



HAI LECK HOLDINGS LIMITED

(Company Registration No. : 199804461D)

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT

FOR THE YEAR AND SECOND QUARTER ENDED 31 DECEMBER 2013

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		
	2Q14	2Q13	Change	1H14	1H13	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	39,751	31,576	25.9	72,132	64,618	11.6
Less:						
Cost of sales	(23,052)	(17,731)	30.0	(40,961)	(38,144)	7.4
Other income	216	1,688	(87.2)	811	2,127	(61.9)
Distribution and selling expenses	(216)	(342)	(36.8)	(462)	(581)	(20.5)
Administrative expenses	(11,086)	(9,706)	14.2	(20,652)	(18,718)	10.3
Other operating expenses	(1,143)	(1,438)	(20.5)	(2,247)	(2,709)	(17.1)
Interest expense	-	(1)	n.m.	-	(1)	n.m.
Profit before taxation	4,470	4,046	10.5	8,621	6,592	30.8
Taxation	(779)	(518)	50.4	(1,621)	(921)	76.0
Profit for the period	<u>3,691</u>	<u>3,528</u>	4.6	<u>7,000</u>	<u>5,671</u>	23.4
Attributable to:						
Equity holders of the Company	<u>3,691</u>	<u>3,528</u>	4.6	<u>7,000</u>	<u>5,671</u>	23.4

	Group		Group	
	2Q14	2Q13	1H14	1H13
	\$'000	\$'000	\$'000	\$'000
Net profit included the following:				
Interest income	74	17	102	31
Interest expense	-	(1)	-	(1)
Foreign exchange gain/(loss), net	-	29	(20)	(18)
Gain/(loss) on disposal of property, plant and equipment	5	(1)	14	(3)
Amortisation of intangible assets	(9)	-	(22)	(57)
Depreciation of property, plant and equipment	(1,112)	(1,207)	(2,207)	(2,365)
Write back of allowance for doubtful debts	-	1,605	-	1,605

Consolidated statement of comprehensive income

	Group		Group	
	2Q14	2Q13	1H14	1H13
	\$'000	\$'000	\$'000	\$'000
Profit for the period	3,691	3,528	7,000	5,671
Other comprehensive income:				
Items that may be reclassified to profit and loss				
Foreign currency translation	(155)	(33)	37	(63)
Other comprehensive income for the period	<u>(155)</u>	<u>(33)</u>	<u>37</u>	<u>(63)</u>
Total comprehensive income for the period	<u>3,536</u>	<u>3,495</u>	<u>7,037</u>	<u>5,608</u>
Total comprehensive income attributable to:				
Equity holders of the Company	<u>3,536</u>	<u>3,495</u>	<u>7,037</u>	<u>5,608</u>

Note:

1H13: The first-half year ended 31 Dec 2012

1H14: The first half year ended 31 Dec 2013

2Q13: The 2nd quarter ended 31 December 2012

2Q14: The 2nd quarter ended 31 December 2013

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	
	31.12.2013	30.6.2013	31.12.2013	30.6.2013
	\$'000	\$'000	\$'000	\$'000
Non-current assets:				
Property, plant and equipment	42,939	39,885	77	-
Investments in subsidiary companies	-	-	38,758	30,957
Loan due from subsidiary companies	-	-	19,511	21,961
Intangible assets	271	293	-	-
Customer retention	8,054	5,873	-	-
Deposits	69	74	-	-
	<u>51,333</u>	<u>46,125</u>	<u>58,346</u>	<u>52,918</u>
Current assets:				
Inventories	790	794	-	-
Trade receivables	37,308	30,199	-	-
Other receivables and deposits	2,217	1,888	11	-
Prepayments	690	799	-	9
Amounts due from subsidiary companies - trade	-	-	3,206	2,262
Other investments	188	200	-	-
Gross amount due from customers for contract work-in-progress	900	1,376	-	-
Fixed deposits pledged	366	366	-	-
Cash and cash equivalents	61,309	60,790	25,347	29,905
	<u>103,768</u>	<u>96,412</u>	<u>28,564</u>	<u>32,176</u>
Current liabilities:				
Trade and other payables	32,536	24,576	483	1,010
Advances from customers	490	838	-	-
Amounts due to subsidiary companies - non-trade	-	-	5	16
Gross amount due to customers for contract work-in-progress	-	2,600	-	-
Provision for taxation	3,199	2,871	-	221
Provision for warranty	2,326	2,326	-	-
	<u>38,551</u>	<u>33,211</u>	<u>488</u>	<u>1,247</u>
Net current assets	<u>65,217</u>	<u>63,201</u>	<u>28,076</u>	<u>30,929</u>
Non-current liabilities:				
Deferred taxation	1,728	1,728	-	-
Other payables	48	51	-	-
Supplier retention	-	1,758	-	-
	<u>1,776</u>	<u>3,537</u>	<u>-</u>	<u>-</u>
Net assets	<u>114,774</u>	<u>105,789</u>	<u>86,422</u>	<u>83,847</u>
Equity attributed to equity holders of the Company				
Share capital	62,670	48,859	62,670	48,859
Treasury shares	(160)	(160)	(160)	(160)
Capital reserve	1,228	5,065	1,228	5,065
Accumulated profits	51,327	52,353	22,684	30,083
Translation reserve	(291)	(328)	-	-
Total equity	<u>114,774</u>	<u>105,789</u>	<u>86,422</u>	<u>83,847</u>

