

**HAI LECK HOLDINGS LIMITED**

(Company Registration No. : 199804461D)

**FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT  
FOR FIRST QUARTER ENDED 30 SEPTEMBER 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		
	1Q18	1Q17	Change
	\$'000	\$'000	%
<b>Revenue</b>	24,457	24,526	(0.3)
Less:			
Cost of sales	(11,394)	(11,856)	(3.9)
Other income	313	319	(1.9)
Distribution and selling expenses	(453)	(255)	77.6
Administrative expenses	(8,389)	(7,900)	6.2
Other operating expenses	(1,789)	(1,627)	10.0
Interest expense	(3)	(3)	-
Share of results of equity accounted investee	38	21	81.0
<b>Profit before taxation</b>	<u>2,780</u>	<u>3,225</u>	(13.8)
Taxation	(563)	(664)	(15.2)
<b>Profit for the quarter</b>	<u>2,217</u>	<u>2,561</u>	(13.4)
<b>Attributable to:</b>			
Equity holders of the Company	<u>2,217</u>	<u>2,561</u>	(13.4)

	Group		
	1Q18	1Q17	
	\$'000	\$'000	
<b>Net profit included the following:</b>			
Interest income	103	62	
Interest expense	(3)	(3)	
Foreign exchange gain, net	15	5	
Gain on disposal of property, plant and equipment	103	137	
Amortisation of intangible assets	(76)	(17)	
Depreciation of property, plant and equipment	(1,622)	(1,610)	
Allowance for doubtful trade debts	(248)	-	

**Consolidated statement of comprehensive income**

	Group		
	1Q18	1Q17	
	\$'000	\$'000	
<b>Profit for the quarter</b>	2,217	2,561	
<b>Other comprehensive income:</b>			
Foreign currency translation	(78)	(19)	
<b>Total comprehensive income for the quarter</b>	<u>2,139</u>	<u>2,542</u>	
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	<u>2,139</u>	<u>2,542</u>	

**Note:**

1Q17: The 1st quarter ended 30 September 2016

1Q18: The 1st quarter ended 30 September 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

	<b>Group</b>		<b>Company</b>	
	30.9.2017	30.6.2017	30.9.2017	30.6.2017
	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets:</b>				
Property, plant and equipment	49,689	50,770	146	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	424	501	-	-
Other receivables and deposits	154	141	100	100
Customer retention	1,740	791	-	-
Deferred tax assets	192	192	-	-
	<u>58,780</u>	<u>59,027</u>	<u>54,320</u>	<u>54,837</u>
<b>Current assets:</b>				
Inventories	1,671	1,610	-	-
Trade receivables	32,246	33,650	-	-
Other receivables and deposits	784	1,203	53	6,020
Prepayments	483	469	87	115
Customer retention	838	898	-	-
Amounts due from subsidiary companies - non-trade	-	-	822	814
Gross amounts due from customers for contract work-in-progress	-	371	-	-
Fixed deposits pledged	1,688	1,686	-	-
Cash and cash equivalents	55,898	52,222	18,104	12,286
	<u>93,608</u>	<u>92,109</u>	<u>19,066</u>	<u>19,235</u>
<b>Current liabilities:</b>				
Trade and other payables	21,493	23,300	178	468
Advances from customers	153	153	-	-
Supplier retention	357	290	-	-
Amounts due to subsidiary companies - trade	-	-	11	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	78	79	-	-
Provision for taxation	3,517	2,547	144	205
	<u>30,308</u>	<u>31,189</u>	<u>333</u>	<u>738</u>
<b>Net current assets</b>	<u>63,300</u>	<u>60,920</u>	<u>18,733</u>	<u>18,497</u>
<b>Non-current liabilities:</b>				
Deferred taxation	1,171	1,171	28	28
Finance lease obligation, non-current portion	79	98	-	-
	<u>1,250</u>	<u>1,269</u>	<u>28</u>	<u>28</u>
<b>Net assets</b>	<u>120,830</u>	<u>118,678</u>	<u>73,025</u>	<u>73,306</u>
<b>Equity attributed to equity holders of the Company</b>				
Share capital	65,129	65,112	65,129	65,112
Treasury shares	(160)	(160)	(160)	(160)
Capital reserve	1,122	1,126	1,122	1,126
Accumulated profits	54,610	52,393	6,934	7,228
Translation reserve	129	207	-	-
<b>Total equity</b>	<u>120,830</u>	<u>118,678</u>	<u>73,025</u>	<u>73,306</u>

