


HAI LECK HOLDINGS LIMITED

(Company Registration No. : 199804461D)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR FIRST HALF YEAR AND SECOND QUARTER ENDED 31 DECEMBER 2016
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		
	2Q17 \$'000	2Q16 \$'000	Change %	1H17 \$'000	1H16 \$'000	Change %
Revenue	22,358	27,545	(18.8)	46,884	46,009	1.9
Less:						
Cost of sales	(10,035)	(12,641)	(20.6)	(21,891)	(22,054)	(0.7)
Other income	247	506	(51.2)	566	1,453	(61.0)
Distribution and selling expenses	(287)	(236)	21.6	(542)	(309)	75.4
Administrative expenses	(8,464)	(11,509)	(26.5)	(16,364)	(18,088)	(9.5)
Other operating expenses	(1,661)	(1,504)	10.4	(3,288)	(3,013)	9.1
Interest expense	(3)	(3)	-	(6)	(6)	-
Share of results of joint venture	80	288	(72.2)	101	254	(60.2)
Profit before taxation	2,235	2,446	(8.6)	5,460	4,246	28.6
Taxation	5	(551)	n.m.	(659)	(801)	(17.7)
Profit for the period	2,240	1,895	18.2	4,801	3,445	39.4
Attributable to:						
Equity holders of the Company	2,240	1,895	18.2	4,801	3,445	39.4

Net profit included the following:	Group		Group	
	2Q17 \$'000	2Q16 \$'000	1H17 \$'000	1H16 \$'000
Interest income	59	53	121	66
Interest expense	(3)	(3)	(6)	(6)
Foreign exchange gain/(loss), net	5	(6)	10	(103)
(Loss)/gain on disposal of property, plant and equipment	(180)	223	(43)	381
Amortisation of intangible assets	(15)	(15)	(32)	(30)
Depreciation of property, plant and equipment	(1,584)	(1,489)	(3,194)	(2,983)
Write back of allowance for doubtful debts	11	-	11	970

Consolidated statement of comprehensive income

	Group		Group	
	2Q17 \$'000	2Q16 \$'000	1H17 \$'000	1H16 \$'000
Profit for the period	2,240	1,895	4,801	3,445
Other comprehensive income:				
<u>Items that may be reclassified to profit and loss</u>				
Foreign currency translation	(35)	147	(54)	(250)
Total comprehensive income for the period	2,205	2,042	4,747	3,195
Total comprehensive income attributable to:				
Equity holders of the Company	2,205	2,042	4,747	3,195

Note:

2Q16: The 2nd quarter ended 31 December 2015

2Q17: The 2nd quarter ended 31 December 2016

1H16: The first half year ended 31 December 2015

1H17: The first half year ended 31 December 2016

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	
	31.12.2016	30.6.2016	31.12.2016	30.6.2016
	\$'000	\$'000	\$'000	\$'000
Non-current assets:				
Property, plant and equipment	50,945	52,027	217	250
Investments in subsidiary companies	-	-	34,760	34,760
Loans due from subsidiary companies	-	-	21,861	21,861
Investment in joint venture	5,692	5,591	-	-
Intangible assets	226	250	-	-
Other receivables and deposits	100	150	100	100
	<u>56,963</u>	<u>58,018</u>	<u>56,938</u>	<u>56,971</u>
Current assets:				
Inventories	507	690	-	-
Trade receivables	15,771	35,277	-	-
Other receivables and deposits	808	873	66	24
Prepayments	989	465	63	156
Customer retention	374	971	-	-
Amounts due from subsidiary companies - non-trade	-	-	875	399
Gross amount due from customers for contract work-in-progress	-	200	-	-
Fixed deposits pledged	1,627	-	-	-
Cash and cash equivalents	69,876	51,480	14,268	15,207
	<u>89,952</u>	<u>89,956</u>	<u>15,272</u>	<u>15,786</u>
Current liabilities:				
Trade and other payables	14,885	20,181	408	1,049
Advances from customers	-	618	-	-
Supplier retention	112	233	-	-
Amounts due to subsidiary companies - trade	-	-	103	115
Amounts due to subsidiary companies - non-trade	-	-	-	71
Provision for warranty	2,593	2,593	-	-
Finance lease obligation - current portion	78	79	-	-
Provision for taxation	2,508	2,238	182	4
	<u>20,176</u>	<u>25,942</u>	<u>693</u>	<u>1,239</u>
Net current assets	<u>69,776</u>	<u>64,014</u>	<u>14,579</u>	<u>14,547</u>
Non-current liabilities:				
Deferred taxation	1,414	1,415	16	16
Finance lease obligation, non-current portion	138	177	-	-
	<u>1,552</u>	<u>1,592</u>	<u>16</u>	<u>16</u>
Net assets	<u>125,187</u>	<u>120,440</u>	<u>71,501</u>	<u>71,502</u>
Equity attributed to equity holders of the Company				
Share capital	65,019	65,019	65,019	65,019
Treasury shares	(160)	(160)	(160)	(160)
Capital reserve	1,152	1,152	1,152	1,152
Accumulated profits	59,499	54,698	5,490	5,491
Translation reserve	(323)	(269)	-	-
Total equity	<u>125,187</u>	<u>120,440</u>	<u>71,501</u>	<u>71,502</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 31.12.2016		As at 30.6.2016	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	78	-	79	-

