

Company Registration No. 199804461D

Hai Leck Holdings Limited And Subsidiary Companies

Condensed Interim Financial Statements
For the Third Quarter and Nine Months ended 31 March 2023

Hai Leck Holdings Limited and Subsidiary Companies

Condensed interim consolidated income statement

| | Note | Group | | | | | |
|-----------------------------------|--------|----------------|----------------|---------------|----------------|----------------|---------------|
| | | 3 months ended | 3 months ended | Change | 9 months ended | 9 months ended | Change |
| | | 31 March 2023 | 31 March 2022 | | 31 March 2023 | 31 March 2022 | |
| \$'000 | \$'000 | % | \$'000 | \$'000 | % | | |
| Revenue | 4 | 16,156 | 20,261 | (20.3) | 48,916 | 54,842 | (10.8) |
| Cost of sales | | (7,901) | (7,056) | 12.0 | (22,427) | (20,397) | 10.0 |
| Gross profit | | 8,255 | 13,205 | (37.5) | 26,489 | 34,445 | (23.1) |
| Other income | 5 | 1,277 | 1,356 | (5.8) | 2,146 | 5,608 | (61.7) |
| Distribution and selling expenses | | (4,034) | (6,345) | (36.4) | (11,973) | (14,421) | (17.0) |
| Administrative expenses | | (4,110) | (4,514) | (8.9) | (12,925) | (12,962) | (0.3) |
| Other expenses | | (1,308) | (1,842) | (29.0) | (4,062) | (5,302) | (23.4) |
| Interest expense | | (38) | (55) | (30.9) | (102) | (165) | (38.2) |
| Share of results of joint venture | | 153 | 448 | (65.8) | 1,237 | 96 | 1,188.5 |
| Profit before taxation | 6 | 195 | 2,253 | (91.3) | 810 | 7,299 | (88.9) |
| Taxation | 7 | (92) | (354) | (74.0) | (92) | (1,102) | (91.7) |
| Profit for the year | | 103 | 1,899 | (94.6) | 718 | 6,197 | (88.4) |
| Attributable to: | | | | | | | |
| Equity holders of the Company | | 103 | 1,899 | (94.6) | 718 | 6,197 | (88.4) |
| Earnings per share | | | | | | | |
| Basic (cents) | 8 | 0.05 | 0.8 | | 0.3 | 2.7 | |
| Fully diluted (cents) | 8 | 0.05 | 0.8 | | 0.3 | 2.7 | |

n.m. denotes not meaningful.

Hai Leck Holdings Limited and Subsidiary Companies

Condensed interim consolidated statement of comprehensive income

| | Group | | | |
|--|--|--|--|--|
| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Profit net of tax | 103 | 1,899 | 718 | 6,197 |
| Other comprehensive income, net of tax: | | | | |
| <u>Items that may be reclassified to profit and loss</u> | | | | |
| Foreign currency translation | 350 | (302) | (44) | (252) |
| Total comprehensive income for the year | 453 | 1,597 | 674 | 5,945 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Company | 453 | 1,597 | 674 | 5,945 |

Hai Leck Holdings Limited and Subsidiary Companies

Condensed interim balance sheets

| | Note | Group | | Company | |
|--|------|----------|---------|----------|---------|
| | | 31 March | 30 June | 31 March | 30 June |
| | | 2023 | 2022 | 2023 | 2022 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 29,738 | 30,757 | 313 | 95 |
| Right-of-use assets | | 3,684 | 4,422 | – | – |
| Investments in subsidiary companies | 15 | – | – | 41,754 | 41,754 |
| Investment in joint venture | 16 | 8,868 | 7,664 | – | – |
| Intangible assets | | 456 | 471 | 102 | 71 |
| Other receivables and deposits | | 235 | 227 | – | – |
| Deferred tax assets | | 53 | 53 | – | – |
| | | 43,034 | 43,594 | 42,169 | 41,920 |
| Current assets | | | | | |
| Inventories | | 1,759 | 1,302 | – | – |
| Trade receivables | | 18,932 | 20,084 | – | – |
| Other receivables and deposits | | 474 | 937 | 55 | 10,020 |
| Prepayments and advances to suppliers | | 4,104 | 780 | 87 | 62 |
| Customer retention monies | | 157 | 3,996 | – | – |
| Amount due from a subsidiary company (trade) | | – | – | 864 | 531 |
| Contract assets | | 624 | 484 | – | – |
| Fixed deposits pledged | | – | 1,134 | – | – |
| Cash and cash equivalents | | 63,031 | 73,624 | 41,213 | 36,458 |
| | | 89,081 | 102,341 | 42,219 | 47,071 |

