



**HOE LEONG CORPORATION LTD.**

**和隆集团有限公司**

Company Registration No.: 199408433W

Registered Address: 6 Clementi Loop, Singapore 129814

**Condensed Interim Financial Statements (“Interim FS”)**

**As at and for the 2<sup>nd</sup> Half Year (“2H 2022”) and  
Full Year (“FY2022”) Ended 31 December 2022**

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## Statement of Comprehensive Income

Group	Note	2H 2022 S\$'000	2H 2021 S\$'000	Increase/ (Decrease) %	FY2022 S\$'000	FY2021 S\$'000	Increase/ (Decrease) %
<b>Continuing operations</b>							
<b>Revenue</b>	4.2	20,995	24,152	(13.1)	41,792	45,457	(8.1)
Cost of sales		(20,033)	(20,299)	(1.3)	(38,600)	(38,409)	0.5
<b>Gross profit</b>		962	3,853	(75.0)	3,192	7,048	(54.7)
Other income	6.1	2,621	3,235	(19.0)	2,866	3,580	(19.9)
Distribution expenses		(1,458)	(2,600)	(43.9)	(3,412)	(4,286)	(20.4)
Administrative expenses		(2,406)	(2,344)	2.6	(4,891)	(4,923)	(0.7)
Other expenses	6.1	(2,011)	(1,125)	78.8	(2,783)	(2,132)	30.5
Impairment losses	6.1	3,674	1,030	256.7	6,161	2,047	201.0
<b>Results from operating activities</b>		1,382	2,049	(32.6)	1,133	1,334	(15.1)
Finance costs	6.1	(230)	(354)	(35.0)	(537)	(587)	(8.5)
<b>Profit before income tax</b>		1,152	1,695	(32.0)	596	747	(20.2)
Income tax income	7	57	188	(69.7)	199	258	(22.9)
<b>Profit from continuing operations</b>		1,209	1,883	(35.8)	795	1,005	(20.9)
<b>Discontinued operation</b>							
Profit from discontinued operation (net of tax)	21	-	-	-	-	1,063	N.M
<b>Profit for the year</b>		1,209	1,883	(35.8)	795	2,068	(61.6)
<b>Profit attributable to:</b>							
Owners of the Company		1,209	1,883	(35.8)	795	2,068	(61.6)
<b>Profit for the year</b>		1,209	1,883	(35.8)	795	2,068	(61.6)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>							
Foreign currency translation differences arising from foreign operations		(282)	(750)	(62.4)	(385)	(650)	(40.8)
<b>Other comprehensive income, net of income tax</b>		(282)	(750)	(62.4)	(385)	(650)	(40.8)
<b>Total comprehensive income for the year</b>		927	1,133	(18.2)	410	1,418	(71.1)
<b>Total comprehensive income attributable to:</b>							
Owners of the Company		927	1,133	(18.2)	410	1,418	(71.1)
<b>Total comprehensive income for the year</b>		927	1,133	(18.2)	410	1,418	(71.1)

2H 2021 – 2<sup>nd</sup> half year ended 31 December 2021  
FY2021 – Full year ended 31 December 2021  
N.M – Not meaningful

## Statement of Financial Position

	Note	Group		Company	
		As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	8,894	8,750	2,626	2,185
Investments in subsidiaries	11	-	-	10,298	10,298
Deferred tax assets		650	657	-	-
<b>Total non-current assets</b>		<b>9,544</b>	<b>9,407</b>	<b>12,924</b>	<b>12,483</b>
<b>Current assets</b>					
Inventories	12	17,981	18,321	-	-
Trade and other receivables	13	12,642	15,371	8,625	6,034
Cash and cash equivalents		4,666	3,044	413	557
<b>Total current assets</b>		<b>35,289</b>	<b>36,736</b>	<b>9,038</b>	<b>6,591</b>
<b>Total assets</b>		<b>44,833</b>	<b>46,143</b>	<b>21,962</b>	<b>19,074</b>
<b>EQUITY</b>					
Share capital	18	126,814	115,601	126,814	115,601
Treasury shares		(55)	(55)	(55)	(55)
Convertible bond	19	-	834	-	834
Currency translation reserve		(1,128)	(743)	-	-
Other reserves		14	638	14	638
Accumulated losses		(101,439)	(102,234)	(107,679)	(107,195)
<b>Total equity</b>		<b>24,206</b>	<b>14,041</b>	<b>19,094</b>	<b>9,823</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	14	5,561	10,201	448	3,045
Convertible loan	17	-	2,458	-	2,458
Deferred tax liabilities		41	39	20	20
<b>Total non-current liabilities</b>		<b>5,602</b>	<b>12,698</b>	<b>468</b>	<b>5,523</b>
<b>Current liabilities</b>					
Trade and other payables	15	7,559	8,668	1,400	1,800
Loans and borrowings	14	6,878	10,148	412	1,340
Other provision	16	588	588	588	588
<b>Total current liabilities</b>		<b>15,025</b>	<b>19,404</b>	<b>2,400</b>	<b>3,728</b>
<b>Total liabilities</b>		<b>20,627</b>	<b>32,102</b>	<b>2,868</b>	<b>9,251</b>
<b>Total equity and liabilities</b>		<b>44,833</b>	<b>46,143</b>	<b>21,962</b>	<b>19,074</b>

