



**HOE LEONG CORPORATION LTD.**

(Registration No. 199408433W)

**Full-year financial statements and related announcement  
for the financial year ended 31 December 2019**

The Board of Directors of Hoe Leong Corporation Ltd. (the "Company") is pleased to announce the consolidated results for the financial year ended 31 December 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	Full year		
		2019	2018	Increase / (decrease)
		\$'000	\$'000	%
<b>Revenue</b>		62,481	72,386	(13.7)%
Cost of sales		(50,538)	(58,105)	(13.0)%
<b>Gross profit</b>		<b>11,943</b>	<b>14,281</b>	(16.4)%
Other (loss)/ income	2	(932)	12,887	N.M.
Distribution expenses		(4,070)	(4,100)	(0.7)%
Administrative expenses		(6,266)	(7,631)	(17.9)%
Other expenses		(16,247)	(4,156)	N.M.
<b>Results from operating activities</b>		<b>(15,572)</b>	<b>11,281</b>	N.M.
Finance income	1	5	1	N.M.
Finance costs	1	(1,047)	(2,399)	(56.4)%
<b>Net finance costs</b>		<b>(1,042)</b>	<b>(2,398)</b>	(56.5)%
<b>(Loss) / Profit before income tax</b>	2	<b>(16,614)</b>	<b>8,883</b>	N.M.
Income tax expense		(267)	110	N.M.
<b>(Loss) / Profit for the year</b>		<b>(16,881)</b>	<b>8,993</b>	N.M.
<b>(Loss) / Profit attributable to:</b>				
Owners of the Company		(16,881)	8,993	N.M.
<b>(Loss) / Profit for the year</b>		<b>(16,881)</b>	<b>8,993</b>	N.M.

N.M. - Not meaningful

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

	Full Year		
	2019	2018	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
<b>(Loss)/Profit for the year</b>	<b>(16,881)</b>	<b>8,993</b>	N.M
<b>Other comprehensive income</b>			
Foreign currency translation differences arising from foreign operations	(43)	(1,170)	(96.3)%
Other comprehensive income, net of tax	<b>(43)</b>	<b>(1,170)</b>	N.M
<b>Total comprehensive income for the year</b>	<b>(16,924)</b>	<b>7,823</b>	N.M
<b>Total comprehensive income attributable to :</b>			
Owners of the Company	(16,924)	7,827	N.M
Non-controlling interests	-	(4)	N.M
<b>Total comprehensive income for the year</b>	<b>(16,924)</b>	<b>7,823</b>	N.M

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

**Note 1** Finance income comprises the following:

Full year		
2019	2018	Increase / (decrease)
<u>\$'000</u>	<u>\$'000</u>	<u>%</u>

**Finance Income :-**

- Bank Deposits 5 1 N.M

**Total** 5 1

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

**Note 1** Finance costs comprise the following:

Full year		
2019	2018	Increase / (decrease)
<u>\$'000</u>	<u>\$'000</u>	<u>%</u>

**Interest paid and payable on:-**

- Loans and borrowings	(1,028)	(2,063)	(50.2)%
- Finance leases	(19)	(19)	- %
- Loans from Immediate Holding Company	-	(317)	N.M.
<b>Total</b>	<b>(1,047)</b>	<b>(2,399)</b>	

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

Full year		
2019	2018	Increase / (decrease)
<u>\$'000</u>	<u>\$'000</u>	<u>%</u>

Allowance written back for slow-moving inventories included in other expenses	922	538	71.4 %
Impairment loss on trade receivables, included in other expenses	(5,737)	(437)	N.M.
Impairment loss on vessel, included in other expenses	(7,737)	(1,235)	N.M.
Bad debts written (off)/ back, included in other expenses	-	107	N.M.
(Loss)/gain on disposal of property, plant and equipment, net, included in other expenses	(30)	102	N.M.
Depreciation of property, plant and equipment	(3,350)	(3,104)	7.9 %
Foreign exchange (loss) / gain, net, included in other expenses	(1,121)	780	N.M.
Operating lease expenses, included in other expenses	(661)	(1,630)	(59.4)%
Rental income, included in other Income	74	64	15.6 %
Gain on debt to equity swap, included in other income	-	12,492	N.M.
Loss on deconsolidation of subsidiaries, included in other (loss)/income	(1,187)	-	N.M.

