

PROPOSED CHANGE OF AUDITORS

Introduction

The Board of Directors (the “**Board**”) of Hoe Leong Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing to change its auditors (“**Auditors**”) from KPMG LLP (“**KPMG**”) to PKF-CAP LLP (“**PKF-CAP**”) (the “**Proposed Change of Auditors**”) for the current financial year ending 31 December 2021.

KPMG has served as Auditors of the Group since 22 December 1994 and was re-appointed as Auditors at the last annual general meeting of the Company (“**AGM**”) held on 29 April 2021, to hold office until the conclusion of the next AGM. KPMG was also the auditors and reporting accountants in relation to the Company’s initial public offering in 2005.

As part of good corporate governance initiatives and the Group’s ongoing efforts to manage its overall business costs and expenses amidst the challenging business climate and given the Group’s current level of activities and business, particularly following the exit from the vessel chartering business segment in October 2020, the Board is of the view that it would be an opportune time to review the appointment of the Auditors and benchmark its audit fees and realise cost efficiencies. A change of Auditors would also enable the Company to benefit from fresh perspectives and views of another professional audit firm, thus enhancing the value of the audit of the Group.

The Proposed Change of Auditors

In the light of the foregoing reasons, the Company’s management had sought proposals from several reputable audit firms in Singapore. Following deliberations and evaluations of the various proposals received, the Board, in consultation with the Audit Committee of the Company (the “**AC**”), had selected PKF-CAP for the proposed appointment.

The AC, in its evaluation process, had reviewed and deliberated on the various proposals received from each of the audit firms and had taken into consideration the requirements set out under Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Mainboard Rules**”), the Audit Quality Indicators Disclosure Framework issued by Accounting and Corporate Regulatory Authority of Singapore (“**ACRA**”), and various factors such as the adequacy of resources and experience of the audit firms and the audit engagement partner to be assigned to the audit, other audit engagements of the audit firms, the Group’s audit requirements (taking into consideration the size and complexity of the Group’s business and operations), and the number and experience of supervisory and professional staff to be assigned to the audit. After evaluation, the AC had recommended to the Board that PKF-CAP be appointed as Auditors in place of KPMG on the basis that it best suits the current business and operational needs of the Group.

The Board has taken into account the AC’s recommendation, including the factors considered in their evaluation, and is satisfied that PKF-CAP, approved under the Accountants Act, and Mr Lee Eng Kian, the audit engagement partner and a public accountant under the Accountants Act, are well suited to meet the existing needs and audit requirements of the Group, and that the quality and scope of the audit is expected to be maintained. In addition, the Board, in consultation with the AC, has determined that the proposed audit fees of PKF-CAP are reasonable and competitive. The Proposed Change of Auditors is expected to result in cost savings of approximately 35% based on the audit fees for the previous financial year ended 31 December 2020. The Board has therefore accepted the AC’s recommendation to appoint PKF-CAP as Auditors in place of KPMG, subject to the approval of the shareholders of the Company (“**Shareholders**”) at an extraordinary general meeting to be convened for the Proposed Change of Auditors (“**EGM**”). The Company does not expect the reduction in cost to

affect the quality of the audit to be undertaken and confirms that there will be no significant change to the scope of audit.

In connection with the Proposed Change of Auditors:

- a) KPMG had, on 27 September 2021, applied to ACRA to seek its consent to resign as auditors of the Company and its Singapore-incorporated subsidiaries. KPMG's written statement stating its reasons for its resignation as Auditors has been extracted and reproduced in the appendix to this announcement;
- b) PKF-CAP had, on 30 September 2021, given their written consent to act as auditors of the Company and its Singapore-incorporated subsidiaries, subject to the approval of Shareholders at the EGM;
- c) ACRA had, on 6 October 2021, consented to the resignation of KPMG and fixed KPMG's resignation date on 6 October 2021; and
- d) KPMG had, on 6 October 2021, provided its notice of resignation as Auditors.

Pursuant to Section 205AB(5) of the Companies Act, Cap. 50 of Singapore (the "**Companies Act**"), the resignation of KPMG took effect on 6 October 2021.

The Board would like to take this opportunity to express their appreciation for the past services rendered by KPMG.

Pursuant to Rule 712(3) of the Mainboard Rules and Section 205AF of the Companies Act, the appointment of PKF-CAP as Auditors must be specifically approved by Shareholders in a general meeting. The appointment of PKF-CAP as the Auditors will therefore take effect upon the approval of the same by Shareholders at the EGM, and if appointed, PKF-CAP will hold office until the conclusion of the next AGM.

In accordance with the requirements of Rule 1203(5) of the Mainboard Rules:

- a) the Company has received a copy of KPMG's professional clearance letter dated 29 September 2021 to PKF-CAP, confirming that KPMG is not aware of any professional reasons why PKF-CAP should not accept appointment as the Company's auditors;
- b) the Company confirms that there were no disagreements with KPMG on accounting treatments within the last twelve (12) months up to the date of this announcement;
- c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this announcement;
- d) the Company confirms that the specific reasons for the Proposed Change of Auditors are as disclosed above; and
- e) the Company confirms that it is or will be in compliance with Rules 712 and 715 of the Mainboard Rules in relation to the proposed appointment of PKF-CAP as the Company's auditors.

Extraordinary General Meeting

The Company will make the necessary arrangements to convene the EGM to seek Shareholders' approval for the Proposed Change of Auditors. A circular to Shareholders containing, among others, further details on the Proposed Change of Auditors, together with the notice of EGM, will be issued to Shareholders in due course.

By Order of the Board

Liew Yoke Pheng Joseph
Executive Chairman and CEO
8 October 2021

Written Statement

Extract of the Statement by KPMG LLP:

The reasons for the resignation are set out below:

As part of good corporate governance initiatives and the Company's ongoing efforts to manage its overall business costs and expenses amidst the current challenging economic conditions, the Board had reviewed proposals from various firms, and has determined that the fee proposal from PKF-CAP LLP is the most competitive. As such, the Company is appointing PKF-CAP LLP in place of KPMG with effect from the current financial year ending 31 December 2021.

The reasons why the change was not considered prior to the reappointment of the auditor at the last Annual General Meeting are set out below:

At the last AGM, there was insufficient time for management to get the fee quotation from various firms and assess their suitability to make the decision.

Any disputes with management of company(ies) are set out below:

There are no disputes with management.

Any matters which may have the effect of undermining the independence or integrity of the audit process are set out below:

None noted.