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

Finance lease liabilities

31.12.2013	
\$'000	\$'000
Secured	Unsecured
-	-

30.6.2013	
\$'000	\$'000
Secured	Unsecured
-	-

Amount repayable after one year

Finance lease liabilities

31.12.2013	
\$'000	\$'000
Secured	Unsecured
-	-

30.6.2013	
\$'000	\$'000
Secured	Unsecured
-	-

Details of any collateral

Not applicable

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	
	2Q14	2Q13	1H14	1H13
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities:				
Profit before taxation	4,270	4,046	8,621	6,592
Adjustments for:				
Depreciation of property, plant and equipment	1,112	1,207	2,207	2,365
Amortisation of intangible assets	9	-	22	57
(Gain)/loss on disposal of property, plant and equipment	(5)	1	(14)	3
Unrealised exchange (gain)/loss	(122)	(23)	88	(51)
Interest income	(74)	(17)	(102)	(31)
Interest expense	-	1	-	1
Operating cash flows before working capital changes	5,190	5,215	10,822	8,936
<i>Decrease/(Increase) in:</i>				
Customer retention, trade and other receivables and prepayments	(2,976)	(2,112)	(9,505)	(3,897)
Inventories	7	313	4	(106)
<i>Increase/(Decrease) in:</i>				
Trade and other payables and advances from customers	2,310	2,580	5,854	689
Gross amount due from/(to) customers for contract work-in-progress, net	2,776	1,580	(2,124)	1,911
Cash generated from operations	7,307	7,576	5,051	7,533
Tax paid	(1,339)	(307)	(1,293)	(328)
Net cash flows generated from operating activities	5,968	7,269	3,758	7,205
Cash flows from investing activities:				
Interest received	74	17	102	31
Purchase of property, plant and equipment	(4,833)	(541)	(5,373)	(871)
Proceeds from disposal of property, plant and equipment	31	-	84	-
Net cash flows used in investing activities	(4,728)	(524)	(5,187)	(840)
Cash flows from financing activities:				
Net proceeds from issue of new shares	291	-	9,974	-
Expenses incurred for issue of new warrants	-	(30)	-	(30)
Interest paid	-	(1)	-	(1)
Repayment of finance lease obligations	-	-	-	(3)
Dividend paid	(8,026)	-	(8,026)	-
Net cash flows (used in)/generated from financing activities	(7,735)	(31)	1,948	(34)
Net increase/(decrease) in cash and cash equivalents	(6,495)	6,714	519	6,331
Cash and cash equivalents at beginning of period	67,804	48,319	60,790	48,702
Cash and cash equivalents at end of period	61,309	55,033	61,309	55,033

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 year ended 31 December 2013

Group	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Fair value reserve \$'000	Translation reserve \$'000	Total equity \$'000
At 1 July 2012	48,826	(160)	1,156	38,360	232	(335)	88,079
Profit net of tax	-	-	-	5,671	-	-	5,671
Other comprehensive income for the period	-	-	-	-	-	(63)	(63)
Total comprehensive income for the period	-	-	-	5,671	-	(63)	5,608
Expenses incurred for new warrants	-	-	(30)	-	-	-	(30)
Dividend on ordinary shares	-	-	-	-	-	-	-
Balance at 31 December 2012	48,826	(160)	1,126	44,031	232	(398)	93,657
At 1 July 2013	48,859	(160)	5,065	52,353	0	(328)	105,789
Profit net of tax	-	-	-	7,000	-	-	7,000
Other comprehensive income for the period	-	-	-	-	-	37	37
Total comprehensive income for the period	-	-	-	7,000	-	37	7,037
Issuance of ordinary shares	13,811	-	(3,837)	-	-	-	9,974
Dividend on ordinary shares	-	-	-	(8,026)	-	-	(8,026)
Balance at 31 December 2013	62,670	(160)	1,228	51,327	-	(291)	114,774

