



HAI LECK HOLDINGS LIMITED
(Company Registration No. : 199804461D)
FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR FIRST QUARTER ENDED 30 SEPTEMBER 2014

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**

	1Q15 \$'000	Group 1Q14 \$'000 (Restated)	Change %
Revenue	28,249	31,316	(9.8)
Less:			
Cost of sales	(13,221)	(17,138)	(22.9)
Other income	213	595	(64.2)
Distribution and selling expenses	(96)	(240)	(60.0)
Administrative expenses	(10,015)	(9,395)	6.6
Other operating expenses	(1,235)	(1,083)	14.0
Interest expense	(1)	-	n.m.
Share of results of equity accounted investee	150	185	(18.9)
Profit before taxation	4,044	4,240	(4.6)
Taxation	(398)	(931)	(57.3)
Profit for the quarter	3,646	3,309	10.2
Attributable to:			
Equity holders of the Company	3,646	3,309	10.2

	1Q15 \$'000	Group 1Q14 \$'000 (Restated)
Net profit included the following:		
Interest income	64	28
Interest expense	(1)	-
Foreign exchange profit/(loss), net	(20)	8
Gain/(loss) on disposal of property, plant and equipment	122	(9)
Amortisation of intangible assets	(9)	(9)
Depreciation of property, plant and equipment	(1,226)	(1,074)

Consolidated statement of comprehensive income

	1Q15 \$'000	Group 1Q14 \$'000 (Restated)
Profit for the quarter	3,646	3,309
Other comprehensive income:		
Foreign currency translation	65	192
Total comprehensive income for the quarter	3,711	3,501
Total comprehensive income attributable to:		
Equity holders of the Company	3,711	3,501

Note:

1Q14: The 1st quarter ended 30 September 2013

1Q15: The 1st quarter ended 30 September 2014

n.m. denotes not meaningful

EPC: engineering, procurement and construction

1Q14 results have been restated to take into account of the retrospective adjustments relating to FRS 111 FRS Joint Arrangements (please refer to item 4)

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	
	30.9.2014 \$'000	30.6.2014 \$'000 Restated	30.9.2014 \$'000	30.6.2014 \$'000
Non-current assets:				
Property, plant and equipment	50,883	47,692	363	344
Investments in subsidiary companies	-	-	36,758	36,758
Loan due from subsidiary companies	-	-	25,061	19,561
Investment in equity accounted investee	3,676	3,448	-	-
Intangible assets	251	260	-	-
Customer retention	487	410	-	-
	<u>55,297</u>	<u>51,810</u>	<u>62,182</u>	<u>56,663</u>
Current assets:				
Inventories	778	2,065	-	-
Trade receivables	29,994	30,825	-	-
Other receivables and deposits	1,769	1,442	-	78
Prepayments	1,552	1,599	11	17
Customer retention	1,932	7,502	-	-
Amounts due from subsidiary companies - trade	-	-	2,531	1,593
Gross amount due from customers for contract work-in-progress	2,400	-	-	-
Fixed deposits pledged	366	366	-	-
Cash and cash equivalents	65,349	56,627	20,828	26,816
	<u>104,140</u>	<u>100,426</u>	<u>23,370</u>	<u>28,504</u>
Current liabilities:				
Trade and other payables	22,878	20,573	320	1,115
Advances from customers	417	417	-	-
Supplier retention	1,519	1,055	-	-
Amounts due to subsidiary companies - non-trade	-	-	44	22
Provision for foreseeable loss	700	1,400	-	-
Provision for warranty	2,992	2,992	-	-
Finance lease obligation - current portion	79	-	-	-
Provision for taxation	3,365	2,966	22	-
	<u>31,950</u>	<u>29,403</u>	<u>386</u>	<u>1,137</u>
Net current assets	<u>72,190</u>	<u>71,023</u>	<u>22,984</u>	<u>27,367</u>
Non-current liabilities:				
Deferred taxation	1,832	1,832	20	20
Finance lease obligation, non-current portion	308	-	-	-
	<u>2,140</u>	<u>1,832</u>	<u>20</u>	<u>20</u>
Net assets	<u>125,347</u>	<u>121,001</u>	<u>85,146</u>	<u>84,010</u>
Equity attributed to equity holders of the Company				
Share capital	63,456	62,785	63,456	62,785
Treasury shares	(160)	(160)	(160)	(160)
Capital reserve	1,173	1,209	1,173	1,209
Accumulated profits	61,374	57,728	20,677	20,176
Translation reserve	(496)	(561)	-	-
Total equity	<u>125,347</u>	<u>121,001</u>	<u>85,146</u>	<u>84,010</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