## Statement of Cash Flows

GROUP	2H 2022 S\$'000	2H 2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
<b>Cash flows from operating activities</b>				
Profit before income tax	1,152	1,695	596	1,810
Adjustments for:				
Depreciation of property, plant and equipment	371	438	699	925
Depreciation of right-of-use assets	410	375	788	756
Interest costs on other financial liabilities	206	242	469	455
Interest costs on lease liabilities	24	16	35	36
Amortisation of imputed interest	-	96	33	96
Gain on disposal of property, plant and equipment	(2,440)	(4)	(2,414)	(22)
Allowance for impairment of inventories (reversal)	(3,440)	(860)	(5,553)	(1,661)
Bad debts written off - Trade receivables	(5)	-	218	-
Reversal of impairment of trade receivables	(467)	(348)	(551)	(560)
Reversal of other provisions	-	(3,000)	-	(3,000)
Payables written back	282	-	(268)	-
Equity-settled share-based expenses	14	-	14	-
Gain from discontinued operation, net of tax	-	-	-	(1,063)
<b>Operating cash flows before working capital changes</b>	<b>(3,893)</b>	<b>(1,350)</b>	<b>(5,934)</b>	<b>(2,228)</b>
Changes in working capital:				
Inventories	3,688	1,480	5,893	856
Trade and other receivables	1,345	(2,553)	3,436	(4,436)
Trade and other payables	1,272	(223)	(1,013)	(618)
Cash flows from/ (used in) operations	2,412	(2,646)	2,382	(6,426)
Income taxes received/ (paid)	52	57	238	(1)
<b>Net cash from/ (used in) operating activities</b>	<b>2,464</b>	<b>(2,589)</b>	<b>2,620</b>	<b>(6,427)</b>
<b>Cash flows from investing activities</b>				
Purchase of plant and equipment	(223)	(72)	(338)	(218)
Proceeds from disposal of property, plant and equipment	2,939	22	2,973	34
<b>Net cash from/ (used in) investing activities</b>	<b>2,716</b>	<b>(50)</b>	<b>2,635</b>	<b>(184)</b>
<b>Cash flows from financing activities</b>				
Interest paid	(230)	(258)	(504)	(491)
Proceeds from bills payable and trust receipts	2,215	5,672	8,551	8,267
Repayment of bills payable and trust receipts	(3,467)	(4,394)	(11,238)	(5,783)
Payment of lease liabilities	(494)	(447)	(931)	(848)
Proceeds from other borrowing	-	3,000	-	3,000
Proceeds from convertible loan	-	-	-	3,000
Proceeds from options	-	-	3,154	-
Proceeds from bank borrowings	91	808	1,363	1,913
Repayment of bank borrowings	(3,009)	(1,318)	(3,729)	(1,465)
<b>Net cash (used in)/ from financing activities</b>	<b>(4,894)</b>	<b>3,063</b>	<b>(3,334)</b>	<b>7,593</b>
<b>Net increase in cash and cash equivalents</b>	<b>286</b>	<b>424</b>	<b>1,921</b>	<b>982</b>
Cash and cash equivalents, beginning balance	4,589	3,437	3,044	3,105
Effect of exchange rates fluctuations	(209)	(817)	(299)	(1,043)
<b>Cash and cash equivalents, ending balance</b>	<b>4,666</b>	<b>3,044</b>	<b>4,666</b>	<b>3,044</b>

## Statement of Changes in Equity

GROUP	Share capital S\$'000	Treasury shares S\$'000	Convertible bond S\$'000	Currency translation reserve S\$'000	Other reserves S\$'000	Accumulated losses S\$'000	Total equity S\$'000
<b>FY2022:</b>							
At 1 January 2022	115,601	(55)	834	(743)	638	(102,234)	14,041
Issuance of share capital	9,741	-	-	-	-	-	9,741
Transfer from other reserves	638	-	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-	-
Total comprehensive income for the period	-	-	-	(103)	-	(414)	(517)
At 30 June 2022	126,814	(55)	-	(846)	-	(102,648)	23,265
Equity-settled share-based expenses	-	-	-	-	14	-	14
Total comprehensive income for the period	-	-	-	(282)	-	1,209	927
At 31 December 2022	126,814	(55)	-	(1,128)	14	(101,439)	24,206
<b>FY2021:</b>							
At 1 January 2021	114,461	(55)	-	(93)	-	(104,302)	10,011
Issuance of share capital	1,140	-	-	-	-	-	1,140
Equity components of convertible loan	-	-	-	-	285	-	285
Issuance of convertible bond	-	-	834	-	-	-	834
Total comprehensive income for the period	-	-	-	100	-	185	285
At 30 June 2021	115,601	(55)	834	7	285	(104,117)	12,555
Equity components of convertible loan	-	-	-	-	353	-	353
Total comprehensive income for the period	-	-	-	(750)	-	1,883	1,133
At 31 December 2021	115,601	(55)	834	(743)	638	(102,234)	14,041

COMPANY	Share capital S\$'000	Treasury shares S\$'000	Convertible bond S\$'000	Other reserves S\$'000	Accumulated losses S\$'000	Total equity S\$'000
<b>FY2022:</b>						
At 1 January 2022	115,601	(55)	834	638	(107,195)	9,823
Issuance of share capital	9,741	-	-	-	-	9,741
Transfer from other reserves	638	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-
Total comprehensive income for the period	-	-	-	-	(412)	(412)
At 30 June 2022	126,814	(55)	-	-	(107,607)	19,152
Equity-settled share-based expenses	-	-	-	14	-	14
Total comprehensive income for the period	-	-	-	-	(72)	(72)
At 31 December 2022	126,814	(55)	-	14	(107,679)	19,094
<b>FY2021:</b>						
At 1 January 2021	114,461	(55)	-	-	(105,928)	8,478
Issuance of share capital	1,140	-	-	-	-	1,140
Equity components of convertible loan	-	-	-	285	-	285
Issuance of convertible bond	-	-	834	-	-	834
Total comprehensive income for the period	-	-	-	-	(867)	(867)
At 30 June 2021	115,601	(55)	834	285	(106,795)	9,870
Equity components of convertible loan	-	-	-	353	-	353
Total comprehensive income for the period	-	-	-	-	(400)	(400)
At 31 December 2021	115,601	(55)	834	638	(107,195)	9,823

## Selected Notes to the Interim Financial Statements

### 1. Corporate information

Hoe Leong Corporation Ltd. (the “**Company**”) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange.

These condensed interim consolidated financial statements as at and for the full year ended 31 December 2022 comprise the Company and its subsidiaries (collectively, the “**Group**”).

The principal activities of the Group are those relating to designing, manufacturing, sale and distribution of machinery parts. The Company is an investment holding company.

### 2. Basis of preparation

This condensed interim financial statements have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed Interim FS are presented in Singapore dollar which is the Company’s functional currency.

#### 2.1 New and amended standards adopted by the Group

A number of new standards and/ or amendments to standards are effective for the Company on or after 1 January 2022 (i.e. the beginning of the current financial year).

Standard	Title	Annual periods beginning on or after
SFRS(I) 3	Amendments to SFRS(I) 3 Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-16	Amendments to SFRS(I) 1-16 Property, Plant and Equipment Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37	Amendments to SFRS(I) 1-37 Onerous Contracts Cost of Fulfilling a Contract	1 January 2022
Various	Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
SFRS(I) 16	Amendments to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2022
SFRS(I) 17	Insurance Contracts	1 January 2023
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current	1 January 2023
Various	Amendments to SFRS(I) 17	1 January 2023
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The adoption of the above amendments is not expected to have a significant impact on the Group's financial statements.

## 2.2 Use of judgements and estimates

In preparing the condensed Interim FS, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no critical judgements made in applying the accounting policies.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 10: Measurement of depreciation and recoverable amounts of property, plant and equipment.
- Note 11: Measurement of recoverable amounts of investments in subsidiaries.
- Note 12: Measurement of net realisable value of inventories.
- Note 13: Measurement of impairment loss allowance for trade receivables.
- Note 16: Measurement of estimation of provision of loss liabilities from on-going litigations.

