



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

First quarter financial statements and related announcement for the financial period ended 31 March 2015

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 2015. 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 2015 to 31 Mar 2015 \$'000	1 Jan 2014 to 31 Mar 2014 \$'000	Increase / (decrease) %
Revenue		18,475	15,383	20.1 %
Cost of sales		(13,658)	(12,884)	6.0 %
Gross profit		4,817	2,499	92.8 %
Other income		724	1,136	(36.3)%
Distribution expenses		(1,036)	(1,377)	(24.8)%
Administrative expenses		(2,965)	(2,342)	26.6 %
Other expenses		(119)	(14)	750.0 %
Results from operating activities		1,421	(98)	1,550.0 %
Finance income		26	7	271.4 %
Finance costs	1	(465)	(360)	29.2 %
Net finance costs		(439)	(353)	24.4 %
Share of results of associates, net of tax		471	(1,086)	143.4 %
Profit /(Loss) before income tax	2	1,453	(1,537)	194.5 %
Income tax expense		(53)	(39)	35.9 %
Profit / (Loss) for the year		1,400	(1,576)	188.8 %
Profit / (Loss) attributable to:				
Owners of the Company		1,307	(1,370)	195.4 %
Non-controlling interests		93	(206)	145.1 %
Profit / (Loss) for the year		1,400	(1,576)	188.8 %

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

	1 Jan 2015 to 31 Mar 2015 \$'000	1 Jan 2014 to 31 Mar 2014 \$'000	Increase / (decrease) %
Profit / (Loss) for the year	1,400	(1,576)	188.8 %
Other comprehensive income			
Foreign currency translation differences arising from foreign operations	414	(439)	194.3 %
Other comprehensive income, net of tax	414	(439)	194.3 %
Total comprehensive income for the year	1,814	(2,015)	190.0 %
Total comprehensive income attributable to :			
Owners of the Company	1,853	(1,807)	202.5 %
Non-controlling interests	(39)	(208)	(81.3)%
Total comprehensive income for the year	1,814	(2,015)	190.0 %

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

Note 1 Finance costs comprise the following:

	1 Jan 2015 to 31 Mar 2015 \$'000	1 Jan 2014 to 31 Mar 2014 \$'000	Increase / (decrease) %
Interest paid and payable on:-			
- trust receipts	(49)	(4)	1,125.0 %
- bank loans	(365)	(307)	18.9 %
- finance leases	(4)	(3)	33.3 %
Others	(47)	(46)	2.2 %
Total	(465)	(360)	

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

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

	1 Jan 2015 to 31 Mar 2015	1 Jan 2014 to 31 Mar 2014	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Allowance written-back for slow moving inventories	540	30	1,700.0 %
Inventories written-back	22	11	100.0 %
Allowance made for doubtful receivables	-	(37)	N.M.
Gain on disposal of other plant and equipment	-	12	N.M.
Depreciation of property, plant and equipment	(1,629)	(904)	80.2 %
Foreign exchange gain / (loss), net	407	1,003	(59.4)%
Operating lease expense	(1,439)	(1,515)	(5.0)%
Amortisation of deferred income	1,299	1,299	- %
Rental income	528	694	(23.9)%

N.M. - Not meaningful

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

	Group		Company	
	31 March 2015	31 Dec 2014	31 March 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	83,953	82,303	3,515	3,564
Investments in subsidiaries	-	-	26,771	26,919
Investments in associates	468	-	-	-
Deferred tax assets	571	578	-	-
Non-current assets	84,992	82,881	30,286	30,483
Inventories	34,194	32,113	12,913	13,411
Trade and other receivables	53,551	48,202	106,377	99,801
Cash and cash equivalents	3,432	6,043	1,126	1,631
Current Assets	91,177	86,358	120,416	114,843
Total assets	176,169	169,239	150,702	145,326
Equity				
Share capital	66,490	63,870	66,490	63,870
Treasury shares	(50)	(50)	(50)	(50)
Currency translation reserve	(2,845)	(3,391)	-	-
Share-based compensation reserve	344	342	344	342
Accumulated (losses) profits	(3,645)	(4,952)	3,330	2,225
Equity attributable to owners of the Company	60,294	55,819	70,114	66,387
Non-controlling interests	(1,648)	(1,609)	-	-
Total equity	58,646	54,210	70,114	66,387
Liabilities				
Financial liabilities	22,709	9,679	13,384	100
Loans from non-controlling shareholders of subsidiaries	3,268	3,334	-	-
Deferred income	1,041	2,340	1,041	2,340
Deferred tax liabilities	712	711	20	19
Non-current liabilities	27,730	16,064	14,445	2,459
Trade and other payables	24,326	22,941	12,380	12,160
Financial liabilities	60,226	70,828	48,567	59,124
Current tax payable	45	-	-	-
Deferred income	5,196	5,196	5,196	5,196
Current liabilities	89,793	98,965	66,143	76,480
Total liabilities	117,523	115,029	80,588	78,939
Total equity and liabilities	176,169	169,239	150,702	145,326

