

**HAI LECK HOLDINGS LIMITED**

(Company Registration No. : 199804461D)

**FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR FIRST NINE MONTHS AND THIRD QUARTER ENDED 31 MARCH 2020****PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS****1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group			Group		
	3Q20 \$'000	3Q19 \$'000	Change %	9M20 \$'000	9M19 \$'000	Change %
Revenue	21,732	18,251	19.1	57,642	67,479	(14.6)
Less:						
Cost of sales	(10,948)	(9,082)	20.5	(28,850)	(39,316)	(26.6)
Other income	477	345	38.3	843	1,111	(24.1)
Distribution and selling expenses	(179)	(132)	35.6	(464)	(315)	47.3
Administrative expenses	(7,124)	(6,837)	4.2	(21,778)	(21,481)	1.4
Other operating expenses	(1,692)	(1,631)	3.7	(5,120)	(5,100)	0.4
Interest expense	(69)	(2)	3,350.0	(204)	(8)	2,450.0
Share of results of joint venture	(5)	110	n.m.	1,218	282	331.9
Profit before taxation	2,192	1,022	114.5	3,287	2,652	23.9
Taxation	(294)	(253)	16.2	(671)	(536)	25.2
Profit for the period	1,898	769	146.8	2,616	2,116	23.6
Attributable to:						
Equity holders of the Company	1,898	769	146.8	2,616	2,116	23.6

Net profit included the following:	Group		Group	
	3Q20 \$'000	3Q19 \$'000	9M20 \$'000	9M19 \$'000
Interest income	134	124	410	330
Interest expense	(69)	(2)	(204)	(8)
Foreign exchange gain/(loss), net	8	(7)	14	(67)
Gain on disposal of property, plant and equipment, net	114	11	194	198
(Loss)/gain on disposal of intangible assets, net	-	-	(21)	87
Amortisation of intangible assets	(10)	(42)	(63)	(132)
Depreciation of property, plant and equipment	(1,576)	(1,567)	(4,751)	(4,737)

Consolidated statement of comprehensive income

	Group		Group	
	3Q20 \$'000	3Q19 \$'000	9M20 \$'000	9M19 \$'000
Profit for the period	1,898	769	2,616	2,116
Other comprehensive income:				
<u>Items that may be reclassified to profit and loss</u>				
Foreign currency translation	(290)	43	(89)	220
Total comprehensive income for the period	1,608	812	2,527	2,336
Total comprehensive income attributable to:				
Equity holders of the Company	1,608	812	2,527	2,336

Note:

3Q19: The 2nd quarter ended 31 March 2019

3Q20: The 2nd quarter ended 31 March 2020

9M19: The first nine months ended 31 March 2019

9M20: The first nine months ended 31 March 2020

n.m. denotes not meaningful

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

	Group		Company	
	31.3.2020 \$'000	30.6.2019 \$'000	31.3.2020 \$'000	30.6.2019 \$'000
Non-current assets:				
Property, plant and equipment	51,653	44,284	414	502
Investments in subsidiary companies	-	-	52,915	52,615
Investment in joint venture	8,051	7,154	-	-
Intangible assets	82	166	-	-
Other receivables and deposits	32	15	-	-
Deferred tax assets	177	158	-	-
	<u>59,995</u>	<u>51,777</u>	<u>53,329</u>	<u>53,117</u>
Current assets:				
Inventories	1,986	2,107	-	-
Trade receivables	25,367	12,659	-	-
Other receivables and deposits	643	586	260	227
Prepayments	696	207	136	91
Customer retention	37	3,685	-	-
Amounts due from subsidiary companies - non-trade	-	-	210	244
Contract assets	2,409	9,891	-	-
Bank deposits pledged	1,134	1,308	-	-
Cash and cash equivalents	58,957	57,871	30,392	30,277
	<u>91,229</u>	<u>88,314</u>	<u>30,998</u>	<u>30,839</u>
Current liabilities:				
Trade and other payables	15,975	14,218	508	390
Advances from customers	153	153	-	-
Supplier retention	48	578	-	-
Amounts due to subsidiary companies - trade	-	-	28	71
Contract liabilities	4,155	592	-	-
Provision for warranty	3,049	3,049	-	-
Lease liabilities, current	991	20	-	-
Provision for taxation	572	614	76	47
	<u>24,943</u>	<u>19,224</u>	<u>612</u>	<u>508</u>
Net current assets	<u>66,286</u>	<u>69,090</u>	<u>30,386</u>	<u>30,331</u>
Non-current liabilities:				
Deferred taxation	738	732	3	3
Provision for reinstatement cost	840	600	-	-
Lease liabilities, non-current	6,945	-	-	-
	<u>8,523</u>	<u>1,332</u>	<u>3</u>	<u>3</u>
Net assets	<u>117,758</u>	<u>119,535</u>	<u>83,712</u>	<u>83,445</u>
Equity attributed to equity holders of the Company				
Share capital	65,403	65,403	65,403	65,403
Treasury shares	(160)	(160)	(160)	(160)
Capital reserve	1,046	1,046	1,046	1,046
Accumulated profits	51,060	52,748	17,423	17,156
Translation reserve	409	498	-	-
Total equity	<u>117,758</u>	<u>119,535</u>	<u>83,712</u>	<u>83,445</u>

