousing and office premises	24,161/11,683	30 years commencing 15 December 2007, subject to terms ad condition 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	Warehousing and office premises	33,868/10,907	28 years and 7 months commencing 1 May 1997 to 31 December 2025

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Hai Leck Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2014.

Directors

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

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

Arrangements to enable Directors to acquire shares and debentures

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares, warrants and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 an interest in shares and warrants of the Company, as stated below:

	Direct interest as at			Deemed interest as at		
Name of Director	**1 July 2013**	**30 June 2014**	**21 July 2014**	**1 July 2013**	**30 June 2014**	**21 July 2014**
The Company						
Ordinary shares						
Cheng Buck Poh @ Chng Bok Poh	147,946,000	184,932,500	184,932,500	124,800,000	156,000,000	156,000,000
Low Seow Chay	541,000	541,000	541,000	72,000	72,000	72,000
Tan Sim Cheng	125,000	125,000	125,000	–	–	–
Chee Teck Kwong Patrick	125,000	125,000	125,000	–	–	–

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

DIRECTORS' REPORT

Directors' interests in shares, warrants and debentures (Continued)

	Direct interest as at			Deemed interest as at		
Name of Director	**1 July 2013**	**30 June 2014**	**21 July 2014**	**1 July 2013**	**30 June 2014**	**21 July 2014**
The Company						
Warrants to subscribe for ordinary shares						
2012 Warrants[1]						
Cheng Buck Poh @ Chng Bok Poh	36,986,500	–	–	31,200,000	–	–
2013 Warrants[2]						
Cheng Buck Poh @ Chng Bok Poh	–	92,466,250	92,466,250	–	78,000,000	78,000,000
Low Seow Chay	–	270,500	–	–	36,000	–
Tan Sim Cheng	–	62,500	62,500	–	–	–
Chee Teck Kwong Patrick	–	62,500	62,500	–	–	–

1 The Company's 2012 Warrants were issued on 7 January 2013.
2 The Company's 2013 Warrants were issued on 16 May 2014.

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

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that Cheng Buck Poh @ Chng Bok Poh, Cheng Yao Tong and Cheng Li Hui have employment relations with the subsidiary companies, and Cheng Li Chen has contractual relations as a consultant with subsidiary companies. They have received remuneration in those capacities. In addition, Cheng Li Chen and Cheng Li Hui have entered into lease agreements with a subsidiary company to rent two residential properties to house the subsidiary company's employees.

Share options

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

DIRECTORS' REPORT

Warrants

On 14 May 2014, the Company completed the renounceable non-underwritten rights issue of 200,990,250 warrants ("2013 Warrants") at an issue price of $0.001 for each 2013 Warrant for cash, on the basis of one (1) 2013 Warrant for every two (2) existing ordinary shares in the capital of the Company held by the entitled shareholders as at the books closure date, fractional entitlements to be disregarded. Each 2013 Warrant entitles the holder to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of $0.33 per share.

The 200,990,250 2013 Warrants allotted were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 May 2014. The New Shares will rank *pari passu* in all respects with the existing ordinary shares of the Company. The New Shares arising from the exercise of the 2013 Warrants will be listed and quoted on the Official List of SGX-ST.

These 2013 Warrants will expire on 13 May 2019.

Audit Committee

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

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

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

The AC met with the external auditors to discuss the results of their audit. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2014, as well as the external auditor's report thereon.

The AC held 4 meetings during the financial year ended 30 June 2014.

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.

DIRECTORS' REPORT

Auditor

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

On behalf of the Board of Directors,

Cheng Buck Poh @ Chng Bok Poh
Director

Cheng Yao Tong
Director

Singapore
15 September 2014

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 2014, 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
15 September 2014

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAI LECK HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Hai Leck Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2014, the statements of changes in equity of the Group and the Company, and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAI LECK HOLDINGS LIMITED

Report on the Financial Statements (Continued)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
15 September 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group	
		2014	**2013**
		$'000	**$'000**
Revenue	3	**135,409**	143,074
Cost of sales		**(68,602)**	(90,357)
Gross profit		**66,807**	52,717
Other income	4	**1,151**	4,655
Distribution and selling expenses		**(675)**	(1,107)
Administrative expenses		**(42,111)**	(35,202)
Other expenses		**(5,118)**	(5,344)
Interest expense	7	**(1)**	(1)
Profit before taxation	5	**20,053**	15,718
Taxation	8	**(2,633)**	(1,725)
Profit for the year		**17,420**	13,993
Attributable to:			
Equity holders of the Company		**17,420**	13,993
Earnings per share			
Basic (cents)	9	**4.4**	4.3
Fully diluted (cents)	9	**4.3**	4.1

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 2014

	Group	
	2014	**2013**
	$'000	**$'000**
Profit net of tax	**17,420**	13,993
Other comprehensive income, net of tax:		
Items that may be reclassified to profit and loss		
Net charge in fair value of available-for-sale financial assets	**–**	(32)
Transfer to profit and loss account on redemption of investment	**–**	(200)
Net effect of exchange differences	**(233)**	7
Total comprehensive income for the year	**17,187**	13,768
Total comprehensive income attributable to:		
Equity holders of the Company	**17,187**	13,768

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

BALANCE SHEETS

AS AT 30 JUNE 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	10	**48,562**	39,885	**345**	–
Investments in subsidiary companies	11	**–**	–	**36,757**	30,957
Intangible assets	13	**260**	293	**–**	–
Loans due from subsidiary companies	17	**–**	–	**19,561**	21,961
Customer retention		**410**	5,873	**–**	–
Deposits		**–**	74	**–**	–
		49,232	46,125	**56,663**	52,918
Current assets					
Inventories	14	**2,065**	794	**–**	–
Trade receivables	15	**32,462**	30,199	**–**	–
Other receivables and deposits	16	**1,819**	1,888	**78**	–
Prepayments		**1,599**	799	**17**	9
Customer retention		**7,502**	–	**–**	–
Amounts due from subsidiary companies (trade)	18	**–**	–	**1,593**	2,262
Other investments	19	**189**	200	**–**	–
Gross amount due from customers for contract work-in-progress	20	**–**	1,376	**–**	–
Fixed deposits pledged	21	**366**	366	**–**	–
Cash and cash equivalents	21	**57,633**	60,790	**26,816**	29,905
		103,635	96,412	**28,504**	32,176
Current liabilities					
Trade and other payables	22	**21,204**	24,576	**1,115**	1,010
Advances from customers		**417**	838	**–**	–
Supplier retention		**1,055**	–	**–**	–
Amount due to a subsidiary company (non-trade)	18	**–**	–	**22**	16
Gross amount due to customers for contract work-in-progress	20	**–**	2,600	**–**	–
Provision for foreseeable losses	23	**1,400**	–	**–**	–
Provision for warranty	24	**2,992**	2,326	**–**	–
Provision for taxation		**2,966**	2,871	**–**	221
		30,034	33,211	**1,137**	1,247
Net current assets		**73,601**	63,201	**27,367**	30,929
Non-current liabilities					
Other payables		**–**	51	**–**	–
Suppliers retention		**–**	1,758	**–**	–
Deferred taxation	25	**1,832**	1,728	**20**	–
		1,832	3,537	**20**	–
Net assets		**121,001**	105,789	**84,010**	83,847
Equity attributable to equity holders of the Company					
Share capital	26(a)	**62,785**	48,859	**62,785**	48,859
Treasury shares	26(b)	**(160)**	(160)	**(160)**	(160)
Accumulated profits		**57,728**	52,353	**20,176**	30,083
Capital reserve	27	**1,209**	5,065	**1,209**	5,065
Foreign currency translation reserve	28	**(561)**	(328)	**–**	–
Total equity		**121,001**	105,789	**84,010**	83,847

