



HOE LEONG CORPORATION LTD.

(Registration No. 199408433W)

Second quarter financial statements and related announcement for the financial period ended 30 June 2017

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 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	Second Quarter			Half Year			
	1 Apr 2017 to 30 Jun 2017	1 Apr 2016 to 30 Jun 2016	Increase / (decrease)	1 Jan 2017 to 30 Jun 2017	1 Jan 2016 to 30 Jun 2016	Increase / (decrease)	
	\$'000	\$'000	%	\$'000	\$'000	%	
Revenue	14,061	13,727	2.4 %	29,321	27,475	6.7 %	
Cost of sales	(12,782)	(10,897)	17.3 %	(25,621)	(22,151)	15.7 %	
Gross profit	1,279	2,830	(54.8)%	3,700	5,324	(30.5)%	
Other income	77	453	(83.0)%	127	1,047	(87.9)%	
Distribution expenses	(990)	(980)	1.0 %	(2,073)	(2,025)	2.4 %	
Administrative expenses	(1,904)	(1,878)	1.4 %	(3,785)	(3,725)	1.6 %	
Other expenses	(2,905)	(2,857)	1.7 %	(7,408)	(4,829)	53.4 %	
Results from operating activities	(4,443)	(2,432)	82.7 %	(9,439)	(4,208)	124.3 %	
Finance income	1	-	(942)	N.M.	20	42	(52.4)%
Finance costs	1	(748)	(715)	4.6 %	(1,455)	(1,385)	5.1 %
Net finance costs	(748)	(1,657)	(54.9)%	(1,435)	(1,343)	6.9 %	
Loss before income tax	2	(5,191)	(4,089)	27.0 %	(10,874)	(5,551)	95.9 %
Income tax (expense) / credit	(174)	(12)	1,350.0 %	(246)	10	(2,560.0)%	
Loss for the period	(5,365)	(4,101)	30.8 %	(11,120)	(5,541)	100.7 %	
Loss attributable to:							
Owners of the Company	(5,365)	(4,101)	30.8 %	(11,120)	(5,541)	100.7 %	
Non-controlling interests	-	-	N.M.	-	-	N.M.	
Loss for the period	(5,365)	(4,101)	30.8 %	(11,120)	(5,541)	100.7 %	

N.M. - Not meaningful

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

	Second Quarter			Half Year		
	1 Apr 2017 to 30 Jun 2017	1 Apr 2016 to 30 Jun 2016	Increase / (decrease)	1 Jan 2017 to 30 Jun 2017	1 Jan 2016 to 30 Jun 2016	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Loss for the period	(5,365)	(4,101)	30.8 %	(11,120)	(5,541)	100.7 %
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	(298)	(131)	127.5 %	(492)	(1,939)	(74.6)%
Other comprehensive income, net of tax	<u>(298)</u>	<u>(131)</u>	127.5 %	<u>(492)</u>	<u>(1,939)</u>	(74.6)%
Total comprehensive income for the period	<u>(5,663)</u>	<u>(4,232)</u>	33.8 %	<u>(11,612)</u>	<u>(7,480)</u>	55.2 %
Total comprehensive income attributable to :						
Owners of the Company	(5,619)	(4,300)	30.7 %	(11,634)	(7,438)	56.4 %
Non-controlling interests	(44)	68	164.7 %	22	(42)	(152.4)%
Total comprehensive income for the period	<u>(5,663)</u>	<u>(4,232)</u>	33.8 %	<u>(11,612)</u>	<u>(7,480)</u>	55.2 %

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

Note 1 Finance income comprise the following:

	Second Quarter			Half Year		
	1 Apr 2017 to 30 Jun 2017	1 Apr 2016 to 30 Jun 2016	Increase / (decrease)	1 Jan 2017 to 30 Jun 2017	1 Jan 2016 to 30 Jun 2016	Increase / (decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Finance Income :-						
- Bank Deposits	-	20	N.M.	20	39	(48.7)%
- Interest on loan to associate	-	510	N.M.	-	1,475	N.M.
- Impairment loss	-	(1,475)	N.M.	-	(1,475)	N.M.
Others	-	3	N.M.	-	3	N.M.
Total	<u>-</u>	<u>(942)</u>		<u>20</u>	<u>42</u>	

