


**HAI LECK HOLDINGS LIMITED**

(Company Registration No. : 199804461D)

**FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT**
**FOR FIRST HALF YEAR AND SECOND QUARTER ENDED 31 DECEMBER 2017**
**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		
	2Q18 \$'000	2Q17 \$'000	Change %	1H18 \$'000	1H17 \$'000	Change %
<b>Revenue</b>	24,430	22,358	9.3	48,887	46,884	4.3
Less:						
Cost of sales	(12,643)	(10,035)	26.0	(24,037)	(21,891)	9.8
Other income	279	247	13.0	592	566	4.6
Distribution and selling expenses	(250)	(287)	(12.9)	(703)	(542)	29.7
Administrative expenses	(7,791)	(8,464)	(8.0)	(16,180)	(16,364)	(1.1)
Other operating expenses	(1,636)	(1,661)	(1.5)	(3,425)	(3,288)	4.2
Interest expense	(3)	(3)	-	(6)	(6)	-
Share of results of joint venture	-	80	n.m.	38	101	(62.4)
<b>Profit before taxation</b>	<b>2,386</b>	<b>2,235</b>	<b>6.8</b>	<b>5,166</b>	<b>5,460</b>	<b>(5.4)</b>
Taxation	(367)	5	n.m.	(930)	(659)	41.1
<b>Profit for the period</b>	<b>2,019</b>	<b>2,240</b>	<b>(9.9)</b>	<b>4,236</b>	<b>4,801</b>	<b>(11.8)</b>
<b>Attributable to:</b>						
Equity holders of the Company	<b>2,019</b>	<b>2,240</b>	<b>(9.9)</b>	<b>4,236</b>	<b>4,801</b>	<b>(11.8)</b>

	Group		Group	
	2Q18 \$'000	2Q17 \$'000	1H18 \$'000	1H17 \$'000
<b>Net profit included the following:</b>				
Interest income	49	59	152	121
Interest expense	(3)	(3)	(6)	(6)
Foreign exchange (loss)/gain, net	(14)	5	1	10
Gain/(loss) on disposal of property, plant and equipment, net	44	(180)	147	(43)
Amortisation of intangible assets	(55)	(15)	(131)	(32)
Depreciation of property, plant and equipment	(1,595)	(1,584)	(3,217)	(3,194)
(Allowance)/write back of allowance for doubtful debts	20	11	(228)	11

**Consolidated statement of comprehensive income**

	Group		Group	
	2Q18 \$'000	2Q17 \$'000	1H18 \$'000	1H17 \$'000
<b>Profit for the period</b>	<b>2,019</b>	<b>2,240</b>	<b>4,236</b>	<b>4,801</b>
<b>Other comprehensive income:</b>				
<u>Items that may be reclassified to profit and loss</u>				
Foreign currency translation	(62)	(35)	(62)	(54)
<b>Total comprehensive income for the period</b>	<b>1,957</b>	<b>2,205</b>	<b>4,174</b>	<b>4,747</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	<b>1,957</b>	<b>2,205</b>	<b>4,174</b>	<b>4,747</b>