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 2014

Group	Attributable to equity holders of the Company							
	Share capital (Note 26(a)) $'000	Treasury shares (Note 26(b)) $'000	Accumulated profits $'000	Capital reserve (Note 27) $'000	Fair value reserve $'000	Foreign currency translation reserve (Note 28) $'000	Total reserves $'000	Total equity $'000
Balance at 1 July 2013	48,859	(160)	52,353	5,065	–	(328)	56,930	105,789
Profit for the year	–	–	17,420	–	–	–	17,420	17,420
Other comprehensive income for the year	–	–	–	–	–	(233)	(233)	(233)
Total comprehensive income for the year	–	–	17,420	–	–	(233)	17,187	17,187
Contributions by and distributions to owners								
Issuance of ordinary shares	13,926	–	–	(3,869)	–	–	(3,869)	10,057
Issuance of warrants	–	–	–	201	–	–	201	201
Expenses incurred for new warrants	–	–	–	(188)	–	–	(188)	(188)
Dividend on ordinary shares (Note 29)	–	–	(12,045)	–	–	–	(12,045)	(12,045)
Balance at 30 June 2014	62,785	(160)	57,728	1,209	–	(561)	58,216	121,001

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 2014

Group	Attributable to equity holders of the Company							
	Share capital (Note 26(a)) $'000	Treasury shares (Note 26(b)) $'000	Accumulated profits $'000	Capital reserve (Note 27) $'000	Fair value reserve $'000	Foreign currency translation reserve (Note 28) $'000	Total reserves $'000	Total equity $'000
Balance at 1 July 2012	48,826	(160)	38,360	1,156	232	(335)	39,253	88,079
Profit for the year	–	–	13,993	–	–	–	13,993	13,993
Other comprehensive income for the year	–	–	–	–	(232)	7	(225)	(225)
Total comprehensive income for the year	–	–	13,993	–	(232)	7	13,768	13,768
Contributions by and distributions to owners								
Issuance of ordinary shares	33	–	–	(9)	–	–	(9)	24
Issuance of Warrants	–	–	–	4,056	–	–	4,056	4,056
Warrant issue expenses	–	–	–	(138)	–	–	(138)	(138)
Balance at 30 June 2013	48,859	(160)	52,353	5,065	–	(328)	56,930	105,789

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the Company				
Company	**Share capital (Note 26(a)) \$'000**	**Treasury shares (Note 26(b)) \$'000**	**Accumulated profits \$'000**	**Capital reserve (Note 27) \$'000**	**Total equity \$'000**
Balance at 1 July 2013	**48,859**	**(160)**	**30,083**	**5,065**	**83,847**
Profit for the year	**–**	**–**	**2,138**	**–**	**2,138**
Total comprehensive income for the year	**–**	**–**	**2,138**	**–**	**2,138**
Contributions by and distributions to owners					
Issuance of ordinary shares	**13,926**	**–**	**–**	**(3,869)**	**10,057**
Issuance of warrants	**–**	**–**	**–**	**201**	**201**
Expenses incurred for new warrants	**–**	**–**	**–**	**(188)**	**(188)**
Dividend on ordinary shares (Note 29)	**–**	**–**	**(12,045)**	**–**	**(12,045)**
Balance at 30 June 2014	**62,785**	**(160)**	**20,176**	**1,209**	**84,010**
Balance at 1 July 2012	48,826	(160)	16,428	1,156	66,250
Profit for the year	–	–	13,655	–	13,655
Total comprehensive income for the year	–	–	13,655	–	13,655
Contributions by and distributions to owners					
Issuance of ordinary shares	33	–	–	(9)	24
Issuance of warrants	–	–	–	4,056	4,056
Expenses incurred for new warrants	–	–	–	(138)	(138)
Balance at 30 June 2013	48,859	(160)	30,083	5,065	83,847

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 2014

	Note	Group	
		2014	**2013**
		$'000	**$'000**
Cash flows from operating activities			
Profit before taxation		**20,053**	15,718
Adjustments:			
Depreciation of property, plant and equipment	10	**5,073**	4,623
Realised return on redemption of investment	4	**–**	(200)
Amortisation of intangible assets	13	**33**	84
Gain on disposal of property, plant and equipment	4	**(73)**	(84)
Provision for foreseeable losses	23	**1,400**	–
Provision for warranty	24	**666**	573
Interest income	4	**(161)**	(79)
Interest expense	7	**1**	1
Unrealised exchange loss		**(226)**	7
Operating cash flows before working capital changes		**26,766**	20,643
(Increase)/decrease in:			
Customer retention, trade and other receivables and deposits and prepayments		**(4,959)**	(13,125)
Inventories		**(1,271)**	(375)
Gross amount due from/(to) customers for contract work-in-progress		**(1,224)**	2,494
Decrease in:			
Suppliers retention, trade and other payables and advances from customers		**(4,496)**	(92)
Cash generated from operations		**14,816**	9,545
Tax paid		**(2,434)**	(87)
Net cash flows generated from operating activities		**12,382**	9,458
Cash flows from investing activities			
Interest received	4	**161**	79
Purchase of property, plant and equipment	10	**(13,899)**	(2,428)
Purchase of intangible assets	13	**–**	(6)
Proceeds from disposal of property, plant and equipment		**175**	141
Proceeds from redemption of investment		**–**	1,000
Net cash flows used in investing activities		**(13,563)**	(1,214)
Cash flows from financing activities			
Net proceeds from exercise of warrants		**10,057**	24
Proceeds of issue of warrants		**201**	4,056
Expenses incurred for warrants		**(188)**	(138)
Interest paid	7	**(1)**	(1)
Repayment of finance lease obligations		**–**	(3)
Increase in fixed deposits pledged		**–**	(94)
Dividend paid	29	**(12,045)**	–
Net cash flows (used in)/generated from financing activities		**(1,976)**	3,844
Net (decrease)/increase in cash and cash equivalents		**(3,157)**	12,088
Cash and cash equivalents at the beginning of year		**60,790**	48,702
Cash and cash equivalents at end of year	21	**57,633**	60,790

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The principal activities of the Company are those of investment holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of the subsidiary companies are disclosed in Note 11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $). All values are rounded to the nearest thousand ($’000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 July 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	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
INT FRS 121 *Levies*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 110, FRS 111 and FRS 112: *Transition Guidance*	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27 *Investment Entities*	1 January 2014
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
– Amendment to FRS 102 *Share Based Payment*	1 July 2014
– Amendment to FRS 103 *Business Combinations*	1 July 2014
– Amendment to FRS 108 *Operating Segments*	1 July 2014
– Amendment to FRS 16 *Property, Plant and Equipment*	1 July 2014
– Amendment to FRS 24 *Related Party Disclosures*	1 July 2014
– Amendment to FRS 38 *Intangible Assets*	1 July 2014
Improvements to FRSs (February 2014)	
– Amendment to FRS 103 *Business Combinations*	1 July 2014
– Amendment to FRS 113 *Fair Value Measurement*	1 July 2014
– Amendment to FRS 40 *Investment Property*	1 July 2014
FRS 114 *Regulatory Deferral Accounts*	1 January 2016

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

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

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* 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 of 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 will adopt equity accounting, which will change the presentation of the investment in joint venture on the Group's balance sheet and its share of results on the statement of comprehensive income, but will have no impact on the net assets of the Group and the net profit attributable to equity holders of the Company.

