



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Second quarter financial statements and related announcement for the financial period ended 30 June 2019

The Board of Directors of Hoe Leong Corporation Ltd. (the "Company") is pleased to announce the consolidated results for the financial period ended 30 June 2019. The figures presented below have not been audited or reviewed by the auditors of the Company.

UNAUDITED FINANCIAL STATEMENTS

1(a)(i) Statement of comprehensive income (the Group)

	Note	Second Quarter			Half Year		
		1 Apr 2019 to 30 Jun 2019	1 Apr 2018 to 30 Jun 2018	Increase / (decrease)	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018	Increase / (decrease)
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		15,324	18,311	(16.3)%	32,538	33,798	(3.7)%
Cost of sales		(12,306)	(15,236)	(19.2)%	(26,258)	(27,280)	(3.7)%
Gross profit		3,018	3,075	(1.9)%	6,280	6,518	(3.7)%
Other income		78	12,582	(99.4)%	154	12,702	(98.8)%
Distribution expenses		(1,002)	(1,030)	(2.7)%	(1,922)	(1,963)	(2.1)%
Administrative expenses		(1,520)	(2,034)	(25.3)%	(3,160)	(4,069)	(22.3)%
Other expenses		(596)	757	N.M.	(1,748)	(327)	N.M.
Results from operating activities		(22)	13,350	N.M.	(396)	12,861	N.M.
Finance costs	1	(244)	(839)	(70.9)%	(526)	(1,809)	(70.9)%
(Loss)/profit before income tax	2	(266)	12,511	N.M.	(922)	11,052	N.M.
Income tax expense		(35)	(129)	(72.9)%	(138)	(106)	30.2 %
(Loss)/profit for the year		(301)	12,382	N.M.	(1,060)	10,946	N.M.
(Loss)/profit attributable to:							
Owners of the Company		(301)	12,382	N.M.	(1,060)	10,946	N.M.
Non-controlling interests		-	-	N.M.	-	-	N.M.
(Loss)/profit for the period		(301)	12,382	N.M.	(1,060)	10,946	N.M.

N.M. - Not meaningful

1(a)(i) Statement of comprehensive income (the Group)

	Second Quarter			Half Year		
	1 Apr 2019 to 30 Jun	1 Apr 2018 to 30 Jun	Increase / (decrease)	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
(Loss)/profit for the period	(301)	12,382	N.M	(1,060)	10,946	N.M
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	211	(399)	N.M	(71)	(882)	(92.0)%
Other comprehensive income, net of tax	211	(399)	N.M	(71)	(882)	(92.0)%
Total comprehensive income for the period	(90)	11,983	N.M	(1,131)	10,064	N.M
Total comprehensive income attributable to:						
Owners of the Company	(133)	11,962	N.M	(1,152)	10,138	N.M
Non-controlling interests	43	21	N.M	21	(74)	N.M
Total comprehensive income for the period	(90)	11,983	N.M	(1,131)	10,064	N.M

1(a)(ii) Breakdown and explanatory notes to the statement of comprehensive income

Note 1

	Second Quarter			Half Year		
	1 Apr 2019 to 30 Jun	1 Apr 2018 to 30 Jun 2018	Increase / (decrease)	1 Jan 2019 to 30 Jun	1 Jan 2018 to 30 Jun	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Finance costs:						
Interest paid and payable on:-						
- Loans and borrowings	(237)	(581)	(59.2)%	(511)	(1,482)	(65.5)%
- Finance leases	(7)	(7)	- %	(15)	(10)	50.0 %
- Loans from Immediate Holding Company	-	(251)	N.M.	-	(317)	N.M.
Total	(244)	(839)		(526)	(1,809)	

Note 2 (Loss)/profit before income tax is stated after (charging) / crediting the following:

	Second Quarter			Half Year		
	1 Apr 2019 to 30 Jun	1 Apr 2018 to 30 Jun	Increase / (decrease)	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance written back for slow-moving inventories included in other expenses	333	221	50.7 %	445	243	83.1 %
Impairment loss on trade receivables, included in other expenses	-	(96)	N.M.	-	(96)	N.M.
Bad debts written back, included in other expenses	-	67	N.M.	-	67	N.M.
Gain on disposal of property, plant and equipment, net, included in other expenses	-	88	N.M.	-	88	N.M.
Depreciation of property, plant and equipment	(794)	(810)	(2.0)%	(1,508)	(1,591)	(5.2)%
Foreign exchange (loss)/gain, net, included in other expenses	(198)	1,383	N.M.	(609)	1,022	N.M.
Operating lease expenses, included in other expenses	(255)	(318)	(19.8)%	(555)	(640)	(13.3)%
Rental income, included in other income	21	16	31.3 %	37	32	15.6 %
Gain on debt-to-equity swap, included in other income	-	12,492	N.M.	-	12,492	N.M.

