



## HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

### Third quarter financial statements and related announcement for the financial period ended 30 September 2017

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 2017. 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 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	Increase / (decrease)	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 2016	Increase / (decrease)
		\$'000	\$'000	%	\$'000	\$'000	%
<b>Revenue</b>		16,749	13,632	22.9 %	46,070	41,107	12.1 %
Cost of sales		(12,986)	(12,363)	5.0 %	(38,607)	(34,514)	11.9 %
<b>Gross profit</b>		<b>3,763</b>	<b>1,269</b>	196.5 %	<b>7,463</b>	<b>6,593</b>	13.2 %
Other income		97	12	708.3 %	224	1,059	(78.8)%
Distribution expenses		(1,148)	(1,194)	(3.9)%	(3,221)	(3,219)	0.1 %
Administrative expenses		(1,826)	(2,015)	(9.4)%	(5,611)	(5,740)	(2.2)%
Other expenses		(1,773)	(36,148)	(95.1)%	(9,181)	(40,977)	(77.6)%
<b>Results from operating activities</b>		<b>(887)</b>	<b>(38,076)</b>	<b>(97.7)%</b>	<b>(10,326)</b>	<b>(42,284)</b>	<b>(75.6)%</b>
Finance income	1	-	10	N.M.	20	49	(59.2)%
Finance costs	1	(773)	(804)	(3.9)%	(2,228)	(2,186)	1.9 %
<b>Net finance costs</b>		<b>(773)</b>	<b>(794)</b>	<b>(2.6)%</b>	<b>(2,208)</b>	<b>(2,137)</b>	3.3 %
<b>Loss before income tax</b>	2	<b>(1,660)</b>	<b>(38,870)</b>	<b>(95.7)%</b>	<b>(12,534)</b>	<b>(44,421)</b>	<b>(71.8)%</b>
Income tax expense		(130)	(14)	828.6 %	(376)	(4)	N.M.
<b>Loss for the period</b>		<b>(1,790)</b>	<b>(38,884)</b>	<b>(95.4)%</b>	<b>(12,910)</b>	<b>(44,425)</b>	<b>(70.9)%</b>
<b>Loss attributable to:</b>							
Owners of the Company		(1,790)	(38,884)	(95.4)%	(12,910)	(44,425)	(70.9)%
Non-controlling interests		-	-	N.M.	-	-	N.M.
<b>Loss for the period</b>		<b>(1,790)</b>	<b>(38,884)</b>	<b>(95.4)%</b>	<b>(12,910)</b>	<b>(44,425)</b>	<b>(70.9)%</b>

N.M. - Not meaningful

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

	Third Quarter			Nine Months		
	1 Jul 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	Increase / (decrease)	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 2016	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Loss for the period</b>	(1,790)	(38,884)	(95.4)%	(12,910)	(44,425)	(70.9)%
<b>Other comprehensive income</b>						
Foreign currency translation differences arising from foreign operations	(124)	1,413	(108.8)%	(616)	(526)	17.1 %
Other comprehensive income, net of tax	(124)	1,413	(108.8)%	(616)	(526)	17.1 %
<b>Total comprehensive income for the period</b>	(1,914)	(37,471)	(94.9)%	(13,526)	(44,951)	(69.9)%
<b>Total comprehensive income attributable to :</b>						
Owners of the Company	(1,907)	(37,505)	(94.9)%	(13,541)	(44,943)	(69.9)%
Non-controlling interests	(7)	34	120.6 %	15	(8)	(287.5)%
<b>Total comprehensive income for the period</b>	(1,914)	(37,471)	(94.9)%	(13,526)	(44,951)	(69.9)%

**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 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	Increase / (decrease)	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 2016	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Finance Income :-</b>						
- Bank deposits	-	10	N.M.	20	49	(59.2)%
- Interest on loan to associate	-	-	N.M.	-	1,475	N.M.
- Impairment loss	-	-	N.M.	-	(1,475)	N.M.
<b>Total</b>	-	10		20	49	

