



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 1st Half Year Ended 30 June 2022
 (“1H 2022”)**

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Statement of Comprehensive Income

Group	Note	1H 2022 S\$'000	1H 2021 S\$'000	Increase/ (Decrease) %
Continuing operations				
Revenue	4.2	20,797	21,305	(2.4)
Cost of sales		(18,567)	(18,110)	2.5
Gross profit		2,230	3,195	(30.2)
Other income	6.1	821	369	122.5
Distribution expenses		(1,954)	(1,686)	15.9
Administrative expenses		(2,485)	(2,579)	(3.6)
Other expenses	6.1	1,055	(226)	N.M
Reversal of impairment of trade receivables		84	212	(60.4)
Results from operating activities		(249)	(715)	(65.2)
Finance costs	6.1	(307)	(233)	31.8
Loss before income tax		(556)	(948)	(41.4)
Income tax income	7	142	70	102.9
Loss from continuing operations		(414)	(878)	(52.8)
Discontinued operation				
Profit from discontinued operation (net of tax)	21	-	1,063	N.M
(Loss)/ Profit for the year		(414)	185	N.M
(Loss)/ Profit attributable to:				
Owners of the Company		(414)	185	N.M
(Loss)/ Profit for the year		(414)	185	N.M
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising from foreign operations		(103)	100	N.M
Other comprehensive income, net of income tax		(103)	100	N.M
Total comprehensive income for the year		(517)	285	N.M
Total comprehensive income attributable to:				
Owners of the Company		(517)	285	N.M
Total comprehensive income for the year		(517)	285	N.M

1H 2021 – 1st half year ended 30 June 2021

N.M – Not meaningful

Statement of Financial Position

	Note	Group		Company	
		As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	9,319	8,750	2,994	2,185
Investments in subsidiaries	11	-	-	10,298	10,298
Deferred tax assets		631	657	-	-
Total non-current assets		9,950	9,407	13,292	12,483
Current assets					
Inventories	12	18,229	18,321	-	-
Trade and other receivables	13	13,673	15,371	6,486	6,034
Cash and cash equivalents		4,589	3,044	2,641	557
Total current assets		36,491	36,736	9,127	6,591
Total assets		46,441	46,143	22,419	19,074
EQUITY					
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		(846)	(743)	-	-
Other reserves		-	638	-	638
Accumulated losses		(102,648)	(102,234)	(107,607)	(107,195)
Total equity		23,265	14,041	19,152	9,823
LIABILITIES					
Non-current liabilities					
Loans and borrowings	14	8,081	10,201	600	3,045
Convertible loan	17	-	2,458	-	2,458
Deferred tax liabilities		39	39	20	20
Total non-current liabilities		8,120	12,698	620	5,523
Current liabilities					
Trade and other payables	15	6,287	8,668	1,461	1,800
Loans and borrowings	14	8,181	10,148	598	1,340
Other provision	16	588	588	588	588
Total current liabilities		15,056	19,404	2,647	3,728
Total liabilities		23,176	32,102	3,267	9,251
Total equity and liabilities		46,441	46,143	22,419	19,074

