



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Third quarter financial statements and related announcement for the financial period ended 30 September 2018

The Board of Directors of Hoe Leong Corporation Ltd. (the "Company") is pleased to announce the consolidated results for the financial period ended 30 September 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	Third Quarter			Nine Months		
		1 Jul 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	Increase / (decrease)	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017	Increase / (decrease)
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		18,184	16,749	8.6 %	51,982	46,070	12.8 %
Cost of sales		(14,141)	(12,986)	8.9 %	(41,421)	(38,607)	7.3 %
Gross profit		4,043	3,763	7.4 %	10,561	7,463	41.5 %
Other income	2	97	97	- %	12,799	224	N.M.
Distribution expenses		(1,110)	(1,148)	(3.3)%	(3,073)	(3,221)	(4.6)%
Administrative expenses		(1,938)	(1,826)	6.1 %	(6,007)	(5,611)	7.1 %
Other expenses		(768)	(1,773)	(56.7)%	(1,095)	(9,181)	(88.1)%
Results from operating activities		324	(887)	N.M.	13,185	(10,326)	N.M.
Finance income	1	-	-	N.M.	-	20	N.M.
Finance costs	1	(302)	(773)	(60.9)%	(2,111)	(2,228)	(5.3)%
Net finance costs		(302)	(773)	(60.9)%	(2,111)	(2,208)	(4.4)%
Profit / (Loss) before income tax	2	22	(1,660)	(101.3)%	11,074	(12,534)	N.M.
Income tax expense		17	(130)	N.M.	(89)	(376)	(76.3)%
Profit / (Loss) for the period		39	(1,790)	(102.2)%	10,985	(12,910)	N.M.
Profit/(Loss) attributable to:							
Owners of the Company		39	(1,790)	N.M.	10,985	(12,910)	N.M.
Profit / (Loss) for the period		39	(1,790)	N.M.	10,985	(12,910)	N.M.

N.M. - Not meaningful

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

	Third Quarter			Nine Months		
	1 Jul 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	Increase / (decrease)	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Profit /(Loss) for the period	39	(1,790)	N.M	10,985	(12,910)	N.M
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	383	(124)	N.M	(499)	352	N.M
Other comprehensive income, net of tax	<u>383</u>	<u>(124)</u>	N.M	<u>(499)</u>	<u>352</u>	N.M
Total comprehensive income for the period	<u>422</u>	<u>(1,914)</u>	N.M	<u>10,486</u>	<u>(12,558)</u>	N.M
Total comprehensive income attributable to :						
Owners of the Company	353	(1,907)	N.M	10,491	(12,573)	N.M
Non-controlling interests	69	(7)	N.M	(5)	15	N.M
Total comprehensive income for the period	<u>422</u>	<u>(1,914)</u>	N.M	<u>10,486</u>	<u>(12,558)</u>	N.M

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

Note 1 Finance income comprise the following:

	Third Quarter			Nine Months		
	1 Jul 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	Increase / (decrease)	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Finance Income :-						
- Bank Deposits	-	-	N.M.	-	20	N.M.
Total	<u>-</u>	<u>-</u>		<u>-</u>	<u>20</u>	

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

Note 1 Finance costs comprise the following:

	Third Quarter			Nine Months		
	1 Jul 2018 to	1 Jul 2017 to	Increase /	1 Jan 2018 to	1 Jan 2017 to	Increase /
	30 Sep 2018	30 Sep 2017	(decrease)	30 Sep 2018	30 Sep 2017	(decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest paid and payable on:-						
- Trust receipts	-	(54)	N.M.	(152)	(154)	(1.3)%
- Bank loans and Overdrafts	(298)	(665)	(55.2)%	(1,628)	(1,916)	(15.0)%
- Finance leases	(4)	(4)	- %	(14)	(10)	40.0 %
- Loan from Immediate Holding Company	-	(46)	N.M.	(317)	(128)	N.M
- Others	-	(4)	N.M.	-	(20)	N.M.
Total	(302)	(773)		(2,111)	(2,228)	