Hai Leck Holdings Limited and Subsidiary Companies

Condensed interim balance sheets

| | Note | Group | | Company | |
|---|-------|----------------------------|---------------------------|----------------------------|---------------------------|
| | | 31 March 2023 \$'000 | 30 June 2022 \$'000 | 31 March 2023 \$'000 | 30 June 2022 \$'000 |
| Current liabilities | | | | | |
| Trade and other payables | | 11,889 | 16,923 | 357 | 778 |
| Amounts due to subsidiary companies (trade) | | – | – | 27 | 11 |
| Amount due to a subsidiary company (non-trade) | | – | – | 12,706 | 15,506 |
| Contract liabilities | | 650 | 961 | – | – |
| Provisions, current | | 974 | 1,497 | – | – |
| Lease liabilities, current | | 733 | 888 | – | – |
| Income tax payable | | 327 | 3,564 | 107 | 11 |
| | | 14,573 | 23,833 | 13,197 | 16,306 |
| Net current assets | | 74,508 | 78,508 | 29,022 | 30,765 |
| Non-current liabilities | | | | | |
| Provisions, non-current | | 1,946 | 1,947 | – | – |
| Lease liabilities, non-current | | 3,399 | 4,107 | – | – |
| Deferred tax liabilities | | 534 | 534 | 14 | 14 |
| | | 5,879 | 6,588 | 14 | 14 |
| Net assets | | 111,663 | 115,514 | 71,177 | 72,671 |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 10(a) | 65,403 | 65,403 | 65,403 | 65,403 |
| Treasury shares | 10(b) | (160) | (160) | (160) | (160) |
| Accumulated profits | | 46,895 | 50,702 | 5,934 | 7,428 |
| Foreign currency translation reserve | | (475) | (431) | – | – |
| Total equity | | 111,663 | 115,514 | 71,177 | 72,671 |

Hai Leck Holdings Limited and Subsidiary Companies

Condensed interim statements of changes in equity

| Group | Attributable to equity holders of the Company | | | | |
|---|---|------------------------|---------------------|--------------------------------------|--------------|
| | Share capital | Treasury shares | Accumulated profits | Foreign currency translation reserve | Total equity |
| | (Note 10(a)) \$'000 | (Note 10(b)) \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2022 | 65,403 | (160) | 50,702 | (431) | 115,514 |
| Profit for the year | – | – | 718 | – | 718 |
| Other comprehensive income for the year | – | – | – | (44) | (44) |
| Total comprehensive income for the year | – | – | 718 | (44) | 674 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Dividend on ordinary shares (Note 11) | – | – | (4,525) | – | (4,525) |
| Balance at 31 March 2023 | 65,403 | (160) | 46,895 | (475) | 111,663 |
| Balance at 1 July 2021 | 65,403 | (160) | 65,656 | 70 | 130,969 |
| Profit for the year | – | – | 6,197 | – | 6,197 |
| Other comprehensive income for the year | – | – | – | (252) | (252) |
| Total comprehensive income for the year | – | – | 6,197 | (252) | 5,945 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Dividend on ordinary shares (Note 11) | – | – | (24,887) | – | (24,887) |
| Balance at 31 March 2022 | 65,403 | (160) | 46,966 | (182) | 112,027 |

Hai Leck Holdings Limited and Subsidiary Companies

Condensed interim statements of changes in equity

| Company | Attributable to equity holders of the Company | | | |
|---|--|--|---------------------------------------|--------------------------------|
| | Share capital (Note 10(a)) \$'000 | Treasury shares (Note 10(b)) \$'000 | Accumulated profits \$'000 | Total equity \$'000 |
| Balance at 1 July 2022 | 65,403 | (160) | 7,428 | 72,671 |
| Profit for the year | – | – | 3,031 | 3,031 |
| Total comprehensive income for the year | – | – | 3,031 | 3,031 |
| <u>Contributions by and distributions to owners</u> | | | | |
| Dividend on ordinary shares (Note 11) | – | – | (4,525) | (4,525) |
| Balance at 31 March 2023 | 65,403 | (160) | 5,934 | 71,177 |
| Balance at 1 July 2021 | 65,403 | (160) | 13,698 | 78,941 |
| Profit for the year | – | – | 15,081 | 15,081 |
| Total comprehensive income for the year | – | – | 15,081 | 15,081 |
| <u>Contributions by and distributions to owners</u> | | | | |
| Dividend on ordinary shares (Note 11) | – | – | (24,887) | (24,887) |
| Balance at 31 March 2022 | 65,403 | (160) | 3,892 | 69,135 |

