



HOE LEONG CORPORATION LTD.

和隆集团有限公司

Company Registration No.: 199408433W

Registered Address: 6 Clementi Loop, EAC Building, Singapore 129814

Unaudited Financial Statements and Dividend Announcement For the 4th Quarter (“4Q 2020”) and Full Year (“FY2020”) Ended 31 December 2020

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Part I Information Required for Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Announcements

1(a)(i) Statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Unaudited 4Q 2020 S\$'000	Unaudited 4Q 2019 S\$'000	Increase/ (Decrease) %	Unaudited FY2020 S\$'000	Audited FY2019 S\$'000	Increase/ (Decrease) %
Revenue	11,102	14,432	(23.1)	43,683	62,481	(30.1)
Cost of sales	(8,851)	(13,435)	(34.1)	(35,671)	(58,275)	(38.8)
Gross profit	2,251	997	125.8	8,012	4,206	90.5
Other income	3,318	49	N.M	5,548	255	N.M
Distribution expenses	(706)	(1,163)	(39.3)	(3,064)	(4,070)	(24.7)
Administrative expenses	(2,206)	(1,426)	54.7	(6,018)	(6,266)	(4.0)
Other expenses	(535)	(2,543)	(79.0)	(1,076)	(3,960)	(72.8)
Impairment loss on trade receivables	(314)	(1,014)	(69.0)	(231)	(5,737)	(96.0)
Results from operating activities	1,808	(5,100)	N.M	3,171	(15,572)	N.M
Finance income	-	5	N.M	-	5	N.M
Finance costs	(168)	(259)	(35.1)	(902)	(1,047)	(13.8)
Net finance costs	(168)	(254)	(33.9)	(902)	(1,042)	(13.4)
Profit/ (Loss) before income tax	1,640	(5,354)	N.M	2,269	(16,614)	N.M
Income tax expense	(60)	(109)	(44.7)	(183)	(267)	(31.4)
Profit/ (Loss) for the year	1,580	(5,463)	N.M	2,086	(16,881)	N.M
Profit/ (Loss) attributable to:						
Owners of the Company	1,580	(5,463)	N.M	2,086	(16,881)	N.M
Profit/ (Loss) for the year	1,580	(5,463)	N.M	2,086	(16,881)	N.M
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences arising from foreign operations	1,021	1,088	(6.2)	786	(43)	N.M
Other comprehensive income, net of income tax	1,021	1,088	(6.2)	786	(43)	N.M
Total comprehensive income for the year	2,601	(4,375)	N.M	2,872	(16,924)	N.M
Total comprehensive income attributable to:						
Owners of the Company	2,601	(4,375)	N.M	2,872	(16,924)	N.M
Total comprehensive income for the year	2,601	(4,375)	N.M	2,872	(16,924)	N.M

4Q 2019 – 4th quarter ended 31 December 2019
FY2019 – 12 months ended 31 December 2019
N.M – Not meaningful

1(a)(ii) (Loss)/ Profit, net of income tax and total comprehensive income is arrived after crediting/ (charging) the following:

GROUP	Unaudited 4Q 2020 S\$'000	Unaudited 4Q 2019 S\$'000	Increase/ (Decrease) %	Unaudited FY2020 S\$'000	Audited FY2019 S\$'000	Increase/ (Decrease) %
Finance income:						
Interest income on bank deposits	-	5	N.M	-	5	N.M
Finance costs:						
Interest cost on bank loans	(157)	(240)	(34.6)	(838)	(985)	(14.9)
Interest cost on lease liabilities	(11)	(19)	(42.1)	(64)	(62)	3.2
	(168)	(259)	(35.1)	(902)	(1,047)	(13.8)
Included in 'Other income':						
Rental income	21	16	31.3	78	74	5.4
Government grant income	222	-	N.M	935	-	N.M
Gains/ (Losses) on disposal of plant and equipment	1,893	(31)	N.M	3,180	(30)	N.M
Included in 'Other expenses':						
Depreciation of property, plant and equipment (partially included in 'Cost of sales')	(247)	(683)	(63.8)	(1,081)	(2,853)	(62.1)
Depreciation of right-of-use assets	(153)	(218)	(29.9)	(806)	(497)	62.1
Allowance for impairment of trade receivables	(314)	(1,014)	(69.0)	(231)	(5,737)	(96.0)
Bad debts written off - Trade receivables	(5)	-	N.M	(31)	-	N.M
Allowance for impairment of inventories (reversal)	8	330	(97.7)	912	922	(1.1)
Foreign currency exchange gain/ (loss)	(258)	(1,353)	(80.9)	259	(1,121)	N.M
Loss on deconsolidation of subsidiaries	(80)	(1,187)	(93.3)	(80)	(1,187)	(93.3)
Included in 'Cost of sales':						
Impairment loss on vessels	-	(1,490)	N.M	-	(7,737)	N.M