**Note:**

2Q17: The 2nd quarter ended 31 December 2016

2Q18: The 2nd quarter ended 31 December 2017

1H17: The first half year ended 31 December 2016

1H18: The first half year ended 31 December 2017

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	
	31.12.2017	30.6.2017	31.12.2017	30.6.2017
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets:</b>				
Property, plant and equipment	49,805	50,770	540	163
Investments in subsidiary companies	-	-	34,760	34,760
Loans due from subsidiary companies	-	-	19,314	19,814
Investment in joint venture	6,581	6,632	-	-
Intangible assets	397	501	-	-
Customer retention	1,929	791	-	-
Other receivables and deposits	146	141	100	100
Deferred tax assets	192	192	-	-
	<u>59,050</u>	<u>59,027</u>	<u>54,714</u>	<u>54,837</u>
<b>Current assets:</b>				
Inventories	1,467	1,610	-	-
Trade receivables	20,791	33,650	-	-
Other receivables and deposits	658	1,203	7,064	6,020
Prepayments	335	469	22	115
Customer retention	-	898	-	-
Amounts due from subsidiary companies - non-trade	-	-	1,009	814
Gross amount due from customers for contract work-in-progress	-	371	-	-
Fixed deposits pledged	1,827	1,686	-	-
Cash and cash equivalents	64,828	52,222	17,685	12,286
	<u>89,906</u>	<u>92,109</u>	<u>25,780</u>	<u>19,235</u>
<b>Current liabilities:</b>				
Trade and other payables	16,091	23,300	265	468
Advances from customers	153	153	-	-
Supplier retention	701	290	-	-
Amounts due to subsidiary companies - trade	-	-	27	65
Gross amounts due to customers fro contract work-in-progress	1,303	1,413	-	-
Provision for warranty	3,407	3,407	-	-
Finance lease obligation - current portion	79	79	-	-
Provision for taxation	2,999	2,547	113	205
	<u>24,733</u>	<u>31,189</u>	<u>405</u>	<u>738</u>
<b>Net current assets</b>	<u>65,173</u>	<u>60,920</u>	<u>25,375</u>	<u>18,497</u>
<b>Non-current liabilities:</b>				
Deferred taxation	1,171	1,171	28	28
Finance lease obligation, non-current portion	59	98	-	-
	<u>1,230</u>	<u>1,269</u>	<u>28</u>	<u>28</u>
<b>Net assets</b>	<u>122,993</u>	<u>118,678</u>	<u>80,061</u>	<u>73,306</u>
<b>Equity attributed to equity holders of the Company</b>				
Share capital	65,306	65,112	65,306	65,112
Treasury shares	(160)	(160)	(160)	(160)
Capital reserve	1,073	1,126	1,073	1,126
Accumulated profits	56,629	52,393	13,842	7,228
Translation reserve	145	207	-	-
<b>Total equity</b>	<u>122,993</u>	<u>118,678</u>	<u>80,061</u>	<u>73,306</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 31.12.2017		As at 30.6.2017	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	79	-	79	-

**Amount repayable after one year**

	As at 31.12.2017		As at 30.6.2017	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	59	-	98	-

**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	
	2Q18 \$'000	2Q17 \$'000	1H18 \$'000	1H17 \$'000
<b>Cash flows from operating activities:</b>				
Profit before taxation	2,386	2,235	5,166	5,460
Adjustments for:				
Depreciation of property, plant and equipment	1,595	1,584	3,217	3,194
Amortisation of intangible assets	55	15	131	32
Property, plant and equipment expensed off	44	-	46	-
(Gain)/loss on disposal of property, plant and equipment, net	(44)	180	(147)	43
Share of results of joint venture	-	(80)	(38)	(101)
Allowance/(write back of allowance) for doubtful debts	(20)	(11)	228	(11)
Interest income	(49)	(59)	(152)	(121)
Interest expense	3	3	6	6
Unrealised exchange loss/(gain)	14	(36)	17	(55)
Operating cash flows before working capital changes	3,984	3,831	8,474	8,447
<i>(Increase)/Decrease in:</i>				
Customer retention, trade and other receivables and prepayments	12,418	12,116	13,105	19,743
Inventories	204	117	143	183
Gross amount due from/(to) customers for contract work-in-progress, net	-	-	260	200
<i>Increase/(Decrease) in:</i>				
Trade and other payables and advances from customers	(5,058)	(3,135)	(6,798)	(6,035)
Cash generated from operations	11,548	12,929	15,184	22,538
Tax paid	(885)	(387)	(468)	(388)
Net cash flows generated from operating activities	10,663	12,542	14,716	22,150
<b>Cash flows from investing activities:</b>				
Interest received	37	17	112	79
Purchase of property, plant and equipment	(1,756)	(1,060)	(2,330)	(2,419)
Purchase of intangible assets	(27)	(3)	(27)	(8)
Proceeds from disposal of property, plant and equipment	46	129	180	267
Net cash flows used in investing activities	(1,700)	(917)	(2,065)	(2,081)
<b>Cash flows from financing activities:</b>				
Net proceeds from issue of new shares	128	-	141	-
Repayment of finance lease obligations	(19)	(20)	(39)	(40)
Increase in fixed deposits pledged	(139)	(427)	(141)	(1,627)
Interest paid	(3)	(3)	(6)	(6)
Net cash flows used in financing activities	(33)	(450)	(45)	(1,673)
Net increase in cash and cash equivalents	8,930	11,175	12,606	18,396
Cash and cash equivalents at beginning of period	55,898	58,701	52,222	51,480
<b>Cash and cash equivalents at end of period</b>	<b>64,828</b>	<b>69,876</b>	<b>64,828</b>	<b>69,876</b>

