



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

First quarter financial statements and related announcement for the financial period ended 31 March 2016

The Board of Directors of Hoe Leong Corporation Ltd. (the "Company") is pleased to announce the consolidated results for the three months period ended 31 March 2016. 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 2016 to 31 Mar 2016 \$'000	1 Jan 2015 to 31 Mar 2015 \$'000	Increase / (decrease) %
Revenue		13,748	18,475	(25.6)%
Cost of sales		(11,254)	(13,658)	(17.6)%
Gross profit		2,494	4,817	(48.2)%
Other income		594	724	(18.0)%
Distribution expenses		(1,044)	(1,036)	0.8 %
Administrative expenses		(1,848)	(2,965)	(37.7)%
Other expenses		(1,972)	(119)	1,557.1 %
Results from operating activities		(1,776)	1,421	(225.0)%
Finance income		983	26	3,680.8 %
Finance costs	1	(668)	(465)	43.7 %
Net finance costs		315	(439)	171.8 %
Share of results of associate, net of tax		-	471	N.M.
(Loss) / Profit before income tax	2	(1,461)	1,453	(200.6)%
Income tax expense		21	(53)	139.6 %
(Loss) / Profit for the year		(1,440)	1,400	(202.9)%
(Loss) / Profit attributable to:				
Owners of the Company		(1,440)	1,307	(210.2)%
Non-controlling interests		-	93	N.M.
(Loss) / Profit for the year		(1,440)	1,400	(202.9)%

N.M. - Not meaningful

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

	1 Jan 2016 to 31 Mar 2016	1 Jan 2015 to 31 Mar 2015	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
(Loss) / Profit for the year	(1,440)	1,400	(202.9)%
Other comprehensive income			
Foreign currency translation differences arising from foreign operations	(1,808)	414	(536.7)%
Other comprehensive income, net of tax	(1,808)	414	(536.7)%
Total comprehensive income for the year	(3,248)	1,814	(279.1)%
Total comprehensive income attributable to :			
Owners of the Company	(3,138)	1,853	(269.3)%
Non-controlling interests	(110)	(39)	182.1 %
Total comprehensive income for the year	(3,248)	1,814	(279.1)%

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

Note 1 Finance costs comprise the following:

	1 Jan 2016 to 31 Mar 2016	1 Jan 2015 to 31 Mar 2015	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Interest paid and payable on:-			
- trust receipts	(84)	(49)	71.4 %
- bank loans	(524)	(365)	43.6 %
- finance leases	(2)	(4)	(50.0)%
Others	(58)	(47)	23.4 %
Total	(668)	(465)	

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

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

	1 Jan 2016 to 31 Mar 2016	1 Jan 2015 to 31 Mar 2015	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Allowance written-back for slow moving inventories	369	540	(31.7)%
Depreciation of property, plant and equipment	(1,503)	(1,629)	(7.7)%
Foreign exchange (loss) / gain, net*	(1,502)	407	(469.0)%
Operating lease expense	(1,491)	(1,439)	3.6 %
Amortisation of deferred income	1,299	1,299	- %
Rental income	536	528	1.5 %
* Unrealised foreign exchange loss	(1,466)	124	(1,282.3)%
Realised foreign exchange loss	(36)	283	(112.7)%

N.M. - Not meaningful

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

	Group		Company	
	31 March 2016	31 Dec 2015	31 March 2016	31 Dec 2015
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	75,702	79,396	3,290	3,346
Investments in subsidiaries	-	-	23,797	23,797
Investments in associates	-	-	-	-
Deferred tax assets	493	458	-	-
Non-current assets	76,195	79,854	27,087	27,143
Inventories	26,239	27,834	-	9,297
Trade and other receivables	59,959	61,469	105,527	104,729
Cash and cash equivalents	2,311	3,128	70	508
Current Assets	88,509	92,431	105,597	114,534
Total assets	164,704	172,285	132,684	141,677
Equity				
Share capital	69,490	69,490	69,490	69,490
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(3,519)	(1,821)	-	-
Share-based compensation reserve	171	345	171	345
Accumulated (losses) profits	(2,674)	(1,234)	(3,363)	(2,503)
Equity attributable to owners of the Company	63,413	66,725	66,243	67,277
Non-controlling interests	(1,297)	(1,187)	-	-
Total equity	62,116	65,538	66,243	67,277
Liabilities				
Financial liabilities	22,333	33,865	10,439	10,813
Loans from non-controlling shareholders of subsidiaries	3,016	2,901	-	-
Deferred tax liabilities	610	655	19	19
Non-current liabilities	25,959	37,421	10,458	10,832
Trade and other payables	19,300	16,822	17,128	20,988
Financial liabilities	56,126	50,039	37,814	40,240
Current tax payable	162	125	-	-
Deferred income	1,041	2,340	1,041	2,340
Current liabilities	76,629	69,326	55,983	63,568
Total liabilities	102,588	106,747	66,441	74,400
Total equity and liabilities	164,704	172,285	132,684	141,677