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

Note 1 Finance costs comprise the following:

	Second Quarter			Half Year		
	1 Apr 2017 to 30 Jun 2017 \$'000	1 Apr 2016 to 30 Jun 2016 \$'000	Increase / (decrease) %	1 Jan 2017 to 30 Jun 2017 \$'000	1 Jan 2016 to 30 Jun 2016 \$'000	Increase / (decrease) %
Interest paid and payable on:-						
- trust receipts	(46)	(67)	(31.3)%	(100)	(152)	(34.2)%
- bank loans	(610)	(592)	3.0 %	(1,197)	(1,127)	6.2 %
- finance leases	(3)	(3)	(0.0)%	(6)	(6)	(0.0)%
Others	(89)	(53)	67.9 %	(152)	(100)	52.0 %
Total	(748)	(715)		(1,455)	(1,385)	

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

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

	Second Quarter			Half Year		
	1 Apr 2017 to 30 Jun 2017 \$'000	1 Apr 2016 to 30 Jun 2016 \$'000	Increase / (decrease) %	1 Jan 2017 to 30 Jun 2017 \$'000	1 Jan 2016 to 30 Jun 2016 \$'000	Increase / (decrease) %
Provision for stock obsolescence written back / (off)	17	(366)	(104.6)%	142	3	4,633.3 %
Allowance charged for doubtful debts	-	(1,525)	N.M.	(3,446)	(1,525)	126.0 %
Inventories written-back / (off)	84	(59)	(242.4)%	109	(21)	(619.0)%
Impairment loss of property, plant and equipment	(2,570)	-	N.M.	(2,570)	-	N.M.
Depreciation of property, plant and equipment	(1,342)	(1,463)	(8.3)%	(2,645)	(2,966)	(10.8)%
Foreign exchange gain / (loss), net	294	286	2.8 %	152	(1,216)	(112.5)%
Operating lease expenses	(296)	(1,257)	(76.4)%	(619)	(2,748)	(77.5)%
Amortisation of deferred income	-	1,041	N.M.	-	2,340	N.M.
Rental income	15	381	(96.1)%	30	917	(96.7)%

N.M. - Not meaningful

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

	Group		Company	
	30 June 2017	31 Dec 2016	30 June 2017	31 Dec 2016
	\$'000	\$'000	\$'000	\$'000
Assets				
Property, plant and equipment	61,336	67,563	2,106	2,163
Investments in subsidiaries	-	-	14,451	14,451
Deferred tax assets	517	578	-	-
Non-current assets	61,853	68,141	16,557	16,614
Inventories	23,401	25,106	-	-
Trade and other receivables	23,933	26,652	49,744	57,918
Cash and cash equivalents	2,979	3,287	369	757
Current Assets	50,313	55,045	50,113	58,675
Total assets	112,166	123,186	66,670	75,289
Equity				
Share capital	69,490	69,490	69,490	69,490
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(1,175)	(1,629)	-	-
Share-based compensation reserve	171	171	171	171
Accumulated losses	(59,262)	(48,142)	(54,793)	(50,176)
Equity attributable to owners of the Company	9,169	19,835	14,813	19,430
Non-controlling interests	(1,105)	(1,127)	-	-
Total equity	8,064	18,708	14,813	19,430
Liabilities				
Financial liabilities	1,385	1,488	-	22
Deferred tax liabilities	20	38	20	19
Non-current liabilities	1,405	1,526	20	41
Trade and other payables	24,975	20,104	30,045	31,683
Financial liabilities	74,074	79,187	21,792	24,135
Loan from non-controlling shareholders of subsidiaries	3,477	3,489	-	-
Current tax payable	171	172	-	-
Current liabilities	102,697	102,952	51,837	55,818
Total liabilities	104,102	104,478	51,857	55,859
Total equity and liabilities	112,166	123,186	66,670	75,289

