



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Full-year financial statements and related announcement for the financial year ended 31 December 2017

The Board of Directors of Hoe Leong Corporation Ltd. (the "Company") is pleased to announce the consolidated results for the financial year ended 31 December 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	Full Year		
	2017	2016	Increase / (decrease)
	\$'000	\$'000	%
Revenue	62,547	57,896	8.0 %
Cost of sales	(52,729)	(48,206)	9.4 %
Gross profit	9,818	9,690	1.3 %
Other income	256	1,254	(79.6)%
Distribution expenses	(4,344)	(4,201)	3.4 %
Administrative expenses	(7,701)	(7,896)	(2.5)%
Other expenses	(40,794)	(42,925)	(5.0)%
Results from operating activities	(42,765)	(44,078)	(3.0)%
Finance income	2	4	(50.0)%
Finance costs	(4,234)	(3,259)	29.9 %
Net finance costs	(4,232)	(3,255)	30.0 %
Loss before income tax	(46,997)	(47,333)	(0.7)%
Income tax (expense) / credit	(872)	425	(305.2)%
Loss for the year	(47,869)	(46,908)	2.0 %
Loss attributable to:			
Owners of the Company	(47,869)	(46,908)	2.0 %
Non-controlling interests	-	-	N.M.
Loss for the year	(47,869)	(46,908)	2.0 %

N.M. - Not meaningful

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

	Full Year		
	2017	2016	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Loss for the year	(47,869)	(46,908)	2.0 %
Other comprehensive income			
Foreign currency translation differences arising from foreign operations	274	252	8.7 %
Other comprehensive income, net of tax	<u>274</u>	<u>252</u>	8.7 %
Total comprehensive income for the year	<u>(47,595)</u>	<u>(46,656)</u>	2.0 %
Total comprehensive income attributable to :			
Owners of the Company	(47,539)	(46,716)	1.8 %
Non-controlling interests	(56)	60	(193.3)%
Total comprehensive income for the year	<u>(47,595)</u>	<u>(46,656)</u>	2.0 %

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

Note 1 Finance incomes comprise the following:

	Full Year		
	2017	2016	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Finance income:-			
- Bank deposits	2	4	(50.0)%
- Interest on loan to associate	-	1,475	N.M.
- Impairment loss	-	(1,475)	N.M.
Total	<u>2</u>	<u>4</u>	

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

Note 1 Finance costs comprise the following:

	Full Year		
	2017	2016	Increase / (decrease)
	\$'000	\$'000	%
Interest paid and payable on:-			
- Trust receipts	(357)	(235)	51.9 %
- Bank loans	(3,611)	(2,360)	53.0 %
- Finance leases	(14)	(12)	16.7 %
Others	(252)	(652)	(61.3)%
Total	(4,234)	(3,259)	

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

Written back / (allowance) for slow moving inventories	249	(23)	(1,182.6)%
Inventories written-back / (written-off)	126	(287)	(143.9)%
Allowance for doubtful debts / bad debts written off	(5,371)	(53)	10,034.0 %
Gain on disposal of other plant and equipment	21	10	110.0 %
Property, plant and equipment written-off	(11)	-	N.M.
Impairment loss of other receivables	-	(29,796)	N.M.
Impairment loss of property, plant and equipment	(32,098)	(7,684)	317.7 %
Depreciation of property, plant and equipment	(5,086)	(5,739)	(11.4)%
Foreign exchange gain loss, net	(524)	(1,019)	(48.6)%
Operating lease expenses	(1,371)	(3,339)	(58.9)%
Amortisation of deferred income	-	2,340	N.M.
Rental income	63	948	(93.4)%

