HAI LECK
HOLDINGS LIMITED

Then. Now. Always.

2018 ANNUAL REPORT

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CORPORATE **PROFILE**

AN INTEGRATED SERVICE PROVIDER

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

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

The Group's principal activities are:

PROJECT SERVICES

- Mechanical engineering services in structural steel and piping fabrication and installation as well as plant equipment installation, maintenance, modifications and repairs; scaffolding erection services; corrosion prevention services utilising automated high-pressure blasting; thermal insulation services; refractory and passive fireproofing services as well as general civil engineering services.

MAINTENANCE SERVICES

- Maintenance services provided on a routine or turnaround basis.

CONTACT CENTRE SERVICES

- Call centre and telecommunication and information technology services.

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

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

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

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

CHAIRMAN'S **STATEMENT**

IN FY2018, THE GROUP ACHIEVED REVENUE OF

$ 87.7 Million

with a net profit attributable to shareholders amounting to

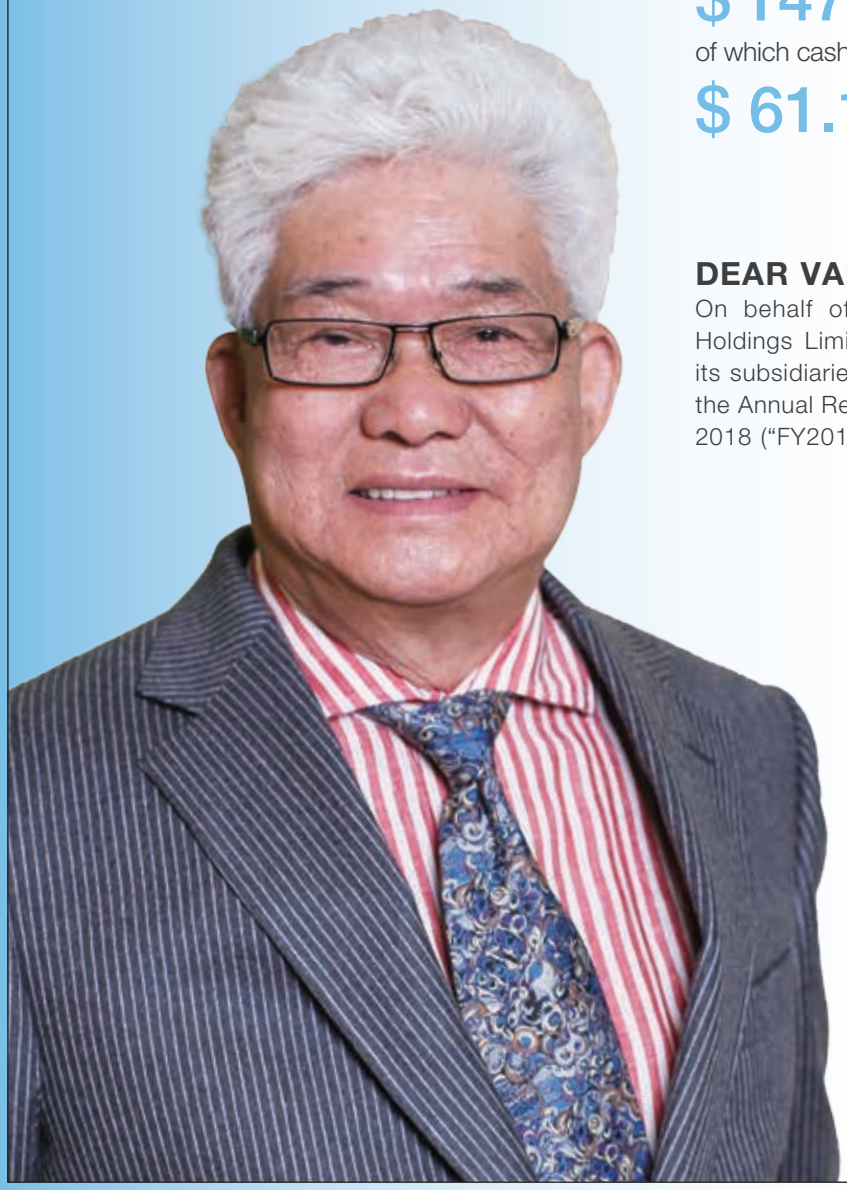
$1.4 Million

WITH TOTAL ASSETS OF APPROXIMATELY

$ 147.9 Million

of which cash and cash equivalents is approximately

$ 61.1 Million



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Hai Leck Holdings Limited (the "Company" or "Hai Leck") and its subsidiaries (the "Group"), I am pleased to present the Annual Report for the financial year ended 30 June 2018 ("FY2018").

CHENG BUCK POH
Executive Chairman, BBM

BUILDING UPON OUR STRONG FOUNDATION

Amidst a challenging and competitive landscape, Hai Leck has done credibly in mustering its finite resources to continue delivering value to our shareholders in this difficult market condition, achieving revenue of $87.7 million with a net profit attributable to shareholders amounting to $1.4 million in FY2018. The Group continues to be prudent and retains cash and cash equivalents of approximately $61.1 million. As at 30 June 2018, the Group's total assets comprise approximately $147.9 million.

In FY2018, the Group's performance was bolstered by new projects valued at approximately $28 million that was principally awarded by an existing customer, a key player in the oil and gas industry. That said, the Group is cognizant of the many difficulties that we face in this complex and dynamic industry and will continue to strategically seek more opportunities and plan for the future, to achieve future growth.

A FIRM GRASP OF OUR CORE COMPETENCIES

While the Group has made significant inroads in exploring, discovering and adopting innovative initiatives, we cannot be certain that the Group will be the first to discover the next technological breakthrough that could revolutionize the Engineering, Procurement and Construction ("EPC") industry. What we can be certain of, however, is our ability to rapidly adapt, master and implement. Hence, the Group has continuously invested in training for our people, to provide them with a strong technical proficiency to tackle any challenges ahead.

We have also strengthened our core competencies by strategically adopting pioneer mechanisation initiatives, which have resulted in both time and cost savings for the Group and its customers. To date, we have extended the use of automated processes to our mechanical, scaffolding and refractory divisions. In fact, one of our key innovations was to introduce a non-conventional approach to the welding process. By deploying the best solutions in an innovative and effective way, we have been able to achieve increased efficiency and competitiveness.

Our strategic approach, which combines our years of experience, a track record of quality workmanship and cost-effective innovative solutions, has resulted in a broad base of returning customers, who continue to award contracts to us as they trust the Group to deliver quality in a timely and cost effective manner.

STAYING TRUE TO OUR LEGACY

Indeed, from our humble beginnings in 1975, Hai Leck has progressed far beyond what others thought we could be, through dedicated perseverance and our united commitment to excellence and service quality.

I am pleased to announce that Hai Leck Engineering (Private) Limited was recognized at the Workplace Safety and Health ("WSH") Awards 2017, for its excellent WSH systems and management for its Shell Bukom ECC-CUI Project and Shell Bukom Maintenance Project (collectively, the "Bukom Project"). The certificates of commendation were presented to us by Minister for Manpower, Mr Lim Swee Say, on 25 July 2017 at a gala dinner at Resorts World Sentosa.

Our team was also heartened to note that the Group was awarded three more awards by the WSH Council for 2018; namely, the WSH Innovation Award 2018, the WSH Performance (Silver) Award 2018 and WSH (SHARP) Award 2018. The WSH Innovation Award recognises teams who have created innovative solutions to improve safety and health standards in the workplace. This award was received by Hai Leck Engineering (Private) Limited for its safe rolling platform. The WSH (SHARP) Award 2018 is for the ongoing Bukom Project. Last but not least, the WSH Performance (Silver) Award 2018 recognises large-scale projects that mobilise significant manpower, whilst maintaining good standards of workplace safety and health.

In addition, Hai Leck Engineering & Construction Pte. Ltd. was presented with an award by Exxon Mobil on 1st March 2018 for its Innovative and Productive contributions, while our other subsidiary Hai Leck Industrial Services Pte. Ltd. was presented with an award to recognize its commendable record of having zero recordable injury for five consecutive years even after clocking approximately 1,500,000 manhours, at the same event.

Currently, the medium-term outlook for the EPC industry remains uncertain as it is dependent on global economic growth and oil prices, which affects the financial capacity of our key customers in the oil and gas industry. Disruptive technology is also making headway in the industry; but we are tirelessly preparing ourselves to adapt to change as it comes, where appropriate. Moving forward, the Group will continue to stay true to our legacy and maintain the quality of our deliverables, as we navigate through any challenges that may lie ahead.

CHAIRMAN'S **STATEMENT**

CORPORATE SOCIAL RESPONSIBILITY

This year, the Group has chosen to pledge its support to SPD (formerly known as the Society for the Physically Disabled) and in line with its continuous efforts to nurture a more understanding and compassionate workplace culture, has encouraged employees to show their support in SPD's annual Charity Walk, which was held on 2 September 2018. It brings me great joy to note that approximately 100 of our very own volunteered their time to join us for this event.

With our people as one of the key pillars of the Group, it has always been in our interest to meet their needs to encourage a more productive and motivated workforce. In 2017 and 2018 we made news for building one of the most enviable dormitories on the island – complete with leisure and fitness facilities. This year, we have gone a step further to ensure that our workers enjoy warm and fresh meals daily.

A WORD OF THANKS

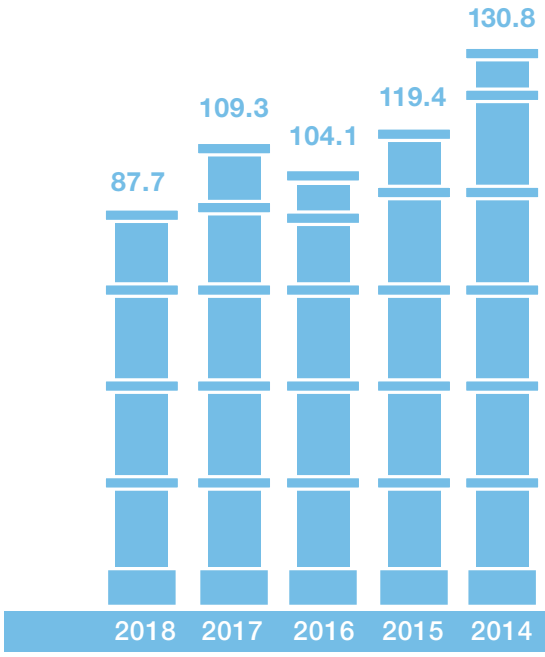
On behalf of the Board, I wish to express our sincere gratitude to our customers, business partners, associates and shareholders for their continuous support and trust in the Group. Your support and guidance has been indispensable to the Group's success.