Statement of Cash Flows

GROUP	1H 2022 S\$'000	1H 2021 S\$'000
Cash flows from operating activities		
(Loss)/ Profit before income tax	(556)	115
Adjustments for:		
Depreciation of property, plant and equipment	328	487
Depreciation of right-of-use assets	378	381
Interest costs on other financial liabilities	253	213
Interest costs on lease liabilities	21	20
Amortisation of imputed interest	33	-
Loss/ (Gain) on disposal of property, plant and equipment	26	(18)
Allowance written-back for slow-moving inventories	(2,113)	(801)
Bad debts written off - Trade receivables	223	-
Reversal of impairment of trade receivables	(84)	(212)
Payables written back	(550)	-
Gain on deconsolidation of subsidiaries	-	(1,063)
Operating cash flows before working capital changes	(2,041)	(878)
Changes in working capital:		
Inventories	2,205	(624)
Trade and other receivables	2,091	(1,883)
Trade and other payables	(2,285)	(395)
Cash flows used in operations	(30)	(3,780)
Income taxes received/ (paid)	186	(58)
Net cash from/ (used in) operating activities	156	(3,838)
Cash flows from investing activities		
Purchase of plant and equipment	(115)	(146)
Proceeds from disposal of plant and equipment	34	12
Net cash used in investing activities	(81)	(134)
Cash flows from financing activities		
Interest paid	(274)	(232)
Proceeds from bills payable and trust receipts	6,336	2,595
Repayment of bills payable and trust receipts	(7,771)	(1,389)
Payment of lease liabilities	(437)	(401)
Proceeds from convertible loan	-	3,000
Proceeds from options	3,154	-
Proceeds from bank borrowings	1,272	1,105
Repayment of bank borrowings	(720)	(147)
Net cash from financing activities	1,560	4,531
Net increase in cash and cash equivalents	1,635	559
Cash and cash equivalents, beginning balance	3,044	3,105
Effect of exchange rates fluctuations	(90)	(227)
Cash and cash equivalents, ending balance	4,589	3,437

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
FY2022:							
At 1 January 2022	115,601	(55)	834	(743)	638	(102,234)	14,041
Issuance of share capital	9,645	-	-	-	-	-	9,645
Transfer from other reserves	638	-	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-	-
Total comprehensive income for the period	-	-	-	159	-	(770)	(611)
At 31 March 2022	126,718	(55)	-	(584)	-	(103,004)	23,075
Issuance of share capital	96	-	-	-	-	-	96
Total comprehensive income for the period	-	-	-	(262)	-	356	94
At 30 June 2022	126,814	(55)	-	(846)	-	(102,648)	23,265
FY2021:							
At 1 January 2021	114,461	(55)	-	(93)	-	(104,302)	10,011
Total comprehensive income for the period	-	-	-	(140)	-	(508)	(648)
At 31 March 2021	114,461	(55)	-	(233)	-	(104,810)	9,363
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	-	-	-	240	-	693	933
At 30 June 2021	115,601	(55)	834	7	285	(104,117)	12,555

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
FY2022:						
At 1 January 2022	115,601	(55)	834	638	(107,195)	9,823
Issuance of share capital	9,645	-	-	-	-	9,645
Transfer from other reserves	638	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-
Total comprehensive income for the period	-	-	-	-	(253)	(253)
At 31 March 2022	126,718	(55)	-	-	(107,448)	19,215
Issuance of share capital	96	-	-	-	-	96
Total comprehensive income for the period	-	-	-	-	(159)	(159)
At 30 June 2022	126,814	(55)	-	-	(107,607)	19,152
FY2021:						
At 1 January 2021	114,461	(55)	-	-	(105,928)	8,478
Total comprehensive income for the period	-	-	-	-	(1,146)	(1,146)
At 31 March 2021	114,461	(55)	-	-	(107,074)	7,332
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	-	-	-	-	279	279
At 30 June 2021	115,601	(55)	834	285	(106,795)	9,870

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 6 months ended 30 June 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 from 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", "TMI" 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 Chairman and CEO of the Company who is responsible for allocating resources and assessing performance of the operating segments.

4.1 Reportable segments

	Design and manufacture		Trading and distribution		Total	
	1H 2022 S\$'000	1H 2021 S\$'000	1H 2022 S\$'000	1H 2021 S\$'000	1H 2022 S\$'000	1H 2021 S\$'000
External revenue	17,402	17,002	3,395	4,303	20,797	21,305
Finance costs	(262)	(182)	(45)	(51)	(307)	(233)
Depreciation	(569)	(714)	(137)	(154)	(706)	(868)
Reportable segment loss before income tax	(229)	(751)	(327)	(184)	(556)	(935)
Unallocated income					-	1,063
Unallocated expenses					-	(13)
(Loss)/ Profit before income tax					(556)	115
Other material non-cash items:						
Allowance written back for slow-moving inventories	1,875	805	238	(4)	2,113	801
Reversal of impairment of trade receivables	75	187	9	25	84	212
Payables written back	550	-	-	-	550	-
Bad debts written off - Trade receivables	(223)	-	-	-	(223)	-
Capital expenditure:						
Purchase of property, plant and equipment	(101)	(121)	(14)	(25)	(115)	(146)
Additions to right-of-use assets	(1,082)	(119)	(168)	(19)	(1,249)	(138)

