



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Second quarter financial statements and related announcement for the financial period ended 30 June 2016

The Board of Directors of Hoe Leong Corporation Ltd. (the "Company") is pleased to announce the consolidated results for the financial period ended 30 June 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	Second Quarter			Half Year		
		1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	Increase / (decrease)	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015	Increase / (decrease)
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		13,727	19,427	(29.3)%	27,475	37,902	(27.5)%
Cost of sales		(10,897)	(14,760)	(26.2)%	(22,151)	(28,418)	(22.1)%
Gross profit		2,830	4,667	(39.4)%	5,324	9,484	(43.9)%
Other income		453	839	(46.0)%	1,047	1,563	(33.0)%
Distribution expenses		(980)	(1,107)	(11.5)%	(2,025)	(2,143)	(5.5)%
Administrative expenses		(1,878)	(1,102)	70.4 %	(3,725)	(4,067)	(8.4)%
Other expenses		(2,857)	(719)	297.4 %	(4,829)	(838)	476.3 %
Results from operating activities		(2,432)	2,578	(194.3)%	(4,208)	3,999	(205.2)%
Finance income		(942)	25	(3,868.0)%	42	51	(17.6)%
Finance costs		(715)	(1,083)	(34.0)%	(1,385)	(1,548)	(10.5)%
Net finance costs	1	(1,657)	(1,058)	56.6 %	(1,343)	(1,497)	(10.3)%
Share of results of associates and joint ventures, net of tax		-	261	N.M.	-	732	N.M.
(Loss) / Profit before income tax	2	(4,089)	1,781	(329.6)%	(5,551)	3,234	(271.6)%
Income tax (expense) / credit		(12)	(24)	(50.0)%	10	(77)	(113.0)%
(Loss) / Profit for the period		(4,101)	1,757	(333.4)%	(5,541)	3,157	(275.5)%
(Loss) / Profit attributable to:							
Owners of the Company		(4,101)	1,732	(336.8)%	(5,541)	3,039	(282.3)%
Non-controlling interests		-	25	N.M.	-	118	N.M.
(Loss) / Profit for the period		(4,101)	1,757	(333.4)%	(5,541)	3,157	(275.5)%

N.M. - Not meaningful

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

	Second Quarter			Half Year		
	1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	Increase / (decrease)	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
(Loss) / Profit for the period	(4,101)	1,757	(333.4)%	(5,541)	3,157	(275.5)%
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	(131)	1,074	(112.2)%	(1,939)	1,488	(230.3)%
Other comprehensive income, net of tax	<u>(131)</u>	<u>1,074</u>	(112.2)%	<u>(1,939)</u>	<u>1,488</u>	(230.3)%
Total comprehensive income for the period	<u>(4,232)</u>	<u>2,831</u>	(249.5)%	<u>(7,480)</u>	<u>4,645</u>	(261.0)%
Total comprehensive income attributable to :						
Owners of the Company	(4,300)	3,013	(242.7)%	(7,438)	4,866	(252.9)%
Non-controlling interests	68	(182)	137.4 %	(42)	(221)	(81.0)%
Total comprehensive income for the period	<u>(4,232)</u>	<u>2,831</u>	(249.5)%	<u>(7,480)</u>	<u>4,645</u>	(261.0)%

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

Note 1 Finance income comprise the following:

	Second Quarter			Half Year		
	1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	Increase / (decrease)	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Finance income:-						
- Bank deposit	20	25	(16.0)%	39	51	(23.5)%
- Interest on loan to associate	510	-	N.M.	1,475	-	N.M.
- Impairment loss	(1,475)	-	N.M.	(1,475)	-	N.M.
- Others	3	-	N.M.	3	-	N.M.
Total	<u>(942)</u>	<u>25</u>		<u>42</u>	<u>51</u>	

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

Note 1 Finance costs comprise the following:

	1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	Increase / (decrease)	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest paid and payable on:-						
- trust receipts	(67)	(57)	17.5 %	(152)	(106)	43.4 %
- bank loans	(592)	(644)	(8.1)%	(1,127)	(1,009)	11.7 %
- finance leases	(3)	(5)	(40.0)%	(6)	(9)	(33.3)%
Others	(53)	(377)	(85.9)%	(100)	(424)	(76.4)%
Total	(715)	(1,083)		(1,385)	(1,548)	

