



# HAI LECK HOLDINGS LIMITED

(Company Registration No. : 199804461D)

## Financial Statements and Dividend Announcement

For the First Half Year and Second Quarter ended 31 December 2010

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group		Change %	Group		Change %
	2nd quarter 2010-11 \$'000	2nd quarter 2009-10 \$'000		Half year 2010-11 \$'000	Half year 2009-10 \$'000	
<b>Revenue</b>	19,476	37,528	(48.1)	43,864	68,657	(36.1)
Less:						
Cost of sales	(9,578)	(21,609)	(55.7)	(19,418)	(38,997)	(50.2)
Other income	409	389	5.1	669	883	(24.2)
Distribution and selling expenses	(177)	(242)	(26.9)	(333)	(484)	(31.2)
Administrative expenses	(5,896)	(6,898)	(14.5)	(14,331)	(13,375)	7.1
Other operating expenses	(2,256)	(4,958)	(54.5)	(4,488)	(8,539)	(47.4)
Interest expense	(5)	(7)	(28.6)	(14)	(16)	(12.5)
<b>Profit before taxation</b>	1,973	4,203	(53.1)	5,949	8,129	(26.8)
Taxation	(1)	(1,079)	(99.9)	(671)	(1,863)	(64.0)
<b>Profit for the period</b>	1,972	3,124	(36.9)	5,278	6,266	(15.8)
<b>Attributable to:</b>						
Equity holders of the Company	1,972	3,124	(36.9)	5,278	6,266	(15.8)
<b>Net profit included the following:</b>						
	Group	Group		Group	Group	
	2nd quarter 2010-11 \$'000	2nd quarter 2009-10 \$'000		Half year 2010-11 \$'000	Half year 2009-10 \$'000	
Interest income	42	2		54	11	
Interest expense	(5)	(7)		(14)	(16)	
Foreign exchange loss, net	(34)	7		(69)	(5)	
Gain on disposal of property, plant and equipment	2	9		68	10	
Amortisation of intangible assets	(3)	(4)		(7)	(8)	
Depreciation of property, plant and equipment	(2,202)	(4,959)		(4,439)	(8,524)	
<b>Consolidated statement of comprehensive income</b>						
	Group	Group		Group	Group	
	2nd quarter 2010-11 \$'000	2nd quarter 2009-10 \$'000		Half year 2010-11 \$'000	Half year 2009-10 \$'000	
<b>Profit for the period</b>	1,972	3,124		5,278	6,266	
<b>Other comprehensive income:</b>						
Foreign currency translation	(36)	11		(24)	(9)	
<b>Other comprehensive income for the period</b>	(36)	11		(24)	(9)	
<b>Total comprehensive income for the period</b>	1,936	3,135		5,254	6,257	
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	1,936	3,135		5,254	6,257	

1(b)(i) A balance sheet (for the issuer and the group) together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31.12.2010 \$'000	30.6.2010 \$'000	31.12.2010 \$'000	30.6.2010 \$'000
<b>Non-current assets:</b>				
Property, plant and equipment	36,348	39,235	-	-
Investments in subsidiary companies	-	-	28,013	28,000
Long-term loan to a subsidiary company	-	-	18,493	21,496
Intangible assets	221	228	-	-
	<u>36,569</u>	<u>39,463</u>	<u>46,506</u>	<u>49,496</u>
<b>Current assets:</b>				
Inventories	462	217	-	-
Trade receivables	14,057	22,409	-	-
Other receivables and deposits	2,267	2,396	6	-
Prepayments	38	102	-	-
Due from subsidiary companies, trade	-	-	-	3,017
Other investments	1,010	1,012	-	-
Cash and cash equivalents	56,292	49,080	25,069	10,314
	<u>74,126</u>	<u>75,216</u>	<u>25,075</u>	<u>13,331</u>
<b>Current liabilities:</b>				
Trade and other payables	18,812	22,632	734	1,243
Due to subsidiary companies - non-trade	-	-	2,439	12
Loan from non-controlling interest	-	392	-	-
Gross amount due to customers for contract work-in-progress	700	1,500	-	-
Provision for taxation	2,244	2,942	6	6
Finance lease obligation - current portion	438	510	-	-
Provision for warranty	840	840	-	-
	<u>23,034</u>	<u>28,816</u>	<u>3,179</u>	<u>1,261</u>
<b>Net current assets</b>	<u>51,092</u>	<u>46,400</u>	<u>21,896</u>	<u>12,070</u>
<b>Non-current liabilities:</b>				
Deferred taxation	2,702	2,702	-	-
Finance lease obligation - non-current portion	60	278	-	-
	<u>2,762</u>	<u>2,980</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>84,899</u>	<u>82,883</u>	<u>68,402</u>	<u>61,566</u>
<b>Equity attributed to equity holders of the Company</b>				
Share capital	48,817	48,804	48,817	48,804
Capital reserve	1,156	1,157	1,156	1,157
Accumulated profits	35,141	33,113	18,429	11,605
Translation reserve	(215)	(191)	-	-
<b>Total equity</b>	<u>84,899</u>	<u>82,883</u>	<u>68,402</u>	<u>61,566</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