**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 2017 to 30 Sep 2017 \$'000	1 Jul 2016 to 30 Sep 2016 \$'000	Increase / (decrease) %	1 Jan 2017 to 30 Sep 2017 \$'000	1 Jan 2016 to 30 Sep 2016 \$'000	Increase / (decrease) %
<b>Interest paid and payable on:-</b>						
- trust receipts	(54)	(39)	38.5 %	(154)	(191)	(19.4)%
- bank loans	(680)	(599)	13.5 %	(1,877)	(1,726)	8.7 %
- finance leases	(4)	(3)	33.3 %	(10)	(9)	11.1 %
Others	(35)	(163)	(78.5)%	(187)	(260)	(28.1)%
<b>Total</b>	<b>(773)</b>	<b>(804)</b>		<b>(2,228)</b>	<b>(2,186)</b>	

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

	Third Quarter			Nine Months		
	1 Jul 2017 to 30 Sep 2017 \$'000	1 Jul 2016 to 30 Sep 2016 \$'000	Increase / (decrease) %	1 Jan 2017 to 30 Sep 2017 \$'000	1 Jan 2016 to 30 Sep 2016 \$'000	Increase / (decrease) %
Gain on disposal of plant and equipment	26	8	225.0 %	26	8	225.0 %
Depreciation of property, plant and equipment	(1,158)	(1,433)	(19.2)%	(3,803)	(4,399)	(13.5)%
Impairment loss of property, plant and equipment	-	(6,684)	N.M.	(2,570)	(6,684)	(61.5)%
Allowance of slow-moving inventories	44	201	(78.1)%	186	204	(8.8)%
Inventories written(off)/ back	-	(116)	N.M.	109	137	(20.4)%
Impairment loss on trade and other receivables	-	(28,271)	N.M.	(3,446)	(29,796)	(88.4)%
Foreign exchange (loss) / gain, net	(1,009)	200	(604.5)%	(1,161)	(1,016)	14.3 %
Operating lease expenses	(359)	(411)	(12.7)%	(978)	(3,159)	(69.0)%
Amortisation of deferred income	-	-	N.M.	-	2,340	N.M.
Rental income	17	15	13.3 %	47	932	(95.0)%

N.M. - Not meaningful

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

	<b>Group</b>		<b>Company</b>	
	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>	<b>30 Sep 2017</b>	<b>31 Dec 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Property, plant and equipment	59,588	67,563	2,077	2,163
Investments in subsidiaries	-	-	14,451	14,451
Deferred tax assets	572	578	-	-
<b>Non-current assets</b>	<b>60,160</b>	<b>68,141</b>	<b>16,528</b>	<b>16,614</b>
Inventories	23,581	25,106	-	-
Trade and other receivables	22,741	26,652	48,788	57,918
Cash and cash equivalents	3,246	3,287	384	757
<b>Current assets</b>	<b>49,568</b>	<b>55,045</b>	<b>49,172</b>	<b>58,675</b>
<b>Total assets</b>	<b>109,728</b>	<b>123,186</b>	<b>65,700</b>	<b>75,289</b>
<b>Equity</b>				
Share capital	69,490	69,490	69,490	69,490
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(1,292)	(1,629)	-	-
Share-based compensation reserve	171	171	171	171
Accumulated losses	(61,052)	(48,142)	(55,137)	(50,176)
<b>Equity attributable to owners of the Company</b>	<b>7,262</b>	<b>19,835</b>	<b>14,469</b>	<b>19,430</b>
<b>Non-controlling interests</b>	<b>(1,112)</b>	<b>(1,127)</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>6,150</b>	<b>18,708</b>	<b>14,469</b>	<b>19,430</b>
<b>Liabilities</b>				
Financial liabilities	936	1,488	-	22
Deferred tax liabilities	20	38	20	19
<b>Non-current liabilities</b>	<b>956</b>	<b>1,526</b>	<b>20</b>	<b>41</b>
Trade and other payables	25,285	20,104	29,499	31,683
Financial liabilities	73,682	79,187	21,712	24,135
Loan from non-controlling shareholders of subsidiaries	3,485	3,489	-	-
Current tax payable	170	172	-	-
<b>Current liabilities</b>	<b>102,622</b>	<b>102,952</b>	<b>51,211</b>	<b>55,818</b>
<b>Total liabilities</b>	<b>103,578</b>	<b>104,478</b>	<b>51,231</b>	<b>55,859</b>
<b>Total equity and liabilities</b>	<b>109,728</b>	<b>123,186</b>	<b>65,700</b>	<b>75,289</b>

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

**Non-Current**

As at 30 Sep 2017		As at 31 Dec 2016		As at 30 Sep 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured	Non-current	Non-current
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
936	-	1,488	-	936	1,488

**Current**

As at 30 Sep 2017		As at 31 Dec 2016		As at 30 Sep 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured	Current	Current
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
53,412	20,270	57,941	21,246	73,682	79,187

**Total**

As at 30 Sep 2017		As at 31 Dec 2016		As at 30 Sep 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
54,348	20,270	59,429	21,246	74,618	80,675

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.