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

Non-Current

As at 30 Jun 2017		As at 31 Dec 2016		As at 30 Jun 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured	Non-current	Non-current
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1,385	-	1,488	-	1,385	1,488

Current

As at 30 Jun 2017		As at 31 Dec 2016		As at 30 Jun 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured	Current	Current
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
53,733	20,341	57,941	21,246	74,074	79,187

Total

As at 30 June 2017		As at 31 Dec 2016		As at 30 June 2017	As at 31 Dec 2016
Secured	Unsecured	Secured	Unsecured		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
55,118	20,341	59,429	21,246	75,459	80,675

Details of any collateral:-

- (a) Legal mortgages over vessels, freehold land and buildings and certain plant and equipment;
- (b) Personal guarantees provided by executive directors for certain banking facilities; and
- (c) Corporate guarantees provided by the Company.

The Company has appointed an advisory firm to assist in a restructuring of the Group's financial liabilities, including the Group's negotiation for a temporary moratorium while a debt repayment plan is being formulated and agreed. The negotiations with the group financial creditors are ongoing. Meanwhile, the majority of the Group's financial indebtedness has been classified as current liabilities, pending the outcome of the proposed restructuring. Among other things, the going concern basis of the Group is dependent on the outcome of the proposed restructuring.

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

	Group		Group	
	Second Quarter		Half Year	
	1 Apr 2017 to 30 Jun 2017	1 Apr 2016 to 30 Jun 2016	1 Jan 2017 to 30 Jun 2017	1 Jan 2016 to 30 Jun 2016
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Loss before income tax	(5,191)	(4,089)	(10,874)	(5,551)
Adjustments for:				
Amortisation of deferred income	-	(1,041)	-	(2,340)
Depreciation of property, plant and equipment	1,342	1,463	2,645	2,966
Impairment loss of property, plant and equipment	2,570	-	2,570	-
Impairment loss on finance income	-	1,475	-	1,475
Impairment losses on trade and other receivables	-	1,525	3,446	1,525
Finance income	-	(534)	(20)	(1,517)
Finance costs	748	715	1,455	1,383
Equity-settled share-based compensation	-	-	-	(174)
Operating cash flows before changes in working capital	(531)	(486)	(778)	(2,233)
Change in working capital:				
Inventories	930	269	1,705	1,864
Trade and other receivables	2,012	4,017	(727)	6,816
Trade and other payables	(38)	(952)	4,337	1,588
Cash flows from operations	2,373	2,848	4,537	8,035
Income taxes paid	(151)	-	(206)	-
Cash flows from operating activities	2,222	2,848	4,331	8,035
Investing activities				
Finance income received	-	23	20	42
Purchase of property, plant and equipment	(945)	(86)	(1,061)	(174)
Cash flows used in investing activities	(945)	(63)	(1,041)	(132)
Financing activities				
Finance costs paid	(214)	(715)	(921)	(1,383)
Proceeds /(Repayment) of bills payable and trust receipts	128	(5,276)	146	(7,279)
Proceeds from finance lease liabilities	-	50	-	50
Payment of finance lease liabilities	(24)	(25)	(49)	(43)
Proceeds from interest-bearing borrowings	-	13,936	-	17,173
Repayment of interest-bearing borrowings	(446)	(12,340)	(3,655)	(19,003)
Cash flows used in financing activities	(556)	(4,370)	(4,479)	(10,485)
Net increase / (decrease) in cash and cash equivalents	721	(1,585)	(1,189)	(2,582)
Cash and cash equivalents at beginning of the period	1,562	2,311	2,338	3,128
Effect of exchange rates fluctuations	(289)	546	845	726
Cash and cash equivalents at end of the period **	1,994	1,272	1,994	1,272
Note : **				
Cash and cash equivalents in the statement of financial position	2,979	2,231	2,979	2,231
Bank Overdraft used for cash management purposes	(985)	(959)	(985)	(959)
Cash and cash equivalents in the statement of cash flows	1,994	1,272	1,994	1,272