	Design and manufacture		Trading and distribution		Total	
	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000
Reportable segment assets	39,396	39,080	7,045	7,063	46,441	46,143
Reportable segment liabilities	20,585	28,137	2,591	3,965	23,176	32,102

4.2 Sales by geographical segments

	Revenue		Non-current assets (excluding deferred tax assets)	
	1H 2022	1H 2021	As at 30 June 2022	As at 31 December 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Australia	4,314	5,490	394	430
Europe	2,741	3,198	-	-
North America	6,890	5,096	-	-
South East Asia (Including Singapore)	3,858	2,982	3,791	2,967
Other parts of Asia	2,329	3,530	5,134	5,353
Others	665	1,009	-	-
Total	20,797	21,305	9,319	8,750

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

5 Financial assets and financial liabilities

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

	Carrying amount			
	GROUP		COMPANY	
	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000
Financial assets not measured at fair value:				
Trade and other receivables	13,311	15,156	6,475	6,028
Cash and cash equivalents	4,589	3,044	2,641	557
Total	17,900	18,200	9,116	6,585
Financial liabilities not measured at fair value:				
Loans and borrowings	16,262	20,349	1,198	4,385
Trade and other payables	6,287	8,668	1,461	1,800
Total	22,549	29,017	2,659	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	1H 2022 S\$'000	1H 2021 S\$'000	Increase/ (Decrease) %
Finance costs:			
Interest cost on loans and borrowings	(253)	(213)	18.8
Interest cost on lease liabilities	(21)	(20)	5.0
Amortisation of imputed interest	(33)	-	N.M
	(307)	(233)	31.8
Included in 'Other income':			
Rental income	42	43	(2.3)
Payables written back	550	-	N.M
Government grant income	26	142	(81.7)
Gain on disposal of plant and equipment	-	18	N.M
Included in 'Other expenses':			
Depreciation of property, plant and equipment (partially classified in 'Cost of sales')	(328)	(487)	(32.6)
Depreciation of right-of-use assets	(378)	(381)	(0.8)
Bad debts written off - Trade receivables	(223)	-	N.M
Allowance written back for slow-moving inventories	2,113	801	163.8
Foreign currency exchange gain	285	94	203.2
Loss on disposal of plant and equipment	(26)	-	N.M

6.2 Related party transactions

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

GROUP	1H 2022 S\$'000	1H 2021 S\$'000
Affiliated corporations:		
Rental and miscellaneous expenses	-	207
Rental income	(42)	(43)

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	1H 2022 S\$'000	1H 2021 S\$'000
Current tax income/ (expense)	153	(92)
Deferred tax (expense)/ income	(11)	162
Total income tax income	142	70

8 Earnings Per Ordinary Share (“EPS”)

GROUP	1H 2022	1H 2021
(Loss)/ Profit attributable to owners of the Company (S\$'000)		
- Continuing operations	(414)	(878)
- Discontinued operation	-	1,063
- Total	(414)	185
Weighted average number of ordinary shares ('000):		
- Basic	10,132,414	5,648,233
- Conversion of convertibles to equity	-	90,819
- Dilutive share options effect	1,264,384	272,459
- Diluted	11,396,798	6,011,511
EPS (Basic) (cents)		
- Continuing operations	(-)*	(0.02)
- Discontinued operation	-	0.02
- Total	(-)*	- *
EPS (Diluted) (cents)		
- Continuing operations	(-)*	(0.02)
- Discontinued operation	-	0.02
- Total	(-)*	- *

*Less than 0.01 Singapore cent.

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 and convertible bond issued to a bank during a debt conversion exercise.

