



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Second quarter financial statements and related announcement for the financial period ended 30 June 2015

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 2015. The figures presented below have not been audited or reviewed by the auditors of the Company.

UNAUDITED FINANCIAL STATEMENTS

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

Note	Second Quarter			Half Year		
	1 Apr 2015 to 30 Jun 2015	1 Apr 2014 to 30 Jun 2014	Increase / (decrease)	1 Jan 2015 to 30 Jun 2015	1 Jan 2014 to 30 Jun 2014	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	19,427	15,175	28.0 %	37,902	30,557	24.0 %
Cost of sales	(14,760)	(13,593)	8.6 %	(28,418)	(26,477)	7.3 %
Gross profit	4,667	1,582	195.0 %	9,484	4,080	132.5 %
Other income	839	1,112	(24.6)%	1,563	2,249	(30.5)%
Distribution expenses	(1,107)	(1,188)	(6.8)%	(2,143)	(2,563)	(16.4)%
Administrative expenses	(1,102)	(2,266)	(51.4)%	(4,067)	(4,608)	(11.7)%
Other expenses	(719)	(774)	(7.1)%	(838)	(791)	5.9 %
Results from operating activities	2,578	(1,534)	268.1 %	3,999	(1,633)	344.9 %
Finance income	25	8	212.5 %	51	16	218.8 %
Finance costs	1 (1,083)	(396)	173.5 %	(1,548)	(756)	104.8 %
Net finance costs	(1,058)	(388)	172.7 %	(1,497)	(740)	102.3 %
Share of results of associates and joint ventures, net of tax	261	(1,384)	118.9 %	732	(2,470)	129.6 %
Profit / (Loss) before income tax	2 1,781	(3,306)	153.9 %	3,234	(4,843)	166.8 %
Income tax expense	(24)	(129)	(81.4)%	(77)	(168)	(54.2)%
Profit / (Loss) for the period	1,757	(3,435)	151.1 %	3,157	(5,011)	163.0 %
Profit / (Loss) attributable to:						
Owners of the Company	1,732	(3,165)	154.7 %	3,039	(4,535)	167.0 %
Non-controlling interests	25	(270)	109.3 %	118	(476)	124.8 %
Profit / (Loss) for the period	1,757	(3,435)	151.1 %	3,157	(5,011)	163.0 %

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

	Second Quarter			Half Year		
	1 Apr 2015 to 30 Jun 2015	1 Apr 2014 to 30 Jun 2014	Increase / (decrease)	1 Jan 2015 to 30 Jun 2015	1 Jan 2014 to 30 Jun 2014	Increase / (decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Profit / (Loss) for the period	1,757	(3,435)	151.1 %	3,157	(5,011)	163.0 %
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	1,074	(51)	2,205.9 %	1,488	(490)	403.7 %
Other comprehensive income, net of tax	1,074	(51)	2,205.9 %	1,488	(490)	403.7 %
Total comprehensive income for the period	2,831	(3,486)	181.2 %	4,645	(5,501)	184.4 %
Total comprehensive income attributable to :						
Owners of the Company	3,013	(3,209)	193.9 %	4,866	(5,016)	197.0 %
Non-controlling interests	(182)	(277)	(34.3)%	(221)	(485)	(54.4)%
Total comprehensive income for the period	2,831	(3,486)	181.2 %	4,645	(5,501)	184.4 %

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

Note 1 Finance costs comprise the following:

	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Interest paid and payable on:-						
- trust receipts	(57)	(45)	26.7 %	(106)	(50)	112.0 %
- bank loans	(644)	(281)	129.2 %	(1,009)	(588)	71.6 %
- finance leases	(5)	(3)	66.7 %	(9)	(6)	50.0 %
Others	(377)	(67)	462.7 %	(424)	(112)	278.6 %
Total	(1,083)	(396)		(1,548)	(756)	

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

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

	Second Quarter			Half Year		
	1 Apr 2015 to 30 Jun 2015	1 Apr 2014 to 30 Jun 2014	Increase / (decrease)	1 Jan 2015 to 30 Jun 2015	1 Jan 2014 to 30 Jun 2014	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Allowance written-back / (made) for slow moving inventories	55	(27)	303.7 %	595	3	19,733.3 %
Inventories written-back	56	(20)	380.0 %	78	(9)	966.7 %
Allowance written-back / (made) for doubtful receivables	-	36	N.M.	-	(1)	N.M.
Gain / (Loss) on disposal of other plant and equipment	5	(16)	131.3 %	5	(4)	225.0 %
Depreciation of property, plant and equipment	(1,658)	(875)	89.5 %	(3,287)	(1,779)	84.8 %
Foreign exchange gain, net	540	532	1.5 %	947	1,535	(38.3)%
Operating lease expenses	(1,440)	(1,455)	(1.0)%	(2,879)	(2,971)	(3.1)%
Amortisation of deferred income	1,300	1,299	0.1 %	2,599	2,599	- %
Rental income	503	630	(20.2)%	1,031	1,324	(22.1)%