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 \$'000	Non- controlling interests \$'000	Total equity \$'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 period								
Loss for the period	-	-	-	-	(5,755)	(5,755)	-	(5,755)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	708	-	708	66	774
Total comprehensive income for the period	-	-	-	708	(5,755)	(5,047)	66	(4,981)
At 31 March 2017	69,490	(55)	171	(921)	(53,897)	14,788	(1,061)	13,727
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(5,365)	(5,365)	-	(5,365)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	(254)	-	(254)	(44)	(298)
Total comprehensive income for the period	-	-	-	(254)	(5,365)	(5,619)	(44)	(5,663)
At 30 June 2017	69,490	(55)	171	(1,175)	(59,262)	9,169	(1,105)	8,064

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 \$'000	Non- controlling interests \$'000	Total equity \$'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 period	-	-	-	-	(1,440)	(1,440)	-	(1,440)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	(1,698)	-	(1,698)	(110)	(1,808)
Total comprehensive income for the period	-	-	-	(1,698)	(1,440)	(3,138)	(110)	(3,248)
Transactions with owners, recorded directly in equity								
Share-based compensation expense	-	-	(174)	-	-	(174)	-	(174)
Total transactions with owners	-	-	(174)	-	-	(174)	-	(174)
At 31 March 2016	69,490	(55)	171	(3,519)	(2,674)	63,413	(1,297)	62,116
Total comprehensive income for the period								
Loss for the period	-	-	-	-	(4,101)	(4,101)	-	(4,101)
Other comprehensive income								
Foreign currency translation differences arising from foreign operations	-	-	-	(199)	-	(199)	68	(131)
Total comprehensive income for the period	-	-	-	(199)	(4,101)	(4,300)	68	(4,232)
At 30 June 2016	66,490	(55)	171	(3,718)	(6,775)	59,113	(1,229)	57,884

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

	Share capital	Treasury Shares	Share-based compensation reserve	Accumulated losses	Total equity
Company	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
2017					
At 1 January 2017	69,490	(55)	171	(50,176)	19,430
Total comprehensive income for the period					
Loss for the period	-	-	-	(4,019)	(4,019)
Total comprehensive income for the period	-	-	-	(4,019)	(4,019)
At 31 March 2017	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(54,195)</u>	<u>15,411</u>
Total comprehensive income for the period					
Loss for the period	-	-	-	(598)	(598)
Total comprehensive income for the period	-	-	-	(598)	(598)
At 30 June 2017	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(54,793)</u>	<u>14,813</u>
2016					
At 1 January 2016	69,490	(55)	345	(2,503)	67,277
Total comprehensive income for the period					
Loss for the period	-	-	-	(860)	(860)
Total comprehensive income for the period	-	-	-	(860)	(860)
Transactions with owners, recorded directly in equity					
Issuance of ordinary shares	-	-	(174)	-	(174)
Total transactions with owners	-	-	(174)	-	(174)
At 31 March 2016	<u>69,490</u>	<u>(55)</u>	<u>171</u>	<u>(3,363)</u>	<u>66,243</u>
Total comprehensive income for the period					
Loss for the period	-	-	-	(4,510)	(4,510)
Total comprehensive income for the period	-	-	-	(4,510)	(4,510)
At 30 June 2016	<u>66,490</u>	<u>(55)</u>	<u>171</u>	<u>(7,873)</u>	<u>61,733</u>

- 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-17	30-Jun-16
13 April 2010	12 April 2020	S\$ 0.34	250,000	250,000
27 April 2010	26 April 2020	S\$ 0.39	350,000	350,000
27 April 2010	26 April 2020	S\$ 0.31	130,000	130,000
5 May 2011	4 May 2021	S\$ 0.23	50,000	50,000
31 May 2012	30 May 2022	S\$ 0.15	231,000	231,000
			1,011,000	1,011,000

Treasury shares

Treasury shares held as at 30 June 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 30 June 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	(470,000)
Issued and paid-up share capital as at 30 June 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