1(b)(i) Statement of financial position (the Group and the Company)

	Group		Company	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	29,380	26,992	4,487	2,213
Investments in subsidiaries	-	-	13,800	13,800
Investments in associates	-	-	-	-
Deferred tax assets	782	814	-	-
Non-current assets	30,162	27,806	18,287	16,013
Inventories	22,160	22,581	-	-
Trade and other receivables	18,228	19,128	3,393	3,813
Cash and cash equivalents	1,556	3,264	63	41
Current assets	41,944	44,973	3,456	3,854
Total assets	72,106	72,779	21,743	19,867
Equity				
Share capital	114,461	114,461	114,461	114,461
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(928)	(836)	-	-
Accumulated losses	(90,567)	(89,503)	(99,298)	(98,816)
Equity attributable to the Company	22,911	24,067	15,108	15,590
Non-controlling interests	(1,166)	(1,187)	-	-
Total equity	21,745	22,880	15,108	15,590
Liabilities				
Loans and borrowings	12,712	19,351	163	184
Deferred tax liabilities	38	38	19	19
Non-current liabilities	12,750	19,389	182	203
Trade and other payables	17,925	15,553	6,410	4,031
Loans and borrowings	15,854	11,174	43	43
Loans from non-controlling shareholders of subsidiaries	3,511	3,573	-	-
Current tax payable	321	210	-	-
Current liabilities	37,611	30,510	6,453	4,074
Total liabilities	50,361	49,899	6,635	4,277
Total equity and liabilities	72,106	72,779	21,743	19,867

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

Non-current

As at 30 Jun 2019		As at 31 Dec 2018		As at 30 Jun 2019	As at 31 Dec 2018
Secured	Unsecured	Secured	Unsecured	Non-current	Non-current
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
7,522	5,190	13,781	5,570	12,712	19,351

Current

As at 30 Jun 2019		As at 31 Dec 2018		As at 30 Jun 2019	As at 31 Dec 2018
Secured	Unsecured	Secured	Unsecured	Current	Current
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
15,114	740	10,554	620	15,854	11,174

Total

As at 30 Jun 2019		As at 31 Dec 2018		As at 30 Jun 2019	As at 31 Dec 2018
Secured	Unsecured	Secured	Unsecured	Total	Total
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
22,636	5,930	24,335	6,190	28,566	30,525

Details of any collateral:-

- (a) Legal mortgages over vessels, freehold land and buildings and certain plant and equipment;
- (b) Personal guarantees provided by executive directors for certain banking facilities; and
- (c) Corporate guarantees provided by the Company.

There was a delay in the receipt of vessel charter payments from a client that had been assigned to United Overseas Bank ("UOB"). On 28 June 2019, UOB issued a letter of demand to one of the subsidiaries claiming the repayment of S\$5.66 million which is the entire loan and accrued interest. Consequently, the Group has reclassified the said amount owing to UOB to current loans and borrowings as of 30 June 2019. We have since received partial payments from the client and are in discussion with UOB to normalise the situation.

1(c) Statement of cash flows (the Group)