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

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Property, plant and equipment	12,016	26,992	5,801	2,213
Investments in subsidiaries	-	-	10,298	13,800
Deferred tax assets	701	814	-	-
<b>Non-current assets</b>	<b>12,717</b>	<b>27,806</b>	<b>16,099</b>	<b>16,013</b>
Inventories	18,993	22,581	-	-
Trade and other receivables	11,542	19,128	3,046	3,813
Cash and cash equivalents	2,499	3,264	73	41
	<b>33,034</b>	<b>44,973</b>	<b>3,119</b>	<b>3,854</b>
Assets held for sale	6,909	-	-	-
<b>Current assets</b>	<b>39,943</b>	<b>44,973</b>	<b>3,119</b>	<b>3,854</b>
<b>Total assets</b>	<b>52,660</b>	<b>72,779</b>	<b>19,217</b>	<b>19,867</b>
<b>Equity</b>				
Share capital	114,461	114,461	114,461	114,461
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(879)	(836)	-	-
Accumulated losses	(106,388)	(89,503)	(106,958)	(98,816)
<b>Equity attributable to owners of the Company</b>	<b>7,139</b>	<b>24,067</b>	<b>7,448</b>	<b>15,590</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>(1,187)</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>7,139</b>	<b>22,880</b>	<b>7,448</b>	<b>15,590</b>
<b>Liabilities</b>				
Loans and borrowings	1,588	19,351	1,189	184
Deferred tax liabilities	38	38	19	19
<b>Non-current liabilities</b>	<b>1,626</b>	<b>19,389</b>	<b>1,208</b>	<b>203</b>
Trade and other payables	14,341	15,553	6,096	4,031
Loans and borrowings	25,922	11,174	877	43
Loan from non-controlling shareholders of former subsidiaries	3,588	3,573	3,588	-
Current tax payable	44	210	-	-
<b>Current liabilities</b>	<b>43,895</b>	<b>30,510</b>	<b>10,561</b>	<b>4,074</b>
<b>Total liabilities</b>	<b>45,521</b>	<b>49,899</b>	<b>11,769</b>	<b>4,277</b>
<b>Total equity and liabilities</b>	<b>52,660</b>	<b>72,779</b>	<b>19,217</b>	<b>19,867</b>

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

**Non-Current**

As at 31 Dec 2019		As at 31 Dec 2018		As at 31 Dec 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>
399	1,189	13,781	5,570	1,588	19,351

**Current**

As at 31 Dec 2019		As at 31 Dec 2018		As at 31 Dec 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>
19,475	6,447	10,554	620	25,922	11,174

**Total**

As at 31 Dec 2019		As at 31 Dec 2018		As at 31 Dec 2019	As at 31 Dec 2018
Secured	Unsecured	Secured	Unsecured		
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
19,874	7,636	24,335	6,190	27,510	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 the subsidiary's directors for certain banking facilities; and
- (c) Corporate guarantees provided by the Company.

As at 31 December 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 \$7,528,000 have been reclassified from non-current liabilities to current liabilities.

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

	<b>Group</b>	
	<b>Full year</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating activities</b>		
(Loss)/Profit before income tax	(16,614)	8,883
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	3,350	3,104
Finance income	(5)	(1)
Finance costs	1,047	2,399
Loss /(gain) on disposal of property, plant and equipment	30	(102)
Write-back of allowance for slow moving inventories	(922)	(538)
Impairment loss of property, plant and equipment	7,737	1,235
Impairment loss on trade and other receivables	5,737	330
Gain on debt to equity swap	-	(12,492)
Loss on deconsolidation of subsidiaries	1,187	
<b>Operating cash flows before changes in working capital</b>	<b>1,547</b>	<b>2,818</b>
<b>Change in working capital:</b>		
Inventories	4,511	653
Trade and other receivables	1,850	(3,776)
Trade and other payables	(1,395)	3,267
<b>Cash flows from operations</b>	<b>6,513</b>	<b>2,962</b>
Income taxes paid	(327)	(424)
<b>Cash flows from operating activities</b>	<b>6,186</b>	<b>2,538</b>
<b>Investing activities</b>		
Finance income received	5	1
Purchase of property, plant and equipment	(1,704)	(1,072)
Proceed from sale of property, plant and equipment	707	133
Net cash outflow on deconsolidation of subsidiary	(7)	-
<b>Cash flows used in investing activities</b>	<b>(999)</b>	<b>(938)</b>
<b>Financing activities</b>		
Finance costs paid	(864)	(1,034)
Proceeds from bills payable and trust receipts	8,044	11,579
Repayment of bills payable and trust receipts	(10,204)	(10,221)
Payment of finance lease liabilities	(659)	(140)
Proceeds from interest-bearing borrowings	1,171	3,808
Repayment of interest-bearing borrowings	(3,609)	(3,656)
<b>Cash flows used in/from financing activities</b>	<b>(6,121)</b>	<b>336</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(934)</b>	<b>1,936</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,264</b>	<b>1,727</b>
<b>Effect of exchange rate fluctuations</b>	<b>169</b>	<b>(399)</b>
<b>Cash and cash equivalents at end of the year</b>	<b>2,499</b>	<b>3,264</b>

