



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

	1Q20 \$'000	Group 1Q19 \$'000	Change %
Revenue	16,494	26,736	(38.3)
Less:			
Cost of sales	(9,126)	(17,647)	(48.3)
Other income	201	597	(66.3)
Distribution and selling expenses	(97)	(81)	19.8
Administrative expenses	(7,009)	(7,026)	(0.2)
Other operating expenses	(1,674)	(1,885)	(11.2)
Interest expense	(65)	(3)	n.m.
Share of results of joint venture	336	90	273.3
(Loss)/profit before taxation	(940)	781	n.m.
Taxation	124	(152)	n.m.
(Loss)/profit for the quarter	(816)	629	n.m.
Attributable to:			
Equity holders of the Company	(816)	629	n.m.
Net profit included the following:			
	1Q20 \$'000	Group 1Q19 \$'000	
Interest income	144	112	
Interest expense	(65)	(3)	
Foreign exchange loss, net	(3)	(59)	
Gain on disposal of property, plant and equipment	60	147	
Gain on disposal of intangible assets	-	87	
Amortisation of intangible assets	(33)	(49)	
Depreciation of property, plant and equipment	(1,601)	(1,580)	
Consolidated statement of comprehensive income			
	1Q20 \$'000	Group 1Q19 \$'000	
Profit for the quarter	(816)	629	
Other comprehensive income:			
Foreign currency translation	213	87	
Total comprehensive income for the quarter	(603)	716	
Total comprehensive income attributable to:			
Equity holders of the Company	(603)	716	

Note:

1Q19: The 1st quarter ended 30 September 2018

1Q20: The 1st quarter ended 30 September 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	
	30.9.2019 \$'000	30.6.2019 \$'000	30.9.2019 \$'000	30.6.2019 \$'000
Non-current assets:				
Property, plant and equipment	51,718	44,284	467	502
Investments in subsidiary companies	-	-	53,115	52,615
Investment in joint venture	7,631	7,154	-	-
Intangible assets	133	166	-	-
Other receivables and deposits	13	15	-	-
Deferred tax assets	177	158	-	-
	<u>59,672</u>	<u>51,777</u>	<u>53,582</u>	<u>53,117</u>
Current assets:				
Inventories	1,853	2,107	-	-
Trade receivables	15,701	12,659	-	-
Other receivables and deposits	650	586	245	227
Prepayments	323	207	68	91
Customer retention	-	3,685	-	-
Amounts due from subsidiary companies - non-trade	-	-	89	244
Contract assets	4,070	9,891	-	-
Bank deposits pledged	1,134	1,308	-	-
Cash and cash equivalents	65,866	57,871	29,982	30,277
	<u>89,597</u>	<u>88,314</u>	<u>30,384</u>	<u>30,839</u>
Current liabilities:				
Trade and other payables	15,646	14,218	319	390
Advances from customers	153	153	-	-
Suppliers retention	48	578	-	-
Amounts due to subsidiary companies (trade)	-	-	21	71
Contract liabilities	1,693	592	-	-
Provision for warranty	3,049	3,049	-	-
Lease obligations, current	970	20	-	-
Provision for taxation	407	614	69	47
	<u>21,966</u>	<u>19,224</u>	<u>409</u>	<u>508</u>
Net current assets	<u>67,631</u>	<u>69,090</u>	<u>29,975</u>	<u>30,331</u>
Non-current liabilities:				
Deferred taxation	737	732	3	3
Provision for reinstatement cost	600	600	-	-
Lease obligations, non-current	7,222	-	-	-
	<u>8,559</u>	<u>1,332</u>	<u>3</u>	<u>3</u>
Net assets	<u>118,744</u>	<u>119,535</u>	<u>83,554</u>	<u>83,445</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	51,744	52,748	17,265	17,156
Translation reserve	711	498	-	-
Total equity	<u>118,744</u>	<u>119,535</u>	<u>83,554</u>	<u>83,445</u>

1(b)(ii) A aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

	As at 30.9.2019		As at 30.6.2019	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	970	20	-

Amount repayable after one year

	As at 30.9.2019		As at 30.6.2019	
	\$'000	\$'000	\$'000	\$'000
	Secured	Unsecured	Secured	Unsecured
Lease obligations	-	7,222	-	-