The Company has appointed advisers to assist in a restructuring of the Group's financial liabilities, including the Group's negotiation for a temporary moratorium while a debt repayment plan is being formulated and agreed. The negotiations with the group financial creditors are ongoing. Meanwhile, the majority of the Group's financial indebtedness has been classified as current liabilities, pending the outcome of the proposed restructuring. Among other things, the going concern basis of the Group is dependent on the outcome of the proposed restructuring.

The Company has received positive responses from the majority of the bankers for a restructuring proposal.

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

	Group		Group	
	Third Quarter		Nine Months	
	1 Jul 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 2016
	\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>				
Loss before income tax	(1,660)	(38,870)	(12,534)	(44,421)
<b>Adjustments for:</b>				
Gain on disposal of plant and equipment	(26)	(8)	(26)	(8)
Depreciation of property, plant and equipment	1,158	1,433	3,803	4,399
Impairment loss of property, plant and equipment	-	6,684	2,570	6,684
Impairment losses on trade and other receivables	-	28,271	3,446	29,796
Impairment loss on finance income	-	-	-	1,475
Amortisation of deferred income	-	-	-	(2,340)
Finance income	-	(10)	(20)	(1,524)
Finance costs	773	804	2,228	2,186
Equity-settled share-based compensation	-	-	-	(174)
<b>Operating cash flows before changes in working capital</b>	<b>245</b>	<b>(1,696)</b>	<b>(533)</b>	<b>(3,927)</b>
<b>Change in working capital:</b>				
Inventories	(180)	(681)	1,525	1,183
Trade and other receivables	1,192	1,210	465	7,984
Trade and other payables	(300)	(898)	4,037	690
<b>Cash flows from / (used in) operations</b>	<b>957</b>	<b>(2,065)</b>	<b>5,494</b>	<b>5,930</b>
Income taxes paid	(181)	-	(387)	-
<b>Cash flows from / (used in) operating activities</b>	<b>776</b>	<b>(2,065)</b>	<b>5,107</b>	<b>5,930</b>
<b>Investing activities</b>				
Finance income received	-	10	20	52
Purchase of property, plant and equipment	(49)	(172)	(1,110)	(346)
<b>Cash flows used in investing activities</b>	<b>(49)</b>	<b>(162)</b>	<b>(1,090)</b>	<b>(294)</b>
<b>Financing activities</b>				
Finance costs paid	(166)	(804)	(1,087)	(2,186)
Bills payable and trust receipts / Invoice Financing	(107)	(491)	39	(7,770)
Proceeds from finance lease liabilities	32	-	32	50
Payment of finance lease liabilities	(27)	(24)	(76)	(67)
Proceeds from interest-bearing borrowings	-	19,094	-	36,268
Repayment of interest-bearing borrowings	(360)	(16,468)	(4,015)	(35,474)
<b>Cash flows (used in) / from financing activities</b>	<b>(628)</b>	<b>1,307</b>	<b>(5,107)</b>	<b>(9,179)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>99</b>	<b>(920)</b>	<b>(1,090)</b>	<b>(3,543)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,994</b>	<b>1,272</b>	<b>2,338</b>	<b>3,128</b>
<b>Effect of exchange rates fluctuations</b>	<b>157</b>	<b>565</b>	<b>1,002</b>	<b>1,332</b>
<b>Cash and cash equivalents at end of the period **</b>	<b>2,250</b>	<b>917</b>	<b>2,250</b>	<b>917</b>
Note : **				
Cash and cash equivalents in the statement of financial position	3,246	1,890	3,246	1,890
Bank overdraft used for cash management purposes	(996)	(973)	(996)	(973)
Cash and cash equivalents in the statement of cash flows	<b>2,250</b>	<b>917</b>	<b>2,250</b>	<b>917</b>

