



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Third quarter financial statements and related announcement for the financial period ended 30 September 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 September 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	Third Quarter			Nine months		
		1 Jul 2019 to 30 Sep 2019	1 Jul 2018 to 30 Sep 2018	Increase / (decrease)	1 Jan 2019 to 30 Sep 2019	1 Jan 2018 to 30 Sep 2018	Increase / (decrease)
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		15,511	18,184	(14.7)%	48,049	51,982	(7.6)%
Cost of sales		(12,336)	(14,141)	(12.8)%	(38,594)	(41,421)	(6.8)%
Gross profit		3,175	4,043	(21.5)%	9,455	10,561	(10.5)%
Other income		52	97	(46.4)%	206	12,799	(98.4)%
Distribution expenses		(985)	(1,110)	(11.3)%	(2,907)	(3,073)	(5.4)%
Administrative expenses		(1,679)	(1,938)	(13.4)%	(4,840)	(6,007)	(19.4)%
Other expenses		(10,639)	(768)	N.M.	(12,386)	(1,095)	N.M.
Results from operating activities		(10,076)	324	N.M.	(10,472)	13,185	N.M.
Finance costs	1	(262)	(302)	(13.2)%	(788)	(2,111)	(62.7)%
(Loss)/profit before income tax	2	(10,338)	22	N.M.	(11,260)	11,074	N.M.
Income tax expense		(20)	17	N.M.	(158)	(89)	77.5 %
(Loss)/profit for the year		(10,358)	39	N.M.	(11,418)	10,985	N.M.
(Loss)/profit attributable to:							
Owners of the Company		(10,358)	39	N.M.	(11,418)	10,985	N.M.
Non-controlling interests		-	-	N.M.	-	-	N.M.
(Loss)/profit for the period		(10,358)	39	N.M.	(11,418)	10,985	N.M.

N.M. - Not meaningful

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

	Third Quarter			Nine months		
	1 Jul 2019 to 30 Sep 2019	1 Jul 2018 to 30 Sep 2018	Increase / (decrease)	1 Jan 2019 to 30 Sep 2019	1 Jan 2018 to 30 Sep 2018	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
(Loss)/profit for the period	(10,358)	39	N.M	(11,418)	10,985	N.M
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	(1,039)	383	N.M	(1,131)	(499)	N.M
Other comprehensive income, net of tax	(1,039)	383	N.M	(1,131)	(499)	N.M
Total comprehensive income for the period	(11,397)	422	N.M	(12,549)	10,486	N.M
Total comprehensive income attributable to:						
Owners of the Company	(11,374)	353	N.M	(12,547)	10,491	N.M
Non-controlling interests	(23)	69	N.M	(2)	(5)	(60.0)%
Total comprehensive income for the period	(11,397)	422	N.M	(12,549)	10,486	N.M

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

Note 1

	Third Quarter			Nine months		
	1 Jul 2019 to 30 Sep 2019	1 Jul 2018 to 30 Sep 2018	Increase / (decrease)	1 Jan 2019 to 30 Sep	1 Jan 2018 to 30 Sep	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Finance costs:						
Interest paid and payable on:-						
- Loans and borrowings	(257)	(298)	(13.8)%	(773)	(1,780)	(56.6)%
- Finance leases	(5)	(4)	25.0 %	(15)	(14)	7.1 %
- Loans from Immediate Holding Company	-	-	N.M.	-	(317)	N.M.
Total	(262)	(302)		(788)	(2,111)	

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

	Third Quarter			Nine months		
	1 Jul 2019 to 30 Sep 2019	1 Jul 2018 to 30 Sep 2018	Increase / (decrease)	1 Jan 2019 to 30 Sep 2019	1 Jan 2018 to 30 Sep 2018	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance written back for slow-moving inventories included in other expenses	147	224	(34.4)%	592	467	26.8 %
Impairment loss on trade receivables, included in other expenses	(4,723)	(101)	N.M	(4,723)	(197)	N.M
Impairment loss on vessel, included in other expenses	(6,247)	-	N.M.	(6,247)	-	N.M.
Bad debts written back, included in other expenses	-	(5)	N.M.	-	62	N.M.
Gain on disposal of property, plant and equipment, net, included in other expenses	1	10	(90.0)%	1	98	(99.0)%
Depreciation of property, plant and equipment	(940)	(764)	23.0 %	(2,449)	(2,355)	4.0 %
Foreign exchange gain/(loss), net, included in other expenses	841	(115)	N.M	232	907	(74.4)%
Operating lease expenses, included in other expenses	(173)	(269)	(35.7)%	(916)	(909)	0.8 %
Rental income, included in other income	6	16	(62.5)%	11	48	(77.1)%
Gain on debt-to-equity swap, included in other income	-	-	N.M.	-	12,492	N.M.