## 3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

## 4. Segment and revenue information

The Group is organised into the following main business segments:

### a) Design and manufacture

Design, manufacture and sale of equipment parts for both heavy equipment and industrial machinery under in-house brands, "KBJ", "OEM", "ROSSI" and "MIZU".

### b) Trading and distribution

Trading and distribution of an extensive range of equipment parts for both heavy equipment and industrial machinery sourced from third parties.

These operating segments are reported in a manner consistent with internal reporting provided to the executive directors of the Company who are responsible for allocating resources and assessing performance of the operating segments.



#### 4.1 Reportable segments

GROUP	Design and manufacture		Trading and distribution		Total	
	2H 2022 S\$'000	2H 2021 S\$'000	2H 2022 S\$'000	2H 2021 S\$'000	2H 2022 S\$'000	2H 2021 S\$'000
External revenue	16,258	20,453	4,737	3,699	20,995	24,152
Finance costs	(214)	(296)	(16)	(58)	(230)	(354)
Depreciation	(640)	(669)	(141)	(144)	(781)	(813)
Reportable segment profit/ (loss) before income tax	383	(547)	769	(911)	1,152	(1,458)
Unallocated income					-	3,153
Profit/ (loss) before income tax					1,152	1,695
<b>Other material non-cash items:</b>						
Reversal of impairment for slow-moving inventories	3,130	842	310	18	3,440	860
Reversal of impairment on trade receivables	251	309	216	39	467	348
Payables written off	(282)	-	-	-	(282)	-
Bad debts written off - Trade receivables	5	-	-	-	5	-
<b>Capital expenditure:</b>						
Purchase of property, plant and equipment	(142)	(70)	(81)	(3)	(223)	(73)
Additions to right-of-use assets	(791)	118	1	(166)	(790)	(48)

GROUP	Design and manufacture		Trading and distribution		Total	
	FY2022 S\$'000	FY2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
External revenue	33,659	37,454	8,133	8,003	41,792	45,457
Finance costs	(476)	(479)	(61)	(108)	(537)	(587)
Depreciation	(1,209)	(1,383)	(278)	(298)	(1,487)	(1,681)
Reportable segment profit/ (loss) before income tax	154	(1,298)	442	(1,095)	596	(2,393)
Unallocated income					-	4,203
(Loss)/ Profit before income tax					596	1,810
<b>Other material non-cash items:</b>						
Reversal of impairment for slow-moving inventories	5,005	1,648	548	13	5,553	1,661
Reversal of impairment on trade receivables	325	496	226	64	551	560
Payables written back	268	-	-	-	268	-
Bad debts written off - Trade receivables	(218)	-	-	-	(218)	-
<b>Capital expenditure:</b>						
Purchase of property, plant and equipment	(243)	(191)	(95)	(28)	(338)	(218)
Additions to right-of-use assets	(1,873)	(0)	(167)	(185)	(2,040)	(185)

GROUP	Design and manufacture		Trading and distribution		Total	
	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
Reportable segment assets	35,945	39,080	8,888	7,063	44,833	46,143
Reportable segment liabilities	18,426	28,137	2,201	3,965	20,627	32,102

## 4.2 Geographical segments

Revenue contribution from a country or region is disclosed separately when it exceeds 5% of the Group's revenue respectively.

GROUP	Revenue			
	2H 2022 S\$'000	2H 2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
Australia	5,627	4,312	9,941	9,802
Europe	3,610	4,204	6,351	7,402
North America	5,188	8,300	12,078	13,396
Asia	5,444	6,440	11,631	12,952
Others	1,126	896	1,791	1,905
Total	20,995	24,152	41,792	45,457

The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

GROUP	Non-current assets (excluding deferred tax assets)	
	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
Australia	399	430
Asia	8,495	8,320
Total	8,894	8,750

## 5 Financial assets and financial liabilities

Overview of the financial assets and financial liabilities is as follows:

	Carrying amount			
	GROUP		COMPANY	
	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
Financial assets not measured at fair value:				
Trade and other receivables	12,444	15,156	8,619	6,028
Cash and cash equivalents	4,666	3,044	413	557
Total	17,110	18,200	9,032	6,585
Financial liabilities not measured at fair value:				
Loans and borrowings	12,439	20,349	860	4,385
Trade and other payables	7,559	8,668	1,400	1,800
Total	19,998	29,017	2,260	6,185

The carrying amount of financial assets and financial liabilities is a reasonable approximation of fair value.

## 6 Profit or loss after tax

### 6.1 Significant items

GROUP	2H 2022 S\$'000	2H 2021 S\$'000	Increase/ (Decrease) %	FY2022 S\$'000	FY2021 S\$'000	Increase/ (Decrease) %
<b>Finance costs:</b>						
Interest cost on loans and borrowings	(206)	(242)	(14.9)	(469)	(455)	3.1
Interest cost on lease liabilities	(24)	(16)	50.0	(35)	(36)	(2.8)
Amortisation of imputed interest	-	(96)	N.M	(33)	(96)	(65.8)
	(230)	(354)	(35.0)	(537)	(587)	(8.5)
<b>Included in 'Other income':</b>						
Rental income	41	43	(4.7)	83	86	(3.5)
Government grant income	-	71	N.M	26	213	(87.6)
Gain on disposal of plant and equipment	2,440	4	N.M	2,414	22	N.M
Reversal of other provision	-	-	-	-	3,000	N.M
<b>Included in 'Other expenses':</b>						
Depreciation of property, plant and equipment (partially classified in 'Cost of sales')	(371)	(438)	(15.3)	(699)	(925)	(24.4)
Depreciation of right-of-use assets	(410)	(375)	9.3	(788)	(756)	4.2
Foreign currency exchange (losses)/ gains	(829)	33	N.M	(544)	127	N.M
<b>Included in 'Impairment losses':</b>						
Payables written (off)/ back	(282)	-	N.M	268	24	N.M
Bad debts written back/ (off) - Trade receivables	5	-	N.M	(218)	-	N.M
Reversal of impairment of trade receivables	467	348	34.2	551	560	(1.6)
Inventories written back/ (off)	44	(178)	N.M	7	(198)	N.M
Reversal of impairment for slow-moving inventories	3,440	860	300.0	5,553	1,661	234.3

### 6.2 Related party transactions

Other than those disclosed elsewhere in the financial statements, transactions with related parties are as follows:

GROUP	2H 2022 S\$'000	2H 2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
Affiliated corporations:				
Rental and miscellaneous expenses	(36)	(107)	(70)	(330)
Rental income	41	43	83	86

## 7 Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

GROUP	2H 2022 S\$'000	2H 2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
Current tax income	7	318	160	226
Deferred tax (expense)/ income	50	(130)	39	32
Total income tax income	57	188	199	258

## 8 Earnings Per Ordinary Share (“EPS”)

GROUP	2H 2022	2H 2021	FY2022	FY2021
Profit attributable to owners of the Company (S\$'000)				
- Continuing operations	1,209	1,883	795	1,005
- Discontinued operation	-	-	-	1,063
- Total	1,209	1,883	795	2,068
Weighted average number of ordinary shares ('000):				
- Basic	13,750,158	6,271,035	11,956,153	5,962,193
- Conversion of convertibles to equity	-	2,531,122	-	1,331,440
- Dilutive share options effect	1,264,384	6,164,383	1,264,384	3,242,634
- Diluted	15,014,542	14,966,540	13,220,537	10,536,267
EPS (Basic) (cents)				
- Continuing operations	0.01	0.03	0.01	0.02
- Discontinued operation	-	-	-	0.02
- Total	0.01	0.03	0.01	0.04
EPS (Diluted) (cents)				
- Continuing operations	0.01	0.01	0.01	0.01
- Discontinued operation	-	-	-	0.01
- Total	0.01	0.01	0.01	0.02

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 financial period.

Diluted EPS is calculated by dividing profit or loss, net of tax attributable to owners of the Company (after giving effect to the elimination of interest expense, net of tax benefit, applicable to the convertible loan note) by the weighted average number of ordinary shares outstanding and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect on EPS derives from transactions such as: Convertible loan note subscribed by and option granted to an investor. Dilutive effect of performance shares (Refer to SGXNet announcement dated 1 September 2022 on grant of share awards) is not significant.

## 9 Net asset value

	GROUP		COMPANY	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
NAV attributable to owners of the Company (S\$'000)	24,206	14,041	19,094	9,823
Total number of issued shares excluding treasury shares ('000)	13,750,158	6,271,035	13,750,158	6,271,035
NAV per ordinary share (cents)	0.18	0.22	0.14	0.16

## 10 Property, plant and equipment

During the year ended 31 December 2022, the Group acquired assets amounting to S\$338,000 (FY2021: S\$218,000) and disposed of assets of net book value amounting to S\$695,000 (FY2021: S\$12,000).

Assets are depreciated on a straight-line basis over their estimated useful lives. As changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. In view of the recurring losses incurred, the Group performed an impairment assessment of its property, plant and equipment. The estimated recoverable amounts are mainly based on fair value less costs of disposal using the latest available external valuation reports and considering current market conditions. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the fair value.

## 11 Subsidiaries

COMPANY	31 December 2022 S\$'000	31 December 2021 S\$'000
Investments in subsidiaries:		
Unquoted equity shares, at cost	21,481	21,481
Accumulated impairment losses	(11,183)	(11,183)
Carrying amount	10,298	10,298

Investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment by assessing the factors that affect the recoverable amount of an investment, and the financial health of and business outlook for the investee. These include factors such as industry and sector performance, changes in technology, and operating and financing cash flows. Any change in the business environment and estimates of the recoverable amounts of the subsidiaries can impact the carrying amounts of the investments in the subsidiaries. Management of the Company has performed a review of the recoverable amounts of its investments in its subsidiaries in accordance with the Group's accounting policy.

## 12 Inventories

Group	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
Raw materials	1,884	2,561
Work-in-progress	5,176	5,861
Finished goods, at net realisable value	10,237	9,666
Goods-in-transit	684	233
Total	17,981	18,321

During FY2022, an allowance for slow-moving inventories of S\$5,553,000 (FY2021: S\$1,661,000) was reversed following subsequent sale or disposal of these inventories during the financial period.

Inventories have been written down to lower of cost and estimated net realisable value to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. These estimates take into consideration market demand, the age of the inventories, competition, selling price and events occurring after the end of the financial period to the extent that such events confirm conditions that existed at reporting date.

The Group recognises allowance on obsolete inventories when inventory items are identified as obsolete. Obsolescence is based on the physical and functional conditions of inventory items and is established when these inventory items are no longer marketable. Obsolete inventory items when identified are written off to profit or loss. In addition to an allowance for specifically identified obsolete inventory, allowances are also estimated based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year.

### 13 Trade and other receivables

	Group		Company	
	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
Trade receivables due from:				
- third parties	10,589	13,764	-	-
- subsidiaries	-	-	12,190	15,658
	10,589	13,764	12,190	15,658
Less: allowance for impairment losses				
- third parties	(775)	(1,473)	-	-
- subsidiaries	-	-	(4,427)	(9,897)
	(775)	(1,473)	(4,427)	(9,897)
Net trade receivables	9,814	12,291	7,763	5,761
Other receivables due from subsidiaries	-	-	657	57
Advances to suppliers	503	1,032	-	-
Deposits	1,084	1,004	199	210
Tax recoverable	283	313	-	-
Sundry receivables	760	516	-	-
Sub-total	2,630	2,865	856	267
Prepayments	198	215	6	6
Net other receivables	2,828	3,080	862	273
Total trade and other receivables	12,642	15,371	8,625	6,034

Non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral.

Aging of the Group's trade receivables as at the relevant financial period end dates are as follow:

Group	31 December 2022 S\$'000	31 December 2021 S\$'000
Not past due	6,880	10,056
Past due 0 – 30 days	853	1,965
Past due 31 – 60 days	281	132
Past due 61 – 90 days	840	253
Past due 91 – 150 days	296	35
Past due more than 150 days	1,439	1,323
Total	10,589	13,764
Less: Allowance for impairment loss	(775)	(1,473)
Net trade receivables	9,814	12,291

Management estimated the impairment loss allowance on credit-impaired receivables based on the age of the trade receivables, their future collectability, credit-worthiness of customers, the historical default rate, and various other factors.

Credit term of up to 150 days is granted to customers. Trade receivables which were past due for more than 150 days as at 31 December 2022 amounting to S\$1,439,000 (31 December 2021: S\$1,323,000) were mainly pertaining to sales reported during FY2020 to FY2022. Of the total allowance for impairment of trade receivables amounting to S\$775,000 (31 December 2021: S\$1,473,000), specific allowance for impairment of S\$580,000 (31 December 2021: S\$862,000) relates to trade receivables which are past due for more than 150 days.