**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 \$'000	Non- controlling interests \$'000	Total equity \$'000
<b>2017</b>								
<b>At 1 January 2017</b>	69,490	(55)	171	(1,629)	(48,142)	19,835	(1,127)	18,708
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	-	(5,755)	(5,755)	-	(5,755)
Other comprehensive income								
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)
<b>At 31 March 2017</b>	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(921)</u>	<u>(53,897)</u>	<u>14,788</u>	<u>(1,061)</u>	<u>13,727</u>
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	-	(5,365)	(5,365)	-	(5,365)
Other comprehensive income								
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)
<b>At 30 June 2017</b>	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(1,175)</u>	<u>(59,262)</u>	<u>9,169</u>	<u>(1,105)</u>	<u>8,064</u>
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	-	(1,790)	(1,790)	-	(1,790)
Other comprehensive income								
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)
<b>Transactions with owners, recorded directly in equity</b>								
Share-based compensation expense	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
<b>At 30 September 2017</b>	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(1,292)</u>	<u>(61,052)</u>	<u>7,262</u>	<u>(1,112)</u>	<u>6,150</u>

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

	Share capital	Treasury shares	Share-based compensation reserve	Currency translation reserve	Accumulated losses	Equity attributable to owners of the Company	Non-controlling interests	Total equity
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2016</b>								
<b>At 1 January 2016</b>	69,490	(55)	345	(1,821)	(1,234)	66,725	(1,187)	65,538
<b>Total comprehensive income for the period</b>								
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)
<b>Total comprehensive income for the period</b>	-	-	-	(1,698)	(1,440)	(3,138)	(110)	(3,248)
<b>Transactions with owners, recorded directly in equity</b>								
Share-based compensation expense	-	-	(174)	-	-	(174)	-	(174)
<b>Total transactions with owners</b>	-	-	(174)	-	-	(174)	-	(174)
<b>At 31 March 2016</b>	69,490	(55)	171	(3,519)	(2,674)	63,413	(1,297)	62,116
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	-	(4,101)	(4,101)	-	(4,101)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	(199)	-	(199)	68	(131)
<b>Total comprehensive income for the period</b>	-	-	-	(199)	(4,101)	(4,300)	68	(4,232)
<b>At 30 June 2016</b>	66,490	(55)	171	(3,718)	(6,775)	59,113	(1,229)	57,884
<b>Total comprehensive income for the period</b>								
Loss for the period	-	-	-	-	(38,884)	(38,884)	-	(38,884)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	1,379	-	1,379	34	1,413
<b>Total comprehensive income for the period</b>	-	-	-	1,379	(38,884)	(37,505)	34	(37,471)
<b>At 30 September 2016</b>	66,490	(55)	171	(2,339)	(45,659)	21,608	(1,195)	20,413



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

	Share capital	Treasury Shares	Share-based compensation reserve	Accumulated losses	Total equity
Company	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2017</b>					
<b>At 1 January 2017</b>	69,490	(55)	171	(50,176)	19,430
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	-	(4,019)	(4,019)
Total comprehensive income for the period	-	-	-	(4,019)	(4,019)
<b>At 31 March 2017</b>	69,490	(55)	171	(54,195)	15,411
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	-	(598)	(598)
Total comprehensive income for the period	-	-	-	(598)	(598)
<b>At 30 June 2017</b>	69,490	(55)	171	(54,793)	14,813
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	-	(344)	(344)
Total comprehensive income for the period	-	-	-	(344)	(344)
<b>At 30 September 2017</b>	69,490	(55)	171	(55,137)	14,469
<b>2016</b>					
<b>At 1 January 2016</b>	69,490	(55)	345	(2,503)	67,277
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	-	(860)	(860)
Total comprehensive income for the period	-	-	-	(860)	(860)
Share-based compensation expense	-	-	(174)	-	(174)
Total transactions with owners	-	-	-	-	(174)
<b>At 31 March 2016</b>	69,490	(55)	345	(3,363)	66,243
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	-	(4,510)	(4,510)
Total comprehensive income for the period	-	-	-	(4,510)	(4,510)
<b>At 30 June 2016</b>	66,490	(55)	345	(7,873)	61,733
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	-	(35,844)	(35,844)
Total comprehensive income for the period	-	-	-	(35,844)	(35,844)
<b>At 30 September 2016</b>	66,490	(55)	345	(43,717)	25,889

- 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	
			30-Sep-17	30-Sep-16
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	1,011,000

Treasury shares

Treasury shares held as at 30 September 2017 is 470,000 shares (31 December 2016: 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 2017.

