Hoe Leong Corporation Ltd.

2023 ANNUAL REPORT

ADVANCING WITH CONFIDENCE

CONTENTS

CORPORATE PROFILE

Hoe Leong Corporation Ltd. (the "Company", and its subsidiaries, the "Group") specializes in supplying undercarriage products, equipment parts, and services for heavy equipment and industrial machinery. We offer a wide range of equipment parts for bulldozers, excavators, wheel loaders, and crushers, including track chains and groups, rollers, shoes, sprockets, grouser parts, and idlers.

Our manufacturing facilities in China (since 2004) and South Korea (since 2012) produce equipment parts under our trademark KBJ and for OEM customers. We also distribute undercarriage components under our in-house brands MIZU, Rossi and OEM.

We market our products to end-users in the construction, forestry, agriculture, and mining industries, with a primary focus on the Australian and the United States of America markets. Additionally, we distribute through international distributors in Asia, Canada, Mexico, Europe, and the Middle East. With our extensive sales and procurement network and wholly-owned overseas manufacturing capabilities, we maintain cost and quality control while promptly responding to customer needs.

CHIEF EXECUTIVE OFFICER'S STATEMENT

"We will continue to explore more markets to diversify our revenue streams to build a more resilient and sustainable future for all our stakeholders."

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Hoe Leong Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present to you our annual report for the financial year ended 31 December 2023 ("**FY2023**").

FINANCIAL PERFORMANCE

The Group registered revenue of S$40.0 million for FY2023 compared to S$41.8 million during the financial year ended 31 December 2022 ("**FY2022**"). Sales of the Group's undercarriage products to customers in North America and Europe was still impacted by slowing of economic activities and the ongoing war, with revenue decreasing by 35.3% from S$18.4 million during FY2022 to S$11.9 million during FY2023. Revenue generated from the Australian market continued to increase during FY2023.

During FY2023, the Group continued to clear old and slowing-moving inventories which were highly impaired. Although the clearance of old inventories resulted in lower overall gross margin, the Group recognised a gain of S$3.0 million (FY2022: S$5.6 million) in the statement of profit or loss through the reversal of allowance for inventories.

Despite having no big one-time gain for FY2023 as compared to FY2022's disposal gain of a freehold property, the Group is showing a profit before income tax of S$0.5 million for FY2023 as compared to S$0.6 million for FY2022.

EQUIPMENT PARTS BUSINESS

As we bid farewell to the year 2023, we take some time to reflect on our business performance as well as our business development that have come about in the past year.

CHIEF EXECUTIVE OFFICER'S STATEMENT

In 2023, the global economy and financial markets were affected by several events, including the post-COVID-19 recovery, geopolitical tensions, inflation concerns, and central bank policies. The business environment has become more complex and difficult to operate in. Business growth slowed down due to a series of events, with current interest rates higher than in 2022, unfavourable exchange rates and some level of supply chain disruptions also contributed to the challenges faced.

Australia continues to be our largest market, accounting for over 20% of our revenue where we experienced robust business growth in the mining sector. The European market continues to be negatively impacted by the ongoing Ukraine war, and the recovery was slow. To offset declining revenue within Europe, we diversified into newer areas within Europe and this positive revenue momentum carries into quarter one, 2024.

When it comes to our business development, our track frame rebuild programs in Australia have been the highlight of our performance in 2023. Our undercarriage solutions are primarily used for heavy mining equipment in the gold, iron ore, and other mineral sectors by global mining companies. Australia, with its challenging terrain, demands the highest quality as well. In 2023, we achieved a new milestone by rebuilding a higher volume of track frames for Caterpillar D10 & D11 machines. As we move into 2024, track frame rebuild remains a significant and critical line of business for our growth. We are expanding our rebuild capacity in Australia by adding a new track frame assembly area and redesigning the rebuild workflow into specific tasks. This is aimed at ensuring quality builds, increasing frame production, and achieving quicker turnaround times for our end-user clients.