	Group		Group	
	Second Quarter		Half Year	
	1 Apr 2019 to 30 Jun	1 Apr 2018 to 30 Jun	1 Jan 2019 to 30 Jun	1 Jan 2018 to 30 Jun
	\$'000	\$'000	\$'000	\$'000
Operating activities				
(Loss)/profit before income tax	(266)	12,511	(922)	11,052
Adjustments for:				
Depreciation of property, plant and equipment	794	810	1,508	1,591
Finance costs	244	839	526	1,809
Gain on disposal of property, plant and equipment, net	-	(88)	-	(88)
(Write-back) of slow moving inventories	(333)	(221)	(445)	(243)
Impairment loss on trade and other receivable	-	29	-	29
Gain on debt to equity swap	-	(12,492)	-	(12,492)
	439	1,388	667	1,658
Change in working capital:				
Inventories	583	457	867	(649)
Trade and other receivables	59	(1,778)	901	(2,844)
Trade and other payables	1,569	(165)	(185)	3,371
Cash flows from operations	2,650	(98)	2,250	1,536
Income taxes paid	-	(55)	-	(235)
Cash flows from operating activities	2,650	(153)	2,250	1,301
Investing activities				
Purchase of property, plant and equipment	(1,229)	(476)	(1,722)	(895)
Proceeds from disposal of property, plant and equipment	-	59	-	88
Net cash outflow on deconsolidation of subsidiary	-	-	(5)	-
Cash flows from investing activities	(1,229)	(417)	(1,727)	(807)
Financing activities				
Finance costs paid	(187)	(347)	(469)	(443)
Proceeds from bills payable and trust receipts	-	-	-	75
Repayment of bills payable and trust receipts	(841)	(849)	(552)	(990)
Payment of lease liabilities	(84)	(42)	(126)	(69)
Proceeds from interest-bearing borrowings	-	4,461	1,225	4,461
Repayment of interest-bearing borrowings	(840)	(1,774)	(2,274)	(2,151)
Cash flows from financing activities	(1,952)	1,449	(2,196)	883
Net (decrease)/increase in cash and cash equivalents	(531)	879	(1,673)	1,377
Cash and cash equivalents at beginning of the period	2,125	1,907	3,264	1,727
Effect of exchange rates fluctuations	(38)	(347)	(35)	(665)
Cash and cash equivalents at end of the period	1,556	2,439	1,556	2,439

1(d)(i) Statement of changes in equity (the Group and the Company)

	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group								
2019								
At 1 January 2019	114,461	(55)	-	(836)	(89,503)	24,067	(1,187)	22,880
Adjustment to accumulated losses on adoption of SFRS(I) 16 ^(NOTE 5)	-	-	-	-	(4)	(4)	-	(4)
At 1 January 2019 restated	114,461	(55)	-	(836)	(89,507)	24,063	(1,187)	22,876
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(759)	(759)	-	(759)
Foreign currency translation differences arising from foreign operations	-	-	-	(260)	-	(260)	(22)	(282)
Total comprehensive income for the period	-	-	-	(260)	(759)	(1,019)	(22)	(1,041)
At 31 March 2019	114,461	(55)	-	(1,096)	(90,266)	23,044	(1,209)	21,835
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(301)	(301)	-	(301)
Foreign currency translation differences arising from foreign operations	-	-	-	168	-	168	43	211
Total comprehensive income for the period	-	-	-	168	(301)	(133)	43	(90)
At 30 June 2019	114,461	(55)	-	(928)	(90,567)	22,911	(1,166)	21,745
2018								
At 1 January 2018	69,490	(55)	171	330	(98,667)	(28,731)	(1,183)	(29,914)
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(1,436)	(1,436)	-	(1,436)
Foreign currency translation differences arising from foreign operations	-	-	-	(388)	-	(388)	(95)	(483)
Total comprehensive income for the period	-	-	-	(388)	(1,436)	(1,824)	(95)	(1,919)
At 31 March 2018	69,490	(55)	171	(58)	(100,103)	(30,555)	(1,278)	(31,833)
Total comprehensive income for the period								
Profit for the period	-	-	-	-	12,382	12,382	-	12,382
Foreign currency translation differences arising from foreign operations	-	-	-	(420)	-	(420)	21	(399)
Total comprehensive income for the period	-	-	-	(420)	12,382	11,962	21	11,983
Transactions with owners, recorded directly in equity								
Issuance of ordinary shares	44,971	-	-	-	-	44,971	-	44,971
Total transactions with owners	44,971	-	-	-	-	44,971	-	44,971
At 30 June 2018	114,461	(55)	171	(478)	(87,721)	26,378	(1,257)	25,121

1(d)(i) Statement of changes in equity (the Group and the Company) (continued)