Amount repayable after one year

	As at 31.12.2016		As at 30.6.2016	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	138	-	177	-

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	
	2Q17 \$'000	2Q16 \$'000	1H17 \$'000	1H16 \$'000
Cash flows from operating activities:				
Profit before taxation	2,235	2,446	5,460	4,246
Adjustments for:				
Depreciation of property, plant and equipment	1,584	1,489	3,194	2,983
Amortisation of intangible assets	15	15	32	30
Loss/(gain) on disposal of property, plant and equipment	180	(223)	43	(381)
Share of results of joint venture	(80)	(288)	(101)	(254)
Write back of allowance for doubtful debts	(11)	-	(11)	(970)
Interest income	(59)	(53)	(121)	(66)
Interest expense	3	3	6	6
Unrealised exchange (gain)/loss	(36)	134	(55)	47
Operating cash flows before working capital changes	3,831	3,523	8,447	5,641
<i>(Increase)/Decrease in:</i>				
Customer retention, trade and other receivable and prepayments	12,116	(6,304)	19,743	5,167
Inventories	117	109	183	2,376
Gross amount due from/(to) customers for contract work-in-progress, net	-	11,044	200	(232)
<i>Increase/(Decrease) in:</i>				
Trade and other payables and advances from customers	(3,135)	(3,113)	(6,035)	(6,543)
Cash generated from operations	12,929	5,259	22,538	6,409
Tax paid	(387)	(419)	(388)	(596)
Net cash flows generated from operating activities	12,542	4,840	22,150	5,813
Cash flows from investing activities:				
Interest received	17	53	79	66
Purchase of property, plant and equipment	(1,060)	(747)	(2,419)	(1,410)
Purchase of intangible assets	(3)	(21)	(8)	(61)
Proceeds from disposal of property, plant and equipment	129	252	267	412
Net cash flows used in investing activities	(917)	(463)	(2,081)	(993)
Cash flows from financing activities:				
Repayment of finance lease obligations	(20)	(20)	(40)	(39)
Increase in fixed deposits pledged	(427)	(54)	(1,627)	(54)
Interest paid	(3)	(3)	(6)	(6)
Net cash flows used in financing activities	(450)	(77)	(1,673)	(99)
Net increase in cash and cash equivalents	11,175	4,300	18,396	4,721
Cash and cash equivalents at beginning of period	58,701	55,722	51,480	55,301
Cash and cash equivalents at end of period	69,876	60,022	69,876	60,022

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 2016**

Group	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Total equity \$'000
At 1 July 2015	65,008	(160)	1,155	52,173	(360)	117,816
Profit net of tax	-	-	-	3,445	-	3,445
Other comprehensive income for the period	-	-	-	-	(250)	(250)
Total comprehensive income for the period	-	-	-	3,445	(250)	3,195
Balance at 31 December 2015	65,008	(160)	1,155	55,618	(610)	121,011
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
Company	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000	
At 1 July 2015	65,008	(160)	1,155	14,716	80,719	
Total comprehensive income for the period	-	-	-	(257)	(257)	
Balance at 31 December 2015	65,008	(160)	1,155	14,459	80,462	
At 1 July 2016	65,019	(160)	1,152	5,491	71,502	
Total comprehensive income for the period	-	-	-	(1)	(1)	
Balance at 31 December 2016	65,019	(160)	1,152	5,490	71,501	

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 2016, no Consolidated 2012 Warrants were exercised to acquire new shares.

As of 31 December 2016, 1,275,625 (31 December 2015: 1,306,125) 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 2016, no Consolidated 2013 Warrants were exercised to acquire new shares.

As of 31 December 2016, 97,396,852 (31 December 2015: 97,396,852) Consolidated 2013 Warrants are outstanding.