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

Amount repayable in one year or less, or on demand

As at 31 Mar 2015		As at 31 Dec 2014	
Secured	Unsecured	Secured	Unsecured
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
11,758	48,468	11,803	59,025

Amount repayable after one year

As at 31 Mar 2014		As at 31 Dec 2014	
Secured	Unsecured	Secured	Unsecured
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
9,405	13,304	9,679	-

Details of any collateral:-

Secured borrowings at 31 March 2015 are secured by:-

- (a) A first legal mortgage over the 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.

The breach of our banking covenants stated in our announcement dated 27 February 2015 has been resolved. The Group's current financial position as at 31 March 2015 falls within the revised Gearing Ratio covenant under the banking facility agreement.

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

	Group	
	1 Jan 2015 to	1 Jan 2014 to
	31 Mar 2015	31 Mar 2014
	\$'000	\$'000
Operating activities		
Profit / (Loss) before income tax	1,453	(1,537)
Adjustments for:		
Amortisation of deferred income	(1,299)	(1,299)
Depreciation of property, plant and equipment	1,629	904
Finance income	(26)	(7)
Finance costs	465	360
Share of results of associates, net of tax	(471)	1,086
Gain on disposal of other plant and equipment	-	(12)
Equity-settled share-based compensation	-	11
Operating cash flows before changes in working capital	1,751	(494)
Change in working capital:		
Inventories	(2,081)	1,261
Trade and other receivables	(5,507)	(4,540)
Trade and other payables	1,307	501
Cash used in operations	(4,530)	(3,272)
Income taxes paid	-	-
Cash flows used in operating activities	(4,530)	(3,272)
Investing activities		
Finance income received	26	7
Purchase of property, plant and equipment	(77)	(291)
Proceeds from disposal of property, plant and equipment	-	85
Cash flows used in investing activities	(51)	(199)
Financing activities		
Finance costs paid	(465)	(360)
Repayment of bills payable and trust receipts	998	(1,147)
Proceeds from finance lease liabilities	-	100
Payment of finance lease liabilities	(29)	(28)
Proceeds from interest-bearing borrowings	7,009	5,729
Repayment of interest-bearing borrowings	(5,263)	(3,855)
Purchase of treasury shares	-	(10)
Proceeds from issuance of shares	2,620	-
Cash flows from financing activities	4,870	429
Net increase / (decrease) in cash and cash equivalents	289	(3,042)
Cash and cash equivalents at beginning of the period	6,043	10,983
Effect of exchange rates fluctuations	(2,900)	(123)
Cash and cash equivalents at end of the period	3,432	7,818

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
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								
Loss 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	2,620	-	2	-	-	2,622	-	2,622
At 31 March 2015	66,490	(50)	344	(2,845)	(3,645)	60,294	(1,648)	58,646

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
2014								
At 1 January 2014	53,897	(40)	322	(4,102)	17,855	67,932	(1,106)	66,826
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(1,370)	(1,370)	(206)	(1,576)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	(437)	-	(437)	(2)	(439)
Total comprehensive income for the period	-	-	-	(437)	(1,370)	(1,807)	(208)	(2,015)
Transactions with owners, recorded directly in equity								
Own shares acquired	-	(10)	-	-	-	(10)	-	(10)
Share-based compensation expense	-	-	11	-	-	11	-	11
Total transactions with owners	-	(10)	11	-	-	1	-	1
At 31 March 2014	53,897	(50)	333	(4,539)	16,485	66,126	(1,314)	64,812