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

	Third Quarter			Nine Months		
	1 Jul 2018 to	1 Jul 2017 to	Increase /	1 Jan 2018 to	1 Jan 2017 to	Increase /
	30 Sep 2018	30 Sep 2017	(decrease)	30 Sep 2018	30 Sep 2017	(decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Provision for stock obsolescence written back	203	44	N.M	470	186	N.M
Allowance charged for doubtful debts	(101)	-	N.M.	(197)	(3,446)	(94.3)%
Bad debts written (off) / back	(5)	-	N.M.	62	-	N.M.
Inventories written-back / (off)	21	-	N.M.	(3)	109	N.M.
Impairment loss of property, plant and equipment	-	-	N.M.	-	(2,570)	N.M.
Depreciation of property, plant and equipment	(764)	(1,158)	(34.0)%	(2,355)	(3,803)	(38.1)%
Foreign exchange gain / (loss), net	(115)	(1,009)	(88.6)%	907	(1,161)	N.M.
Operating lease expenses	(269)	(359)	(25.1)%	(909)	(978)	(7.1)%
Rental income	16	17	(5.9)%	48	47	2.1 %
Gain on disposal of property, plant and equipment	10	26	(61.5)%	98	26	N.M.
Gain on debt to equity swap *	-	-	N.M.	12,492	-	N.M.

* 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	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	28,977	29,739	2,240	2,024
Investments in subsidiaries	-	-	8,778	8,778
Deferred tax assets	586	539	-	-
Non-current assets	29,563	30,278	11,018	10,802
Inventories	24,393	23,509	-	-
Trade and other receivables	18,499	15,997	4,707	8,476
Cash and cash equivalents	2,610	2,478	57	114
Current assets	45,502	41,984	4,764	8,590
Total assets	75,065	72,262	15,782	19,392
Equity				
Share capital *	114,461	69,490	114,461	69,490
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(164)	330	-	-
Share-based compensation reserve	171	171	171	171
Accumulated losses *	(87,135)	(97,640)	(103,508)	(101,626)
Equity attributable to owners of the Company	27,278	(27,704)	11,069	(32,020)
Non-controlling interests	(1,188)	(1,183)	-	-
Total equity	26,090	(28,887)	11,069	(32,020)
Liabilities				
Financial liabilities *	21,078	794	195	-
Deferred tax liabilities	20	38	20	19
Non-current liabilities	21,098	832	215	19
Trade and other payables *	14,402	28,548	4,455	35,065
Financial liabilities *	9,647	67,766	43	16,625
Loan from non-controlling shareholders of subsidiaries	3,581	3,565	-	-
Current tax payable	247	438	-	243
Current liabilities	27,877	100,317	4,498	51,933
Total liabilities	48,975	101,149	4,713	51,952
Total equity and liabilities	75,065	72,262	15,782	19,932

* Please refer to the explanation on page 3.

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

Non-Current

As at 30 Sep 2018		As at 31 Dec 2017		As at 30 Sep 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>
15,328	5,750	794	-	21,078	794

Current

As at 30 Sep 2018		As at 31 Dec 2017		As at 30 Sep 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>
9,087	560	47,830	19,936	9,647	67,766

Total

As at 30 Sep 2018		As at 31 Dec 2017		As at 30 Sep 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>
24,415	6,310	48,624	19,936	30,725	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		Group	
	Third Quarter		Nine Months	
	1 Jul 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Profit /(Loss) before income tax	22	(1,660)	11,074	(12,534)
Adjustments for:				
Depreciation of property, plant and equipment	764	1,158	2,355	3,803
Impairment loss of property, plant and equipment	-	-	-	2,570
Impairment losses on trade and other receivables	101	-	197	3,446
Bad debt written off /(back)	5	-	(62)	-
Finance income	-	-	-	(20)
Finance costs	302	773	2,111	2,228
Gain on disposal of property, plant and equipment	(10)	(26)	(98)	(26)
Gain on debt to equity swap	-	-	(12,492)	-
Operating cash flows before changes in working capital	1,184	245	3,085	(533)
Change in working capital:				
Inventories	8	(180)	(884)	1,525
Trade and other receivables	140	1,192	(3,117)	465
Trade and other payables	(1,494)	(300)	1,978	4,037
Cash flows from operations	(162)	957	1,062	5,494
Income taxes paid	(123)	(181)	(358)	(387)
Cash flows from operating activities	(285)	776	704	5,107
Investing activities				
Finance income received	-	-	-	20
Purchase of property, plant and equipment	(132)	(49)	(1,442)	(1,110)
Proceeds from sale of fixed assets	10	-	98	-
Cash flows from investing activities	(122)	(49)	(1,344)	(1,090)
Financing activities				
Finance costs paid	(302)	(166)	(618)	(1,087)
Proceeds from bills payable, invoice financing and trust receipts	3,217	-	6,505	39
Repayment of bills payable, invoice financing and trust receipts	(1,469)	(107)	(6,032)	-
Proceeds from finance lease liabilities	83	32	498	32
Payment of finance lease liabilities	(26)	(27)	(91)	(76)
Proceeds from interest-bearing borrowings	-	-	4,868	-
Repayment of interest-bearing borrowings	(717)	(360)	(2,795)	(4,015)
Cash flows from financing activities	786	(628)	2,335	(5,107)
Net increase / (decrease) in cash and cash equivalents	379	99	1,695	(1,090)
Cash and cash equivalents at beginning of the period	2,439	1,994	1,727	2,338
Effect of exchange rate fluctuations	(208)	157	(812)	1,002
Cash and cash equivalents at end of the period **	2,610	2,250	2,610	2,250
Note : **				
Cash and cash equivalents in the statement of financial position	2,610	3,246	2,610	3,246
Bank Overdraft used for cash management purposes	-	(996)	-	(996)
Cash and cash equivalents in the statement of cash flows	2,610	2,250	2,610	2,250