Company	Share capital \$'000	Treasury Shares \$'000	Share-based compensation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
2019					
At 1 January 2019	114,461	(55)	-	(98,816)	15,590
Total comprehensive income for the period					
Loss for the period	-	-	-	(270)	(270)
Total comprehensive income for the period	-	-	-	(270)	(270)
At 31 March 2019	<u>114,461</u>	<u>(55)</u>	<u>-</u>	<u>(99,086)</u>	<u>15,320</u>
Total comprehensive income for the period					
Loss for the period	-	-	-	(212)	(212)
Total comprehensive income for the period	-	-	-	(212)	(212)
At 30 June 2019	<u>114,461</u>	<u>(55)</u>	<u>-</u>	<u>(99,298)</u>	<u>15,108</u>
2018					
At 1 January 2018	69,490	(55)	171	(102,726)	(33,120)
Total comprehensive income for the period					
Loss for the period	-	-	-	(885)	(885)
Total comprehensive income for the period	-	-	-	(885)	(885)
At 31 March 2018	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(103,611)</u>	<u>(34,005)</u>
Total comprehensive income for the period					
Loss for the period	-	-	-	(557)	(557)
Total comprehensive income for the period	-	-	-	(557)	(557)
Transactions with owners. recorded directly in equity					
Issuance of ordinary shares	44,971	-	-	-	44,971
Total transactions with owners	44,971	-	-	-	44,971
At 30 June 2018	<u>114,461</u>	<u>(55)</u>	<u>171</u>	<u>(104,168)</u>	<u>10,409</u>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights 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 the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Share Capital

There was no change in the Company's share capital during the financial period.

Share Options

There were no outstanding options as of 30 June 2019 and as of 31 December 2018.

Treasury shares

Treasury shares held as at 30 June 2019 is 470,000 shares (31 December 2018: 470,000 shares).

There were no transactions relating to sale, transfer, disposal, cancellation and/or use of treasury shares during the period ended 30 June 2019.

- 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.

Number of Issued shares

	30-Jun-19	31-Dec-18
Issued and paid-up shares	5,619,902,579	5,619,902,579
Total number of shares held as treasury	(470,000)	(470,000)
Issued and paid-up shares net of treasury shares	5,619,432,579	5,619,432,579

- 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.

Please refer to note 1 (d) (ii).

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by the auditors of the Company.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with the Group's audited financial statements for the financial year ended 31 December 2018.

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

The effect of the adoption of the new/revised Singapore Financial Reporting Standards (International) ("SFRS(I)") that are effective for the financial year beginning on 1 January 2019 are as follows :

SFRS (I) 16

The Group and Company adopted SFRS(I) 16 and elected to apply the modified retrospective approach from the effective date 1 January 2019. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognized as an adjustment to the opening balance of accumulated losses at 1 January 2019, with no restatement of comparative information. The Group and the Company applied the practical expedient to grandfather the definition of a lease on transition. This means that they applied SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

As at 1 January 2019, the Group recorded a Right-of-use asset of \$191,000 and lease liabilities of \$195,000 with an increase in accumulated losses of \$4,000.

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			
	Second Quarter		Half Year	
	1 Apr 2019 to 30 Jun 2019	1 Apr 2018 to 30 Jun 2018	1 Jan 2019 to 30 Jun 2019	1 Jan 2018 to 30 Jun 2018
Loss per share of the Group:				
(a) (Loss)/profit attributable to owners of the Company (S\$'000)	(301)	12,382	(1,060)	10,946
Weighted average number of ordinary shares ('000)	5,619,433	3,532,877	5,619,433	2,085,818
Basic (loss)/earnings per share (cents)	(0.01)	0.35	(0.02)	0.52
(b) (Loss)/profit attributable to owners of the Company (S\$'000)	(301)	12,382	(1,060)	10,946
Adjusted weighted average number of ordinary shares ('000)	5,619,433	3,532,877	5,619,433	2,085,818
Diluted (loss)/earnings per share (cents)	(0.01)	0.35	(0.02)	0.52

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	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Net assets (S\$'000)	21,745	22,880	15,108	15,590
Number of ordinary shares ('000)	5,619,433	5,619,433	5,619,433	5,619,433
Net assets value per ordinary share (cents)	0.4	0.4	0.3	0.3

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Statement of Comprehensive Income

Results for 1H 2019:

The Group reported loss after tax of S\$1.1 million for six months ended 30 June 2019 ("1H 2019") as compared to profit after tax of S\$10.9 million for the period ended 30 June 2018 ("1H 2018") due to the following factors:

Total revenue decreased by S\$1.3 million, or 3.7%, to S\$32.5 million in 1H 2019 as compared to S\$33.8 million in 1H 2018. The decrease in total revenue was due to decrease in revenue from the Group's Vessel Chartering segment of S\$1.4 million offset by an increase in revenue from the Group's Equipment segment of S\$0.1 million.