The Board would also like to thank our management team and staff, for their foresight and dedication towards preserving and driving Hai Leck's legacy to greater heights. To my fellow Board members who have been generous with their invaluable advice and guidance, I would like to express my heartfelt gratitude as well.

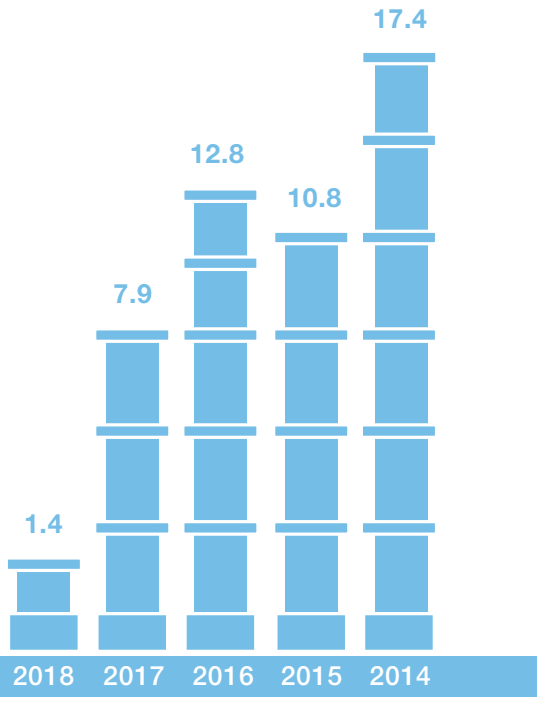
CHENG BUCK POH
Executive Chairman, BBM

FINANCIAL **HIGHLIGHTS**

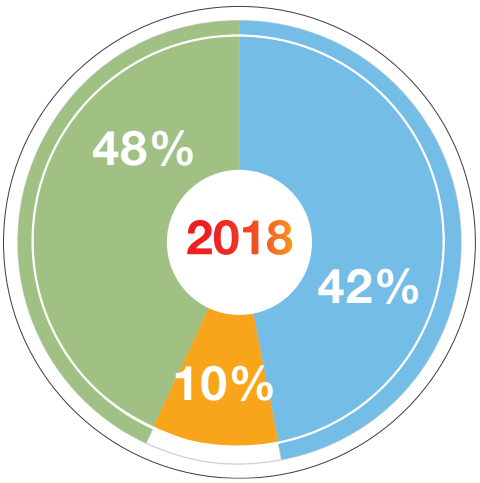
REVENUE ($'MIL)

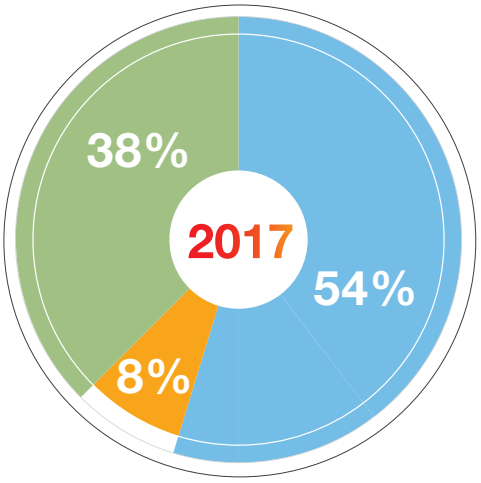


NET PROFIT ($'MIL)



REVENUE CONTRIBUTED BY SEGMENT FY: FINANCIAL YEAR ENDED 30 JUNE





MAINTENANCE SERVICES PROJECT SERVICES CONTACT CENTRE SERVICES

FINANCIAL AND OPERATIONS **REVIEW**

AS AT 30 JUNE 2018, THE GROUP'S TOTAL ASSETS AMOUNTED TO

$ 147.9 Million

(FY2017: $151.1 million) while

NET ASSETS STOOD AT

$ 120.3 Million

(FY2017: $118.7 million).

The multiple challenges of an uncertain and challenging global market, weak demand and sluggish prices have inevitably affected many of the Group's core clients in the oil and gas industry. Nevertheless, the Group has continued to consistently deliver and has successfully deployed solutions to reduce costs whilst improving productivity. This has allowed the Group to remain competitive in the Engineering, Procurement and Construction ("EPC") industry, and the Group has continued to secure projects and remains resilient.

For FY2018, the Group recorded revenue of $87.7 million, a decrease of 19.7% as compared to $109.3 million for the financial year ended 30 June 2017 ("FY2017"). This was mainly due to lower project revenue.

Net profit attributable to equity holders decreased by $6.6 million to $1.4 million in FY2018 as compared to $7.9 million in FY2017.

Basic earnings per share decreased to 0.7 cents in FY2018 as compared to 3.9 cents in FY2017 while net assets per share increased to 58.5 cents in FY2018 as compared to 57.9 cents in FY2017.

COST OF SALES AND OPERATING EXPENSES

Cost of sales decreased by $12.7 million (20.9%) to $47.8 million in FY2018 as compared to $60.5 million in FY2017. This is in line with the lower revenue recognised for FY2018.

Operating expenses decreased by $0.9 million to $40.6 million in FY2018 as compared to $41.5 million in FY2017, mainly due to lower personnel related costs.

BALANCE SHEET HIGHLIGHTS

As at 30 June 2018, the Group's total assets amounted to $147.9 million (FY2017: $151.1 million) while net assets stood at $120.3 million (FY2017: $118.7 million).

Non-current assets decreased by $4.0 million to $55.0 million as at 30 June 2018, as compared to $59.0 million as at 30 June 2017. The decrease was mainly due to depreciation of property, plant and equipment, partially offset by increase in customer retention.

Current assets increased by $0.8 million from $92.1 million as at 30 June 2017 to $92.9 million as at 30 June 2018. The increase was due to growth in cash and cash equivalents, customer retention, gross amounts due from customers for contract work-in-progress and inventories, which was partially offset by decrease in trade receivables.

Current liabilities decreased by $5.4 million to $25.8 million as at 30 June 2018 as compared to $31.2 million as at 30 June 2017. This was due to a decrease in trade and other payables, provision for taxation and gross amounts due to customers for contract work-in-progress.

Non-current liabilities increased from $1.3 million to $1.8 million as at 30 June 2018, mainly due to higher deferred taxation.

CASH FLOWS

The Group has continued to maintain its healthy cash position. As at 30 June 2018, cash and cash equivalents amounted to $61.1 million, a 17.1% increase from 30 June 2017. Net cash flows generated from operating activities amounted to $11.4 million, while net cash flows used in investing activities was $2.5 million and net cash flows used in financing activities was $0.02 million.

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

CORPORATE **STRUCTURE**

HAI LECK HOLDINGS LIMITED

- **100%** Hai Leck Engineering (Private) Limited
- **100%** Hai Leck Industrial Services Pte. Ltd.
- **100%** Hai Leck Corporation Sdn. Bhd.
- **49%** Logthai-Hai Leck Engineering Co., Ltd
- **100%** Hai Leck Engineering & Construction Pte. Ltd.
- **100%** Hai Leck Overseas Investments Pte. Ltd.
  - **90%** Hai Leck Engineering Saudi Arabia Limited
- **100%** United Holding (1975) Pte. Ltd.
  - **100%** Tele-centre Services Pte Ltd
- **100%** Hai Leck Integrated Services Pte. Ltd.
- **100%** Hai Leck Services Pte. Ltd.

BOARD OF **DIRECTORS**

MR CHENG BUCK POH @ CHNG BOK POH, BBM
is our founder and Executive Chairman. Appointed to the Board on 12 September 1998, Mr Cheng is responsible for charting and reviewing corporate directions and strategies for the Group. He has more than 30 years of experience in the industry and has led the Management in pursuing the Group's mission and objectives. Mr Cheng Buck Poh has total direct and deemed interest in 172,193,150 shares in the Company, representing 83.72%.

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

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

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

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

BOARD OF **DIRECTORS**

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

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

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

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

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

He also sits on the Board of several public listed companies including Ramba Energy Limited and China International Holding Limited. He is also Honorary Legal Advisor to Hospitality Purchasing Association Singapore, and several big clans and trade associations in Singapore.

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

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

SENIOR **MANAGEMENT**

MISS CHENG WEE LING
is the Managing Director of Tele-centre Services Pte Ltd. She has more than 10 years of experience in contact centre services and is responsible for directing the various departments to ensure the smooth running of the company. She holds a Degree in Business Administration from the Royal Melbourne Institute of Technology, Australia.

MS SIN WAN LIN
is our Chief Financial Officer. Ms Sin has 15 years of audit experience with Andersen and Ernst & Young LLP as well as more than 5 years of experience in the field of finance and management. She is responsible for the full spectrum of financial, taxation and treasury functions in our Group. She oversees the day-to-day finance/ accounts functions of the Group, consolidates the Group's accounts and reporting, and provides financial analysis and appraisal of the Group's investments. Ms Sin is a Fellow Member of the Institute of Chartered Accountants in England and Wales and is a Member of the Institute of Singapore Chartered Accountants. She holds a Bachelor's Degree in Economics (specialising in Accounting and Finance) from the London School of Economics and Political Science and a Master of Philosophy Degree in Finance from University of Cambridge.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

SENIOR MANAGEMENT

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

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

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

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:
Ang Chuen Beng
(Appointed since financial year ended 30 June 2015)

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CORPORATE GOVERNANCE **REPORT**

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

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

1. BOARD MATTERS

1.1 The Board's Conduct of Affairs

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE **REPORT**

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

Board Committees

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

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

The Company has adopted its new Constitution during its Shareholders' meeting held on 19 October 2016 to include the changes to the Companies Act introduced pursuant to the Companies (Amendment) Act 2014. The Company's Constitution (the "**Constitution**") provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all the relevant information to the proposed transaction.