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

	Group		Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	29,739	67,563	2,024	2,163
Investments in subsidiaries	-	-	8,778	14,451
Investments in associates	-	-	-	-
Deferred tax assets	539	578	-	-
Non-current assets	30,278	68,141	10,802	16,614
Inventories	23,509	25,106	-	-
Trade and other receivables	15,997	26,652	9,016	57,918
Cash and cash equivalents	2,478	3,287	114	757
Current Assets	41,984	55,045	9,130	58,675
Total assets	72,262	123,186	19,932	75,289
Equity				
Share capital	69,490	69,490	69,490	69,490
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(1,299)	(1,629)	-	-
Share-based compensation reserve	171	171	171	171
Accumulated losses	(96,011)	(48,142)	(101,626)	(50,176)
Equity attributable to owners of the Company	(27,704)	19,835	(32,020)	19,430
Non-controlling interests	(1,183)	(1,127)	-	-
Total equity *	(28,887)	18,708	(32,020)	19,430
Liabilities				
Financial liabilities	794	1,488	-	22
Deferred tax liabilities	38	38	20	19
Non-current liabilities	832	1,526	20	41
Trade and other payables *	28,548	20,104	35,065	31,683
Financial liabilities	67,766	79,187	16,625	24,135
Loans from non-controlling shareholders of subsidiaries	3,565	3,489	-	-
Current tax payable	438	172	242	-
Deferred income	-	-	-	-
Current liabilities	100,317	102,952	51,932	55,818
Total liabilities	101,149	104,478	51,952	55,859
Total equity and liabilities	72,262	123,186	19,932	75,289

* Note : Total indebtedness due to bank creditors and controlling shareholder amounting to approximately S\$43 million and S\$14 million respectively as of the balance sheet date will be converted to equity shares under the scheme of arrangement.

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

As at 31 Dec 2017		As at 31 Dec 2016		As at 31 Dec 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured	Current	Current
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
47,830	19,936	53,825	21,245	67,766	75,070

As at 31 Dec 2017		As at 31 Dec 2016		As at 31 Dec 2017	As at 31 Dec 2016
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>
794	-	5,605	-	794	5,605

Total

As at 31 Dec 2017		As at 31 Dec 2016		As at 31 Dec 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured		
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
48,624	19,936	59,430	21,245	68,560	80,675

Details of any collateral:-

- (a) Legal mortgages over vessels, freehold land and buildings and certain plant and equipment; and
- (b) Corporate guarantees provided by the Company.

The Company is undergoing a scheme of arrangement with its bank creditors and controlling shareholder (the "Scheme"). The Scheme has been approved by the requisite majority in numbers representing three-fourths in value of each class of Scheme creditors. On 22 January 2018, the High Court has approved the Scheme. The Company is currently in the process of obtaining whitewash waivers from SIC and in-principle approval from SGX-ST before convening an EGM to obtain shareholders' approval for the issuance of shares under the Scheme. The ability of the Company to continue as a going concern is dependent on the implementation of the Scheme.

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

	Full Year	
	2017	2016
	\$'000	\$'000
Operating activities		
Loss before income tax	(46,997)	(47,333)
Adjustments for:		
Amortisation of deferred income	-	(2,340)
Depreciation of property, plant and equipment	5,086	5,739
Finance income	(2)	(4)
Finance costs	4,234	3,259
Property, plant and equipment written off	11	-
Gain on disposal of other plant and equipment	(21)	(10)
Equity-settled share-based compensation	-	(174)
Impairment loss of property, plant and equipment	32,098	7,684
Impairment loss of other receivables	-	29,796
Operating cash flows before changes in working capital	(5,591)	(3,383)
Change in working capital:		
Inventories	1,747	2,728
Trade and other receivables	10,855	5,030
Trade and other payables	5,984	3,945
Cash flows from operations	12,995	8,320
Income taxes paid	(1,069)	(225)
Cash flows from operating activities	11,926	8,095
Investing activities		
Finance income received	2	4
Purchase of property, plant and equipment	(1,517)	(1,167)
Proceeds from disposal of property, plant and equipment	49	13
Cash flows used in investing activities	(1,466)	(1,150)
Financing activities		
Finance costs paid	(1,727)	(3,259)
Repayment of bills payable and trust receipts	(704)	(6,451)
Proceeds from finance lease liabilities	32	51
Payment of finance lease liabilities	(102)	(92)
Proceeds from interest-bearing borrowings	-	41,932
Repayment of interest-bearing borrowings	(8,855)	(38,672)
Cash flows used in financing activities	(11,356)	(6,491)
(Decrease)/Increase in cash and cash equivalents	(896)	454
Cash and cash equivalents at beginning of the year	2,338	2,179
Effect of exchange rates fluctuations	285	(295)
Cash and cash equivalents at end of the year **	1,727	2,338
Note : **		
Cash and cash equivalents in the statements of financial position	2,478	3,287
Bank Overdraft used for cash management purpose	(751)	(949)
Cash and cash equivalents in the statement of cash flows	1,727	2,338