	30.9.2014		30.6.2014	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	79	-	-	-

Amount repayable after one year

	30.9.2014		30.6.2014	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Finance lease liabilities	308	-	-	-

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	
	1Q15 \$'000	1Q14 \$'000 Restated
Cash flows from operating activities:		
Profit before taxation	4,044	4,240
Adjustments for:		
Depreciation of property, plant and equipment	1,226	1,095
Amortisation of intangible assets	9	13
Gain on disposal of property, plant and equipment	(122)	(9)
Share of results of equity accounted investee	(150)	(185)
Provision for foreseeable loss	(700)	-
Interest income	(64)	(28)
Interest expense	1	-
Unrealised exchange (gain)/loss	(17)	225
Operating cash flows before working capital changes	<u>4,227</u>	<u>5,351</u>
<i>Decrease/(Increase) in:</i>		
Customer retention, trade and other receivables and prepayments	6,044	(4,979)
Inventories	1,287	(3)
<i>Increase/(Decrease) in:</i>		
Trade and other payables and advances from customers	2,769	(220)
Gross amount due from/(to) customers for contract work-in-progress, net	<u>(2,400)</u>	<u>(2,300)</u>
Cash generated from operations	11,927	(2,151)
Tax paid/ (refund)	1	(43)
Net cash flows generated from operating activities	<u>11,928</u>	<u>(2,194)</u>
Cash flows from investing activities:		
Interest received	64	28
Purchase of property, plant and equipment equipment	<u>(4,027)</u>	<u>(540)</u>
Net cash flows used in investing activities	<u>(3,840)</u>	<u>(459)</u>
Cash flows from financing activities:		
Net proceeds from issue of new shares	635	9,683
Interest paid	(1)	-
Net cash flows (used in)/generated from financing activities	<u>634</u>	<u>9,683</u>
Net increase/(decrease) in cash and cash equivalents	8,722	7,030
Cash and cash equivalents at beginning of period	<u>56,627</u>	<u>59,984</u>
Cash and cash equivalents at end of period	<u><u>65,349</u></u>	<u><u>67,014</u></u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statements of changes in equity
For period ended 30 September 2014

Group	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Total equity \$'000
At 1 July 2013	48,859	(160)	5,065	52,353	(328)	105,789
Profit net of tax	-	-	-	3,309	-	3,309
Other comprehensive income for the quarter	-	-	-	-	192	192
Total comprehensive income for the quarter	-	-	-	3,309	192	3,501
Issuance of ordinary shares	13,408	-	(3,725)	-	-	9,683
Balance at 30 September 2013	<u>62,267</u>	<u>(160)</u>	<u>1,340</u>	<u>55,662</u>	<u>(136)</u>	<u>118,973</u>
At 1 July 2014	62,785	(160)	1,209	57,728	(561)	121,001
Profit net of tax	-	-	-	3,646	-	3,646
Other comprehensive income for the quarter	-	-	-	-	65	65
Total comprehensive income for the quarter	-	-	-	3,646	65	3,711
Issuance of ordinary shares	671	-	(36)	-	-	635
Balance at 30 September 2014	<u>63,456</u>	<u>(160)</u>	<u>1,173</u>	<u>61,374</u>	<u>(496)</u>	<u>125,347</u>
Company	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000	
At 1 July 2013	48,859	(160)	5,065	30,083	83,847	
Total comprehensive income for the quarter	-	-	-	(163)	(163)	
Issuance of ordinary shares	13,408	-	(3,725)	-	9,683	
Balance at 30 September 2013	<u>62,267</u>	<u>(160)</u>	<u>1,340</u>	<u>29,920</u>	<u>93,367</u>	
At 1 July 2014	62,785	(160)	1,209	20,176	84,010	
Total comprehensive income for the quarter	-	-	-	501	501	
Issuance of ordinary shares	671	-	(36)	-	635	
Balance at 30 September 2014	<u>63,456</u>	<u>(160)</u>	<u>1,173</u>	<u>20,677</u>	<u>85,146</u>	

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 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.