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

Amount repayable in one year or less, or on demand

	As at 31.3.2020		As at 30.6.2019	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Lease liabilities	30	961	20	-

Amount repayable after one year

	As at 31.3.2020		As at 30.6.2019	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Lease liabilities	-	6,945	-	-

Details of any collateral

Hire purchase financing for plant and equipment.

1(c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

Consolidated Statement of Cash Flows	Group		Group	
	3Q20 \$'000	3Q19 \$'000	9M20 \$'000	9M19 \$'000
Cash flows from operating activities:				
Profit before taxation	2,192	1,022	3,287	2,652
Adjustments for:				
Depreciation of property, plant and equipment	1,576	1,567	4,751	4,737
Amortisation of intangible assets	10	42	63	132
Property, plant and equipment expensed off	101	-	296	-
Intangible assets written off	-	-	-	10
Gain on disposal of property, plant and equipment, net	(114)	(11)	(194)	(198)
Loss/(gain) on disposal of intangible assets, net	-	-	21	(87)
Share of results of joint venture	5	(110)	(1,218)	(282)
Interest income	(134)	(124)	(410)	(330)
Interest expense	69	2	204	8
Unrealised exchange (gain)/loss	1	6	5	(9)
Operating cash flows before working capital changes	3,706	2,394	6,805	6,633
<i>(Increase)/Decrease in:</i>				
Customer retention, trade and other receivables and prepayments	(7,192)	5,572	(9,584)	7,505
Inventories	(28)	300	121	1,052
Contract assets and liabilities, net	1,959	(2,438)	11,045	(7,675)
<i>Increase/(Decrease) in:</i>				
Trade and other payables and advances from customers	718	(3,364)	1,227	(6,891)
Cash (used in)/generated from operations	(837)	2,464	9,614	624
Tax (paid)/refund	(306)	(216)	(475)	236
Net cash flows (used in)/generated from operating activities	(1,143)	2,248	9,139	860
Cash flows from investing activities:				
Interest received	98	112	386	235
Purchase of property, plant and equipment	(694)	(161)	(4,035)	(1,965)
Purchase of intangible assets	-	-	-	(4)
Proceeds from disposal of property, plant and equipment	113	11	339	254
Proceeds from disposal of intangible assets	-	-	-	87
Net cash flows used in investing activities	(483)	(38)	(3,310)	(1,393)
Cash flows from financing activities:				
Repayment of lease obligations	(186)	(20)	(600)	(59)
Decrease/(increase) in bank deposits pledged	-	2,457	174	139
Dividend paid	-	(2,057)	(4,113)	(2,057)
Interest paid	(69)	(2)	(204)	(8)
Net cash flows used in financing activities	(255)	378	(4,743)	(1,985)
Net (decrease)/increase in cash and cash equivalents	(1,881)	2,588	1,086	(2,518)
Cash and cash equivalents at beginning of period	60,838	56,029	57,871	61,135
Cash and cash equivalents at end of period	58,957	58,617	58,957	58,617