The Group's top 5 customers accounted for about 26% (31 December 2021: 33%) of total trade receivables. Considering the payment track record of these major customers, no allowance for impairment was made for the amount due as at 31 December 2022 and 31 December 2021 and the Group continues to trade with them.

#### 14 Loans and borrowings

	GROUP		COMPANY	
	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
Amount repayable within one year:				
Secured bank borrowings	4,676	7,955	-	1,000
Secured other borrowing	-	1,000	-	-
Unsecured bank borrowings	1,455	720	-	-
Lease liabilities	747	473	412	340
Sub-total	6,878	10,148	412	1,340
Amount repayable after one year:				
Secured bank borrowings	1,744	2,764	-	-
Secured other borrowing	-	3,000	-	3,000
Unsecured bank borrowings	2,795	4,250	-	-
Lease liabilities	1,022	187	448	45
Sub-total	5,561	10,201	448	3,045
Total	12,439	20,349	860	4,385

Bank borrowings are secured by:

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

As at 31 December 2021, loans and borrowings included S\$4.0 million of bridging loans granted by Shing Heng Holding Pte. Ltd. ("SHHPL") which was secured by all shares of wholly-owned subsidiaries of the Company, Trackspares Global Pte. Ltd. and Ho Leong Tractors Sdn Bhd. On 25 March 2022, this amount due to SHHPL were set off against the consideration payable by SHHPL on the exercise of options.

## 15 Trade and other payables

	Group		Company	
	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2021 S\$'000
Trade payables	2,896	3,431	36	36
Accrued expenses	4,629	4,821	1,364	1,764
Non-trade payables due to:				
- affiliated corporation	-	54	-	-
- director	-	349	-	-
Deposits received	34	13	-	-
Total	7,559	8,668	1,400	1,800

Outstanding balances with related parties are unsecured and repayable on demand.

Accrued expenses comprised mainly of legal and professional fees relating to concluded litigation and restructuring exercise, provision for retirement benefits of a foreign subsidiary, provision for warranty and unbilled purchases and other operating expenses.

The Group has established debt repayment plans with certain creditors and continues to be in discussion with other parties to finalise repayment plans.

## 16 Other provision

	GROUP		COMPANY	
	31 December 2022 S\$'000	31 December 2021 S\$'000	31 December 2022 S\$'000	31 December 2021 S\$'000
At beginning of the financial year	588	3,588	588	3,588
Reversal during the year	-	(3,000)	-	(3,000)
At end of the financial year	588	588	588	588

Other provision pertains to ongoing material litigations (Note 20).

Details of the provisions made for each litigation case were not disclosed in order not to prejudice the Group's legal position in the proceedings. This complies with Paragraph 92 of SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets.

## 17 Convertible loan

GROUP AND COMPANY	31 December 2022 S\$'000	31 December 2021 S\$'000
At beginning of the financial year	2,458	-
Proceeds from issuance of convertible loan note	-	3,000
Amount classified as equity – Other reserves	-	(638)
Amortisation of imputed interest	33	96
Conversion into ordinary shares	(2,491)	-
At end of the financial year	-	2,458



On 23 June 2021, the Company issued convertible loan note of S\$3.0 million to Shing Heng Holding Pte. Ltd..

The convertible loan note has a validity period of three (3) years and is interest-free for the first two (2) years of issuance and carries interest rate of 2.0% per annum from the second (2<sup>nd</sup>) anniversary of issuance date until the earlier of the date falling on which (a) the full principal amount is repaid by the Company; or (b) the convertible loan note is converted. The principal is convertible by the holder in whole into ordinary shares at a conversion price of S\$0.00146 per share by 23 June 2024 (i.e. maturity date). Subject to satisfaction of mandatory conversion conditions stipulated in the convertible loan note agreement, the whole of the principal amount of the convertible loan note shall be mandatorily converted. If the convertible loan note is not converted by the maturity date, the Company shall repay the principal in full and in cash on maturity date.

The above convertible loan note was fully converted into 2,054,794,520 new ordinary shares of the Company on 25 March 2022.

## 18 Share capital

GROUP AND COMPANY	Number of ordinary shares	Share capital S\$'000
As at 1 January 2021	5,619,432,579	114,461
Issue of ordinary shares arising from:		
- Conversion of bank borrowings	586,211,427	1,025
- Share-based payment	65,391,302	115
As at 31 December 2021	6,271,035,308	115,601
Issue of ordinary shares arising from:		
- Conversion of convertible loan note	2,054,794,520	3,129
- Exercise of options	4,900,000,000	7,154
- Conversion of convertible bonds	476,328,000	834
- Share-based payment	48,000,000	96
As at 31 December 2022	13,750,157,828	126,814

On 23 June 2021, the Company issued and allotted 651,602,729 ordinary shares at an issue price of S\$0.00175 per share:

- To certain banks pursuant to a scheme to convert S\$1,025,000 of borrowings into equity; and
- In satisfaction of a portion of the remuneration of the Executive Chairman and CEO from 23 October 2019 to 31 December 2020 amounting to S\$115,000.

The following transactions were also completed on 23 June 2021:

- Issuance of convertible loan note of the Company amounting to S\$3,000,000 to Shing Heng Holding Pte. Ltd. (“SHHPL”), convertible in whole into 2,054,794,520 new ordinary shares at a conversion price of S\$0.00146 per share, maturing on 23 June 2024; and
- Granting of S\$9,000,000 options by the Company to SHHPL which gives a right for SHHPL to exercise the option at S\$0.00146 per share in exchange for 6,164,383,561 new ordinary shares, to be exercised on the earlier of the full repayment of the above convertible loan and accrued interest or 23 June 2025. The market price of each ordinary share of the Company is S\$0.002 based on last trade done on 29 August 2019 being the last market day when the Company’s shares were traded prior to trading halt and suspension requested by the Company as at 23 June 2021 (i.e. date of grant); and
- Issuance of convertible bond of the Company amounting to S\$834,000 to United Overseas Bank Limited (“UOB”), convertible into 476,328,000 new ordinary shares at a conversion price of S\$0.00175, mandatorily converted within a three-year period.

During FY2021, there is no conversion and/ or exercise of the above convertible loan note, option and convertible bond.

On 25 March 2022, the above convertible loan note and convertible bond were converted in full into 2,531,122,520 new ordinary shares by SHHPL and UOB. On the same day, SHHPL exercised 4,900,000,000 options into 4,900,000,000 new ordinary shares. Following this exercise of options, 1,264,383,561 options (at S\$0.00146 each) remain outstanding and exercisable by 22 June 2025 pursuant to the option agreement dated 21 December 2020 between the Company and SHHPL.