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

As at 31 Mar 2016		As at 31 Dec 2015		As at 31 Mar 2016	As at 31 Dec 2015
Secured	Unsecured	Secured	Unsecured	Current	Current
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
18,356	37,770	9,473	40,566	56,126	50,039

As at 31 Mar 2016		As at 31 Dec 2015		As at 31 Mar 2016	As at 31 Dec 2015
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>
11,952	10,381	22,029	11,836	22,333	33,865

Total

As at 31 Mar 2016		As at 31 Dec 2015		As at 31 Mar 2016	As at 31 Dec 2015
Secured	Unsecured	Secured	Unsecured		
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
30,308	48,151	31,502	52,402	78,459	83,904

Details of any collateral:-

Secured borrowings at 31 March 2016 are secured by:-

- (a) A first legal mortgage over the barge and vessels of subsidiaries and corporate guarantees provided by the Company;
- (b) A first legal mortgage over the freehold land and building, and certain plant and equipment of the Group; and
- (c) Motor vehicles under finance leases.

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

	Group	
	1 Jan 2016 to 31 Mar 2016	1 Jan 2015 to 31 Mar 2015
	<u>\$'000</u>	<u>\$'000</u>
Operating activities		
(Loss) / Profit before income tax	(1,461)	1,453
Adjustments for:		
Amortisation of deferred income	(1,299)	(1,299)
Depreciation of property, plant and equipment	1,503	1,629
Finance income	(983)	(26)
Finance costs	668	465
Share of results of associates, net of tax	-	(471)
Equity-settled share-based compensation	(174)	-
Operating cash flows before changes in working capital	(1,746)	1,751
Change in working capital:		
Inventories	1,595	(2,081)
Trade and other receivables	2,799	(5,507)
Trade and other payables	2,540	1,307
Cash flows from / (used in) operations	5,188	(4,530)
Income taxes paid	-	-
Cash flows from / (used in) operating activities	5,188	(4,530)
Investing activities		
Finance income received	18	26
Purchase of property, plant and equipment	(88)	(77)
Cash flows used in investing activities	(70)	(51)
Financing activities		
Finance costs paid	(668)	(465)
Repayment of bills payable and trust receipts	(2,003)	998
Payment of finance lease liabilities	(18)	(29)
Proceeds from interest-bearing borrowings	3,237	7,009
Repayment of interest-bearing borrowings	(6,663)	(5,263)
Proceeds from issuance of shares	-	2,620
Cash flows (used in) / from financing activities	(6,115)	4,870
Net (decrease) / increase in cash and cash equivalents	(997)	289
Cash and cash equivalents at beginning of the period	3,128	6,043
Effect of exchange rates fluctuations	180	(2,900)
Cash and cash equivalents at end of the period	2,311	3,432

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) / profits \$'000	Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
2016								
At 1 January 2016	69,490	(55)	345	(1,821)	(1,234)	66,725	(1,187)	65,538
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(1,440)	(1,440)	-	(1,440)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	(1,698)	-	(1,698)	(110)	(1,808)
Total comprehensive income for the period	-	-	-	(1,698)	(1,440)	(3,138)	(110)	(3,248)
Transactions with owners, recorded directly in equity								
Share-based compensation expense	-	-	(174)	-	-	(174)	-	(174)
Total transactions with owners	-	-	(174)	-	-	(174)	-	(174)
At 31 March 2016	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(3,519)</u>	<u>(2,674)</u>	<u>63,413</u>	<u>(1,297)</u>	<u>62,116</u>