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

Group	Share capital	Treasury shares	Share-based compensation reserve	Currency translation reserve	Accumulated losses	Equity attributable to owners of the	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	Company	\$'000	\$'000
<b>2019</b>								
<b>At 1 January 2019</b>	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)
<b>At 1 January 2019 restated</b>	114,461	(55)	-	(836)	(89,507)	24,063	(1,187)	22,876
Loss for the year	-	-	-	-	(16,881)	(16,881)	-	(16,881)
Foreign currency translation differences arising from foreign operations	-	-	-	(43)	-	(43)	-	(43)
<b>Total comprehensive income for the year</b>	-	-	-	(43)	(16,881)	(16,924)	-	(16,924)
<b>Changes of ownership interests in subsidiaries</b>								
Deconsolidation of subsidiary with non-controlling interests	-	-	-	-	-	-	1,187	1,187
	-	-	-	-	-	-	1,187	1,187
<b>At 31 December 2019</b>	114,461	(55)	-	(879)	(106,388)	7,139	-	7,139

Group	Share capital	Treasury shares	Share-based compensation reserve	Currency translation reserve	Accumulated losses	Equity attributable to owners of the	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	Company	\$'000	\$'000
<b>2018</b>								
<b>At 1 January 2018</b>	69,490	(55)	171	330	(98,667)	(28,731)	(1,183)	(29,914)
Profit for the year	-	-	-	-	8,993	8,993	-	8,993
Foreign currency translation differences arising from foreign operations	-	-	-	(1,166)	-	(1,166)	(4)	(1,170)
<b>Total comprehensive income for the year</b>	-	-	-	(1,166)	8,993	7,827	(4)	7,823
<b>Transactions with owners, recorded directly in equity</b>								
Issuance of ordinary shares	44,971	-	-	-	-	44,971	-	44,971
Cancellation of share options	-	-	(171)	-	171	-	-	-
<b>Total transactions with owners</b>	44,971	-	(171)	-	171	44,971	-	44,971
<b>At 31 December 2018</b>	114,461	(55)	-	(836)	(89,503)	24,067	(1,187)	22,880

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
<b>2019</b>				
<b>At 1 January 2019</b>	114,461	(55)	-	(98,816)
Loss for the year	-	-	-	(8,142)
<b>Total comprehensive income for the year</b>	-	-	-	(8,142)
<b>At 31 December 2019</b>	114,461	(55)	-	(106,958)
<b>2018</b>				
<b>At 1 January 2018</b>	69,490	(55)	171	(102,726)
Profit for the year	-	-	-	3,739
<b>Total comprehensive income for the year</b>	-	-	-	3,739
<b>Transactions with owners, recorded directly in equity</b>				
Issuance of ordinary shares	44,971	-	-	-
Cancellation of share options	-	-	(171)	171
<b>Total transactions with owners</b>	44,971	-	(171)	171
<b>At 31 December 2018</b>	114,461	(55)	-	(98,816)

- 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 are no outstanding share options as of 31 December 2019.

Treasury shares

Treasury shares held as at 31 December 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 year ended 31 December 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.**

**Issued Share Capital**

	31-Dec-19	31-Dec-18
<b>Issued and paid-up shares</b>	<b>5,619,902,579</b>	<b>5,619,902,579</b>
Total number of shares held as treasury	(470,000)	(470,000)
<b>Issued and paid-up shares net of treasury shares</b>	<b>5,619,432,579</b>	<b>622,680,724</b>

- 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.

- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion :-**  
**(a) Updates on the efforts taken to resolve each outstanding audit issue.**  
**(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

**This is not required for any audit issue that is a material uncertainty relating to going concern.**

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**

	<b>Group</b>	
	<b>Full Year</b>	
	<b>2019</b>	<b>2018</b>
<b>Loss per share of the Group:</b>		
(a) (Loss) / Profit attributable to owners of the Company (S\$'000)	<b>(16,881)</b>	<b>8,993</b>
Weighted average number of ordinary shares ('000)	<b>5,619,433</b>	<b>3,867,147</b>
<b>Basic (loss)/earnings per share (cents)</b>	<b>(0.30)</b>	<b>0.23</b>
(b) (Loss)/Profit attributable to owners of the Company (S\$'000)	<b>(16,881)</b>	<b>8,993</b>
Adjusted weighted average number of ordinary shares ('000)	<b>5,619,433</b>	<b>3,867,147</b>
<b>Diluted (loss)/earnings per share (cents)</b>	<b>(0.30)</b>	<b>0.23</b>

**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**

	<b>Group</b>		<b>Company</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Net assets/(liabilities) (S\$'000)	<b>7,139</b>	<b>22,880</b>	<b>7,448</b>	<b>15,590</b>
Number of ordinary shares ('000)	<b>5,619,433</b>	<b>5,619,433</b>	<b>5,619,433</b>	<b>5,619,433</b>
<b>Net assets/(liabilities) value per share (cents)</b>	<b>0.1</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>

- 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 FY2019:***

The Group reported loss after tax of S\$16.9 million for the year ended 31 December 2019 ("FY2019") as compared to profit after tax of S\$9.0 million for the year ended 31 December 2018 ("FY2018") due to the following factors:

Total revenue decreased by S\$9.9 million, or 13.7%, to S\$62.5 million FY2019 as compared to S\$72.4 million in FY2018. The decrease in total revenue was due to decrease in revenue from both the Group's Equipment segment of S\$7.3 million and the Group's Vessel Chartering segment of S\$2.6 million.

Sales revenue from the Equipment segment decreased by S\$7.3 million, or 12.0%, to S\$53.3 million in FY2019 as compared to S\$60.6 million in FY2018 mainly due to uncertainty caused by the trade war and slowdown in global economic conditions.

Charter revenue from the Vessel Chartering segment decreased by S\$2.6 million, or 22.0%, to S\$9.2 million in FY2019 as compared to S\$11.8 million in FY2018 mainly due to lower utilization of the vessels. Two vessels completed dry-docking in FY2019 and another two vessels were off-hired in September & October 2019 due to the expiry of the charter contract.

Total cost of sales decreased by S\$7.6 million, or 13.0%, to S\$50.5 million in FY2019 as compared to S\$58.1 million in FY2018 mainly due to decrease in cost of sales of equipment parts by S\$7.2 million, or 14.4%, to S\$42.6 million in tandem with the decline in sales.

Overall gross profit margin % decreased to 19.1% in FY2019 as compared to 19.7% in FY2018. Gross profit for Equipment segment decreased by S\$0.2 million while the gross profit for Vessel Chartering segment decreased by S\$2.3 million due to lower utilization with two vessels off-hire for dry-docking and another two vessels expired of the charter contract.

Other income decreased by S\$13.8 million, to loss of S\$0.9 million in FY2019 due to the recognized the gain in the debt to equity swap of S\$12.5 million in FY2018 and the loss on deconsolidation of subsidiaries of S\$1.2 million.

Administrative expenses decreased by S\$1.4 million, or 17.9% in FY2019 to S\$6.3 million in FY2019 mainly due to decrease in staff-related costs and legal expenses incurred.

Other expenses increased by S\$12.1 million, to S\$16.3 million in FY2019 mainly due to higher impairment loss of the carrying value of our vessels by S\$7.7 million and also a higher impairment loss on trade receivables by S\$5.5 million mainly from Vessel Chartering segment.

Net finance costs were S\$1.0 million in FY2019 as compared to net finance costs of S\$2.4 million in FY2018. This is due to decrease in bank borrowings resulted from the Scheme of Arrangement that was successfully implemented in May 2018.

**Other comprehensive income for FY 2019:**

Foreign currency translation loss of S\$0.05 million arising from foreign operations in FY2019 related mainly to the Group's net investment in foreign operations.