N.M. – Not meaningful

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

	Group		Company	
	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	86,707	82,303	3,461	3,564
Investments in subsidiaries	-	-	26,258	26,919
Investments in associates and joint ventures	732	-	-	-
Deferred tax assets	657	578	-	-
Non-current assets	88,096	82,881	29,719	30,483
Inventories	39,392	32,113	11,230	13,411
Trade and other receivables	54,606	48,202	107,648	99,801
Cash and cash equivalents	2,678	6,043	(196)	1,631
Current assets	96,676	86,358	118,682	114,843
Total assets	184,772	169,239	148,401	145,326
Equity				
Share capital	66,490	63,870	66,490	63,870
Treasury shares	(50)	(50)	(50)	(50)
Currency translation reserve	(1,564)	(3,391)	-	-
Share-based compensation reserve	344	342	344	342
Accumulated (losses) / profits	(1,913)	(4,952)	2,871	2,225
Equity attributable to owners of the Company	63,307	55,819	69,655	66,387
Non-controlling interests	(1,830)	(1,609)	-	-
Total equity	61,477	54,210	69,655	66,387
Liabilities				
Financial liabilities	23,698	9,679	13,177	100
Loans from non-controlling shareholders of subsidiaries	3,152	3,334	-	-
Deferred income	-	2,340	-	2,340
Deferred tax liabilities	676	711	20	19
Non-current liabilities	27,526	16,064	13,197	2,459
Trade and other payables	31,249	22,941	14,261	12,160
Financial liabilities	59,526	70,828	46,350	59,124
Current tax payable	56	-	-	-
Deferred income	4,938	5,196	4,938	5,196
Current liabilities	95,769	98,965	65,549	76,480
Total liabilities	123,295	115,029	78,746	78,939
Total equity and liabilities	184,772	169,239	148,401	145,326

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

Amount repayable in one year or less, or on demand

As at 30 Jun 2015		As at 31 Dec 2014	
Secured	Unsecured	Secured	Unsecured
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
13,243	46,283	11,803	59,025

Amount repayable after one year

As at 30 Jun 2015		As at 31 Dec 2014	
Secured	Unsecured	Secured	Unsecured
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
10,609	13,089	9,679	-

Details of any collateral:-

Secured borrowings at 30 June 2015 are secured by:-

- (a) A first legal mortgage over the vessels of subsidiaries and corporate guarantees provided by the Company;
- (b) A first legal mortgage over the freehold land and building, and certain plant and equipment of 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 2015 to 30 Jun 2015 \$'000	1 Apr 2014 to 30 Jun 2014 \$'000	1 Jan 2015 to 30 Jun 2015 \$'000	1 Jan 2014 to 30 Jun 2014 \$'000
Operating activities				
Profit / (Loss) before income tax	1,781	(3,306)	3,234	(4,843)
Adjustments for:				
Amortisation of deferred income	(1,300)	(1,299)	(2,599)	(2,599)
Depreciation of property, plant and equipment	1,658	875	3,287	1,779
Finance income	(25)	(8)	(51)	(16)
Finance costs	1,083	396	1,548	756
Share of results of associates and joint ventures, net of tax	(261)	1,384	(732)	2,470
Property, plant and equipment written off	-	62	-	63
(Gain) / Loss on disposal of other plant and equipment	(5)	16	(5)	4
Equity-settled share-based compensation	2	6	2	17
Operating cash flows before changes in working capital	2,933	(1,874)	4,684	(2,369)
Changes in working capital:				
Inventories	(5,198)	(3,373)	(7,279)	(2,112)
Trade and other receivables	(1,163)	770	(6,670)	(3,770)
Trade and other payables	6,903	5,452	8,210	5,953
Cash generated from operations	3,475	975	(1,055)	(2,298)
Income taxes paid	(136)	(195)	(136)	(195)
Cash flows from operating activities	3,339	780	(1,191)	(2,493)
Investing activities				
Finance income received	25	8	51	16
Purchase of property, plant and equipment	-	(1,055)	(77)	(1,346)
Proceeds from disposal of other plant and equipment	-	225	-	310
Cash flows from investing activities	25	(822)	(26)	(1,020)
Financing activities				
Purchase of treasury shares	-	-	-	(10)
Finance costs paid	(1,183)	(396)	(1,548)	(756)
Proceeds from / (Repayment of) bills payable and trust receipts	510	(510)	1,508	(1,657)
Proceeds from finance lease liabilities	-	(7)	-	93
Payment of finance lease liabilities	(37)	(21)	(66)	(49)
Proceeds from interest-bearing borrowings	3,265	14,198	10,274	19,927
Repayment of interest-bearing borrowings	(5,289)	(6,056)	(10,652)	(9,911)
Proceeds from issuance of shares	-	-	2620	-
Cash flows from financing activities	(2,734)	7,208	2,136	7,637
Net increase in cash and cash equivalents	630	7,166	919	4,124
Cash and cash equivalents at beginning of the period	3,432	7,818	6,043	10,983
Effect of exchange rates fluctuations	(1,384)	(206)	(4,284)	(329)
Cash and cash equivalents at end of the period	2,678	14,778	2,678	14,778