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	
	1Q20 \$'000	1Q19 \$'000
Cash flows from operating activities:		
(Loss)/profit before taxation	(940)	781
Adjustments for:		
Depreciation of property, plant and equipment	1,601	1,580
Amortisation of intangible assets	33	49
Intangible assets written off	-	10
Property, plant and equipment expensed off	34	-
Gain on disposal of property, plant and equipment	(60)	(147)
Gain on disposal of intangible assets	-	(87)
Share of results of joint venture	(336)	(90)
Interest income	(144)	(112)
Interest expense	65	3
Unrealised exchange loss/(gain)	6	(15)
Operating cash flows before working capital changes	<u>259</u>	<u>1,972</u>
<i>Decrease/(Increase) in:</i>		
Customer retention, trade and other receivables and prepayments	482	4,732
Inventories	254	976
Contract assets/liabilities, net	6,922	(4,694)
<i>Increase/(Decrease) in:</i>		
Trade and other payables and advances from customers	898	(1,264)
Cash generated from operations	<u>8,815</u>	<u>1,722</u>
Tax refund	1	-
Net cash flows generated from operating activities	<u>8,816</u>	<u>1,722</u>
Cash flows from investing activities:		
Interest received	135	24
Purchase of property, plant and equipment	(986)	(387)
Purchase of intangible assets	-	(4)
Proceeds from disposal of property, plant and equipment	119	202
Proceeds from disposal of intangible assets	-	87
Net cash flows used in investing activities	<u>(732)</u>	<u>(78)</u>
Cash flows from financing activities:		
Repayment of lease obligations	(198)	(19)
Interest paid	(65)	(3)
Increase in fixed deposit pledged	174	(2,318)
Net cash flows used in financing activities	<u>(89)</u>	<u>(2,340)</u>
Net increase/(decrease) in cash and cash equivalents	7,995	(696)
Cash and cash equivalents at beginning of period	<u>57,871</u>	<u>61,135</u>
Cash and cash equivalents at end of period	<u>65,866</u>	<u>60,439</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 2019**

Group	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Translation reserve \$'000	Total equity \$'000
At 1 July 2018 (FRS framework)	65,403	(160)	1,046	53,751	277	120,317
Cumulative effects of adopting SFRS(I)	-	-	-	207	(207)	-
At 1 July 2018 (SFRS(I) framework)	65,403	(160)	1,046	53,958	70	120,317
Profit for the quarter	-	-	-	629	-	629
Other comprehensive income for the quarter	-	-	-	-	87	87
Total comprehensive income for the quarter	-	-	-	629	87	716
Balance at 30 September 2018	65,403	(160)	1,046	54,587	157	121,033
At 1 July 2019, as previously stated	65,403	(160)	1,046	52,748	498	119,535
Cumulative effects of adopting SFRS(I) 16	-	-	-	(188)	-	(188)
At 1 July 2019, as restated	65,403	(160)	1,046	52,560	498	119,347
Profit for the quarter	-	-	-	(816)	-	(816)
Other comprehensive income for the quarter	-	-	-	-	213	213
Total comprehensive income for the quarter	-	-	-	(816)	213	(603)
Balance at 30 September 2019	65,403	(160)	1,046	51,744	711	118,744
Company	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated profits \$'000	Total \$'000	
At 1 July 2018	65,403	(160)	1,046	14,559	80,848	
Total comprehensive income for the quarter	-	-	-	1,082	1,082	
Balance at 30 September 2018	65,403	(160)	1,046	15,641	81,930	
At 1 July 2019	65,403	(160)	1,046	17,156	83,445	
Total comprehensive income for the quarter	-	-	-	109	109	
Balance at 30 September 2019	65,403	(160)	1,046	17,265	83,554	

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

There were no 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.

There are no shares that may be issued on conversion of outstanding convertibles.

Issued and paid up capital

As at beginning of financial year and at 30 September

Treasury shares

As at beginning of financial year and at 30 September

Percentage of treasury shares against total number of shares outstanding

Total shares excluding treasury shares as at end of period

1Q20		1Q19	
No of shares	\$'000	No of shares	\$'000
205,993,947	65,403	205,993,947	65,403
320,000	160	320,000	160
0.16%		0.16%	
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 30 September 2019, the total number of issued ordinary shares (excluding treasury shares) was 205,673,847 (30 June 2019: 205,673,847).