FRS 112 Disclosure of Interests in Other Entities

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(i) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- *Impairment of loans and receivables*

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

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

  The carrying amount of the Group's and the Company's loans and receivables at the end of the reporting period is disclosed in Note 34.

- *Impairment of non-financial assets*

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

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

- *Project revenue*

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

  Significant judgement is required in determining the stage of completion, the extent of the project costs incurred, the estimated total project revenues and costs, including provision for rectification work and warranties post-completion as well as the recoverability of the project revenue and foreseeable losses. Total project revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making these judgements, management relies on past experience and knowledge of project specialists.

  Project revenue for the year ended 30 June 2014 was $86,930,000 (2013: $91,744,000) for the Group.

- *Depreciation of property, plant and equipment*

  The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 33 years. The carrying amount of the Group's property, plant and equipment at 30 June 2014 was $48,562,000 (2013: $39,885,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 2% (2013: 2%) variance in the Group's profit for the year.

- *Provision for warranty*

  Provision for warranty is recognised for expected warranty claims from painting works. Management has estimated the amount of provision based on their past experience and understanding of the historical trends of warranty claims and the warranty periods. It is expected that the provision will be utilised within the respective warranty periods. The Group provided $2,992,000 (2013: $2,326,000) of provisions for warranty as at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Significant accounting estimates and judgements (Continued)

(ii) Judgements made in applying accounting policies

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

- *Income taxes*

  The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 30 June 2014 were $2,966,000 (2013: $2,871,000) and $1,832,000 (2013: $1,728,000) respectively.

2.5 Foreign currency

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

(i) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency (Continued)

(i) Transactions and balances *(Continued)*

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

(ii) Consolidated financial statements

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

2.6 Basis of consolidation and business combinations

(i) Basis of consolidation

Basis of consolidation from 1 July 2009

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(i) Basis of consolidation *(Continued)*

Basis of consolidation from 1 July 2009 (Continued)

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

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

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

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

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

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

Basis of consolidation prior to 1 July 2009

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(ii) Business combinations

Business combinations from 1 July 2009

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

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

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

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

Business combinations prior to 1 July 2009

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Basis of consolidation and business combinations (Continued)

(ii) Business combinations *(Continued)*

Business combinations prior to 1 July 2009 (Continued)

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

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

2.7 Subsidiary companies

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

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

2.8 Joint venture

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Joint venture (Continued)

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

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

2.9 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

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 – 4
Scaffolding materials	20 or over project duration*
Machineries	10
Motor vehicles	20
Office equipment	10
Workshop tools and equipment	20 – 33
Trucks, cranes and forklifts	20
Computers	33 – 100
Electrical appliances, air-conditioners, furniture and fittings and renovation	10 – 33

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

Improvements to leasehold premises are depreciated over the remaining life of the lease. Assets under construction included in property, plant and equipment are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

2.10 Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (Continued)

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

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

- ***Club memberships***

  Club memberships were acquired separately and are amortised on a straight-line basis over 7 to 30 years.

- ***Customer contracts***

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

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 of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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 generally cover 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss.

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.

2.12 Financial instruments

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(a) Financial assets *(Continued)*

Subsequent measurement (Continued)

(ii) Available-for-sale financial assets

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

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

Derecognition

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

Regular way purchase or sale of a financial asset

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

Financial liabilities at amortised cost

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

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.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

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

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

2.14 Cash and cash equivalents

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

2.15 Inventories

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

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

- Finished goods – costs are assigned on a first-in, first-out basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Contract work-in-progress

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

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

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

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

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

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

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

General

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

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

Warranty provisions

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

2.18 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(i) Employee leave entitlement

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

2.22 Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue

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

(i) Project revenue

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

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

(ii) Revenue from sale of goods/services rendered

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

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

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes

(i) Current income tax

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

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

(ii) Deferred tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(ii) Deferred tax *(Continued)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Taxes (Continued)

(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 36, 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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	
	2014	**2013**
	$'000	**$'000**
Project revenue	**86,930**	91,744
Maintenance revenue	**42,205**	46,019
Contact centre services	**6,274**	5,311
	135,409	143,074

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER INCOME

	Group	
	2014	2013
	$'000	$'000
Interest income		
– fixed deposits	**153**	75
– others	**8**	4
Gain on disposal of property, plant and equipment	**73**	84
Write back of allowance for doubtful receivables	**–**	1,605
Rental income	**57**	389
Test-centre income	**26**	29
Income from project management services provided to sub-contractors	**806**	861
Waiver of directors' bonus entitlements	**–**	1,389
Realised return on redemption of investment	**–**	200
Others	**28**	19
	1,151	4,655

5. PROFIT BEFORE TAXATION

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

	Group	
	2014	2013
	$'000	$'000
Audit fees:		
– Auditors of the Company	**131**	136
– Other auditors	**2**	3
Non-audit fees:		
– Auditors of the Company	**10**	10
Depreciation of property, plant and equipment (Note 10)	**5,073**	4,623
Amortisation of intangible assets (Note 13)	**33**	84
Employee benefits (Note 6)	**49,577**	45,290
Repair and maintenance	**526**	464
Rental expenses	**8,141**	6,524
Travelling expenses and transport charges	**1,769**	1,390
Telecommunication charges	**432**	455
Utility charges	**553**	688
Foreign exchange gain/(loss), net	**27**	97
Provision for warranty (Note 24)	**666**	573

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE BENEFITS

	Group	
	2014	**2013**
	$'000	**$'000**
Employee benefits expense (including Executive Directors)		
Wages, salaries, bonuses	**40,991**	37,812
Central Provident Fund contributions	**1,618**	1,425
Others	**6,968**	6,053
	49,577	45,290

Employee benefits include the amount of Directors' remuneration as disclosed in Note 30(b).

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

7. INTEREST EXPENSE

	Group	
	2014	**2013**
	$'000	**$'000**
Interest expense		
– Hire purchase	**–**	1
– Others	**1**	–
	1	1

8. TAXATION

	Group	
	2014	**2013**
	$'000	**$'000**
Current taxation		
– Current year	**2,008**	2,216
– Under/(over)provision in respect of prior years	**521**	(578)
Deferred taxation		
– Origination and reversal of temporary differences	**703**	(373)
– (Over)/under provision in respect of prior year	**(599)**	460
Tax expense	**2,633**	1,725

NOTES TO THE FINANCIAL STATEMENTS

8. TAXATION (CONTINUED)

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

	Group	
	2014	2013
	$'000	$'000
Profit before income tax	**20,053**	15,718
Tax at Singapore statutory tax rate of 17% (2013: 17%)	**3,409**	2,672
Adjustments:		
– Effect of partial tax exemption and tax incentives	**(1,640)**	(726)
– Non-deductible expenses in determining taxable income	**420**	125
– Income not subject to tax	**(18)**	(213)
– Deferred tax assets not recognised	**158**	–
– Over provision in respect of prior years' taxation	**(78)**	(118)
– Effect of different tax rates in foreign jurisdictions	**107**	61
– Others	**275**	(76)
	2,633	1,725

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.