31.12.2010		30.6.2010	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
438	-	510	-

Amount repayable after one year

31.12.2010		30.6.2010	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
60	-	278	-

Details of any collateral

Hire purchase financing for plant and equipment.

**1c Consolidated Statement of Cash Flows**

	Group		Group	
	2nd quarter 2010-11	2nd quarter 2009-10	Half year 2010-11	Half year 2009-10
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>				
Profit before taxation	1,973	4,203	5,949	8,129
Adjustments for:				
Depreciation of property, plant and equipment	2,202	4,959	4,439	8,524
Amortisation of intangible assets	3	4	7	8
Gain on disposal of property, plant and equipment	(2)	(9)	(68)	(10)
Currency realignment	(18)	22	9	8
Interest income	(42)	(2)	(54)	(11)
Interest expense	5	7	14	16
Operating cash flows before working capital changes	<u>4,121</u>	<u>9,184</u>	<u>10,296</u>	<u>16,664</u>
Increase in trade and other receivables and prepayments	541	8,927	8,545	3,576
Decrease/(increase) in inventories	143	71	(245)	(80)
(Decrease)/increase in trade and other payables	(845)	5,261	(3,820)	3,304
Decrease/(increase) in gross amount due from/(to) customers for contract work-in-progress, net	-	(343)	(800)	817
Cash generated from operations	<u>3,960</u>	<u>23,100</u>	<u>13,976</u>	<u>24,281</u>
Tax paid	<u>(827)</u>	<u>32</u>	<u>(1,369)</u>	<u>(471)</u>
Net cash flows generated from operating activities	<u>3,133</u>	<u>23,132</u>	<u>12,607</u>	<u>23,810</u>
<b>Cash flows from investing activities:</b>				
Interest received	42	2	54	11
Purchase of property, plant and equipment	(1,066)	(1,018)	(1,601)	(3,619)
Proceeds from disposal of property, plant and equipment	5	8	86	11
Net cash flows used in investing activities	<u>(1,019)</u>	<u>(1,008)</u>	<u>(1,461)</u>	<u>(3,597)</u>
<b>Cash flows from financing activities:</b>				
Net proceeds from issue of new shares	12	4	12	4
Net proceeds from issue of new warrants	-	1,162	-	1,162
Interest paid	(5)	(7)	(14)	(16)
Repayment of loan to non-controlling interest of a subsidiary company	(392)	-	(392)	-
Repayment of finance lease obligations	(143)	(118)	(290)	(253)
Dividend paid	<u>(3,250)</u>	<u>(3,250)</u>	<u>(3,250)</u>	<u>(3,250)</u>
Net cash flows used in financing activities	<u>(3,778)</u>	<u>(2,209)</u>	<u>(3,934)</u>	<u>(2,353)</u>
Net increase/(decrease) in cash and cash equivalents	(1,664)	19,915	7,212	17,860
Cash and cash equivalents at beginning of period	<u>57,956</u>	<u>15,977</u>	<u>49,080</u>	<u>18,032</u>
<b>Cash and cash equivalents at end of period</b>	<u>56,292</u>	<u>35,892</u>	<u>56,292</u>	<u>35,892</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from Capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Statements of changes in equity**  
For period ended 31 December 2010