Sales revenue from the Equipment segment increased slightly by S\$0.1 million, or 0.6%, to S\$28.1 million in 1H 2019 as compared to S\$28.0 million in 1H 2018.

Charter revenue from the Vessel Chartering segment decreased by S\$1.4 million, or 24.5%, to S\$4.4 million in 1H 2019 as compared to S\$5.8 million in 1H 2018 mainly due to lower utilization of the vessels. Two vessels completed dry-docking during the first half of 2019.

Total cost of sales decreased by S\$1.0 million, or 3.7%, to S\$26.3 million in 1H 2019 as compared to S\$27.3 million in 1H 2018 mainly due to decrease in cost of sales of vessel chartering segment by S\$0.3 million, or 7.0%, to S\$3.9 million due to lower vessel operating costs in Vessel Chartering segment in 1H2019 and decrease in cost of sales of equipment parts by S\$0.7 million, or 3.2%, to S\$22.4 million.

Overall gross profit margin remained the same at 19.3% in 1H 2019 as compared to 1H 2018. Gross profit for Equipment segment increased by S\$0.9 million due to lower material costs while the gross profit for Vessel Chartering segment decreased by S\$1.1 million in 1H 2019 due to lower utilization with two vessels being sent for dry-docking.

Other income decreased by S\$12.5 million, or 98.8%, to S\$0.1 million in 1H 2019 as 1H 2018 included a gain from debt to equity swap of S\$12.5 million.

Administrative expenses decreased by S\$0.9 million, or 22.3%, to S\$3.2 million in 1H 2019 mainly due to a decrease in legal and other professional fees.

Other expenses increased by S\$1.4 million, to S\$1.7 million in 1H 2019 mainly due to foreign exchange loss of S\$0.6 million as compared to a foreign exchange gain of S\$1.0 million in 1H 2018.

Finance costs decreased by S\$1.3 million, or 70.9%, to S\$0.5 million in 1H 2019 mainly due to lower loan interest from bank borrowings after the completion of the Scheme of arrangement with the banks in May 2018.

Other comprehensive income for 1H 2019:

Foreign currency translation loss of S\$0.1 million arising from foreign operations in 1H 2019 was related mainly due to the Group's substantial foreign operations whose functional currencies are denominated in currencies other than Singapore dollar ("SGD") ie Australia dollar, United States dollar, Korean won, Malaysia ringgit and Chinese yuan.

Results for Q2 FY2019:

The Group reported loss after tax of S\$0.3 million for the period ended 30 June 2019 ("Q2 2019") as compared to profit after tax of S\$12.4 million for the period ended 30 June 2018 ("Q2 2018") due to the following factors:

Total revenue decreased by S\$3.0 million, or 16.3%, to S\$15.3 million in Q2 2019 as compared to S\$18.3 million in Q2 2018. The decrease in total revenue was due to decrease in revenue of S\$2.4 million from the Group's Equipment segment and S\$0.6 million from the Group's Vessel Chartering segment respectively.

Sales revenue from the Equipment segment decreased by S\$2.4 million, or 15.5%, to S\$13.0 million in Q2 2019 as compared to S\$15.4 million in Q2 2018 mainly due to trade war and global uncertainty.

Charter revenue from the Vessel Chartering segment decreased by S\$0.6 million, or 20.8%, to S\$2.3 million in Q2 2019 as compared to S\$2.9 million in Q2 2018 mainly due to lower utilization of the vessels. Two vessels were sent for dry-docking in the Q1 2019 and both were on hire by end of second quarter.

Total cost of sales decreased by S\$2.9 million, or 19.2%, to S\$12.3 million in Q2 2019 as compared to S\$15.2 million in Q2 2018 mainly due to decrease in cost of sales of equipment parts by S\$2.8 million, or 21.9%, to S\$10.1 million and decrease in cost of sales of vessel chartering segment by S\$0.1 million, or 4.7%, to S\$2.2 million due to lower vessel operating cost in Vessel Chartering segment in Q2 2019.

Overall gross profit margin % increased to 19.7% in Q2 2019 as compared to 16.8% in Q2 2018. Gross profit for Equipment segment increased by S\$0.4 million due to lower material costs and Vessel Chartering segment gross profit decreased by S\$0.5 million in Q2 2019 due to lower utilization with two vessels being sent for dry-docking.