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

	Group		Company	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	22,338	26,992	4,263	2,213
Investments in subsidiaries	-	-	10,800	13,800
Investments in associates	-	-	-	-
Deferred tax assets	788	814	-	-
Non-current assets	23,126	27,806	15,063	16,013
Inventories	19,911	22,581	-	-
Trade and other receivables	13,445	19,128	3,272	3,813
Cash and cash equivalents	2,703	3,264	35	41
Current assets	36,059	44,973	3,307	3,854
Total assets	59,185	72,779	18,370	19,867
Equity				
Share capital	114,461	114,461	114,461	114,461
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(1,967)	(836)	-	-
Accumulated losses	(100,925)	(89,503)	(102,996)	(98,816)
Equity attributable to the Company	11,514	24,067	11,410	15,590
Non-controlling interests	(1,189)	(1,187)		
Total equity	10,325	22,880	11,410	15,590
Liabilities				
Loans and borrowings	343	19,351	152	184
Deferred tax liabilities	38	38	19	19
Non-current liabilities	381	19,389	171	203
Trade and other payables	18,039	15,553	6,746	4,031
Loans and borrowings	26,581	11,174	43	43
Loans from non-controlling shareholders of subsidiaries	3,561	3,573	-	-
Current tax payable	298	210	-	-
Current liabilities	48,479	30,510	6,789	4,074
Total liabilities	48,860	49,899	6,960	4,277
Total equity and liabilities	59,185	72,779	18,370	19,867

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

Non-current

As at 30 Sep 2019		As at 31 Dec 2018		As at 30 Sep 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>
343	-	13,781	5,570	343	19,351

Current

As at 30 Sep 2019		As at 31 Dec 2018		As at 30 Sep 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>
20,831	5,750	10,554	620	26,581	11,174

Total

As at 30 Sep 2019		As at 31 Dec 2018		As at 30 Sep 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>
21,174	5,750	24,335	6,190	26,924	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 directors of certain subsidiaries for certain banking facilities; and
- (c) Corporate guarantees provided by the Company.

As at 30 September 2019, the Group had breached certain covenants on consolidated tangible net worth and debt to equity ratio, as stipulated under the bank facilities agreements. Consequently, bank loans aggregating to \$11,823,000 have been reclassified from non-current liabilities to current liabilities.

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

	Group		Group	
	Third Quarter		Nine Months	
	1 Jul 2019 to 30 Sep 2019	1 Jul 2018 to 30 Sep 2018	1 Jan 2019 to 30 Sep	1 Jan 2018 to 30 Sep
	\$'000	\$'000	\$'000	\$'000
Operating activities				
(Loss)/profit before income tax	(10,338)	22	(11,260)	11,074
Adjustments for:				
Depreciation of property, plant and equipment	940	764	2,449	2,355
Finance costs	262	302	788	2,111
Gain on disposal of property, plant and equipment, net	(1)	(10)	(1)	(98)
(Write-back) of slow moving inventories	(147)	(224)	(592)	(467)
Impairment loss on property, plant & equipment	6,247	-	6,247	-
Impairment loss on trade and other receivables	4,723	106	4,723	135
Gain on debt to equity swap	-	-	-	(12,492)
	1,686	960	2,354	2,618
Change in working capital:				
Inventories	2,396	233	3,262	(416)
Trade and other receivables	60	(336)	960	(3,180)
Trade and other payables	281	(1,254)	96	2,117
Cash flows from operations	4,423	(397)	6,672	1,139
Income taxes paid	(67)	(123)	(67)	(358)
Cash flows from operating activities	4,356	(520)	6,605	781
Investing activities				
Purchase of property, plant and equipment	(41)	(49)	(1,762)	(944)
Proceeds from disposal of property, plant and equipment	30	10	30	98
Net cash outflow on deconsolidation of subsidiary	-	-	(5)	-
Cash flows from investing activities	(11)	(39)	(1,737)	(846)
Financing activities				
Finance costs paid	(225)	(311)	(693)	(754)
Proceeds from bills payable and trust receipts	-	1,013	-	164
Repayment of bills payable and trust receipts	(1,201)	-	(1,753)	(66)
Proceeds from finance lease liabilities	-	-	-	-
Payment of lease liabilities	(237)	(31)	(363)	(100)
Proceeds from interest-bearing borrowings	-	-	1,225	4,461
Repayment of interest-bearing borrowings	(809)	(757)	(3,083)	(2,907)
Cash flows from financing activities	(2,472)	(86)	(4,667)	798
Net (decrease)/increase in cash and cash equivalents	1,873	(645)	201	733
Cash and cash equivalents at beginning of the period	1,556	2,439	3,264	1,727
Effect of exchange rates fluctuations	(726)	816	(762)	150
Cash and cash equivalents at end of the period*	2,703	2,610	2,703	2,610