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

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

CORPORATE GOVERNANCE **REPORT**

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

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

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

* By invitation

No new Director was appointed by the Company during the financial year ended 30 June 2018. The NC will perform the following steps before a new director is appointed to the Board to ensure that the director is equipped with appropriate skills and relevant industry knowledge to perform his/her roles on the Board and Board Committee effectively:

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

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

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

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

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

CORPORATE GOVERNANCE **REPORT**

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

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

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

1.2 Board Composition and Guidance

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

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

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

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

In view that the Chairman and the Chief Executive Officer (the "**CEO**") are immediate family members and the Chairman is not an independent director, the Board noted that the Company is required to comply with the requirement for independent directors to make up at least half of the Board. Although the Independent Directors do not make up half of the Board, there is strong and independent judgement in the conduct of the Group's affairs and thus enabling the Management to benefit from a diverse and objective external perspective on issues raised before the Board. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decisions without any individual or small group of individuals influencing or dominating the decision making process. Furthermore the Non-Executive Directors Ms Cheng Li Chen and Ms Cheng Li Hui, daughters of the Chairman, do not participate in the daily operations of the

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Group and they have displayed independent judgement in their views when attending Board meetings. Ms Cheng Li Hui has been re-designated from Deputy CEO and Executive Director to Non-Executive/Non-Independent Director with effect from 16 January 2018. The NC will continue to assess annually on the need to change the board composition so that the number of independent directors will make up at least half of the Board.

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

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

In line with Guideline 2.4 of the Code, the NC with the assistance of the Company Secretary had conducted rigorous review on the independence of the three (3) Independent Directors, who have served the Board beyond nine (9) years, with the assistance and advice from a legal advisor ("**Legal Advisor**") in FY2017 ("**Independent Evaluation**"). At the conclusion of the Independent Evaluation, the members of the NC were satisfied with the findings and documents presented and unanimously agree and confirm that all the three (3) Directors are considered independent. For FY2018, the NC is satisfied that there has been no change to the circumstances since the presentation of the findings and documents by the Legal Advisor in FY2017 and unanimously agreed and confirmed that all the three (3) Directors are considered independent. Each member of the NC has abstained from participating in the discussion and voting on any resolution related to his independence. The relevant factors that were taken into consideration in determining the independence of the non-executive and independent directors are set out under Principle 4 in page 19.

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

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

1.3 Chairman and Chief Executive Officer

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

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

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

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

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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 promotes a culture of openness and debate at the Board, encourages constructive relations, mutual respect and trust within the Board and between the Board and Management.

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

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

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

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

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

1.4 Board Membership

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

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

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

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

In accordance with the definition in the Code, the Chairman of the NC is independent and has no relationship with the Company, its related corporations, its shareholders with shareholdings of 10% or more in the voting shares of the Company or its officer. The Lead Independent Director is also a member of the NC.

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

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

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

(iii) Determining annually the independence of each Director;

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

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

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

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

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

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

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

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

Name of Director	Date of initial appointment	Date of last re-election as Director
Mr Cheng Buck Poh @ Chng Bok Poh Executive Chairman	12 September 1998	19 October 2016
Mr Tan Sim Cheng Non-Executive Deputy Chairman and Lead Independent Director	5 June 2008	19 October 2016
Mr Cheng Yao Tong Chief Executive Officer	3 January 2012	19 October 2015
Ms Cheng Li Hui Non-Executive Director	11 May 2010	19 October 2016
Ms Cheng Li Chen Non-Executive Director	17 October 2007	19 October 2015
Dr Low Seow Chay Independent Director	5 June 2008	26 October 2017
Mr Chee Teck Kwong Patrick Independent Director	5 June 2008	26 October 2017

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

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

With reference to the Code Guideline 4.5, the NC does not have a practice of appointing alternate directors to independent directors except for limited periods in exceptional cases such as when a director has a medical emergency. There were no alternate directors appointed in this financial year.

The NC meets at least once a year. The Regulations of the Company's Constitution require the number nearest to one-third of the Directors to retire by rotation and subject themselves to re-election by the shareholders 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 Regulations that additional Directors appointed during the financial year shall only hold office until the next AGM of the Company and are subject to re-election by the shareholders.

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 Mr Cheng Yao Tong, Ms Cheng Li Chen and Mr Tan Sim Cheng, who will retire pursuant to Regulation 93 of the Constitution 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/her re-nomination as a director.

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

A similar review was carried out internally in 2018 and the NC is satisfied that there has been no change to the circumstances since the findings and documents presented by the Legal Advisor and unanimously agree and confirm that Mr Tan Sim Cheng, Mr Chee Teck Kwong Patrick and Dr Low Seow Chay are independent. Each member of the NC has abstained from participating in the discussion and voting on any resolutions related to each of their independence and re-election.

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

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

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

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

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

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

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

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

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

1.5 Board Performance

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

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

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

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

The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment evaluation forms to the Directors annually for their evaluation of various Board issues and processes, such as the Board structure, conduct of Board meetings, review of the Company's corporate strategy and planning, ensuring and reviewing the Company's risk management and internal control processes, review of the Company's performance, review of the Board's compensation evaluations and communication with the Company's shareholders. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 30 June 2018.

(b) Assessment of the effectiveness of the Board Committees

The NC has implemented a process to be carried out by the NC via the circulation of assessment evaluation forms to assess the effectiveness of the respective Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the respective Board Committees. The results of the Board Committees' assessments are reviewed and discussed by the NC, and any recommendations and suggestions arising from the evaluation exercise are circulated to the Board for consideration. The NC has reviewed and is satisfied with the performance and effectiveness of the respective Board Committees as a whole for the financial year ended 30 June 2018.

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

The individual Directors' assessments implemented by the NC are based on the Director's self-assessment which is evaluated annually and informally on a continual basis by the NC. The criteria taken into consideration by the NC and the Chairman include individual skills and experience, contribution and performance based on factors such as attendance, preparedness and participation. The evaluations are discussed by the NC and appropriate actions are taken as necessary. The NC has reviewed and is satisfied with the contributions by individual Directors to the effectiveness of the Board for the financial year ended 30 June 2018.

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

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

The Chairman, together with the NC, in considering the re-nomination and re-appointment of any director, consider the attendance records for the meetings of the Board and 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 that each Director possesses, which are key to the success of the Group's business.

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

1.6 Access to Information

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

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

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

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

In the course of carrying out their duties, the Directors have unrestricted access to the Company's Management, Company Secretary and independent auditors. Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and Board Committees, and between the Management and Non-Executive Directors. The Company Secretary and/or his representatives attend all Board meetings and Board Committee

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meetings and assist the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed so that the Board and Board Committees function effectively. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

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

2. REMUNERATION MATTERS

2.1 Procedures for Developing Remuneration Policies

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

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

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

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

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

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

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

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

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

The RC, in considering the remuneration of all Directors, has not sought external advice nor appointed remuneration consultants for the financial year ended 30 June 2018. The Directors' fees to be paid to the Independent and Non-Executive Directors are subject to shareholders' approval at the forthcoming AGM.

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

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

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

2.2 Level and Mix of Remuneration

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

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

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

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

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

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

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

2.3 Disclosure on Remuneration

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

The breakdown of remuneration of the Directors of the Company, in percentage terms showing the level and mix, for the financial year ended 30 June 2018 falling within the broad bands are set out below:

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

Name of Directors	Salary %	Variable Bonus %	Directors' Fees %	Benefits %	Total %
$600,000 to $850,000					
Mr Cheng Buck Poh @ Chng Bok Poh	82	17	–	1	100
$350,000 to $600,000					
Mr Cheng Yao Tong	75	24	–	1	100
$100,000 to $350,000					
Ms Cheng Li Hui	57	31	8	4	100
Below $100,000					
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

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 2018 are set out below:

Top 2 Management Personnel of the Group

Names	Salary %	Bonus %	Other Benefits %	Total %
Below $250,000				
Ms Cheng Wee Ling	78	18	4	100
Ms Sin Wan Lin	89	7	4	100

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The aggregate total remuneration paid to the top two key management personnel (who are not directors or the CEO) for the financial year ended 30 June 2018 is approximately $450,000.

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

Save as disclosed, there are no other employees of the Group who is an immediate family member of any Director or the CEO or a controlling shareholder and whose remuneration exceeds $50,000 during the financial year ended 30 June 2018. ("**Immediate family member**" refers to the spouse, child, adopted child, step-child, brother, sister or parent).

No termination, retirement and post-employment benefit or other long-term incentive has been granted to the Director or key management personnel during the financial year ended 30 June 2018.

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

3. ACCOUNTABILITY AND AUDIT

3.1 Accountability

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

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

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

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

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

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

3.2 Risk Management and Internal Controls

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

The Board recognises 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.

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

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

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

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

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

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

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

Based on the various management controls in place, internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the Board with the concurrence of the AC, is of the opinion that the Group's system of internal controls and risk management procedures in addressing the financial, operational (including information technology), compliance and information technology controls and risk management systems maintained by the Group during the financial year are adequate and effective as at 30 June 2018.

3.3 Audit Committee

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

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

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

CORPORATE GOVERNANCE **REPORT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE **REPORT**

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

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

The AC, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice and affect the independence and objectivity of the external auditors. The audit fees paid/payable to the external auditors for the financial year ended 30 June 2018 were $150,500. The non-audit fees paid/payable to the external auditors for the financial year ended 30 June 2018 were $13,500.

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

The AC has reviewed the scope of services provided by the external auditors, the independence and the objectivity of the external auditors on 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.

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

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

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

CORPORATE GOVERNANCE **REPORT**

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

3.4 Internal Audit

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

The Board recognises the importance of maintaining a system of internal controls in order to safeguard the shareholders' investments and the Company's assets. The Company has outsourced its internal audit functions to independent internal auditors ("**IA**"), RSM Risk Advisory Pte Ltd ("**RSM**") for the financial year ended 30 June 2018.

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

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

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

For FY2018, the AC met once with the Internal Auditors without the presence of the Management. The AC is of the opinion that RSM is adequately resourced with qualified personnel to discharge its responsibilities. The AC has reviewed the internal audit reports based on the controls in place and is satisfied that the internal audit functions has been (i) adequately resourced, (ii) staffed by suitably qualified and experienced professionals with the relevant experiences and has the appropriate standing within the Group; and (iii) in accordance with the standards set by professional bodies.

4. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

4.1 Shareholder Rights

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

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

CORPORATE GOVERNANCE **REPORT**

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

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

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

4.2 Communications with Shareholders

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

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

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

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

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

- Results 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/or the press;
- Updates on the Company's website – www.haileck.com; and
- Company's general meetings.

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

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

4.3 Conduct of Shareholder Meetings

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

Our shareholders are encouraged to attend the AGM to ensure a high level of accountability and to be updated on the Company's strategies and goals. Notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least fourteen clear calendar days before the

CORPORATE GOVERNANCE **REPORT**

meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the AGM. Voting procedures and rules that govern general meetings of shareholders are clearly disclosed to the shareholders at the AGM. The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders.

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

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

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

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

ADDITIONAL INFORMATION

5. DEALING IN SECURITIES

The Company has adopted and ensured compliance with 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 SGXNet, or when they are in possession of any unpublished price sensitive information of the Group.

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

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[1] A Relevant Intermediary is:

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

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

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

CORPORATE GOVERNANCE **REPORT**

6. MATERIAL CONTRACTS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, except that Cheng Buck Poh @ Chng Bok Poh and Cheng Yao Tong have, while Cheng Li Hui had, employment relations with 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 entered into lease agreements with a subsidiary company to rent two residential properties to house the subsidiary company's employees.

Save as disclosed in the Directors' Report and financial statements, there were no other material contracts entered into by the Company or any of its subsidiary companies, involving the interests of the CEO, any Director or the controlling shareholder subsisting at the end of the financial year ended 30 June 2018.

7. INTERESTED PERSON TRANSACTIONS

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

The AC has reviewed the Interested Person Transactions ("**IPTs**") for the financial year ended 30 June 2018 and noted that the transactions were on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The following is the aggregate value of all transactions with interested persons (as defined in Chapter 9 of the Listing Manual of the SGX-ST) for the financial year ended 30 June 2018:

Name of interested person	**Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all IPTs conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
	$'000	**$'000**
Cheng Li Chen	109	Nil

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 87 to 90 of this Annual Report.

CORPORATE GOVERNANCE **REPORT**

9. UTILISATION OF WARRANT ISSUE PROCEEDS

2012 Warrants

On 7 January 2013, the Company had allotted and issued 81,114,750 2012 Warrants and raised net proceeds of $3.9 million for business expansion and working capital.

As at the date of expiration of the 2012 Warrants on 5 January 2018, the Group had applied $0.5 million of the proceeds for business expansion and $3.4 million as working capital in accordance with the announcement dated 4 January 2013.

From 7 January 2013 to 5 January 2018, 78,502,500 2012 Warrants and 1,095,050 2012 Consolidated Warrants were exercised for 78,502,500 new shares and 1,095,050 new Consolidated Shares. The Company raised net proceeds of about $10.5 million, which was used to acquire property, plant and equipment for business expansion.

2013 Warrants

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

From 16 May 2014 to 30 June 2018, 6,196,359 2013 Warrants were exercised for 6,196,359 new shares. The Company raised net proceeds of approximately $2.0 million, which was used to acquire property, plant and equipment for business expansion.

Since 1 July 2018, no Consolidated 2013 Warrants were exercised to acquire new shares. As of 30 June 2018, 97,396,852 Consolidated 2013 Warrants are outstanding.

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	Warehouse, dormitory and office premises	5,742/5,409	30 years commencing 1 July 2012, subject to terms and conditions of JTC
9 Tuas Avenue 1 Singapore 639494	Warehouse, dormitory and office premises	4,703/5,836	30 years with an additional 30 years, commencing 1 August 1993
47 Tuas View Circuit Singapore 637357	Warehouse and office premises	24,164/17,008	30 years commencing 15 December 2007, subject to terms and conditions of JTC building agreement between JTC and Hai Leck Engineering (Private) Limited dated 30 May 2008 being complied with
40 Tuas West Road Singapore 638389	Warehouse and office premises	33,868/16,004	28 years commencing 1 May 1997 to 30 April 2025

DIRECTORS' **STATEMENT**

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hai Leck Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' **STATEMENT**

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND DEBENTURES

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

	Direct interest as at			Deemed interest as at		
Name of director	**1 July 2017**	**30 June 2018**	**21 July 2018**	**1 July 2017**	**30 June 2018**	**21 July 2018**
The Company						
Ordinary shares						
Cheng Buck Poh @ Chng Bok Poh	93,422,350	93,422,350	93,422,350	78,000,000	78,000,000	78,000,000
Low Seow Chay	270,500	270,500	270,500	36,000	36,000	36,000
Tan Sim Cheng	93,750	93,750	93,750	–	–	–
Chee Teck Kwong Patrick	62,500	62,500	62,500	–	–	–

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

	Direct interest as at			Deemed interest as at		
Name of director	**1 July 2017**	**30 June 2018**	**21 July 2018**	**1 July 2017**	**30 June 2018**	**21 July 2018**
The Company						
Warrants to subscribe for ordinary shares						
2013 Warrants[1]						
Cheng Buck Poh @ Chng Bok Poh	46,233,125	46,233,125	46,233,125	39,000,000	39,000,000	39,000,000
Chee Teck Kwong Patrick	31,250	31,250	31,250	–	–	–

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

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

SHARE OPTIONS

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

DIRECTORS' **STATEMENT**

AUDIT COMMITTEE

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

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

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

The AC met with the external auditors to discuss the results of their audit. The AC also reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2018, as well as the external auditor's report thereon.

The AC held 4 meetings during the financial year ended 30 June 2018.

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

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

AUDITOR

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

On behalf of the Board of Directors,

Cheng Buck Poh @ Chng Bok Poh
Director

Cheng Yao Tong
Director

Singapore
7 September 2018

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hai Leck Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

Accounting for projects – Revenue recognition, recoverability of contract work-in-progress and provision for warranty

The Group recognised revenue of $37,173,000 from projects using the stage of completion method for financial year ended 30 June 2018 and has gross amounts due from customers of $2,215,000 and gross amounts due to customers of $325,000 for contract work-in-progress at that date. The stage of completion is determined by proportion of total contract costs incurred to-date and the estimated costs to complete. The determination of total project revenues (including recoverable variation works) and costs (including rectification works and post-completion warranties) require significant management judgement, which could have a material impact on the amounts of contract work-in-progress, project revenues, costs and profits recognised in the year. Accordingly, we have identified this as a key audit matter.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAI LECK HOLDINGS LIMITED

Accounting for projects – Revenue recognition, recoverability of contract work-in-progress and provision for warranty (Continued)

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

We also assessed the adequacy of the Group's disclosures on the significant accounting policies for contract work-in-progress in Notes 2.15 and 21 to the financial statements.

Allowance for doubtful trade debts

Trade receivable balances were significant to the Group as they represent 14.3% of the consolidated total assets. In addition, trade receivables impairment assessment requires significant management judgment in assessing the customers' ability to pay. As such, we determined that this is a key audit matter.

We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks. On a sample basis, we obtained trade receivable confirmations and evidence of receipts from the customers subsequent to the year end. We evaluated the assumptions used by management in determining the trade receivables impairment amount through analysis of ageing of receivables and assessment of significant overdue trade receivables taking into consideration their specific profiles and risks. We reviewed the customers' payment history and correspondences between the Group and the customers where applicable. We also assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as liquidity risk, credit risk and the aging of receivables in Notes 34(b), 34(c) and 17 to the financial statements.

Other information

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAI LECK HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements (Continued)

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
7 September 2018

CONSOLIDATED **INCOME STATEMENT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group	
		2018	**2017**
		$'000	**$'000**
Revenue	4	**87,690**	109,271
Cost of sales		**(47,842)**	(60,520)
Gross profit		**39,848**	48,751
Other income	5	**1,770**	964
Distribution and selling expenses		**(1,017)**	(1,140)
Administrative expenses		**(32,873)**	(33,653)
Other expenses		**(6,733)**	(6,711)
Interest expense	8	**(11)**	(11)
Share of results of joint venture		**(210)**	894
Profit before taxation	6	**774**	9,094
Taxation	9	**584**	(1,163)
Profit for the year		**1,358**	7,931
Attributable to:			
Equity holders of the Company		**1,358**	7,931
Earnings per share			
Basic (cents)	10	**0.7**	3.9
Fully diluted (cents)	10	**0.7**	3.9

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Group	
	2018	**2017**
	$'000	**$'000**
Profit net of tax	**1,358**	7,931
Other comprehensive income, net of tax:		
Items that may be reclassified to profit and loss		
Foreign currency translation	**70**	476
Total comprehensive income for the year	**1,428**	8,407
Total comprehensive income attributable to:		
Equity holders of the Company	**1,428**	8,407

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

BALANCE **SHEETS**

AS AT 30 JUNE 2018

	Note	Group		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current assets					
Property, plant and equipment	11	**47,063**	50,770	**433**	163
Investments in subsidiary companies	12	**–**	–	**34,760**	34,760
Investment in joint venture	13	**6,453**	6,632	**–**	–
Intangible assets	14	**341**	501	**–**	–
Loans due from subsidiary companies, non-current	20	**–**	–	**19,591**	19,814
Customer retention	15	**1,139**	791	**–**	–
Other receivables and deposits		**25**	141	**–**	100
Deferred tax assets	26	**23**	192	**–**	–
		55,044	59,027	**54,784**	54,837
Current assets					
Inventories	16	**2,790**	1,610	**–**	–
Trade receivables	17	**21,189**	33,650	**–**	–
Other receivables and deposits	18	**990**	1,203	**186**	6,020
Prepayments	19	**284**	469	**87**	115
Customer retention	15	**2,474**	898	**–**	–
Amounts due from subsidiary companies (non-trade)	20	**–**	–	**776**	814
Gross amounts due from customers for contract work-in-progress	21	**2,215**	371	**–**	–
Fixed deposits pledged	22	**1,827**	1,686	**–**	–
Cash and cash equivalents	22	**61,135**	52,222	**25,449**	12,286
		92,904	92,109	**26,498**	19,235