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

	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
2017								
At 1 January 2017	69,490	(55)	171	(1,629)	(48,142)	19,835	(1,127)	18,708
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(47,869)	(47,869)	-	(47,869)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	330	-	330	(56)	274
Total comprehensive income for the year	-	-	-	330	(47,869)	(47,539)	(56)	(47,595)
Transactions with owners, recorded directly in equity								
Issuance of ordinary shares	-	-	-	-	-	-	-	-
Own shares acquired	-	-	-	-	-	-	-	-
Share-based compensation expenses	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-
At 31 December 2017	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(1,299)</u>	<u>(96,011)</u>	<u>(27,704)</u>	<u>(1,183)</u>	<u>(28,887)</u>

	Share capital	Treasury shares	Share-based compensation reserve	Currency translation reserve	Accumulated Profits/ losses	Equity attributable to owners of the Company	Non- controlling interests	Total equity
Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2016								
At 1 January 2016	69,490	(55)	345	(1,821)	(1,234)	66,725	(1,187)	65,538
Total comprehensive income for the period								
Loss for the year	-	-	-	-	(46,908)	(46,908)	-	(46,908)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	192	-	192	60	252
Total comprehensive income for the year	-	-	-	192	(46,908)	(46,716)	60	(46,656)
Transactions with owners, recorded directly in equity								
Issuance of ordinary shares	-	-	-	-	-	-	-	-
Own shares acquired	-	-	-	-	-	-	-	-
Share-based compensation expenses	-	-	(174)	-	-	(174)	-	(174)
Total transactions with owners	-	-	(174)	-	-	(174)	-	(174)
At 31 December 2016	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(1,629)</u>	<u>(48,142)</u>	<u>19,835</u>	<u>(1,127)</u>	<u>18,708</u>

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

Company	Share capital \$'000	Treasury Shares \$'000	Share-based compensation reserve \$'000	Accumulated (losses) / profits \$'000	Total equity \$'000
2017					
At 1 January 2017	69,490	(55)	171	(50,176)	19,430
Total comprehensive income for the year					
Loss for the year	-	-	-	(51,450)	(51,450)
Total comprehensive income for the year	-	-	-	(51,450)	(51,450)
Transactions with owners, recorded directly in equity					
Issuance of shares	-	-	-	-	-
Share-based compensation expense	-	-	-	-	-
Total transactions with owners	-	-	-	-	-
At 31 December 2017	69,490	(55)	171	(101,626)	(32,020)

	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 year					
Loss for the year	-	-	-	(47,673)	(47,673)
Total comprehensive income for the year	-	-	-	(47,673)	(47,673)
Transactions with owners, recorded directly in equity					
Issuance of ordinary shares	-	-	-	-	-
Share-based compensation expense	-	-	(174)	-	(174)
Total transactions with owners	-	-	(174)	-	(174)
At 31 December 2016	69,490	(55)	171	(50,176)	19,430

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

Share Capital

There was no change in the Company's share capital during the financial period.

Share Options

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

Grant date	Expiry date	Exercise price	Number outstanding as at	
			31-Dec-17	31-Dec-16
13 April 2010	12 April 2020	S\$ 0.34	170,000	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
			931,000	1,011,000

Treasury shares

Treasury shares held as at 31 December 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 31 December 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 shares	(470,000)
Issued and paid-up share capital as at 31 December 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

Earnings per share of the Group:	Group	
	Full Year	
	2017	2016
(a) Loss attributable to owners of the Company (S\$'000)	(47,869)	(46,908)
Weighted average number of ordinary shares ('000)	622,681	622,681
Basic earnings per share (cents)	(7.69)	(7.53)
(b) Loss attributable to owners of the Company (S\$'000)	(47,869)	(46,908)
Adjusted weighted average number of ordinary shares ('000)	622,681	622,681
Diluted earnings per share (cents)	(7.69)	(7.53)

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 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Net assets (S\$'000)	(28,887)	18,708	(32,020)	19,430
Number of ordinary shares ('000)	622,681	622,681	622,681	622,681
Net asset value per ordinary share (cents)	(4.6)	3.0	(5.1)	3.1