In delving into our core business strategy for 2024, the business development team will continue to explore and expand the adoption of our use case within selected named accounts to drive the uptake of our undercarriage solutions within the client organisation. The strategy aims to retain our customers, maintaining recurring revenue, and increase the average spend per customer for our Group's products and services.

Our Singapore operations serve as the global sales office for our manufacturing operations in Asia. In this capacity, we aim to expand and develop a bigger customer base that each provide us with S$500,000 or more of annual revenue value within the next 18 months. This will provide us with a recurring and more predictable revenue stream, giving the Group greater confidence in our future revenue. Achieving predictable and repeatable revenue will be our primary objective.

At the same time, the Group will also transition away from the stockist model. We will progressively work towards clearing our older inventory, leading to cost savings and strengthening our operating cash flow in the process.

WORDS OF APPRECIATION

As the Company enters the new financial year, I wish to express my heartfelt appreciation to my fellow directors for their advice and guidance and to the management and staff for their dedication to their work in the Group during this past year. I would also like to express our gratitude to our customers, suppliers and shareholders for their continued support and confidence in us. We will continue to explore more markets to diversify our revenue streams to build a more resilient and sustainable future for our stakeholders.

Yeo Puay Hin
Executive Director and Chief Executive Officer

BOARD OF DIRECTORS

Mr Yeo Puay Hin*
Age 56
Executive Director and Chief Executive Officer

Date of first appointment:
23 June 2021
Date of last re-election:
Not applicable

Mr Yeo was appointed as Executive Director on 23 June 2021 and later became Chief Executive Officer on 9 January 2023.

With over 20 years of experience in innovative industries, he has led business programme offices and executed technology and financial payment projects. He held senior positions in multinational technology and payment technology firms, including being a Senior Director at Visa Inc. from 2012 to 2020.

Mr Yeo graduated from Nanyang Technological University in 1993 with a Bachelor of Engineering (Electrical) Degree. He holds certifications as a Project Management Professional, ScrumMaster, and ITIL Expert, and is a member of the Singapore Institute of Directors.

Directorships in other listed companies and other principal commitments	
Present	**Past (Preceding 5 years)**
Executive Director, Lew Foundation Member, Central Governance Committee of Methodist Welfare Services Director, Shing Heng Holdings Pte Ltd	Senior Director, Programme Management Office (Asia Pacific/Central Europe/Middle East/Africa), Visa Inc.

Mr Lee Chin Chai*
Age 51
Independent Director

Date of first appointment:
1 November 2019
Date of last re-election:
29 April 2022

Mr Lee is a seasoned business and strategic management leader who has more than 25 years in sustaining growth and business development capabilities, as well as versatility in transforming organisations and accelerating strategic growth across commercial enterprises, aspiring start-ups, and not-for-profit organisations spanning diverse industries and regional markets. Notably, he led diverse teams of international talent and accelerated the business transformation and revenue growth at Microsoft, Hewlett Packard, and Cisco Systems with stellar results, and P&L management oversight across 13 countries in the APAC region, with credentials in Strategy and Transformation, Corporate Governance, Audit and Risk Management, Investment and Treasury, Fund-raising, Organisation Development, Operations Management and Human Resources competencies.

Mr Lee is a member with Singapore Institute of Directors, and holds a Bachelor of Science degree from National University of Singapore and has completed an Executive Masters of Science from Baruch College, City University of New York.

Directorships in other listed companies and other principal commitments	
Present	**Past (Preceding 5 years)**
Managing Director, Center for Serving Leadership Asia Pte Ltd President and Chairman (Fund Raising Committee), New Hope Community Service Board Director and Chairman (Audit Committee), St Francis Methodist School Ltd Honorary Treasurer & Exco Member, National Council of Churches of Singapore	Audit Committee, Trinity Theological College Executive Director, iConnecx Pte Ltd Chief Executive Officer, AWWA

* Director seeking re-election at the Forthcoming Annual General Meeting of the Company. Please refer to section titled 'Disclosure of Information on Directors Seeking Re-election'.

