



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Second quarter financial statements and related announcement for the financial period ended 30 June 2014

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 2014. 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 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	Increase / (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	15,175	19,714	(23.0)%	30,557	35,034	(12.8)%
Cost of sales	(13,593)	(14,890)	(8.7)%	(26,477)	(27,025)	(2.0)%
Gross profit	1,582	4,824	(67.2)%	4,080	8,009	(49.1)%
Other income	1,112	856	29.9 %	2,249	1,240	81.4 %
Profit earned from construction of property	-	-	N.M.	-	382	(100.0)%
Distribution expenses	(1,188)	(1,388)	(14.4)%	(2,563)	(2,653)	(3.4)%
Administrative expenses	(2,266)	(1,790)	26.6 %	(4,608)	(3,596)	28.1 %
Other expenses	(774)	(2,270)	(65.9)%	(791)	(3,996)	(80.2)%
Results from operating activities	(1,534)	232	(761.2)%	(1,633)	(614)	166.0 %
Finance income	8	263	(97.0)%	16	531	(97.0)%
Finance costs	1 (396)	(365)	8.5 %	(756)	(733)	3.1 %
Net finance costs	(388)	(102)	280.4 %	(740)	(202)	266.3 %
Share of results of associates and joint ventures, net of tax	(1,384)	(148)	835.1 %	(2,470)	(467)	428.9 %
Loss before income tax	2 (3,306)	(18)	N.M.	(4,843)	(1,283)	N.M.
Income tax expense	(129)	(132)	(2.3)%	(168)	(137)	22.6 %
Loss for the period	(3,435)	(150)	N.M.	(5,011)	(1,420)	N.M.
Loss attributable to:						
Owners of the Company	(3,165)	(128)	N.M.	(4,535)	(1,112)	N.M.
Non-controlling interests	(270)	(22)	N.M.	(476)	(308)	54.5 %
Loss for the period	(3,435)	(150)	N.M.	(5,011)	(1,420)	N.M.

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

	Second Quarter			Half Year		
	1 Apr 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	Increase / (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Loss for the period	(3,435)	(150)	N.M.	(5,011)	(1,420)	252.9 %
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	(51)	678	(107.5)%	(490)	1,189	(141.2)%
Income tax relating to components of other comprehensive income	-	-		-	-	
Other comprehensive income, net of tax	(51)	678	(107.5)%	(490)	1,189	(141.2)%
Total comprehensive income for the period	(3,486)	528	N.M.	(5,501)	(231)	N.M.
Total comprehensive income attributable to :						
Owners of the Company	(3,209)	556	(677.2)%	(5,016)	29	N.M.
Non-controlling interests	(277)	(28)	889.3 %	(485)	(260)	86.5 %
Total comprehensive income for the period	(3,486)	528	(760.2)%	(5,501)	(231)	N.M.

N.M. – Not meaningful

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

Note 1 Finance costs comprise the following:

	Second Quarter			Half Year		
	1 Apr 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	Increase / (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Interest paid and payable on:-						
- trust receipts	(45)	(29)	55.2 %	(50)	(80)	(37.5)%
- bank loans	(281)	(320)	(12.2)%	(588)	(621)	(5.3)%
- finance leases	(3)	(3)	- %	(6)	(6)	- %
Amortisation of transaction costs related to bank borrowings	-	(13)	100.0 %	-	(26)	100.0 %
Others	(67)	-	100.0 %	(112)	-	100.0 %
Total	(396)	(365)		(756)	(733)	

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:

	Second Quarter			Half Year		
	1 Apr 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	Increase / (decrease)	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance written-back / (made) for slow moving inventories	(27)	(358)	(92.5)%	3	(507)	(100.6)%
Inventories written-back	(20)	8	(350.0)%	(9)	43	(120.9)%
Allowance written-back/(made) for doubtful receivables	36	31	16.1 %	(1)	99	(101.0)%
Profit earned from construction of property	-	-		-	382	(100.0)%
Gain/(loss) on disposal of other plant and equipment	(16)	6	(366.7)%	(4)	10	(140.0)%
Depreciation of property, plant and equipmen	(875)	(720)	21.5 %	(1,779)	(1,445)	23.1 %
Foreign exchange gain / (loss), net	532	(806)	(166.0)%	1,535	(1,038)	(247.9)%
Operating lease expenses	(1,455)	(1,639)	(11.2)%	(2,971)	(3,191)	(6.9)%
Amortisation of deferred income	1,299	1,299	- %	2,599	2,540	2.3 %
Rental income	630	661	(4.7)%	1,324	938	41.2 %

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

	Group		Company	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Assets				
Property, plant and equipment	44,593	45,585	3,727	3,822
Investments in subsidiaries	-	-	28,080	35,374
Investments in associates and joint ventures	10,181	12,549	721	721
Deferred tax assets	615	624	-	-
Non-current assets	55,389	58,758	32,528	39,917
Inventories	34,338	32,226	14,826	17,090
Trade and other receivables	54,345	50,534	82,030	77,495
Cash and cash equivalents	14,778	10,983	9,835	6,445
Non-current assets held for disposal	21,019	21,291	20,065	20,088
Current assets	124,480	115,034	126,756	121,118
Total assets	179,869	173,792	159,284	161,035
Equity				
Share capital	53,897	53,897	53,897	53,897
Treasury shares	(50)	(40)	(50)	(40)
Currency translation reserve	(4,583)	(4,102)	-	-
Share-based compensation reserve	339	322	339	322
Accumulated profits	13,320	17,855	16,770	16,426
Equity attributable to owners of the Company	62,923	67,932	70,956	70,605
Non-controlling interests	(1,591)	(1,106)	-	-
Total equity	61,332	66,826	70,956	70,605
Liabilities				
Financial liabilities	19,150	21,187	16,603	18,446
Loans from non-controlling shareholders of subsidiaries	3,433	3,397	-	-
Deferred income	4,938	7,537	4,938	7,537
Deferred tax liabilities	718	774	20	20
Non-current liabilities	28,239	32,895	21,561	26,003
Trade and other payables	26,648	20,749	15,439	16,063
Financial liabilities	58,431	48,136	46,158	43,194
Current tax payable	23	(10)	(26)	(26)
Deferred income	5,196	5,196	5,196	5,196
Current liabilities	90,298	74,071	66,767	64,427
Total liabilities	118,537	106,966	88,328	90,430
Total equity and liabilities	179,869	173,792	159,284	161,035

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

Amount repayable in one year or less, or on demand

As at 30 Jun 2014		As at 31 Dec 2013	
Secured	Unsecured	Secured	Unsecured
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
12,373	46,058	5,042	43,094

Amount repayable after one year

As at 30 Jun 2014		As at 31 Dec 2013	
Secured	Unsecured	Secured	Unsecured
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
2,702	16,448	2,941	18,246

