



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Full-year financial statements and related announcement for the financial year ended 31 December 2018

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 2018. 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		
		2018	2017	Increase / (decrease)
		\$'000	\$'000	%
Revenue		72,386	62,547	15.7 %
Cost of sales		(58,105)	(52,729)	10.2 %
Gross profit		14,281	9,818	45.5 %
Other income	2	12,887	256	N.M.
Distribution expenses		(4,100)	(4,344)	(5.6)%
Administrative expenses		(7,631)	(7,701)	(0.9)%
Other expenses		(4,156)	(40,794)	(89.8)%
Results from operating activities		11,281	(42,765)	N.M.
Finance income	1	1	2	(50.0)%
Finance costs	1	(2,399)	(4,234)	(43.3)%
Net finance costs		(2,398)	(4,232)	(43.3)%
Profit / (Loss) before income tax	2	8,883	(46,997)	N.M.
Income tax expense		110	(872)	N.M.
Profit / (Loss) for the year		8,993	(47,869)	N.M.
Profit/(Loss) attributable to:				
Owners of the Company		8,993	(47,869)	N.M.
Profit / (Loss) for the year		8,993	(47,869)	N.M.

N.M. - Not meaningful



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

	Full Year		
	2018	2017	Increase / (decrease)
	\$'000	\$'000	%
Profit /(Loss) for the year	8,993	(47,869)	N.M
Other comprehensive income			
Foreign currency translation differences arising from foreign operations	(1,170)	274	N.M
Other comprehensive income, net of tax	(1,170)	274	N.M
Total comprehensive income for the year	7,823	(47,595)	N.M
Total comprehensive income attributable to :			
Owners of the Company	7,827	(47,539)	N.M
Non-controlling interests	(4)	(56)	(92.9)%
Total comprehensive income for the year	7,823	(47,595)	N.M
N.M. - Not meaningful			

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

Note 1

Full year		
2018	2017	Increase / (decrease)
\$'000	\$'000	%

Finance income comprises the following:

Finance income :-

- Bank deposits	1	2	(50.0)%
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Finance costs comprise the following:

Interest paid and payable on:-

- Trust receipts	(152)	(357)	(57.4)%
- Bank loans and overdrafts	(1,911)	(3,611)	(47.1)%
- Finance leases	(19)	(14)	35.7 %
- Shareholder's loan	(317)	(178)	78.1 %
- Other borrowings	-	(74)	N.M.

Total	(2,399)	(4,234)	
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Note 2 Profit / (Loss) before income tax is stated after (charging) / crediting the following:

	Full year		
	2018	2017	Increase / (decrease)
	\$'000	\$'000	%
(Write back)/allowance of slow moving inventories^	(538)	375	N.M.
Impairment of trade receivables,net^	330	5,371	(93.9)%
Gain on disposal of property, plant and equipment,net^	(102)	(10)	N.M
Impairment loss on property, plant and equipment^	1,235	32,098	(96.2)%
Depreciation of property, plant and equipment	3,104	5,086	(39.0)%
Foreign exchange (gain) / loss, net^	(1,058)	524	N.M
Operating lease expenses^	1,630	1,371	18.9 %
Rental income+	(64)	(63)	1.6 %
Gain on debt to equity swap * +	(12,492)	-	N.M.

^ Included in Other expenses

+ Included in Other income

* Share Capital increased from S\$69.490 million to S\$114.461 million following the conversion of indebtedness to Scheme Creditors (financial institutions and the ultimate holding company) to equity shares of the Company under the Scheme of Arrangement ("SOA") on 8 May 2018.

On 8 May 2018, the Company allotted and issued 4,996,751,855 Scheme Shares at S\$0.0115 each. The issue price was calculated with reference to the volume weighted average shares traded in the immediate 22 trading days prior to this Share Distribution under the SOA. In accordance with SFRS(I) INT 19, when equity instruments are issued to creditors to extinguish financial liabilities, an entity shall measure the equity instruments at the fair value of the equity instruments issued. The fair value of the shares issued is calculated with reference to the closing share price on 8 May 2018. The difference between the carrying amount of the financial liabilities extinguished and fair value of equity instruments, amounting to S\$12.492 million, is recognized in profit or loss.

The Share Capital of the Company has increased by S\$44.971 million (4,996,751,855 shares at S\$0.009 each).