Mr Wee Sung Leng

Age 59

Independent Director

Date of first appointment:
29 April 2021

Date of last re-election:
28 April 2023

Mr Wee's experience across diverse roles in corporate and investment banking ranges from credit and marketing, corporate lending and investment banking in leading organisations including Keppel Bank, OCBC Bank, HL Bank and Kim Eng Corporate Finance where he was actively involved in corporate transactions such as IPOs, RTOs, delistings and takeover offers. His subsequent appointments included Singapore director representative of an Asian financial institution, GM/Head of Corporate Affairs and HR at an Indonesian-based resources company and CFO at Catalist-listed MoneyMax Financial Services. He currently advises on corporate positioning and strategies, restructuring and corporate reporting.

Mr Wee graduated with a Bachelor of Accountancy Degree from the National University of Singapore in 1991.

Directorships in other listed companies and other principal commitments	
Present	**Past (Preceding 5 years)**
Combine Will International Holdings Limited Fortune Green Global Corp Commissioner, PT Combine Will Indonesia Industrial Manager, M.Y. International Representative Office	Chief Financial Officer, MoneyMax Financial Services Ltd. SMI Vantage Limited

Mr Kuan Cheng Tuck*

Age 52

Independent Director

Date of first appointment:
2 October 2023

Date of last re-election:
Not applicable

Mr Kuan has more than 20 years of experience in the fields of accounting, auditing as well as business and financial advisory. He had worked with various international accounting firms in Singapore and Malaysia for more than ten years prior to running and managing his own business and financial consulting firms. Mr. Kuan has also served as independent director of various companies listed on the SGX-ST.

Mr Kuan holds a Bachelor of Accountancy Degree from the Nanyang Technological University of Singapore, a Bachelor of Laws (Honours) Degree from the University of London and a Master of Laws (Corporate and Financial Services Law) Degree from the National University of Singapore. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, a member of the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors, and was also admitted to the Singapore Bar.

Directorships in other listed companies and other principal commitments	
Present	**Past (Preceding 5 years)**
CNMC Goldmine Holdings Limited Kori Holdings Limited Karin Technology Holdings Limited Taka Jewellery Holdings Limited Director, KCT Consulting Pte. Ltd.	Green Build Technology Limited

KEY EXECUTIVES

Mr Chin Yon Fei*
Director of Sales and Marketing
Hoe Leong Corporation Ltd.

Mr Chin joined the Group in November 2020 and oversees the Group's sales and marketing functions. He has more than 25 years of financial control, business strategy and operation management experience and was heavily involved in the formulation of strategic business planning directions for International Sales & Marketing Division and major corporate decision-making for his previous employers, which include Giti Tire Group and Sateri International Group. Mr Chin graduated with a Bachelor of Accounting Degree from the University of Malaya and is a member of the Malaysia Institute of Certified Public Accountants and Association of Chartered Certified Accountants and an associate member of the Singapore Institute of Directors.

Ms Low Chuan Jee*
Group Financial Controller
Hoe Leong Corporation Ltd

Ms. Low is responsible for the finance, compliance and reporting functions of the Group. Her post-graduation experience in various capacities includes audit, financial accounting and she has worked in various public-listed companies. She holds a Bachelor of Accountancy Degree from Nanyang Technological University and is a Chartered Accountant of the Institute of Singapore Chartered Accountants.

Mr Cho Hang Lae
President
Korea Crawler Track Ltd ("KCT")

Mr Cho joined the Group in 2010 to spearhead the establishment of KCT. Since his appointment, he has been instrumental in improving the operational effectiveness and efficiency of the manufacturing facility and expanding its customer base. Before joining KCT, he had worked in the undercarriage industry for more than 13 years, overseeing the management of sales, production and operations. Mr Cho holds a Bachelor Degree in International Trade from the University of Kyungnam, South Korea.