**1(b)(ii) A aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

Finance lease liabilities

As at 30.9.2017	
\$'000	\$'000
Secured	Unsecured
78	-

As at 30.6.2017	
\$'000	\$'000
Secured	Unsecured
79	-

**Amount repayable after one year**

Finance lease liabilities

As at 30.9.2017	
\$'000	\$'000
Secured	Unsecured
79	-

As at 30.6.2017	
\$'000	\$'000
Secured	Unsecured
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**

	<b>Group</b>	
	1Q18	1Q17
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Profit before taxation	2,780	3,225
Adjustments for:		
Depreciation of property, plant and equipment	1,622	1,610
Amortisation of intangible assets	76	17
Property, plant and equipment expensed off	2	-
Gain on disposal of property, plant and equipment	(103)	(137)
Share of results of equity accounted investee	(38)	(21)
Allowance for doubtful trade debts	248	-
Interest income	(103)	(62)
Interest expense	3	3
Unrealised exchange gain	2	(19)
Operating cash flows before working capital changes	4,489	4,616
<i>Decrease/(Increase) in:</i>		
Customer retention, trade and other receivables and prepayments	687	7,627
Inventories	(61)	66
<i>Increase/(Decrease) in:</i>		
Trade and other payables and advances from customers	(1,740)	(2,900)
Gross amount due from/(to) customers for contract work-in-progress, net	261	200
Cash generated from operations	3,636	9,609
Tax paid/(refund)	417	(1)
Net cash flows generated from operating activities	4,053	9,608
<b>Cash flows from investing activities:</b>		
Interest received	75	62
Purchase of property, plant and equipment	(574)	(1,359)
Purchase of intangible assets	-	(5)
Proceeds from disposal of property, plant and equipment	134	138
Net cash flows used in investing activities	(365)	(1,164)
<b>Cash flows from financing activities:</b>		
Net proceeds from issue of new shares	13	-
Repayment of finance lease obligations	(20)	(20)
Interest paid	(3)	(3)
Increase in fixed deposit pledged	(2)	(1,200)
Net cash flows (used in)/generated from financing activities	(12)	(1,223)
Net increase/(decrease) in cash and cash equivalents	3,676	7,221
Cash and cash equivalents at beginning of period	52,222	51,480
<b>Cash and cash equivalents at end of period</b>	<b>55,898</b>	<b>58,701</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 30 September 2017

Group	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 for the quarter	-	-	-	2,561	-	2,561
Other comprehensive income for the quarter	-	-	-	-	(19)	(19)
Total comprehensive income for the quarter	-	-	-	2,561	(19)	2,542
Balance at 30 September 2016	65,019	(160)	1,152	57,259	(288)	122,982
At 1 July 2017	65,112	(160)	1,126	52,393	207	118,678
Profit for the quarter	-	-	-	2,217	-	2,217
Other comprehensive income for the quarter	-	-	-	-	(78)	(78)
Total comprehensive income for the quarter	-	-	-	2,217	(78)	2,139
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	17	-	(4)	-	-	13
Balance at 30 September 2017	65,129	(160)	1,122	54,610	129	120,830
<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	
Total comprehensive income for the quarter	-	-	-	254	254	
Balance at 30 September 2016	65,019	(160)	1,152	5,745	71,756	
At 1 July 2017	65,112	(160)	1,126	7,228	73,306	
Total comprehensive income for the quarter	-	-	-	(294)	(294)	
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	17	-	(4)	-	13	
Balance at 30 September 2017	65,129	(160)	1,122	6,934	73,025	

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, 43,250 Consolidated 2012 Warrants were exercised to acquire new shares.