Since 1 July 2014, 679,000 2012 Warrants were exercised to acquire 679,000 new shares. As of 30 September 2014, 2,889,250 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.

Since 1 July 2014, 1,657,000 2013 Warrants were exercised to acquire 1,657,000 new shares. As of 30 September 2014, 199,333,250 2013 Warrants are outstanding.

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 30 September

Treasury shares

As at beginning of financial year
Share buy-back
At 30 September

Total shares excluding treasury shares as at end of first quarter

1Q15		1Q14	
No of shares	\$'000	No of shares	\$'000
402,645,500	62,785	325,283,000	48,859
2,336,000	671	74,490,750	13,407
404,981,500	63,456	399,773,750	62,266
640,000	160	640,000	160
-	-	-	-
640,000	160	640,000	160
404,341,500	63,296	399,133,750	62,106

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

As at 30 September 2014, the total number of issued ordinary shares (excluding treasury shares) was 404,341,500 (30 June 2014: 402,645,500).

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 applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 30 June 2014, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 July 2014.

Financial Reporting Standards ("FRS") which became effective for the Group's financial period beginning 1 July 2014 are:

- Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities;
- FRS 110 Consolidated Financial Statements;
- FRS 111 Joint Arrangements;
- FRS 112 Disclosures of Interests in Other Entities

Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 32 clarify the existing criteria for net presentation on the face of the statement of financial position. Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group does not expect any significant financial impact on its financial position from the adoption of amendment to FRS 32.

FRS 110 Consolidated Financial Statements

FRS 110 establishes a single control model as the basis for determining the entities that will be consolidated. It also requires management to exercise significant judgement to determine which investee are controlled, and therefore are required to be consolidated by the Group.

The Group has re-evaluated its involvement with investee under the new control model. Based on its assessment, the Group has complied with this requirement.

FRS 111 Joint Arrangements

FRS 111 establishes the principles for classification and accounting of joint arrangements. Under this standard, interests in joint ventures will be accounted for using the equity method whilst interests in joint operations will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, revenue and expense items arising from the joint operations. Based on its assessment, the Group is required under FRS 111 to apply the equity method of accounting for its joint venture in Logthai-Hai Leck Engineering Co. Ltd.

In accordance with FRS 111, this change in accounting policy was applied retrospectively. Accordingly, the effects of the Group's financial statements arising from the adoption of FRS 111 are as follows:

	Group
	30.6.2014
	\$'000
	Increase/ (Decrease)
Non-current assets:	
Property, plant and equipment	(870)
Investment in equity accounted investee	3,448
	<u>2,578</u>
Current assets:	
Trade receivables	(1,636)
Other receivables and deposits	(377)
Other investments	(189)
Cash and cash equivalents	(1,006)
	<u>(3,208)</u>
Current liabilities:	
Trade and other payables	(630)
	<u>(630)</u>
Net current assets	<u>(2,578)</u>
Net assets	<u>-</u>
Revenue	(4,632)
Cost of sales	2,891
Other income	(29)
Distribution and selling expenses	29
Administrative expenses	831
Other operating expenses	96
Interest expense	1
Share of results of equity accounted investee	692
Taxation	121
Attributable to equity holders of the Company	<u>-</u>

FRS 112 Disclosures of Interests in Other Entities

FRS 112 sets out the disclosures required to be made in respect of all forms of an entity's interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard would result in more extensive disclosures being made in the Group's financial statements in respect of its interests in other entities.

As FRS 112 is primarily a disclosure standard, there is no financial impact on the results and financial position of the Group and the Company from the adoption of this standard.