- 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 2016	623,150,724
Total number of shares held as treasury	(470,000)
Issued and paid-up share capital as at 30 September 2017 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 2016.

**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 2017 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			
	Third Quarter		Nine Months	
	1 Jul 2017 to 30 Sep 2017	1 Jul 2016 to 30 Sep 2016	1 Jan 2017 to 30 Sep 2017	1 Jan 2016 to 30 Sep 2016
<b>Earnings per share of the Group:</b>				
(a) Loss attributable to owners of the Company (S\$'000)	(1,790)	(38,884)	(12,910)	(44,425)
Weighted average number of ordinary shares ('000)	622,681	622,681	622,681	622,681
<b>Basic earnings per share (cents)</b>	<b>(0.29)</b>	<b>(6.24)</b>	<b>(2.07)</b>	<b>(7.13)</b>
(b) Loss attributable to owners of the Company (S\$'000)	(1,790)	(38,884)	(12,910)	(44,425)
Adjusted weighted average number of ordinary shares ('000)	622,681	622,681	622,681	622,681
<b>Diluted earnings per share (cents)</b>	<b>(0.29)</b>	<b>(6.24)</b>	<b>(2.07)</b>	<b>(7.13)</b>

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

	Group		Company	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Net assets (S\$'000)	6,150	18,708	14,469	19,430
Number of ordinary shares ('000)	622,681	622,681	622,681	622,681
<b>Net asset value per share (cents)</b>	<b>1.0</b>	<b>3.0</b>	<b>2.3</b>	<b>3.1</b>

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

### **Statement of Comprehensive Income**

#### ***Results for 9M 2017:***

The Group reported loss after tax of S\$12.9 million for the nine months ended 30 September 2017 ("9M 2017") as compared to loss after tax of S\$44.4 million for the nine months ended 30 September 2016 ("9M 2016") due to the following factors:

Total revenue increased by S\$5.0 million, or 12.1%, to S\$46.1 million in 9M 2017 as compared to S\$41.1 million in 9M 2016. The increase in total revenue was due to increase in revenue from the Group's Equipment segment of S\$7.1 million and offset by decrease in revenue from Group's Vessel Chartering segment of S\$2.1 million.

Sales revenue from the Equipment segment increased by S\$7.1 million, or 22.7%, to S\$38.4 million in 9M 2017 as compared to S\$31.3 million in 9M 2016 mainly due to improvement in sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$2.1 million, or 21.4%, to S\$7.7 million in 9M 2017 as compared to S\$9.8 million in 9M 2016. The decrease in charter revenue was due mainly due to lower utilisation rate, decrease in charter rate of Arkstar fleet and reversal of billing of reimbursable costs which are no longer recoverable.

Total cost of sales increased by S\$4.1 million, or 11.9%, to S\$38.6 million in 9M 2017 as compared to S\$34.5 million in 9M 2016 mainly due to increase in cost of sales of equipment parts by S\$5.8 million or 23.3% to S\$30.5 million, offset by decrease in cost of sales of the Vessel Chartering segment by S\$1.7 million or 17.0% to S\$8.1 million in 9M 2017 respectively. The increase in cost of sales of Equipment was mainly due to increase in sales of equipment parts. The decrease in cost of sales of Vessel Chartering segment was mainly due to lower depreciation cost in Vessel Chartering segment.

Overall gross profit margin increased to 16.2% in 9M 2017 as compared to 16.0% in 9M 2016. Gross profit for Equipment segment increased by S\$1.3 million, and Vessel Chartering segment gross profit decreased by S\$0.5 million in 9M 2017.

Other income decreased by S\$0.8 million, or 78.8%, to S\$0.2 million in 9M 2017 which was mainly due to decrease in rental income.

Other expenses decreased by S\$31.8 million, or 77.6% to S\$9.2 million in 9M 2017 mainly due to decreased in impairment of trade and other receivables of \$26.4 million, impairment of property, plant and equipment of S\$4.1 million.

***Other comprehensive income for 9M 2017:***

Foreign currency translation loss of S\$0.6 million arising from foreign operations in 9M 2017 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 9M 2017.

