


HAI LECK HOLDINGS LIMITED

(Company Registration No. : 199804461D)

**FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR FIRST NINE MONTHS AND THIRD QUARTER ENDED 31 MARCH 2019**
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		
	3Q19 \$'000	3Q18 \$'000 (Restated)	Change %	9M19 \$'000	9M18 \$'000 (Restated)	Change %
Revenue	18,251	19,349	(5.7)	67,479	68,236	(1.1)
Less:						
Cost of sales	(9,082)	(12,100)	(24.9)	(39,316)	(37,170)	5.8
Other income	345	724	(52.3)	1,111	1,316	(15.6)
Distribution and selling expenses	(132)	(156)	(15.4)	(315)	(859)	(63.3)
Administrative expenses	(6,837)	(7,800)	(12.3)	(21,481)	(22,947)	(6.4)
Other operating expenses	(1,631)	(1,686)	(3.3)	(5,100)	(5,111)	(0.2)
Interest expense	(2)	(2)	-	(8)	(8)	-
Share of results of joint venture	110	-	n.m.	282	38	642.1
Profit before taxation	<u>1,022</u>	<u>(1,671)</u>	n.m.	<u>2,652</u>	<u>3,495</u>	(24.1)
Taxation	(253)	181	n.m.	(536)	(749)	(28.4)
Profit for the period	<u><u>769</u></u>	<u><u>(1,490)</u></u>	n.m.	<u><u>2,116</u></u>	<u><u>2,746</u></u>	(22.9)
Attributable to:						
Equity holders of the Company	<u><u>769</u></u>	<u><u>(1,490)</u></u>	n.m.	<u><u>2,116</u></u>	<u><u>2,746</u></u>	(22.9)

Net profit included the following:	Group		Group	
	3Q19 \$'000	3Q18 \$'000	9M19 \$'000	9M18 \$'000
Interest income	124	118	330	270
Interest expense	(2)	(2)	(8)	(8)
Foreign exchange loss, net	(7)	(3)	(67)	(2)
Gain on disposal of property, plant and equipment, net	11	156	198	303
Gain on disposal of intangible assets, net	-	-	87	-
Amortisation of intangible assets	(42)	(54)	(132)	(185)
Depreciation of property, plant and equipment	(1,567)	(1,590)	(4,737)	(4,807)
Write back of/(allowance for) doubtful debts	-	11	-	(217)

Consolidated statement of comprehensive income

	Group		Group	
	3Q19 \$'000	3Q18 \$'000	9M19 \$'000	9M18 \$'000
Profit for the period	769	(1,490)	2,116	2,746
Other comprehensive income:				
<u>Items that may be reclassified to profit and loss</u>				
Foreign currency translation	43	(38)	220	(38)
Total comprehensive income for the period	<u><u>812</u></u>	<u><u>(1,528)</u></u>	<u><u>2,336</u></u>	<u><u>2,708</u></u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u><u>812</u></u>	<u><u>(1,528)</u></u>	<u><u>2,336</u></u>	<u><u>2,708</u></u>

Note:

3Q18: The 3rd quarter ended 31 March 2018

3Q19: The 3rd quarter ended 31 March 2019

9M18: The first nine months ended 31 March 2018

9M19: The first nine months ended 31 March 2019

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	
	31.3.2019	30.6.2018	31.3.2019	30.6.2018
	\$'000	\$'000	\$'000	\$'000
Non-current assets:				
Property, plant and equipment	44,835	47,063	310	433
Investments in subsidiary companies	-	-	34,760	34,760
Loans due from subsidiary companies	-	-	18,014	19,591
Investment in joint venture	6,849	6,453	-	-
Intangible assets	203	341	-	-
Customer retention	-	1,139	-	-
Other receivables and deposits	18	25	-	-
Deferred tax assets	7	23	-	-
	<u>51,912</u>	<u>55,044</u>	<u>53,084</u>	<u>54,784</u>
Current assets:				
Inventories	1,738	2,790	-	-
Trade receivables	14,662	21,189	-	-
Other receivables and deposits	574	990	209	186
Prepayments	204	284	127	87
Customer retention	3,256	2,474	-	-
Amounts due from subsidiary companies - non-trade	-	-	601	776
Contract assets	10,315	2,215	-	-
Bank deposits pledged	1,688	1,827	-	-
Cash and cash equivalents	58,617	61,135	27,352	25,449
	<u>91,054</u>	<u>92,904</u>	<u>28,289</u>	<u>26,498</u>
Current liabilities:				
Trade and other payables	15,320	21,243	379	334
Advances from customers	153	153	-	-
Supplier retention	578	537	-	-
Amounts due to subsidiary companies - trade	-	-	109	59
Contract liabilities	598	325	-	-
Provision for warranty	3,359	3,384	-	-
Finance lease obligation - current portion	39	78	-	-
Provision for taxation	675	82	59	36
	<u>20,722</u>	<u>25,802</u>	<u>547</u>	<u>429</u>
Net current assets	<u>70,332</u>	<u>67,102</u>	<u>27,742</u>	<u>26,069</u>
Non-current liabilities:				
Deferred taxation	1,648	1,577	5	5
Supplier retention	-	232	-	-
Finance lease obligation, non-current portion	-	20	-	-
	<u>1,648</u>	<u>1,829</u>	<u>5</u>	<u>5</u>
Net assets	<u>120,596</u>	<u>120,317</u>	<u>80,821</u>	<u>80,848</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	53,810	53,751	14,532	14,559
Translation reserve	497	277	-	-
Total equity	<u>120,596</u>	<u>120,317</u>	<u>80,821</u>	<u>80,848</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	
	31.3.2019	
	\$'000	\$'000
	Secured	Unsecured
Finance lease liabilities	39	-