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

	1H17		1H16	
Issued and paid up capital	No of shares	\$'000	No of shares	\$'000
As at beginning of financial year	204,929,397	65,019	409,797,859	65,008
Share issued pursuant to the exercise of Warrants	-	-	-	-
Share consolidation	-	-	(204,898,962)	-
At 31 December	204,929,397	65,019	204,898,897	65,008
Treasury shares				
As at beginning of financial year	320,000	160	640,000	160
Share consolidation	-	-	(320,000)	-
At 31 December	320,000	160	320,000	160
Total shares excluding treasury shares as at end of period	204,609,397	64,859	204,578,897	64,848

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 2016, the total number of issued ordinary shares (excluding treasury shares) was 204,609,397 (30 June 2016: 204,609,397).

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 recent audited financial statements for the year ended 30 June 2016.

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

Not applicable

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	
	2Q17 \$'000	2Q16 \$'000	1H17 \$'000	1H16 \$'000
Profit attributable to ordinary equity holders of the Company (\$'000)	2,240	1,895	4,801	3,445
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share ('000)	204,609	204,899	204,609	204,899
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share ('000)	205,140	205,299	205,082	205,350
Earnings per share -				
Basic (cents)	1.1	0.9	2.3	1.7
Fully diluted (cents)	1.1	0.9	2.3	1.7

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	
	31.12.2016	30.6.2016	31.12.2016	30.6.2016
Net asset value (\$'000)	125,187	120,440	71,501	71,502
Number of ordinary shares in issue (excluding treasury shares) at end of quarter ('000)	204,609	204,609	204,609	204,609
Net asset value per ordinary share based on the number of shares in issue (excluding treasury shares) at end of period (cents)	61.2	58.9	34.9	34.9

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 2016

Revenue

Revenue for 1H17 increased marginally by 1.9% to \$46.9 million compared to \$46.0 million recorded in 1H16 due to higher maintenance revenue in 1Q2017.

Quarter-on-quarter, revenue decreased by \$5.2 million to \$22.4 million in 2Q17.

Cost of sales

For 1H17, cost of sales decreased by 0.7% to \$21.9 million notwithstanding the increase in revenue mainly due to lower material usage.

Quarter-on-quarter, cost of sales decreased by \$2.6 million to \$10.0 million in 2Q17 as compared to \$12.6 million in 2Q16.

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 1H17 and 2Q17 was \$0.6 million and \$0.2 million respectively. Other income was higher in 1H16 by \$0.9 million compared to 1H17 mainly due to write back of allowance for doubtful debts of \$1.0 million in 1H16.

Operating expenses

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

For 1H17, operating expenses decreased by 5.7% to \$20.2 million as compared to \$21.4 million in 1H16. The decrease was mainly due to lower bonus and incentives in light of the uncertain economic outlook.

For 2Q17, operating expenses decreased from \$13.2 million in 2Q16 to \$10.4 million in 2Q17 mainly for the same reasons as above.

Taxation

The effective tax rate in 1H17 is 12.1% which is lower than that of the statutory tax rate of 17% mainly due to tax refunds received in 2Q17.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 1H17 increased by \$1.4 million to \$4.8 million compared to 1H16.

Quarter-on-quarter, the profit attributable to equity holders for 2Q17 increased by \$0.3 million to \$2.2 million compared to 2Q16.

Review of Financial Position

Non-current assets

Non-current assets of the Group decreased by 1.8% or \$1.1 million, from \$58.0 million as at 30 June 2016 to \$57.0 million as at 31 December 2016. This decrease is mainly due to depreciation of property, plant and equipment.

Current assets

Current assets remained comparable at about \$90.0 million. The decrease in trade receivables by \$19.5 million was offset by increase in cash and cash equivalents and fixed deposits pledged of \$20.0 million.

Current liabilities

Current liabilities decreased by 22.2% or \$5.8 million, from \$25.9 million as at 30 June 2016 to \$20.2 million as at 31 December 2016, mainly due to decrease in trade and other payables, in line with lower cost of sales.

Non-current liabilities

Non-current liabilities remained at about \$1.6 million as at 31 December 2016.

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 2016, 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 2016, 78,502,500 2012 Warrants and 30,500 2012 Consolidated Warrants were exercised for 78,502,500 new shares and 30,500 new Consolidated Shares. The Company raised net proceeds of about \$10.2 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 2016, 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 set aside for investment purposes, business expansion purposes, working capital and/or such other purposes as the Directors may deem fit.

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. The Group's results was buffered by non-oil and gas related businesses.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Interim dividends

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	2 cents per ordinary share (one-tier tax exempt)

Special dividends

Name of Dividend	Special
Dividend Type	Cash
Dividend Rate	3 cents per ordinary share (one-tier tax exempt)

(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

To be advised

(d) Books closure date

To be advised

12 If no dividend has been declared/recommended, a statement to that effect

Not applicable

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 second quarter ended 31 December 2016 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 February 2017