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 March 2020**

Group	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Total equity \$'000
At 1 July 2018	65,403	(160)	1,046	53,751	277	120,317
Profit net of tax	-	-	-	2,116	-	2,116
Other comprehensive income for the period	-	-	-	-	220	220
Total comprehensive income for the period	-	-	-	2,116	220	2,336
<u>Contributions by and distributions to owners</u>						
Dividend on ordinary shares	-	-	-	(2,057)	-	(2,057)
Balance at 31 March 2019	65,403	(160)	1,046	53,810	497	120,596
At 1 July 2019, as previously stated	65,403	(160)	1,046	52,748	498	119,535
Cumulative effects of adopting SFRRS(I) 16	-	-	-	(191)	-	(191)
At 1 July 2019, as restated	65,403	(160)	1,046	52,557	498	119,344
Profit net of tax	-	-	-	2,616	-	2,616
Other comprehensive income for the period	-	-	-	-	(89)	(89)
Total comprehensive income for the period	-	-	-	2,616	(89)	2,527
<u>Contributions by and distributions to owners</u>						
Dividend on ordinary shares	-	-	-	(4,113)	-	(4,113)
Balance at 31 March 2020	65,403	(160)	1,046	51,060	409	117,758

Company	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 July 2018	65,403	(160)	1,046	14,559	80,848
Profit net of tax	-	-	-	2,030	2,030
Total comprehensive income for the period	-	-	-	2,030	2,030
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	-	-	-	(2,057)	(2,057)
Balance at 31 March 2019	65,403	(160)	1,046	14,532	80,821
At 1 July 2019	65,403	(160)	1,046	17,156	83,445
Profit net of tax	-	-	-	4,380	4,380
Total comprehensive income for the period	-	-	-	4,380	4,380
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	-	-	-	(4,113)	(4,113)
Balance at 31 March 2020	65,403	(160)	1,046	17,423	83,712

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There were no changes in the Company's share capital arising from right issue, bonus issue, share buy-backs, 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.

There are no shares that may be issued on conversion of outstanding convertibles.

	9M20		9M19	
	No of shares	\$'000	No of shares	\$'000
Issued and paid up capital				
As at beginning of financial year and at 31 December	205,993,947	65,403	205,993,947	65,403
Treasury shares				
As at beginning of financial year and at 31 December	320,000	160	320,000	160
Percentage of treasury shares against total number of shares outstanding	0.16%		0.16%	
Total shares excluding treasury shares as at end of period	205,673,947	65,243	205,673,947	65,243

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 March 2020, the total number of issued ordinary shares (excluding treasury shares) was 205,673,947 (30 June 2019: 205,673,947).

1(d)(iv) A statement showing all sales, transfers, disposals, 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

On 1 July 2019, the Group adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases which requires lessees to recognise most leases on balance sheets.

Except for the adoption of SFRS(I) 16 above, the Group has adopted the same methods of computation in the financial statements for the current financial period as those applied for the most recently audited financial statements for the year ended 30 June 2019.

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

SFRS(I) 16 Leases includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening accumulated profits at the date of initial application, 1 July 2019.

On adoption of SFRS(I) 16, the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 July 2019.

In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Pursuant to the adoption of SFRS(I) 16 on 1 July 2019, the Group made an adjustment of \$191,000 to its accumulated profits, recognised right-of-use assets with net book value of \$6,477,000, lease obligations of \$6,707,000, deferred tax assets of \$41,000 and deferred tax liabilities of \$2,000.

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

	Group		Group	
	3Q20 \$'000	3Q19 \$'000	9M20 \$'000	9M19 \$'000
Profit attributable to ordinary equity holders of the Company (\$'000)	1,898	769	2,616	2,116
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share ('000)	205,674	205,674	205,674	205,674
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share ('000)	205,674	205,674	205,674	205,674
Earnings per share -				
Basic (cents)	0.9	0.4	1.3	1.0
Fully diluted (cents)	0.9	0.4	1.3	1.0

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

	Group		Company	
	31.3.2020	30.6.2019	31.3.2020	30.6.2019
Net asset value (\$'000)	117,758	119,535	83,712	83,445
Number of ordinary shares in issue (excluding treasury shares) at end of quarter ('000)	205,674	205,674	205,674	205,674
Net asset value per ordinary share based on the number of shares in issue (excluding treasury shares) at end of period (cents)	57.3	58.1	40.7	40.6

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Review of Financial Results

Results for first nine months and third quarter ended 31 March 2020

Revenue

Revenue for 9M20 decreased by \$9.8 million to \$57.6 million compared to \$67.5 million recorded in 9M19 due to lower project and maintenance services revenue, partially offset by higher contact centre services revenue.

Quarter-on-quarter, revenue increased by \$3.5 million to \$21.7 million in 3Q20 due to higher contact centre services revenue, partially offset by lower project and maintenance services revenue.