Hai Leck Holdings Limited and Subsidiary Companies

Condensed interim consolidated cash flow statement

| | Note | Group | |
|---|------|--|--|
| | | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Cash flows from operating activities | | | |
| Profit before taxation | | 810 | 7,299 |
| Adjustments: | | | |
| Depreciation of property, plant and equipment | 6 | 3,066 | 3,967 |
| Depreciation of right-of-use assets | 6 | 626 | 859 |
| Amortisation of intangible assets | 6 | 234 | 298 |
| Gain on disposal of property, plant and equipment | 5 | (245) | (2,277) |
| Share of results of joint venture | | (1,237) | (96) |
| Write back of provision for warranty | | (419) | – |
| Interest income | 5 | (304) | (101) |
| Interest expense | | 102 | 165 |
| Unrealised exchange gain | | (11) | (11) |
| Operating cash flows before working capital changes | | 2,622 | 10,103 |
| Changes in working capital: | | | |
| Decrease/(increase) in customer retention monies, trade and other receivables, deposits and prepayments | | 2,157 | (9,016) |
| Increase in inventories | | (457) | (41) |
| (Increase)/decrease in contract assets/liabilities, net | | (451) | 7,090 |
| (Decrease)/increase in trade and other payables | | (5,139) | 405 |
| Cash (used in)/generated from operations | | (1,268) | 8,541 |
| Tax paid | | (3,329) | (2,059) |
| Net cash flows (used in)/generated from operating activities | | (4,597) | 6,482 |
| Cash flows from investing activities | | | |
| Interest received | | 269 | 111 |
| Purchase of property, plant and equipment | | (2,054) | (1,885) |
| Purchase of intangible assets | | (219) | (201) |
| Proceeds from disposal of property, plant and equipment | | 256 | 2,307 |
| Net cash flows (used in)/generated from investing activities | | (1,748) | 332 |

Hai Leck Holdings Limited and Subsidiary Companies**Condensed interim consolidated cash flow statement**

| | Group | |
|---|--|--|
| | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Note | | |
| Cash flows from financing activities | | |
| Interest paid | (102) | (165) |
| Payment of lease liabilities | (755) | (782) |
| Decrease in fixed deposits pledged | 1,134 | 1,134 |
| Dividends paid | 11 (4,525) | (24,887) |
| Net cash flows used in financing activities | (4,248) | (24,700) |
| Net decrease in cash and cash equivalents | (10,593) | (17,886) |
| Cash and cash equivalents at the beginning of period | 73,624 | 88,966 |
| Cash and cash equivalents at end of the period | 63,031 | 71,080 |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

1. Corporate information

Hai Leck Holdings Limited (the “Company”) is a limited liability company, domiciled and incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 47 Tuas View Circuit, Singapore 637357.

The principal activities of the Company are those of investment holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of the subsidiary companies and joint venture are disclosed in Notes 15 and 16 to the financial statements respectively.

2. Basis of preparation

The condensed interim consolidated financial statements of the Group have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last interim financial statements for the period ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s.

The condensed interim financial statements are presented in Singapore Dollars (SGD or \$) which is the Company’s functional currency. All values are rounded to the nearest thousand (\$’000), except when otherwise indicated.

2.1. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (cont'd)

2.1. Use of judgements and estimates (cont'd)

Key assumptions concerning the future and other key sources of estimation uncertainty are as follows:

Allowance for expected credit losses of trade receivables, customer retention monies and contract assets

The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables, customer retention monies and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal assessment of non-financial assets is based on available market data from recent transactions of similar assets, recent acquisition prices or observable market prices less costs for disposing the asset.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and applies a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Group's property, plant and equipment, right-of-use assets and Company's investments in subsidiary companies as at 31 March 2023 were \$29,738,000 (30 June 2022: \$30,757,000), \$3,684,000 (30 June 2022: \$4,422,000) and \$41,754,000 (30 June 2022: \$41,754,000) respectively.

Project revenue

The Group recognises project revenue over time based on the stage of completion of the contract activity. The stage of completion was determined based on proportion of total contract costs incurred to-date and the estimated costs to complete.