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								
At 1 January 2018	69,490	(55)	171	(1,299)	(96,011)	(27,704)	(1,183)	(28,887)
Total comprehensive income for the period								
Reclassification of cumulative FCTR on adoption of SFRS(I) 1 (NOTE 5)	-	-	-	1,629	(1,629)	-	-	-
Additional impairment allowance on trade and other receivables on adoption of SFRS(I) 9 (NOTE 5)	-	-	-	-	(480)	(480)	-	(480)
At 1 January 2018 restated	69,490	(55)	171	330	(98,120)	(28,184)	(1,183)	(29,367)
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(1,436)	(1,436)	-	(1,436)
Foreign currency translation differences arising from foreign operations	-	-	-	(388)	-	(388)	(95)	(483)
Total comprehensive income for the period	-	-	-	(388)	(1,436)	(1,824)	(95)	(1,919)
At 31 March 2018	69,490	(55)	171	(58)	(99,556)	(30,008)	(1,278)	(31,286)
Total comprehensive income for the period								
Profit for the period	-	-	-	-	12,382	12,382	-	12,382
Foreign currency translation differences arising from foreign operations	-	-	-	(420)	-	(420)	21	(399)
Total comprehensive income for the period	-	-	-	(420)	12,382	11,962	21	11,983
Transactions with owners, recorded directly in equity								
Issuance of ordinary shares	44,971	-	-	-	-	44,971	-	44,971
Total transactions with owners	44,971	-	-	-	-	44,971	-	44,971
At 30 June 2018	114,461	(55)	171	(478)	(87,174)	26,925	(1,257)	25,668
Total comprehensive income for the period								
Profit for the period	-	-	-	-	39	39	-	39
Foreign currency translation differences arising from foreign operations	-	-	-	314	-	314	69	383
Total comprehensive income for the period	-	-	-	314	39	353	69	422
At 30 September 2018	114,461	(55)	171	(164)	(87,135)	27,278	(1,188)	26,090

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

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	69,490	(55)	171	(1,629)	(48,142)	19,835	(1,127)	18,708
Total comprehensive income for the period								
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 period								
Loss for the period	-	-	-	-	(5,755)	(5,755)	-	(5,755)
Foreign currency translation differences arising from foreign operations	-	-	-	708	-	708	66	774
Total comprehensive income for the period	-	-	-	708	(5,755)	(5,047)	66	(4,981)
At 31 March 2017	66,490	(55)	171	708	(55,526)	14,788	(1,061)	13,727
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(5,365)	(5,365)	-	(5,365)
Foreign currency translation differences arising from foreign operations	-	-	-	(254)	-	(254)	(44)	(298)
Total comprehensive income for the period	-	-	-	(254)	(5,365)	(5,619)	(44)	(5,663)
At 30 June 2017	66,490	(55)	171	454	(60,891)	9,169	(1,105)	8,064
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(1,790)	(1,790)	-	(1,790)
Foreign currency translation differences arising from foreign operations	-	-	-	(117)	-	(117)	(7)	(124)
Total comprehensive income for the period	-	-	-	(117)	(1,790)	(1,907)	(7)	(1,914)
At 30 September 2017	66,490	(55)	171	337	(62,681)	7,262	(1,112)	6,150