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

Group	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Equity attributable to owners of the 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
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)

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 shares acquired	-	(10)	-	-	-	(10)	-	(10)
Share-based compensation expense	-	-	11	-	-	11	-	11
Total transactions with owners	-	(10)	11	-	-	1	-	1
At 31 March 2014	53,897	(50)	333	(4,539)	16,485	66,126	(1,314)	64,812
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)

Company	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Accumulated profits \$'000	Total equity \$'000
2015					
At 1 January 2015	63,870	(50)	342	2,225	66,387
Total comprehensive income for the period					
Profit for the period	-	-	-	1,105	1,105
Total comprehensive income for the period	-	-	-	1,105	1,105
Transactions with owners, recorded directly in equity					
Issuance of 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
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

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

Share Capital

The Company allotted and issued 57,000,000 new shares of S\$0.046 each pursuant to a placement. In respect of a placement, the Company announced on 4th March 2015, 30th March 2015 and 2nd April 2015 that the amount of net proceeds is S\$2,620,000. The Company has utilised its net proceeds in full for working capital and the utilisation of the net proceeds is consistent with the intended use of the proceeds disclosed in the placement announcement.

Share Options

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

Grant date	Expiry date	Exercise price	Number outstanding as at	
			30-Jun-15	30-Jun-14
13 April 2010	12 April 2015	S\$ 0.42	-	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
			1,011,000	1,161,000

Treasury shares

Total numbers held as Treasury shares as at 30 June 2015 is 360,000 shares (31 December 2014: 360,000).

There were no transactions relating to sale, transfer, disposal, cancellation and/or use of treasury shares during the period ended 30 June 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Number of shares
Issued and paid-up share capital as at 31 December 2014	506,150,724
Total number of shares held as treasury	(360,000)
Total ordinary shares issued during the period	57,000,000
Issued and paid-up share capital as at 30 June 2015	562,790,724

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

None.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the auditors of the Company.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with the Group's audited financial statements for the financial year ended 31 December 2014.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The 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 after 1 January 2015 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 2015 to 30 Jun 2015	1 Apr 2014 to 30 Jun 2014	1 Jan 2015 to 30 Jun 2015	1 Jan 2014 to 30 Jun 2014
Earnings per share of the Group:				
(a) Profit / (Loss) attributable to owners of the Company (S\$'000)	1,732	(3,165)	3,039	(4,535)
Weighted average number of ordinary shares ('000)	562,430	289,746	534,763	289,746
Basic earnings per share stated in cents	0.31	(1.09)	0.57	(1.57)
(b) Profit / (Loss) attributable to owners of the Company (S\$'000)	1,732	(3,165)	3,039	(4,535)
Adjusted weighted average number of ordinary shares ('000)	563,801	289,746	535,774	289,746
Diluted earnings per share stated in cents	0.31	(1.09)	0.57	(1.57)

- 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 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2014
Net assets (S\$'000)	63,307	55,819	69,655	66,387
Number of ordinary shares ('000)	562,431	505,791	562,431	505,791
Net asset value per ordinary share stated in cents	11.3	11.0	12.4	13.1

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

Statement of Comprehensive Income

Results for 1H 2015:

The Group reported profit after tax of S\$3.2 million for the six months ended 30 June 2015 ("1H 2015") as compared to loss after tax of S\$5.0 million for the six months ended 30 June 2014 ("1H 2014") due to the following factors:

Total revenue increased by S\$7.3 million, or 24.0%, to S\$37.9 million in 1H 2015 as compared to S\$30.6 million in 1H 2014. The increase in total revenue was due to Vessel Chartering segment of S\$7.6 million, partially offset by the decline in revenue from the Group's Equipment segment of S\$0.3 million.