Details of any collateral:-

Secured borrowings at 30 June 2014 are secured by:-

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

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

	Group		Group	
	Second Quarter		Half Year	
	1 Apr 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Loss before income tax	(3,306)	(18)	(4,843)	(1,283)
Adjustments for:				
Amortisation of deferred income	(1,299)	(1,299)	(2,599)	(2,540)
Depreciation of property, plant and equipment	875	720	1,779	1,445
Finance income	(8)	(263)	(16)	(531)
Finance costs	396	365	756	733
Share of results of associates and joint ventures, net of tax	1,384	148	2,470	467
Property, plant and equipment written off	62	-	63	-
Profit earned from construction of property	-	-	-	(382)
Loss/(gain) on disposal of other plant and equipment	16	(6)	4	(10)
Equity-settled share-based compensation	6	16	17	33
Others	-	9	-	26
Operating cash flows before changes in working capital	(1,874)	(328)	(2,369)	(2,042)
Changes in working capital:				
Inventories	(3,373)	(344)	(2,112)	2,135
Trade and other receivables	770	(5,775)	(3,770)	(3,254)
Trade and other payables	5,452	1,393	5,953	(2,152)
Cash generated from operations	975	(5,054)	(2,298)	(5,313)
Income taxes paid	(195)	(2)	(195)	(106)
Cash flows from operating activities	780	(5,056)	(2,493)	(5,419)
Investing activities				
Finance income received	8	11	16	25
Purchase of property, plant and equipment	(1,055)	(1,200)	(1,346)	(1,873)
Proceeds from disposal of constructed property	-	-	-	21,028
Proceeds from disposal of other plant and equipment	225	28	310	40
Loans to associates and joint ventures	-	(4,217)	-	(5,860)
Cash flows from investing activities	(822)	(5,378)	(1,020)	13,360
Financing activities				
Purchase of treasury shares	-	(21)	(10)	(21)
Finance costs paid	(396)	(365)	(756)	(733)
(Repayment of)/proceeds from bills payable and trust receipts	(510)	1,498	(1,657)	(1,039)
Proceeds from finance lease liabilities	(7)	-	93	-
Payment of finance lease liabilities	(21)	(37)	(49)	(62)
Proceeds from interest-bearing borrowings	14,198	8,239	19,927	23,569
Repayment of interest-bearing borrowings	(6,056)	(3,567)	(9,911)	(22,965)
Acquisition of non-controlling interest in subsidiaries	-	-	-	(6,131)
Cash flows from financing activities	7,208	5,747	7,637	(7,382)
Net increase/(decrease) in cash and cash equivalents	7,166	(4,687)	4,124	559
Cash and cash equivalents at beginning of the period	7,818	16,527	10,983	11,192
Effect of exchange rates fluctuations	(206)	(113)	(329)	(24)
Cash and cash equivalents at end of the period	14,778	11,727	14,778	11,727

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 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 share 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
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(3,165)	(3,165)	(270)	(3,435)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	(44)	-	(44)	(7)	(51)
Total comprehensive income for the period	-	-	-	(44)	(3,165)	(3,209)	(277)	(3,486)
Transactions with owners, recorded directly in equity								
Own shares acquired	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	6	-	-	6	-	6
Total transactions with owners	-	-	6	-	-	6	-	6
At 30 June 2014	53,897	(50)	339	(4,583)	13,320	62,923	(1,591)	61,332

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

Group	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Currency translation reserve \$'000	Accumulated profits \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
2013								
At 1 January 2013	53,897	-	260	(5,483)	29,894	78,568	5,297	83,865
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(984)	(984)	(286)	(1,270)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	457	-	457	54	511
Total comprehensive income for the period	-	-	-	457	(984)	(527)	(232)	(759)
Transactions with owners, recorded directly in equity								
Share-based compensation expense	-	-	17	-	-	17	-	17
Total transactions with owners	-	-	17	-	-	17	-	17
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control	-	-	-	-	1,401	1,401	(4,124)	(2,723)
Total changes in ownership interests in subsidiaries	-	-	-	-	1,401	1,401	(4,124)	(2,723)
At 31 March 2013	53,897	-	277	(5,026)	30,311	79,459	941	80,400
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(128)	(128)	(22)	(150)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	684	-	684	(6)	678
Total comprehensive income for the period	-	-	-	684	(128)	556	(28)	528
Transactions with owners, recorded directly in equity								
Own shares acquired	-	(21)	-	-	-	(21)	-	(21)
Share-based compensation expense	-	-	16	-	-	16	-	16
Total transactions with owners	-	(21)	16	-	-	(5)	-	(5)
At 30 June 2013	53,897	(21)	293	(4,342)	30,183	80,010	913	80,923