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:

	Second Quarter			Half Year		
	1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	Increase / (decrease)	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Gain on disposal of other plant and equipment	-	5	N.M.	-	5	N.M.
Depreciation of property, plant and equipment	(1,463)	(1,658)	(11.8)%	(2,966)	(3,287)	(9.8)%
Impairment loss on other receivable	(1,525)	-	N.M.	(1,525)	-	N.M.
Foreign exchange gain / (loss), net	286	540	(47.0)%	(1,216)	947	(228.4)%
Operating lease expenses	(1,257)	(1,440)	(12.7)%	(2,748)	(2,879)	(4.6)%
Amortisation of deferred income	1,041	1,300	(19.9)%	2,340	2,599	(10.0)%
Rental income	381	503	(24.3)%	917	1,031	(11.1)%

N.M. - Not meaningful

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

	Group		Company	
	30 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	73,491	79,396	3,234	3,346
Investments in subsidiaries	-	-	35,456	23,797
Investments in associates	-	-	-	-
Deferred tax assets	496	458	-	-
Non-current assets	73,987	79,854	38,690	27,143
Inventories	25,970	27,834	-	9,297
Trade and other receivables	53,421	61,469	74,769	104,729
Cash and cash equivalents	1,272	3,128	-	508
Current Assets	80,663	92,431	74,769	114,534
Total assets	154,650	172,285	113,459	141,677
Equity				
Share capital	69,490	69,490	69,490	69,490
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(3,718)	(1,821)	-	-
Share-based compensation reserve	171	345	171	345
Accumulated losses	(6,775)	(1,234)	(7,873)	(2,503)
Equity attributable to owners of the Company	59,113	66,725	61,733	67,277
Non-controlling interests	(1,229)	(1,187)	-	-
Total equity	57,884	65,538	61,733	67,277
Liabilities				
Financial liabilities	35,923	33,865	10,305	10,813
Loans from non-controlling shareholders of subsidiaries	2,952	2,901	-	-
Deferred tax liabilities	579	655	20	19
Non-current liabilities	39,454	37,421	10,325	10,832
Trade and other payables	18,348	16,822	17,281	20,988
Financial liabilities	38,875	50,039	24,120	40,240
Current tax payable	89	125	-	-
Deferred income	-	2,340	-	2,340
Current liabilities	57,312	69,326	41,401	63,568
Total liabilities	96,766	106,747	51,726	74,400
Total equity and liabilities	154,650	172,285	113,459	141,677

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

As at 30 Jun 2016		As at 31 Dec 2015		As at 30 Jun 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>
8,365	30,510	9,473	40,566	38,875	50,039

As at 30 Jun 2016		As at 31 Dec 2015		As at 30 Jun 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>
23,241	12,682	22,029	11,836	35,923	33,865

Total

As at 30 June 2016		As at 31 Dec 2015		As at 30 June 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>
31,606	43,192	31,502	52,402	74,798	83,904