Significant assumptions are required in determining the stage of completion, the extent of the project costs incurred, the estimated total project revenues and costs, including provision for rectification work and warranties post-completion. In making these estimations, management relies on past experience and knowledge of project specialists.

2. Basis of preparation (cont'd)

2.2. Use of judgements and estimates (cont'd)

Project revenue (cont'd)

The management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's efforts incurred to-date relative to the total inputs expected to be incurred for the projects.

Project revenue for the nine months ended 31 March 2023 was \$3,054,000 (31 March 2022: \$19,923,000) for the Group.

Provision for warranty

Provision for warranty is recognised for expected warranty claims from painting works. Management has estimated the amount of provision based on their past experience and understanding of the historical trends of warranty claims and the warranty periods. It is expected that the provision will be utilised within the respective warranty periods. The provision for warranty as at 31 March 2023 amounted to \$974,000 (30 June 2022: \$1,393,000).

Revenue recognition – Estimating variable consideration for call centre services

Certain call centre services contracts include billing deductions when minimum service requirements are not met in the course of performing the services. This gives rise to variable consideration and the Group estimates variable considerations to be included in the transaction price for these call centre services.

In estimating the variable consideration, the Group uses an expected value approach and updates its assessment of the variable consideration based on the latest available information at the end of each reporting period. The variable consideration is included in trade receivables.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

4. Segment and revenue information

4.1. Segment information

The Group is organised into the following two reportable operating segments:

- Project and maintenance services
- Contact centre services

These operating segments are reported in a manner consistent with internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments.

| | Project and maintenance services | | Contact centre services | | Adjustments and eliminations | | Notes | Consolidated financial statements | |
|----------------------------------|----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------|-----------------------------------|------------------------------|
| | 3 months ended 31 March 2023 | 3 months ended 31 March 2022 | 3 months ended 31 March 2023 | 3 months ended 31 March 2022 | 3 months ended 31 March 2023 | 3 months ended 31 March 2022 | | 3 months ended 31 March 2023 | 3 months ended 31 March 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | \$'000 | \$'000 |
| Revenue: | | | | | | | | | |
| External customers | 11,553 | 9,660 | 4,603 | 10,601 | – | – | | 16,156 | 20,261 |
| Results: | | | | | | | | | |
| Interest income | 170 | 33 | 13 | 1 | – | – | | 183 | 34 |
| Interest expenses | 28 | 45 | 10 | 10 | – | – | | 38 | 55 |
| Depreciation and amortisation | 930 | 1,435 | 353 | 345 | – | – | | 1,283 | 1,780 |
| Segment (loss)/profit before tax | (378) | (1,288) | 573 | 3,541 | – | – | | 195 | 2,253 |
| Assets: | | | | | | | | | |
| Additions to non-current assets | 505 | 432 | 43 | 785 | – | – | A | 548 | 1,217 |
| Segment assets | 115,001 | 126,267 | 17,964 | 25,683 | (850) | (599) | B | 132,115 | 151,351 |
| Segment liabilities | 13,546 | 24,868 | 6,948 | 13,234 | (42) | 1,222 | C | 20,452 | 39,324 |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

4. Segment and revenue information (cont'd)

4.1. Segment information (cont'd)

| | Project and maintenance services | | Contact centre services | | Adjustments and eliminations | | Notes | Consolidated financial statements | |
|----------------------------------|--|--|--|--|--|--|-------|--|--|
| | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 | | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Revenue: | | | | | | | | | |
| External customers | 34,200 | 30,517 | 14,716 | 24,325 | – | – | | 48,916 | 54,842 |
| Results: | | | | | | | | | |
| Interest income | 290 | 95 | 14 | 6 | – | – | | 304 | 101 |
| Interest expenses | 72 | 134 | 30 | 31 | – | – | | 102 | 165 |
| Depreciation and amortisation | 2,755 | 4,127 | 1,171 | 997 | – | – | | 3,926 | 5,124 |
| Segment (loss)/profit before tax | (865) | (205) | 1,675 | 7,504 | – | – | | 810 | 7,299 |
| Assets: | | | | | | | | | |
| Additions to non-current assets | 1,826 | 1,665 | 531 | 1,310 | – | – | A | 2,357 | 2,975 |
| Segment assets | 115,001 | 126,267 | 17,964 | 25,683 | (850) | (599) | B | 132,115 | 151,351 |
| Segment liabilities | 13,546 | 24,868 | 6,948 | 13,234 | (42) | 1,222 | C | 20,452 | 39,324 |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

4. Segment and revenue information (cont'd)

4.1. Segment information (cont'd)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Additions to non-current assets consist of additions to property, plant and equipment, right-of-use assets and intangible assets.