On 23 June 2022, the Company issued and allotted 48,000,000 ordinary shares at an issue price of S\$0.002 per share in satisfaction of a portion of the remuneration of Liew Yoke Pheng Joseph, Executive Chairman and ex-CEO, from 1 January 2021 to 31 December 2021 amounting to S\$96,000.

470,000 treasury shares were held as at 31 December 2022 and 31 December 2021. There is no sale, transfer, cancellation and/ or use of treasury shares during FY2022 and FY2021.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2022 and 31 December 2021 and there is no sale, transfer, cancellation and/ or use of subsidiary holdings during FY2022 and FY2021.

## 19 Convertible bond

On 23 June 2021, the Company converted bank borrowings amounting to S\$834,000 into convertible bond.

The convertible bond is interest-free and due on 23 June 2024. The principal is convertible by the holder in whole into ordinary shares at a conversion price of S\$0.00175 per share prior to 23 June 2024. Outstanding convertible bond that remains unconverted by 22 June 2024 shall be mandatorily converted on 23 June 2024.

The convertible bond is classified as equity as there is no contractual obligation to deliver cash to the holder; the holder will convert the bond into a fixed number of shares, predetermined on issue date of the bond; and there is no obligation to issue a fixed number of shares to settle a variable obligation.

The above convertible bond was fully converted into 476,328,000 new ordinary shares of the Company on 25 March 2022.

## 20 Material litigations

### A. Kuala Lumpur High Court - Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd and 5 others

Auspicious Journey Sdn Bhd (the "**Plaintiff**"), a minority shareholder of a former subsidiary, Ebony Ritz Sdn Bhd ("**Ebony Ritz**"), filed a suit on 6 June 2013 against the Company, being the majority shareholder in Ebony Ritz, for conducting the affairs of Ebony Ritz in a manner that is oppressive to the Plaintiff.

On 3 August 2016, the High Court issued an order partially in favour of the Plaintiff and ordered that:

- (a) a declaration that the Company has conducted the affairs of Ebony in a manner that is oppressive to the Plaintiff be made;
- (b) Ebony Ritz is to be wound up and the Official Receiver be appointed as the liquidator of Ebony Ritz;
- (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 to the Plaintiff.

Subsequent to the High Court Order dated 3 August 2016, the Plaintiff appealed against the winding-up remedy and the Company appealed against the finding of oppression. Both appeals were dismissed by the Court of Appeal. The Plaintiff then appealed to the Federal Court against the winding-up remedy and sought for a buy-out of its shareholding in Ebony Ritz whilst the Company did not appeal further.

On 9 March 2021, the Federal Court dismissed the Plaintiff's appeal and directed for the assessment of damages by a High Court Judge. The outcome of the Federal Court appeal was updated to the High Court on 12 March 2021 during a case management for the assessment of damages proceeding. During subsequent case management sessions, date of trial and submission of respective affidavits were fixed and postponed.

The trial for assessment of damages will take place from 10 July 2023 to 14 July 2023.

**B. Kuala Lumpur High Court – Tan Sri Halim Bin Saad vs Hoe Leong Corporation Ltd. and 5 others**

On 20 June 2019, Tan Sri Halim Bin Saad ("**Tan Sri Halim**") commence a civil suit against the Company and other defendants, claiming for, in essence, alleged fraud and conspiracy. Tan Sri Halim is seeking, among others, general damages against the Company.

The Company filed its defence against the said suit on 4 November 2019 and filed an application to strike out the said suit. The striking out application was dismissed by the High Court and the Court of Appeal on 8 December 2020 and 20 October 2021 respectively.

On 29 October 2021, Tan Sri Halim filed an application to amend his statement of claim (the "**Amendment Application**"). On 1 July 2022, the High Court allowed the Amendment Application with no order as to costs and allowed the defendants to amend their respective defences after receiving Tan Sri Halim's amended statement of claim.

During the case management on 26 September 2022, the trial of the civil suit was re-scheduled to take place from 11 November 2024 to 14 November 2024. A mediation which took place on 10 January 2022 was not successful. A final case management will be held on 10 October 2024 before the trial.

**21 Discontinued operation**

	GROUP		GROUP	
	2H 2022 S\$'000	2H 2021 S\$'000	FY2022 S\$'000	FY2021 S\$'000
Results from operating activities	-	-	-	18
Tax	-	-	-	-
Results from operating activities, net of tax (A)	-	-	-	18
Gain on sale of discontinued operation	-	-	-	(291)
Derecognition of liabilities	-	-	-	1,336
Total other income (B)	-	-	-	1,045
Profit from discontinued operation, net of tax (A+B)	-	-	-	1,063

In April 2021, the Company deconsolidated three of its former subsidiaries, Arkstar Offshore Pte Ltd, Arkstar Voyager Pte Ltd and Arkstar Unicorn Pte Ltd, and the recorded trade and other payables owing to third party suppliers amounting to S\$1,336,000 in the consolidated accounts when the liquidation of these former subsidiaries was underway. The Company is not legally bound to make payment to the third party suppliers and this consistent with the principles of separate legal entity and limited liability structure of companies. As such, the recorded trade and other payables were derecognised.

There is no cash flow arising from discontinued operation (Vessel chartering) during FY2022 and FY2021.

## Other Information:

### 1 Audit Statement

The consolidated statement of financial position of the Company and its subsidiaries as at 31 December 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 2<sup>nd</sup> half year and full year then ended, explanatory notes and other information have not been audited or reviewed by the Company's auditors.

### 2 Review of Group Performance

#### Revenue

For 2H 2022, revenue of the Group decreased by S\$3.2 million or 13.1% to S\$21.0 million compared to S\$24.2 million during 2H 2021.

Revenue of the Group decreased by S\$3.7 million or 8.1% to S\$41.8 million during FY2022 compared to S\$45.5 million during FY2021.

Sales of the Group's products in certain markets (e.g. USA and Canada) decreased during 2H 2022 in view of slowing economic activities in North America and Europe. The Group also registered lower revenue in Japan during 2H 2022 and FY2022, compared to the previous corresponding periods. Revenue generated from the Australia market was higher during 2H 2022 compared to 2H 2021 as the sales team at the Company's subsidiary in Australia stabilises and are prospecting better.

#### Breakdown of sales and operating profit

GROUP	FY2022 S\$'000	FY2021 S\$'000	Increase/ (Decrease) %
Sales reported for 1st half year	20,797	21,305	(2.4)
Operating loss after tax before deducting non-controlling interests reported for 1st half year	(414)	(878)	(52.8)
Sales reported for 2nd half year	20,995	24,152	(13.1)
Operating profit after tax before deducting non-controlling interests reported for 2nd half year	1,209	1,883	(35.8)

#### Cost of sales

Costs of sales was S\$20.0 million during 2H 2022 and S\$38.6 million during FY2022 and comparable to amounts in the previous corresponding periods.