Details of any collateral:-

Secured borrowings at 30 June 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		Group	
	Second Quarter		Half Year	
	1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015
	\$'000	\$'000	\$'000	\$'000
Operating activities				
(Loss) / Profit before income tax	(4,089)	1,781	(5,551)	3,234
Adjustments for:				
Amortisation of deferred income	(1,041)	(1,300)	(2,340)	(2,599)
Depreciation of property, plant and equipment	1,463	1,658	2,966	3,287
Finance income	2,458	(25)	1,475	(51)
Impairment loss on finance income	(1,475)	-	(1,475)	-
Impairment loss on other receivable	(1,525)	-	(1,525)	-
Finance costs	715	1,083	1,385	1,548
Share of results of associates, net of tax	-	(261)	-	(732)
Gain on disposal of other plant and equipment	-	(5)	-	(5)
Equity-settled share-based compensation	-	2	(174)	2
Operating cash flows before changes in working capital	(3,494)	2,933	(5,239)	4,684
Change in working capital:				
Inventories	269	(5,198)	1,864	(7,279)
Trade and other receivables	7,025	(1,163)	9,824	(6,670)
Trade and other payables	(952)	6,903	1,588	8,210
Cash flows from / (used in) operations	2,848	3,475	8,037	(1,055)
Income taxes paid	-	(136)	-	(136)
Cash flows from / (used in) operating activities	2,848	3,339	8,037	(1,191)
Investing activities				
Finance income received	23	25	42	51
Purchase of property, plant and equipment	(86)	-	(174)	(77)
Cash flows (used in) / from investing activities	(63)	25	(132)	(26)
Financing activities				
Finance costs paid	(715)	(1,183)	(1,385)	(1,548)
Repayment of bills payable and trust receipts	(5,276)	510	(7,279)	1,508
Proceeds from finance lease liabilities	50	-	50	-
Payment of finance lease liabilities	(25)	(37)	(43)	(66)
Proceeds from interest-bearing borrowings	13,936	3,265	17,173	10,274
Repayment of interest-bearing borrowings	(12,340)	(5,289)	(19,003)	(10,652)
Proceeds from issuance of shares	-	-	-	2,620
Cash flows (used in) / from financing activities	(4,370)	(2,734)	(10,487)	2,136
Net (decrease) / increase in cash and cash equivalents	(1,585)	630	(2,582)	919
Cash and cash equivalents at beginning of the period	2,311	3,432	3,128	6,043
Effect of exchange rates fluctuations	546	(1,384)	726	(4,284)
Cash and cash equivalents at end of the period	1,272	2,678	1,272	2,678

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

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	69,490	(55)	171	(3,519)	(2,674)	63,413	(1,297)	62,116
Total comprehensive income for the period								
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)
Total comprehensive income for the period	-	-	-	(199)	(4,101)	(4,300)	68	(4,232)
Transactions with owners, recorded directly in equity								
Share-based compensation expense	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
At 30 June 2016	69,490	(55)	171	(3,718)	(6,775)	59,113	(1,229)	57,884

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
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 ordinary 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
Total comprehensive income for the period								
Profit for the period	-	-	-	-	1,732	1,732	25	1,757
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	1,281	-	1,281	(207)	1,074
Total comprehensive income for the period	-	-	-	1,281	1,732	3,013	(182)	2,831
Transactions with owners, recorded directly in equity								
Issuance of ordinary shares	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
At 30 June 2015	66,490	(50)	344	(1,564)	(1,913)	63,307	(1,830)	61,477

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) / 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
Total comprehensive income for the period					
Loss for the period	-	-	-	(4,510)	(4,510)
Total comprehensive income for the period	-	-	-	(4,510)	(4,510)
Transactions with owners, recorded directly in equity					
Issuance of ordinary shares	-	-	-	-	-
Share-based compensation expense	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
At 30 June 2016	69,490	(55)	171	(7,873)	61,733
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 ordinary 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
Total comprehensive income for the period					
Loss for the period	-	-	-	(459)	(459)
Total comprehensive income for the period	-	-	-	(459)	(459)
Transactions with owners, recorded directly in equity					
Issuance of ordinary shares	-	-	-	-	-
Share-based compensation expense	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
At 30 June 2015	66,490	(50)	344	2,871	69,655

- 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-Jun-16	30-Jun-15
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 June 2016 is 470,000 shares (31 December 2015: 470,000 shares).

There were no transactions relating to sale, transfer, disposal, cancellation and/or use of treasury shares during the period ended 30 June 2016.

- 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 30 June 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			
	Second Quarter		Half Year	
	1 Apr 2016 to 30 Jun 2016	1 Apr 2015 to 30 Jun 2015	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 30 Jun 2015
Earnings per share of the Group:				
(a) (Loss) / Profit attributable to owners of the Company (S\$'000)	(4,101)	1,732	(5,541)	3,039
Weighted average number of ordinary shares ('000)	622,681	562,430	622,681	534,763
Basic earnings per share stated in cents	(0.66)	0.31	(0.89)	0.57
(b) (Loss) / Profit attributable to owners of the Company (S\$'000)	(4,101)	1,732	(5,541)	3,039
Adjusted weighted average number of ordinary shares ('000)	622,681	563,801	622,681	535,774
Diluted earnings per share stated in cents	(0.66)	0.31	(0.89)	0.57