B. The following items are (deducted from)/added to segment assets to arrive at total assets reported in the consolidated balance sheet:

| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
|----------------------|--|--|--|--|
| Inter-segment assets | (903) | (773) | (903) | (773) |
| Deferred tax assets | 53 | 174 | 53 | 174 |
| | <u>(850)</u> | <u>(599)</u> | <u>(850)</u> | <u>(599)</u> |

C. The following items are (deducted from)/added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
|---------------------------|--|--|--|--|
| Inter-segment liabilities | (903) | (773) | (903) | (773) |
| Income tax payable | 327 | 1,448 | 327 | 1,448 |
| Deferred tax liabilities | 534 | 547 | 534 | 547 |
| | <u>(42)</u> | <u>1,222</u> | <u>(42)</u> | <u>1,222</u> |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

4. Segment and revenue information (cont'd)

4.2 Disaggregation of revenue

Revenue information based on the geographical location of customers are as follows:

| | Group | | | |
|-----------------------------|---|---|---|---|
| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Singapore | 16,156 | 20,221 | 48,916 | 54,802 |
| Others | – | 40 | – | 40 |
| Total | 16,156 | 20,261 | 48,916 | 54,842 |
| Major service lines: | | | | |
| Project revenue | 701 | 5,095 | 3,054 | 19,923 |
| Maintenance revenue | 10,852 | 4,565 | 31,146 | 10,594 |
| Contact centre services | 4,603 | 10,601 | 14,716 | 24,325 |
| | 16,156 | 20,261 | 48,916 | 54,842 |

5. Other income

| | Group | | | |
|--|---|---|---|---|
| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Interest income from: | | | | |
| - bank deposits | 183 | 34 | 304 | 101 |
| Gain on disposal of property, plant and equipment | 64 | 226 | 245 | 2,277 |
| Government grant income | 865 | 844 | 1,278 | 2,443 |
| Rent concession | – | – | – | 30 |
| Others | 165 | 252 | 319 | 757 |
| | 1,277 | 1,356 | 2,146 | 5,608 |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

6. Profit before taxation

6.1 Significant items

The following items have been included in arriving at profit before tax:

| | Group | | | |
|---|--|--|--|--|
| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Depreciation of property, plant and equipment | (1,027) | (1,388) | (3,066) | (3,967) |
| Depreciation of right-of-use assets | (207) | (296) | (626) | (859) |
| Amortisation of intangible assets | (49) | (96) | (234) | (298) |
| Foreign exchange gain/(loss), net | 22 | (17) | 16 | (8) |

6.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

| | Group | | | |
|---|--|--|--|--|
| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Current taxation | | | | |
| - Current year | 92 | 580 | 92 | 1,328 |
| - Overprovision in respect of prior years | – | (226) | – | (226) |
| Tax expense | 92 | 354 | 92 | 1,102 |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

8. Earnings per share

| | Group | | | |
|---|---|---|---|---|
| | 3 months ended 31 March 2023 \$'000 | 3 months ended 31 March 2022 \$'000 | 9 months ended 31 March 2023 \$'000 | 9 months ended 31 March 2022 \$'000 |
| Profit attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share | 103 | 1,899 | 718 | 6,197 |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation ('000) | 226,241 | 226,241 | 226,241 | 226,241 |
| Adjusted weighted average number of ordinary shares for diluted earnings per share computation ('000) | 226,241 | 226,241 | 226,241 | 226,241 |

9. Property, plant and equipment

During the nine months ended 31 March 2023, the Group acquired assets amounting to \$2,139,000 (31 March 2022: \$2,774,000) and disposed of assets amounting to \$11,000 (31 March 2022: \$30,000).

10. Share capital and treasury shares

There were no changes in the Company's share capital arising from right 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.

There were no sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the financial period reported on.

As at 31 March 2023, the total number of issued ordinary shares (excluding treasury shares) was 226,241,195 (30 June 2022: 226,241,195).

| | Group and Company | | | |
|--|-----------------------------|--------|-----------------------------|--------|
| | As at 31 March 2023 | | As at 31 March 2022 | |
| | No. of shares ('000) | \$'000 | No. of shares ('000) | \$'000 |
| At beginning and end of interim period | 226,593 | 65,403 | 226,593 | 65,403 |

The Company's subsidiaries do not hold any shares in the Company as at 31 March 2023 and 30 June 2022.