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					
Total comprehensive income for the period					
At 1 January 2018	69,490	(55)	171	(101,626)	(32,020)
Additional impairment allowance on trade and other receivables on adoption of SFRS(I) 9 (Note 5)	-	-	-	(270)	(270)
At 1 January 2017 restated	69,490	(55)	171	(101,896)	(32,290)
Total comprehensive income for the period					
Loss for the period	-	-	-	(885)	(885)
Total comprehensive income for the period	-	-	-	(885)	(885)
At 31 Marh 2018	69,490	(55)	171	(102,781)	(33,175)
Total comprehensive income for the period					
Loss for the period	-	-	-	(557)	(557)
Total comprehensive income for the period	-	-	-	(557)	(557)
Transactions with owners, recorded directly in equity					
Issuance of ordinary shares	44,971	-	-	-	44,971
Total transactions with owners	44,971	-	-	-	44,971
At 30 June 2018	114,461	(55)	171	(103,338)	11,239
Total comprehensive income for the period					
Loss for the period	-	-	-	(170)	(170)
Total comprehensive income for the period	-	-	-	(170)	(170)
At 30 September 2018	114,461	(55)	171	(103,508)	11,069
2017					
At 1 January 2017	69,490	(55)	171	(50,176)	19,430
Total comprehensive income for the period					
Loss for the period	-	-	-	(4,019)	(4,019)
Total comprehensive income for the period	-	-	-	(4,019)	(4,019)
At 31 March 2017	69,490	(55)	171	(54,195)	15,411
Total comprehensive income for the period					
Loss for the period	-	-	-	(598)	(598)
Total comprehensive income for the period	-	-	-	(598)	(598)
At 30 June 2017	69,490	(55)	171	(54,793)	14,813
Total comprehensive income for the period					
Loss for the period	-	-	-	(344)	(344)
Total comprehensive income for the period	-	-	-	(344)	(344)
At 30 September 2017	69,490	(55)	171	(55,137)	14,469

- 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 issuance 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

Outstanding share options to subscribe for ordinary shares are as follows:

Grant date	Expiry date	Exercise price	Number outstanding as at	
			30-Sep-18	30-Sep-17
13 April 2010	12 April 2020	S\$ 0.34	170,000	250,000
27 April 2010	26 April 2020	S\$ 0.39	300,000	350,000
27 April 2010	26 April 2020	S\$ 0.31	130,000	130,000
5 May 2011	4 May 2021	S\$ 0.23	50,000	50,000
31 May 2012	30 May 2022	S\$ 0.15	231,000	231,000
			881,000	1,011,000

Treasury shares

Treasury shares held as at 30 September 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 period ended 30 September 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

	30-09-18	31-12-17
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 period	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, additional impairment allowance amounting to S\$480,000 and S\$270,000 has been recognized on trade and other receivables in the Group and Company respectively. As not all transition work have been finalized, the assessment made by the Group is preliminary and may be subject to adjustments.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group			
	Third Quarter		Nine Months	
	1 Jul 2018 to 30 Sep 2018	1 Jul 2017 to 30 Sep 2017	1 Jan 2018 to 30 Sep 2018	1 Jan 2017 to 30 Sep 2017
Earnings per share of the Group:				
(a) Profit / (Loss) attributable to owners of the Company (S\$'000)	39	(1,790)	10,985	(12,910)
Weighted average number of ordinary shares ('000)	5,619,433	622,681	3,276,633	622,681
Basic earnings/(loss) per share (cents)	0.00	(0.29)	0.34	(2.07)
(b) Profit / (Loss) attributable to owners of the Company (S\$'000)	39	(1,790)	10,985	(12,910)
Adjusted weighted average number of ordinary shares ('000)	5,619,433	622,681	3,276,633	622,681
Diluted earnings/(loss) per share (cents)	0.00	(0.29)	0.34	(2.07)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	30 Sep 2018	31 Dec 2017	30 Sep 2018	31 Dec 2017
Net assets/(liabilities) (S\$'000)	26,090	(28,887)	11,069	(32,020)
Number of ordinary shares ('000)	5,619,433	622,681	5,619,433	622,681
Net assets/(liabilities) value per share (cents)	0.5	(4.6)	0.2	(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 9M 2018:

The Group reported profit after tax of S\$10.9 million for the nine months ended 30 September 2018 ("9M 2018") as compared to loss after tax of S\$12.9 million for the nine months ended 30 September 2017 ("9M 2017") due to the following factors:

Total revenue increased by S\$5.9 million, or 12.8%, to S\$52.0 million in 9M 2018 as compared to S\$46.1 million in 9M 2017. The increase in total revenue was due to increase in revenue from the Group's Equipment segment of S\$4.7 million and increase in revenue from Group's Vessel Chartering segment of S\$1.2 million.