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 June 2016	31 Dec 2015	30 June 2016	31 Dec 2015
Net assets (S\$'000)	59,113	66,725	61,733	67,277
Number of ordinary shares ('000)	622,681	622,681	622,681	622,681
Net asset value per share (cents)	9.5	10.7	9.9	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 1H 2016:

The Group reported loss after tax of S\$5.5 million for the six months ended 30 June 2016 ("1H 2016") as compared to profit after tax of S\$3.2 million for the six months ended 30 June 2015 ("1H 2015") due to the following factors:

Total revenue decreased by S\$10.4 million, or 27.5%, to S\$27.5 million in 1H 2016 as compared to S\$37.9 million in 1H 2015. The decrease in total revenue was due to decrease in revenue from the Group's Vessel Chartering segment of S\$2.3 million and the Group's Equipment segment of S\$8.1 million.

Sales revenue from the Equipment segment decreased by S\$8.1 million, or 27.8%, to S\$21.0 million in 1H 2016 as compared to S\$29.1 million in 1H 2015 mainly due to lower sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$2.3 million, or 26.1%, to S\$6.5 million in 1H 2016 as compared to S\$8.8 million in 1H 2015. The decrease in charter revenue was due mainly to lower utilisation rate for our Arkstar fleet.

Total cost of sales decreased by S\$6.3 million, or 22.1%, to S\$22.2 million in 1H 2016 as compared to S\$28.4 million in 1H 2015 mainly due to decrease in cost of sales of equipment parts by S\$8.1 million or 33.7% to S\$16 million, offset by increase in cost of sales of the Vessel Chartering segment by S\$1.9 million or 43.3% to S\$6.2 million in 1H 2016 respectively. The decrease in cost of sales of Equipment was mainly due to decrease in sales of equipment parts. The increase in cost of sales of Vessel chartering segment was mainly due to the increase in vessel operating costs.

Overall gross profit margin decreased to 19.4% in 1H 2016 as compared to 25.0% in 1H 2015. The Vessel chartering segment is the key contributing factor of the decrease in profit margin with gross profit margin decreased by S\$4.2 million in 1H 2016.

Other income decreased by S\$0.5 million, or 33.0%, to S\$1.0 million in 1H 2016 which was mainly due to decrease in rental income.

Distribution expenses decreased by S\$0.1 million, or 5.5%, to S\$2.0 million for 1H 2016 which was mainly due to decrease in packing and delivery expenses.

Administrative expenses decreased by S\$0.3 million, or 8.4%, to S\$3.7 million for 1H 2016 which was mainly due to decrease in staff welfare costs.

Other expenses increased by S\$4 million, or 476.3% to S\$4.8 million in 1H 2016 mainly due to increase in foreign exchange loss of S\$1.2 million and various rental related payments of \$1.3 million and impairment loss on other receivable of S\$1.5 million.

Net finance cost decrease by S\$0.1 million or 10.3% which was mainly due to decrease in bank borrowings. There is also an interest on loan to associate of S\$1.5 million being offset by an impairment loss on interest income.

The Group has ceased to equity account for the results of its associate, Semua International Sdn Bhd and its subsidiaries ("Semua Group") as compared to S\$0.7 million profit in 1H 2015. This is because the Group has fully impaired its equity investment. The Group also performed an assessment of the overall recoverability on loan from an associate company, an impairment loss on loan to associate company of S\$3 million has been reflected in 1H 2016.

Pursuant to announcement on the withdrawal of the winding up petition from NFC Labuan Ship Leasing I Ltd ("NFC") on Semua Chemical Shipping Sdn Bhd ("SCSSB") and Semua Shipping Sdn Bhd ("SSSB"). NFC has subsequently refiled for the winding up petition. SCSSB and SSSB are contesting the winding-up petitions.

Other comprehensive income for 1H 2016:

Foreign currency translation loss of S\$1.9 million arising from foreign operations in 1H 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 1H 2016.

Results for Q2 2016:

The Group reported loss after tax of S\$4.1 million for the three months ended 30 June 2016 ("Q2 2016") as compared to profit after tax of S\$1.8 million for the three months ended 30 June 2015 ("Q2 2015") due to the following factors:

Total revenue decreased by S\$5.7 million, or 29.3%, to S\$13.7 million in Q2 2016 as compared to S\$19.4 million in Q2 2015. The decrease in total revenue was due to decrease in revenue from the Group's Vessel Chartering segment of S\$1.2 million and the Group's Equipment segment of S\$4.5 million.