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	Unaudited As at 31 December 2020 S\$'000	Audited As at 31 December 2019 S\$'000	Unaudited As at 31 December 2020 S\$'000	Audited As at 31 December 2019 S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	10,550	12,016	2,794	3,846
Investments in subsidiaries	-	-	10,298	10,298
Deferred tax assets	650	701	-	-
Total non-current assets	11,200	12,717	13,092	14,144
Current assets				
Inventories	17,516	18,993	-	-
Trade and other receivables	10,142	11,542	3,540	3,046
Cash and cash equivalents	3,105	2,499	1,077	73
	30,763	33,034	4,617	3,119
Assets held for sale	-	6,909	-	-
Total current assets	30,763	39,943	4,617	3,119
Total assets	41,963	52,660	17,709	17,263
EQUITY				
Share capital	114,461	114,461	114,461	114,461
Treasury shares	(55)	(55)	(55)	(55)
Currency translation reserve	(93)	(879)	-	-
Accumulated losses	(104,302)	(106,388)	(106,887)	(106,988)
Total equity	10,011	7,139	7,519	7,418
LIABILITIES				
Non-current liabilities				
Loans and borrowings	7,149	226	602	-
Lease liabilities	502	1,362	675	1,189
Deferred tax liabilities	39	38	20	19
Total non-current liabilities	7,690	1,626	1,297	1,208
Current liabilities				
Trade and other payables	10,737	14,341	4,001	4,312
Loans and borrowings	9,097	24,958	1,000	-
Lease liabilities	821	964	304	737
Other provision	3,588	3,588	3,588	3,588
Income tax payable	19	44	-	-
Total current liabilities	24,262	43,895	8,893	8,637
Total liabilities	31,952	45,521	10,190	9,845
Total equity and liabilities	41,963	52,660	17,709	17,263

1(b)(ii) Aggregate amount of the group's borrowings and debt securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand:

GROUP	Unaudited As at 31 December 2020		Audited As at 31 December 2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Bank loans	8,372	725	19,388	5,570
	8,372	725	19,388	5,570

Amount repayable after one year:

GROUP	Unaudited As at 31 December 2020		Audited As at 31 December 2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Bank loans	1,639	4,510	226	-
Other borrowing	1,000	-	-	-
	2,639	4,510	226	-

Details of collaterals relating to the above borrowing(s):

Bank loans

Bank loans are covered by:

- Legal mortgages over vessels, freehold land and buildings and certain plant and equipment;
- Corporate guarantees provided by the Company; and
- Personal guarantees provided by former directors for certain banking facilities.

Other borrowing

The bridging loan is secured by all shares of Ho Leong Tractors Sdn Bhd, a wholly-owned subsidiary of the Company.

Bank covenants

The Group breached certain covenants on consolidated tangible net worth and debt-to-equity ratio, as stipulated under the bank facilities agreements. Consequently, bank loans aggregating to S\$3,039,000 (31 December 2019: S\$7,528,000) have been reclassified from non-current liabilities to current liabilities.

1(c) Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

GROUP	Unaudited 4Q 2020 S\$'000	Unaudited 4Q 2019 S\$'000	Unaudited FY2020 S\$'000	Audited FY2019 S\$'000
Cash flows from operating activities				
Profit/ (Loss) before income tax	1,640	(5,354)	2,269	(16,614)
Adjustments for:				
Depreciation of property, plant and equipment	247	683	1,081	2,853
Depreciation of right-of-use assets	153	218	806	497
Interest income	-	(5)	-	(5)
Interest costs on loans and borrowings	157	240	838	985
Interest costs on lease liabilities	11	19	64	62
Gains on disposal of property, plant and equipment	(1,893)	31	(3,180)	30
Allowance for impairment of inventories (reversal)	(8)	(330)	(912)	(922)
Bad debts written off - Trade receivables	5	-	31	-
Impairment loss on property, plant and equipment	-	1,490	-	7,737
Allowance for impairment of trade receivables	314	1,014	231	5,737
Loss on deconsolidation of subsidiaries	80	1,187	80	1,187
Operating cash flows before working capital changes	706	(807)	1,308	1,547
Changes in working capital:				
Inventories	(460)	1,249	2,383	4,511
Trade and other receivables	1,496	890	1,211	1,850
Trade and other payables	(1,281)	(1,491)	(1,727)	(1,395)
Cash flows from operations	461	(159)	3,175	6,513
Income taxes paid	(6)	(260)	(111)	(327)
Net cash from/ (used in) operating activities	455	(419)	3,064	6,186
Cash flows from investing activities				
Interest income received	-	5	-	5
Purchase of plant and equipment	(36)	58	(370)	(1,704)
Proceeds from disposal of plant and equipment	2,472	677	10,284	707
Net cash outflow on deconsolidation of subsidiaries	-	(2)	-	(7)
Net cash from/ (used in) investing activities	2,436	738	9,914	(999)
Cash flows from financing activities				
Interest paid	(557)	(171)	(902)	(864)
Payment of lease liabilities	(277)	(296)	(835)	(659)
Proceeds from bills payable and trust receipts	177	8,044	1,124	8,044
Repayment of bills payable and trust receipts	(409)	(8,451)	(1,377)	(10,204)
Proceeds from bank borrowings	1,616	(54)	3,569	1,171
Repayment of bank borrowings	(2,622)	(526)	(14,369)	(3,609)
Proceeds from other borrowing	1,000	-	1,000	-
Net cash used in financing activities	(1,072)	(1,454)	(11,790)	(6,121)
Net increase/ (decrease) in cash and cash equivalents	1,819	(1,135)	1,188	(934)
Cash and cash equivalents, beginning balance	1,430	2,703	2,499	3,264
Effect of exchange rates fluctuations	(144)	931	(582)	169
Cash and cash equivalents, ending balance	3,105	2,499	3,105	2,499