NOTES TO THE FINANCIAL STATEMENTS

9. EARNINGS PER SHARE (CONTINUED)

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 2014 and 2013:

	Group	
	2014	**2013**
	$'000	**$'000**
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	**17,420**	13,993
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**400,210**	324,476
Effects of dilution:		
– warrants ('000)	**2,968**	13,513
Weighted average number of ordinary shares adjusted for dilution ('000)	**403,178**	337,989

Since the end of the year, 597,000 units of 2012 warrants and 92,000 units of 2013 warrants have been exercised to acquire 689,000 new ordinary shares in the Company. There has been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statement.

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold premises $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Workshop tools and equipment $'000	Trucks, cranes and forklifts $'000	Computers $'000	Electrical appliances, air-conditioners, furniture and fittings and renovation $'000	Assets under construction $'000	Total $'000
Cost										
At 1 July 2012	33,419	41,207	3,606	1,299	2,856	6,901	1,515	1,263	46	92,112
Additions	34	723	77	210	154	–	110	326	794	2,428
Disposals	–	(142)	(234)	(42)	(25)	–	–	(276)	–	(719)
At 30 June 2013 and 1 July 2013	33,453	41,788	3,449	1,467	2,985	6,901	1,625	1,313	840	93,821
Additions	3,333	2,514	901	111	435	411	408	115	5,671	13,899
Disposals	–	(62)	(285)	(50)	(21)	(292)	–	(285)	–	(995)
Transfers	117	–	–	–	–	–	–	–	(117)	–
Translation adjustments	(3)	–	–	–	–	–	–	–	–	(3)
At 30 June 2014	**36,900**	**44,240**	**4,065**	**1,528**	**3,399**	**7,020**	**2,033**	**1,143**	**6,394**	**106,722**

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold premises $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Workshop tools and equipment $'000	Trucks, cranes and forklifts $'000	Computers $'000	Electrical appliances, air-conditioners, furniture and fittings and renovation $'000	Assets under construc-tion $'000	Total $'000
Accumulated depreciation										
At 1 July 2012	5,172	32,726	2,381	491	2,419	4,689	1,291	806	–	49,975
Depreciation charge for the year	1,110	1,415	464	138	217	962	245	72	–	4,623
Disposals	–	(142)	(187)	(36)	(21)	–	–	(276)	–	(662)
At 30 June 2013 and 1 July 2013	6,282	33,999	2,658	593	2,615	5,651	1,536	602	–	53,936
Depreciation charge for the year	1,590	1,396	449	141	223	875	201	198	–	5,073
Disposals	–	(30)	(282)	(1)	(8)	(292)	–	(280)	–	(893)
Translation adjustments	–	–	44	–	–	–	–	–	–	44
At 30 June 2014	**7,872**	**35,365**	**2,869**	**733**	**2,830**	**6,234**	**1,737**	**520**	**–**	**58,160**
Net carrying value										
At 30 June 2014	**29,028**	**8,875**	**1,196**	**795**	**569**	**786**	**296**	**623**	**6,394**	**48,562**
At 30 June 2013	27,171	7,789	791	874	370	1,250	89	711	840	39,885

NOTES TO THE FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Motor vehicles	Computers	Total
	$	$	$
Cost			
At 1 July 2012, 30 June and 1 July 2013	–	–	–
Additions	124	248	372
At 30 June 2014	**124**	**248**	**372**
Accumulated depreciation and impairment losses			
At 1 July 2012, 30 June and 1 July 2013	–	–	–
Depreciation charge for the year	6	21	27
At 30 June 2014	**6**	**21**	**27**
Net carrying value			
At 30 June 2014	**118**	**227**	**345**
At 30 June 2013	–	–	–

11. INVESTMENTS IN SUBSIDIARY COMPANIES

These comprise:

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost	**38,757**	30,957
Impairment losses	**(2,000)**	–
	36,757	30,957

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group 2014 %	2013 %
Held by the Company				
Hai Leck Engineering (Private) Limited*	Oil & gas and chemical industries related construction and maintenance services	Singapore	**100**	100
Hai Leck Engineering & Construction Pte. Ltd.*	Engineered solutions and mechanical works	Singapore	**100**	100
Hai Leck Overseas Investments Pte. Ltd.*	Investment holding	Singapore	**100**	100
United Holding (1975) Pte. Ltd.*	Mixed construction activities and investment holding	Singapore	**100**	100
Hai Leck Integrated Services Pte. Ltd.*	Asset, business and management consultancy services	Singapore	**100**	100
Hai Leck Services Pte. Ltd.*	Asset management and consultancy services	Singapore	**100**	100
Industrial Services Pte. Ltd.*	Trading and contracting for thermal insulations, refractories and fire-protection for steel structures	Singapore	**100**	100
Tele-centre Services Pte Ltd*	Providing call centre services, telecommunications and information technology	Singapore	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group 2014 %	2013 %
Held by subsidiary companies				
Hai Leck (VN) Engineering Co., Ltd**	Oil & gas and chemical industries related construction and maintenance services	Vietnam	**100**	100
Hai Leck Corporation Sdn. Bhd.***	Oil & gas and chemical industries related construction and maintenance services	Malaysia	**100**	100
Hai Leck Engineering Saudi Arabia Limited+	Oil & gas and chemical industries related construction and maintenance services	Saudi Arabia	**90**	90

* Audited by Ernst & Young LLP, Singapore
** Audited by Audit & Informatic Services Company, Vietnam
*** Audited by Gow & Tan, Malaysia
\+ Not required to be audited by the law of the country of incorporation

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

During the year, Hai Leck Engineering & Construction Pte. Ltd. (“HLEC”) increased its issued and paid up capital from $200,000 to $4,000.000 by a further allotment of 3,800,000 ordinary shares at a consideration of $3,800,000. The aggregate consideration is satisfied by way of cash injection by the Company to HLEC.

During the year Hai Leck Integrated Services Pte. Ltd. (“HLIS”) and Hai Leck Services Pte. Ltd. (“HLS”) increased their issue and paid up capital from $2 to $2,000,000 each by a further allotment of 1,999,998 ordinary shares at a consideration of $1,999,998. The aggregate considerations are satisfied by way of capitalisation of the loans previously extended by the Company to HLIS and HLS as working capital.