<b>Group</b>	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Total equity \$'000
At 1 July 2009	48,800	-	22,914	(276)	71,438
Profit net of tax	-	-	6,266	-	6,266
Other comprehensive income for the period	-	-	-	(9)	(9)
Total comprehensive income for the period	-	-	6,266	(9)	6,257
Issuance of ordinary shares	4	-	-	-	4
Issuance of warrants	-	1,300	-	-	1,300
Warrant issue expenses	-	(138)	-	-	(138)
Dividend on ordinary shares	-	-	(3,250)	-	(3,250)
Balance at 31 December 2009	48,804	1,162	25,930	(285)	75,611
At 1 July 2010	48,804	1,157	33,113	(191)	82,883
Profit net of tax	-	-	5,278	-	5,278
Other comprehensive income for the period	-	-	-	(24)	(24)
Total comprehensive income for the period	-	-	5,278	(24)	5,254
Issuance of ordinary shares	-	-	-	-	-
Share issue expenses	13	(1)	-	-	12
Dividend on ordinary shares	-	-	(3,250)	-	(3,250)
Balance at 31 December 2010	48,817	1,156	35,141	(215)	84,899
<b>Company</b>	Share capital \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000	
At 1 July 2009	48,800	-	6,391	55,191	
Total comprehensive income for the period	-	-	(48)	(48)	
Issuance of ordinary shares	4	-	-	4	
Issuance of warrants	-	1,300	-	1,300	
Warrant issue expenses	-	(138)	-	(138)	
Dividend on ordinary shares	-	-	(3,250)	(3,250)	
Balance at 31 December 2009	48,804	1,162	3,093	53,059	
At 1 July 2010	48,804	1,157	11,605	61,566	
Total comprehensive income for the period	-	-	10,074	10,074	
Issuance of ordinary shares	13	(1)	-	12	
Dividend on ordinary shares	-	-	(3,250)	(3,250)	
Balance at 31 December 2010	48,817	1,156	18,429	68,402	

**1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-back, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the second quarter, 47,000 Warrants were exercised to acquire 47,000 New Shares. As of 31 December 2010, 129,939,000 warrants are outstanding.

In view of the above, the changes in the Company's share capital are as follows:-

	As at 31.12.2010	
	No of shares	S\$
At 30 June 2010	325,014,000	50,103,640
Share issued pursuant to the exercise of Warrants	47,000	12,220
At 31 Dec 2010	<u>325,061,000</u>	<u>50,115,860</u>

Save for the above, there is no change in the issued share capital of the Company since 30 June 2009.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 December 2010, the total number of issued ordinary shares was 325,061,000 ( 30 June 2010: 325,014,000)

**1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed.

**3 Where the figures have been audited or reviewed, the auditors report (including any qualifications or emphasis of matter).**

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Note 5 below, the Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the most recent audited financial statements for the year ended 30 June 2010.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted all applicable new and revised FRS and Interpretations to FRS ("INTFRS") that became effective for the financial year beginning on 1 July 2010. The adoption of these FRS and INTFRS has no significant impact on the financial statements.

**6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	<b>Group</b>		<b>Group</b>	
	2nd quarter 2010-11	2nd quarter 2009-10	Half year 2010-11	Half year 2009-10
Profit attributable to ordinary equity holders of the Company (\$'000)	1,972	3,124	5,278	6,266
Weighted average number of ordinary shares in issue applicable to basic earnings per share ('000)	325,058	325,005	325,036	325,002
Weighted average number of ordinary shares in issue applicable to diluted earnings per share ('000)	332,886	342,691	336,851	334,365
Earning per share -				
Basic (cents)	0.6	1.0	1.6	1.9
Fully diluted (cents)	0.6	0.9	1.6	1.9

**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	<b>Group</b>		<b>Company</b>	
	31.12.2010	30.6.2010	31.12.2010	30.6.2010
Net asset value (\$'000)	84,899	82,883	68,402	61,566
Number of ordinary shares in issue at end of period ('000)	325,061	325,014	325,061	325,014
Net asset value per ordinary share based on the number of shares in issue at end of period (cents)	26.1	25.5	21.0	18.9

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must any significant factors that affected the turnover, costs, and earnings of the group for the current financial**  
**(a) period reported on, including (where applicable) seasonal or cyclical factors; and any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period**  
**(b) reported on.**

## **Review of Financial Results**

### **Results for the first half and second quarter ended 31 December 2010**

#### **Revenue**

Revenue for the first half 2010-11 decreased by 36.1% or \$24.8 million to \$43.9 million compared to \$68.7 million recorded in the corresponding period 2009-10. The decrease is mainly due to lower revenue from Project services. Most major projects contracted between 2006-07 and 2007-08 have been completed.

Quarter-on-quarter, revenue decreased by 48.1% or \$18.0 million to reach \$19.5 million in the second quarter ended 31 December 2010 compared to \$37.5 million in the corresponding quarter 2009-10, which is largely attributed to lower revenue from Project services.