Sales revenue from the Equipment segment decreased by S\$4.5 million, or 30.4%, to S\$10.4 million in Q2 2016 as compared to S\$15.0 million in Q2 2015 mainly due to lower demand for third party brands of equipment parts from our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$1.1 million to S\$3.3 million in Q2 2016 as compared to S\$4.4 million in Q2 2015. The decrease in charter revenue was due mainly to lower utilisation rate for our Arkstar fleet.

Total cost of sales decreased by S\$3.8 million, or 26%, to S\$10.9 million in Q2 2016 as compared to S\$14.7 million in Q2 2015 mainly due to decrease in cost of sales of equipment parts in Equipment segment by S\$6.2 million or 44%, and offset by the increase in Vessel Chartering segment by S\$2.4 million or 269% in Q2 2016. The decrease in cost of sales of equipment parts was mainly due to lower manufacturing costs. The increase in cost of sales of the Vessel Chartering segment was mainly due to the increase in vessel operating costs.

Overall gross profit margin decreased to 20.6% in Q2 2016 as compared to 24.0% in Q2 2015. The Vessel segment is the key contributing factor for the decrease in profit margin with decrease in profit margin by S\$3.5 million in Q2 2016 offset by the increase in profit margin of the Equipment segment by S\$1.6 million.

Other income decreased by S\$0.4 million, or 46.0%, to S\$0.5 million in Q2 2016 mainly due to decrease in rental income.

Distribution expenses decreased by S\$0.1 million, or 11.5% to S\$1.0 million for Q2 2016 which was mainly due to decrease in packing and delivery expenses.

Administrative expenses increased by S\$0.8 million, or 70.4%, to S\$1.9 million for Q2 2016 which was mainly due to increase in legal and professional fees.

Other expenses increased by S\$2.1 million, or 297.4%, to S\$2.8 million in Q2 2016 mainly due to an impairment loss on other receivable of S\$1.5 million, decrease in foreign exchange gain of \$0.3 million in 2Q 2016 as compared to gain of S\$0.5 million in 2Q 2015 and increase in various other expenses.

Net finance costs increase by S\$0.6 million, or 56.6%, to S\$1.6 million in Q2 2016 mainly attributable to impairment loss on finance income S\$1.5 million offset by income from banking institutions and interest cost.

The Group has ceased to equity account for the results of its associate, Semua International Sdn Bhd and its subsidiaries ("Semua Group") as compared to S\$0.2 million profit in Q2 2015. This is because the Group has fully impaired its equity investment. The Group also performed an assessment of the overall recoverability on loan from an associate company, an impairment loss on loan to associate company of S\$3 million has been reflected in 2Q 2016.

Other comprehensive income for Q2 2016:

Foreign currency translation loss of S\$0.1 million arising from foreign operations in Q2 2016 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 Q2 2015.

Statement of Financial Position

Property, plant and equipment decreased by S\$5.9 million, or 7.4%, to S\$73.5 million as at 30 June 2016 mainly due 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 1H 2016 and additional depreciation expense charged for FY2016.

Trade and other receivables decreased by S\$8.0 million, or 13.1%, to S\$53.4 million as at 30 June 2016 mainly due to decrease in sales.

Financial liabilities decreased by S\$9.1 million, or 10.9%, to S\$74.8 million at 30 June 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\$2.3 million, or 100%, at 30 June 2016 due the full amortisation of deferred income in 1H 2016.

Trade and other payables increased by S\$1.5 million, or 9.1%, to S\$18.3 million as at 30 June 2016 mainly due to the increase in trade payables for purchase of inventories in 1H 2016.

Statement of Cash Flows

In 1H 2016, the Group generated net cash outflows of S\$2.6 million, mainly comprising net cash inflows from operating activities of S\$8 million and net cash outflows from investing activities of S\$0.1 million, partially offset by net cash outflows from financing activities of S\$10.5 million.

At 30 June 2016, the Group's cash and cash equivalents amounted to S\$1.3 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 continues 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 30 June 2016		
Name of interested person	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	216	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	64	-

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 June 2016 to be materially false or misleading.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

12 August 2016