Sales revenue from the Equipment segment decreased by S\$0.3 million, or 1.0%, to S\$29.1 million in 1H 2015 as compared to S\$29.4 million in 1H 2014 mainly due to lower sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment increased by S\$7.6 million, or 633.3%, to S\$8.8 million in 1H 2015 as compared to S\$1.2 million in 1H 2014. The increase in charter revenue was due mainly to higher utilisation rate for our Arkstar fleet.

Total cost of sales increased by S\$1.9 million, or 7.3%, to S\$28.4 million in 1H 2015 as compared to S\$26.5 million in 1H 2014 mainly due to increase in cost of sales of equipment parts by S\$0.5 million or 2.2% and increase in cost of sales of the Vessel Chartering segment by S\$1.4 million or 49.6% in 1H 2015 respectively. The increase in cost of sales of Equipment segment and Vessel chartering segment was mainly due to the increase in operating costs.

Overall gross profit margin increased to 25.0% in 1H 2015 as compared to 13.4% in 1H 2014. The Vessel chartering segment is the key contributing factor of the increase in profit margin with gross profit margin increased by S\$6.2 million in 1H 2015 as our vessels are on hire in 1H 2015.

Other income decreased by S\$0.7 million, or 30.5%, to S\$1.6 million in 1H 2015 which was mainly due to decrease in rental income.

Distribution expenses decreased by S\$0.4 million, or 16.4%, to S\$2.1 million for 1H 2015 which was mainly due to decrease in packing and delivery expenses.

Administrative expenses decreased by S\$0.5 million, or 11.7%, to S\$4.1 million for 1H 2015.

Net finance costs increased by S\$0.8 million, or 102.3%, to S\$1.5 million in 1H 2015 which was mainly due to increase in bank borrowings.

Share of results of associate, Semua International Sdn Bhd and its subsidiaries ("Semua Group") was S\$0.7 million in 1H 2015 (1H 2014: (S\$2.5) million). The improvement was mainly due to higher utilisation rates for Semua fleet of oil tankers.

Other comprehensive income for 1H 2015:

Foreign currency translation gain of S\$1.5 million arising from foreign operations in 1H 2015 relate to the Group's net investment in foreign operations which are mainly denominated in United States Dollar ("USD"), as the USD appreciated against the Singapore Dollar ("SGD") in 1H 2015.

Results for Q2 2015:

The Group reported profit after tax of S\$1.8 million for the three months ended 30 June 2015 ("Q2 2015") as compared to loss after tax of S\$3.4 million for the three months ended 30 June 2014 ("Q2 2014") due to the following factors:

Total revenue increased by S\$4.3 million, or 28.0%, to S\$19.4 million in Q2 2015 as compared to S\$15.2 million in Q2 2014. The increase in total revenue was due to increase in revenue from the Group's Vessel Chartering segment of S\$4.4 million, partially offset by the decline in revenue from the Group's Equipment segment of S\$0.1 million.

Sales revenue from the Equipment segment decreased by S\$0.1 million, or 0.6%, to S\$15.0 million in Q2 2015 as compared to S\$15.1 million in Q2 2014 mainly due to lower demand for third party brands of equipment parts from our customers.

Charter revenue from the Vessel Chartering segment increased by S\$4.4 million to S\$4.5 million in Q2 2015 as compared to S\$0.1 million in Q2 2014. The increase in charter revenue was due mainly to higher utilisation rate for our Arkstar fleet.

Total cost of sales increased by S\$1.2 million, or 8.6%, to S\$14.8 million in Q2 2015 as compared to S\$13.6 million in Q2 2014 mainly due to increase in cost of sales of equipment parts in Equipment segment by S\$1.6 million or 13.3%, and offset by the decrease in Vessel Chartering segment by S\$0.4 million or 35.2% in Q2 2015. The increase in cost of sales of equipment parts was mainly due to higher manufacturing costs. The decrease in cost of sales of the Vessel Chartering segment was mainly due to the decline in vessel operating costs.