Sales revenue from the Equipment segment increased by S\$4.7 million, or 12.3%, to S\$43.1 million in 9M 2018 as compared to S\$38.4 million in 9M 2017 mainly due to improvement in sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment increased by S\$1.2 million, or 15.7%, to S\$8.9 million in 9M 2018 as compared to S\$7.7 million in 9M 2017.

Total cost of sales increased by S\$2.8 million, or 7.3%, to S\$41.4 million in 9M 2018 as compared to S\$38.6 million in 9M 2017 mainly due to increase in cost of sales of equipment parts by S\$4.7 million or 15.6% to S\$35.2 million, offset by decrease in cost of sales (due to lower depreciation cost) of the Vessel Chartering segment by S\$1.9 million or 23.7% to S\$6.2 million in 9M 2018.

Overall gross profit margin increased to 20.3% in 9M 2018 as compared to 16.2% in 9M 2017. Gross profit for Equipment segment decreased by \$0.1 million, and Vessel Chartering segment gross profit increased by S\$3.1 million in 9M 2018.

Other income increased by S\$12.6 million to S\$12.8 million in 9M 2018 due to the gain recognized from the difference between the carrying value of financial liabilities extinguished and the fair of value equity shares issued in the debt to equity swap of S\$12.5 million, and sales of scrapped raw material of S\$0.2 million.

Distribution expenses decreased by S\$0.1 million, or 4.6%, to S\$3.2 million in 9M 2018 mainly due to decrease in packing and delivery expenses.

Administrative expenses increased by S\$0.4 million, or 7.1%, to S\$6.0 million in 9M 2018 mainly due to an increase in legal expenses.

Other expenses decreased by S\$8.0 million, or 88.1% to S\$1.1 million in 9M 2018 mainly due to decreases in allowance of doubtful debts on trade receivables of S\$3.4 million, impairment of property, plant and equipment of S\$2.6 million and foreign exchange differences of S\$2.1 million in 9M 2018.

Net finance costs was S\$2.1 million in 9M 2018 as compared to net finance costs of S\$2.2 million in 9M 2017. This is due to lower interest costs resulting from Scheme of Arrangement implemented in May 2018.

Other comprehensive income for 9M 2018:

Foreign currency translation loss of S\$0.5 million arising from foreign operations in 9M 2018 related mainly to the Group's net investment in foreign operations.

Results for Q3 2018:

The Group reported loss after tax of S\$0.02 million for the three months ended 30 September 2018 ("Q3 2018") as compared to loss after tax of S\$1.8 million for the three months ended 30 September 2017 ("Q3 2017") due to the following factors:

Total revenue increased by S\$1.5 million, or 8.6%, to S\$18.2 million in Q3 2018 as compared to S\$16.7 million in Q3 2017. The increase in total revenue was due to increase in revenue from the Group's Equipment segment of S\$1.8 million and offset by decrease in revenue from Group's Vessel Chartering segment of S\$0.3 million.

Sales revenue from the Equipment segment increased by S\$1.8 million, or 13.1%, to S\$15.2 million in Q3 2018 as compared to S\$13.4 million in Q3 2017 mainly due to improvement in sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$0.3 million, or 9.6% to S\$3.0 million in Q3 2018 as compared to S\$3.3 million in Q3 2017 mainly due to revision of charter rate.

Total cost of sales increased by S\$1.2 million, or 8.9%, to S\$14.1 million in Q3 2018 as compared to S\$13.0 million in Q3 2017 mainly due to increase in cost of sales of equipment parts in Equipment segment by S\$1.6 million, or 15.0%, and offset by the decrease in cost of sales (due to lower depreciation cost) of the Vessel Chartering segment by S\$0.4 million, or 17.4% in Q3 2017.

Overall gross profit margin decreased to 22.2% in Q3 2018 as compared to 22.5% in Q3 2017. Despite decrease in gross profit margin, overall gross profit increased by S\$0.3 million, or 7.4% to S\$4.0 million in Q3 2018 as compared S\$3.7 in Q3 2017. The gross profit contribution from the Equipment segment increased by S\$0.2 million and Vessel Chartering segment increased by S\$0.1 million in Q3 2018.