***Results for Q3 2017:***

The Group reported loss after tax of S\$1.8 million for the three months ended 30 September 2017 ("Q3 2017") as compared to loss after tax of S\$38.9 million for the three months ended 30 September 2016 ("Q3 2016") due to the following factors:

Total revenue increased by S\$3.1 million, or 22.9%, to S\$16.7 million in Q3 2017 as compared to S\$13.6 million in Q3 2016. The increase in total revenue was due to increase in revenue from the Group's Equipment segment of S\$3.0 million and increase in revenue from Group's Vessel Chartering segment of S\$0.1 million.

Sales revenue from the Equipment segment increased by S\$3.0 million, or 28.7%, to S\$13.4 million in Q3 2017 as compared to S\$10.4 million in Q3 2016 mainly due to improvement in sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment increased by S\$0.1 million, or 3.1% to S\$3.3 million in Q3 2017 as compared to S\$3.2 million in Q3 2016. The increase in charter revenue mainly due to improve in utilization rate of Arkstar fleet.

Total cost of sales increased by S\$0.6 million, or 5.0%, to S\$13.0 million in Q3 2017 as compared to S\$12.4 million in Q3 2016 mainly due to increase in cost of sales of equipment parts in Equipment segment by S\$1.8 million, or 23.3%, and offset by the decrease in Vessel Chartering segment by S\$1.2 million, or 17.0% in Q3 2016. The increase in cost of sales of equipment parts was mainly due to increase in sales of equipment parts. The decrease in cost of sales of the Vessel Chartering segment was mainly due to lower depreciation cost in Vessel Chartering segment.

Overall gross profit margin increased to 22.5% in Q3 2017 as compared to 9.3% in Q3 2016. The gross profit contribution from the Equipment segment increased by S\$1.2 million and Vessel Chartering increased by S\$1.3 million respectively in Q3 2017.

Other income increased by S\$0.1 million in Q3 2017 mainly due to increase in sales of scrap metal.

Other expenses decreased by S\$34.3 million, or 95.1%, to S\$1.8 million in Q3 2017 mainly due to allowance of doubtful debts on trade and other receivables of S\$28.3 million, impairment of property, plant and equipment of S\$6.7 million in Q3 2016.

***Other comprehensive income for Q3 2017:***

Foreign currency translation loss of S\$0.1 million arising from foreign operations in Q3 2017 relate to the Group's net investment in foreign operations which are mainly denominated in United States Dollar ("USD"), as the USD depreciated against the Singapore Dollar ("SGD") in Q3 2017.

### **Statement of Financial Position**

Property, plant and equipment decreased by S\$8.0 million, or 11.8%, to S\$59.6 million as at 30 September 2017 mainly due to impairment loss of S\$2.6 million, depreciation expenses and 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 Q3 2017.

Inventories decreased by S\$1.5 million, or 6.1%, to S\$23.6 million as at 30 September 2017 mainly due to increase in sales of equipment parts.

Trade and other receivables decreased by S\$3.9 million, or 14.7%, to S\$22.7 million as at 30 September 2017 mainly due to allowance of doubtful debt on trade receivables of S\$3.4 million.

Financial liabilities decreased by S\$6.1 million, or 7.5%, to S\$74.6 million at 30 September 2017 due mainly to repayment of borrowings and depreciation of USD against SGD.

Trade and other payables increased by S\$5.2 million, or 25.8%, to S\$25.3 million as at 30 September 2017 mainly due to increase in sales and accrual expenses.

### **Statement of Cash Flows**

In 9M 2017, the Group generated net cash outflows of S\$1.1 million, mainly comprising net cash inflows from operating activities of S\$5.1 million, offset by net cash outflows from investing activities of S\$1.1 million, and net cash outflows from financing activities of S\$5.1 million.

At 30 September 2017, the Group's cash and cash equivalents amounted to S\$2.3 million (31 December 2016: S\$1.3 million).

## **Material Litigations**

### **(I) Kuala Lumpur High Court - Auspicious Journey Sdn Bhd v Ebony Ritz Sdn Bhd & 10 Ors.**

Further to the Company's announcement released on 04 August 2016, the 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 are currently appealing against the Order. The Company is primarily appealing against part (a), (c) and (d) of the Order whilst the Plaintiff is primarily appealing against part (b) of the Order. Hearing of the Appeals are scheduled to be heard on 21 November 2017.

### **(II) Singapore High Court Suit No. 534 of 2016 (Ebony Ritz Sdn Bhd vs Sumatec Resources Berhad)**

Reference is made to the Company's Q1 and Q2 2017 unaudited financial statements ("Q1 and Q2 2017 Results"). All undefined terms used here shall have the same meaning as the terms defined in the Q1 and Q2 2017 Results.

