



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

First quarter financial statements and related announcement for the financial year ended 31 March 2020

The Board of Directors of Hoe Leong Corporation Ltd. (the "Company") is pleased to announce the consolidated results for the financial year ended 31 March 2020. 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	1 Jan 2020 to	1 Jan 2019 to	Increase /
		31 Mar 2020	31 Mar 2019	(decrease)
		\$'000	\$'000	%
Revenue		10,610	17,214	(38.4)%
Cost of sales		(9,090)	(13,952)	(34.8)%
Gross profit		1,520	3,262	(53.4)%
Other income	2	58	76	(23.7)%
Distribution expenses		(790)	(920)	(14.1)%
Administrative expenses		(1,618)	(1,640)	(1.3)%
Other expenses		1,059	(1,152)	N.M.
Results from operating activities		229	(374)	N.M.
Finance costs	1	(339)	(282)	20.2 %
Net finance costs		(339)	(282)	20.2 %
Loss before income tax	2	(110)	(656)	N.M.
Income tax credit/(expense)		64	(103)	N.M.
Loss for the period		(46)	(759)	N.M.
Loss attributable to:				
Owners of the Company		(46)	(759)	N.M.
Loss for the period		(46)	(759)	N.M.

N.M. - Not meaningful

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

	1 Jan 2020 to 31 Mar 2020	1 Jan 2019 to 31 Mar 2019	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Loss for the period	(46)	(759)	N.M
Other comprehensive income			
Foreign currency translation differences arising from foreign operations	(259)	(282)	(8.2)%
Other comprehensive income, net of tax	(259)	(282)	N.M
Total comprehensive income for the period	(305)	(1,041)	N.M
Total comprehensive income attributable to :			
Owners of the Company	(305)	(1,019)	N.M
Non-controlling interests	-	(22)	N.M
Total comprehensive income for the period	(305)	(1,041)	N.M

:

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

Note 1 Finance costs comprise the following:

	1 Jan 2020 to 31 Mar 2020	1 Jan 2019 to 31 Mar 2019	Increase / (decrease)
	\$'000	\$'000	%
Interest paid and payable on:-			
- Loans and borrowings	(320)	(277)	15.5 %
- Leases	(19)	(5)	280.0 %
Total	(339)	(282)	

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

	1 Jan 2020 to 31 Mar 2020	1 Jan 2019 to 31 Mar 2019	Increase / (decrease)
	\$'000	\$'000	%
Allowance written back for slow-moving inventories included in other expenses	729	112	N.M.
Allowance for doubtful debt written back, included in other expenses	14	-	N.M.
Bad debts written off, included in other expenses	(5)	-	N.M.
Gain on disposal of property, plant and equipment, net, included in other expenses	141	-	N.M.
Depreciation of property, plant & equipment equipment and right of use assets, net, included in other expenses	(500)	(714)	(30.0)%
Foreign exchange gain / (loss), net, included in other expenses	862	(411)	N.M.
Expenses relating to short-term leases, included in other expenses	(113)	(300)	(62.3)%
Rental income, included in other Income	24	16	50.0 %

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

	Group		Company	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	11,659	12,016	3,631	3,846
Investments in subsidiaries	-	-	10,298	10,298
Deferred tax assets	741	701	-	-
Non-current assets	12,400	12,717	13,929	14,144
Inventories	17,167	18,993	-	-
Trade and other receivables	10,539	11,542	3,258	3,046
Cash and cash equivalents	1,441	2,499	71	73
	29,147	33,034	3,329	3,119
Assets held for sale	5,035	6,909	-	-
Current assets	34,182	39,943	-	-
Total assets	46,582	52,660	17,258	17,263
Equity				
Share capital	114,461	114,461	114,461	114,461
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(1,138)	(879)	-	-
Accumulated losses	(106,434)	(106,388)	(106,970)	(106,988)
Equity attributable to owners of the Company	6,834	7,139	7,436	7,418
Total equity	6,834	7,139	7,436	7,418
Liabilities				
Loans and borrowings	1,552	1,588	1,051	1,189
Deferred tax liabilities	38	38	19	19
Non-current liabilities	1,590	1,626	1,070	1,208
Trade and other payables	13,908	14,341	4,436	4,312
Loans and borrowings	20,613	25,922	728	737
Loan from non-controlling shareholder of a former subsidiary	3,588	3,588	3,588	3,588
Current tax payable	49	44	-	-
Current liabilities	38,158	43,895	8,752	8,637
Total liabilities	39,748	45,521	9,822	9,845
Total equity and liabilities	46,582	52,660	17,258	17,263