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

10. Share capital and treasury shares (cont'd)

(b) Treasury shares

| | Group and Company | | | |
|--|----------------------|--------|----------------------|--------|
| | As at 31 March 2023 | | As at 31 March 2022 | |
| | No. of shares ('000) | \$'000 | No. of shares ('000) | \$'000 |
| At beginning and end of interim period | 352 | 160 | 352 | 160 |
| Percentage of treasury shares against total number of shares outstanding | 0.16% | | 0.16% | |
| Total shares excluding treasury shares as at end of the period | 226,241 | | 226,241 | |

Treasury shares relate to ordinary shares of the Company that are held by the Company.

11. Dividend

| | Group and Company | |
|--|------------------------------|------------------------------|
| | 9 months ended 31 March 2023 | 9 months ended 31 March 2022 |
| | \$'000 | \$'000 |

Declared and paid during the year:

Dividends on ordinary shares:

| | | |
|--|-------|--------|
| - Final tax exempt (one-tier) dividend of \$0.02 in respect of financial year ended 30 June 2022 ("FY22") (31 March 2022: \$0.02 in respect of financial year ended 30 June 2021 ("FY21") per ordinary share | 4,525 | 4,525 |
| - Special tax exempt (one-tier) dividend of \$Nil (31 March 2022: \$0.04 in respect of FY21) per ordinary share | – | 9,050 |
| - Final tax exempt (one-tier) dividend of \$Nil (31 March 2022: \$0.02 in respect of FY22) per ordinary share | – | 4,525 |
| - Special tax exempt (one-tier) dividend of \$Nil (31 March 2022: \$0.03 in respect of FY22) per ordinary share | – | 6,787 |
| | 4,525 | 24,887 |

No dividends were proposed and recognised as a liability as at 31 March 2023.

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

12. Financial assets and liabilities

Set out below is the carrying amount of each of the category of the Group's and the Company's financial instruments that are carried in the financial statements:

| | 31 March 2023 | 30 June 2022 |
|---|------------------------------|-----------------------------|
| | \$'000 | \$'000 |
| Group | | |
| <i>Financial assets measured at amortised cost</i> | | |
| Customer retention monies | 157 | 3,996 |
| Trade receivables (excluding GST receivable) | 18,062 | 19,951 |
| Other receivables and deposits (excluding tax recoverable and government grant receivables) | 709 | 964 |
| Fixed deposits pledged | – | 1,134 |
| Cash and cash equivalents | 63,031 | 73,624 |
| Total financial assets measured at amortised cost | 81,959 | 99,669 |
| <i>Financial liabilities measured at amortised cost</i> | | |
| Trade and other payables (excluding net GST payable, deferred government income, deferred income and advances from customers) | 11,060 | 15,743 |
| Lease liabilities | 4,132 | 4,995 |
| Total financial liabilities measured at amortised cost | 15,192 | 20,738 |
| | 31 March 2023 | 30 June 2022 |
| | \$'000 | \$'000 |
| Company | | |
| <i>Financial assets measured at amortised cost</i> | | |
| Other receivables and deposits | 55 | 10,020 |
| Amount due from a subsidiary company (trade) | 864 | 531 |
| Cash and cash equivalents | 41,213 | 36,458 |
| Total financial assets measured at amortised cost | 42,132 | 47,009 |
| <i>Financial liabilities measured at amortised cost</i> | | |
| Trade and other payables (excluding net GST payable) | 344 | 774 |
| Amounts due to subsidiary companies (trade) | 27 | 11 |
| Amount due to a subsidiary company (non-trade) | 12,706 | 15,506 |
| Total financial liabilities measured at amortised cost | 13,077 | 16,291 |

13. Net asset value

| | Group | | Company | |
|--|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | As at 31 March 2023 | As at 30 June 2022 | As at 31 March 2023 | As at 30 June 2022 |
| | \$ | \$ | \$ | \$ |
| Net asset value per ordinary share (cents) | 49.4 | 51.1 | 31.5 | 32.1 |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

14. Borrowings

| | Group | | Company | |
|--|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | As at 31 March 2023 \$'000 | As at 30 June 2022 \$'000 | As at 31 March 2023 \$'000 | As at 30 June 2022 \$'000 |
| <u>Amount repayable within one year or on demand</u> | | | | |
| Secured | 733 | 888 | – | – |
| Unsecured | – | – | – | – |
| <u>Amount repayable after one year</u> | | | | |
| Secured | 3,399 | 4,107 | – | – |
| Unsecured | – | – | – | – |

The borrowings relate to lease liabilities relating to right-of-use assets.