1(d)(i) Statement (for the issuer and group) showing all changes in equity, together with a comparative statement for the corresponding period of the immediately preceding financial year

GROUP	Share capital S\$'000	Treasury shares S\$'000	Currency translation reserve S\$'000	Accumulated losses S\$'000	Equity attributable to owners S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
FY2020 (Unaudited):							
At 1 January 2020	114,461	(55)	(879)	(106,388)	7,139	-	7,139
Total comprehensive loss for the period	-	-	(259)	(46)	(305)	-	(305)
At 31 March 2020	114,461	(55)	(1,138)	(106,434)	6,834	-	6,834
Total comprehensive income for the period	-	-	968	(86)	882	-	882
At 30 June 2020	114,461	(55)	(170)	(106,520)	7,716	-	7,716
Total comprehensive loss for the period	-	-	(944)	638	(306)	-	(306)
At 30 September 2020	114,461	(55)	(1,114)	(105,882)	7,410	-	7,410
Total comprehensive income for the period	-	-	1,021	1,580	2,601	-	2,601
At 31 December 2020	114,461	(55)	(93)	(104,302)	10,011	-	10,011
FY2019 (Unaudited):							
At 1 January 2019	114,461	(55)	(836)	(89,503)	24,067	(1,187)	22,880
Adjustment to accumulated losses on adoption of SFRS(I) 16	-	-	-	(4)	(4)	-	(4)
At 1 January 2019 (Restated)	114,461	(55)	(836)	(89,507)	24,063	(1,187)	22,876
Total comprehensive loss for the period	-	-	(260)	(759)	(1,019)	(22)	(1,041)
At 31 March 2019	114,461	(55)	(1,096)	(90,266)	23,044	(1,209)	21,835
Total comprehensive loss for the period	-	-	168	(301)	(133)	43	(90)
At 30 June 2019	114,461	(55)	(928)	(90,567)	22,911	(1,166)	21,745
Total comprehensive loss for the period	-	-	(1,039)	(10,358)	(11,397)	(23)	(11,420)
At 30 September 2019	114,461	(55)	(1,967)	(100,925)	11,514	(1,189)	10,325
Total comprehensive loss for the period	-	-	1,088	(5,463)	(4,375)	1,189	(3,186)
At 31 December 2019	114,461	(55)	(879)	(106,388)	7,139	-	7,139

COMPANY	Share capital S\$'000	Treasury shares S\$'000	Accumulated losses S\$'000	Total equity S\$'000
FY2020 (Unaudited):				
At 1 January 2020	114,461	(55)	(106,988)	7,418
Total comprehensive income for the period	-	-	18	18
At 31 March 2020	114,461	(55)	(106,970)	7,436
Total comprehensive loss for the period	-	-	(297)	(297)
At 30 June 2020	114,461	(55)	(107,267)	7,139
Total comprehensive loss for the period	-	-	(272)	(272)
At 30 September 2020	114,461	(55)	(107,539)	6,867
Total comprehensive loss for the period	-	-	652	652
At 31 December 2020	114,461	(55)	(106,887)	7,519
FY2019 (Unaudited):				
At 1 January 2019	114,461	(55)	(98,816)	15,590
Total comprehensive loss for the period	-	-	(270)	(270)
At 31 March 2019	114,461	(55)	(99,086)	15,320
Total comprehensive loss for the period	-	-	(212)	(212)
At 30 June 2019	114,461	(55)	(99,298)	15,108
Total comprehensive loss for the period	-	-	(3,698)	(3,698)
At 30 September 2019	114,461	(55)	(102,996)	11,410
Total comprehensive loss for the period	-	-	(3,992)	(3,992)
At 31 December 2019	114,461	(55)	(106,988)	7,418

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

Number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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

Number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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

There is no change in the Company's issued share capital since 31 December 2019.

The Company has no outstanding share options, outstanding convertibles and subsidiary holdings as at 31 December 2020 and 31 December 2019.

470,000 treasury shares were held as at 31 December 2020 and 31 December 2019.

1(d)(iii) 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

COMPANY	
Unaudited 31 December 2020	Audited 31 December 2019
5,619,432,579	5,619,432,579

1(d)(iv) Statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on

There is no sale, transfer, cancellation and/ or use of treasury shares during FY2020.

1(d)(v) Statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on

There are no subsidiary holdings as at 31 December 2020 and there is no sale, transfer, cancellation and/ or use of subsidiary holdings during FY2020.

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 Company's auditors.