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

Non-Current

As at 31 Mar 2020		As at 31 Dec 2019		As at 31 Mar 2020	As at 31 Dec 2019
Secured	Unsecured	Secured	Unsecured	Non-current	Non-current
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
392	1,160	399	1,189	1,552	1,588

Current

As at 31 Mar 2020		As at 31 Dec 2019		As at 31 Mar 2020	As at 31 Dec 2019
Secured	Unsecured	Secured	Unsecured	Current	Current
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
12,561	7,306	19,475	6,447	19,867	25,922

Total

As at 31 Mar 2020		As at 31 Dec 2019		As at 31 Mar 2020	As at 31 Dec 2019
Secured	Unsecured	Secured	Unsecured		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
13,699	8,466	19,874	7,636	22,165	27,510

Loan and borrowings as at 31 March 2020 is S\$22,165,000 (31 December 2019: S\$27,510,000) which includes lease liabilities of S\$2,184,000 (31 December 2019: S\$2,326,000).

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 March 2020, 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 S\$7,293,000 (31 Dec 2019: S\$7,528,000) have been reclassified from non-current liabilities to current liabilities.

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

	Group	
	1 Jan 2020 to 31 Mar 2020	1 Jan 2019 to 31 Mar 2019
	<u>\$'000</u>	<u>\$'000</u>
Operating activities		
Loss before income tax	(110)	(656)
Adjustments for:		
Depreciation of property, plant and equipment	500	714
Finance costs	339	282
Gain on disposal of property, plant and equipment	(141)	-
Write-back of allowance for slow moving inventories	(729)	(112)
Write-back of allowance of doubtful debts	(9)	-
Operating cash flows before changes in working capital	(150)	228
Change in working capital:		
Inventories	2,404	284
Trade and other receivables	913	842
Trade and other payables	(782)	(1,753)
Cash flows from operations	2,385	(399)
Income taxes paid	(33)	-
Cash flows from operating activities	2,352	(399)
Investing activities		
Purchase of property, plant and equipment	(121)	(493)
Proceed from sale of fixed assets	2,358	-
Net cash outflow on deconsolidation of subsidiary	-	(5)
Cash flows from investing activities	2,237	(498)
Financing activities		
Finance costs paid	(139)	(279)
Proceeds from bills payable and trust receipts	155	289
Repayment of bills payable and trust receipts	(1,467)	-
Payment of finance lease liabilities	(184)	(46)
Proceeds from interest-bearing borrowings	-	1,225
Repayment of interest-bearing borrowings	(3,815)	(1,434)
Cash flows from financing activities	(5,450)	(245)
Net decrease in cash and cash equivalents	(861)	(1,142)
Cash and cash equivalents at beginning of the period	2,499	3,264
Effect of exchange rate fluctuations	(197)	3
Cash and cash equivalents at end of the period	1,441	2,125

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

Group	Share capital \$'000	Treasury shares \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
2020					
At 1 January 2020	114,461	(55)	(879)	(106,388)	7,139
Total comprehensive income for the period					
Loss for the period	-	-	-	(46)	(46)
Foreign currency translation differences arising from foreign operations	-	-	(259)	-	(259)
Total comprehensive income for the period	-	-	(259)	(46)	(305)
At 31 March 2020	<u>114,461</u>	<u>(55)</u>	<u>(1,138)</u>	<u>(106,434)</u>	<u>6,834</u>

Group	Share capital \$'000	Treasury shares \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
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 (NOTE5)	-	-	-	(4)	(4)	-	(4)
At 1 January 2019 restated	<u>114,461</u>	<u>(55)</u>	<u>(836)</u>	<u>(89,507)</u>	<u>24,063</u>	<u>(1,187)</u>	<u>22,876</u>
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	<u>114,461</u>	<u>(55)</u>	<u>(1,096)</u>	<u>(90,266)</u>	<u>23,044</u>	<u>(1,209)</u>	<u>21,835</u>