Further to the Company's disclosure in the Q1 and Q2 2017 Results on the SG Suit, on 9 November 2017, the Judge of the High Court issued his Judgment on the Appeals arising from the decision of the Assistant Registrar delivered on 8 February 2017, granting, principally:

- a. Summary judgment to Ebony in respect of its claim for RM 27,017,162.68 under the OFR Agreement ("Summary Judgment Order"); and
- b. Unconditional leave to defend to Sumatec in respect of Ebony's claim for RM 10,000,000 under the Guarantee.

The Judge of the High Court will hear parties on costs at a later date.

The Company understands that Sumatec can file an appeal against the Summary Judgment Order within 1 month from the date when the Judgment was pronounced. The Company is reviewing the Judgment with its solicitors and will disclose any material developments in connection with the SG Suit as and when necessary.

In the meantime, Ebony's application for, among others, an order that Sumatec be restrained from maintaining and/or continuing the prosecution of Suit No. WA-22NCC-142-04/2017 before the High Court of Malaya at Kuala Lumpur (see below) remains pending.



**(III) Kuala Lumpur High Court Suit No. WA-22NCC-142-04/2017**

Reference is made to the following announcements for more background:

- (a) the Company's announcement made on 5 May 2010 in relation to, among others, the acquisition of a 49% equity interest in Semua International Sdn Bhd ("SISB") and its four (4) wholly-owned subsidiaries (collectively, the "Semua Group") by Ebony from Sumatec ("2010 Acquisition");
- (b) the Company's announcement made on 10 May 2012 in relation to the OFR Agreement;
- (c) the Company's announcement dated 21 December 2012 in respect of the sale and purchase agreement entered into between the Company, Ebony, Setinggi Holdings Limited ("Setinggi") and Sumatec in relation to, among others, the acquisition of a 51% equity interest in the Semua Group ("Sale Shares") ("2012 SPA");
- (d) the Company's announcement dated 21 May 2013 in respect of the extension of time for the fulfilment of conditions contained in the 2012 SPA ("Conditions") from 20 May 2013 to 30 September 2013;
- (e) the Company's announcement dated 30 September 2013 in respect of the second extension of time for the fulfilment of Conditions from 30 September 2013 to 31 December 2013;
- (f) the Company's announcement dated 3 January 2014 in respect of the ongoing negotiations of the parties to the 2012 SPA in relation to a further extension of time for the fulfilment of Conditions; and
- (g) the Q1 and Q2 2017 Results.

Further to the Company's disclosure in the Q2 2017 Results on this suit, the Company, Mr Kuah Geok Lin and Mr Kuah Geok Khim have filed an application for, among others, an order that this action be stayed. The applications are currently pending. The Official Receiver has also appointed Messrs SKRINE to represent Ebony in the suit. The Company will, in consultation with its solicitors, continue to take all necessary steps and measures to oppose this action, and disclose any material developments in connection with the abovementioned matters, as and when necessary.

**(IV) Singapore High Court Suit No. 808 of 2017 (Hoe Leong Corporation Ltd v (1) Sumatec Resources Berhad (2) Chan Yok Peng)**

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

The Writ of Summons and Statement of Claim have been served on Sumatec and Mr Chan, who have each entered an appearance in the suit. The Company will disclose any material developments in connection with this suit as and when necessary.

**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 there has been an improvement in Equipment Manufacturing/Trading business, the outlook remains uncertain. The Vessel Chartering segment continues to be weak; whilst the Group has four vessels on term charter, there continues to be downward pressure on charter rates (including those with long term charters). The credit and economic conditions faced by the Group and its customers are poor.

The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations (both short term and long term) as and when they fall due is dependent on:-

- a) the ability to achieve a successful financial restructuring of the Group and Company
- b) the profitability of future operations of the Company and its subsidiaries
- c) the controlling shareholders and key management personnel of the Group remaining substantially unchanged
- d) the ability to secure financing support as and when required; and
- e) the continuing support of bank and other creditors, suppliers and other parties.

**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 2017		
<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	282	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	128	-

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 2017 to be materially false or misleading.

#### BY ORDER OF THE BOARD

Kuah Geok Lin  
Chairman and CEO

10 November 2017