Under the SOA, S\$20.428 million of the loans from financial institutions were restructured with revised terms and repayment periods.



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

	Group		Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	26,992	29,739	2,213	2,024
Investments in subsidiaries	-	-	13,800	8,778
Investments in associates	-	-	-	-
Deferred tax assets	814	539	-	-
Non-current assets	27,806	30,278	16,013	10,802
Inventories	22,581	23,509	-	-
Trade and other receivables	19,128	15,997	3,813	9,016
Cash and cash equivalents	3,264	2,478	41	114
Current assets	44,973	41,984	3,854	9,130
Total assets	72,779	72,262	19,867	19,932
Equity				
Share capital *	114,461	69,490	114,461	69,490
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve#	(836)	330	-	-
Share-based compensation reserve	-	171	-	171
Accumulated losses *#	(89,503)	(97,640)	(98,816)	(101,626)
Equity attributable to owners of	24,067	(27,704)	15,590	(32,020)
Non-controlling interests	(1,187)	(1,183)	-	-
Total equity	22,880	(28,887)	15,590	(32,020)
Liabilities				
Financial liabilities *	19,351	794	184	-
Deferred tax liabilities	38	38	19	19
Non-current liabilities	19,389	832	203	19
Trade and other payables *	15,553	28,548	4,031	35,065
Financial liabilities *	11,174	67,766	43	16,625
Loan from non-controlling shareholders of subsidiaries	3,573	3,565	-	-
Current tax payable	210	438	-	243
Current liabilities	30,510	100,317	4,074	51,933
Total liabilities	49,899	101,149	4,277	51,952
Total equity and liabilities	72,779	72,262	19,867	19,932

* Please refer to the explanation on page 3.

Please refer to the explanation on note 5 or page 10.



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

Non-Current

As at 31 Dec 2018		As at 31 Dec 2017		As at 31 Dec 2018	As at 31 Dec 2017
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>
13,781	5,570	794	-	19,351	794

Current

As at 31 Dec 2018		As at 31 Dec 2017		As at 31 Dec 2018	As at 31 Dec 2017
Secured	Unsecured	Secured	Unsecured	Current	Current
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
10,554	620	47,830	19,936	11,174	67,766

Total

As at 31 Dec 2018		As at 31 Dec 2017		As at 31 Dec 2018	As at 31 Dec 2017
Secured	Unsecured	Secured	Unsecured		
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
24,335	6,190	48,624	19,936	30,525	68,560

Details of any collateral:-

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



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

	Group	
	Full year	
	2018	2017
	\$'000	\$'000
Operating activities		
Profit /(Loss) before income tax	8,883	(46,997)
Adjustments for:		
Depreciation of property, plant and equipment	3,104	5,086
Finance income	(1)	(2)
Finance costs	2,399	4,234
Gain on disposal of property, plant and equipment, net	(102)	(10)
Impairment loss on property, plant and equipment	1,235	32,098
(Write back)/allowance of slow moving inventories	(538)	375
Impairment of trade receivables, net	330	5,371
Cancellation of stock options	(171)	-
Gain on debt to equity swap	(12,492)	-
Operating cash flows before changes in working capital	2,647	155
Change in working capital:		
Inventories	653	1,372
Trade and other receivables	(3,731)	5,484
Trade and other payables	3,125	5,984
Cash flows from operations	2,694	12,995
Income taxes paid	(424)	(1,069)
Cash flows from operating activities	2,270	11,926
Investing activities		
Finance income received	1	2
Purchase of property, plant and equipment	(1,043)	(1,517)
Proceed from disposal of property, plant and equipment	133	49
Cash flows from investing activities	(909)	(1,466)
Financing activities		
Finance costs paid	(1,808)	(1,727)
Proceeds from bills payable and trust receipts	11,579	6,352
Repayment of bills payable and trust receipts	(9,506)	(7,056)
Proceeds from finance lease liabilities	-	32
Payment of finance lease liabilities	(140)	(102)
Proceeds from interest-bearing borrowings	3,808	-
Repayment of interest-bearing borrowings	(3,668)	(8,855)
Cash flows from financing activities	265	(11,356)
Net increase / (decrease) in cash and cash equivalents	1,626	(896)
Cash and cash equivalents at beginning of the year	1,727	2,338
Effect of exchange rate fluctuations	(89)	285
Cash and cash equivalents at end of the year**	3,264	1,727
Note : **		
Cash and cash equivalents in the statement of financial position	3,264	2,478
Bank Overdraft used for cash management purposes	-	(751)
Cash and cash equivalents in the statement of cash flows	3,264	1,727