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
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
2014					
At 1 January 2014	53,897	(40)	322	16,426	70,605
Total comprehensive income for the period					
Profit for the period	-	-	-	82	82
Total comprehensive income for the period	-	-	-	82	82
Transactions with owners, recorded directly in equity					
Own shares acquired	-	(10)	-	-	(10)
Share-based compensation expense	-	-	11	-	11
Total transactions with owners	-	(10)	11	-	1
At 31 March 2014	53,897	(50)	333	16,508	70,688

- 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

The Company allotted and issued 57,000,000 new shares of S\$0.046 each pursuant to a placement. In respect of a placement, the Company announced on 4 March 2015, 30 March 2015 and 2 April 2015 that the amount of gross proceeds is S\$2,622,000. The Company has utilized its net proceeds in full for working capital and the utilization of the net proceeds is consistent with the intended use of the proceeds disclosed in the placement announcement.

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-15	31-Mar-14
13 April 2010	12 April 2015	S\$ 0.42	150,000	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
			1,161,000	1,161,000

Treasury shares

Total numbers held as Treasury shares as at 31 March 2015 is 360,000 shares (31 December 2014: 360,000).

There were no shares buy-back carried out by the Group relating to sale, transfer, disposal, cancellation and/or use of treasury shares during the period ended 31 March 2015.

- 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.**

Issue Share Capital

	Number of shares
Issued and paid-up share capital as at 31 December 2014	505,790,724
Total number of shares held as treasury	(360,000)
Total ordinary shares issued during the period	57,000,000
Issued and paid-up share capital as at 31 March 2015	562,430,724

- 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.**

None.

- 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 2014.

- 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 Group adopted the new/revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or before 1 January 2015. The adoption of these new/revised FRSS and INT FRSS did not result in any change to the Group's accounting policies or have any significant effect on the financial statements of the Group.

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

Earnings per share of the Group:	Group	
	1 Jan 2015 to 31-Mar-15	1 Jan 2014 to 31-Mar-14
(a) Profit / (Loss) attributable to owners of the Company (S\$'000)	1,307	(1,370)
Weighted average number of ordinary shares ('000)	506,424	290,105
Basic earnings per share stated in cents	0.26	(0.47)
(b) Profit / (Loss) attributable to owners of the Company (S\$'000)	1,307	(1,370)
Adjusted weighted average number of ordinary shares ('000)	507,585	290,105
Diluted earnings per share stated in cents	0.26	(0.47)

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 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
Net assets (S\$'000)	58,646	54,210	70,114	66,387
Number of ordinary shares ('000)	562,431	505,790	562,431	505,790
Net asset value per ordinary share (cents)	10.4	10.7	12.5	13.1

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

Statement of Comprehensive Income

Results for Q1 2015:

The Group reported profit after tax of S\$1.4 million for the financial period ended 31 March 2015 ("Q1 2015") as compared to loss after tax of S\$1.6 million for the financial period ended 31 March 2014 ("Q1 2014") due to the following factors:

Total revenue increased by S\$3.1 million, or 20.1%, to S\$18.5 million in Q1 2015 as compared to S\$15.4 million in Q1 2014. The increase in total revenue was due to the rise in revenue from the Vessel Chartering segment of S\$3.3 million, partially offset by the decline in revenue from the Group's equipment segment of S\$0.2 million.

Charter revenue from the Vessel Chartering segment increased by S\$3.3 million, or 312.2%, to S\$4.3 million in Q1 2015 as compared to S\$1.0 million in Q1 2014. Vessel charter revenue increased attributed primarily to a higher utilization of our vessels in Q1 2015.

Sales revenue from the Equipment segment decreased by S\$0.2 million, or 1.3%, to S\$14.1 million in Q1 2015 as compared to S\$14.3 million in Q1 2014 due mainly to lower sales of equipment parts to our customers.