- 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 FY2017:

The Group reported loss after tax of S\$47.9 million for the year ended 31 December 2017 ("FY 2017") as compared to loss after tax of S\$46.9 million for the year ended 31 December 2016 ("FY 2016") due to the following factors:

Total revenue increased by S\$4.7 million, or 8.0% to S\$62.5 million in FY 2017 as compared to S\$57.9 million in FY 2016. The increase in total revenue was due to increase in revenue from the Group's Equipment segment of S\$6.3 million and offset by decrease in revenue from Group's Vessel Chartering segment of S\$1.6 million.

Sales revenue from the Equipment segment increased by S\$6.3 million, or 13.9%, to S\$51.7 million in FY 2017 as compared to S\$45.4 million in FY 2016 mainly due to higher sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$1.6 million, or 12.9%, to S\$10.8 million in FY 2017 as compared to S\$12.4 million in FY 2016. The decreased in charter revenue was due mainly to lower utilisation rate for our Arkstar fleet.

Total cost of sales increased by S\$4.5 million, or 9.4%, to S\$52.7 million in FY 2017 as compared to S\$48.2 million in FY 2016 mainly due to increase in cost of sales of equipment parts by S\$5.5 million, or 15.4%, to S\$41.4 million, offset by decrease in cost of sales of Vessel Chartering segment by S\$1.0 million, or 8.1%, to S\$11.3 million, in FY 2017 respectively. The increase in cost of sales of Equipment segment was mainly due to increase in sales of equipment parts. The decrease in cost of sales of Vessel Chartering segment was due to lower depreciation cost and lower vessel operating cost.

Overall gross profit margin decreased to 15.7% in FY 2017 as compared to 16.7% in FY 2016. Gross profit for Equipment segment increased by S\$0.7 million, and Vessel Chartering segment gross profit decreased by S\$0.6 million in FY 2016.

Distribution expenses increased by S\$0.1 million, or 3.4%, to S\$4.3 million in FY 2017 which was mainly due to increase in packing and delivery expenses.

Administrative expenses decreased by S\$0.2 million, or 2.5%, to S\$7.7 million in FY 2017 which was mainly due to decrease in bank charges and decrease in director fees.

Other expenses decreased by S\$2.2 million, or 5.0% to S\$40.8 million in FY 2017 mainly due to lower repair and maintenance expenses of S\$0.6 million and lower property related expenses of S\$0.8 million. In 2016, there were impairment loss for property, plant and equipment and impairment loss for other receivable amounting to S\$7.7 million and S\$30.8 million, in 2017 there are impairment loss for property, plant and equipment of S\$32.1 million and S\$5.4 million of trade receivable are allowance for doubtful debt and written off.

Finance costs increased by S\$1.0 million, or 29.9%, to S\$4.2 million in FY2017 mainly due to higher loan interest from bank borrowings

Other comprehensive income for FY 2017:

Foreign currency translation gain of S\$0.3 million arising from foreign operations in FY 2017 related mainly to 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 FY 2017.

Statement of Financial Position

Property, plant and equipment decreased by S\$37.9 million, or 56.0%, to S\$29.7 million as at 31 December 2017 mainly due to impairment loss of S\$32.1 million and depreciation expense for FY 2017 of S\$5.1 million offset against additional fixed assets of S\$1.5 million and foreign currency translation loss of S\$2.1 million gain 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 FY 2017. The impairment charge of \$32.1 million against the book value of the vessels was based on the valuation reports dated 26 Feb 2018 issued out by Braemer ACM Valuations Limited, UK.

Inventories decreased by S\$1.6 million, or 6.4% to S\$23.5 million as at 31 December 2017 mainly due to increase in sales of equipment parts

Trade and other receivables decreased by S\$10.6 million, or 39.9%, to S\$16.0 million as at 31 December 2017 mainly due to the allowance and written off of doubtful debts of S\$5.4 million and improvement in debt collection.

Financial liabilities decreased by S\$12.1 million, or 15.0%, to S\$68.6 million at 31 December 2017 due mainly to repayment of borrowings.