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
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
Total comprehensive income for the period					
Profit for the period	-	-	-	262	262
Total comprehensive income for the period	-	-	-	262	262
Transactions with owners, recorded directly in equity					
Own shares acquired	-	-	-	-	-
Share-based compensation expense	-	-	6	-	6
Total transactions with owners	-	-	6	-	6
At 30 June 2014	53,897	(50)	339	16,770	70,956
2013					
At 1 January 2013	53,897	-	260	11,469	65,626
Total comprehensive income for the period					
Profit for the period	-	-	-	148	148
Total comprehensive income for the period	-	-	-	148	148
Transactions with owners, recorded directly in equity					
Share-based compensation expense	-	-	17	-	17
Total transactions with owners	-	-	17	-	17
At 31 March 2013	53,897	-	277	11,617	65,791
Total comprehensive income for the period					
Profit for the period	-	-	-	760	760
Total comprehensive income for the period	-	-	-	760	760
Transactions with owners, recorded directly in equity					
Own share acquired	-	(21)	-	-	(21)
Share-based compensation expense	-	-	16	-	16
Total transactions with owners	-	(21)	16	-	(5)
At 30 June 2013	53,897	(21)	293	12,377	66,546

- 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-14	30-Jun-13
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

- 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.

	Number of shares
Issued and paid-up share capital as at 31 December 2013	289,383,271
Total number of shares held as treasury	(360,000)
Issued and paid-up share capital as at 30 June 2014 net of treasury shares	289,023,271

Treasury shares held

	Number of shares
As at 31 December 2013	278,000
Purchase of treasury shares	82,000
As at 30 June 2014	360,000

- 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 2013.

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 annual periods beginning on or before 1 January 2014 is under consideration.

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 2014 to 30 Jun 2014	1 Apr 2013 to 30 Jun 2013	1 Jan 2014 to 30 Jun 2014	1 Jan 2013 to 30 Jun 2013
Earnings per share of the Group:				
(a) Loss attributable to owners of the Company (S\$'000)	(3,165)	(128)	(4,535)	(1,112)
Weighted average number of ordinary shares ('000)	289,746	289,368	289,746	289,376
Basic earnings per share stated in cents	(1.09)	(0.04)	(1.57)	(0.38)
(b) Loss attributable to owners of the Company (S\$'000)	(3,165)	(128)	(4,535)	(1,112)
Adjusted weighted average number of ordinary shares ('000)	289,746	289,368	289,746	289,376
Diluted earnings per share stated in cents	(1.09)	(0.04)	(1.57)	(0.38)

- 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 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
Net assets (S\$'000)	61,332	66,826	70,956	70,605
Number of ordinary shares ('000)	289,023	289,383	289,023	289,383
Net asset value per ordinary share stated in cents	21.2	23.1	24.6	24.4

- 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 2014:

The Group reported loss after tax of S\$5.0 million for the six months ended 30 June 2014 ("1H 2014") as compared to loss after tax of S\$1.4 million for the six months ended 30 June 2013 ("1H 2013") due to the following factors:

Total revenue decreased by S\$4.5 million, or 12.8%, to S\$30.5 million in 1H 2014 as compared to S\$35.0 million in 1H 2013. The decline in total revenue was due to decline in revenue from the Group's Design and Manufacture segment of S\$1.7 million, Trading and Distribution segment of S\$2.0 million and Vessel Chartering segment of S\$0.8 million, respectively.

Sales revenue from the Design and Manufacture segment decreased by S\$1.7 million, or 8.3%, to S\$18.8 million in 1H 2014 as compared to S\$20.5 million in 1H 2013 due mainly to lower demand for our in-house brands of equipment parts from our customers.

Sales revenue from the Trading and Distribution segment decreased by S\$2.0 million, or 16.0%, to S\$10.5 million in 1H 2014 as compared to S\$12.5 million in 1H 2013 due mainly to lower demand for third party brands of equipment parts from our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$0.8 million, or 40.0%, to S\$1.2 million in 1H 2014 as compared to S\$2.0 million in 1H 2013. The decrease in charter revenue was due mainly to our vessel "Arkstar Energy" remained off-hire.