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	
		1Q15	1Q14
		\$'000	\$'000
Profit attributable to ordinary equity holders of the Company (\$'000)		3,646	3,309
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share('000)		403,037	395,814
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share('000)		430,049	399,959
Earnings per share -	Basic (cents)	0.9	0.8
	Fully diluted (cents)	0.8	0.8

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	
	30.9.2014	30.6.2014	30.9.2014	30.6.2014
Net asset value (\$'000)	125,347	121,001	85,146	84,010
Number of ordinary shares in issue (excluding treasury shares) at end of quarter ('000)	404,342	402,646	404,342	402,646
Net asset value per ordinary share based on the number of shares in issue (excluding treasury shares) at end of quarter (cents)	31.0	30.1	21.1	20.9

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 quarter ended 30 September 2014

Revenue

Quarter-on-quarter, revenue decreased by \$3.1 million to \$28.2 million in 1Q15. This was mainly due to several projects and maintenance services were in the preliminary stages.

Cost of sales

Quarter-on-quarter, cost of sales decreased by \$3.9 million to \$13.2 million in 1Q15 as compared to \$17.1 million in 1Q14. The decrease was mainly due to the similar reason mentioned above.

Other income

Other income for 1Q14 of \$0.6 million comprised mainly of interest income, miscellaneous income earned from non-core businesses, safety and performance incentives, and gain on disposal of property, plant and equipment as well as governmental grant, jobs credit grant and special employment credit. The amount of other income for 1Q15 was \$0.2 million. The decrease was due mainly to the absence of jobs credit grant and special employment credit.

Operating expenses

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

For 1Q15, operating expenses increased by 5.9% or \$0.6 million to \$11.3 million as compared to S\$10.7 million in 1Q14. The increase was due to the increase in technical and administrative staff as the Group geared up the EPC business.

Share of results of equity accounted investee

Share of results of equity accounted investee for 1Q15 remains same as that of 1Q14 at \$0.2 million. Please refer to Paragraph 4, FRS111.

Taxation

The lower effective tax rate of 9.8% in 1Q15 compared to the statutory tax rate of 17% was mainly due to Productivity and Innovation Credits ("PIC") claimed during the quarter as the Group acquired more computerised machinery and equipment.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 1Q15 increased by \$0.3 million to \$3.6 million compared to 1Q14.

The current results are in line with the Group's commentary in paragraph 10 of the previous results announcement dated 25 August 2014.

Review of Financial Position

Non-current assets

Non-current assets of the Group increased by 6.7% or \$3.5 million, from \$51.8 million as at 30 June 2014 to \$55.3 million as at 30 September 2014. This increase is mainly due to an increase in investment in property, plant and equipment.

Current assets

Current assets increased by 3.7% or \$3.7 million, from \$100.4 million as at 30 June 2014 to \$104.1 million as at 30 September 2014. This was mainly due to:

1. an increase in gross amount due to customers for contract work-in-progress.
2. an increase in cash and cash equivalents resulting from better collection.

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 8.7% or \$2.5 million, from \$29.4 million as at 30 June 2014 to \$31.9 million as at 30 September 2014, mainly due to a decrease in trade and other payable.

Non-current liabilities

Non-current liabilities amounted to \$2.1 million as at 30 September 2014, an increase of \$0.3 million as compared to that of 30 June 2014. The increase was due to a finance lease obtained for certain equipment.

Utilisation of Warrant Issue Proceeds

2012 Warrants

On 7 January 2013, the Company had allotted and issued 81,114,750 2012 Warrants and raised net proceeds of \$3.9 million for business expansion and working capital.

As at 30 September 2014, 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 30 September 2014, 78,225,000 2012 Warrants were exercised for 78,225,000 new 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 announcement dated 2 May 2014.

From 16 May 2014 to 30 September 2014, 1,657,000 2013 Warrants were exercised for 1,657,000 new shares. The Company raised net proceeds of approximately \$0.5 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 the global economy remains uncertain. Our industry faces keen competition and higher operating costs in particular manpower costs in a tight labour market. Nevertheless, with new initiatives introduced by the Government, the Group continues its efforts to improve its quality by investing in plant and equipment, as well as providing training programme to employees.

With these measures in place, the Group will continue to be vigilant in its operations and to pursue new markets and business opportunities.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Final dividends

Name of Dividend Not applicable
Dividend Type
Dividend Rate

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Not applicable

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

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 first quarter ended 30 September 2014 to be false or misleading in any material aspect.

By order of the Board

Cheng Yao Tong
Chief Executive Officer
10 November 2014