Trade and other payables increased by S\$8.4 million, or 42.0% to S\$28.5 million as at 31 December 2017 mainly due to increase in accrual expenses mainly interest payable to bank creditors and amount due to controlling shareholder.

Statement of Cash Flows

For FY 2017, the Group generated net cash outflows of S\$1.3 million, mainly comprising net cash inflows from operating activities of S\$11.5 million and offset by net cash outflows from investing activities and financing activities of S\$1.5 million and S\$11.3 million respectively.

As at 31 December 2017, the Group's cash and cash equivalents amounted to S\$1.7 million (31 December 2016: S\$2.3 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. The Appeals were partially heard on 21 November 2017 and has been scheduled for continued hearing on 21 May 2018 in the Court of Appeal.

(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, Q2 and Q3 2017 unaudited financial statements and the Company's announcement dated 4 December 2017 (collectively, the "**Announcements**"). All undefined terms used here shall have the same meaning as the terms defined in the Announcements.

Further to the Company's disclosure in the Announcements on the SG Suit, on 22 December 2017, Sumatec filed an application for a stay of execution ("**Stay Application**") of the Summary Judgment Order pending Sumatec's appeal to the Court of Appeal ("**CA Appeal**"). On 30 January 2018, the Singapore High Court dismissed the Stay Application subject to the condition that any monies paid to Ebony and the Official Receiver of Malaysia (appointed as the liquidator of Ebony) shall not be distributed pending the disposal of the Appeal. The Singapore High Court also ordered Sumatec to make payment of the judgment sum in respect of the Summary Judgment Order to Ebony by 27 March 2018 and awarded costs to be paid by Sumatec to Ebony.

The CA Appeal is currently scheduled to be heard on a date between 30 July 2018 and 6 August 2018 (both dates inclusive).

In the meantime, Ebony has filed an application for, among others, an order that Sumatec be restrained from maintaining and/or continuing the prosecution of its counterclaim in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur ("**KL Court**") against the Company and Setinggi ("**KL Counterclaim**") which relates to the same matters and seeks substantially the same reliefs as in Kuala Lumpur High Court Suit No. WA-22NCC-142-04/2017 commenced by Sumatec (which has been restrained and struck out – see below). This application is currently pending.

We refer to Sumatec's Interim Financial Report for the period ended 30 September 2017 and its announcement dated 29 January 2018, stating that Sumatec's solicitors informed the KL Court that Sumatec is proceeding with the KL Counterclaim against the Company and that Sumatec has forwarded the Notice of Defence and Counterclaim to the Registrar for purpose of service of the same on the Company. The Company has yet to receive service of the Counterclaim. Upon receipt of the Counterclaim, the Company intends to apply strike out the claim.

The Company will disclose any material developments in connection with the abovementioned matters, as and when necessary.

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

Reference is made to the Announcements in relation to this suit.

Pursuant to the order granted on 30 November 2017 restraining Sumatec from maintaining and/or continuing the prosecution of this Suit, the Judge of the KL Court has directed that this suit be struck out with liberty to file afresh, with no order as to costs.

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

Reference is made to the Company's Q3 2017 unaudited financial statements.
Sumatec and Mr Chan have filed their Defence in the suit which is presently at the discovery stage. 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

The outlook for the Equipment Manufacturing & Distribution business is beginning to turn positive, as evidenced in the increase in turnover of the sector in FY2017. As for the Vessel Chartering sector, with oil prices fluctuating above US\$60 per barrel, the market appears to be stabilising.

Under the Scheme, around \$57 million of liabilities of the Group will be converted into equity shares of the Company; thereby restoring the Company to a financially healthy position.

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. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Business Segments

