


HAI LECK HOLDINGS LIMITED

(Company Registration No. : 199804461D)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR FIRST NINE MONTHS AND THIRD QUARTER ENDED 31 MARCH 2018
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		
	3Q18 \$'000	3Q17 \$'000	Change %	9M18 \$'000	9M17 \$'000	Change %
Revenue	19,349	28,959	(33.2)	68,236	75,843	(10.0)
Less:						
Cost of sales	(11,491)	(16,668)	(31.1)	(35,528)	(38,559)	(7.9)
Other income	724	244	196.7	1,316	810	62.5
Distribution and selling expenses	(156)	(270)	(42.2)	(859)	(812)	5.8
Administrative expenses	(8,409)	(8,247)	2.0	(24,589)	(24,611)	(0.1)
Other operating expenses	(1,686)	(1,678)	0.5	(5,111)	(4,966)	2.9
Interest expense	(2)	(2)	-	(8)	(8)	-
Share of results of joint venture	-	30	n.m.	38	131	(71.0)
(Loss)/profit before taxation	(1,671)	2,368	n.m.	3,495	7,828	(55.4)
Taxation	181	(116)	n.m.	(749)	(775)	(3.4)
(Loss)/profit for the period	(1,490)	2,252	n.m.	2,746	7,053	(61.1)
Attributable to:						
Equity holders of the Company	<u>(1,490)</u>	<u>2,252</u>	n.m.	<u>2,746</u>	<u>7,053</u>	(61.1)

Net profit included the following:	Group		Group	
	3Q18 \$'000	3Q17 \$'000	9M18 \$'000	9M17 \$'000
Interest income	118	55	270	176
Interest expense	(2)	(2)	(8)	(8)
Foreign exchange loss, net	(3)	(57)	(2)	(47)
Gain/(loss) on disposal of property, plant and equipment, net	156	4	303	(39)
Amortisation of intangible assets	(54)	(18)	(185)	(50)
Depreciation of property, plant and equipment	(1,590)	(1,672)	(4,807)	(4,866)
Write back of/(allowance) for doubtful debts	11	(12)	(217)	(1)
Provision for warranty	-	(350)	-	(350)

Consolidated statement of comprehensive income	Group		Group	
	3Q18 \$'000	3Q17 \$'000	9M18 \$'000	9M17 \$'000
(Loss)/profit for the period	(1,490)	2,252	2,746	7,053
Other comprehensive income:				
<u>Items that may be reclassified to profit and loss</u>				
Foreign currency translation	(38)	-	(38)	(53)
Total comprehensive income for the period	(1,528)	2,252	2,708	7,000
Total comprehensive income attributable to:				
Equity holders of the Company	<u>(1,528)</u>	<u>2,252</u>	<u>2,708</u>	<u>7,000</u>

Note:

3Q17: The 3rd quarter ended 31 March 2017

3Q18: The 3rd quarter ended 31 March 2018

9M17: The first nine months ended 31 March 2017

9M18: The first nine months ended 31 March 2018

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	
	31.3.2018	30.6.2017	31.3.2018	30.6.2017
	\$'000	\$'000	\$'000	\$'000
Non-current assets:				
Property, plant and equipment	49,039	50,770	482	163
Investments in subsidiary companies	-	-	34,760	34,760
Loans due from subsidiary companies	-	-	19,514	19,814
Investment in joint venture	6,581	6,632	-	-
Intangible assets	366	501	-	-
Customer retention	1,929	791	-	-
Other receivables and deposits	135	141	100	100
Deferred tax assets	192	192	-	-
	<u>58,242</u>	<u>59,027</u>	<u>54,856</u>	<u>54,837</u>
Current assets:				
Inventories	1,495	1,610	-	-
Trade receivables	21,293	33,650	-	-
Other receivables and deposits	782	1,203	93	6,020
Prepayments	227	469	106	115
Customer retention	620	898	-	-
Amounts due from subsidiary companies - non-trade	-	-	513	814
Gross amount due from customers for contract work-in-progress	-	371	-	-
Fixed deposits pledged	1,827	1,686	-	-
Cash and cash equivalents	62,747	52,222	25,218	12,286
	<u>88,991</u>	<u>92,109</u>	<u>25,930</u>	<u>19,235</u>
Current liabilities:				
Trade and other payables	16,597	23,300	365	468
Advances from customers	153	153	-	-
Supplier retention	755	290	-	-
Amounts due to subsidiary companies - trade	-	-	43	65
Gross amounts due to customers fro contract work-in-progress	1,302	1,413	-	-
Provision for warranty	3,407	3,407	-	-
Finance lease obligation - current portion	79	79	-	-
Provision for taxation	2,133	2,547	23	205
	<u>24,426</u>	<u>31,189</u>	<u>431</u>	<u>738</u>
Net current assets	<u>64,565</u>	<u>60,920</u>	<u>25,499</u>	<u>18,497</u>
Non-current liabilities:				
Deferred taxation	1,171	1,171	28	28
Finance lease obligation, non-current portion	39	98	-	-
	<u>1,210</u>	<u>1,269</u>	<u>28</u>	<u>28</u>
Net assets	<u>121,597</u>	<u>118,678</u>	<u>80,327</u>	<u>73,306</u>
Equity attributed to equity holders of the Company				
Share capital	65,403	65,112	65,403	65,112
Treasury shares	(160)	(160)	(160)	(160)
Capital reserve	1,046	1,126	1,046	1,126
Accumulated profits	55,139	52,393	14,038	7,228
Translation reserve	169	207	-	-
Total equity	<u>121,597</u>	<u>118,678</u>	<u>80,327</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 31.3.2018		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 31.3.2018		As at 30.6.2017	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	39	-	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	
	3Q18 \$'000	3Q17 \$'000	9M18 \$'000	9M17 \$'000
Cash flows from operating activities:				
(Loss)/profit before taxation	(1,671)	2,368	3,495	7,828
Adjustments for:				
Depreciation of property, plant and equipment	1,590	1,672	4,807	4,866
Amortisation of intangible assets	54	18	185	50
Property, plant and equipment expensed off	37	-	83	-
(Gain)/loss on disposal of property, plant and equipment, net	(156)	(4)	(303)	39
Share of results of joint venture	-	(30)	(38)	(131)
Provision for warranty	-	350	-	350
(Write back of)/allowance for doubtful debts	(11)	12	217	1
Interest income	(118)	(55)	(270)	(176)
Interest expense	2	2	8	8
Unrealised exchange loss/(gain)	26	(12)	43	(67)
Operating cash flows before working capital changes	(247)	4,321	8,227	12,768
<i>(Increase)/Decrease in:</i>				
Customer retention, trade and other receivables and prepayments	(1,086)	(8,927)	12,019	10,816
Inventories	(28)	(137)	115	46
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	560	4,050	(6,238)	(1,985)
Cash (used in)/generated from operations	(801)	(693)	14,383	21,845
Tax paid	(685)	(545)	(1,153)	(933)
Net cash flows (used in)/generated from operating activities	(1,486)	(1,238)	13,230	20,912
Cash flows from investing activities:				
Interest received	88	50	200	129
Purchase of property, plant and equipment	(909)	(1,974)	(3,239)	(4,393)
Purchase of intangible assets	(24)	-	(51)	(8)
Proceeds from disposal of property, plant and equipment	202	(21)	382	246
Net cash flows used in investing activities	(643)	(1,945)	(2,708)	(4,026)
Cash flows from financing activities:				
Net proceeds from issue of new shares	70	49	211	49
Repayment of finance lease obligations	(20)	(19)	(59)	(59)
Increase in fixed deposits pledged	-	354	(141)	(1,273)
Dividend paid	-	(10,236)	-	(10,236)
Interest paid	(2)	(2)	(8)	(8)
Net cash flows generated from/(used in) financing activities	48	(9,854)	3	(11,527)
Net (decrease)/increase in cash and cash equivalents	(2,081)	(13,037)	10,525	5,359
Cash and cash equivalents at beginning of period	64,828	69,876	52,222	51,480
Cash and cash equivalents at end of period	62,747	56,839	62,747	56,839

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 2018**

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 net of tax	-	-	-	7,053	-	7,053
Other comprehensive income for the period	-	-	-	-	(53)	(53)
Total comprehensive income for the period	-	-	-	7,053	(53)	7,000
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	68	-	(19)	-	-	49
Dividend on ordinary shares	-	-	-	(10,236)	-	(10,236)
Balance at 31 March 2017	65,087	(160)	1,133	51,515	(322)	117,253
At 1 July 2017	65,112	(160)	1,126	52,393	207	118,678
Profit net of tax	-	-	-	2,746	-	2,746
Other comprehensive income for the period	-	-	-	-	(38)	(38)
Total comprehensive income for the period	-	-	-	2,746	(38)	2,708
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	291	-	(80)	-	-	211
Balance at 31 March 2018	65,403	(160)	1,046	55,139	169	121,597
Company	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	
Profit net of tax	-	-	-	8,133	8,133	
Total comprehensive income for the period	-	-	-	8,133	8,133	
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	68	-	(19)	-	49	
Dividend on ordinary shares	-	-	-	(10,236)	(10,236)	
Balance at 31 March 2017	65,087	(160)	1,133	3,388	69,448	
At 1 July 2017	65,112	(160)	1,126	7,228	73,306	
Profit net of tax	-	-	-	6,810	6,810	
Total comprehensive income for the period	-	-	-	6,810	6,810	
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	291	-	(80)	-	211	
Balance at 31 March 2018	65,403	(160)	1,046	14,038	80,327	

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:

- 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.