Gross profit ("GP") was S\$1.0 million (GP margin: 4.6%) in 2H 2022 and S\$3.9 million (GP margin: 15.9%) in 2H 2021. GP was S\$3.2 million (GP margin: 7.6%) in FY2022 and S\$7.0 million (GP margin: 15.5%) in FY2021.

The increase in cost of sales and resultant reduction in GP and GP margin is mainly due to higher proportion of sales of old, slow-moving inventories during FY2022 compared to FY2021. GP margin is especially lower during 2H 2022 due to realisation of a higher quantity of old, slow-moving inventories in preparation for the return of certain rented warehousing space at the Singapore corporate headquarter in March 2023. Although GP margins for sales of slow-moving inventories are much lower, the realisation of such inventories resulted in a high reversal of allowance for impairment of slow-moving inventories of S\$3.4 million during 2H 2022 (2H 2021: S\$0.9 million) and S\$5.6 million during FY2022 (FY2021: S\$1.7 million).

### **Other income**

Other income for FY2022 comprised mainly of gain on disposal of a freehold property in Johor Bahru (Malaysia) amounting to S\$2.4 million, while other income for FY2021 comprised mainly of a reversal of provision for litigation compensation (under 'Other provision') amounting to S\$3.0 million in relation to a material litigation. Both of the above amounts are recognised the second half of FY2022 and FY2021 respectively.

Please refer to Note 6.1 of Interim FS for breakdown of key items in other income.

### **Distribution expenses**

For 2H 2022, distribution expenses decreased by S\$1.1 million or 43.9% from S\$2.6 million during 2H 2021 to S\$1.5 million.

Distribution expenses decreased by S\$0.9 million or 20.4% to S\$3.4 million during FY2022 from S\$4.3 million during FY2021.

The higher distribution expenses during 2H 2021 and FY2021 was mainly due to higher freight costs.

### **Administrative expenses**

Administrative expenses were S\$2.4 million during 2H 2022 and S\$4.9 million during FY2022 and comparable to amounts in the previous corresponding periods.

The decrease of administrative expenses during FY2022 was mainly due to decrease in legal and professional fees.

### **Other expenses**

Other expenses comprised mainly of depreciation and foreign currency exchange gains/ losses. The higher amount of other expenses was mainly due to high foreign currency exchange losses recorded during 2H 2022 and FY2022.

Please refer to note 6.1 of Interim FS for breakdown of key items in other expenses.

### **Impairment losses**

Impairment losses comprised mainly of reversal of allowance for impairment of slow-moving inventories. This reversal was higher during 2H 2022 and FY2022 due to realisation of a higher quantity of old, slow-moving inventories in preparation for the return of certain rented warehousing space at the Singapore corporate headquarter in March 2023.

### **Finance costs**

Finance costs decreased by S\$0.1 million or 35.0% from S\$0.3 million during 2H 2021 to S\$0.2 million during 2H 2022; and decreased by S\$50,000 or 8.5% from S\$587,000 during FY2021 to S\$537,000 during FY2022.

The lower amount for 2H 2022 and FY2022 is mainly as a result of higher notional interest recognised during FY2021. Notional interest arising from a S\$3 million convertible loan from substantial shareholder, Shing Heng Holding Pte. Ltd. ("SHHPL") amounting to S\$96,000 and S\$33,000 was recognised in 2H 2021 and 1H 2022 respectively.

### **Profit or loss before tax from continuing operations**

As result of the above, profit before income tax for 2H 2022 and 2H 2021 was S\$1.2 million and S\$1.7 million respectively; and for FY2022 and FY2021 was S\$0.6 million and S\$0.7 million respectively.

### **Income tax income**

Income tax income recorded for FY2022 and FY2021 was mainly due to tax refunded to the Company's wholly-owned subsidiaries, Trackspares (Australia) Pty Ltd and Trackex Pty Ltd, arising from tax losses carry back scheme, a measure introduced by the Australian Taxation Office to help Australia companies cope with cash flows during the Covid-19 pandemic.

### **Financial Position Review**

#### **Non-current assets**

Non-current assets increased by S\$0.1 million from S\$9.4 million as at 31 December 2021 to S\$9.5 million as at 31 December 2022. The increase was mainly due to increase in property, plant and equipment ("PPE") by S\$0.1 million from S\$8.8 million as at 31 December 2021 to S\$8.9 million as at 31 December 2022. The increase was mainly due to additions of plant and equipment amounting to S\$0.5 million and recognition of rights-of-use assets (relating to leases of premises) amounting to S\$2.0 million. The above increase were partially offset by depreciation amounting to S\$1.5 million and disposal of PPE with net book value amounting to S\$0.7 million and translation difference of S\$0.2 million.

#### **Current assets**

Current assets decreased by S\$1.4 million from S\$36.7 million as at 31 December 2021 to S\$35.3 million as at 31 December 2022. The decrease was mainly due to decrease in inventories by S\$0.3 million and trade and other receivables by S\$2.7 million. The above decreases were partial offset by increase in cash and cash equivalents by S\$1.6 million.

The decrease in trade receivables is mainly due to higher recovery of trade debts during FY2022. Trade receivables turnover was 86 days as at 31 December 2022 compared to 99 days as at 31 December 2021.

The management reviews the trade receivables ledgers monthly with the respective sales managers with close monitoring and regular follows up with customers on resolution of any disputes and repayment dates. If overdue debts remain unpaid, the Group may stop processing new orders from the customers until the old debts are settled. The management may also take legal actions to recover debts, if necessary.

The decrease in inventories is mainly due to lower amount of raw materials held as at 31 December 2022 compared to 31 December 2021. Work-in-progress ("WIPs") is lower as at 31 December 2022 as the Group's factory in Kunshan City (China) resumes operations gradually and has been completing WIPs and making deliveries since the beginning of FY2022. Inventories turnover was 170 days as at 31 December 2022 compared to 174 days as at 31 December 2021.

#### **Non-current liabilities**

Non-current liabilities decreased by S\$7.1 million from S\$12.7 million as at 31 December 2021 to S\$5.6 million as at 31 December 2022. The decrease was mainly attributable to:

- a) Conversion of a convertible loan from substantial shareholder, SHHPL, in March 2022 amounting to S\$2.5 million;
- b) Offsetting of S\$3.0 million of other borrowings from SHHPL against consideration payable arising from the exercise of options by SHHPL;

- c) Net decrease of secured bank borrowings by S\$1.0 million mainly as a result of redemption of a term loan following the disposal of a freehold property in Johor Bahru (Malaysia) which was pledged as security for the term loan; and
- d) Reduction of outstanding balance of an unsecured loan by S\$1.4 million.