Information about reportable segments

	Design and manufacture		Trading and distribution		Vessel chartering		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	36,878	30,770	14,820	14,758	10,849	12,368	62,547	57,896
Finance income	1	1	1	2	-	1	2	4
Finance costs	(1,477)	(1,733)	(405)	(346)	(2,352)	(1,180)	(4,234)	(3,259)
Depreciation	(1,125)	(1,212)	(244)	(250)	(3,717)	(4,277)	(5,086)	(5,739)
Reportable segment profit before income tax	(3,000)	(4,018)	(6,578)	(133)	(36,342)	(10,241)	(45,920)	(14,392)
Unallocated income							-	948
Unallocated expenses							(1,077)	(33,889)
Loss before income tax for the year							(46,997)	(47,333)
Material non-cash items:-								
(Allowances)/written back for slow-moving	192	14	57	(324)	-	-	249	(287)
Inventories written back			126	-			126	(23)
Allowances and written-off bad debts for doubtful debt	-	-	(5,276)	-	(95)	-	(5,371)	(53)
Impairment on property, plant and equipment	-	-	-	(1,000)	(32,098)	(6,684)	(32,098)	(7,684)
Impairment on other receivable	-	-	-	-	-	-	-	(29,796)
Capital expenditure:-								
Purchase of property, plant and equipment	(442)	(146)	(243)	(262)	(832)	(759)	(1,517)	(1,167)

Business Segments (cont'd)

Assets and liabilities

Design and manufacture		Trading and distribution		Vessel chartering		Total	
2017	2016	2017	2016	2017	2016	2017	2016
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
33,288	36,557	12,110	16,889	23,532	65,074	68,930	118,520
						3,332	4,666
						<u>72,262</u>	<u>123,186</u>
21,544	19,446	4,679	9,848	44,091	44,087	70,314	73,381
						10,525	16,922
						<u>20,310</u>	<u>14,175</u>
						<u>101,149</u>	<u>104,478</u>

Geographical Segments

Geographical information

	Revenue		Non-current assets (excluding financial instruments and deferred tax assets)	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore	1,253	2,269	16,147	43,280
Other ASEAN countries	12,575	12,301	4,667	13,967
Other Asian countries	13,723	15,969	8,158	8,440
Others	34,996	27,357	767	1,876
	<u>62,547</u>	<u>57,896</u>	<u>29,739</u>	<u>67,563</u>

- 14 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to paragraph 8 above.

15 Breakdown of sales

	Group		
	2017	2016	(decrease)
	\$'000	\$'000	%
Sales reported for first half year	29,321	27,475	6.7 %
Operating (loss) / profit after tax before deducting non-controlling interests reported for the first half year	(11,120)	(5,541)	N.M.
Sales reported for second half year	33,226	30,421	9.2 %
Operating (loss) / profit after tax before deducting non-controlling interests reported for the second half year	(36,749)	(41,367)	N.M.

N.M. – Not Meaningful

16 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

None

17 Interested Person Transactions

	Period ended 31 December 2017	
	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>Name of interested person</u>	<u>\$'000</u>	<u>\$'000</u>
Hoe Leong Plastic Industry (China) Ltd		
- Rental expense	376	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	178	-

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

18 List of persons occupying managerial positions of the Company or any of its principal subsidiaries who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Company

Financial year ended 31 December 2017

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Mdm Kuah Geok Khim	65	Sister of Messrs Kuah Geok Lin, Kuah Geok Khim, and Quah Yoke Hwee, Executive Directors of the Company	Operations Manager, 01/04/1975 Her duties include general office administration, maintenance and procurement of office equipment and computerisation, inventory management and management information system. Her scope also includes sales and purchases cum import and export functions.	N/A
Raymond Quah Eng Kiat	40	Son of Mr Quah Yoke Hwee - Executive Director of the Company	Senior Manager(Sales and Marketing) 01/04/2010 at Group Level and concurrently holding position of Director with Arkstar Ship Management Pte Ltd Responsible for the sales and marketing functions and management of the Group's vessel business.	N/A
Alvin Kuah Han Zhou	38	Son of Mr Kuah Geok Lin - Chairman & CEO of the Company	Senior Manager (Business Development) 1/4/2010 at Group Level and concurrently holding the position of Director with Arkstar Offshore Pte Ltd Responsible for the business development functions of the Group's vessel business.	N/A

List of persons occupying managerial positions of the Company or any of its principal subsidiaries who are related to a Director, Chief Executive Officer or Substantial Shareholder of the Company (continue)

Financial year ended 31 December 2017

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Kuah Zhichao Kelvin	36	Son of Mr Kuah Geok Khim - Executive Director of the Company	Senior Manager (Business Development) at Group Level. 10-10-11 His duties include all business development functions of the Group spare parts business.	N/A

19 Undertaking from directors and executive officers

The Company confirms it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720 (1).

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

01 March 2018