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

Company	Share capital \$'000	Treasury shares \$'000	Accumulate d losses \$'000	Total equity \$'000
2020				
At 1 January 2020	114,461	(55)	(106,988)	7,418
Total comprehensive income for the period				
Profit for the period	-	-	18	18
Total comprehensive income for the period	-	-	18	18
At 31 March 2020	<u>114,461</u>	<u>(55)</u>	<u>(106,970)</u>	<u>7,436</u>
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>(99,086)</u>	<u>15,320</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 are no outstanding share options as of 31 March 2020.

Treasury shares

Treasury shares held as at 31 March 2020 is 470,000 shares (31 December 2019: 470,000 shares).

There were no transactions relating to sale, transfer, disposal, cancellation and/or use of treasury shares during the year ended 31 March 2020.

- 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-Mar-20	31-Dec-19
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.

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.

The Company's latest financial statements have included a disclaimer of opinion with respect to the use of the going concern basis of accounting in its report. Please see paragraph 10 for more details.

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 2019.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I) 3)
- Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 Insurance Contracts

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	
	1 Jan 2020 to 31 Mar 2020	1 Jan 2019 to 31 Mar 2019
Loss per share of the Group:		
(a) Loss attributable to owners of the Company (S\$'000)	(46)	(759)
Weighted average number of ordinary shares ('000)	5,619,433	5,619,433
Basic loss per share (cents)	(0.00)	(0.01)
(b) Loss attributable to owners of the Company (S\$'000)	(46)	(759)
Adjusted weighted average number of ordinary shares ('000)	5,619,433	5,619,433
Diluted loss per share (cents)	(0.00)	(0.01)

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	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
Net assets (S\$'000)	6,834	7,139	7,436	7,418
Number of ordinary shares ('000)	5,619,433	5,619,433	5,619,433	5,619,433
Net assets value per share (cents)	0.1	0.1	0.1	0.1

- 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 Q1 FY2020:

The Group reported loss after tax of S\$0.05 million for the period ended 31 March 2020 ("Q1 FY2020") as compared to loss after tax of S\$0.8 million for the period ended 31 March 2019 ("Q1 FY2019") due to the following factors:

Total revenue decreased by S\$6.6 million, or 38.4%, to S\$10.6 million in Q1 FY 2020 as compared to S\$17.2 million in Q1 FY2019. The decrease in total revenue was due to decrease in revenue from both the Group's Equipment segment of S\$4.6 million and the Group's Vessel Chartering segment of S\$2.0 million.

Sales revenue from the Equipment segment decreased by S\$4.6 million, or 30.5%, to S\$10.5 million in Q1 FY2020 as compared to S\$15.1 million in Q1 FY2019 mainly due to uncertainty caused by the trade war, slowdown in global economic conditions and lockdown of manufacturing facilities due to Covid-19.

Charter revenue from the Vessel Chartering segment decreased by S\$2.0 million, or 94.0%, to S\$0.1 million in Q1 FY2020 as compared to S\$2.1 million in Q1 FY2019 as the Group now has a smaller fleet with lower utilization. Revenue from charter hire contracts which are experiencing collection issues have also been de-recognised in the Group's financial statements. Two vessels were sold in end February 2020 and early March 2020, and one vessel was off-hire due to the expiry of the charter contract and is pending completion of its disposal.

Total cost of sales decreased by S\$5.0 million, or 34.8%, to S\$9.1 million in 1Q FY2020 as compared to S\$14.0 million in 1Q FY2019 mainly due to decrease in the cost of sales of equipment parts by S\$3.2 million, or 26.4%, to S\$8.9 million in tandem to the decrease in sales.

Overall gross profit margin decreased to 14.3% in 1Q FY2020 as compared to 18.9% in 1Q FY2019. Gross profit for the Equipment segment decreased by S\$1.3 million while Vessel Chartering segment suffered a loss of S\$0.1 million mainly due to the expiry of the charter hire contract.

Distribution expenses decreased by S\$0.1 million, or 14.1% in 1Q FY 2020 to S\$0.9 million mainly due to a decrease in selling & distribution-related costs.