NOTES TO THE FINANCIAL STATEMENTS

12. JOINT VENTURE

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

Details of the joint venture are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group 2014 %	2013 %
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:

	2014 $'000	2013 $'000
Joint venture		
Assets and liabilities:		
Current assets	**3,208**	2,940
Non-current assets	**870**	678
Total assets	**4,078**	3,618
Current liabilities	**630**	628
Non-current liabilities	**–**	51
Total liabilities	**630**	679
Results:		
Revenue	**4,632**	4,388
Profit for the year	**692**	321

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

	Club memberships $'000	Customer contracts $'000	Total $'000
Cost			
At 1 July 2012	403	271	674
Addition	6	–	6
At 30 June 2013 and 1 July 2013 and 30 June 2014	**409**	**271**	**680**
Accumulated amortisation			
At 1 July 2012	80	223	303
Amortisation for the year	36	48	84
At 30 June 2013 and 1 July 2013	116	271	387
Amortisation for the year	33	–	33
At 30 June 2014	**149**	**271**	**420**
Net carrying amount			
At 30 June 2014	**260**	**–**	**260**
At 30 June 2013	293	–	293

14. INVENTORIES

	Group	
	2014 $'000	2013 $'000
Raw materials	**30**	30
Finished goods	**2,035**	764
	2,065	794

During the year, inventories recognised as an expense in the income statement under cost of sales amounted to $10,483,000 (2013: $9,961,000) for the Group.

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE RECEIVABLES

	Group	
	2014	2013
	$'000	$'000
Trade receivables – external	**32,466**	30,436
Amount due from a joint venture (trade)	**522**	289
Less: Allowance for doubtful receivables	**(526)**	(526)
	32,462	30,199

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 $18,501,000 (2013: $6,955,000) that are past due at the end of the reporting period but not impaired. These debtors are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2014	2013
	$'000	$'000
Trade receivables past due for:		
– 1 – 30 days	**8,554**	3,096
– 31 – 60 days	**3,646**	2,174
– More than 60 days	**6,301**	1,685
	18,501	6,955

Receivables that are impaired

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

	Group	
	Individually impaired	
	2014	2013
	$'000	$'000
Trade receivables – nominal	**527**	527
Less: Allowance for doubtful receivables	**(526)**	(526)
	1	1

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE RECEIVABLES (CONTINUED)

	Group Individually impaired	
	2014 $'000	2013 $'000
Movement in allowance		
At beginning of the year	**526**	2,131
Charge for the year	**–**	–
Written back	**–**	(1,605)
At end of the year	**526**	526

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

In the previous financial year, the Group wrote-back $1,605,000 of allowance for doubtful receivables upon collection of these debts.

16. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Other receivables	**473**	758	**–**	–
Deposits	**1,551**	1,344	**–**	–
Tax recoverable	**34**	25	**78**	–
Less: Allowance for doubtful receivables				
– other receivables	**(239)**	(239)	**–**	–
	1,819	1,888	**78**	–

17. LOANS DUE FROM SUBSIDIARY COMPANIES

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

18. AMOUNTS DUE FROM SUBSIDIARY COMPANIES (TRADE) AMOUNT DUE TO A SUBSIDIARY COMPANY (NON-TRADE)

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

NOTES TO THE FINANCIAL STATEMENTS

19. OTHER INVESTMENTS

	Group	
	2014	2013
	$'000	$'000
Available-for-sale:		
Debentures (quoted), at fair value	**189**	200

Quoted debentures

The quoted debentures bear interest at 3.85% (2013: 3.85%) per annum and mature in 2014.

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

	Group	
	2014	2013
	$'000	$'000
This comprises:		
Aggregate project costs incurred and recognised profits to-date	–	65,760
Less: Progress billings	–	(66,984)
	–	(1,224)
Presented as:		
Gross amount due from customers for contract work-in-progress	–	1,376
Gross amount due to customers for contract work-in-progress	–	(2,600)
	–	(1,224)

NOTES TO THE FINANCIAL STATEMENTS

21. FIXED DEPOSITS PLEDGED CASH AND CASH EQUIVALENTS

Fixed deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fixed deposits of $366,000(2013: $366,000) are pledged by a subsidiary company to secure its banker's guarantee. Interest of fixed deposits is at rates ranging from 0.10% to 1.10% (2013: 0.10% to 1.10%) per annum, which are also the effective interest rates.

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash and bank balances	**36,189**	40,496	**7,235**	13,361
Fixed deposits	**21,810**	20,660	**19,581**	16,544
	57,999	61,156	**26,816**	29,905
Fixed deposits pledged with bank	**(366)**	(366)	**–**	–
Cash and cash equivalents	**57,633**	60,790	**26,816**	29,905

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables	**5,524**	11,131	**13**	–
Other payables	**3,599**	2,270	**50**	58
Accrued operating expenses	**12,081**	11,175	**1,052**	952
	21,204	24,576	**1,115**	1,010

Trade payables

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

Other payables

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

NOTES TO THE FINANCIAL STATEMENTS

23. PROVISION FOR FORESEEABLE LOSSES

The Group foresees that it will incur losses on certain contracts entered into during the year, and had provided for such foreseeable losses.

24. PROVISION FOR WARRANTY

	Group	
	2014	2013
	$'000	$'000
At beginning of year	**2,326**	1,753
Provided during the year	**666**	573
At end of the year	**2,992**	2,326

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

25. DEFERRED TAXATION

Deferred tax liabilities relate to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**2,428**	2,306	**122**	335
Fair value adjustments on acquisition of subsidiary companies	**–**	–	**–**	(28)
Deferred tax assets				
Provisions	**(596)**	(578)	**(18)**	(220)
Net deferred tax liabilities	**1,832**	1,728		
Deferred income tax expense			**104**	87

NOTES TO THE FINANCIAL STATEMENTS

26. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2014		2013	
	No. of shares ('000)	$'000	No. of shares ('000)	$'000
At beginning of the year	**325,283**	**48,859**	325,099	48,826
Issuance of ordinary shares upon exercise of warrants	**77,362**	**13,926**	184	33
At end of the year	**402,645**	**62,785**	325,283	48,859

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2014		2013	
	No. of shares ('000)	$'000	No. of shares ('000)	$'000
At beginning and end of the year	**640**	**160**	640	160

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

NOTES TO THE FINANCIAL STATEMENTS

27. CAPITAL RESERVE

2013 Warrants

On 14 May 2014, the Company completed the renounceable non-underwritten rights issue of 200,990,250 warrants ("2013 Warrants") at an issue price of $0.001 for each 2013 Warrant for cash, on the basis of one (1) 2013 Warrant for every two (2) existing ordinary shares in the capital of the Company held by the entitled shareholders as at the books closure date, fractional entitlements to be disregarded. Each 2013 Warrant entitles the holder to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of $0.33 per share.

The 200,990,250 2013 Warrants allotted were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 16 May 2014. The New Shares will rank *pari passu* in all respects with the existing ordinary shares of the Company. The New Shares arising from the exercise of the 2013 Warrants will be listed and quoted on the Official List of SGX-ST.

The value ascribed to the 2013 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 2013 Warrants are exercised.

The 2013 Warrants issued by the Company do not entitle the holders of the 2013 Warrants, by virtue of such holdings, to any right to participate in any share issue of any other subsidiary companies.

Since 16 May 2014, none of the 2013 Warrants were exercised. 200,990,250 2013 Warrants are outstanding.

2012 Warrants

On 28 December 2013, the Company completed the renounceable non-underwritten rights issue of 81,114,750 warrants ("2012 Warrants") at an issue price of $0.05 for each 2012 Warrant for cash, on the basis of one (1) 2012 Warrant for every four (4) existing ordinary shares in the capital of the Company held by the entitled shareholders as the books closure date, fractional entitlements to be disregarded. Each 2012 Warrant entitles the holder to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of $0.13 per share.