Cost of sales

For 9M20, cost of sales decreased by 26.6% to \$28.9 million mainly due to lower manpower related costs.

Quarter-on-quarter, cost of sales increased in tandem with the increase in revenue.

Other income

Other income comprise mainly of interest income, miscellaneous income earned from non-core businesses, safety and performance incentives, gain on disposal of property, plant and equipment as well as government grant and special employment credit.

Other income decreased from \$1.1 million in 9M19 to \$0.8 million in 9M20 due to absence of gain on disposal of intangible assets.

The amount of other income increased from \$0.3 million in 3Q19 to \$0.5 million in 3Q20 mainly due to higher gain on disposal of property, plant and equipment.

Operating expenses

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

For 9M20, total operating expenses increased from \$26.9 million in 9M19 to \$27.4 million in 9M20 mainly due to higher manpower related costs, partially offset by absence of certain rental costs pursuant to adoption of SFRS(I) 16.

For 3Q20, operating expenses increased from \$8.6 million in 3Q19 to \$9.0 million due to the same reasons as above.

Interest expense

Interest expenses increased from \$8,000 in 9M19 to \$0.2 million in 9M20 due to the adoption of SFRS(I) 16, which resulted in interest expenses on the lease obligations recognised.

Interest expenses increased to \$0.1 million in 3Q20 for the same reason as above.

Taxation

The effective tax rate in 9M20 is higher than the statutory tax rate of 17% mainly due to higher tax rate suffered by overseas operations as well as impact of non-tax deductible expenses.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 9M20 increased by \$0.5 million to \$2.6 million compared to \$2.1 million in 9M19.

Quarter-on-quarter, the profit attributable to equity holders for 3Q20 increased by \$1.1 million to \$1.9 million compared to \$0.8 million in 3Q19.

Review of Financial Position

Non-current assets

Non-current assets of the Group increased from \$51.8 million as at 30 June 2019 to \$60.0 million as at 31 March 2020 due to recognition of right-of-use assets pursuant to adoption of SFRS(I) 16 and increase in investment in joint venture, partially offset by depreciation of property, plant and equipment.

Current assets

Current assets increased by \$2.9 million from \$88.3 million as at 30 June 2019 to \$91.2 million as at 31 March 2020. The increase is mainly due to increase in trade receivables and cash and cash equivalents, partially offset by decrease in contract assets and customer retention.

Current liabilities

Current liabilities comprise of payables to suppliers of materials and equipment and subcontractors, other payables, advances from customers, provision for warranty as well as tax provision.

Current liabilities increased by \$5.7 million from \$19.2 million as at 30 June 2019 to \$24.9 million as at 31 March 2020, mainly due to increase in trade and other payables and contract liabilities, as well as recognition of lease obligations pursuant to adoption of SFRS(I) 16.

Non-current liabilities

Non-current liabilities increased from \$1.3 million as at 30 June 2019 to \$8.5 million as at 31 March 2020 due to recognition of lease obligations pursuant to adoption of SFRS(I) 16.

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

The current global health situation is expected to negatively impact both the global and local economy. In addition, the impact of the volatile oil prices on the oil and gas industry are as yet uncertain.

Although the Group provides essential services, the circuit breaker measures implemented since 7 April 2020, safe distancing measures as well as recent isolation orders received have resulted in substantial scaling down of the Group's project and maintenance services operations and is also expected to significantly reduce the Group's productivity. The duration of the impact of these factors remain uncertain and unpredictable.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Interim dividends

Name of Dividend	Not applicable
Dividend Type	
Dividend Rate	

(b) Corresponding period of the immediately preceding financial year

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

Name of Dividend	Not applicable
Dividend Type	
Dividend Rate	

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision

No dividend has been declared/recommended in view of the uncertain global health and economic situation.

13 If the Group has obtained a general mandate from shareholders for Interested Persons Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

No IPT mandate has been obtained.

14 Negative Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

We, Cheng Buck Poh @ Chng Bok Poh and Cheng Yao Tong, 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 third quarter ended 31 March 2020 to be false or misleading in any material aspect.

15 Confirmation of Undertakings from Directors and Executive Officers pursuant to Rule 720(1) of the Listing Manual

The Company has procured undertakings in the format set out in Appendix 7.7 collectively from all its directors and executive officers under Rule 720(1) of the Listing Manual.

BY THE ORDER OF THE BOARD

Cheng Yao Tong
Chief Executive Officer
12 May 2020