15. Subsidiary companies

Details of subsidiary companies are as follows:

| Name of company | Principal activities | Country of incorporation | Percentage of equity held by the Group | |
|---|--|--------------------------|--|----------------------|
| | | | 31 March 2023 % | 30 June 2022 % |
| Held by the Company | | | | |
| Hai Leck Engineering (Private) Limited | Oil & gas and chemical industries related construction and maintenance services | Singapore | 100 | 100 |
| Hai Leck Engineering & Construction Pte. Ltd. | Engineered solutions and mechanical works | Singapore | 100 | 100 |
| Hai Leck Industrial Services Pte. Ltd. | Trading and contracting for thermal insulations, refractories and fire-protection for steel structures | Singapore | 100 | 100 |
| Hai Leck Overseas Investments Pte. Ltd. | Investment holding | Singapore | 100 | 100 |
| United Holding (1975) Pte. Ltd. | Mixed construction activities and investment holding | Singapore | 100 | 100 |
| Hai Leck Integrated Services Pte. Ltd. | Asset, business and management consultancy services | Singapore | 100 | 100 |
| Hai Leck Services Pte. Ltd. | Asset management and consultancy services | Singapore | 100 | 100 |

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

15. Subsidiary companies (cont'd)

| Name of company | Principal activities | Country of incorporation | Percentage of equity held by the Group | |
|---|---|--------------------------|--|--------------|
| | | | 31 March 2023 | 30 June 2022 |
| | | | % | % |
| Held by the Company | | | | |
| Hai Leck Engineering (Thailand) Co., Ltd. | Oil & gas and chemical industries related construction and maintenance services | Thailand | 100 | 100 |
| Held by subsidiary companies | | | | |
| Tele-centre Services Pte Ltd | Providing call centre services, telecommunications and information technology | Singapore | 100 | 100 |
| Hai Leck Corporation Sdn. Bhd. [^] | Oil & gas and chemical industries related construction and maintenance services | Malaysia | 100 | 100 |

[^] The Group commenced voluntary winding up procedures in respect of Hai Leck Corporation Sdn. Bhd. during the financial year ended 30 June 2021. As at 31 March 2023, the voluntary winding up procedures are still ongoing.

16. Joint venture

Details of the joint venture are as follows:

| Name of company | Principal activities | Country of incorporation | Percentage of equity held by the Group | |
|---|---|--------------------------|--|--------------|
| | | | 31 March 2023 | 30 June 2022 |
| | | | % | % |
| Held by a subsidiary company | | | | |
| Logthai – Hai Leck Engineering Co., Ltd | Oil & gas and chemical industries related construction and maintenance services | Thailand | 44.66 | 49 |

Hai Leck Holdings Limited And Subsidiary Companies

Other Information

For the Third Quarter and Nine Months ended 31 March 2023

Hai Leck Holdings Limited and Subsidiary Companies

Other Information Required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated balance sheet of Hai Leck Holdings Limited and its subsidiaries as at 31 March 2023 and the related condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine months then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Results for third quarter and nine months ended 31 March 2023

Revenue

Revenue for the financial period ended 31 March 2023 ("9M23") decreased by \$5.9 million to \$48.9 million compared to \$54.8 million recorded in the nine months ended 31 March 2022 ("9M22") due to lower project and contact centre services revenue, partially offset by higher maintenance services revenue.

Quarter-on-quarter, the revenue decreased by \$4.1 million to \$16.2 million for the third quarter ended 31 March 2023 ("3Q23") compared to \$20.3 million recorded in the third quarter ended 31 March 2022 ("3Q22") due to the same reasons as above.

Cost of sales

For 9M23, cost of sales increased by \$2.0 million to \$22.4 million compared to \$20.4 million recorded in 9M22. The increase is mainly due to higher manpower related costs.

Quarter-on-quarter, cost of sales increased by 12.0% to \$7.9 million due to the same reason as above.

Other income

Other income decreased from \$5.6 million in 9M22 to \$2.1 million in 9M23 mainly due to lower government grant income recognised and lower gain on disposal of property, plant and equipment.

Other income decreased from \$1.4 million in 3Q22 to \$1.3 million in 3Q23 due lower gain on disposal of property, plant and equipment.