The 81,114,750 2012 Warrants allotted were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 9 January 2014. The New Shares will rank *pari passu* in all respects with the existing ordinary shares of the Company. The New Shares arising from the exercise of the 2012 Warrants will be listed and quoted on the Official List of SGX-ST.

NOTES TO THE FINANCIAL STATEMENTS

27. CAPITAL RESERVE (CONTINUED)

2012 Warrants (Continued)

The value ascribed to the 2012 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 2012 Warrants are exercised.

The 2012 Warrants issued by the Company do not entitle the holders of the 2012 Warrants, by virtue of such holdings, to any right to participate in any share issue of any other subsidiary companies.

During the year, 77,362,500 (2013: 184,000) 2012 Warrants were exercised to acquire 77,362,500 (2013: 184,000) new ordinary shares. As of 30 June 2014, 77,546,500 (2013: 184,000) Warrants have been exercised and 3,568,250 (2013: 80,930,750) Warrants were outstanding.

	Group and Company	
	2014	**2013**
	$'000	**$'000**
At beginning of the year	**5,065**	1,156
Issuance of warrants	**201**	4,056
Expenses incurred for new warrants	**(188)**	(138)
Transfer to share capital upon exercise of warrants	**(3,869)**	(9)
	1,209	5,065

28. 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	
	2014	**2013**
	$'000	**$'000**
At beginning of the year	**(328)**	(335)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(233)**	7
At end of the year	**(561)**	(328)

NOTES TO THE FINANCIAL STATEMENTS

29. DIVIDEND

	Group and Company	
	2014	2013
	$'000	$'000
Declared and paid during the year:		
Dividends on ordinary shares:		
– Tax exempt (one tier) final dividend paid in respect of the previous financial year of $0.02 (2013: $Nil) per ordinary share	**8,026**	–
– Tax exempt (one tier) interim dividend paid in respect of the current financial year of $0.01 (2013: $Nil) per ordinary share	**4,019**	–
	12,045	–
Proposed but not recognised as a liability as at 30 June:		
Dividends on ordinary shares, subject to shareholders' approval at AGM:		
– Tax exempt (one tier) final dividend paid in respect of the current financial year of $0.03 (2013: $0.02) per ordinary share	**12,079**	6,506

Tax consequences of proposed dividends

There are no income tax consequences (2013: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30. RELATED PARTY INFORMATION

(a) Commitments with related parties

A subsidiary company entered into agreements with Directors to lease dormitory housing for its employees. Lease payments recognised as an expense in income statement for the financial year ended 30 June 2014 amounted to $29,000 (2013: $2,000) for the Group. The Group expects the future lease payments to be $50,000 and $23,000 for the financial years ending 30 June 2015 and 2016 respectively.

(b) Compensation of key management personnel

	Group	
	2014	**2013**
	$'000	**$'000**
Central Provident Fund contributions	**117**	74
Short-term employee benefits	**3,146**	2,845
Total compensation paid to key management personnel	**3,263**	2,919
Comprise amounts paid to:		
– Directors of the Company	**2,257**	2,111
– Other key management personnel	**1,006**	808
	3,263	2,919

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

NOTES TO THE FINANCIAL STATEMENTS

31. COMMITMENTS

Operating lease

The Group has various operating lease agreements for leasehold premises, staff accommodation and office equipment. These leases have an average tenure of between 1 and 39 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	
	2014	2013
	$'000	$'000
Future minimum lease payments		
– not later than one year	**3,646**	3,988
– one year through five years	**4,476**	3,790
– more than five years	**9,774**	2,680
	17,896	10,458

Minimum lease payments recognised as an expense in the income statement for the financial year ended 30 June 2014 amounted to $7,790,000 (2013: $6,046,000) for the Group. In addition, included in the above lease payments of the Group is an amount of $73,000 payable to related parties (Note 30(a)).

32. CONTINGENT LIABILITIES

The Company has provided corporate guarantees amounting to approximately $44,990,000 (2013: $44,490,000) in favour of certain financial institutions for banking and finance lease facilities granted to a subsidiary company.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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

(a) Foreign currency risk

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

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

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

(b) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

33. 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.

	2014			2013		
	Within 1 year $'000	1 to 5 years $'000	Total $'000	Within 1 year $'000	1 to 5 years $'000	Total $'000
Group						
Financial assets:						
Customer retention	**7,502**	**410**	**7,912**	–	5,873	5,873
Other investments	**189**	**–**	**189**	200	–	200
Trade and other receivables and deposits	**34,281**	**–**	**34,281**	32,087	74	32,161
Fixed deposits pledged	**366**	**–**	**366**	366	–	366
Cash and cash equivalents	**57,633**	**–**	**57,633**	60,790	–	60,790
Total undiscounted financial assets	**99,971**	**410**	**100,381**	93,443	5,947	99,390
Financial liabilities:						
Suppliers retention	**1,055**	**–**	**1,055**	–	1,758	1,758
Trade and other payables (excluding net GST payable)	**20,374**	**–**	**20,374**	23,331	51	23,382
Total undiscounted financial liabilities	**21,429**	**–**	**21,429**	23,331	1,809	25,140
Total net undiscounted financial assets	**78,542**	**410**	**78,952**	70,112	4,138	74,250

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

	2014				2013			
	Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000	Within 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Company								
Financial assets:								
Loans due from subsidiary companies	–	–	19,561	19,561	–	–	21,961	21,961
Other receivables and deposits	78	–	–	78	–	–	–	–
Amounts due from subsidiary companies (trade)	1,593	–	–	1,593	2,262	–	–	2,262
Cash and cash equivalents	26,816	–	–	26,816	29,905	–	–	29,905
Total undiscounted financial assets	28,487	–	19,561	48,048	32,167	–	21,961	54,128
Financial liabilities:								
Trade and other payables (excluding net GST payable)	1,103	–	–	1,103	999	–	–	999
Amounts due to a subsidiary company (non-trade)	22	–	–	22	16	–	–	16
Total undiscounted financial liabilities	1,125	–	–	1,125	1,015	–	–	1,015
Total net undiscounted financial assets	27,362	–	19,561	46,923	31,152	–	21,961	53,113

NOTES TO THE FINANCIAL STATEMENTS

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

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

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

Exposure to credit risk

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

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

Credit risk concentration profile

At the end of the reporting period, approximately 55% (2013: 39%) of the Group's trade receivables were due from 5 major customers who are multi-national corporations located in Singapore.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

(b) Assets and liabilities measured 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
2014				
Financial assets:				
Debentures (quoted)	**189**	**–**	**–**	**189**
	189	**–**	**–**	**189**
2013				
Financial assets:				
Debentures (quoted)	200	–	–	200
	200	–	–	200

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities measured at fair value (Continued)

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.