	As at	
	30.6.2018	
	\$'000	\$'000
	Secured	Unsecured
Finance lease liabilities	78	-

Amount repayable after one year

	As at	
	31.3.2019	
	\$'000	\$'000
	Secured	Unsecured
Finance lease liabilities	-	-

	As at	
	30.6.2018	
	\$'000	\$'000
	Secured	Unsecured
Finance lease liabilities	20	-

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	
	3Q19 \$'000	3Q18 \$'000	9M19 \$'000	9M18 \$'000
Cash flows from operating activities:				
Profit/(loss) before taxation	1,022	(1,671)	2,652	3,495
Adjustments for:				
Depreciation of property, plant and equipment	1,567	1,590	4,737	4,807
Amortisation of intangible assets	42	54	132	185
Property, plant and equipment expensed off	-	37	-	83
Intangible assets written off	-	-	10	-
Gain on disposal of property, plant and equipment, net	(11)	(156)	(198)	(303)
Gain on disposal of intangible assets	-	-	(87)	-
Share of results of joint venture	(110)	-	(282)	(38)
(Write back of)/Allowance for doubtful debts	-	(11)	-	217
Interest income	(124)	(118)	(330)	(270)
Interest expense	2	2	8	8
Unrealised exchange loss/(gain)	6	26	(9)	43
Operating cash flows before working capital changes	2,394	(247)	6,633	8,227
<i>(Increase)/Decrease in:</i>				
Customer retention, trade and other receivables and prepayments	5,572	(1,086)	7,505	12,019
Inventories	300	(28)	1,052	115
Contract assets and liabilities, net	(2,438)	-	(7,675)	260
<i>Increase/(Decrease) in:</i>				
Trade and other payables and advances from customers	(3,364)	560	(6,891)	(6,238)
Cash generated from operations	2,464	(801)	624	14,383
Tax paid	(216)	(685)	236	(1,153)
Net cash flows generated from/(used in) operating activities	2,248	(1,486)	860	13,230
Cash flows from investing activities:				
Interest received	112	88	235	200
Purchase of property, plant and equipment	(161)	(909)	(1,965)	(3,239)
Purchase of intangible assets	-	(24)	(4)	(51)
Proceeds from disposal of property, plant and equipment	11	202	254	382
Proceeds from disposal of intangible assets	-	-	87	-
Net cash flows used in investing activities	(38)	(643)	(1,393)	(2,708)
Cash flows from financing activities:				
Net proceeds from issue of new shares	-	70	-	211
Repayment of finance lease obligations	(20)	(20)	(59)	(59)
Decrease/(increase) in bank deposits pledged	2,457	-	139	(141)
Dividend paid	(2,057)	-	(2,057)	-
Interest paid	(2)	(2)	(8)	(8)
Net cash flows generated from/(used in) financing activities	378	48	(1,985)	3
Net increase/(decrease) in cash and cash equivalents	2,588	(2,081)	(2,518)	10,525
Cash and cash equivalents at beginning of period	56,029	64,828	61,135	52,222
Cash and cash equivalents at end of period	58,617	62,747	58,617	62,747

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 2019

Group	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Total equity \$'000
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
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
Company	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000	
At 1 July 2017	65,112	(160)	1,126	7,228	73,306	
Loss 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	
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	

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.