**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 2017**

<b>Group</b>	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Total equity \$'000
At 1 July 2016	65,019	(160)	1,152	54,698	(269)	120,440
Profit net of tax	-	-	-	4,801	-	4,801
Other comprehensive income for the period	-	-	-	-	(54)	(54)
Total comprehensive income for the period	-	-	-	4,801	(54)	4,747
Balance at 31 December 2016	65,019	(160)	1,152	59,499	(323)	125,187
At 1 July 2017	65,112	(160)	1,126	52,393	207	118,678
Profit net of tax	-	-	-	4,236	-	4,236
Other comprehensive income for the period	-	-	-	-	(62)	(62)
Total comprehensive income for the period	-	-	-	4,236	(62)	4,174
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	194	-	(53)	-	-	141
Balance at 31 December 2017	65,306	(160)	1,073	56,629	145	122,993

<b>Company</b>	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 July 2016	65,019	(160)	1,152	5,491	71,502
Loss net of tax	-	-	-	(1)	(1)
Total comprehensive income for the period	-	-	-	(1)	(1)
Balance at 31 December 2016	65,019	(160)	1,152	5,490	71,501
At 1 July 2017	65,112	(160)	1,126	7,228	73,306
Profit net of tax	-	-	-	6,614	6,614
Total comprehensive income for the period	-	-	-	6,614	6,614
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares	194	-	(53)	-	141
Balance at 31 December 2017	65,306	(160)	1,073	13,842	80,061

**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**

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:

- on the basis that two (2) 2012 Warrants will be consolidated into one (1) Consolidated 2012 Warrant.
- the existing exercise price of each Consolidated 2012 Warrant will be adjusted from \$0.13 to \$0.26.
- each Consolidated 2012 Warrant shall carry the right to receive one (1) Consolidated Share.

Since 1 July 2017, 537,775 Consolidated 2012 Warrants were exercised to acquire new shares.

As of 31 December 2017, 478,125 (31 December 2016: 1,275,625) Consolidated 2012 Warrants are outstanding.

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

#### 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:

- on the basis that two (2) 2013 Warrants will be consolidated into one (1) Consolidated 2013 Warrant.
- the existing exercise price of each 2013 Consolidated Warrant will be adjusted from \$0.33 to \$0.66.
- each Consolidated 2013 Warrant shall carry the right to receive one (1) Consolidated Share.

Since 1 July 2017, no Consolidated 2013 Warrants were exercised to acquire new shares.

As of 31 December 2017, 97,396,852 (31 December 2016: 97,396,852) Consolidated 2013 Warrants are outstanding.

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

	1H18		1H17	
	No of shares	\$'000	No of shares	\$'000
<b>Issued and paid up capital</b>				
As at beginning of financial year	205,189,122	65,112	204,929,397	65,019
Share issued pursuant to the exercise of Warrants	537,775	194	-	-
At 31 December	205,726,897	65,306	204,929,397	65,019
<b>Treasury shares</b>				
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	205,406,897	65,146	204,609,397	64,859

#### 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 2017, the total number of issued ordinary shares (excluding treasury shares) was 205,406,897 (30 June 2017: 204,869,122).

#### 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**

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 recently audited financial statements for the year ended 30 June 2017, except for the following change in accounting estimates:

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. In the most recently audited financial statements for the year ended 30 June 2017, 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.