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

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

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

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

Loans due from subsidiary companies

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

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(e) Categories of financial instruments

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

Group	Loans and receivables $'000	Available for sale $'000	Liabilities at amortised cost $'000
2014			
Assets			
Customer retention	7,912	–	–
Trade receivables (Note 15)	32,462	–	–
Other receivables and deposits (Note 16)	1,819	–	–
Other investments (Note 19)	–	189	–
Fixed deposits pledged (Note 21)	366	–	–
Cash and cash equivalents (Note 21)	57,633	–	–
Total	100,192	189	–
Liabilities			
Suppliers retention	–	–	1,055
Trade and other payables (excluding net GST payable) (Note 22)	–	–	20,374
Total	–	–	21,429

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(e) Categories of financial instruments (Continued)

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

Company	Loans and receivables $'000	Liabilities at amortised cost $'000
2014		
Assets		
Loans due from subsidiary companies (Note 17)	**19,561**	**–**
Other receivables and deposits	**78**	**–**
Amounts due from subsidiary companies (trade) (Note 18)	**1,593**	**–**
Cash and cash equivalents (Note 21)	**26,816**	**–**
Total	**48,048**	**–**
Liabilities		
Trade and other payables (excluding net GST payable) (Note 22)	**–**	**1,103**
Amount due to a subsidiary company (non-trade) (Note 18)	**–**	**22**
Total	**–**	**1,125**

NOTES TO THE FINANCIAL STATEMENTS

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(e) Categories of financial instruments (Continued)

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

35. CAPITAL MANAGEMENT

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2014 and 2013. The Group is not subjected to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

35. CAPITAL MANAGEMENT (CONTINUED)

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

	Group	
	2014	2013
	$'000	$'000
Trade and other payables	**21,204**	24,576
Suppliers retention	**1,055**	1,758
Other payables	**–**	51
Gross debt	**22,259**	26,385
Equity attributable to equity holders of the Company	**121,001**	105,789
Gross debt equity ratio	**18.40%**	24.94%

36. SEGMENT INFORMATION

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

(i) Project services

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

36. SEGMENT INFORMATION (CONTINUED)

(ii) Maintenance services

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

(iii) Contact centre services

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

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

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

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		Contact centre services		Adjustments and eliminations		Notes	Consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013		2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:											
External customers	**86,930**	91,744	**42,205**	46,019	**6,274**	5,311	**–**	–		**135,409**	143,074
Inter-segment sales	**18,050**	13,220	**9,360**	5,332	**–**	–	**(27,410)**	(18,552)	A	**–**	–
Total revenue	**104,980**	104,964	**51,565**	51,351	**6,274**	5,311	**(27,410)**	(18,552)		**135,409**	143,074
Results:											
Interest income	**108**	52	**49**	26	**4**	1	**–**	–		**161**	79
Depreciation and amortisation	**3,241**	3,178	**1,565**	1,130	**300**	259	**–**	140		**5,106**	4,707
Segment profit before tax	**11,467**	11,290	**10,333**	3,938	**1,210**	595	**(2,957)**	(105)	B	**20,053**	15,718
Assets:											
Additions to non-current assets	**16,915**	1,390	**8,690**	596	**390**	442	**(12,096)**	–	C	**13,899**	2,428
Segment assets	**154,815**	146,207	**74,912**	59,489	**9,919**	4,635	**(86,779)**	(67,794)	D	**152,867**	142,537
Segment liabilities:	**52,045**	44,917	**17,732**	17,492	**1,503**	880	**(39,530)**	(26,541)	E	**31,750**	36,748

NOTES TO THE FINANCIAL STATEMENTS

36. 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:

	2014 $'000	2013 $'000
Inter-segment income and expenses	**–**	–
Others	**(2,957)**	(105)
	(2,957)	(105)

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:

	2014 $'000	2013 $'000
Inter-segment liabilities	**(44,328)**	(31,140)
Provision for taxation	**2,966**	2,871
Deferred taxation	**1,832**	1,728
	(39,530)	(26,541)

NOTES TO THE FINANCIAL STATEMENTS

36. 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	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Singapore	**130,777**	138,686	**47,559**	39,352
Others	**4,632**	4,388	**1,263**	826
Total	**135,409**	143,074	**48,822**	40,178

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 $17,258,000 (2013: $48,466,000) arising from the project segment.

Revenue from one major customer amounted to $29,822,000 (2013: $17,526,000) arising from the maintenance segment.

37. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 15 September 2014.

STATISTICS OF SHAREHOLDINGS

AS AT 15 SEPTEMBER 2014

SHAREHOLDERS' INFORMATION

Total number of shares excluding treasury shares	:	402,694,500
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share (excluding treasury shares)

TREASURY SHARES

Total number of shares held as treasury shares	:	640,000
Voting rights	:	None
Percentage of holding against the total number of issued shares excluding treasury shares	:	0.16%

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	511	34.39	10,381	0.00
1,000 – 10,000	528	35.53	1,941,476	0.48
10,001 – 1,000,000	432	29.07	36,053,333	8.96
1,000,001 and above	15	1.01	364,689,310	90.56
TOTAL	**1,486**	**100.00**	**402,694,500**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Cheng Buck Poh @ Chng Bok Poh	184,932,500	45.92
2	Cheng Capital Holdings Pte Ltd	156,000,000	38.74
3	Lee Sau Leung	3,800,000	0.94
4	Bank Of Singapore Nominees Pte. Ltd.	2,681,750	0.67
5	UOB Kay Hian Private Limited	2,398,005	0.60
6	HSBC (Singapore) Nominees Pte Ltd	2,000,000	0.50
7	Phillip Securities Pte Ltd	1,853,930	0.46
8	Soon Sing	1,825,000	0.45
9	Lim Guan Pheng	1,754,000	0.44
10	DMG & Partners Securities Pte Ltd	1,650,000	0.41
11	Maybank Kim Eng Securities Pte. Ltd.	1,315,071	0.33
12	Fong Kim Chit	1,300,000	0.32
13	OCBC Securities Private Limited	1,108,820	0.28
14	DBS Nominees (Private) Limited	1,039,234	0.26
15	Thomas Dennis William	1,031,000	0.26
16	Quek Chiau Beng	941,000	0.23
17	Cheng Hwee Peow @ Chong Hui Ping	800,000	0.20
18	Teng Hoo Poo	734,000	0.18
19	OCBC Nominees Singapore Private Limited	704,014	0.17
20	Tng Kum Choe	702,000	0.17
	Total	**368,570,324**	**91.53**

STATISTICS OF SHAREHOLDINGS

AS AT 15 SEPTEMBER 2014

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Cheng Capital Holdings Pte Ltd[(1) (2)]	156,000,000	38.73	–	–
Cheng Buck Poh @ Chng Bok Poh[(1) (2) (3)]	184,932,500	45.92	156,000,000	38.73
Goo Guik Bing @ Goh Guik Bing[(1) (3)]	–	–	340,932,500	84.65

The percentage of shareholding above is computed based on the total issued shares of 402,694,500 excluding treasury shares.

Notes:

1. Cheng Capital Holdings Pte Ltd ("Cheng Capital Holdings") is held by Messrs Cheng Buck Poh @ Chng Bok Poh (52 shares (52%)), Goo Guik Bing @ Goh Guik Bing (10 shares (10%)), Cheng Yao Tong (10 shares (10%)), Cheng Li Peng (7 shares (7%)), Cheng Li Chen (7 shares (7%)), Cheng Li Hui (7 shares (7%)), and Cheng Wee Ling (7 shares (7%)). Mr Cheng Buck Poh @ Chng Bok Poh and Mdm Goo Guik Bing @ Goh Guik Bing are husband and wife and our Chief Executive Officer, Mr Cheng Yao Tong, our Deputy Chief Executive Officer and Executive Director, Ms Cheng Li Hui, our Non-Executive Director, Ms Cheng Li Chen, as well as Ms Cheng Li Peng and Ms Cheng Wee Ling are their children.