Operating expenses

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

For 9M23, total operating expenses decreased from \$32.7 million in 9M22 to \$29.0 million mainly due to lower manpower related and depreciation costs in 9M23.

For 3Q23, operating expenses decreased from \$12.7 million in 3Q22 to \$9.5 million mainly due to the same reasons as above.

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

Taxation

The effective tax rate for 9M23 is higher than the statutory tax rate mainly due to the effect of non-tax deductible expenses.

Profit attributable to equity holders of the Company

The profit attributable to equity holders for 9M23 decreased by \$6.5 million to \$0.8 million compared to \$6.2 million in 9M22.

Quarter-on-quarter, the profit attributable to equity holders for 3Q23 decreased by \$1.8 million to \$0.1 million compared to \$1.9 million in 3Q22.

Review of Financial Position

Non-current assets

Non-current assets remained comparable at approximately \$43 million as at 31 March 2023 and 30 June 2022.

Current assets

Current assets decreased by \$13.3 million from \$102.3 million as at 30 June 2022 to \$89.1 million as at 31 March 2023. The decrease is mainly due to decrease in cash and cash equivalents and customer retention monies, partially offset by increase in prepayments and advances to suppliers.

Current liabilities

Current liabilities decreased by \$9.3 million from \$23.8 million as at 30 June 2022 to \$14.6 million as at 31 March 2023, mainly due to decrease in trade and other payables, provisions and income tax payable.

Non-current liabilities

Non-current liabilities decreased from \$6.6 million as at 30 June 2022 to \$5.9 million as at 31 March 2023 due to repayment of lease obligations.

Review of Cash Flows

Cash flows from operating activities

Net cash flows used in operating activities was \$4.6 million in 9M23 compared to net cash flows generated from operating activities of \$6.5 million in 9M22, mainly due to lower profit before taxation and relatively higher amount of working capital used in 9M23.

Cash flows from investing activities

Net cash flows used in investing activities was \$1.7 million in 9M23 compared to net cash flows generated from investing activities of \$0.3 million in 9M22, mainly due to lower proceeds from disposal of property, plant and equipment in 9M23.

Cash flows from financing activities

Net cash flows used in financing activities was lower in 9M23 by \$20.5 million mainly due to lower dividends paid in 9M23.

Cash and cash equivalents as at 31 March 2023 was lower at \$63.0 million compared to \$71.1 million as at 31 March 2022.

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

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

Not applicable

4. 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 operating period and the next half year

There are signs of improvement in the oil and gas industry, although keen competition remains. Nonetheless, uncertainties in the global politics and economy may have its follow-on impact on the local economy and the sectors that the Group operates in. Bearing such uncertainties in mind, the Group will continue to manage its operations and control costs judiciously.

5. Dividend information

5.1 Current financial period reported on

Any dividend recommended for the current financial period reported on?

Nil

5.2 Corresponding period of the immediate preceding financial year

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

Nil

5.3 Date payable

Not applicable

5.4 Record date

Not applicable

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

No dividend has been declared/recommended in view of the tax-exempt (one-tier) final dividend of \$0.02 per ordinary share in respect of the financial year ended 30 June 2022 which was approved by the shareholders at the annual general meeting held on 21 October 2022.

6. Interested person transactions

The Group has not obtained a general mandate from shareholders of the Company for interested person transactions.

Hai Leck Holdings Limited and Subsidiary Companies

Notes to the condensed interim financial statements

7. Negative confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

We, Cheng Buck Poh @ Chng Bok Poh, Cheng Wee Ling and Christina Chow Poh Lin, 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 2023 to be false or misleading in any material aspect.

8. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

9. Disclosure pursuant to Rule 706A of the Listing Manual

The Company acquired the Group's equity interest in its joint venture, Logthai-Hai Leck Engineering Co., Ltd ("Logthai") from its subsidiary company, Hai Leck Engineering (Private) Limited. There is no change in the Group's effective interest in Logthai pursuant to this acquisition.

Logthai issued 32,000 new ordinary shares with par value of THB100 to its managing director for a cash consideration of approximately \$0.2 million. Consequently, the Group's interest in Logthai reduced from 49% to 44.66%.

During 3Q23 and as at the date of this announcement, there were no other changes to the Company's and the Group's shareholding percentages in its respective subsidiaries or associated companies nor incorporation of any new subsidiary or associated company by the Company or any of the Group's entities.

BY ORDER OF THE BOARD

Cheng Buck Poh @ Chng Bok Poh
Executive Chairman and Chief Executive Officer
11 May 2023