*Included in the cash and cash equivalents is the restricted cash of \$600,175 pursuant to the Deed of Charge of Account with one of the subsidiaries' banks.

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
Loss for the period	-	-	-	-	(10,358)	(10,358)	-	(10,358)
Foreign currency translation differences arising from foreign operations	-	-	-	(1,039)	-	(1,039)	(23)	(1,062)
Total comprehensive income for the period	-	-	-	(1,039)	(10,358)	(11,397)	(23)	(11,420)
At 30 September 2019	114,461	(55)	0	(1,967)	(100,925)	11,514	(1,189)	10,325
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
Loss for the period	-	-	-	-	39	39	-	39
Foreign currency translation differences arising from foreign operations	-	-	-	314	-	314	69	383
Total comprehensive income for the period	-	-	-	314	39	353	69	422
At 30 September 2018	114,461	(55)	171	(164)	(87,682)	26,731	(1,188)	25,543

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

Company	Share capital	Treasury Shares	Share-based compensation reserve	Accumulated losses	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'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>
Total comprehensive income for the period					
Loss for the period	-	-	-	(3,698)	(3,698)
Total comprehensive income for the period	-	-	-	(3,698)	(3,698)
At 30 September 2019	<u>114,461</u>	<u>(55)</u>	<u>-</u>	<u>(102,996)</u>	<u>11,410</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>
Total comprehensive income for the period					
Loss for the period	-	-	-	(170)	(170)
Total comprehensive income for the period	-	-	-	(170)	(170)
At 30 September 2018	<u>114,461</u>	<u>(55)</u>	<u>171</u>	<u>(104,338)</u>	<u>10,239</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 September 2019 and as of 31 December 2018.

Treasury shares

Treasury shares held as at 30 September 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 September 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-Sep-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			
	Third Quarter		Nine months	
	1 Jul 2019 to 30 Sep 2019	1 Jul 2018 to 30 Sep 2018	1 Jan 2019 to 30 Sep 2019	1 Jan 2018 to 30 Sep 2018
Loss per share of the Group:				
(a) (Loss)/profit attributable to owners of the Company (S\$'000)	(10,358)	39	(11,418)	10,985
Weighted average number of ordinary shares ('000)	5,619,433	5,619,433	5,619,433	3,276,633
Basic (loss)/earnings per share (cents)	(0.18)	0.00	(0.20)	0.34
(b) (Loss)/profit attributable to owners of the Company (S\$'000)	(10,358)	39	(11,418)	10,985
Adjusted weighted average number of ordinary shares ('000)	5,619,433	5,619,433	5,619,433	3,276,633
Diluted (loss)/earnings per share (cents)	(0.18)	0.00	(0.20)	0.34

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 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Net assets (S\$'000)	10,325	22,880	11,410	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)	0.2	0.4	0.2	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 9M 2019:

The Group reported loss after tax of S\$11.4 million for nine months ended 30 September 2019 ("9M 2019") as compared to profit after tax of S\$11.0 million for the period ended 30 September 2018 ("9M 2018") due to the following factors:

Total revenue decreased by S\$3.9 million, or 7.6%, to S\$48.1 million in 9M 2019 as compared to S\$52.0 million in 9M 2018. The decrease in total revenue was due to decrease in revenue from the Group's Equipment segment and the Group's Vessel Chartering segment.