2. Mr Cheng Buck Poh @ Chng Bok Poh is deemed to be interested in the 156,000,000 shares held by Cheng Capital Holdings by virtue of his 52% shareholdings in Cheng Capital Holdings.

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

15.12% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

STATISTICS OF WARRANT HOLDINGS

AS AT 15 SEPTEMBER 2014

DISTRIBUTION OF WARRANT HOLDINGS (W180105) – 2012 WARRANTS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1 – 999	9	4.94	3,500	0.12
1,000 – 10,000	115	63.19	469,250	15.79
10,001 – 1,000,000	58	31.87	2,498,500	84.09
1,000,001 AND ABOVE	0	0.00	0	0.00
TOTAL	**182**	**100.00**	**2,971,250**	**100.00**

TWENTY LARGEST WARRANT HOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	DMG & Partners Securities Pte Ltd	288,000	9.69
2	Phillip Securities Pte Ltd	269,000	9.05
3	OCBC Securities Private Limited	225,000	7.57
4	Lim Guan Pheng	200,000	6.73
5	Koh Soon Chuang	136,000	4.58
6	Ang Boon Siang	103,000	3.47
7	Ang Ting Wei	65,000	2.19
8	DBS Vickers Securities (Singapore) Pte Ltd	65,000	2.19
9	Low Chin Yee	52,000	1.75
10	Ong Shi-Wei Jill (Wang Shihui Jill)	50,000	1.68
11	Ong Swee Whatt	50,000	1.68
12	Pritam Singh S/O Bachan Singh	50,000	1.68
13	Lee Thiam Seng	38,000	1.28
14	Thong Fook Chen	36,000	1.21
15	UOB Kay Hian Private Limited	35,000	1.18
16	DBS Nominees (Private) Limited	31,750	1.07
17	Ang Choh Hiang	31,000	1.04
18	Chong Poh Sin	30,000	1.01
19	Geh Siew Im or Mok Choon Hoe *nee* Geh Siew Ming	30,000	1.01
20	Mok Choon Hoe *nee* Geh Siew Ming or Mok Kan Hwei Paul	30,000	1.01
	Total	**1,814,750**	**61.07**

STATISTICS OF WARRANT HOLDINGS

AS AT 15 SEPTEMBER 2014

DISTRIBUTION OF WARRANT HOLDINGS (W190513) – 2013 WARRANTS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1 – 999	268	46.13	13,382	0.01
1,000 – 10,000	126	21.69	557,302	0.28
10,001 – 1,000,000	180	30.98	15,479,775	7.70
1,000,001 and above	7	1.20	184,847,791	92.01
TOTAL	**581**	**100.00**	**200,898,250**	**100.00**

TWENTY LARGEST WARRANT HOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	Cheng Buck Poh @ Chng Bok Poh	92,466,250	46.03
2	Cheng Capital Holdings Pte Ltd	78,000,000	38.83
3	DBS Nominees (Singapore) Pte Ltd	4,000,000	1.99
4	HSBC (Singapore) Nominees Pte Ltd	3,652,000	1.82
5	Soon Sing	3,461,000	1.72
6	UOB Kay Hian Private Limited	1,800,500	0.90
7	Phillip Securities Pte Ltd	1,468,041	0.73
8	Lim Guan Pheng	877,000	0.44
9	DMG & Partners Securities Pte Ltd	825,000	0.41
10	Soon Wei Min	700,000	0.35
11	Bank Of Singapore Nominees Pte. Ltd.	616,875	0.31
12	Tan Chung Karn (Chen Zhongkang)	610,000	0.30
13	Koh Chin Hwa	595,000	0.30
14	Maybank Kim Eng Securities Pte. Ltd.	539,718	0.27
15	Quek Chiau Beng	485,500	0.24
16	OCBC Securities Private Limited	471,500	0.23
17	Cheng Hwee Peow @ Chong Hui Ping	465,000	0.23
18	Koh Cheoh Liang Vincent	450,000	0.22
19	DBS Nominees (Private) Limited	352,117	0.18
20	Chong Kim Lian	240,500	0.12
	Total	**192,076,001**	**95.62**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hai Leck Holdings Limited (the "Company") will be held at 47 Tuas View Circuit, Singapore 637357 on Thursday, 23 October 2014 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 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt (one tier) Final Dividend of 1.0 Singapore cent per ordinary share and a Special Dividend of 2.0 Singapore cents per ordinary share for the financial year ended 30 June 2014. **(Resolution 2)**

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

   Dr Low Seow Chay (Retiring under Article 93) **(Resolution 3)**
   Mr Chee Teck Kwong Patrick (Retiring under Article 93) **(Resolution 4)**

   See Explanatory Note (i)

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

   Mr Tan Sim Cheng **(Resolution 5)**
   Mr Cheng Buck Poh @ Chng Bok Poh **(Resolution 6)**

   See Explanatory Note (ii)

5. To approve the payment of Directors' fees of S$200,000 for the financial year ending 30 June 2015 to be paid quarterly in arrears. (FY2014: S$200,000) **(Resolution 7)**

6. 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 8)**

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

8. **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;

NOTICE OF ANNUAL GENERAL MEETING

(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.
See Explanatory Note (iii)

(Resolution 9)

NOTICE OF BOOK CLOSURE DATE FOR FINAL DIVIDEND AND SPECIAL DIVIDEND

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 31 October 2014 for the purpose of determining to the members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 23 October 2014.

Duly completed registrable transfers in respect of the shares of the Company received by the Company's Share Transfer Agent in Singapore, Boardroom Corporate & Advisory Pte. Ltd. up to 5.00 p.m. on 31 October 2014 will be registered to determine members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares of the Company as at 5.00 p.m. on 31 October 2014 will be entitled to such proposed dividends.

Payment of the dividend, if approved by the members at the Annual General Meeting, will be paid on 14 November 2014.

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore
7 October 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

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

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

(ii) The effect of the Ordinary Resolution 5 and 6 above, is to re-appoint the Directors of the Company who are over 70 years of age.

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

b. Mr Cheng Buck Poh @ Chng Bok Poh will, upon re-appointment as a Director of the Company, remain as Executive Chairman and will not be considered independent.

(iii) Resolution 9 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 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.

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

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 47 Tuas View Circuit, Singapore 637357 on Thursday, 23 October 2014 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 2014		
2	Payment of proposed Final Dividend and Special Dividend		
3	Re-election of Dr Low Seow Chay as a Director		
4	Re-election of Mr Chee Teck Kwong Patrick as a Director		
5	Re-appointment of Mr Tan Sim Cheng as Director		
6	Re-appointment of Mr Cheng Buck Poh @ Chng Bok Poh as Director		
7	Approval of Directors' Fees amounting to S$200,000 for the financial year ending 30 June 2015		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors		
Special Business			
9	Authority to issue new shares		

Dated this __________ day of ____________________ 2014

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.

8. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 October 2014.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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(65) 6578 6522

HAI LECK HOLDINGS LIMITED

(COMPANY REGISTRATION NUMBER 199804461D)

47, TUAS VIEW CIRCUIT
SINGAPORE 637357