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

Group	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
2018								
Balance at 31 December 2017 (As previously reported)	69,490	(55)	171	(1,299)	(96,011)	(27,704)	(1,183)	(28,887)
Reclassification of cumulative FCTR on adoption of SFRS(I) 1 (NOTE 5)	-	-	-	1,629	(1,629)	-	-	-
Balance at 31 December 2017 (Restated)	69,490	(55)	171	330	(97,640)	(27,704)	(1,183)	(28,887)
Impairment allowance of trade and other receivables on adoption of SFRS(I) 9 (NOTE 5)	-	-	-	-	(1,027)	(1,027)	-	(1,027)
At 1 January 2018 restated	69,490	(55)	171	330	(98,667)	(28,731)	(1,183)	(29,914)
Total comprehensive income for the year								
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)
Total comprehensive income for the year	-	-	-	(1,166)	8,993	7,827	(4)	7,823
Transactions with owners, recorded directly in equity								
Issue of ordinary shares	44,971	-	-	-	-	44,971	-	44,971
Cancellation of share options	-	-	(171)	-	171	-	-	-
Total transactions with owners	44,971	-	(171)	-	171	44,971	-	44,971
At 31 December 2018	114,461	(55)	-	(836)	(89,503)	24,067	(1,187)	22,880

Group	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
2017								
At 1 January 2017 (As previously reported)	69,490	(55)	171	(1,629)	(48,142)	19,835	(1,127)	18,708
Reclassification of cumulative FCTR on adoption of SFRS(I) 1 (Note 5)	-	-	-	1,629	(1,629)	-	-	-
At 1 January 2017 restated	69,490	(55)	171	-	(49,771)	19,835	(1,127)	18,708
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(47,869)	(47,869)	-	(47,869)
Foreign currency translation differences arising from foreign operations	-	-	-	330	-	330	(56)	274
Total comprehensive income for the year	-	-	-	330	(47,869)	(47,539)	(56)	(47,595)
At 31 December 2017	69,490	(55)	171	330	(97,640)	(27,704)	(1,183)	(28,887)



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

Company	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
2018					
At 1 January 2018	69,490	(55)	171	(101,626)	(32,020)
Impairment allowance of trade and other receivables on adoption of SFRS(I) 9 (Note 5)	-	-	-	(1,100)	(1,100)
At 1 January 2018 restated	69,490	(55)	171	(102,726)	(33,120)
Total comprehensive income for the year					
Profit for the year	-	-	-	3,739	3,739
Total comprehensive income for the year	-	-	-	3,739	3,739
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	44,971	-	-	-	44,971
Cancellation of share options	-	-	(171)	171	-
Total transactions with owners	44,971	-	(171)	171	44,971
At 31 December 2018	114,461	(55)	-	(98,816)	15,590
2017					
At 1 January 2017	69,490	(55)	171	(50,176)	19,430
Total comprehensive income for the year					
Loss for the year	-	-	-	(51,450)	(51,450)
Total comprehensive income for the year	-	-	-	(51,450)	(51,450)
At 31 December 2017	69,490	(55)	171	(101,626)	(32,020)



- 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

On 8 May 2018, the Company has allotted and issued 4,996,751,855 shares to Scheme Creditors (financial institutions and the ultimate holding company) under the Scheme of Arrangement. The shares were issued pari passu with existing shares and are, inter alia, entitled to receive dividends as declared from time to time, and to vote at general meetings of the Company. All shares rank equally with regards to the Company's residual assets.

Following the issue of the shares, the total number of shares (net of treasury shares) has increased from 622,680,579 shares to 5,619,432,579 shares.

Share Options

There are no outstanding share options as of 31 December 2018 (31 December 2017:881,000). All outstanding share options were cancelled during the year with the consent of all option holders.

	Share options outstanding
Balance at 1 January 2018	881,000
Share options cancelled	(881,000)
Balance at 31 December 2018	-

Treasury shares

Treasury shares held as at 31 December 2018 is 470,000 shares (31 December 2017: 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 2018.