Sales revenue from the Equipment segment decreased by S\$2.4 million, or 5.5%, to S\$40.7 million in 9M 2019 as compared to S\$43.1 million in 9M 2018 mainly due to uncertainty caused by trade war and slowdown in global economic conditions.

Charter revenue from the Vessel Chartering segment decreased by S\$1.5 million, or 17.4%, to S\$7.3 million in 9M 2019 as compared to S\$8.8 million in 9M 2018 mainly due to lower utilization of the vessels. Two vessels completed dry-docking during the first nine months of 2019 and one more vessel was off-hired mid of September 2019.

Total cost of sales decreased by S\$2.8 million, or 6.8%, to S\$38.6 million in 9M 2019 as compared to S\$41.4 million in 9M 2018 mainly due to decrease in cost of sales of equipment parts by S\$2.8 million, or 8.1%, to S\$32.4 million in tandem to the decrease in sales.

Overall gross profit margin % decreased to 19.7% in 9M 2019 as compared to 20.3% in 9M 2018. Gross profit for Equipment segment increased by S\$0.4 million due to lower material costs while the gross profit for Vessel Chartering segment decreased by S\$1.6 million in 9M 2019 due to lower utilization with two vessels being sent for dry-docking.

Other income decreased by S\$12.6 million, or 98.4%, to S\$0.2 million in 9M 2019 as 9M 2018 included a gain from debt to equity swap of S\$12.5 million.

Administrative expenses decreased by S\$1.2 million, or 19.4%, to S\$4.8 million in 9M 2019 as compared to S\$6.0 million mainly due to a decrease in legal and other professional fees by S\$0.9 million.

Other expenses increased by S\$11.3 million, to S\$12.4 million in 9M 2019 mainly due to impairment loss on vessel of S\$6.2 million; a higher impairment loss on trade receivables by S\$4.5 million mainly from Vessel Chartering segment and a lower foreign exchange gain by S\$0.7 million in 9M 2018.

Finance costs decreased by S\$1.3 million, or 62.7%, to S\$0.8 million in 9M 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 9M 2019:

Foreign currency translation loss of S\$1.1 million arising from foreign operations in 9M 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 Q3 FY2019:

The Group reported loss after tax of S\$10.4 million for the period ended 30 September 2019 (“Q3 2019”) as compared to profit after tax of S\$0.04 million for the period ended 30 September 2018 (“Q3 2018”) due to the following factors:

Total revenue decreased by S\$2.7 million, or 14.7%, to S\$15.5 million in Q3 2019 as compared to S\$18.2 million in Q3 2018. The decrease in total revenue was due to decrease in revenue of S\$2.6 million from the Group’s Equipment segment and S\$0.1 million from the Group’s Vessel Chartering segment respectively.

Sales revenue from the Equipment segment decreased by S\$2.6 million, or 16.9%, to S\$12.6 million in Q3 2019 as compared to S\$15.2 million in Q3 2018 mainly due to uncertainty caused by trade war and slowdown in global economic conditions.

Charter revenue from the Vessel Chartering segment decreased by S\$0.1 million, or 3.8%, to S\$2.9 million in Q3 2019 as compared to S\$3.0 million in Q3 2018 mainly due to lower utilization as one of the vessels was off-hired due to expiry of license.

Total cost of sales decreased by S\$1.8 million, or 12.8%, to S\$12.3 million in Q3 2019 as compared to S\$14.1 million in Q3 2018 mainly due to decrease in cost of sales of equipment parts by S\$2.1 million, or 17.4%, to S\$10.0 million offset by increase in cost of sales of vessel chartering segment by S\$0.3 million, or 15.0%, to S\$2.3 million.

Overall gross profit margin % decreased to 20.5% in Q3 2019 as compared to 22.2% in Q3 2018. Gross profit for Equipment segment decreased by S\$0.4 million and Vessel Chartering segment gross profit decreased by S\$0.4 million in Q3 2019 due to lower utilization.

Administrative expenses decreased by S\$0.3 million, or 13.4%, to S\$1.7 million in Q3 2019 as compared to S\$1.9 million in Q3 2018 mainly due to a decrease in legal and other professional fees.

Other expenses increased by S\$9.9 million, to S\$10.6 million in Q3 2019 as compared to S\$0.8 million in Q3 2018 mainly due to impairment loss on vessel of S\$6.2 million; impairment loss on trade receivables of S\$4.7 million mainly from Vessel Chartering segment offset by a higher foreign exchange gain of S\$1 million.