Company	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 July 2012	48,826	(160)	1,156	16,428	66,250
Total comprehensive income for the period	-	-	-	168	168
Expenses incurred for new warrants	-	-	(30)	-	(30)
Balance at 31 December 2012	48,826	(160)	1,126	16,596	66,388
At 1 July 2013	48,859	(160)	5,065	30,083	83,847
Total comprehensive income for the period	-	-	-	627	627
Issuance of ordinary shares	13,811	-	(3,837)	-	9,974
Dividend on ordinary shares	-	-	-	(8,026)	(8,026)
Balance at 31 December 2013	62,670	(160)	1,228	22,684	86,422

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-back, 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

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 Warrants 2013 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.

Since 1 July 2013, 76,725,500 2012 Warrants were exercised to acquire 76,725,500 New Shares. As of 31 December 2013, 4,205,250 2012 Warrants are outstanding.

2013 Warrants

On 12 and 21 November 2013 and 28 January 2014, the Company had announced that it was proposing to undertake a renounceable non-underwritten rights issue of 202,786,875 warrants ("2013 Warrants") at an issue price of S\$0.001 for each Warrant, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company ("New Share") at an exercise price of S\$0.33 for each New Share during the exercise period on the basis of one (1) warrants for every two (2) existing ordinary shares in the capital of the company held by the entitled shareholders as at the books closure date, fractional entitlements to be disregarded ("2013 Warrants Issue").

The Company had obtained an approval in-principle from SGX-ST on 28 January 2014 in respect of the above application for the dealing in, listing of and quotation for the Warrants and New Shares, subject to fulfillment of certain conditions as set in the Company's announcement released on 28 January 2014. Approval in-principle granted is not be taken as an indication of the merits of the Warrants Issue, the Warrants, the New Share, the Company and its subsidiaries.

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

Issued and paid up capital

As at beginning of financial year

Share issued pursuant to the exercise of Warrants

At 31 December 2013

Treasury shares

As at beginning of financial year

Share buy-back

At 31 December 2013

Total shares excluding treasury shares as at end of second quarter

1H14		1H13	
No of shares	\$'000	No of shares	\$'000
325,283,000	48,859	325,099,000	48,826
76,725,500	13,811	0	0
402,008,500	62,670	325,099,000	48,826
640,000	160	640,000	160
-	-	-	-
640,000	160	640,000	160
401,368,500	62,510	324,459,000	48,666

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 2013, the total number of issued ordinary shares (excluding treasury shares) was 401,368,500 (30 June 2013: 324,643,000).

1(d)(iv) A statement showing all sales, transfer, 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 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 first half year ended 30 June 2013.

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	
		2Q14	2Q13	1H14	1H13
Profit attributable to ordinary equity holders of the Company (\$'000)		3,691	3,528	7,000	5,671
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share('000)		400,757	324,459	387,997	324,459
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share('000)		403,321	324,459	397,234	324,459
Earnings per share -	Basic (cents)	0.9	1.1	1.8	1.7
	Fully diluted (cents)	0.9	1.1	1.8	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 financial period reported on and (b) immediately preceding financial year

		Group		Company	
		31.12.2013	30.6.2013	31.12.2013	30.6.2013
Net asset value (\$'000)		114,774	105,789	86,422	83,847
Number of ordinary shares in issue (excluding treasury shares) at end of period ('000)		401,369	324,643	401,369	324,643
Net asset value per ordinary share based on the number of shares in issue (excluding treasury shares) at end of period (cents)		28.6	32.6	21.5	25.8

- 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 the half year and second quarter ended 31 December 2013

Revenue

Revenue for 1H14 increased by 11.6% or \$7.5 million to \$72.1 million compared to \$64.6 million recorded in 1H13. The increase was due to the increase of revenue from project services partially offset by lower revenue from maintenance services.

Quarter-on-quarter, revenue increased by \$8.2 million in 2Q14. This was mainly due to higher revenue from project services.