**Statement of Financial Position**

The Group's Property, plant and equipment decreased by S\$8.1 million, or 30.0%, to S\$18.9 million as at 31 December 2019 mainly due to impairment loss on vessels of S\$7.7 million and depreciation expenses of S\$3.4 million by an increase in the recognition of Right-of-use asset of S\$2.4 million in accordance with SFRS(I) 16.

Inventories decreased by S\$3.6 million, or 15.9%, to S\$18.9 million as at 31 December 2019 due to clearance of old inventories and decrease in purchases made.

Trade and other receivables decreased by S\$7.6 million, or 39.8%, to S\$11.5 million as of 31 December 2019 mainly due to impairment loss on trade receivables in the Vessel Chartering segment of S\$5.8 million and decrease in sales in the Equipment segment.

Trade and other payables decreased by S\$1.2 million, or 7.8%, to S\$14.3 million as at 31 December 2019 mainly due to decrease in trade-related payables of S\$1.1 million.

Loans and borrowing decreased by S\$3.0 million, or 9.9% to S\$27.5 million at 31 December 2019 mainly due to repayment of loans and borrowing and offset by recognition of lease liabilities of S\$2.1 million under SFRS(I) 16.

**Statement of Cash Flows**

In FY2019, the Group reported net cash outflows of S\$0.9 million, mainly comprising net cash inflows from operating activities of S\$6.2 million, offset by net cash outflows from investing activities of S\$1.0 million due to capital expenditure, and net cash outflows from financing activities of S\$6.1 million.

At 31 December 2019, the Group's cash and cash equivalents amounted to S\$2.5 million (31 December 2018: S\$3.3million).

## 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 Kuala Lumpur against the Company;
- (collectively, the “Litigation”).

On 3 October 2018, the Court issued its 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 issued from Malaysia High Court filed by 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 Court 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 was initially fixed for hearing on 20 November 2019. However, before the Company’s striking out application could be heard, Sumatec was wound up by a court order on 15 October 2019. An Official Receiver was appointed to be the liquidator of Sumatec.

As a result of which, the Official Receiver of Sumatec had to inform the Court whether it was giving sanction to appoint Sumatec’s previous lawyers to continue with the civil suit. The Court have schedule a case management on 9 March 2020 to update on the status of the sanction application and to fix further dates for Company’s striking out application, and also fixed the Sumatec suit for trial on 27 to 30 July 2020.

## Material Litigation (Cont'd)

### 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.

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 was only heard in part on 21 January 2020 due to the Federal Court's time constraints. The appeal is currently fixed for case management on 3 March 2020 to fix a date for the continued hearing of the said appeal.

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. On 16 December 2019, the Company filed an application to strike out the said civil suit filed by Tan Sri Halim bin Saad. The Company's striking out the application is currently fixed for case management on 12 March 2020.

**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 and recent Corona Virus Disease 19 (“COVID-19”) outbreak has cast uncertainty over the outlook of Equipment Segment and Vessel Chartering Segment

The Company has taken steps to address the challenging markets and operating conditions of the Vessel Chartering Segment and has sold three vessels, as well as entered into a conditional sale agreement to dispose of another vessel.

As for the Equipment Segment, the Company is actively taking steps to streamline cost structure with a view to improving the profitability of this business. The unpredictable situation of COVID-19 has seriously affected the operation of Equipment Segment as the Group’s manufacturing plants are situated in China and Korea. Hence, the outlook for the Equipment Segment is highly dependent on the duration of virus outbreak.

**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 Segmented revenue and results for business or geographical segments (of the group\_ in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