Other comprehensive income for Q3 2019:

Foreign currency translation loss of S\$1.0 million arising from foreign operations in Q3 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 decreased by S\$4.7 million, or 17.2% to S\$22.3 million as at 30 September 2019 mainly due to impairment loss on vessels of S\$ 6.2 million offset by the increase with the recognition of Right-of-use asset of S\$2.3 million in relation to its office premises under SFRS(I) 16.

Inventories decreased by S\$2.7 million, or 11.8% to S\$19.9 million as at 30 September 2018 due to clearance of old inventories and decrease in purchases made.

Trade and other receivables decreased by S\$5.7 million, or 29.7%, to S\$13.4 million as at 30 September 2019 mainly due to impairment loss on trade receivables of vessel chartering segment of S\$4.7 million in Q3 2019.

Trade and other payables increased by S\$2.5 million, or 16.0%, to S\$18.0 million as at 30 September 2019 mainly due to recognition of lease liabilities of S\$ 2.3 million under SFRS(I) 16.

Loans and borrowings decreased by S\$3.6 million, or 11.8%, to S\$26.9 million at 30 September 2019 due mainly to repayment of loans and trust receipts.

Statement of Cash Flows

For 9M 2019, the Group reported cash inflows of S\$0.2 million, mainly comprising cash inflows from operating activities of S\$6.6 million offset by cash outflows from investing activities of S\$1.7 million and from financing activities of S\$4.7 million respectively.

As at 30 September 2019, the Group's cash and cash equivalents amounted to S\$2.7 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.

On 22 August 2019, the Company filed an application to strike out Sumatec’s claim. The said striking out application is fixed for hearing on 20 November 2019.

On 15 October 2019, the Court has granted a winding-up order against in respect of winding up petition and that an Official Receiver was appointed to be the liquidator of Sumatec.

(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.

Material Litigation (Continued)

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

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.

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 directors of the Company can be attributed with the Company's liability in respect of its said oppression on Auspicious Journey. The said Federal Court appeal is currently fixed for hearing on 21 January 2020.

The assessment of damages proceeding in the High Court is currently fixed for case management 21 February 2020. The damages cannot be estimated reliably and hence, the company made no provision in the financial statements in Q3 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 fixed for hearing on 9 March 2020.

C) Kuala Lumpur High Court – Tan Sri Halim bin Saad v Hoe Leong Corporation Limited & 5 Ors

On 9 September 2019, the Company received a writ dated 20 June 2019 from Tan Sri Halim bin Saad claiming for, misrepresentation, fraud, and/or conspiracy alleged to have been committed by the Company and other defendants against Tan Sri Halim bin Saad.

The Company has engaged solicitors to enter its appearance in the civil suit and to defend against the same. The Company has filed its defence against the said civil suit on 4 November 2019. The Company further intends to file an application to strike out the said civil suit in due course.

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 remain to persist and this continues to cast uncertainty over the outlook and prospects for the Vessel Chartering Segment of the Group.

The Company has taken deliberate steps to address the challenging markets and operating conditions of the Vessel Chartering Segment and has sold one vessel, as well as entered into a conditional sale agreements to dispose two more vessels.

As for the Equipment Segment, the Company is actively taking steps to streamline its cost structure with a view to improving the profitability of this business.

As previously announced, the Company had received statutory demands and judicial management application from United Overseas Bank (“**UOB**”) in respect of loans owed by companies in the Group. On 8 November 2019, the judicial management application and statutory demands were subsequently withdrawn by UOB.

The Board has since been re-constituted and appointed RSM Corporate Advisory Pte Ltd to conduct a review of the Group’s businesses and formulate plans to improve its financial position and profitability. As previously stated, it is envisaged that the outcome of the review may result in the Company disposing off some or all of the businesses and/or assets and/or involve the raising of equity in the Company.

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 dividend was declared or recommended as the Company is not profitable.

13 Interested Person Transactions

Period ended 30 September 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)

<u>Name of interested person</u>	<u>\$'000</u>	<u>\$'000</u>
Hoe Leong Plastic Industry (China) Ltd - Rental expense	327	-

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

14 Negative Assurance Confirmation

The Board of Directors hereby confirms, 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 September 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

Liew Yoke Pheng, Joseph
Executive Chairman and Chief Executive Officer
12 November 2019