Total cost of sales decreased by S\$0.5 million, or 2.0%, to S\$26.5 million in 1H 2014 as compared to S\$27.0 million in 1H 2013 due mainly to decrease in cost of sales of equipment parts by S\$1.3 million or 5.8% and increase in cost of sales of the Vessel Chartering segment by S\$0.8 million or 28.5% in 1H 2014 respectively. The decline in cost of sales of equipment parts was due mainly to the decline in sales of our in-house brands and third party brands of equipment parts. The increase in cost of sales of the Vessel Chartering segment was due mainly to the upgrading costs incurred for the vessel "Arkstar Voyager".

Overall gross profit margin decreased to S\$4.0 million in 1H 2014 as compared to S\$8.0 million in 1H 2013. The gross profit contributions from the Design and Manufacture, and Trading and Distribution segment declined by S\$2.2 million in 1H 2014. The gross profit contribution from the Vessel Chartering segment decreased by S\$1.7 million in 1H 2014.

Other income increased by S\$1.0 million, or 81.4%, to S\$2.2 million in 1H 2014 due mainly to increase in rental income.

Distribution expenses for 1H 2014 and 1H 2013 remained relatively unchanged at S\$2.6 million.

Administrative expenses increased by S\$1.0 million, or 28%, to S\$4.6 million for 1H 2014.

Other expenses decreased by S\$3.2 million, or 80.2%, to S\$0.8 million for 1H 2014 due mainly to net foreign exchange gain of S\$1.5 million in 1H 2014 as compare to net foreign exchange losses of S\$1.0 in 1H 2013.

Net finance costs increased by S\$0.5 million, or 266.3%, to S\$0.7 million in 1H 2014 due mainly to increase in bank borrowing.

Share of losses of associates and joint ventures of S\$2.5 million in 1H 2014 is attributed to the Group's associated company-Semua International Sdn Bhd and its subsidiaries ("Semua Group") mainly due to the operating losses.

Other comprehensive income for 1H 2014:

Foreign currency translation losses of S\$0.5 million arising from foreign operations in 1H 2014 relate mainly to foreign exchange losses arising from the translation of 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 2014.

Results for Q2 2014:

The Group reported loss after tax of S\$3.4 million for the three months ended 30 June 2014 ("Q2 2014") as compared to loss after tax of S\$0.02 million for the three months ended 30 June 2013 ("Q2 2013") due to the following factors:

Total revenue decreased by S\$4.5 million, or 23.0%, to S\$15.2 million in Q2 2014 as compared to S\$19.7 million in Q2 2013. The decline in total revenue was due to decrease in revenue from the Group's Vessel Chartering segment of S\$1.1 million, Design and Manufacture segment of S\$1.9 million, Trading and Distribution segment of S\$1.5 million, respectively.

Sales revenue from the Design and Manufacture segment decreased by S\$1.9 million, or 16.5%, to S\$9.6 million in Q2 2014 as compared to S\$11.5 million in Q2 2013 due mainly to lower demand for our in-house brands of equipment parts from our customers.

Sales revenue from the Trading and Distribution segment decreased by S\$1.5 million, or 21.4%, to S\$5.5 million in Q2 2014 as compared to S\$7.0 million in Q2 2013 due mainly 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, or 91.6%, to S\$0.1 million in Q2 2014 as compared to S\$1.2 million in Q2 2013. The decrease in charter revenue was due mainly to our vessel "Arkstar Energy" was off-hire.

Total cost of sales decreased by S\$1.3 million, or 8.7%, to S\$13.6 million in Q2 2014 as compared to S\$14.9 million in Q2 2013 due mainly to decrease in cost of sales of equipment parts by S\$1.6 million or 11.8%, and Vessel Chartering segment by S\$0.3 million or 21.0% in Q2 2014. The decrease in cost of sales of equipment parts was due mainly to the decrease in sales of our in-house brands and third party brands of equipment parts. The decrease in cost of sales of the Vessel Chartering segment was due mainly to the decline in vessel operating costs incurred as our vessel "Arkstar Energy" was off-hire.