Total cost of sales increased by S\$0.8 million, or 6.0%, to S\$13.6 million in Q1 2015 as compared to S\$12.9 million in Q1 2014 due mainly to the increase in cost of sales of the Vessels Chartering segment by S\$1.9 million or 122.0% in Q1 2015 and decrease in cost of sales of equipment parts by S\$1.1 million or 9.8% in Q1 2015. The increase in cost of sales of the Vessel chartering segment was due mainly to the increase 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 increased to 26.0% in Q1 2015 as compared to 16.2% in Q1 2014. The Vessel Chartering segment is the key contributing factor of the increase in profit margin with gross profit contributions increased by S\$1.3 million in Q1 2015 as our vessels are on hire in Q1 2015.

Other income decreased by S\$0.4 million, or 36.2%, to S\$0.7 million in Q1 2015 due mainly to decrease in interest income.

Distribution expenses decreased by S\$0.3 million, or 24.7%, to S\$1.0 million in Q1 2015 due mainly to lower travelling expenses, packing and delivery costs incurred in Q1 2015.

Administrative expenses increased by S\$0.6 million, or 26.6%, to S\$2.9 million for Q1 2015.

Net finance costs increased by S\$0.1 million, or 29.1%, to S\$0.5 million in Q1 2015 due to higher borrowing costs in Q1 2015.

Share of results of associate, Semua International Sdn Bhd and its subsidiaries ("Semua Group") was S\$0.5 million in Q1 2015 (Q1 2014: (S\$1.1) million). The improvement was mainly due to higher utilization rates for Semua fleet of oil tankers.

Other comprehensive income for Q1 2015:

Foreign currency translation gain of S\$0.7 million arising from foreign operations in Q1 2015 related mainly the Group's net investment in foreign operations which are denominated in United States Dollar ("USD"), as the USD appreciated against the Singapore Dollar ("SGD") in Q1 2015.

Statement of Financial Position

Property, plant and equipment increased by S\$1.6 million, or 2.0%, to S\$83.9 million at 31 March 2015 due mainly to the foreign currency translation gain arising from the translation of USD denominated property, plant and equipment of certain subsidiaries into SGD as a result of the appreciation of the USD against the SGD in FY2015. This was partially offset by the additional depreciation charged for FY2015.

In FY 2014, the Group's share of losses exceeds its interest in an equity-accounted investment in associate – Semua Group. The carrying amount of that interest is therefore reduced to zero. For the period covering Q1 2015, Semua Group posted an improved performance and as a result of applying equity method of accounting, the Group recognised the share of results in its associate for Q1 2015 was S\$0.5 million (Q1 2014: (S\$1.1) million).

Trade and other receivables increased by S\$5.3 million, or 11.0%, to S\$53.5 million at 31 March 2015 due mainly to increase in sales turnover and extended credit terms to customers.

Financial liabilities increased by S\$2.4 million, or 3.0%, to S\$82.9 million at 31 March 2015 due mainly to a higher utilization for working capital purposes.

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 17.2%, to S\$6.2 million at 31 March 2015 due the amortization of deferred income in Q1 2015.

Trade and other payables increased by S\$1.4 million, or 6.0%, to S\$24.3 million at 31 March 2015 due mainly to the increased in million in accrued expenses and sundry creditors.

Statement of Cash Flows

For Q1 2015, the Group generated net cash inflows of S\$0.3 million, comprising net cash outflows from operating activities of S\$4.5 million, and investing activities of S\$0.1 respectively, partially offset by net cash inflows from financing activities of S\$4.9 million.

At 31 March 2015, the Group's cash and cash equivalents amounted to S\$3.4 million (31 December 2014: S\$6.1 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 uncertainty in the energy sector caused by a major drop in oil prices has resulted in a severe scale down of capital expenditure spending by oil companies. In response to the market situation, the Group continues to be vigilant in managing costs and improving operational efficiencies.

The Group is currently taking steps to enhance its balance sheet and explore ways that includes paring down its borrowings and raising new capital.

As per the Company's announcement dated 27 April 2015, the company is in the process of finalising the key terms of the definite agreement with Asia Bioenergy Technologies Berhad for the disposal of the Group's entire indirect equity interest in Semua Group.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No applicable.

13 Interested Person Transactions

Name of interested person

Hoe Leong Plastic Industry (China) Ltd
- Rental expense
Hoe Leong Co. (Pte) Ltd
- Interest payable on shareholder's loan

Period ended 31 March 2015	
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>
77	-
22	-

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 2015 to be materially false or misleading.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

8 May 2015