Other income decreased by S\$12.5 million, or 99.4% in Q2 2019 as Q2 2018 included a gain in debt to equity swap of S\$12.5 million.

Administrative expenses decreased by S\$0.5 million, or 25.3%, to S\$1.5 million in Q2 2019 as compared to S\$2.0 million in Q2 2018 mainly due to a decrease in legal and other professional fees.

Other expenses increased by S\$1.4 million, to S\$0.6 million in Q2 2019 as compared to (S\$0.8) million in Q2 2018 as Q2 2018 included a foreign exchange gain of S\$1.4 million as compared to a foreign exchange loss of S\$0.2 million in Q2 2019.

Finance costs decreased by S\$0.6 million, or 70.9%, to S\$0.2 million in Q2 2019 as compared to S\$0.8 million in Q2 2018 mainly due to lower loan interest from bank borrowings after the completion of the Scheme of arrangement with the banks in May 2018.

Other comprehensive income for Q2 2019:

Foreign currency translation gain of S\$0.2 million arising from foreign operations in Q2 2019 was related mainly due to the Group's substantial foreign operations whose functional currencies are denominated in currencies other than Singapore dollar ("SGD") ie Australia dollar, United States dollar, Korean won, Malaysia ringgit and Chinese yuan.

Statement of Financial Position

The Group's Property, plant and equipment increased by S\$2.4 million, or 8.8% to S\$29.4 million as at 30 June 2019 mainly due to recognition of Right-of-use asset of S\$2.5 million in relation to its office premises under SFRS(I) 16.

Inventories decreased by S\$0.4 million, or 1.9% to S\$22.2 million as at 30 June 2018.

Trade and other receivables decreased by S\$0.9 million, or 4.7%, to S\$18.2 million as at 30 June 2019 mainly due to lower sales in Q2 2019.

Trade and other payables increased by S\$2.4 million, or 15.3%, to S\$17.9 million as at 30 June 2019 due to recognition of lease liabilities of S\$ 2.5 million under SFRS(I) 16.

Loans and borrowings decreased by S\$2.0 million, or 6.4%, to S\$28.6 million at 30 June 2019 due mainly to repayment of loans and trust receipts. The Group has reclassified the secured borrowings owing by one of its subsidiaries to current as it had received notice of acceleration from one of its banks.

For further information, please refer to the previous announcements made by the Company dated 3 and 5 July 2019, and Note 10.

Statement of Cash Flows

For 1H2019, the Group reported cash outflows of S\$1.7 million, mainly comprising cash inflows from operating activities of S\$2.2 million offset by cash outflows from investing activities of S\$1.7 million and from financing activities of S\$2.2 million respectively.

As at 30 June 2019, the Group's cash and cash equivalents amounted to S\$1.6 million (31 December 2018: S\$3.3 million).

Material Litigation

(A) Litigation with Sumatec Resources Bhd (“Sumatec”)

The Company and Ebony Ritz Sdn Bhd (“Ebony”, an 80%-owned subsidiary of the Company currently under liquidation, with the Official Receiver of Malaysia acting as liquidator) have, pursuant to mediation at the Singapore Mediation Centre on 19 June 2018, entered into a conditional Settlement Agreement with Sumatec and Mr Chan Yok Peng (“Mr Chan”) (“Settlement Agreement”) in relation to the full and final settlement of the following Litigation (as referred to below) by the completion of Sumatec’s corporate exercise which was expected no later than 30 October 2018 (“Corporate Exercise Completion Date”):

1. Singapore High Court Suit No. 534 of 2016;
 2. Singapore High Court Suit No. 808 of 2017; and
 3. Sumatec’s counterclaim in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur against the Company;
 4. Sumatec’s claim in Suit No. WA-22NCC-65-02/2019 before the High Court of Malaya at Kala Lumpur against the Company;
- (collectively, the “Litigation”).

On 3 October 2018, the Judge issued his Judgement that Sumatec shall pay Ebony the following sum in respect of the Guarantee Claim:

- (i) RM10,000,000;
- (ii) Re-judgment interest at the rate of 5.33% per annum on the judgement sum (ie RM10,000,000) from the date of accrual ranged from 31 June 2012 to 24 September 2012; and
- (iii) costs in the sum of S\$40,000

On 14 April 2019, the Company received a writ dated 25 February 2019 from Sumatec claiming for general and exemplary damages for fraud and conspiracy. The Company was one of the defendants who were alleged to be acting in concert with Mr Chan with the intention to defraud or deceive Sumatec in relation to the Settlement Agreement 2013 and 2015. The Company has filed a Memorandum of Appearance and its Defence to Sumatec’s claim.