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

Not applicable.

3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue

The auditors did not express an opinion on the audited financial statements of the Group for FY2019. The disclaimer of opinion was due to multiple uncertainties which cast significant doubt over the Group's and Company's ability to continue as a going concern. Please refer to page 28 of the Company's annual report for FY2019.

The efforts taken to resolve the multiple uncertainties are as follow:

1. Sufficiency of cash flows to be generated from operating activities

Since their appointment in November 2019, RSM Corporate Advisory Pte Ltd has been assisting the Group in the strategic review of the Group's businesses and in the formulation of plans to improve the financial position and/ or performance of the Group.

Several cost-cutting measures including the termination of lease of under-utilised premise and sale of slow-moving inventories are implemented.

2. Divestment plan

The Group has been actively working to divest its vessel chartering business segment. The sale of mud processing barge, Arkstar Energy, was completed during the financial year ended 31 December 2019. The sale of all supply vessels from the vessel chartering segment, namely Arkstar Eagle 1, Arkstar Eagle 3, Arkstar Voyager and Arkstar Unicorn, were completed between March and October 2020.

3. Litigation and claims

There are ongoing litigations and claims. Please refer to item 8 of this announcement for the background and updates of ongoing material litigation.

In addition, the Company has on 21 December 2020 entered into definitive agreements with:

- An investor, Shing Heng Holding Pte Ltd, for the issuance of a S\$3 million convertible loan note and granting of a S\$9 million option to the investor; and
- Various lenders for the conversion of vessel-related loans amounting to S\$1.9 million into shares and/ or convertible bonds issued by the Company.

The above transactions are subject to, amongst others, the fulfilment of the conditions precedent under the definitive agreements entered into. Please refer to the Company's SGXNet announcement dated 21 December 2020.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

The Board of Directors of the Company (the "Board") confirm that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the financial year ended 31 December 2019.

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

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements:

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I) 3)
- Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 Insurance Contracts

6 Earnings per ordinary share ("EPS") 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	Unaudited 4Q 2020	Unaudited 4Q 2019	Unaudited FY2020	Audited FY2019
Profit/ (Loss) attributable to owners of the Company (S\$'000)	1,580	(5,463)	2,086	(16,881)
Weighted average number of ordinary shares ('000)	5,619,433	5,619,433	5,619,433	5,619,433
EPS (Basic and diluted) (cents)	0.03	(0.1)	0.04	(0.30)

Basic EPS ratio is calculated by dividing profit or loss, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during each period.

Diluted EPS is the same as basic EPS as no potential dilutive ordinary shares exist during the respective reporting periods.

7 Net asset value ("NAV") (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 current financial period reported on and the immediately preceding financial year

	GROUP		COMPANY	
	Unaudited 31 December 2020	Audited 31 December 2019	Unaudited 31 December 2020	Audited 31 December 2019
NAV attributable to owners of the Company (S\$'000)	10,011	7,139	7,519	7,418
Total number of issued shares excluding treasury shares ('000)	5,619,433	5,619,433	5,619,433	5,619,433
NAV per ordinary share (cents)	0.18	0.13	0.13	0.13

8 Review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business

(a) 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 factor

Revenue

For 4Q 2020, the Group registered revenue of S\$11.1 million compared to S\$14.4 million during 4Q 2019. For FY2020, the Group registered revenue of S\$43.7 million compared to S\$62.5 million during FY2019.

Revenue is mainly generated from the following business segments:

Equipment segment

For 3 months ended, revenue from the equipment segment (which focuses on the design, manufacturing and sale and; trading and distribution of heavy equipment and industrial machinery) decreased by S\$1.6 million or 13.0% from S\$12.5 million during 4Q 2019 to S\$10.9 million during 4Q 2020.

For 12 months ended, revenue from the equipment segment decreased by S\$10.0 million or 18.9% from S\$53.2 million during FY2019 to S\$43.2 million during FY2020.

The decrease in revenue is mainly due to a slowdown in global economic activities (including for construction, forestry and mining industries which our customers and end-users of our products and services operate in) as a result of lockdown measures to curb the spread of Covid-19.

Vessel chartering segment

All supply vessels from the vessel chartering segment were in various stages of sales and mostly off-hire during FY2020, resulting in a decrease in revenue. Revenue from vessel chartering services provided to certain hiree for certain periods of FY2020 were not recognised as the collection of sale proceeds is not probable.

As a result, vessel chartering revenue of only S\$0.5 million was registered during FY2020 (FY2019: S\$9.2 million).

Cost of sales

For 3 months ended, cost of sales decreased by S\$4.5 million or 34.1% from S\$13.4 million during 4Q 2019 to S\$8.9 million during 4Q 2020. For 9 months ended, cost of sales decreased by S\$22.6 million or 38.8% from S\$58.3 million during FY2019 to S\$35.7 million during FY2020.

Vessel operating costs amounted to S\$7.8 million and S\$0.6 million in FY2019 and FY2020 respectively. Impairment loss on vessels amounting to S\$7.7 million was also recognised in FY2019 (FY2020: NIL).