#### **Cost of sales**

For the first half year 2010-11, cost of sales decreased by 50.2% or \$19.6 million to \$19.4 million as compared to \$39.0 million in the corresponding period in 2009-10. This is in line with the lower revenue.

Quarter-on-quarter, cost of sales decreased by 55.7% or \$12.0 million to \$9.6 million in the second quarter ended 31 Dec 2010 compared to \$21.6 million in the corresponding quarter in 2009-10.

#### **Other income**

Other income comprises mainly interest income, miscellaneous income earned from non-core businesses as well as safety and performance incentives. This also includes items such as gain on disposal of property, plant and equipment. For the first half year ended 31 December 2010, other income amounted to 0.7 million, a decrease of \$0.2 million.

Other income for the second quarter ended 31 December 2010 remained at \$0.4 million.

#### **Operating expenses**

Operating expenses consist of distribution and selling expenses, administrative expenses and other operating expenses, including depreciation, amortisation and exchange differences.

For the six months ended 31 December 2010, operating expenses decreased by 14.5% or \$3.2 million to \$19.2 million compared to \$22.4 million recorded in first half 2009-10. The decrease in operating expenses was mainly due to lower depreciation charges as more equipment have been fully depreciated.

Operating expenses in the second quarter ended 31 December 2010 decreased 31.2% or \$3.8 million. The quarter-on-quarter decrease is largely attributed to the above reason.

#### **Taxation**

The decrease in taxation for the second quarter and first half 2010-11 was due to tax allowances and reliefs. This resulted in a small percentage to the profit before taxation.

#### **Profit attributable to equity holders of the Company**

The profit attributable to equity holders for the first half 2010-11 decreased by \$1.0 million or 15.8% to \$5.3 million compared to the corresponding period in 2009-10.

For the second quarter ended 31 December 2010, the profit attributable to equity holders decreased by \$1.2 million or 36.9%.

## **Review of Financial Position**

### **Non-current assets**

Non-current assets of the Group decreased by 7.3% or \$2.9 million, from \$39.5 million as at 30 June 2010 to \$36.6 million as at 31 December 2010. This decrease is mainly due to depreciation charge against its property, plant and equipment for automated shot-blasting facility, workshop and warehouse, as well as office premises at 47, Tuas View Circuit and equipment.

### **Current assets**

Current assets decreased by 1.4% or \$1.1 million, from \$75.2 million as at 30 June 2010 to \$74.1 million as at 31 December 2010. This is mainly due to a reduction in trade receivables, resulting from decrease in revenue. This in turn, caused an increase in cash and cash equivalent.

### **Current liabilities**

Current liabilities decreased by 20.1% or \$5.8 million, from \$28.8 million as at 30 June 2010 to \$23.0 million as at 31 December 2010, primarily due to a decrease in account payables. Current liabilities comprise payables to suppliers of materials and equipment and subcontractors, as well as tax provision.

### **Non-current liabilities**

Non-current liabilities decreased by 7.3% or \$0.2 million, from \$3.0 million as at 30 June 2010 to \$2.8 million as at 31 December 2010, mainly due to repayment of finance leases.

### **Utilisation of Warrant Issue Proceeds**

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

As at 31 December 2010, the Group has applied the proceeds as working capital in accordance with the announcement dated 26 August 2009.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable

**10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

There were signs of a gradually improving global market and as confidence builds up, a rebound of capital investments in the Oil & Gas and Petrochemical sectors is expected. However the business environment remains competitive and challenging, and there is increasing pressure on overall margins.

In the short term, we will continue to carefully manage our capital expenditure, streamline costs, rationalise operations and enhance productivity to improve our bottom line. We will also continue to focus on our core business in Project and Maintenance Services while at the same time expand our customer base and extend our geographic footprints overseas.

Barring any unforeseen circumstances, our performance continues to be satisfactory.

**11 Dividend**

**(a) Current Financial Period Reported On**

**Any dividend declared for the current financial period reported on ?**

Not applicable

**(b) Corresponding Period of the immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year ?**

Not applicable

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12 If no dividend has been declared/recommendeded, a statement to that effect**

Not applicable

**13 Confirmation By The Board Pursuant To Rule 705(5) Of The Listing Manual**

We, Cheng Buck Poh @ Chng Bok Poh and Chen Li Chen, being Directors of the Company, do hereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the period ended 31 December 2010 to be false or misleading in any material aspect.

By order of the Board

Cheng Li Chen  
Chief Executive Officer  
11 February 2010