**Business Segments**

Information about reportable segments

	Design and manufacture		Trading and distribution		Vessel chartering		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	<b>38,193</b>	43,527	<b>15,048</b>	17,065	<b>9,240</b>	11,794	<b>62,481</b>	72,386
Finance income	<b>5</b>	1	<b>0</b>	0	<b>0</b>	0	<b>5</b>	1
Finance costs	<b>(466)</b>	(1,220)	<b>(234)</b>	(290)	<b>(347)</b>	(889)	<b>(1,047)</b>	(2,399)
Depreciation	<b>(1,398)</b>	(1,141)	<b>(365)</b>	(272)	<b>(1,587)</b>	(1,691)	<b>(3,350)</b>	(3,104)
Reportable segment profit before income tax	<b>(697)</b>	(2,390)	<b>526</b>	109	<b>(14,370)</b>	(1)	<b>(14,541)</b>	(2,282)
Unallocated income							0	12,492
Unallocated expenses							(2,073)	(1,327)
Profit/(loss) before income tax for the year							<b>(16,614)</b>	<b>8,883</b>
<b>Material non-cash items:-</b>								
Allowance written back/(allowance) for slow	804	449	118	89	-	-	922	538
Impairment loss on trade receivables	(178)	(340)	(67)	(97)	(5,492)	-	(5,737)	(437)
Bad debts written (off) /back for doubtful debts		90		17	-	-	0	107
Impairment on property, plant and equipment	-	-	-	-	(7,737)	(1,235)	(7,737)	(1,235)
<b>Capital expenditure:-</b>								
Purchase of property, plant and equipment	(80)	(1,217)	(144)	(351)	(1,596)	-	<b>(1,820)</b>	(1,568)

## Business Segments (cont'd)

### Assets and liabilities

	Design and manufacture		Trading and distribution		Vessel chartering		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	28,540	33,822	10,042	9,417	8,479	22,796	47,061	66,035
Unallocated assets							5,598	6,744
<b>Total assets</b>							<b>52,659</b>	<b>72,779</b>
Reportable segment liabilities	15,547	19,866	6,488	3,644	17,377	19,626	39,412	43,136
Unallocated liabilities								
- interest-bearing borrowings							66	90
- others							6,042	6,632
<b>Total liabilities</b>							<b>45,520</b>	<b>49,858</b>

## Geographical Segments

### Geographical information

	Revenue		Non-current assets(excluding financial instruments and deferred tax assets)	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore	346	800	2,916	12,756
Australia	18,474	20,140	749	2,797
United States of America	6,759	8,628	-	-
Other ASEAN countries	8,300	13,007	1,734	3,643
Other Asian countries	24,449	15,689	6,617	7,796
Others	4,153	14,122	-	-
	<b>62,481</b>	<b>72,386</b>	<b>12,016</b>	<b>26,992</b>

- 14 **In view the review of performance, the factors leading to any material contributions to turnover and earnings by the operating segments.**

Please refer to paragraph 8 above.

**15 A breakdown of sales as follows:-**

	<b>Group</b>		
	<b>2019</b>	<b>2018</b>	<b>increase /(decrease)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Sales reported for the first half year	32,538	33,798	4%
Operating profit/(loss) after tax before deducting non-controlling interests reported for first half year	(922)	10,946	N.M
Sales reported for second half year	29,943	38,588	22%
Operating (loss) after tax before deducting non-controlling interests reported for second half year	(15,959)	(1,953)	N.M

**16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

None

**17 Interested Person Transactions**

<b>Year ended 31 December 2019</b>	
<b>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 Manual)</b>	<b>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)</b>
<b><u>\$'000</u></b>	<b><u>\$'000</u></b>
<p><b><u>Name of interested person</u></b> Hoe Leong Plastic Industry (China) Ltd - Rental expense</p>	<p>389</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p>

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

**18 List of persons occupying managerial positions of the Company or any of its principal subsidiaries who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Company.**

**Financial year ended 31 December 2019**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and year the position was first held	Details of changes in duties and position held, if any, during the year
Mdm Kuah Geok Khim	66	Sister of Messrs Kuah Geok Lin, Kuah Geok Khim and Quah Yoke Hwee- Substantial Shareholders	Joined on 01/04/1975.  Currently, she is a Senior Manager (Operations & Administration) of Hoe Leong Crawler Parts Pte Ltd Her duties include general office administration, maintenance and procurement of office equipment and computerization, inventory management and management information system.  Her scope also includes sales and purchases cum import and export functions.	None. N/A
Raymond Quah Eng Kiat	41	Son of Mr Quah Yoke Hwee – Substantial Shareholders.	Joined 01/04/2010. Currently, he is General Manager of Hoe Leong Crawler Parts Pte Ltd. His duties include operations & management of the spare parts business.	None. N/A
Kuah Zhichao Kelvin	37	Son of Mr Kuah Geok Khim – Substantial Shareholders	Joined 10/10/2011 Currently, he is General Manager (Sales and Marketing). His duties include all business development functions of the spare parts business.	None. N/A

**19 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

28 February 2020