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

BALANCE **SHEETS**

AS AT 30 JUNE 2018

	Note	Group		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current liabilities					
Trade and other payables	23	**21,243**	23,300	**334**	468
Advances from customers		**153**	153	**–**	–
Suppliers retention		**537**	290	**–**	–
Amounts due to subsidiary companies (trade)	20	**–**	–	**59**	65
Gross amounts due to customers for contract work-in-progress	21	**325**	1,413	**–**	–
Provision for warranty	24	**3,384**	3,407	**–**	–
Obligations under finance lease, current	25	**78**	79	**–**	–
Income tax payable		**82**	2,547	**36**	205
		25,802	31,189	**429**	738
Net current assets		**67,102**	60,920	**26,069**	18,497
Non-current liabilities					
Deferred tax liabilities	26	**1,577**	1,171	**5**	28
Suppliers retention		**232**	–	**–**	–
Obligations under finance lease, non-current	25	**20**	98	**–**	–
		1,829	1,269	**5**	28
Net assets		**120,317**	118,678	**80,848**	73,306
Equity attributable to equity holders of the Company					
Share capital	27(a)	**65,403**	65,112	**65,403**	65,112
Treasury shares	27(b)	**(160)**	(160)	**(160)**	(160)
Accumulated profits		**53,751**	52,393	**14,559**	7,228
Capital reserve	28	**1,046**	1,126	**1,046**	1,126
Foreign currency translation reserve	29	**277**	207	**–**	–
Total equity		**120,317**	118,678	**80,848**	73,306

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Attributable to equity holders of the Company						
Group	**Share capital (Note 27(a)) $'000**	**Treasury shares (Note 27(b)) $'000**	**Accumulated profits $'000**	**Capital reserve (Note 28) $'000**	**Foreign currency translation reserve (Note 29) $'000**	**Other reserves, total $'000**	**Total equity $'000**
Balance at 1 July 2017	65,112	(160)	52,393	1,126	207	1,333	118,678
Profit for the year	–	–	1,358	–	–	–	1,358
Other comprehensive income for the year	–	–	–	–	70	70	70
Total comprehensive income for the year	–	–	1,358	–	70	70	1,428
Contributions by and distributions to owners							
Issuance of ordinary shares	291	–	–	(80)	–	(80)	211
Balance at 30 June 2018	65,403	(160)	53,751	1,046	277	1,323	120,317

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Attributable to equity holders of the Company						
Group	**Share capital (Note 27(a)) $'000**	**Treasury shares (Note 27(b)) $'000**	**Accumulated profits $'000**	**Capital reserve (Note 28) $'000**	**Foreign currency translation reserve (Note 29) $'000**	**Other reserves, total $'000**	**Total equity $'000**
Balance at 1 July 2016	65,019	(160)	54,698	1,152	(269)	883	120,440
Profit for the year	–	–	7,931	–	–	–	7,931
Other comprehensive income for the year	–	–	–	–	476	476	476
Total comprehensive income for the year	–	–	7,931	–	476	476	8,407
Contributions by and distributions to owners							
Issuance of ordinary shares	93	–	–	(26)	–	(26)	67
Dividend on ordinary shares (Note 30)	–	–	(10,236)	–	–	–	(10,236)
Balance at 30 June 2017	65,112	(160)	52,393	1,126	207	1,333	118,678

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

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Company	Attributable to equity holders of the Company				
	Share capital (Note 27(a)) $'000	Treasury shares (Note 27(b)) $'000	Accumulated profits $'000	Capital reserve (Note 28) $'000	Total equity $'000
Balance at 1 July 2017	65,112	(160)	7,228	1,126	73,306
Profit for the year	–	–	7,331	–	7,331
Total comprehensive income for the year	–	–	7,331	–	7,331
Contributions by and distributions to owners					
Issuance of ordinary shares	291	–	–	(80)	211
Balance at 30 June 2018	65,403	(160)	14,559	1,046	80,848
Balance at 1 July 2016	65,019	(160)	5,491	1,152	71,502
Profit for the year	–	–	11,973	–	11,973
Total comprehensive income for the year	–	–	11,973	–	11,973
Contributions by and distributions to owners					
Issuance of ordinary shares	93	–	–	(26)	67
Dividend on ordinary shares (Note 30)	–	–	(10,236)	–	(10,236)
Balance at 30 June 2017	65,112	(160)	7,228	1,126	73,306

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

CONSOLIDATED **CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
Profit before taxation		**774**	9,094
Adjustments:			
Depreciation of property, plant and equipment	11	**6,364**	6,475
Amortisation of intangible assets	14	**235**	162
Property, plant and equipment written off	6	**629**	199
Gain on disposal of property, plant and equipment	5	**(597)**	(277)
Share of results of joint venture		**210**	(894)
Write-back of allowances for doubtful trade receivables	17	**–**	(11)
(Write-back of)/provision for foreseeable losses		**(1,441)**	2,770
Write-back of provision for warranty	24	**(394)**	(423)
Allowance for doubtful trade receivables	17	**151**	11
Provision for warranty	24	**371**	1,237
Interest income	5	**(335)**	(205)
Interest expense	8	**11**	11
Unrealised exchange loss/(gain)		**39**	(38)
Operating cash flows before working capital changes		**6,017**	18,111
Decrease/(increase) in:			
Customer retention, trade and other receivables and deposits and prepayments		**10,971**	572
Inventories		**(1,180)**	(920)
Gross amounts due (to)/from customers for contract work-in-progress		**(1,491)**	(1,528)
(Decrease)/increase in:			
Suppliers retention, trade and other payables and advances from customers		**(1,578)**	2,711
Cash generated from operations		**12,739**	18,946
Tax paid		**(1,306)**	(920)
Net cash flows generated from operating activities		**11,433**	18,026
Cash flows from investing activities			
Interest received		**264**	214
Purchase of property, plant and equipment	11	**(3,391)**	(5,611)
Purchase of intangible assets	14	**(75)**	(335)
Proceeds from disposal of property, plant and equipment		**702**	393
Net cash flows used in investing activities		**(2,500)**	(5,339)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		**211**	67
Interest paid		**(11)**	(11)
Repayment of finance lease obligations		**(79)**	(79)
Increase in fixed deposits pledged	22	**(141)**	(1,686)
Dividends paid	30	**–**	(10,236)
Net cash flows used in financing activities		**(20)**	(11,945)
Net increase in cash and cash equivalents		**8,913**	742
Cash and cash equivalents at the beginning of year		**52,222**	51,480
Cash and cash equivalents at end of year	22	**61,135**	52,222

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 July 2018.

The Group has performed an assessment of the impact of adopting the new financial reporting framework. Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

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 which are effective for annual periods beginning on or after 1 July 2017. 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**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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:

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 is described below.

FRS 116 *Leases*

FRS 116 requires lessees to recognise for most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 July 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency

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

(i) Transactions and balances

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

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

(ii) Consolidated financial statements

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

2.5 Basis of consolidation and business combinations

(i) Basis of consolidation

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

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

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

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**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Basis of consolidation and business combinations (Continued)

(i) Basis of consolidation (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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary company at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(ii) Business combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

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

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Subsidiary companies

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

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

2.7 Joint arrangement

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment

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

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

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

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

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

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

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

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

2.9 Intangible assets

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

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

- ***Club memberships***

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

- ***Customer contracts***

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

- ***Intellectual property***

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

- ***Computer software***

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

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

2.10 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal of an impairment loss is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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

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.

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.

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

A financial liability is derecognised 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 derecognition 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets

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

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.

2.13 Cash and cash equivalents

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

2.14 Inventories

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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 based on proportion of total contract costs incurred to-date and the estimated total costs to complete.

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.

2.16 Provisions

General

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

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

Warranty provisions

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial guarantee

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

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

2.18 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.

2.19 Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

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

2.20 Leases – as lessee

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

(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 based on proportion of total contract costs incurred to-date and the estimated costs to complete.

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.

2.22 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

(ii) Deferred tax

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

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

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

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

2.23 Segment reporting

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

2.24 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.

2.25 Treasury shares

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

2.26 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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Contingencies (Continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Key sources of estimation uncertainty

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

- **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. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Key sources of estimation uncertainty (Continued)

- **Impairment of non-financial assets**

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

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

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

- **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 was determined based on surveys of work done.

  With effect from 1 July 2017, the Group changed its basis for determination of stage of completion from surveys of work done to proportion of total contract costs incurred to-date and the estimated costs to complete in order to better reflect the level of completion for each project. This change in accounting estimate has resulted in project revenue and gross profit for the year ended 30 June 2018 to be higher by approximately $2.0 million and $0.2 million respectively. It is impracticable to estimate the effect of this change in accounting estimate in future periods.

  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 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 2018 was $37,173,000 (2017: $58,556,000) for the Group.

- **Provision for warranty**

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Judgements made in applying accounting policies

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

- **Income taxes**

  Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables, deferred tax assets and deferred tax liabilities at 30 June 2018 were $82,000 (2017: $2,547,000), $23,000 (2017: $192,000) and $1,577,000 (2017: $1,171,000) respectively.