Excluding the effect of the above vessel related costs and vessel-related sales, costs of sales for FY2019 and FY2020 were S\$42.8 million and S\$35.1 million respectively and gross profit were S\$10.5 million (Gross profit margin: 19.7%) and S\$8.1 million (Gross profit margin: 18.8%) respectively. The reduction in gross profit margin is mainly due to increase in raw material costs.

Other income

For 3 months ended, other income increased by approximately S\$3.3 million from S\$49,000 million during 4Q 2019 to S\$3.3 million during 4Q 2020. The increase was mainly due to gain on sale of a supply vessel (Arkstar Unicorn) amounting to S\$1.9 million and government grant income (relating to Covid-19 relief measures by governments) amounting to S\$0.2 million received during 4Q 2020. There was also a reversal of provision for payables amounting to S\$1.0 million where obligation to pay no longer exist.

For 12 months ended, other income increased by S\$5.3 million from S\$0.3 million during FY2019 to S\$5.6 million during FY2020. This is mainly due to gain on sale of supply vessels during FY2020 amounting to S\$3.0 million, gain on disposal of plant and equipment amounting to S\$0.2 million and government grant income (relating to Covid-19 relief measures by governments) received amounting to S\$0.9 million and a reversal of provision for payables amounting to S\$1.0 million.

Distribution expenses

For 3 months ended, distribution expenses decreased by S\$0.5 million or 39.3% from S\$1.2 million during 4Q 2019 to S\$0.7 million during 3Q 2020. For 12 months ended, distribution expenses decreased by S\$1.0 million or 24.7% from S\$4.1 million during FY2019 to S\$3.1 million during FY2020.

The above decreases were mainly due to decrease in advertising costs, sales commission, travelling and packing and delivery expenses in view of decreased operations.

Administrative expenses

For 3 months ended, administrative expenses increased by S\$0.8 million or 54.7% from S\$1.4 million during 4Q 2019 to S\$2.2 million during 4Q 2020. For 12 months ended, administrative expenses decreased by S\$0.3 million or 4.0% from S\$6.3 million during FY2019 to S\$6.0 million during FY2020.

The above fluctuations were mainly due to reduction in salaries and related costs following the closure of administration office of the vessel chartering segment and reduction in headcount in the equipment segment. There is also reduction in directors' remuneration following the resignation of certain executive directors of the Company in October 2019. The above decreases were partially offset by an increase in legal and professional fee which was mainly in relation to the sale of supply vessels and the proposed transactions as announced on SGXNet on 21 December 2020. Majority of the legal and professional fees were incurred during 4Q 2020, resulting in a larger amount of administrative expenses in 4Q 2020 compared to 4Q 2019.

Other expenses

For 3 months ended, other expenses decreased by S\$1.9 million from S\$2.5 million during 4Q 2019 to S\$0.6 million during 4Q 2020. For 12 months ended, other expenses decreased by S\$2.8 million from S\$3.9 million during FY2019 to S\$1.1 million during FY2020.

The decrease is mainly due to a lower loss on deconsolidation of subsidiaries amounting to S\$0.1 million recognised in FY2020 (FY2019: S\$1.2 million) and foreign currency exchange gains amounting to S\$0.3 million recognised in FY2020 (FY2019: Gain of S\$1.1 million). There was also increase in repair and maintenance expenses by S\$0.2 million in FY2020 mainly due to additional allowance for reinstatement costs recognised in FY2020.

Impairment losses on trade receivables

For 3 months ended, impairment losses on trade receivables decreased by S\$0.7 million from S\$1.0 million during 4Q 2019 to S\$0.3 million during 4Q 2020. For 12 months ended, impairment losses on trade receivables decreased by S\$5.5 million from S\$5.7 million during FY2019 to S\$0.2 million during FY2020.

Impairment losses on trade receivables pertaining to the vessel chartering segment amounted to S\$0.9 million and S\$5.5 million during 4Q 2019 and FY2019 respectively (FY2020: NIL).

Finance costs

For 3 months ended, finance costs decreased by S\$0.1 million or 35.1% from S\$0.3 million during 4Q 2019 to S\$0.2 million during 4Q 2020. For 12 months ended, finance costs decreased by S\$0.1 million or 13.8% from S\$1.0 million during FY2019 to S\$0.9 million during FY2020.

The decrease in finance costs was mainly due to reduction in bank borrowings, following repayment of vessel loans upon completion of vessel sales.

Other items

Depreciation of property, plant and equipment decreased significantly during 4Q 2020 and FY2020 mainly due to cessation of depreciation of supply vessels following the reclassification of supply vessels from 'Property, plant and equipment' to 'Assets held for sale' at the end of FY2019.

Profit or loss before tax

For 3 months ended, profit before income tax for 4Q 2020 was S\$1.6 million, while loss before income tax of S\$5.4 million was registered for 4Q 2019. For 12 months ended, profit before income tax for FY2020 was S\$2.3 million, while loss before income tax of S\$16.6 million was registered for FY2019.