Group	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Currency translation reserve \$'000	Accumulated (losses) / profits \$'000	Equity attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
2015								
At 1 January 2015	63,870	(50)	342	(3,391)	(4,952)	55,819	(1,609)	54,210
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1,307	1,307	93	1,400
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	546	-	546	(132)	414
Total comprehensive income for the period	-	-	-	546	1,307	1,853	(39)	1,814
Transactions with owners, recorded directly in equity								
Issuance of shares	2,620	-	-	-	-	2,620	-	2,620
Own shares acquired	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	2	-	-	2	-	2
Total transactions with owners	<u>2,620</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2,622</u>	<u>-</u>	<u>2,622</u>
At 31 March 2015	<u>66,490</u>	<u>(50)</u>	<u>344</u>	<u>(2,845)</u>	<u>(3,645)</u>	<u>60,294</u>	<u>(1,648)</u>	<u>58,646</u>

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 profits \$'000	Total equity \$'000
2016					
At 1 January 2016	69,490	(55)	345	(2,503)	67,277
Total comprehensive income for the period					
Loss for the period	-	-	-	(860)	(860)
Total comprehensive income for the period	-	-	-	(860)	(860)
Transactions with owners, recorded directly in equity					
Issuance of shares	-	-	-	-	-
Share-based compensation expense	-	-	(174)	-	(174)
Total transactions with owners	-	-	(174)	-	(174)
At 31 March 2016	69,490	(55)	171	(3,363)	66,243
2015					
At 1 January 2015	63,870	(50)	342	2,225	66,387
Total comprehensive income for the period					
Profit for the period	-	-	-	1,105	1,105
Total comprehensive income for the period	-	-	-	1,105	1,105
Transactions with owners, recorded directly in equity					
Issuance of shares	2,620	-	-	-	2,620
Share-based compensation expense	-	-	2	-	2
Total transactions with owners	2,620	-	2	-	2,622
At 31 March 2015	66,490	(50)	344	3,330	70,114

- 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

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

Grant date	Expiry date	Exercise price	Number outstanding as at	
			31-Mar-16	31-Mar-15
13 April 2010	12 April 2015	S\$ 0.42	-	150,000
13 April 2010	12 April 2020	S\$ 0.34	250,000	250,000
27 April 2010	26 April 2020	S\$ 0.39	350,000	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
			1,011,000	1,161,000

Share Awards

In the first quarter of 2016, all of the 722,200 share awards granted to controlling shareholders and their associates since commencement of the scheme have been voluntarily waived.

Treasury shares

Treasury shares held as at 31 March 2016 is 470,000 shares (31 December 2015: 470,000 shares).

- 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

	Number of shares
Issued and paid-up share capital as at 31 December 2015	623,150,724
Total number of shares held as treasury	(470,000)
Issued and paid-up share capital as at 31 March 2016 net of treasury shares	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 2015.

- 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 ("FRS") and Interpretations of FRS that are effective for the financial year beginning on 1 January 2016 has no material impact.

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 2016 to 31-Mar-16	1 Jan 2015 to 31-Mar-15
Earnings per share of the Group:		
(a) (Loss) / Profit attributable to owners of the Company (S\$'000)	(1,440)	1,307
Weighted average number of ordinary shares ('000)	622,681	506,424
Basic earnings per share (cents)	(0.23)	0.26
(b) (Loss) / Profit attributable to owners of the Company (S\$'000)	(1,440)	1,307
Adjusted weighted average number of ordinary shares ('000)	622,681	507,585
Diluted earnings per share (cents)	(0.23)	0.26

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 2016	31 Dec 2015	31 Mar 2016	31 Dec 2015
Net assets (S\$'000)	63,413	66,725	66,243	67,277
Number of ordinary shares ('000)	622,681	622,681	622,681	622,681
Net asset value per share (cents)	10.2	10.7	10.6	10.8

- 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 2016:

The Group reported loss after tax of S\$1.4 million for the financial period ended 31 March 2016 ("Q1 2016") as compared to profit after tax of S\$1.4 million for the financial period ended 31 March 2015 ("Q1 2015") due to the following factors:

Total revenue decreased by S\$4.7 million, or 25.6%, to S\$13.7 million in Q1 2016 as compared to S\$18.4 million in Q1 2015. The decrease in total revenue was due to the decrease in revenue from the Vessel Chartering segment of S\$1.1 million, and the Group's equipment segment of S\$3.6 million in Q1 2016.

Charter revenue from the Vessel Chartering segment decreased by S\$1.1 million, or 25.6%, to S\$3.2 million in Q1 2016 as compared to S\$4.3 million in Q1 2015. Vessel charter revenue decreased due to a lower utilization of our vessels in Q1 2016.