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 2018, no Consolidated 2013 Warrants were exercised to acquire new shares.

As of 31 March 2019, 97,396,852 (31 March 2018: 97,396,852) Consolidated 2013 Warrants are outstanding. If unexercised, the Consolidated 2013 Warrants will expire on 13 May 2019.

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

	9M19		9M18	
Issued and paid up capital	No of shares	\$'000	No of shares	\$'000
As at beginning of financial year	205,993,947	65,403	205,189,122	65,112
Share issued pursuant to the exercise of Warrants	-	-	804,825	291
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 2019, the total number of issued ordinary shares (excluding treasury shares) was 205,673,947 (30 June 2018: 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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group adopted the new financial reporting framework on 1 July 2018. The adoption of the new financial reporting framework has no material impact on the financial statements in the year of initial application.

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 2018.

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

Comparative figures in the income statement have been reclassified to conform with current period's presentation.

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	
	3Q19 \$'000	3Q18 \$'000	9M19 \$'000	9M18 \$'000
Profit/(loss) attributable to ordinary equity holders of the Company (\$'000)	769	(1,490)	2,116	2,746
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share ('000)	205,674	205,674	205,674	205,230
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share ('000)	205,674	205,674	205,674	205,545
Earnings per share -				
Basic (cents)	0.4	(0.7)	1.0	1.3
Fully diluted (cents)	0.4	(0.7)	1.0	1.3

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	
	31.3.2019	30.6.2018	31.3.2019	30.6.2018
Net asset value (\$'000)	120,596	120,317	80,821	80,848
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)	58.6	58.5	39.3	39.3

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 2019

Revenue

Revenue for 9M19 decreased by \$0.8 million to \$67.5 million compared to \$68.2 million recorded in 9M18 due to lower revenue from maintenance works and contact centre services, partially offset by increase in revenue from projects.

Quarter-on-quarter, revenue decreased by \$1.1 million to \$18.3 million in 3Q19 for the same reasons as above.

Cost of sales

For 9M19, cost of sales increased by 5.8% to \$39.3 million notwithstanding the lower revenue in 9M19 mainly due to higher subcontractor costs incurred in 1Q19.

Quarter-on-quarter, cost of sales decreased by 24.9% to \$9.1 million mainly due to lower subcontractor and material costs in 3Q19.

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 9M19 was \$1.1 million compared to \$1.3 million in 9M18 mainly due to lower gain on disposal of property, plant and equipment as well as lower wage credit and special employment credit in 9M19. Other income for 3Q19 was lower than 3Q18 at \$0.3 million mainly for the same reasons as 9M19.

Operating expenses

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

For 9M19, total operating expenses decreased by \$2.0 million from \$28.9 million in 9M18 to \$26.9 million in 9M19 mainly due to lower manpower related costs, travelling and transportation related expenses.

For 3Q19, operating expenses decreased by \$1.0 million from \$9.6 million in 3Q18 to \$8.6 million in 3Q19 mainly due to lower manpower related costs.

Taxation

The effective tax rate in 9M19 was 20% mainly due to higher tax rate suffered by foreign operations.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 9M19 decreased by \$0.6 million to \$2.1 million compared to \$2.7 million in 9M18.

Quarter-on-quarter, the profit attributable to equity holders improved from a loss of \$1.5 million in 3Q18 to a profit of \$0.8 million in 3Q19.

Review of Financial Position

Non-current assets

Non-current assets of the Group decreased from \$55.0 million as at 30 June 2018 to \$51.9 million as at 31 March 2019 due to depreciation of property, plant and equipment and classification of customer retention as a current asset.

Current assets

Current assets decreased by \$1.9 million from \$92.9 million as at 30 June 2018 to \$91.1 million as at 31 March 2019. The decrease is mainly due to decrease in trade receivables, cash and cash equivalents and inventories, partially offset by increase 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 decreased by \$5.1 million from \$25.8 million as at 30 June 2018 to \$20.7 million as at 31 March 2019, mainly due to decrease in trade and other payables, partially offset by increase in provision for taxation.

Non-current liabilities

Non-current liabilities decreased from \$1.8 million as at 30 June 2018 to \$1.6 million as at 31 March 2019 mainly due to classification of supplier retention as a current liability.

Utilisation of Warrant Issue Proceeds

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 2019, 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 uncertain. The Group will continue to judiciously control operating cost and capital investments, whilst it works towards securing new contracts.

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?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared/recommendeded as dividend was declared in 2Q19.

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 2019 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
8 May 2019