Administrative expenses increased by S\$0.1 million, or 6.1%, to S\$1.9 million in Q3 2018 mainly due to increase in legal fees.

Other expenses decreased by S\$1.0 million, or 56.7%, to S\$0.8 million in Q3 2018 mainly due to decreased in foreign exchange differences of S\$0.9 million.

Net finance costs was S\$0.3 million in Q3 2018 as compared to net finance costs of S\$0.8 million in Q3 2017. This is due to a decrease in bank borrowings.

Other comprehensive income for Q3 2018:

Foreign currency translation gain of S\$0.4 million arising from foreign operations in Q3 2018 relate to the Group's net investment in foreign operations.

Statement of Financial Position

Property, plant and equipment decreased by S\$0.7 million, or 2.4%, to S\$29.0 million as at 30 September 2018.

Inventories increased by S\$0.9 million, or 3.8%, to S\$24.4 million as at 30 September 2018 due to increase in orders for equipment parts.

Trade and other receivables increased by S\$3.0 million, or 19.4%, to S\$18.5 million as at 30 September 2018 mainly due to increase in sales.

Financial liabilities decreased by S\$37.9 million, or 55.2%, to S\$30.7 million at 30 September 2018 mainly due to the debt to equity swap.

Trade and other payables decreased by S\$14.0 million, or 49.1%, to S\$14.5 million as at 30 September 2018 mainly due to the debt to equity swap.

Statement of Cash Flows

In 9M 2018, the Group generated net cash inflows of S\$1.7 million, mainly comprising net cash inflows from operating activities of S\$0.7 million, offset by net cash outflows from investing activities of S\$1.3 million, and net cash inflows from financing activities of S\$2.3 million.

At 30 September 2018, the Group's cash and cash equivalents amounted to S\$2.6 million (31 December 2017: S\$1.7 million).

Material Litigation

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

The Company and Ebony Ritz Sdn Bhd (“Ebony”, an 80%-owned subsidiary of the Company currently under liquidation, with the Official Receiver of Malaysia acting as liquidator) have, pursuant to mediation at the Singapore Mediation Centre on 19 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”). In the event that the Approvals are not obtained by the Approval Date, the terms of the Settlement Agreement shall cease to have effect and parties are released from their obligations under the Settlement Agreement.

Subject to the Approvals being obtained, in exchange for the full and final settlement of all claims in connection with the Litigation, Sumatec shall pay to Ebony the sum of RM 27,000,000 (equivalent to S\$8,881,245) (“Settlement Sum”) in the following manner:

1. Sumatec shall pay Ebony the sum of RM 7,000,000 (equivalent to S\$2,302,545) in cash by no later than the Corporate Exercise Completion Date;
2. Sumatec shall issue to Ebony redeemable convertible preference shares in Sumatec in the value equivalent to RM 20,000,000 (equivalent to S\$6,578,700) by no later than the Corporate Exercise Completion Date.

As the Official Receiver required more time to obtain approval, Sumatec has agreed to extend the Approval Date to 6 June 2018. On 06 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.

The Company is proposing the appointment of a private liquidator to replace Official Receiver to handle the Settlement Agreement. The Official Receiver have filed an application to the High Court of Malaya, it has been fixed for hearing on 7 Jan 2019.

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

Further to the Company’s announcement released on 13 August 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.

The Plaintiff filed an application for leave to appeal to the Federal Court against the dismissal of its Appeal by the Court of Appeal. It is presently fixed for hearing in the Federal Court on 31.1.2019. The Company, upon legal advice, did not file such application for leave to appeal to the Federal Court.

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

Although revenues have increased for the Equipment Manufacturing & Distribution business, the external environment is challenging due a highly competitive market and the slowdown caused by global trade uncertainties. The Group is continuously reviewing its operations.

For the Vessel Chartering segment, whilst oil prices are holding, there continues to be excess supply of vessels. Of our vessels on charter, one vessel is due for dry docking in fourth quarter of the year.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No applicable.

13 Interested Person Transactions

Period ended 30 September 2018		
<u>Name of interested person</u>	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)
	\$'000	\$'000
Hoe Leong Plastic Industry (China) Ltd		
- Rental expense	339	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	317	-

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

14 Negative Assurance Confirmation

We, Kuah Geok Lin and Kuah Geok Khim, being two of the Directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company that may render the unaudited financial results of the Group for the financial period ended 30 September 2018 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

Kuah Geok Lin
Chairman and CEO

12 November 2018