Overall gross profit margin increased to 24.0% in Q2 2015 as compared to 10.4% in Q2 2014. The Vessel chartering segment is the key contributing factor of the increase in profit margin with gross profit margin increased by S\$3.1 million in Q2 2015 as our vessels are on hire in Q2 2015.

Other income decreased by S\$0.3 million, or 24.6%, to S\$0.8 million in Q2 2015 mainly due to decrease in rental income.

Distribution expenses for Q2 2015 and Q2 2014 remained relatively unchanged at S\$1.1 million.

Administrative expenses decreased by S\$1.2 million, or 51.4%, to S\$1.1 million for Q2 2015.

Other expenses for Q2 2015 and Q2 2014 remained relatively unchanged at S\$0.7 million.

Net finance costs increased by S\$0.7 million, or 172.7%, to S\$1.1 million in Q2 2015 mainly due to increase in bank borrowings.

Share of results of associate, Semua International Sdn Bhd and its subsidiaries ("Semua Group") was S\$0.3 million in Q2 2015 (Q2 2014: (S\$1.4) million). The improvement was mainly due to higher utilisation rates for Semua fleet of oil tankers.

Other comprehensive income for Q2 2015:

Foreign currency translation gain of S\$1.1 million arising from foreign operations in Q2 2015 relate to the Group's net investment in foreign operations which are mainly denominated in United States Dollar ("USD"), as the USD appreciated against the Singapore Dollar ("SGD") in Q2 2015.

Statement of Financial Position

Property, plant and equipment increased by S\$4.4 million, or 5.4%, to S\$86.7 million as at 30 June 2015 mainly due to the foreign currency translation gain arising from the translation of USD denominated property, plant and equipment of certain subsidiaries into SGD as a result of the appreciation of the USD against the SGD in 1H 2015. This was partially offset by the additional depreciation expense charged for FY2015.

In FY2014, the Group's share of losses exceeds its interest in an equity-accounted investment in associate – Semua Group. The carrying amount of the interest is therefore reduced to zero. For the period covering 1H 2015, Semua Group posted an improved performance and as a result of applying equity method of accounting, the Group recognised the share of results in its associate for 1H 2015 of S\$0.7 million (1H 2014: (S\$2.5) million).

Trade and other receivables increased by S\$6.4 million, or 13.3%, to S\$54.6 million as at 30 June 2015 mainly due to increase in sales turnover and extended credit terms to customers.

Total financial liabilities increased by S\$2.7 million, or 3.4%, to S\$83.2 million as at 30 June 2015 mainly due to a higher utilisation for working capital purposes.

Deferred income resulted from the sale and leaseback of the Company's leasehold property and A&A Extension, which was completed on 13 June 2011 and 9 January 2013 respectively. Deferred income, being the excess of the sale consideration over its fair value, is a portion of the total gain on sale of the property and A&A Extension, which is deferred and amortized on a straight-line basis over the applicable non-cancellable lease term. Deferred income decreased by S\$2.6 million, or 34.5%, to S\$4.9 million as at 30 June 2015 due to the recognition of additional deferred income on the A&A Extension, partially offset by the amortization of deferred income in 1H 2015.

Trade and other payables increased by S\$8.3 million, or 36.2%, to S\$31.2 million as at 30 June 2015 mainly due to the increase in trade payables for purchase of inventories in 1H 2015.

Statement of Cash Flows

In 1H 2015, the Group generated net cash inflows of S\$0.9 million, mainly comprising net cash inflows from financing activities of S\$2.1 million, partially offset by net cash outflows from operating activities of S\$1.2 million.

For Q2 2015, the Group generated net cash inflows of S\$0.6 million, mainly comprising net cash inflows from operating activities of S\$3.3 million, partially offset by net cash outflows from financing activities of S\$2.7 million.

As at 30 June 2015, the Group's cash and cash equivalents amounted to S\$2.7 million (31 December 2014: S\$6.0 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 uncertainty in the energy sector caused by major drop in oil price has resulted in a severe scale down of capital expenditure spending by the oil companies. In response to the market situation, the Group continues to be vigilant in managing costs and improving operational efficiencies.

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

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 2015		
<u>Name of interested person</u>	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
	<u>\$'000</u>	<u>\$'000</u>
Hoe Leong Plastic Industry (China) Ltd		
- Rental expense	117	-
Hoe Leong Co. (Pte) Ltd		
- Interest payable on shareholder's loan	46	-

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 2015 to be materially false or misleading.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

13 August 2015