9 Net asset value

	GROUP		COMPANY	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
NAV attributable to owners of the Company (S\$'000)	23,265	14,041	19,152	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)	0.17	0.22	0.14	0.16

10 Property, plant and equipment

During the 6 months ended 30 June 2022, the Group acquired assets amounting to S\$115,000 (1H 2021: S\$146,000) and disposed of assets of net book value amounting to S\$61,000 (1H 2021: S\$30,000).

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	30 June 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 30 June 2022 S\$'000	As at 31 December 2021 S\$'000
Raw materials	1,950	2,561
Work-in-progress	5,433	5,861
Finished goods, at net realisable value	10,214	9,666
Goods-in-transit	632	233
Total	18,229	18,321

During 1H 2022, an allowance for slow-moving inventories of S\$2,113,000 (1H 2021: S\$801,000) was written back 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 30 June 2022 S\$'000	As at 31 December 2021 S\$'000	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000
Trade receivables due from:				
- third parties	11,370	13,764	-	-
- subsidiaries	-	-	16,028	15,658
	11,370	13,764	16,028	15,658
Less: allowance for impairment losses				
- third parties	(1,378)	(1,473)	-	-
- subsidiaries	-	-	(9,897)	(9,897)
	(1,378)	(1,473)	(9,897)	(9,897)
Net trade receivables	9,992	12,291	6,131	5,761
Other receivables due from subsidiaries	-	-	134	57
Advances to suppliers	1,239	1,032	-	-
Deposits	996	1,004	210	210
Tax recoverable	458	313	-	-
Sundry receivables	626	516	-	-
Sub-total	3,319	2,865	344	267
Prepayments	362	215	11	6
Net other receivables	3,681	3,080	355	273
Total trade and other receivables	13,673	15,371	6,486	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	30 June 2022 S\$'000	31 December 2021 S\$'000
Not past due	7,851	10,056
Past due 0 – 30 days	824	1,965
Past due 31 – 60 days	432	132
Past due 61 – 90 days	232	253
Past due 91 – 150 days	635	35
Past due more than 150 days	1,396	1,323
Total	11,370	13,764
Less: Allowance for impairment loss	(1,378)	(1,473)
Net trade receivables	9,992	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 30 June 2022 amounting to S\$1,396,000 (31 December 2021: S\$1,323,000) were mainly pertaining to sales reported during FY2020 and FY2021. Of the total allowance for impairment of trade receivables amounting to S\$1,378,000 (31 December 2021: S\$1,473,000), specific allowance for impairment of S\$776,000 (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 34% (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 30 Jun 2022 and 31 December 2021 and the Group continues to trade with them.

14 Loans and borrowings

	GROUP		COMPANY	
	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000
Amount repayable within one year:				
Secured bank borrowings	6,646	7,955	-	1,000
Secured other borrowing	-	1,000	-	-
Unsecured bank borrowings	825	720	-	-
Lease liabilities	710	473	598	340
Sub-total	8,181	10,148	598	1,340
Amount repayable after one year:				
Secured bank borrowings	3,534	2,764	-	-
Secured other borrowing	-	3,000	-	3,000
Unsecured bank borrowings	3,785	4,250	-	-
Lease liabilities	762	187	600	45
Sub-total	8,081	10,201	600	3,045
Total	16,262	20,349	1,198	4,385

Bank borrowings are secured by:

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

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 30 June 2022 S\$'000	As at 31 December 2021 S\$'000	As at 30 June 2022 S\$'000	As at 31 December 2021 S\$'000
Trade payables due to:				
- third parties	2,558	3,431	36	36
Accrued expenses	3,660	4,821	1,425	1,764
Non-trade payables due to:				
- affiliated corporation	-	54	-	-
- director	-	349	-	-
Deposits received	69	13	-	-
Total	6,287	8,668	1,461	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	
	30 June 2022 S\$'000	31 December 2021 S\$'000	30 June 2022 S\$'000	31 December 2021 S\$'000
At beginning of the financial period	588	3,588	588	3,588
Reversal during the period	-	(3,000)	-	(3,000)
At end of the financial period	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	30 June 2022 S\$'000	31 December 2021 S\$'000
At beginning of the financial period	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 period	-	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 (2nd) 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 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 30 June 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:

- a) To certain banks pursuant to a scheme to convert S\$1,025,000 of borrowings into equity; and
- b) 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:

- a) 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
- b) 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
- c) 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.