Subsequently, Sumatec has filed an application to amend its claim to add a further cause of action of ‘equitable fraud’ (“Sumatec’s Amendment Application”). The Company has filed its affidavit and submissions to oppose Sumatec’s Amendment Application. Sumatec’s Amendment Application was heard before the Court on 2 August 2019. The Judge allowed Sumatec’s amendment application.

B) Kuala Lumpur High Court - Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd

Auspicious Journey Sdn Bhd a minority shareholder in Ebony Ritz Sdn Bhd (“Ebony”), had filed in the Malaysian High Court a suit against the Company, being the majority shareholder in Ebony, for conducting the affairs of Ebony in manner that is oppressive to the Plaintiff. On 3 August 2016, the trial and hearing of the legal action has been concluded.

The Court issued an Order partially in favour of the Plaintiff and ordered:

- (a) A declaration that the company has conducted the affairs of Ebony in a manner that is oppressive to the Plaintiff;
- (b) Ebony is to be wound up and the Official Receiver be appointed as the liquidator of Ebony;
- (c) the Company is to pay general damages with interest to the Plaintiff, to be assessed by the Court through an assessment process; and
- (d) the Company has to pay costs of RM300,000 (equivalent to S\$98,680) to the Plaintiff.

Both the Plaintiff and the Company appealed against the Order. The Appeals were heard on 21 November 2017 and 21 May 2018 in the Court of Appeal. Both were dismissed.

Material Litigation (Continued)

B) Kuala Lumpur High Court - Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd (Continued)

The Plaintiff filed an application for leave to appeal to the Federal Court against the dismissal of its Appeal by the Court of Appeal. On 13 May 2019, the Federal Court made a decision to allow the Leave application in part, in particular only insofar as the Leave application relates to whether the third parties can be made parties in an oppression petition. The said Federal Court appeal is currently fixed for case management before the registrar on 13 August 2019 during which time the registrar is likely to fix a hearing date for the said Federal Court appeal.

The assessment of damages proceeding in the High Court is currently fixed for case management 27 September 2019. The damages cannot be estimated reliably and hence, the company made no provision in the financial statements in Q2 2019.

The Official Receiver of Ebony Ritz Sdn Bhd had filed an application for a private liquidator to be appointed to manage Ebony Ritz Sdn Bhd in place of the Official Receiver (the "Private Liquidator Application"). Before that Private Liquidator Application could be heard, Auspicious Journey had filed an Originating Summons to stay proceedings of the Private Liquidator Application pending the disposal of Auspicious Journey's said appeal to the Federal Court ("Auspicious Journey's Stay OS").

The High Court had allowed Auspicious Journey's Stay OS, which has the effect of staying the Private Liquidator Application pending the disposal of Auspicious Journey's appeal to the Federal Court.

The Company has filed an appeal against the said High Court order allowing Auspicious Journey's Stay OS. That appeal is currently being case managed by the court and has yet to be fixed for hearing.

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 global trade tensions have not been resolved. The prospects for equipment segment remain uncertain. As for the Vessel Chartering sector, the challenging market and operating conditions and pressure on charter rates of the vessels are expected to continue.

Two vessels are due for drydocking at the end of Q3 2019. The Group is actively exploring alternatives for these two vessels including the funding of drydocking costs.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(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

Not applicable.

(d) Books closure date

Not applicable.

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

No applicable.

13 Interested Person Transactions

Period ended 30 June 2019	
Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
\$'000	\$'000

<u>Name of interested person</u>	<u>\$'000</u>	<u>\$'000</u>
Hoe Leong Plastic Industry (China) Ltd - Rental expense	220	-

The Company has not obtained a general mandate from shareholders for Interested Person Transactions.

14 Negative Assurance Confirmation

We, Kuah Geok Lin and Kuah Geok Khim, being two of the Directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results of the Group for the financial period ended 30 June 2019 to be false or misleading in any material aspect.

15 Undertaking from directors and executive officers

The Company confirms it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720 (1).

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

8 August 2019