(b) Material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Financial Position Review

Non-current assets

Non-current assets decreased by S\$1.5 million from S\$12.7 million as at 31 December 2019 to S\$11.2 million as at 31 December 2020.

Property, plant and equipment decreased by S\$1.5 million from S\$12.0 million as at 31 December 2019 to S\$10.5 million as at 31 December 2020. The decrease was mainly due to depreciation amounting to S\$1.9 million and disposal of plant and equipment of net book value amounting to S\$0.3 million during FY2020. The above items were partially offset by addition of plant and equipment amounting to S\$0.4 million and translation difference on consolidation amounting to S\$0.3 million.

Current assets

Current assets decreased by S\$9.1 million from S\$39.9 million as at 31 December 2019 to S\$30.8 million as at 31 December 2020. The decrease was mainly due to decrease in inventories, trade and other receivables and assets held for sale of S\$1.4 million, S\$1.4 million and S\$6.9 million respectively. These increases were partially offset by increase in cash and cash equivalents of S\$0.6 million.

The decrease in inventories was in tandem with the decreased level of operations. Inventories turnover days was 183 days as at 31 December 2020 compared to 162 days as at 31 December 2019.

Trade receivables' turnover days was 87 days as at 31 December 2020 compared to 74 days as at 31 December 2019.

Assets held for sale amounting to S\$6.9 million as at 31 December 2019 pertains to book values of 4 supply vessels from the vessel chartering segment, namely Arkstar Voyager, Arkstar Unicorn, Arkstar Eagle 1 and Arkstar Eagle 3. The sales of all supply vessels were completed during FY2020.

Non-current liabilities

Non-current liabilities increased by S\$6.1 million from S\$1.6 million as at 31 December 2019 to S\$7.7 million as at 31 December 2020. The increase is mainly due to increase in loans and borrowings by S\$6.9 million mainly as a result of reclassification of non-current portion of an outstanding term loan from current liabilities to non-current liabilities after waiver of financial covenants is granted by bank and receipt of a S\$1 million loan from Shing Heng Holding Pte. Ltd.. The above increase is partially offset by decrease in lease liabilities by S\$0.8 million.

Current liabilities

Current liabilities decreased by S\$19.6 million from S\$43.9 million as at 31 December 2019 to S\$24.3 million as at 31 December 2020. The decrease was mainly due to decrease in trade and other payables by S\$3.6 million, decrease in loans and borrowings by S\$15.9 million (Mainly due to repayment of vessel loans upon completion of vessel sales and reclassification of non-current portion of an outstanding term loan from current liabilities to non-current liabilities after waiver of financial covenants is granted by bank) and decrease in lease liabilities by S\$0.1 million.

Trade payables' turnover days was 36 days as at 31 December 2020 compared to 29 days as at 31 December 2019.

Cash Flow Review

4Q 2020

During 4Q 2020, net cash from operating activities was S\$0.5 million mainly due to operating cash inflows of S\$0.7 million. This inflow was partially offset by decrease in working capital of S\$0.2 million. The decrease in working capital was mainly due to decrease in trade and other payables.

Net cash from investing activities amounting to S\$2.4 million was mainly due to proceeds from disposal of plant and equipment.

Net cash used in financing activities amounting to S\$1.1 million was mainly attributable to net repayment of borrowings of S\$0.2 million, interest payment of S\$0.6 million and lease payment of S\$0.3 million.

As a result of the above, there was a net increase of S\$1.8 million in cash and cash equivalents during 4Q 2020. Cash and cash equivalents was S\$3.1 million as at 31 December 2020.

FY2020

During FY2020, net cash from operating activities was S\$3.1 million mainly due to increase in working capital by S\$1.9 million and operating cash inflows of S\$1.3 million. The above inflows were partially offset by income tax paid of S\$0.1 million.

Net cash from investing activities amounting to S\$9.9 million was mainly due to proceeds received from disposal of plant and equipment (mainly relating to sales of supply vessels) of S\$10.3 million. This was partially offset by payment for purchase of plant and equipment of S\$0.4 million

Net cash used in financing activities amounting to S\$11.8 million was mainly due to net repayment of borrowings (mainly pertaining to vessel loans) of S\$10.1 million, interest payment of S\$0.9 million and lease payment of S\$0.8 million.

As a result of the above, there was a net increase of S\$1.2 million in cash and cash equivalents during FY2020. Cash and cash equivalents was S\$3.1 million as at 31 December 2020.

Material Litigation

(A) Kuala Lumpur High Court - Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd

Auspicious Journey Sdn Bhd, a minority shareholder in Ebony Ritz Sdn Bhd (“**Ebony**”), had filed in the Malaysian High Court a suit against the Company, being the majority shareholder in Ebony, for conducting the affairs of Ebony in a manner that is oppressive to the Plaintiff. On 3 August 2016, the trial and hearing of the legal action have been concluded.

The Court issued an Order partially in favour of the Plaintiff and ordered:

- (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 costs of RM300,000 (equivalent to S\$98,680) to the Plaintiff.

Both the Plaintiff and the Company appealed against the Order. The Appeals were heard on 21 November 2017 and 21 May 2018 in the Court of Appeal. Both Appeals were dismissed.