- 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 2018	31 Dec 2017
Issued and paid-up shares	623,150,724	623,150,724
Total number of shares held as treasury	(470,000)	(470,000)
Total number of issued shares during the year	4,996,751,855	-
Issued and paid-up shares net of treasury shares	5,619,432,579	622,680,724



- 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 2017.

- 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 2018 are as follows :

SFRS (I) 1

Foreign Currency Translation Reserve (FCTR)

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition (1 January 2017) and reclassify the cumulative FCTR of S\$1,629,000 as at 1 January 2017 to accumulated losses. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

SFRS (I) 9

The Group and Company adopted SFRS(I) 9 and elected to apply the standard prospectively from the effective date 1 January 2018, and recognized the difference between the previous carrying amount and the carrying amount at 1 January 2018 in opening accumulated losses. Arising from the adoption of SFRS(I) 9, an impairment allowance amounting to S\$1,027,000 and S\$1,100,000 has been recognized on trade and other receivables in the Group and Company respectively.



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	
	Full Year	
Earnings per share of the Group:	2018	2017
(a) Profit / (Loss) attributable to owners of the Company (S\$'000)	8,993	(47,869)
Weighted average number of ordinary shares ('000)	3,862,029	622,681
Basic earnings/(loss) per share (cents)	0.23	(7.69)
(b) Profit / (Loss) attributable to owners of the Company (S\$'000)	8,993	(47,869)
Weighted average number of ordinary shares ('000)	3,862,029	622,681
Diluted earnings/(loss) per share (cents)	0.23	(7.69)

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 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Net assets/(liabilities) (S\$'000)	22,880	(28,887)	15,590	(32,020)
Number of ordinary shares ('000)	5,619,433	622,681	5,619,433	622,681
Net assets/(liabilities) value per share (cents)	0.4	(4.6)	0.3	(5.1)



- 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 FY2018:

The Group reported profit after tax of S\$9.0 million for the year ended 31 December 2018 ("FY2018") as compared to loss after tax of S\$47.9 million for the year ended 31 December 2017 ("FY2017") due to the following factors:

Total revenue increased by S\$9.8 million, or 15.7%, to S\$72.4 million FY2018 as compared to S\$62.5 million in FY2017. The increase in total revenue was due to increase in revenue from both the Group's Equipment segment of S\$8.9 million and the Group's Vessel Chartering segment of S\$0.9 million.

Sales revenue from the Equipment segment increased by S\$8.9 million, or 17.2%, to S\$60.6 million in FY2018 as compared to S\$51.7 million in FY2017 mainly due to higher sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment increased by S\$0.9 million, or 8.7%, to S\$11.8 million in FY2018 as compared to S\$10.8 million in FY2017.

Total cost of sales increased by S\$5.4 million, or 10.2%, to S\$58.1 million in FY2018 as compared to S\$52.7 million in FY2017 mainly due to increase in cost of sales of equipment parts by S\$8.4 million or 20.4% to S\$49.8 million, offset by decrease in cost of sales (due to lower depreciation cost) of the Vessel Chartering segment by S\$3.1 million or 27% to S\$8.3 million in FY2018.

Overall gross profit margin increased to 19.7% in FY2018 as compared to 15.7% in FY2017. This is due to increased gross profit for Equipment segment by S\$0.5 million and Vessel Chartering segment by S\$4.0 million in FY2018.

Other income increased by S\$12.6 million, to S\$12.9 million in FY2018 due to the gain recognized from the difference between carrying value of financial liabilities extinguished and fair value equity shares issued in the debt to equity swap of S\$12.5 million, and sales of scrapped raw material of S\$0.1 million.

Distribution expenses decreased by S\$0.2 million, or 5.6%, to S\$4.1 million in FY2018 mainly due to decrease in advertising, packing and delivery expenses.

Administrative expenses decreased slightly by 0.9% in FY2018 to S\$7.6 million in FY2018 mainly due to decrease in staff related costs offset by higher legal expenses incurred. .

Other expenses decreased by S\$36.6 million, or 89.8% to S\$4.2 million in FY2018 mainly due to decrease in allowance of doubtful debts trade receivables of S\$5.0 million, decrease in provision of stock obsolescence of \$0.2 million, decrease in impairment of property, plant and equipment of S\$30.9 million and foreign exchange gain of S\$1.3 million offset by provision for closure of a non-profitable operation of \$0.8 million in FY2018.