Mr Zhu Pengfei
General Manager
Jiangsu Trackspares Manufacturing Co., Ltd ("JTM")

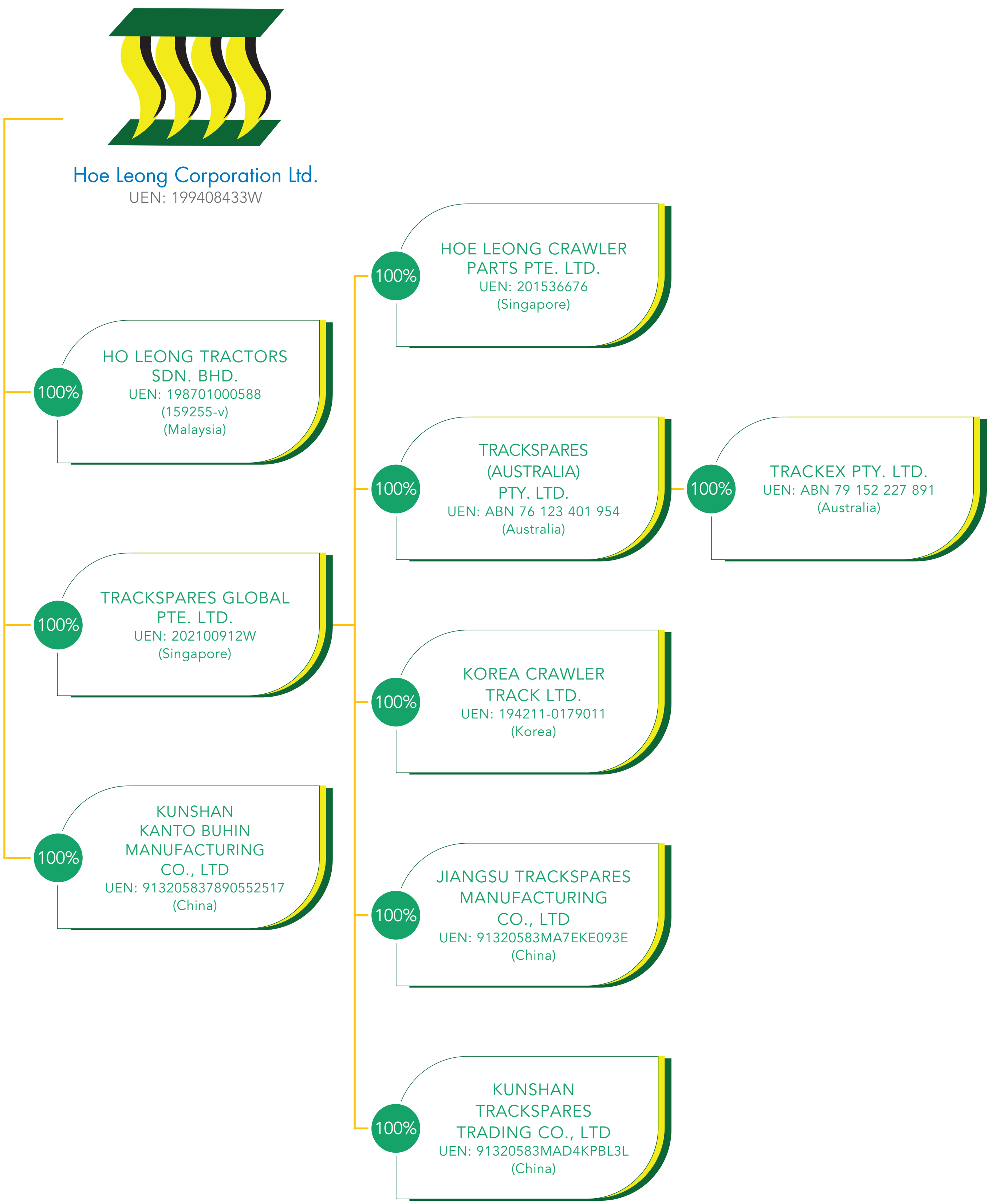
Mr Zhu joined JTM in January 2022 and is responsible for the Group's manufacturing and distribution operations in Kunshan, China. He previously worked for Fujitsu Limited for 17 years and participated in the formation of Fujitsu's operations in Shanghai, China. During his tenure, he assumed senior roles in various departments, such as production and operations, manufacturing technology and customer services and accumulated broad experience in various manufacturing processes and automation control technology. Mr Zhu holds a Bachelor of Electrical Engineering and Automation Degree from Dalian University of Technology.