The Plaintiff filed an application for leave to appeal to the Federal Court against the dismissal of its appeal by the Court of Appeal. On 13 May 2019, the Federal Court made a decision to allow the Leave application in part, in particular only insofar as the Leave application relates to whether the directors of the Company can be attributed with the Company’s liability in respect of its said oppression on Auspicious Journey. The said Federal Court Appeal was only heard in part on 21 January 2020 due to the Federal Court’s time constraints. The Federal Court Appeal Hearing concluded on 4 August 2020. The Federal Court has not pronounced its decision nor has it provided with a date for its decision.

The case management for the assessment of damages proceeding in the Malaysian High Court took place on 30 November 2020 to update the High Court on the outcome of the said Federal Court Appeal. No further direction was given by the High Court as the Federal Court has not pronounced its decision nor has it provided with a date for its decision. The High Court directed that the next case management for the assessment of damages proceedings that was previously fixed on 4 January 2021 be further fixed on 4 March 2021 to update the High Court on the decision (or date thereof) of the Federal Court Appeal.

The Official Receiver of Ebony Ritz Sdn Bhd had previously filed an application for a private liquidator to be appointed to manage Ebony Ritz Sdn Bhd in place of the Official Receiver (the “**Private Liquidator Application**”). Before that Private Liquidator Application could be heard, Auspicious Journey had filed an Originating Summons to stay proceedings of the Private Liquidator Application pending the disposal of Auspicious Journey’s said appeal to the Federal Court (“**Auspicious Journey’s Stay OS**”). A Case Management for this Private Liquidator Application that was previously fixed on 15 January 2021 at the High Court has been adjourned to 6 April 2021.

The High Court had allowed Auspicious Journey’s Stay OS, which has the effect of staying the Private Liquidator Application pending the disposal of Auspicious Journey’s appeal to the Federal Court.

The Company filed an appeal against the said High Court order allowing Auspicious Journey’s Stay OS. The appeal has since been withdrawn with no order as to costs.

(B) Kuala Lumpur High Court – Tan Sri Halim Bin Saad v Hoe Leong Corporation Limited & 5 Ors

On 9 September 2019, the Company received a writ dated 20 June 2019 from Tan Sri Halim Bin Saad claiming for, misrepresentation, fraud, and/or conspiracy alleged to have been committed by the Company and other defendants against Tan Sri Halim Bin Saad.

The Company has engaged solicitors to enter its appearance in the civil suit and to defend against the same. The Company has filed its defence against the said civil suit on 4 November 2019. On 16 December 2019, the Company filed an application to strike out the said civil suit filed by Tan Sri Halim Bin Saad.

During the hearing of the Company’s striking out application on 8 December 2020, the Malaysian High Court dismissed the striking out application with costs of RM3,000, payable each by the 1st, 2nd, 3rd and 5th Defendants to the Plaintiff (RM12,000 in total). The trial of this legal suit is fixed from 21 October 2021 to 25 October 2021.

On 16 December 2020, the Company filed an appeal to the Court of Appeal against the dismissal of the striking out application. The solicitors of the Company will attend a case management fixed on 3 March 2021 in respect of the appeal and will request the Court of Appeal to expedite the hearing of the same.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

10 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

FY2020 was marked by weak business and trade sentiments as a result of disruptions caused by the onset of COVID-19 in the beginning of year 2020. The global COVID-19 situation remains fluid and the Group continues to maintain a cautious outlook for FY2021. Notwithstanding the ongoing uncertainties, the Group shall continue to reduce risks and strengthen revenue streams, pursue cost management measures and will also explore additional means to shore up liquidity as necessary.

Entry into Definitive Agreements with the Investor and Debt Settlement and Subscription Agreement with Lenders of Vessel-Related Loans

The Board refers to the SGXNet announcements dated 14 September 2020, 26 October 2020 and 1 December 2020 in relation to the entry into a binding term sheet with Shing Heng Holding Pte. Ltd. (the “**Investor**”) and an SGXNet announcement dated 21 December 2020 in relation to inter alia the entry into definitive agreements with the Investor for the Proposed Investor Transactions and entry into debt settlement and subscription agreements with lenders of vessel-related loans (the “**Previous Announcements**”).

Unless otherwise defined, capitalised terms used herein shall have the meanings as ascribed in the Previous Announcements.

The Proposed Transactions are subject to, amongst others, the fulfilment of the conditions precedent under the definitive agreements entered into.

Please refer to the Company’s SGXNet announcement dated 21 December 2020.

Extension of Time to Submit Resumption Proposal

On 2 September 2019, pursuant to Rule 1303(3) of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Company requested for a voluntary suspension of trading of its shares with immediate effect. Pursuant to Rule 1304(1) of the Listing Manual of the SGX-ST, the Company is to submit a proposal to resume trading in its securities (the “**Resumption Proposal**”) within 12 months of the date of suspension.