**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**

In accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, this change in accounting estimates was applied prospectively from 1 July 2017. Accordingly, the adoption of the new accounting estimates has no effect on prior years. The change in accounting estimates has resulted in project revenue for 1H18 to be higher by \$2.4 million.

**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	
	2Q18 \$'000	2Q17 \$'000	1H18 \$'000	1H17 \$'000
Profit attributable to ordinary equity holders of the Company (\$'000)	2,019	2,240	4,236	4,801
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share ('000)	205,125	204,609	205,009	204,609
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share ('000)	205,540	205,140	205,482	205,082
Earnings per share -				
Basic (cents)	1.0	1.1	2.1	2.3
Fully diluted (cents)	1.0	1.1	2.1	2.3

**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	
	31.12.2017	30.6.2017	31.12.2017	30.6.2017
Net asset value (\$'000)	122,993	118,678	80,061	73,306
Number of ordinary shares in issue (excluding treasury shares) at end of quarter ('000)	205,407	204,869	205,407	204,869
Net asset value per ordinary share based on the number of shares in issue (excluding treasury shares) at end of period (cents)	59.9	57.9	39.0	35.8

- 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 half and second quarter ended 31 December 2017

#### Revenue

Revenue for 1H18 increased by 4.3% to \$48.9 million compared to \$46.9 million recorded in 1H17 due to increase in project revenue.

Quarter-on-quarter, revenue increased by \$2.1 million to \$24.4 million in 2Q18 due to the same reasons as above.

#### Cost of sales

For 1H18, cost of sales increased by 9.8% to \$24.0 million mainly due to higher subcontractor costs incurred.

Quarter-on-quarter, cost of sales increased by \$2.6 million to \$12.6 million in 2Q18 as compared to \$10.0 million in 2Q17 due to the same reason as above.

#### 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, jobs credit grant and special employment credit. The amount of other income for 1H18 and 2Q18 was \$0.6 million and \$0.3 million respectively, comparable to 1H17 and 2Q17.

#### Operating expenses

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

For 1H18, total operating expenses was comparable to 1H17 at \$20.3 million.

For 2Q18, operating expenses decreased from \$10.4 million in 2Q17 to \$9.7 million in 2Q18 mainly due to lower payroll and staff related costs in 2Q18 compared to 2Q17.

#### Taxation

The effective tax rate in 1H18 was 18% which is comparable to the statutory tax rate of 17%.

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

The profit attributable to equity holders for 1H18 decreased by \$0.6 million to \$4.2 million compared to 1H17.

Quarter-on-quarter, the profit attributable to equity holders for 2Q18 decreased by \$0.2 million to \$2.0 million compared to 2Q17.

### Review of Financial Position

#### Non-current assets

Non-current assets of the Group remained comparable to 30 June 2017 at approximately \$59.0 million as the effects of depreciation of property, plant and equipment was offset by increase in customer retention.

#### Current assets

Current assets decreased by 2.4% or \$2.2 million, from \$92.1 million as at 30 June 2017 to \$89.9 million as at 31 December 2017. The decrease is due to decrease in trade receivables, partially offset by increase in cash and cash equivalents.

#### 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 decreased by 20.7% or \$6.5 million, from \$31.2 million as at 30 June 2017 to \$24.7 million as at 31 December 2017, mainly due to decrease in trade and other payables.

#### Non-current liabilities

Non-current liabilities remained at about \$1.2 million as at 31 December 2017.

## 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 31 December 2017, the Group has 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 31 December 2017, 78,502,500 2012 Warrants and 828,000 2012 Consolidated Warrants were exercised for 78,502,500 new shares and 828,000 new Consolidated Shares. The Company raised net proceeds of about \$10.4 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 31 December 2017, 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.

**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 oil and gas industry remains weak and recovery is expected to be slow. The Group will continue to judiciously control operating cost and capital investments.

**11 Dividend**

**(a) Current financial period reported on**

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

Final 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?**

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**

No dividend has been declared/recommendeded.

**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 second quarter ended 31 December 2017 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 February 2018