4. REVENUE

	Group	
	2018	**2017**
	$'000	**$'000**
Project revenue	**37,173**	58,556
Maintenance revenue	**41,733**	41,459
Contact centre services	**8,784**	9,256
	87,690	109,271

5. OTHER INCOME

	Group	
	2018	**2017**
	$'000	**$'000**
Interest income		
– fixed deposits	**333**	205
– others	**2**	–
Gain on disposal of property, plant and equipment	**597**	277
Write-back of allowances for doubtful trade receivables (Note 17)	**–**	11
Others	**838**	471
	1,770	964

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

6. PROFIT BEFORE TAXATION

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

	Group	
	2018	**2017**
	$'000	**$'000**
Audit fees:		
– Auditors of the Company	**151**	149
Non-audit fees:		
– Auditors of the Company	**14**	–
Depreciation of property, plant and equipment (Note 11)	**6,364**	6,475
Amortisation of intangible assets (Note 14)	**235**	162
Property, plant and equipment written off	**629**	199
Employee benefits (Note 7)	**39,541**	41,773
Foreign exchange loss, net	**6**	59
Provision for warranty (Note 24)	**371**	1,237
Write-back of provision for warranty (Note 24)	**(394)**	(423)
(Write-back of)/provision for foreseeable losses	**(1,441)**	2,770
Allowance for doubtful trade receivables (Note 17)	**151**	11
Write-back of allowance for doubtful trade receivables (Note 17)	**–**	(11)

7. EMPLOYEE BENEFITS

	Group	
	2018	**2017**
	$'000	**$'000**
Employee benefits expense (including Executive Directors)		
Wages, salaries, bonuses	**31,447**	33,570
Central Provident Fund contributions	**1,448**	1,770
Others	**6,646**	6,433
	39,541	41,773

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

8. INTEREST EXPENSE

	Group	
	2018	**2017**
	$'000	**$'000**
Interest expense on finance leases	**11**	11

9. TAXATION

	Group	
	2018	**2017**
	$'000	**$'000**
Current taxation		
– Current year	**162**	2,241
– Overprovision in respect of prior years	**(1,321)**	(642)
Deferred taxation		
– Origination and reversal of temporary differences	**301**	(871)
– Underprovision in respect of prior years	**274**	435
Tax (credit)/expense	**(584)**	1,163

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

	Group	
	2018	**2017**
	$'000	**$'000**
Profit before income tax	**774**	9,094
Tax at Singapore statutory tax rate of 17% (2017: 17%)	**132**	1,546
Adjustments:		
– Effect of partial tax exemption and tax incentives	**(82)**	(594)
– Non-deductible expenses in determining taxable income	**413**	141
– Income not subject to tax	**–**	(27)
– Overprovision in respect of prior years, net	**(1,047)**	(207)
– Share of results of joint venture	**–**	216
– Tax on undistributed earnings of joint venture	**–**	88
	(584)	1,163

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

10. EARNINGS PER SHARE

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

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

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

	Group	
	2018	**2017**
	$'000	**$'000**
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	**1,358**	7,931
Weighted average number of ordinary shares for basic earnings per share computation ('000)	**205,341**	204,688
Effects of dilution:		
– warrants ('000)	**236**	561
Weighted average number of ordinary shares adjusted for dilution ('000)	**205,577**	205,249

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

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold premises $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Workshop tools and equipment $'000	Trucks, cranes and forklifts $'000	Computers $'000	Electrical appliances, air-conditioners, furniture and fittings and renovation $'000	Assets under construction $'000	Total $'000
Cost										
At 1 July 2016	43,121	43,791	3,210	1,750	5,006	7,840	3,212	1,632	199	109,761
Additions	4	398	848	29	674	1,086	436	440	1,696	5,611
Disposals	–	(1,099)	(469)	(332)	(42)	(1,037)	(814)	(484)	(24)	(4,301)
Reclassification to intangible assets (Note 14)	–	–	–	–	–	–	(87)	–	–	(87)
At 30 June 2017 and 1 July 2017	43,125	43,090	3,589	1,447	5,638	7,889	2,747	1,588	1,871	110,984
Additions	5	371	1,038	127	291	277	61	49	1,172	3,391
Disposals	–	(2,200)	(686)	(29)	(4)	(46)	(4)	(28)	–	(2,997)
Written off	–	(15)	(8)	(425)	(710)	–	(276)	(244)	–	(1,678)
At 30 June 2018	43,130	41,246	3,933	1,120	5,215	8,120	2,528	1,365	3,043	109,700

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold premises $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Workshop tools and equipment $'000	Trucks, cranes and forklifts $'000	Computers $'000	Electrical appliances, air-conditioners, furniture and fittings and renovation $'000	Assets under construction $'000	Total $'000
Accumulated depreciation										
At 1 July 2016	7,369	34,011	2,213	875	3,554	6,584	2,207	921	–	57,734
Depreciation charge for the year	2,036	1,947	390	158	644	566	519	215	–	6,475
Disposals	–	(1,095)	(469)	(308)	(41)	(931)	(812)	(330)	–	(3,986)
Reclassification to intangible assets (Note 14)	–	–	–	–	–	–	(9)	–	–	(9)
At 30 June 2017 and 1 July 2017	9,405	34,863	2,134	725	4,157	6,219	1,905	806	–	60,214
Depreciation charge for the year	2,036	1,888	559	138	557	561	420	205	–	6,364
Disposals	–	(2,197)	(600)	(16)	(1)	(46)	(4)	(28)	–	(2,892)
Written off	–	(13)	(6)	(251)	(363)	–	(246)	(170)	–	(1,049)
At 30 June 2018	11,441	34,541	2,087	596	4,350	6,734	2,075	813	–	62,637
Net carrying amount										
At 30 June 2018	31,689	6,705	1,846	524	865	1,386	453	552	3,043	47,063
At 30 June 2017	33,720	8,227	1,455	722	1,481	1,670	842	782	1,871	50,770

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers $'000	Motor vehicles $'000	Total $'000
Cost			
At 1 July 2016	276	248	524
Additions	35	–	35
At 30 June 2016 and 1 July 2017	311	248	559
Additions	33	399	432
Written off	(15)	–	(15)
At 30 June 2018	329	647	976
Accumulated depreciation and impairment losses			
At 1 July 2016	153	121	274
Depreciation charge for the year	73	49	122
At 30 June 2017 and 1 July 2017	226	170	396
Depreciation charge for the year	66	96	162
Written off	(15)	–	(15)
At 30 June 2018	277	266	543
Net carrying amount			
At 30 June 2018	52	381	433
At 30 June 2017	85	78	163

The cash outflow on acquisition of property, plant and equipment of the Group amounted to $3,391,000 (2017: $5,611,000).

Assets held under finance lease

The carrying amount of office equipment held under finance lease at the end of the reporting period was $243,000 (2017: $283,000).

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

12. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2018 $'000	**2017 $'000**
Unquoted equity shares, at cost	**38,757**	38,757
Impairment losses	**(3,997)**	(3,997)
	34,760	34,760

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)

Details of subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Percentage of equity held by the Group 2018 %	2017 %
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
Held by subsidiary companies				
Hai Leck Industrial Services Pte. Ltd. (formerly known as Industrial Services Pte. Ltd.)*	Trading and contracting for thermal insulations, refractories and fire-protection for steel structures	Singapore	**100**	100
Tele-centre Services Pte Ltd*	Providing call centre services, telecommunications and information technology	Singapore	**100**	100
Hai Leck 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 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

13. INVESTMENT IN JOINT VENTURE

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

Details of the joint venture are as follows:

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

* Audited by Audit Teams, Thailand

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

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

	2018 $'000	2017 $'000
Joint venture		
Assets and liabilities:		
Current assets	**13,281**	13,669
Non-current assets	**772**	880
Total assets	**14,053**	14,549
Current liabilities	**681**	987
Non-current liabilities	**203**	200
Total liabilities	**884**	1,187
Results:		
Revenue	**6,773**	12,469
(Loss)/profit for the year	**(429)**	1,120

The Group's share of 49% of net assets of the joint venture amounted to $6,453,000 (2017: $6,632,000).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14. INTANGIBLE ASSETS

	Club memberships $'000	Customer contracts $'000	Intellectual property $'000	Computer software $'000	Total $'000
Cost					
At 1 July 2016	409	271	86	–	766
Reclassification from property, plant and equipment (Note 11)	–	–	–	87	87
Addition	5	–	46	284	335
At 30 June 2017 and 1 July 2017	414	271	132	371	1,188
Addition	18	–	54	3	75
At 30 June 2018	432	271	186	374	1,263
Accumulated amortisation					
At 1 July 2016	219	271	26	–	516
Reclassification from property, plant and equipment (Note 11)	–	–	–	9	9
Amortisation for the year	36	–	33	93	162
At 30 June 2017 and 1 July 2017	255	271	59	102	687
Amortisation for the year	60	–	51	124	235
At 30 June 2018	315	271	110	226	922
Net carrying amount					
At 30 June 2018	117	–	76	148	341
At 30 June 2017	159	–	73	269	501

15. CUSTOMER RETENTION

	Group	
	2018 $'000	**2017 $'000**
Customer retention, current	**2,474**	898
Customer retention, non-current	**1,139**	791
	3,613	1,689

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16. INVENTORIES

	Group	
	2018	**2017**
	$'000	**$'000**
Raw materials, supplies and consumables	**2,790**	1,610

During the year, inventories recognised as an expense in the income statement under cost of sales amounted to $6,325,000 (2017: $8,995,000) for the Group.

17. TRADE RECEIVABLES

	Group	
	2018	**2017**
	$'000	**$'000**
Trade receivables – external	**21,352**	33,532
Amount due from a joint venture (trade)	**–**	130
Less: Allowance for doubtful debts – trade receivables	**(163)**	(12)
	21,189	33,650
Less: Net GST receivable	**(89)**	–
Total loans and receivables	**21,100**	33,650

Trade receivables

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to $3,856,000 (2017: $7,849,000) 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	
	2018	**2017**
	$'000	**$'000**
Trade receivables past due for:		
– 1 – 30 days	**1,782**	5,523
– 31 – 60 days	**711**	1,556
– More than 60 days	**1,363**	770
	3,856	7,849

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17. TRADE RECEIVABLES (CONTINUED)

Receivables that are impaired

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

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

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

In the previous financial year, the Group wrote-back $11,000 of allowance for doubtful receivables upon collection of these receivables.

18. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	**567**	414	**186**	14
Deposits	**423**	789	**–**	6
Dividend receivable	**–**	–	**–**	6,000
	990	1,203	**186**	6,020

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

19. PREPAYMENTS

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Prepaid expenses	**237**	214	**87**	115
Advances to suppliers	**47**	255	**–**	–
	284	469	**87**	115

As at 30 June 2017, the advances to suppliers relate to advance payments made to suppliers for the purchase of certain machinery where the installation has not been completed as at year-end. These advances were reclassified to "property, plant and equipment" upon completion of the installation during the current financial year.

20. LOANS DUE FROM SUBSIDIARY COMPANIES, NON-CURRENT

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.

During the financial year, the Company made allowance for doubtful debt amounting to $Nil (2017: $2,500,000) in respect of its loans to a subsidiary company.