On 4 September 2020 and 2 December 2020, the Company submitted applications to the SGX-ST for the first extension of time of three (3) months to 2 December 2020 and second extension of time of six (6) weeks to 13 January 2021 to submit its Resumption Proposal (the “**Waivers**”). The Company received no-objection letters from the SGX-ST in relation to the Company’s applications for the Waivers.

The Company submitted the Resumption Proposal to the SGX-ST on 13 January 2021 and will make further announcements to update its shareholders when there are material updates as may be necessary or appropriate.

11 Dividend

(a) Dividend declared for the current financial period

No dividend has been declared for 4Q 2020.

(b) Dividend declared for the previous corresponding period of the immediately preceding financial year

No dividend was declared for 4Q 2019.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

(e) Record date - Date on which registrable transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined

Not applicable.

12 If no dividend has been declared/ recommended, a statement to that effect and the reason(s) for the decision

No dividend has been declared/ recommended for 4Q 2020 in view of the Group's accumulated losses.

13 If the group has obtained a general mandate from shareholders for Interested Person Transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person and nature of transactions	Nature of relationship	Aggregate value of all IPTs during FY2020 (excluding transactions less than S\$100,000)	
		Excluding IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S\$'000	Conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S\$'000
Hoe Leong Plastic Industry (China) Co., Ltd: Rental expense	Associate of controlling shareholder	305	-

No IPT mandate has been obtained by the Company.

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

	Design and manufacture		Trading and distribution		Vessel chartering		Total	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
External revenue	30,365	38,193	12,803	15,048	515	9,240	43,683	62,481
Finance income	-	5	-	-	-	-	-	5
Finance costs	(400)	(466)	(118)	(234)	(384)	(347)	(902)	(1,047)
Depreciation	(1,500)	(1,398)	(387)	(365)	-	(1,587)	(1,887)	(3,350)
Reportable segment profit/ (loss) before income tax	(1,355)	(697)	236	526	1,997	(14,370)	878	(14,541)
Unallocated expenses							1,391	(2,073)
Profit/(Loss) before income tax							2,269	(16,614)
Other material non-cash items:								
Allowance written back/(allowance) for slow-moving inventories	813	804	99	118	-	-	912	922
Impairment loss on trade receivables	(65)	(178)	(166)	(67)	-	(5,492)	(231)	(5,737)
Bad debts written back	(15)	-	(16)	-	-	-	(31)	-
Impairment on property, plant and equipment	-	-	-	-	-	(7,737)	-	(7,737)
Capital expenditure:								
Purchase of property, plant and equipment	(315)	(80)	(132)	(144)	-	(1,569)	(448)	(1,793)
Additions to right-of-use assets	-	-	(24)	(2,397)	-	-	(24)	(2,397)

	Design and manufacture		Trading and distribution		Vessel chartering		Total	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Reportable segment assets	16,653	28,540	24,934	15,338	376	8,479	41,963	52,357
Unallocated assets							-	303
Total assets							41,963	52,660
Reportable segment liabilities	15,493	17,120	13,577	8,104	2,596	15,098	31,666	40,322
Unallocated liabilities							286	5,199
Total liabilities							31,952	45,521

Primary geographical markets	Revenue	
	2020 S\$'000	2019 S\$'000
Australia	14,714	17,372
Europe	6,837	6,222
North America	6,820	10,341
South East Asia (Including Singapore)	5,758	8,646
Other parts of Asia	5,098	6,191
Middle East	1,198	10,266
Others	3,258	3,444
Total	43,683	62,481

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

Please refer to paragraph 8 above.

16 Breakdown of sales and operating profit are as follows:

GROUP	FY2020 S\$'000	FY2019 S\$'000	Increase/ (Decrease) %
Sales reported for first half year	21,140	32,538	(35.0)
Operating profit after tax before deducting non-controlling interests reported for first half year	(89)	(922)	(90.3)
Sales reported for second half year	22,543	29,943	(24.7)
Operating profit after tax before deducting non-controlling interests reported for second half year	2,175	(15,959)	N.M

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

	FY2020 S\$'000	FY2019 S\$'000
Ordinary	NIL	NIL
Preference	NIL	NIL
Total	NIL	NIL

18 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and year the position was held	Details of changes in duties and position held, if any, during the year
Mdm Kuah Geok Khim	67	Sister of substantial shareholders, Kuah Geok Lin, Kuah Geok Khim and Quah Yoke Hwee	Senior Manager (Operations and Administration) (since 2019) of wholly-owned subsidiary of the Company, Hoe Leong Crawler Parts Pte Ltd ("HLCP"), responsible for inventory management.	NIL
Raymond Quah Eng Kiat	42	Son of substantial shareholder, Quah Yoke Hwee	General Manager of HLCP (since 2019) responsible for operations and management of the equipment spare parts business.	NIL
Kuah Zhichao Kelvin	38	Son of substantial shareholder, Kuah Geok Khim	General Manager of HLCP (since 2019) responsible for operations and management of the equipment spare parts business.	NIL

19 Confirmation that the issuer has procured the undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1)

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

BY ORDER OF THE BOARD

Liew Yoke Pheng Joseph
Executive Chairman and CEO

26 February 2021