As at 31 December 2021, 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 2,531,114,520 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 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 the Executive Chairman and CEO from 1 January 2021 to 31 December 2021 amounting to S\$96,000.

470,000 treasury shares were held as at 30 June 2022 and 31 December 2021. There is no sale, transfer, cancellation and/ or use of treasury shares during 1H 2022 and FY2021.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 31 December 2021 and there is no sale, transfer, cancellation and/ or use of subsidiary holdings during 1H 2022 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 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. A case management has been fixed on 18 October 2022 for the parties to update the High Court on their progress of trial preparation.

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 engaged solicitors to enter its appearance in the suit and to defend against the same. The Company filed its defence against the said suit on 4 November 2019 and filed an application to strike out the said suit. On 8 December 2020, the High Court dismissed the striking out application with costs of RM3,000, payable each by the Company and 3 other defendants to Tan Sri Halim (RM12,000 in total).

On 16 December 2020, the Company filed an appeal to the Court of Appeal against the dismissal of the striking out application. On 20 October 2021, the Court of Appeal decided that the matter is better dealt with at trial and did not wish to disturb the High Court's exercise of discretion in dismissing the striking out application. The Company's appeal is therefore dismissed with costs of RM20,000.

On 29 October 2021, Tan Sri Halim filed an application to amend his statement of claim (the "Amendment Application"). On 17 November 2021, the High Court dismissed Tan Sri Halim's Amendment Application. Later on the same day, Tan Sri Halim filed an appeal against the said dismissal at the Court of Appeal (the "Amendment Appeal"). The Amendment Appeal was allowed during a hearing on 29 April 2022 and the hearing of the Amendment Application took place on 24 June 2022. 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 a case management to update the Court on the status of the amended claim and defences on 9 August 2022, Tan Sri Halim was directed to file his reply to the defendant's amended defences and the parties are to file any new documents by 19 September 2022.

The trial of the civil suit is presently scheduled to take place on 16 January 2023 to 18 January 2023. The next case management is scheduled on 26 September 2022 and new trial dates is expected to be fixed.

21 Discontinued operation

	GROUP	
	1H 2022 S\$'000	1H 2021 S\$'000
Results of discontinued operation		
External revenue	-	-
External expenses	-	-
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

During 1H 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 1H 2022 and 1H 2021.

22 Event after the end of the financial period

The Company's wholly-owned subsidiary, Ho Leong Tractors Sdn Bhd ("HLT"), granted an option to Seng Li Marketing Sdn Bhd (the "Buyer"), an automobile parts and accessories dealer incorporated in Malaysia, to purchase HLT's freehold property located at No. 16 Jalan Firma 2/1, Kawasan Perindustrian Tebrau 1, 81100 Johor Bahru, Malaysia for an aggregate consideration of RM10.8 million (equivalent to S\$3.4 million). The Buyer exercised the option on 13 July 2022. The sale and purchase agreement (the "SPA") in relation to this transaction was signed between HLT and the Buyer on 12 August 2022. Following the exercise of the option and the signing of the SPA, RM756,000 has been paid by the Buyer to HLT's solicitors as stakeholders and RM324,000, to be used to pay real property gains tax to the Director of Inland Revenue Malaysia, has been paid to the Buyer's solicitors. The completion of this transaction is expected to take place within 3 months from 12 August 2022 subject to the fulfilment of conditions in the SPA.

Please refer to the Company's SGXNet announcements dated 13 July 2022 and 12 August 2022.

Other Information:

1 Audit Statement

The consolidated statement of financial position of the Company and its subsidiaries as at 30 June 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 1st half 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

Revenue for the Group decreased by S\$0.5 million or 2.4% to S\$20.8 million during 1H 2022 from S\$21.3 million during 1H 2021.