Overall gross profit margin decreased to S\$1.6 million in Q2 2014 as compared to S\$4.8 million in Q2 2013. The gross profit contributions from the Design and Manufacture, and Trading and Distribution segment decreased by S\$1.7 million in Q2 2014. The gross profit contribution from the Vessel Chartering segment decreased by S\$1.5million in Q2 2014.

Other income increased by S\$0.3 million, or 29.9%, to S\$1.1 million in Q2 2014 due mainly to increase in rental income.

Distribution expenses for Q2 2014 and Q2 2013 remained relatively unchanged at S\$1.2 million.

Administrative expenses increased by S\$0.5 million, or 26.6%, to S\$2.3 million for Q2 2014.

Other expenses decreased by S\$1.5 million, or 65.9%, to S\$0.8 million for Q2 2014 due mainly to net foreign exchange gain of S\$0.5 million in Q2 2014 as compare to net foreign exchange losses of S\$0.8 in Q2 2013.

Net finance costs increased by S\$0.3 million, or 280%, to S\$0.4 million in Q2 2014 due mainly to increase in bank borrowing.

Share of losses of associates and joint ventures of S\$1.4 million in Q2 2014 is attributed to Semua Group mainly due to the operating losses.

Other comprehensive income for Q2 2014:

Foreign currency translation losses of S\$0.05 million arising from foreign operations in Q2 2014 relate mainly to foreign exchange losses arising from the translation of 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 Q2 2014.

Statement of Financial Position

Property, plant and equipment decreased by S\$1.0 million, or 2.2%, to S\$44.6 million at 30 June 2014 due to mainly contributed by the depreciation charged for 1H 2014.

Investments in associates and joint ventures decreased by S\$2.4 million, or 18.8%, to S\$10.2 million at 30 June 2014 due mainly to the Group's share of the results of Semua Group.

Trade and other receivables increased by S\$3.8 million, or 7.5%, to S\$54.3 million at 30 June 2014 due mainly to increase in trade receivables and advances granted to Semua Group in 1H 2014.

Total financial liabilities increased by S\$8.2 million, or 11.9%, to S\$77.6 million at 30 June 2014 due mainly to additional secured bank borrowings during 1H 2014.

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\$2.6 million, or 34.5%, to S\$10.1 million at 30 June 2014 due to the recognition of additional deferred income on the A&A Extension, partially offset by the amortization of deferred income in 1H 2014.

Trade and other payables increased by S\$5.9 million, or 28.4%, to S\$26.6 million at 30 June 2014 due mainly to the increase in trade payables for purchase of inventories in 1H 2014.

Statement of Cash Flows

In 1H 2014, the Group generated net cash inflows of S\$4.1 million, comprising net cash inflows from financing activities of S\$7.6 million, partially offset by net cash outflows from operating and investing activities of S\$2.5 million and S\$1.0 million respectively.

For Q2 2014, the Group generated net cash inflows of S\$7.1 million, comprising net cash inflows from operating and financing activities of S\$0.7 million and S\$7.2 million respectively, partially offset by net cash outflows from investing activities of S\$0.8million.

At 30 June 2014, the Group's cash and cash equivalents amounted to S\$14.8 million (31 December 2013: S\$11.0 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 Group will continue to focus on the vessel chartering division as the Group continue to grow its fleet both in size and capabilities. Our vessel "Arkstar Energy" remained off-hired. However, the Group is actively bidding for long term contract. The Group has acquired a new vessel with long term contract. Subsequent to 30 June 2014, the Group has two additional vessels which transferred from the joint venture and the Group continue to explore in oil and gas industry.

For the heavy equipment parts division, the Group will continue to streamline its manufacturing capabilities to improve efficiency. Demand for parts has been stagnant attributed by persistent weakness in the global economy. Going forward, the Group expects its key markets to remain challenging and competitive.

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

Not applicable.

13 Interested Person Transactions

	Period ended 30 June 2014	
<u>Name of interested person</u>	<u>\$'000</u>	<u>\$'000</u>
Hoe Leong Plastic Industry (China) Ltd		
- Rental expense	106	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	93	-

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 2014 to be materially false or misleading.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

5 August 2014