Since 1 July 2017, 804,825 Consolidated 2012 Warrants were exercised to acquire new shares.

As of 31 March 2017, 1,085,400 Consolidated 2012 Warrants were 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:

- 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 31 March 2018, 97,396,852 (31 March 2017: 97,396,852) Consolidated 2013 Warrants are outstanding.

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

	9M18		9M17	
	No of shares	\$'000	No of shares	\$'000
Issued and paid up capital				
As at beginning of financial year	205,189,122	65,112	204,929,397	65,019
Share issued pursuant to the exercise of Warrants	804,825	291	190,225	68
At 31 December	205,993,947	65,403	205,119,622	65,087
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	204,799,622	64,927

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 2018, the total number of issued ordinary shares (excluding treasury shares) was 205,673,947 (30 June 2017: 205,189,122).

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 9M18 to be higher by \$3.0 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	
	3Q18 \$'000	3Q17 \$'000	9M18 \$'000	9M17 \$'000
(Loss)/profit attributable to ordinary equity holders of the Company (\$'000)	(1,490)	2,252	2,746	7,053
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share ('000)	205,674	204,696	205,230	204,609
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share ('000)	205,674	204,650	205,545	205,148
Earnings per share -				
Basic (cents)	(0.7)	1.1	1.3	3.4
Fully diluted (cents)	(0.7)	1.1	1.3	3.4

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	
	31.3.2018	30.6.2017	31.3.2018	30.6.2017
Net asset value (\$'000)	121,597	118,678	80,327	73,306
Number of ordinary shares in issue (excluding treasury shares) at end of quarter ('000)	205,674	205,189	205,674	205,189
Net asset value per ordinary share based on the number of shares in issue (excluding treasury shares) at end of period (cents)	59.1	57.8	39.1	35.7

- 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 2018

Revenue

Revenue for 9M18 decreased by 10.0% to \$68.2 million compared to \$75.8 million recorded in 9M17 mainly due to lower project revenue.

Quarter-on-quarter, revenue decreased by \$9.6 million to \$19.3 million in 3Q18 due to lower project revenue.

Cost of sales

For 9M18, cost of sales decreased by 7.9% to \$35.5 million in line with the lower revenue recognised.

Quarter-on-quarter, cost of sales decreased by \$5.2 million to \$11.5 million in 3Q18 as compared to \$16.7 million in 3Q17 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 9M18 and 3Q18 was \$1.3 million and \$0.8 million respectively. The increase of approximately \$0.5 million compared to 9M17 and 3Q17 was mainly due to higher net gain on disposal of fixed assets and government grants.

Operating expenses

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

For 9M18, total operating expenses was comparable to 9M17 at \$30.6 million.

For 3Q18, operating expenses was comparable to 3Q17 at \$10.3 million.

Taxation

The effective tax rate in 9M18 was approximately 21% due to certain non-tax deductible items added back.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 9M18 decreased by \$4.3 million to \$2.7 million compared to 9M17.

Quarter-on-quarter, the profit attributable to equity holders for 3Q18 decreased by \$3.7 million to a loss of \$1.5 million compared to 3Q17.

Review of Financial Position

Non-current assets

Non-current assets of the Group remained decreased from \$59.0 million as at 30 June 2017 to \$58.2 million as at 31 March 2018 mainly due to the effects of depreciation of property, plant and equipment which was partially offset by increase in customer retention.

Current assets

Current assets decreased by 3.4% or \$3.1 million, from \$92.1 million as at 30 June 2017 to \$89.0 million as at 31 March 2018. 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 21.7% or \$6.8 million, from \$31.2 million as at 30 June 2017 to \$24.4 million as at 31 March 2018, mainly due to decrease in trade and other payables.

Non-current liabilities

Non-current liabilities remained at about \$1.2 million as at 31 March 2018.

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 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 31 March 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.

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

The actual results are in line with the profit guidance announcement made on 27 April 2018.

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/recommended, a statement to that effect

No dividend has been declared/recommended.

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 2018 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
9 May 2018