	Group			
	Second Quarter		Half Year	
	1 Apr 2017 to 30 Jun 2017	1 Apr 2016 to 30 Jun 2016	1 Jan 2017 to 30 Jun 2017	1 Jan 2016 to 30 Jun 2016
Earnings per share of the Group:				
(a) Loss attributable to owners of the Company (S\$'000)	(5,365)	(4,101)	(11,120)	(5,541)
Weighted average number of ordinary shares ('000)	622,681	622,681	622,681	622,681
Basic earnings per share (cents)	(0.86)	(0.66)	(1.79)	(0.89)
(b) Loss attributable to owners of the Company (S\$'000)	(5,365)	(4,101)	(11,120)	(5,541)
Adjusted weighted average number of ordinary shares ('000)	622,681	622,681	622,681	622,681
Diluted earnings per share (cents)	(0.86)	(0.66)	(1.79)	(0.89)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	30 June 2017	31 Dec 2016	30 June 2017	31 Dec 2016
Net assets (S\$'000)	8,064	18,708	14,813	19,430
Number of ordinary shares ('000)	622,681	622,681	622,681	622,681
Net asset value per share (cents)	1.3	3.0	2.4	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 1H 2017:

The Group reported loss after tax of S\$11.1 million for the six months ended 30 June 2017 ("1H 2017") as compared to loss after tax of S\$5.5 million for the six months ended 30 June 2016 ("1H 2016") due to the following factors:

Total revenue increased by S\$1.8 million, or 6.7%, to S\$29.3 million in 1H 2017 as compared to S\$27.5 million in 1H 2016. The increase in total revenue was due to increase in revenue from the Group's Equipment segment of S\$4.0 million and offset by decrease in revenue from Group's Vessel Chartering segment of S\$2.2 million.

Sales revenue from the Equipment segment increased by S\$4.0 million, or 19.1%, to S\$25.0 million in 1H 2017 as compared to S\$21.0 million in 1H 2016 mainly due to improvement in sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$2.2 million, or 33.8%, to S\$4.3 million in 1H 2017 as compared to S\$6.5 million in 1H 2016. The decrease in charter revenue was due mainly due to lower utilisation rate, decrease in charter rate of Arkstar fleet and reversal of billing of reimbursable costs which are no longer recover.

Total cost of sales increased by S\$3.4 million, or 13.3%, to S\$25.6 million in 1H 2017 as compared to S\$22.2 million in 1H 2016 mainly due to increase in cost of sales of equipment parts by S\$3.9 million or 24.4% to S\$19.9 million, offset by decrease in cost of sales of the Vessel Chartering segment by S\$0.5 million or 8.1% to S\$5.6 million in 1H 2017 respectively. The increase in cost of sales of Equipment was mainly due to increase in sales of equipment parts. The decrease in cost of sales of Vessel Chartering segment was mainly due to lower depreciation cost in Vessel Chartering segment.

Overall gross profit margin decreased to 12.7% in 1H 2017 as compared to 19.4% in 1H 2016. Gross profit for Equipment segment increased by \$0.1 million, and Vessel Chartering segment gross profit decreased by S\$1.8 million in 1H 2017.

Other income decreased by S\$0.9 million, or 87.9%, to S\$0.1 million in 1H 2017 which was mainly due to decrease in rental income.

Other expenses increased by S\$2.6 million, or 53.4% to S\$7.4 million in 1H 2017 mainly due to increase in allowance of doubtful debts on trade receivables of S\$1.9 million, impairment of property, plant and equipment of S\$2.6 million and offset by foreign exchange gain.

Net finance cost of S\$1.4 million in 1H 2017 as compared to net finance costs of S\$1.3 million in 1H 2016.

Other comprehensive income for 1H 2017:

Foreign currency translation loss of S\$0.5 million arising from foreign operations in 1H 2017 related mainly to the Group's net investment in foreign operations which are denominated in United States Dollar ("USD"), as the USD depreciated against the Singapore Dollar ("SGD") in 1H 2017.