Net finance costs was S\$2.4 million in FY2018 as compared to net finance costs of S\$4.2 million in FY2017. 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 FY2018:

Foreign currency translation loss of S\$1.2 million arising from foreign operations in FY2018 is 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

Property, plant and equipment decreased by S\$2.7 million, or 9.2%, to S\$27.0 million as at 31 December 2018 mainly due to impairment loss of \$1.2 million and depreciation expenses of \$3.1 million offset by new purchases of \$1.5 million.

Inventories decreased by S\$0.9 million, or 3.9%, to S\$22.6 million as at 31 December 2018 due to increase in sales of equipment parts in the last quarter.

Trade and other receivables increased by S\$3.1 million, or 19.6%, to S\$19.1 million as at 31 December 2018 mainly due to increase in last quarter's sales.

Financial liabilities decreased by S\$38.0 million, or 55.5%, to S\$30.5 million at 31 December 2018 mainly due to the debt to equity swap.

Trade and other payables decreased by S\$13.0 million, or 45.5%, to S\$15.6 million as at 31 December 2018 mainly due to the debt to equity swap.

Statement of Cash Flows

In FY2018, the Group generated net cash inflows of S\$1.6 million, mainly comprising net cash inflows from operating activities of S\$2.3 million, offset by net cash outflows from investing activities of S\$0.9 million due to capital expenditure, and net cash inflows from financing activities of S\$0.3 million.

At 31 December 2018, the Group's cash and cash equivalents amounted to S\$3.3 million (31 December 2017: S\$1.7million).



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 March 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 is 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;
- (collectively, the “Litigation”).

The Settlement Agreement is conditional upon the approval of the Official Receiver of Malaysia on behalf of Ebony (“Official Receiver”), 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, 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.

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

- (i) RM10,000,000;
- (ii) Pre-judgment interest at the rate of 5.33% per annum on the judgment sum (ie RM10,000,000) from the date of accrual ranged from 31 March 2012 to 24 September 2012;
- (iii) As well as costs in the sum of S\$40,000.

The Company has proposed the appointment of a private liquidator to replace Official Receiver. The Official Receiver has filed the Appointment application to the High Court of Malaysia. However, the minority shareholder of Ebony has filed a Stay Application. On 4 January 2019, the Court had granted an interim order of the Stay Application.

Pursuant to an order made on 10 October 2018, Sumatec’s defence has been struck out. By an Order of Court dated 7 December 2018, the Company was granted leave to discontinue Suit 808 against Mr Chan with no order as to costs subject to the condition that the Company shall not bring any new proceedings against Mr Chan on the basis of the same cause of action in Suit 808 in Singapore or any other jurisdiction.

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

Further to the Company’s announcement released on 12 November 2018, the High Court gave an Order partially in favour of the Plaintiff and ordered, amongst others, as follows:

- (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 cost of RM300,000 to the Plaintiff.

Both the Plaintiff and the Company appealed against the Order. The Company, in particular, appealed against part (a), (c) and (d) of the Order whilst the Plaintiff appealed against part (b) of the Order. The Appeals were heard on 21 November 2017 and 21 May 2018 in the Court of Appeal. Both were dismissed.



Material Litigation (Cont'd)

(B) Kuala Lumpur High Court -Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd (Con'td)

The Plaintiff filed an application for leave to appeal to the Federal Court against the dismissal of its Appeal by the Court of Appeal. Whilst it was initially fixed for hearing in the Federal Court on 31 January 2019, the Federal Court has since vacated the hearing date and scheduled a case management date on 27 February 2019 to reschedule the hearing date for the application. The Company, upon legal advice, did not file such application for leave to appeal to the Federal Court.

(C) Chimbusco Pan Nation Petro-chemical Co Ltd vs Arkstar Ship Management Pte Ltd (“ASM”) – suit no. HCA1199/2015

As announced on 18 January 2019, the trial and hearing of the legal action has been concluded and that the Court has given an Order on 11 January 2019. The Court ruled against ASM on the basis that ASM's defence and counterclaim was excluded according to the interpretation of the Contract and the factual finding that the bunkers were not contaminated. ASM is required by the Court to pay the principal claim amount, interest relating to the claim and party-to-party costs. Provision was made accordingly as at 31 December 2018. The plaintiff has filed an application for winding up of ASM with High Court of Singapore. The application is scheduled to be heard at the Court on 15 March 2019.