As of 30 September 2017, 972,650 (30 September 2016: 1,275,625) Consolidated 2012 Warrants are outstanding.

## 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 2013 Consolidated 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.

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

As of 30 September 2017, 97,396,852 (30 September 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:-

	1Q18		1Q17	
<b>Issued and paid up capital</b>	No of shares	\$'000	No of shares	\$'000
As at beginning of financial year	205,189,122	65,112	204,929,397	65,019
Share issued pursuant to the exercise of Warrants	43,250	17	-	-
At 30 September	205,232,372	65,129	204,929,397	65,019
<b>Treasury shares</b>				
As at beginning of financial year and at 30 September	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	204,912,372	64,969	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 30 September 2017, the total number of issued ordinary shares (excluding treasury shares) was 204,912,372 (30 June 2017: 204,869,122).

**1(d)(iv) A statement showing all sales, transfers, 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 auditor's 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 1Q2018 to be lower by \$2.6 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**

	<b>Group</b>	
	1Q18	1Q17
Profit attributable to ordinary equity holders of the Company (\$'000)	2,217	2,561
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share('000)	204,892	204,609
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share('000)	205,422	205,017
Earnings per share -		
Basic (cents)	1.1	1.3
Fully diluted (cents)	1.1	1.2

**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**

	<b>Group</b>		<b>Company</b>	
	30.9.2017	30.6.2017	30.9.2017	30.6.2017
Net asset value (\$'000)	120,830	118,678	73,025	73,306
Number of ordinary shares in issue (excluding treasury shares) at end of quarter ('000)	204,912	204,869	204,912	204,869
Net asset value per ordinary share based on the number of shares in issue (excluding treasury shares) at end of quarter (cents)	59.0	57.9	35.6	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 quarter ended 30 September 2017**

**Revenue**

Oil prices remained low and impacted the down-stream in the oil and gas industries negatively. In general, oil majors are reducing their expenditure.

Revenue for 1Q18 remained comparable to 1Q17 at \$24.5 million.

**Cost of sales**

Cost of sales decreased by \$0.5 million to \$11.4 million in 1Q18 as compared to \$11.9 million in 1Q17. The decrease was mainly due to lower material usage in 1Q18.

**Other income**

Other income comprised mainly of interest income, miscellaneous income earned from non-core businesses, safety and performance incentives, and gain on disposal of property, plant and equipment as well as government grant, jobs credit grant and special employment credit. Other income for 1Q18 was comparable to 1Q17 at \$0.3 million.

## **Operating expenses**

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

For 1Q18, operating expenses increased by 8.7% or \$0.8 million to \$10.6 million as compared to \$9.8 million in 1Q17. The increase was mainly due to allowance for doubtful trade debts of \$0.2 million in 1Q18 and timing differences in provision for staff cost.

## **Taxation**

The effective tax rate in 1Q18 is 20.3% which is higher than the statutory tax rate of 17% due to certain non-tax deductible expenses incurred in 1Q18.

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

The profit attributable to equity holders for 1Q18 decreased by \$0.3 million to \$2.2 million compared to \$2.6 million 1Q17.

## **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 increased by 1.6% or \$1.5 million, from \$92.1 million as at 30 June 2017 to \$93.6 million as at 30 September 2017. The increase is due to increase in cash and cash equivalents, partially offset by decrease in trade receivables.

### **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 2.8% or \$0.9 million, from \$31.2 million as at 30 June 2017 to \$30.3 million as at 30 September 2017, mainly due to decrease in trade and other payables, partially offset by increase in provision for taxation.

### **Non-current liabilities**

Non-current liabilities remained at about \$1.3 million as at 30 September 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 30 September 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 30 September 2017, 78,502,500 2012 Warrants and 333,475 2012 Consolidated Warrants were exercised for 78,502,500 new shares and 333,475 new Consolidated Shares. The Company raised net proceeds of about \$10.3 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 September 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 outlook of oil and gas industry remains uncertain although the situation appears to have stabilised. However, the Group will continue to monitor and manage its costs to be competitive.

**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 first quarter ended 30 September 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  
6 November 2017