Revenue derived from sales of the Group's products in certain markets (e.g. USA) improved during the current financial period mainly due to increase in selling prices to cover increase in raw material costs. The positive impact of the above was offset by the lower sales in Australia and Japan during 1H 2022 compared to 1H 2021. High turnover of sales staff in the Group's Queensland branch in mid-2021 resulted in decreased sales in the Australia market. The sales staff turnover situation has since improved with the hiring of suitable sales staff to replace those who had left. Lower business volume in Japan is mainly due to decrease in orders on the backdrop of high raw material prices.

Cost of sales

For 6 months ended, cost of sales increased by S\$0.5 million or 2.5% to S\$18.6 million during 1H 2022 from S\$18.1 million during 1H 2021.

Gross profit ("GP") was S\$2.2 million (GP margin: 10.7%) in 1H 2022 and S\$3.2 million (GP margin: 15.0%) in 1H 2021.

The increase in cost of sales and resultant reduction in GP and GP margin is mainly due to higher proportion of sales of slow-moving inventories in 1H 2022 compared to 1H 2021. Although GP margins for sales of slow-moving inventories are much lower, the realisation of such inventories resulted in a high write-back of allowance for impairment of slow-moving inventories of S\$2.1 million in 1H 2022 (1H 2021: S\$0.8 million) recognised in other expenses.

Other income

Other income increased by S\$0.4 million to S\$0.8 million during 1H 2022 from S\$0.4 million during 1H 2021.

The above increase was mainly due to payables written back of S\$0.6 million, partially offset by a decrease in government grant income (relating to Covid-19 relief measures by governments) by S\$0.1 million during 1H 2022 compared to 1H 2021. Please refer to note 6.1 of Interim FS for breakdown of key items in other income

Distribution expenses

Distribution expenses increased by S\$0.3 million or 15.8% to S\$2.0 million during 1H 2022 from S\$1.7 million during 1H 2021.

The above increase was mainly due to increase in freight costs.

Administrative expenses

Administrative expenses decreased by S\$0.1 million or 3.6% to S\$2.5 million during 1H 2022 from S\$2.6 million during 1H 2021.

The above decrease was mainly due to a decrease in legal and professional fees, partially offset by salary increment.

Other expenses

A credit (i.e. income) of S\$1.1 million was recognised under other expenses during 1H 2022 compared to a debit amount (i.e. expense) of S\$0.2 million recognised during 1H 2021. This was mainly due to increase in allowance written back for slow-moving inventories by S\$1.3 million due to higher volume of slow-moving inventories realised and a higher foreign currency exchange gain recognised during 1H 2022 compared to 1H 2021. Please refer to note 6.1 of Interim FS for breakdown of key items in other expenses.

Impairment loss on trade receivables

During 1H 2022, there were recovery of trade receivables which were impaired in prior years amounting to S\$0.1 million (1H 2021: S\$0.2 million).

Finance costs

Finance costs increased by S\$0.1 million or 31.8% to S\$0.3 million during 1H 2022 from S\$0.2 million during 1H 2021. The increase was attributable to the recognition of notional interest of S\$33,000 arising from a S\$3 million convertible loan that was drawn down in June 2021 and higher drawdown of trade loan facilities.

Loss before tax from continuing operations

As result of the above, loss before income tax for 1H 2022 and 1H 2021 was S\$0.6 million and S\$0.9 million respectively.

Income tax income

Income tax income recorded for 1H 2022 and 1H 2021 was mainly due to tax refundable to the Company's wholly-owned subsidiaries, Trackspares (Australia) Pty Ltd and Trackex Pty Ltd, arising from tax losses carry back scheme introduced by the Australian Taxation Office.