1(d)(iv) A statement showing all sales, transfers, 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 auditor's 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

On 1 July 2019, the Group adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 *Leases* which requires lessees to recognise most leases on balance sheets.

Except for the adoption of SFRS(I) 16 above, 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 2019.

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

SFRS(I) 16 *Leases* includes two recognition exemptions for lessees - leases of 'low value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group adopted SFRS(I) 16 *Leases* retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening accumulated profits at the date of initial application, 1 July 2019.

On adoption of SFRS(I) 16, the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 July 2019.

In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

Pursuant to the adoption of SFRS(I) 16 on 1 July 2019, the Group made an adjustment of \$188,000 to its accumulated profits, recognised right-of-use assets with net book value of \$6,478,000, lease obligations of \$6,705,000, deferred tax assets of \$41,000 and deferred tax liabilities of \$2,000.

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	
	1Q20	1Q19
Profit attributable to ordinary equity holders of the Company (\$'000)	(816)	629
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to basic earnings per share('000)	205,674	205,674
Weighted average number of ordinary shares in issue (excluding treasury shares) applicable to diluted earnings per share('000)	205,674	205,674
Earnings per share -		
Basic (cents)	(0.4)	0.3
Fully diluted (cents)	(0.4)	0.3

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	
	30.9.2019	30.6.2019	30.9.2019	30.6.2019
Net asset value (\$'000)	118,744	119,535	83,554	83,445
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 quarter (cents)	57.7	58.1	40.6	40.6

- 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 2019

Revenue

Revenue for 1Q20 decreased by 38.3% from \$26.7 million in 1Q19 to \$16.5 million in 1Q20. This is due to lower project and maintenance revenue, which was partially offset by higher contract centre services revenue.

Cost of sales

Cost of sales decreased by \$8.5 million to \$9.1 million in 1Q20 as compared to \$17.6 million in 1Q19. The decrease is mainly due to lower material and manpower related costs, in line with the lower level of activities in 1Q20.

Other income

Other income 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 special employment credit.

Other income decreased by \$0.4 million from \$0.6 million in 1Q19 to \$0.2 million in 1Q20 due to lower gain from disposal of property, plant and equipment and intangible assets, and net unrealised foreign exchange gain.

Operating expenses

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

Operating expenses remained comparable at approximately \$9 million.

Taxation

The tax credit in 1Q20 arose from the losses incurred in 1Q20, which is expected to be available for offset against future profits.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 1Q20 decreased by \$1.5 million from a profit of \$0.7 million in 1Q19 to a loss of \$0.8 million in 1Q20.

Review of Financial Position

Non-current assets

Non-current assets of the Group increased from \$51.8 million as at 30 June 2019 to \$59.7 million as at 30 September 2019 mainly due to recognition of right-of-use assets pursuant to adoption of SFRS(I) 16, partially offset by depreciation of property, plant and equipment.

Current assets

Current assets increased by \$1.3 million from \$88.3 million as at 30 June 2019 to \$89.6 million as at 30 September 2019. The increase is due to increase in trade receivables and cash and cash equivalents, partially offset by decrease 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, lease obligations, provision for warranty as well as tax provision.

Current liabilities increased by \$2.7 million from \$19.2 million as at 30 June 2019 to \$22.0 million as at 30 September 2019, mainly due to increase in contract liabilities, trade and other payables and lease obligations.

Non-current liabilities

Non-current liabilities increased from \$1.3 million as at 30 June 2019 to \$8.6 million as at 30 September 2019 due to recognition of lease obligations pursuant to adoption of SFRS(I) 16.

- 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

Recovery in the oil and gas industry is not expected to be immediately forthcoming. Whilst the Group has managed to secure new contracts in recent months, the contribution from these contracts will not be immediate and the Group will continue to judiciously control operating cost and capital investments.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

Final dividends

Name of Dividend	Not applicable
Dividend Type	
Dividend Rate	

(b) Corresponding period of the immediately preceding financial year

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

Not applicable

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared/recommendeded.

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 first quarter ended 30 September 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
13 November 2019