Cost of sales

For 1H14, cost of sales increased by 7.4% or \$2.8 million to \$41.0 million as compared to \$38.2 million in 1H13. The increase in cost of sales was mainly due to the increase in usage of materials and manpower in tandem with higher revenue.

Quarter-on-quarter, cost of sales increased by \$5.3 million to \$23.0 million in 2Q14 compared to \$17.7 million in 2Q13. The increase was mainly due to the reasons mentioned above.

Other income

Other income comprises mainly of interest income, miscellaneous income earned from non-core businesses as well as safety and performance incentives. This also includes items such as gain on disposal of property, plant and equipment. Other income amounted to \$0.2 million and \$0.8 million for 2Q14 and 1H14 respectively. The increase for 1H14 was due mainly to allowance for doubtful debt written back upon collection of debt.

Operating expenses

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

For 1H14, operating expenses increased by 6.1% or \$1.4 million to \$23.4 million as compared to S\$22.0 million in 1H13. The increase is in line with the increase in revenue.

Operating expenses in 2Q14 increased by 8.3% or \$1.0 million. The increase in this quarter is in line with the increase in revenue.

Taxation

The increase in effective tax rate in 1H14 compared to the corresponding period was mainly due to underprovision of taxation in 2012.

The increase in effective tax rate for 2Q14, as compared to that of 2Q13 was mainly due to the above reason.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 1H14 increased by \$1.3 million to \$7.0 million compared to 1H13.

For 2Q14, the profit attributable to equity holders maintained at a net profit of \$3.6 million.

The current results are in line with the Group's commentary in paragraph 10 of the previous results announcement dated 11 November 2013.

Review of Financial Position

Non-current assets

Non-current assets of the Group increased by 11.3% or \$5.2 million, from \$46.1 million as at 30 June 2013 to \$51.3 million as at 31 December 2013. This increase is mainly due to investment in property, plant and equipment and the customers' retention monies on the engineering, procurement and construction ("EPC") projects due after one year.

Current assets

Current assets increased by 7.6% or \$7.3 million, from \$96.4 million as at 30 June 2013 to \$103.7 million as at 31 December 2013. This was mainly due to an increase in trade receivables, resulting from an increase in billing from EPC business.

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 increased by 16.1% or \$5.3 million, from \$33.2 million as at 30 June 2013 to \$38.5 million as at 31 December 2013, mainly due to an increase in trade and other payables as a result of the increase in business activity.

Non-current liabilities

Non-current liabilities amounted to \$1.7 million as at 31 December 2013, a decrease of \$1.8 million as compared to that of 30 June 2013. The decrease was due to suppliers' retention monies became payable and reclassified as current liability.

Utilisation of Warrant Issue Proceeds

On 7 January 2013, the Company had allotted and issued 81,114,750 Warrants and raised net proceeds of \$3.9 million for business expansion and working capital.

As at 31 December 2013, the Group has applied S\$0.5 million of the proceeds for business expansion and S\$3.4 million as working capital in accordance with the announcement dated 4 January 2013.

From 7 January 2013 to 31 December 2013, 76,909,500 warrants were exercised for 76,909,500 new Shares. The Company raised net proceeds of about \$10.0 million, of which \$5.3 million was used to acquire property, plant and equipment for business expansion and the remaining \$4.7 million was deposited in banks pending utilisation.

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

Hai Leck Group has not made any forecast.

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 Group's operating environment remains challenging, as in the previous quarter, due to the weak global economy, keen competition, and higher operating costs in particular manpower costs in a tight labour market.

However with new initiatives introduced by the Government, such as Productivity Innovation Incentives the Group continues its efforts to improve its productivity through various measures, by investing in plant and equipment, as well as providing training programmes to employees. Through the development of its EPC capabilities, the Group will continue to pursue business opportunities.

As announced on 7 February 2014, the Company will convene an Extraordinary General Meeting on 26 February 2014 to seek shareholders' approval for the rights issue of up to 202,786,875 warrants.

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
Dividend Type	Cash
Dividend Rate	1 cent 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?

No

(c) Date payable

To be announced later.

(d) Books closure date

To be announced later.

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 ("IPTs"), 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

Not applicable

14 Negative confirmation By The Board Pursuant to Rule 705(5) Of The Listing Manual

We, Cheng Buck Poh @ Chng Bok Poh and Cheng Yao Tong, being Directors of the Company, do hereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the second half year and second quarter ended 31 December 2013 to be false or misleading in any material aspect.

By order of the Board

Cheng Yao Tong
Chief Executive Officer
10 February 2014