Other expenses decreased by S\$2.2 million, in 1Q FY2020 mainly due to higher write back of slow-moving inventories of S\$0.7million, a gain of disposal of property, plant & equipment of S\$0.1 million, foreign exchange gain of S\$0.9 million.

Net finance costs were S\$0.34 million in 1Q FY2020 as compared to net finance costs of S\$0.28 million in 1Q FY2019. The increase in bank borrowings cost is due to delay of payment of bank loan in Vessel Chartering segment.

Statement of Financial Position

The Group's Property, plant and equipment decreased by S\$0.4 million, or 3.0%, to S\$11.7 million as at 31 March 2020 mainly due to depreciation charge of these assets.

Assets held for sales decreased by S\$1.9 million, or 27.1%, to S\$5.0 million as at 31 March 2020 mainly due to disposal of two vessels during 1Q FY 2020.

Inventories decreased by S\$1.8 million, or 9.6%, to S\$17.2 million as at 31 March 2020 due to clearance of old inventories and decrease in purchases made.

Trade and other receivables decreased by S\$1.0 million, or 8.7%, to S\$10.5 million as of 31 March 2010 mainly due to decrease in sales.

Trade and other payables decreased by S\$0.4 million, or 3.0%, to S\$13.9 million as at 31 March 2020 mainly due to reducing the purchase of good for sales.

Loans and borrowing decreased by S\$5.3 million, or 19.4% to S\$22.1 million at 31 March 2020 mainly repayment of loans and borrowing.

Statement of Cash Flows

In Q1 FY2020, the Group reported net cash outflows of S\$0.9 million, mainly comprising net cash inflows from operating activities of S\$2.4 million, net cash inflows from investing activities of S\$2.2 million mainly due to disposal of assets, and net cash outflows from financing activities of S\$5.5 million.

At 31 March 2020, the Group's cash and cash equivalents amounted to S\$1.4 million (31 March 2019: S\$2.1million).

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**”):

- I. Singapore High Court Suit No. 534 of 2016;
- II. Singapore High Court Suit No. 808 of 2017;
- III. Sumatec’s counterclaim in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur against the Company; and
- IV. 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**”).

The Settlement Agreement is conditional upon the approval of the Official Receiver of Malaysia on behalf of Ebony, Sumatec’s Board of Directors and the Company’s Board of Directors (“**Approvals**”), to be provided by 3 May 2018 (“**Approval Date**”). The Approval Date was extended to 6 June 2018. On 6 June 2018, the Official Receiver did not approve the terms of the Settlement Agreement due to issues relating as to whether the Official Receiver could handle the issuance of the redeemable convertible preference shares (RCPS). The Settlement Agreement ceased to take effect and the legal suits were reinstated.

I. Singapore High Court Suit No. 534 of 2016 (Ebony vs Sumatec)

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 22 February 2019, the Singapore Court of Appeal dismissed Sumatec’s appeal against the above judgment with costs of S\$20,000.

Premised on the Singapore High Court and Court of Appeal judgments, it is calculated that hitherto, Sumatec is to pay the Company RM47,832,599 and S\$106,100 plus post-judgment interest.

This contingent asset has not been recognised as realisation is uncertain.

II. Singapore High Court Suit No. 808 of 2017 (the Company vs (1) Sumatec (2) Mr Chan)

The Company commenced the suit on 31 August 2017 before the Singapore High Court against Sumatec and Mr Chan for (among others) damages for conspiracy and causing loss by unlawful means to the Company in relation to their refusal and/or failure to extend funds to the Semua Group in breach of the Shareholders’ Agreement dated 5 May 2010 entered into between Sumatec, Ebony and SISB.

By an Order of Court dated 7 December 2018, the Company was granted leave to discontinue Suit 808 against Mr Chan on the basis of the same cause of action in Suit 808 in Singapore or any other jurisdiction.