ASM is currently seeking legal advice and exploring all of its options in respect of the above mentioned Order.

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 Equipment segment continues to face a competitive market. The Group will continue to review its operations to improve efficiencies and align its resources to market needs.

For the Vessel Chartering segment, the Group is expecting the environment in FY 2019 to be challenging. Oversupply will continue to put pressure on charter rates. All the vessels are due for dry docking in 2019; one vessel has completed dry docking in the first quarter of 2019.



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	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	43,527	36,878	17,065	14,820	11,794	10,849	72,386	62,547
Finance income	1	1	0	1	0	0	1	2
Finance costs	(1,220)	(1,477)	(290)	(405)	(889)	(2,352)	(2,399)	(4,234)
Depreciation	(1,141)	(1,125)	(272)	(244)	(1,691)	(3,717)	(3,104)	(5,086)
Reportable segment profit before income tax	(2,390)	(3,000)	109	(6,578)	(1)	(36,342)	(2,282)	(45,920)
Unallocated income							12,492	0
Unallocated expenses							(1,327)	(1,077)
Profit/(loss) before income tax for the year							8,883	(46,997)



Business Segments (cont'd)

	Design and manufacture		Trading and distribution		Vessel chartering		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Material non-cash items:-								
(Allowance)/written back for slow-moving inventories	(449)	192	(89)	183	-	-	(538)	375
Impairment of trade receivables	(250)	-	(80)	(5,276)	-	(95)	(330)	(5,371)
Impairment on property, plant and equipment	-	-	-	-	(1,235)	(32,098)	(1,235)	(32,098)
Capital expenditure:-								
Purchase of property, plant and equipment	1,187	(442)	350	(243)	-	(832)	1,537	(1,517)
Reportable segment assets	33,822	33,288	9,417	12,110	22,796	23,532	66,035	68,930
Unallocated assets							6,744	3,332
Total assets							72,779	72,262
Reportable segment liabilities	19,866	21,544	3,684	4,679	19,626	44,091	43,176	70,314
Unallocated liabilities							90	10,525
- interest-bearing borrowings							6,632	20,310
- others								
Total liabilities							49,898	101,149

Geographical Segments

	Revenue		Non-current assets(excluding financial instruments and deferred tax assets)	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Singapore	800	1,253	12,756	14,177
Australia	20,140	19,069	2,797	2,736
United States of America	8,628	5,175	-	-
Other ASEAN countries	13,007	12,575	3,643	4,668
Other Asian countries	15,689	13,723	7,796	8,158
Others	14,122	10,752	-	-
	72,386	62,547	26,992	29,739

- 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:-

	Group		
	2018	2017	increase /(decrease)
	\$'000	\$'000	%
Sales reported for the first half year	33,798	29,321	-15%
Operating profit/(loss) after tax before deducting non-controlling interests reported for first half year	10,946	(11,120)	N.M.
Sales reported for second half year	38,588	33,226	-16%
Operating (loss) after tax before deducting non-controlling interests reported for second half year	(1,953)	(36,749)	95%

N.M - Not meaningful

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

	Year ended 31 December 2018	
	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>
Hoe Leong Plastic Industry (China) Ltd		
- Rental expense	446	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	317 ^{^^}	-

^{^^} The loan was converted to Scheme Shares as part of SOA.

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 2018

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, Executive Directors of the Company	Operations Manager, 01/04/1975 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 – Executive Director of the Company	Senior Manager (Sales and Marketing) 01/04/2010 at Group level and concurrently holding the position of Director with Arkstar Ship Management Pte Ltd Responsible for the sales and marketing functions and management of the Group's vessel business.	None. N/A
Alvin Kuah Han Zhou	39	Son of Mr Kuah Geok Lin – Chairman & CEO of the Company	Senior Manager (Business Development) 01/04/2010 at Group level and concurrently holding the position of Director with Arkstar Offshore Pte Ltd Responsible for the business development functions of the Group's vessel business.	None. N/A
Kuah Zhichao Kelvin	37	Son of Mr Kuah Geok Khim – Executive Director of the Company	Senior Manager (Business Development) 10/10/2011 His duties include all business development functions of the Group 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

Kuah Geok Lin
Chairman and CEO
1 March 2019