Results for Q2 2017:

The Group reported loss after tax of S\$5.4 million for the three months ended 30 June 2017 ("Q2 2017") as compared to profit after tax of S\$4.1 million for the three months ended 30 June 2016 ("Q2 2016") due to the following factors:

Total revenue increased by S\$0.3 million, or 2.4%, to S\$14.1 million in Q2 2017 as compared to S\$13.7 million in Q2 2016. The increase in total revenue was due to increase in revenue from the Group's Equipment segment of S\$2.1 million and offset by decrease in revenue from Group's Vessel Chartering segment of S\$1.8 million.

Sales revenue from the Equipment segment increased by S\$2.1 million, or 20.2%, to S\$12.5 million in Q2 2017 as compared to S\$10.4 million in Q2 2016 mainly due to improvement in sales of equipment parts to our customers.

Charter revenue from the Vessel Chartering segment decreased by S\$1.8 million, or 54.5% to S\$1.5 million in Q2 2017 as compared to S\$3.3 million in Q2 2016. The decrease in charter revenue mainly due to decrease in charter rate of Arkstar fleet and reversal of billing of reimbursable costs which are no longer recover.

Total cost of sales increased by S\$1.9 million, or 17.3%, to S\$12.8 million in Q2 2017 as compared to S\$10.9 million in Q2 2016 mainly due to increase in cost of sales of equipment parts in Equipment segment by S\$2.2 million, or 28.6%, and offset by the decrease in Vessel Chartering segment by S\$0.3 million, or 9.7% in Q2 2016. The increase in cost of sales of equipment parts was mainly due to increase in sales of equipment parts. The decrease in cost of sales of the Vessel Chartering segment was mainly due to lower depreciation cost in Vessel Chartering segment.

Overall gross profit margin decreased to 9.2% in Q2 2017 as compared to 20.6% in Q2 2016. The Vessel segment is the key contributing factor for the decrease in profit margin with decrease in profit margin by S\$1.5 million in Q2 2017.

Other income decreased by S\$0.4 million, or 83.0%, to S\$0.1 million in Q2 2017 mainly due to decrease in rental income.

Other expenses increased by S\$0.1 million, or 1.7%, to S\$2.9 million in Q2 2017 mainly due to impairment of plant property and equipment of S\$2.6 million in Q2 2017 and offset with decrease in impairment of receivables of S\$1.5 million and stock write-off of S\$0.4 million.

Finance cost of S\$0.8 million in Q2 2017 as compared to finance costs of S\$0.7 million in Q2 2016.

Other comprehensive income for Q2 2017:

Foreign currency translation loss of S\$0.3 million arising from foreign operations in Q2 2017 relate to the Group's net investment in foreign operations which are mainly denominated in United States Dollar ("USD"), as the USD depreciated against the Singapore Dollar ("SGD") in Q2 2017.

Statement of Financial Position

Property, plant and equipment decreased by S\$6.2 million, or 9.2%, to S\$61.3 million as at 30 June 2017 mainly due to impairment loss of S\$2.6 million, depreciation expenses and foreign currency translation loss arising from the translation of USD denominated property, plant and equipment of certain subsidiaries into SGD as a result of the depreciation of the USD against the SGD in Q2 2017.

Inventories decreased by S\$1.7 million, or 6.8%, to S\$23.4 million as at 30 June 2017 mainly due to increase in sales of equipment parts.

Trade and other receivables decreased by S\$2.7 million, or 10.2%, to S\$23.9 million as at 30 June 2017 mainly due to allowance of doubtful debt on trade receivables of S\$3.4 million.

Financial liabilities decreased by S\$5.2 million, or 6.5%, to S\$75.5 million at 30 June 2017 due mainly to repayment of borrowings.

Trade and other payables increased by S\$4.9 million, or 24.2%, to S\$25.0 million as at 30 June 2017 mainly due to increase in sales and accrual expenses.

Statement of Cash Flows

In 1H 2017, the Group generated net cash outflows of S\$1.1 million, mainly comprising net cash inflows from operating activities of S\$4.5 million, offset by net cash outflows from investing activities of S\$1.1 million, and net cash outflows from financing activities of S\$4.5 million.