III. Counterclaim by Sumatec in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur

Sumatec commenced a counterclaim in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur against the Company and Setinggi Holdings Ltd ("**Setinggi**") ("**KL Counterclaim**") which relates to the same matters and seeks substantially the same reliefs as in Kuala Lumpur High Court Suit No. WA-22NCC-142-04/2017 commenced by Sumatec against the Company, Ebony, Setinggi, Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Teh Teong Lay (has been struck out pursuant to an Order of Court granted by the Singapore High Court on 30 November 2017 restraining Sumatec from maintaining and/or continuing the prosecution Suit No. WA-22NCC-142-04/2017).

On 16 April 2018, the Court of Appeal struck out the KL Counterclaim.

IV. Sumatec's claim in Suit No. WA-22NCC-65-02/2019 before the High Court of Malaya at Kuala Lumpur against the Company

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 engaged solicitors to defend against 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 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. On 24 February 2020, Sumatec informed the Court that it was seeking to appoint a private liquidator, Mr Onn Kien Hoe from Messrs Crowe Malaysia PLT for Sumatec. The Court has fixed the matter for Case Management on 13 May 2020 for the Court to be updated whether the Official Receiver has given its approval for the said private liquidator to be appointed for Sumatec

On 6 March 2020, the Company filed an application for security for costs against Sumatec. The said application is also fixed for Case Management on 28 May 2020.

The Court has also fixed the matter for trial on 27 to 30 July 2020.

As at 31 March 2020, the proceedings are still on-going. The outcome of the proceedings remains uncertain.

(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:

1. A declaration that the Company has conducted the affairs of Ebony in a manner that is oppressive to the Plaintiff;
2. Ebony is to be wound up and the Official Receiver be appointed as the liquidator of Ebony;
3. the Company is to pay general damages with interest to the Plaintiff, to be assessed by the Court through an assessment process; and
4. 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 Appeals 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 continued hearing on 20 May 2020.

The assessment of damages proceeding in the High Court is currently fixed for case management on 4 June 2020 to update the Court on the outcome of the said Federal Court Appeal. The damages cannot be estimated reliably and hence, the Company made no provision in the financial statements in FY2019.

The Official Receiver of Ebony Ritz Sdn Bhd had previously 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 filed an appeal against the said High Court order allowing Auspicious Journey's Stay OS. The appeal has since been withdrawn with no order as to costs.

While the Court has issued an order in favour of the minority shareholder, the amount of damages has not been assessed. As the proceedings for the assessment of damages are still at an early stage and cannot be estimated reliably, no provision has been made in the financial statements. The loan of \$3,600,000 payable to the minority shareholder which is included in current liabilities is also subject to the outcome of the aforementioned proceedings for the assessment of damages.

(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 striking out of the application is currently fixed for hearing on 10 August 2020.

As at 31 March 2020, the proceedings are still at an early stage. The outcome of the proceedings remains uncertain.

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. In addition, the current Covid-19 is having an impact on our business, in particular, the Equipment segment.

The Company has taken deliberate 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 and the Company actively locating a buyer for the remaining vessel. As such the Company will completely exit from Vessel Chartering business.

As for the Equipment segment, the Group's China and Korean production facilities have been given permission to resume production. However, we are adversely affected by falling demand of track chains globally, and the Group is seeing some supply chain issues especially with respect to the procurement of raw materials. The Company is actively taking steps to streamline its cost structure with a view to improving the profitability of this business.

The auditors have issued a disclaimer opinion on page 28 of the Company's annual report for the financial year ended 31 December 2019 due to multiple uncertainties cast doubt over the Group's and Company's ability to continue as a going concern. The Company has been working on the divestment on some of its assets. The Group has appointed RSM Corporate Advisory Pte Ltd ("**RSM**") to assist the Group in its strategic review of the Group's existing businesses and in the formulation of plans to improve the financial position and/or performance of the Group.

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

In view of Group's current year and accumulated losses, no dividend had been declared or recommended for the financial period ended 31 March 2020.

13 Interested Person Transactions

Period ended 31 March 2020		
	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)	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>
<u>Nature of relationship</u> Hoe Leong Plastic Industry (China) Ltd - Rental expense	90	-

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

14 Negative Assurance Confirmation

We, Liew Yoke Pheng, Joseph and Choy Bing Choong, 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 that may render the unaudited financial results of the Group for the financial period ended 31 March 2020 to be materially false or misleading.

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

14 May 2020