Sales revenue from the Equipment segment decreased by S\$3.6 million, or 25.5%, to S\$10.5 million in Q1 2016 as compared to S\$14.1 million in Q1 2015. This is due mainly to lower sales of equipment parts to our customers in Q1 2016.

Total cost of sales decreased by S\$2.4 million, or 17.6%, to S\$11.3 million in Q1 2016 as compared to S\$13.7 million in Q1 2015 due mainly to the decrease in cost of sales of the Vessels Chartering segment by S\$0.4 million or 12.9% in Q1 2016 and decrease in cost of sales of equipment parts by S\$1.9 million or 19.2% in Q1 2016. The decrease in cost of sales of the Vessel chartering segment was due mainly to the decrease in vessel operating costs. The decrease in cost of sales of equipment parts was due mainly to the decrease in sales of equipment parts.

Overall gross profit margin decreased to 18.1% in Q1 2016 as compared to 26.1% in Q1 2015. The gross profit contribution from the Equipment segment and vessel chartering segment decreased by S\$0.7 million and S\$2.4 million respectively in Q1 2016.

Other income decreased by S\$0.1 million, or 18.0%, to S\$0.6 million in Q1 2016 due mainly to decrease in rental income.

Administrative expenses decreased by S\$1.1 million, or 37.7%, to S\$1.8 million for Q1 2016 due to decrease in professional fees and office expenses.

Other expenses increased to S\$1.7 million as compared to S\$0.1 million in Q1 2015 mainly due to the foreign exchange loss of S\$1.5 million in Q1 2016 which arises from unrealized foreign exchange loss of S\$1.4 million and realized foreign exchange loss of S\$0.1 million.

Net finance income increased by S\$0.7 million, or 171.8%, to S\$0.3 million in Q1 2016 mainly due to the increase in interest income of S\$0.9 million from loan to associate, which partially offset by the increase in interest expense of S\$0.2 million due to higher borrowing costs.

The Group shared neither profit nor loss of its associate, Semua International Sdn Bhd and its subsidiaries ("Semua Group") as compared to S\$0.5 million loss in Q1 2015. This is because the Group has fully impaired its equity investment in Semua Group.

Other comprehensive income for Q1 2016:

Foreign currency translation loss of S\$1.8 million arising from foreign operations in Q1 2016 related mainly to the Group's net investment in foreign operations which are denominated in United States Dollar ("USD"), as the USD depreciated against the Singapore Dollar ("SGD") in Q1 2016.

Statement of Financial Position

Property, plant and equipment decreased by S\$3.7 million, or 4.6%, to S\$75.7 million at 31 March 2016 due mainly to the foreign currency translation loss arising from the translation of USD denominated property, plant and equipment of certain subsidiaries into SGD as a result of the depreciation of the USD against the SGD in Q1 2016 and the additional depreciation charged for Q1 2016.

Trade and other receivables decreased by S\$1.5 million, or 2.5%, to S\$60.0 million at 31 March 2016 due mainly to decrease in sales.

Financial liabilities decreased by S\$5.4 million, or 6.5%, to S\$78.5 million at 31 March 2016 due mainly to repayment of borrowings.

Deferred income resulted from the sale and leaseback of the Company's leasehold property and A&A Extension, which was completed on 13 June 2011 and 9 January 2013 respectively. Deferred income, being the excess of the sale consideration over its fair value, is a portion of the total gain on sale of the property and A&A Extension, which is deferred and amortized on a straight-line basis over the applicable non-cancellable lease term. Deferred income decreased by S\$1.3 million, or 55.5%, to S\$1.0 million at 31 March 2016 due the amortization of deferred income in Q1 2016.

Trade and other payables increase by S\$2.5 million, or 14.7%, to S\$22.3 million at 31 March 2016 due mainly to an increase in creditors.

Statement of Cash Flows

For Q1 2016, the Group generated net cash outflows of S\$1.0 million, comprising net cash inflows from operating activities of S\$5.2 million, partially offset by net cash outflows from financing activities of S\$6.1 million.

At 31 March 2016, the Group's cash and cash equivalents amounted to S\$2.3 million (31 December 2015: S\$3.1 million).

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 macroeconomic environment will continue to be challenging. The Group remains cautious with regards to market conditions and will continue to be vigilant in managing costs and improving operational efficiencies going forward.

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 31 March 2016		
<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)
	<u>\$'000</u>	<u>\$'000</u>
Hoe Leong Plastic Industry (China) Ltd		
- Rental expense	109	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	29	-

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 31 March 2016 to be materially false or misleading.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

12 May 2016