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

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

21. GROSS AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2018 $'000	2017 $'000
This comprises:		
Aggregate project costs incurred and recognised profits to-date	**15,803**	16,454
Less: Progress billings	**(13,913)**	(14,726)
Less: Expected losses	**–**	(2,770)
	1,890	(1,042)
Presented as:		
Gross amounts due from customers for contract work-in-progress	**2,215**	371
Gross amounts due to customers for contract work-in-progress	**(325)**	(1,413)
	1,890	(1,042)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

22. FIXED DEPOSITS PLEDGED CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash and bank balances	**37,969**	29,514	**6,584**	4,022
Fixed deposits	**24,993**	24,394	**18,865**	8,264
	62,962	53,908	**25,449**	12,286
Fixed deposits pledged with bank	**(1,827)**	(1,686)	**–**	–
Cash and cash equivalents	**61,135**	52,222	**25,449**	12,286

23. TRADE AND OTHER PAYABLES

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

Trade payables

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

Other payables

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

24. PROVISION FOR WARRANTY

	Group	
	2018 $'000	2017 $'000
At beginning of year	**3,407**	2,593
Provided during the year	**371**	1,237
Reversed during the year	**(394)**	(423)
At end of the year	**3,384**	3,407

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

25. OBLIGATIONS UNDER FINANCE LEASE

These obligations are secured by a charge over the lease assets (Note 11). The discount rate implicit in the leases is 5.47% (2017: 5.47%) per annum.

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

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

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

26. DEFERRED TAXATION

Deferred tax relate to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**2,264**	2,022	**242**	(383)
Undistributed earnings of joint venture	**88**	88	**–**	88
Deferred tax assets				
Provisions	**(756)**	(1,131)	**375**	(446)
Unutilised tax losses	**(42)**	–	**(42)**	305
Net deferred tax liabilities	**1,554**	979		
Deferred income tax (credit)/expense			**575**	(436)
Presented as:				
Deferred tax assets	**(23)**	(192)		
Deferred tax liabilities	**1,577**	1,171		
	1,554	979		

Unrecognised temporary differences relating to investment in joint venture

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

27. SHARE CAPITAL AND TREASURY SHARES

Share Consolidation

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

2012 Warrants

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

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

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

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

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

2013 Warrants

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

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

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

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

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

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27. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

2013 Warrants (Continued)

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

(a) Share capital

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

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

(b) Treasury shares

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

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

28. CAPITAL RESERVE

2013 Warrants

Since 1 July 2017, no Consolidated 2013 Warrants were exercised to acquire new shares. As at 30 June 2018, 97,396,852 (2017: 97,396,852) Consolidated 2013 Warrants were outstanding.

2012 Warrants

During the financial year, 804,825 (2017: 259,725) Consolidated 2012 Warrants were exercised to acquire 804,825 (2017: 259,725) new shares.

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group	
	2018	**2017**
	$'000	**$'000**
At beginning of the year	**207**	(269)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**70**	476
At end of the year	**277**	207

30. DIVIDEND

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Declared and paid during the year:		
Dividends on ordinary shares:		
– Tax exempt (one-tier) interim dividend paid in respect of the current financial year of $Nil (2017: $0.02) per ordinary share	**–**	4,094
– Tax exempt (one-tier) special interim dividend paid in respect of the current financial year of $Nil (2017: $0.03) per ordinary share	**–**	6,142
	–	10,236

No final dividends were proposed and recognised as a liability as at 30 June 2018 and 2017.

31. RELATED PARTY INFORMATION

(a) Sales and purchase of services

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

Related parties	**2018**	**2017**
	$'000	**$'000**
Provision of consultancy services by a director	**109**	36
Lease payments to directors	**37**	52

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

31. RELATED PARTY INFORMATION (CONTINUED)

(b) Compensation of key management personnel

	Group	
	2018	**2017**
	$'000	**$'000**
Central Provident Fund contributions	**175**	248
Short-term employee benefits	**2,646**	3,045
Total compensation paid to key management personnel	**2,821**	3,293
Comprise amounts paid to:		
– Directors of the Company	**2,051**	2,504
– Other key management personnel	**770**	789
	2,821	3,293

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

32. COMMITMENTS

Operating lease commitments

The Group has various non-cancellable operating lease agreements for leasehold premises, staff accommodation and office equipment. These leases have tenures of between 2 and 60 years (2017: 3 and 60 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	
	2018	**2017**
	$'000	**$'000**
Future minimum lease payments		
– not later than one year	**979**	1,103
– one year through five years	**2,876**	3,335
– more than five years	**5,833**	6,120
	9,688	10,558

Minimum lease payments recognised as an expense in the income statement for the financial year ended 30 June 2018 amounted to $2,703,000 (2017: $2,694,000) for the Group. In addition, included in the above lease payments of the Group is an amount of $37,000 (2017: $52,000) payable to related parties (Note 31(a)).

NOTES TO THE **FINANCIAL STATEMENTS**

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32. COMMITMENTS (CONTINUED)

Finance lease commitments

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

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

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

Capital commitments

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

	Group	
	2018 $'000	**2017 $'000**
Capital commitment in respect of property, plant and equipment	**–**	827

33. CONTINGENT LIABILITIES

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

The Company has undertaken to provide continuing financial support to Hai Leck Engineering & Construction Pte. Ltd., Hai Leck Overseas Investments Pte. Ltd. and Hai Leck Services Pte. Ltd.. These subsidiaries are in net current liability positions as at 30 June 2018.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

(a) Foreign currency risk

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

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

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

(b) Liquidity risk

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

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

	2018			2017		
	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	**2,474**	**1,139**	**3,613**	898	791	1,689
Trade and other receivables and deposits (excluding net GST receivable)	**22,090**	**25**	**22,115**	34,853	141	34,994
Fixed deposits pledged	**1,827**	**–**	**1,827**	1,686	–	1,686
Cash and cash equivalents	**61,135**	**–**	**61,135**	52,222	–	52,222
Total undiscounted financial assets	**87,526**	**1,164**	**88,690**	89,659	932	90,591
Financial liabilities:						
Suppliers retention	**537**	**232**	**769**	290	–	290
Trade and other payables (excluding net GST payable)	**20,289**	**–**	**20,289**	22,291	–	22,291
Obligations under finance lease	**90**	**22**	**112**	90	112	202
Total undiscounted financial liabilities	**20,916**	**254**	**21,170**	22,671	112	22,783
Total net undiscounted financial assets	**66,610**	**910**	**67,520**	66,988	820	67,808

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2018				2017			
	Within 1 year $'000	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**	**Within 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Company								
Financial assets:								
Loans due from subsidiary companies	**–**	**1,500**	**18,091**	**19,591**	–	–	19,814	19,814
Other receivables and deposits	**186**	**–**	**–**	**186**	6,020	100	–	6,120
Amounts due from subsidiary companies (non-trade)	**776**	**–**	**–**	**776**	814	–	–	814
Cash and cash equivalents	**25,449**	**–**	**–**	**25,449**	12,286	–	–	12,286
Total undiscounted financial assets	**26,411**	**1,500**	**18,091**	**46,002**	19,120	100	19,814	39,034
Financial liabilities:								
Trade and other payables (excluding net GST payable)	**320**	**–**	**–**	**320**	439	–	–	439
Amounts due to subsidiary companies (trade)	**59**	**–**	**–**	**59**	65	–	–	65
Total undiscounted financial liabilities	**379**	**–**	**–**	**379**	504	–	–	504
Total net undiscounted financial assets	**26,032**	**1,500**	**18,091**	**45,623**	18,616	100	19,814	38,530

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

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

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

Exposure to credit risk

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

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

Credit risk concentration profile

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

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

35. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

(b) 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 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.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Categories of financial instruments (Continued)

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

Company	**Loans and receivables $'000**	**Liabilities at amortised cost $'000**
2018		
Assets		
Loans due from subsidiary companies	**19,591**	**–**
Other receivables and deposits	**186**	**–**
Amounts due from subsidiary companies (non-trade)	**776**	**–**
Cash and cash equivalents	**25,449**	**–**
Total	**46,002**	**–**
Liabilities		
Trade and other payables (excluding net GST payable)	**–**	**320**
Amounts due to subsidiary companies (trade)	**–**	**59**
Total	**–**	**379**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Categories of financial instruments (Continued)

Company	Loans and receivables $'000	Liabilities at amortised cost $'000
2017		
Assets		
Loans due from subsidiary companies	19,814	–
Other receivables and deposits	6,120	–
Amounts due from subsidiary companies (non-trade)	814	–
Cash and cash equivalents	12,286	–
Total	39,034	–
Liabilities		
Trade and other payables (excluding net GST payable)	–	439
Amounts due to subsidiary companies (trade)	–	65
Total	–	504

36. CAPITAL MANAGEMENT

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2018 and 2017. The Group is not subjected to any externally imposed capital requirements.

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

	Group	
	2018 $'000	**2017 $'000**
Trade and other payables	**21,243**	23,300
Suppliers retention	**769**	290
Gross debt	**22,012**	23,590
Equity attributable to equity holders of the Company	**120,317**	118,678
Gross debt equity ratio	**18.30%**	19.88%

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37. SEGMENT INFORMATION

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

(i) Project services

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

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

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

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

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

(ii) 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37. SEGMENT INFORMATION (CONTINUED)

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

	Project services		Maintenance services		Contact centre services		Adjustments and eliminations		Notes	Consolidated financial statements	
	2018	2017	2018	2017	2018	2017	2018	2017		2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:											
External customers	**37,173**	58,556	**41,733**	41,459	**8,784**	9,256	**–**	–		**87,690**	109,271
Inter-segment sales	**20,110**	22,472	**20,285**	15,910	**40**	–	**(40,435)**	(38,382)	A	**–**	–
Total revenue	**57,283**	81,028	**62,018**	57,369	**8,824**	9,256	**(40,435)**	(38,382)		**87,690**	109,271
Results:											
Interest income	**116**	92	**188**	87	**31**	26	**–**	–		**335**	205
Depreciation and amortisation	**1,833**	2,966	**4,125**	2,968	**641**	703	**–**	–		**6,599**	6,637
Segment profit before tax	**(1,509)**	282	**457**	6,486	**2,036**	1,377	**(210)**	949	B	**774**	9,094
Assets:											
Additions to non-current assets	**1,215**	2,453	**2,179**	2,408	**–**	1,034	**–**	–	C	**3,394**	5,895
Segment assets	**89,959**	128,354	**140,787**	112,672	**9,433**	15,695	**(92,254)**	(105,777)	D	**147,925**	150,944
Segment liabilities:	**49,937**	65,798	**35,801**	36,469	**1,150**	1,088	**(60,916)**	(74,615)	E	**25,972**	28,740

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 added to/(deducted from) segment profit before tax to arrive at profits before tax presented in consolidated income statement:

	2018 $'000	2017 $'000
Inter-segment income and expenses	**–**	–
Others	**(210)**	949
	(210)	949

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

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

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

	2018 $'000	2017 $'000
Inter-segment liabilities	**(62,575)**	(78,333)
Provision for taxation	**82**	2,547
Deferred tax liabilities	**1,577**	1,171
	(60,916)	(74,615)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Revenue		Non-current assets	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**81,872**	107,242	**47,404**	51,271
Others	**5,818**	2,029	**–**	–
Total	**87,690**	109,271	**47,404**	51,271

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

Information about major customers

The Group derives revenue from two (2017: one) major customers arising from sales from the project services segment and two (2017: two) major customers arising from sales from maintenance services segment as follows:

	Project services		Maintenance services	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Customer A	**709***	28,120	**29,447**	30,848
Customer B	**885***	281*	**11,241**	5,130
Customer C	**17,291**	7,457*	**–***	–*
Customer D	**9,860**	–*	**–***	–*

* These figures have been shown for comparative purposes.

38. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 7 September 2018.

STATISTICS OF **SHAREHOLDINGS**

AS AT 19 SEPTEMBER 2018

SHAREHOLDERS' INFORMATION

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

TREASURY SHARES

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	392	30.60	2,835	0.00
100 – 1,000	300	23.42	164,919	0.08
1,001 – 10,000	285	22.25	1,613,905	0.79
10,001 – 1,000,000	298	23.26	18,002,521	8.75
1,000,001 AND ABOVE	6	0.47	185,889,767	90.38
TOTAL	**1,281**	**100.00**	**205,673,947**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CHENG BUCK POH @ CHNG BOK POH	94,193,150	45.80
2	CHENG CAPITAL HOLDINGS PTE LTD	78,000,000	37.92
3	DBS NOMINEES (PRIVATE) LIMITED	5,443,542	2.65
4	WING HUAT LOONG PTE LTD	4,413,650	2.15
5	IFAST FINANCIAL PTE LTD	2,655,500	1.29
6	RAFFLES NOMINEES (PTE.) LIMITED	1,183,925	0.58
7	CITIBANK NOMINEES SINGAPORE PTE LTD	748,900	0.36
8	CHENG HWEE PEOW @ CHONG HUI PING	700,000	0.34
9	NG KOH LIP	679,400	0.33
10	TAN WEI YI (CHEN WEIYI)	631,700	0.31
11	THOMAS DENNIS WILLIAM	515,500	0.25
12	TAN KIAN CHUAN (CHEN JIANZHUAN)	400,000	0.19
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	375,607	0.18
14	KOH SOON CHUANG	339,500	0.17
15	PHILLIP SECURITIES PTE LTD	338,968	0.16
16	TEO SOON SENG	325,000	0.16
17	LOW SEOW CHAY	270,500	0.13
18	UOB KAY HIAN PRIVATE LIMITED	250,500	0.12
19	ABN AMRO CLEARING BANK N.V	237,000	0.12
20	LIM TONG KWANG (LIN ZHONGGUANG)	214,750	0.10
	TOTAL	**191,917,092**	**93.31**

STATISTICS OF **SHAREHOLDINGS**

AS AT 19 SEPTEMBER 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Cheng Capital Holdings Pte Ltd	78,000,000	37.92	–	–
Cheng Buck Poh @ Chng Bok Poh	94,193,150	45.80	78,000,000	37.92
Goo Guik Bing @ Goh Guik Bing	–	–	172,193,150	83.72

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

Notes:

1. Cheng Capital Holdings Pte Ltd ("Cheng Capital Holdings") is held by Messrs Cheng Buck Poh @ Chng Bok Poh (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 Non-Executive Directors, Ms Cheng Li Chen and Ms Cheng Li Hui, as well as Ms Cheng Li Peng and Ms Cheng Wee Ling are their children.

2. Mr Cheng Buck Poh @ Chng Bok Poh is deemed to be interested in the 78,000,000 shares held by Cheng Capital Holdings by virtue of his 52% shareholdings in Cheng Capital Holdings.

3. Mdm Goo Guik Bing @ Goh Guik Bing is deemed to be interested in the 78,000,000 shares held by Cheng Capital Holdings by virtue of her husband's 52% shareholdings in Cheng Capital Holdings and 94,193,150 shares held by her husband.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

16.05% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

STATISTICS OF **WARRANTHOLDINGS**

AS AT 19 SEPTEMBER 2018

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	130	33.51	965	0.00
100 – 1,000	29	7.47	9,789	0.01
1,001 – 10,000	119	30.67	546,842	0.56
10,001 – 1,000,000	106	27.32	7,257,531	7.45
1,000,001 AND ABOVE	4	1.03	89,581,725	91.98
TOTAL	**388**	**100.00**	**97,396,852**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	CHENG BUCK POH @ CHNG BOK POH	46,233,125	47.47
2	CHENG CAPITAL HOLDINGS PTE LTD	39,000,000	40.04
3	UOB KAY HIAN PRIVATE LIMITED	3,303,600	3.39
4	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,045,000	1.07
5	CHENG WA SING	587,950	0.60
6	PHILLIP SECURITIES PTE LTD	516,237	0.53
7	LIM GUAN PHENG	438,500	0.45
8	RHB SECURITIES SINGAPORE PTE. LTD.	412,500	0.42
9	SOON SING	403,000	0.41
10	KHOO HWEE SAN	325,000	0.33
11	KOH CHIN HWA	297,500	0.31
12	CITIBANK NOMINEES SINGAPORE PTE LTD	266,500	0.27
13	KOH CHEOH LIANG VINCENT	255,000	0.26
14	OCBC SECURITIES PRIVATE LIMITED	210,750	0.22
15	TAN CHUNG KARN (CHEN ZHONGKANG)	205,000	0.21
16	AW HANG JOO	200,000	0.21
17	DBS NOMINEES (PRIVATE) LIMITED	176,558	0.18
18	QUEK CHIAU BENG	162,750	0.17
19	BUKOH SENG KHIM	140,500	0.14
20	YEE CHOY CHAN	100,000	0.10
	TOTAL	**94,279,470**	**96.78**

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hai Leck Holdings Limited (the "**Company**") will be held at 47 Tuas View Circuit, Singapore 637357 on Friday, 19 October 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 93 of the Constitution of the Company:

   Mr Cheng Yao Tong **(Resolution 2)**
   Ms Cheng Li Chen **(Resolution 3)**
   Mr Tan Sim Cheng **(Resolution 4)**

   [See Explanatory Note (i)]

3. To approve the payment of additional Directors' fees of S$20,625 for the financial year ended 30 June 2018.

   (Resolution 5)

4. To approve the payment of Directors' fees amounting to S$245,000 for the financial year ending 30 June 2019 to be paid quarterly in arrears.

   (Resolution 6)

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

   (Resolution 7)

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

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

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

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

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

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

NOTICE OF **ANNUAL GENERAL MEETING**

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

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

provided that:

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

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

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

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

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

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

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

[See Explanatory Note (ii)] **(Resolution 8)**

NOTICE OF **ANNUAL GENERAL MEETING**

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

That:

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

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

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

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

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

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

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

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

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

(d) for purposes of this resolution:–

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

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

NOTICE OF **ANNUAL GENERAL MEETING**

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

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

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

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

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

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

[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Chew Kok Liang
Company Secretary

Singapore
3 October 2018

Explanatory Notes:

(i) Mr Cheng Yao Tong will, upon re-election as a Director, remain as Executive Director and Chief Executive Officer of the Company.

Ms Cheng Li Chen will, upon re-election as a Director, remain as Non-Executive Director of the Company.

Mr Tan Sim Cheng will, upon re-election as a Director, remain as Non-Executive Deputy Chairman and Lead Independent Director, Chairman of Audit Committee and member of Remuneration Committee and Nominating Committee respectively and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

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

NOTICE OF **ANNUAL GENERAL MEETING**

(iii) Resolution 9 above, if passed, will empower the Directors of the Company from the date of the above AGM up to the earliest of (i) the conclusion of the date of the next AGM of the Company or the date by which such AGM of the Company is required by law to be held; (ii) the date on which the share buy backs are carried out to the full extent mandated; or (iii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked by the Company to purchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date of the AGM at which this Ordinary Resolution is passed. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy Back Mandate on the audited consolidated financial results of the Group for the financial year ended 30 June 2018 are set out in greater detail in the Addendum despatched together with the Annual Report 2018.

Notes:

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

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

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

* A Relevant Intermediary is:

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

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

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

PERSONAL DATA PRIVACY

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

HAI LECK HOLDINGS LIMITED

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

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, (Name) _____ NRIC/Passport No. _____

of (Address) _____

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

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

*and/or (delete as appropriate)

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

Or failing *him/her, the Chairman of the Annual General Meeting (the "**Meeting**") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Meeting of the Company to be held at 47 Tuas View Circuit, Singapore 637357 on Friday, 19 October 2018 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Resolutions relating to:	No. of Votes For**	No. of Votes Against**
Ordinary Business			
1	Audited Financial Statements for the financial year ended 30 June 2018		
2	Re-election of Mr Cheng Yao Tong as a Director		
3	Re-election of Ms Cheng Li Chen as a Director		
4	Re-election of Mr Tan Sim Cheng as a Director		
5	Approval of additional Directors' fees amounting to S$20,625 for the financial year ended 30 June 2018		
6	Approval of Directors' fees amounting to S$245,000 for the financial year ending 30 June 2019, to be paid quarterly in arrears		
7	Re-appointment of Ernst & Young LLP as Auditors		
Special Business			
8	Authority to allot and issue new shares		
9	Renewal of Share Buy Back Mandate		

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

Dated this _____ day of _____ 2018

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

_____

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

* Delete where inapplicable

IMPORTANT: Please read notes overleaf

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

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

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

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

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

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

* A Relevant Intermediary is:

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

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

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 October 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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HAI LECK HOLDINGS LIMITED
(Company Registration Number 199804461D)
47 TUAS VIEW CIRCUIT
SINGAPORE 637357