At 30 June 2017, the Group's cash and cash equivalents amounted to S\$2.0 million (31 December 2016: S\$1.3 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. Hearing of the Appeals are scheduled to be heard on 21 November 2017.

(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 2017 unaudited financial statements ("Q1 2017 Results"). All undefined terms used here shall have the same meaning as the terms defined in the Q1 2017 Results.

Further to the Company's disclosure in the Q1 2017 Results on the SG Suit, parties are still awaiting the decision of the Judge of the High Court on the appeals arising from decision of the Assistant Registrar delivered on 8 February 2017.

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 Suit No. WA-22NCC-142-04/2017 before the High Court of Malaya at Kuala Lumpur (see below). This application is currently pending.

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

Further to the Company's disclosure in the Q1 2017 Results on this suit, the Company has on 9 June 2017 received service of the Writ of Summons and Statement of Claim.

By the Statement of Claim, Sumatec is claiming against the Company, Ebony, Setinggi, Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Teh Teong Lay (the "Defendants") for alleged breach of:

- (a) the 2012 SPA; and
- (b) the CLO Agreement dated 28 May 2013 entered into between Malaysian Trustees Berhad ("Trustee") (in its capacity as trustee to the holders of the bonds issued on behalf of Sumatec ("CLO Bondholders")) to whom the Sale Shares had been charged to, the CLO Bondholders, Sumatec, the Company, Setinggi and SISB ("CLO Agreement");

including, among others, failing to release and discharge Sumatec from Ebony's accrued claims under the OFR Agreement and the Guarantee.

Pursuant to the above, Sumatec is claiming against the Defendants jointly and severally for, among others:

- (a) a declaration that Ebony's rights, claims and/or demands arising from the following agreements entered into in connection with the 2010 Acquisition are superseded, extinguished, compromised and/or waived:
 - (i) the Sale and Purchase Agreement dated 5 May 2010 entered into between Ebony and Sumatec ("2010 SPA");
 - (ii) the OFR Agreement;
 - (iii) the loan agreement dated 5 May 2010 entered into between Ebony and SISB ("Loan Agreement");
 - and
 - (iv) the Guarantee;
- (b) a declaration that Sumatec be released and discharged from all liabilities, obligations, claims and demands made by the Company and Ebony arising from the 2010 SPA, the OFR Agreement, the Loan Agreement and the Guarantee;
- (c) specific performance of the 2012 SPA and the CLO Agreement;
- (d) an order that the Defendants shall indemnify Sumatec in respect of all and any loss and damage in respect of all claims made or to be made against Sumatec and/or the Semua Group including the SG Suit; and
- (e) damages.

The Company has entered an appearance in the said action and is currently seeking legal advice. The Company will, in consultation with its solicitors, take all necessary steps and measures to oppose this action, and will disclose any material developments in connection with the abovementioned matters, 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

Although there has been an improvement in Equipment Manufacturing/Trading business, the outlook remains uncertain. The Vessel Chartering segment continues to be weak; whilst the Group has four vessels on term charter, there continues to be downward pressure on charter rates (including those with long term charters). The credit and economic conditions faced by the Group and its customers are poor.

The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations (both short term and long term) as and when they fall due is dependent on:-

- a) the ability to achieve a successful financial restructuring of the Group and Company
- b) the profitability of future operations of the Company and its subsidiaries
- c) the controlling shareholders and key management personnel of the Group remaining substantially unchanged
- d) the ability to secure financing support as and when required; and
- e) the continuing support of bank and other creditors, suppliers and other parties.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No applicable.

13 Interested Person Transactions

Period ended 30 June 2017		
Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual) \$'000	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000) \$'000
Hoe Leong Plastic Industry (China) Ltd - Rental expense	188	-
Hoe Leong Co. (Pte) Ltd - Interest payable on shareholder's loan	82	-
	<hr/>	<hr/>

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 2017 to be materially false or misleading.

BY ORDER OF THE BOARD

Kuah Geok Lin
Chairman and CEO

11 August 2017