The above decreases were partially offset by an increase in lease liabilities by S\$0.8 million.

### **Current liabilities**

Current liabilities decreased by S\$4.4 million from S\$19.4 million as at 31 December 2021 to S\$15.0 million as at 31 December 2022. The decrease was mainly attributable to:

- a) Decrease in trade and other payables by S\$1.1 million;
- b) Offsetting of S\$1.0 million of other borrowings from SHHPL against consideration payable arising from the exercise of options by SHHPL; and
- c) Decrease in secured bank borrowings (i.e. lower of term loan) of S\$3.3 million.

The above decreases were partially offset by increase of unsecured bank borrowings amounting to S\$0.7 million in view of the increase in monthly repayment amount in relation to an unsecured term loan with effect from June 2023. The management will be negotiating with the relevant bank for a revised/ lower monthly loan repayment. Lease liabilities increased by S\$0.3 million.

Trade payables' turnover was 27 days as at 31 December 2022 and 33 days as at 31 December 2021.

### **Cash Flow Review**

#### **2H 2022**

Net cash from operating activities was S\$2.5 million during 2H 2022. The higher operating cash outflows of S\$3.9 million during 2H 2022 compared to S\$1.4 million during 2H 2021 was mainly due to the lower profit before tax. The positive changes in working capital of S\$6.3 million and income tax refunds of S\$0.1 million resulted in the net cash from operating activities in 2H 2022.

Net cash from investing activities amounting to S\$2.7 million was mainly due to net proceeds from the disposal of a freehold property in Johor Bahru (Malaysia) amounting to S\$2.9 million.

Net cash used in financing activities amounting to S\$4.9 million was mainly due to interest payment of S\$0.2 million, net repayment of bank borrowings of S\$4.2 million (Including redemption of a term loan amounting to S\$1.7 million) and payment of lease liabilities of S\$0.5 million.

As a result of the above, there was a net increase of S\$0.3 million in cash and cash equivalents during 2H 2022. Cash and cash equivalents was S\$4.7 million as at 31 December 2022.

#### **FY2022**

Net cash from operating activities was S\$2.6 million during FY2022. The higher operating cash outflows of S\$5.9 million during FY2022 compared to S\$2.2 million during FY2021 was mainly due to the lower profit before tax. The positive changes in working capital of S\$8.3 million and income tax refunds of S\$0.2 million resulted in the net cash from operating activities in FY2022.

Net cash from investing activities amounting to S\$2.6 million was mainly due to net proceeds from the disposal of a freehold property in Johor Bahru (Malaysia) amounting to S\$2.9 million.

Net cash used in financing activities amounting to S\$3.3 million was mainly due to interest payment of S\$0.5 million, net repayment of bank borrowings of S\$5.1 million (Including redemption of a term loan amounting to S\$1.7 million) and payment of lease liabilities of S\$0.9 million. The above outflows were partially offset by net proceeds of S\$3.2 million received and arising from the exercise of options by SHHPL.

As a result of the above, there was a net increase of S\$1.9 million in cash and cash equivalents during FY2022. Cash and cash equivalents was S\$4.7 million as at 31 December 2022.

**3 Variance from Forecast/ Prospect Statement**

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

**4 Significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group's key markets, USA and Europe, are expected to experience slower economic growth during 2023. Under this backdrop, the Group shall continue to maintain a cautious outlook for the next 12 months and take measures to reduce its risk exposure while at the same time strengthen its revenue streams and pursue cost management measures. It will also explore additional means to shore up liquidity as necessary.

The move of the Group's manufacturing facility at Kunshan (China) to new premise at No. 88 Bachen Town, Zhonghua Road, Kunshan City, People's Republic of China was completed on 31 December 2021. The Group's intention to resume production of undercarriage parts in Kunshan at mid-2022 was hindered by Covid-19 lockdowns imposed in some cities in China, including Kunshan. As at the date of this statement, certain manufacturing processes have resumed and the Group is working towards improving them in order to serve more customers.

**5 Dividend**

**(a) Dividend declared for the current financial period**

No dividend has been declared for 2H 2022 in view of the Group's accumulated losses.

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

No dividend was declared for 2H 2021.

**(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.

**6 Interested Person Transactions ("IPTs")**

During FY2022, there is no IPTs amounting to S\$100,000 and above.

The Company does not have a general mandate from shareholders for IPTs.



## 7 Use of Proceeds from Exercise of Options

On 25 March 2022, SHHPL exercised 4,900,000,000 options of principal amount of S\$7,154,000. After setting off against bridging loans of S\$4 million owed to SHHPL, the net consideration paid by SHHPL to the Company is S\$3,154,000.

The bridging loans of S\$4 million were disbursed in December 2020 and October 2021 and proceeds were used for working capital purposes. Please refer to Pg. 51 of the Company's Annual Report 2021.

The net proceeds of S\$3,154,000 arising from the exercise of options was fully utilised as at the date of this announcement as follows:

Use of proceeds (As set out in the Company's Circular dated 1 June 2021)	Amount allocated S\$'000	Amount used S\$'000	Amount unused S\$'000
General working capital (and any potential investments in plant and equipment for expansion and enhancement of operational capacity)	3,154	(3,154)	-

A breakdown of the use of proceeds for general working capital purposes is as follows:

	<b>S\$'000</b>
Purchases from suppliers and subcontractors	535
Investments in plant and equipment	180
Other operating expenses*	2,439
Total	<u>3,154</u>

\*Comprising mainly of rental expenses, payroll costs and legal and professional fees.

The use of proceeds arising from the exercise of options by SHHPL is in accordance with the intended use as disclosed in the Company's circular dated 1 June 2021.

## 8 Disclosure of Person Occupying a Managerial Position

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
Yeo Puay Hin	54	Mr Yeo, along with Mr Lew Chee Beng (father-in-law) and Mdm Lew Puay Ling (wife), are substantial shareholders of the Company.	Executive Director since 23 June 2021. Appointed as the CEO of the Company in 9 January 2023 and oversees the overall management and operations of the Company.	Mr Yeo was Executive Director (Business Development) and mainly responsible for the Group's business development from 23 June 2021 to 8 January 2023.

**9 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) of the Listing Manual**

The Company has received 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

Yeo Puay Hin  
Executive Director and CEO

28 February 2023