Financial Position Review

Non-current assets

Non-current assets increased by S\$0.5 million from S\$9.4 million as at 31 December 2021 to S\$9.9 million as at 30 June 2022. The increase was mainly due to increase in property, plant and equipment ("PPE") by S\$0.5 million from S\$8.8 million as at 31 December 2021 to S\$9.3 million as at 30 June 2022. The increase in PPE was mainly attributable to additions during 1H 2022 amounting to S\$0.1 million and recognition of rights-of-use assets (relating to leases of premises) mounting to S\$1.2 million. The increase in PPE as a result of the above was partially offset by disposal of PPE with net book value amounting to S\$0.1 million and depreciation amounting to S\$0.7 million.

Current assets

Current assets decreased by S\$0.2 million from S\$36.7 million as at 31 December 2021 to S\$36.5 million as at 30 June 2022. The decrease was mainly due to decrease in inventories by S\$0.1 million and trade and other receivables by S\$1.7 million, partially 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 1H 2022. Trade receivables turnover was 86 days as at 30 June 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 decrease in cost of raw materials (e.g. steel) towards the end of 1H 2022 and completion and delivery of work-in-progress as the Group's factory in Kunshan City (China) resumes operations gradually. Inventories turnover was 177 days as at 30 June 2022 compared to 174 days as at 31 December 2021.

Non-current liabilities

Non-current liabilities decreased by S\$4.6 million from S\$12.7 million as at 31 December 2021 to S\$8.1 million as at 30 June 2022. The decrease was mainly attributable to the conversion of a convertible loan in March 2022 amounting to S\$2.5 million and offsetting of S\$3.0 million of other borrowings from substantial shareholder, Shing Heng Holding Pte Ltd ("SHHPL"), against consideration payable arising from the exercise of options by SHHPL. The above decrease in other borrowings was partially offset by an increase in non-current secured bank borrowings of S\$0.8 million.

Current liabilities

Current liabilities decreased by S\$4.3 million from S\$19.4 million as at 31 December 2021 to S\$15.1 million as at 30 June 2022. The decrease was mainly attributable to the offsetting of S\$1.0 million of other borrowings from SHHPL against consideration payable arising from the exercise of options by SHHPL, decrease in current secured bank borrowings of S\$1.3 million and decrease in trade and other payables of S\$2.4 million.

Trade payables' turnover was 25 days as at 30 June 2022 and 33 days as at 31 December 2021.

Cash Flow Review

Net cash from operating activities was S\$0.1 million during 1H 2022. The higher operating cash outflows of S\$2.0 million during 1H 2022 compared to S\$0.9 million during 1H 2021 was mainly due to the lower gross profits derived from sales of goods and higher amount of distribution expenses incurred.

Net cash used in investing activities amounting to S\$0.1 million mainly due to purchase of plant and equipment.

Net cash from financing activities amounting to S\$1.6 million was mainly due to net proceeds of S\$3.2 million received arising from the exercise of options by SHHPL. The above inflows was partially offset by interest payment of S\$0.3 million, net repayment of bank borrowings of S\$0.9 million and payment of lease liabilities of S\$0.4 million.

As a result of the above, there was a net increase of S\$1.6 million in cash and cash equivalents during 1H 2022. Cash and cash equivalents was S\$4.6 million as at 30 June 2022.

3 Forecast or 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

With growing uncertainty of the economic outlook in USA and Europe due to inflation fears and geopolitical tensions rising, the Group continues to maintain a cautious outlook for the next 12 months. In the face of the ongoing uncertainties, the Group shall continue to 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 target 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 while other processes, for example forging and spray painting, are outsourced. The Group will continue to monitor the situation and find ways to reduce disruptions to our customers.

5 Dividend

(a) Dividend declared for the current financial period

No dividend has been declared for 1H 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 1H 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 1H 2022, 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 utilisation of net proceeds of S\$3,154,000 arising from the exercise of options as at the date of this announcement is 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	(1,065)	2,123

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

	S\$'000
Purchases from suppliers and subcontractors	-
Other operating expenses*	1,065
Total	<u>1,065</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 Negative confirmation pursuant to Rule 705(5) of the Listing Manual

The Board confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the Interim FS for 1H 2022 to be false or misleading in any material aspect.

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 and CEO

Yeo Puay Hin
Executive Director (Business Development)

12 August 2022