Mr Justin Norman Raath
Managing Director
Trackspares (Australia) Pty Ltd ("TSA")

Mr Raath joined Trackex Pty Ltd, a wholly-owned subsidiary of TSA, as Machinist in October 2016 and rose through the ranks to become the General Manager of TSA in September 2021. In January 2023, he was appointed as managing Director of TSA. Prior to this, he worked as the Workshop Manager of Savage Engineering for 6 years and at a mining site at Koolyanobbing for BGC Contracting for 2 years. Mr Raath has 19 years of experience in manufacturing and maintaining mobile/fixed/robotic plant equipment. He holds a GCE 'A' Levels certificate and obtained several trade certificates related to his expertise.

* Executive officers/Key management personnel

GROUP STRUCTURE



Note: There is no merger, acquisition and disposal of entity during FY2023.

FINANCIAL REVIEW

REVENUE

Revenue of the Group decreased by S$1.8 million or 4.3% to S$40.0 million during FY2023 as compared to S$41.8 million during FY2022. Sales of the Group's products in certain markets decreased during FY2023 in view of slowing economic activities. Revenue generated from the Australia and Middle East markets was higher compared to FY2022 as a result of more engagements with customers from the two regions.

COST OF SALES

Costs of sales decreased by S$5.2 million or 13.5% to S$33.4 million during FY2023 as compared to S$38.6 million during FY2022. Gross profit ("**GP**") was S$6.6 million (GP margin: 16.5%) in FY2023 and S$3.2 million (GP margin: 7.6%) in FY2022. The decrease in cost of sales and resultant increment in GP margin was mainly due to higher proportion of old, slow-moving inventories sold during FY2022 as compared to FY2023. During FY2022, the realisation of a higher quantity of old, slow-moving inventories was in preparation for the return of certain rented warehousing space at the Singapore corporate headquarter in March 2023.

OTHER INCOME

Other income decreased by S$2.4 million to S$425,000 during FY2023 from S$2.9 million during FY2022. This was mainly due to a gain on disposal of a freehold property in Johor Bahru (Malaysia) amounting to S$2.4 million during FY2022 as well as lower rental income and lower gain on sale of scrap metals during FY2023.

DISTRIBUTION EXPENSES

Distribution expenses decreased by S$0.4 million or 11.8% to S$3.0 million during FY2023 from S$3.4 million during FY2022. The lower distribution expenses were mainly due to decreased packing and delivery expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses were S$4.3 million during FY2023 as compared to S$4.9 million during FY2022. The decrease of administrative expenses during FY2023 was mainly due to decrease in legal and professional fees and payroll costs of administrative staff.

OTHER EXPENSES

Other expenses comprised mainly of depreciation and foreign currency exchange gains/losses. Lower other expenses incurred during FY2023 was mainly due to lower foreign currency exchange loss recorded.

NET REVERSAL OF IMPAIRMENT LOSSES

This item was mainly related to the reversal of allowance for inventories of S$3.0 million and this reversal was primarily due to the continuous realisation of old, slow-moving inventories during FY2023.

FINANCE COSTS

Finance costs increased by S$17,000 or 3.2% from S$537,000 during FY2022 to S$554,000 during FY2023. The higher amount for FY2023 was mainly due to higher interest expense pertaining to higher loans and borrowings.

PROFIT OR LOSS BEFORE TAX

As result of the above, profit before income tax for FY2023 and FY2022 was S$0.5 million and S$0.6 million respectively.

NON-CURRENT ASSETS

Non-current assets decreased by S$1.2 million from S$9.5 million as at 31 December 2022 to S$8.3 million as at 31 December 2023. The decrease was mainly due to decrease in property, plant and equipment ("**PPE**") by S$1.0 million from S$8.9 million as at 31 December 2022 to S$7.9 million as at 31 December 2023. This decrease was mainly due to lesser additions of plant and equipment and recognition of rights-of-use assets of S$0.7 million. In addition, a depreciation charge of S$1.3 million and disposal of PPE with net book value amounting to S$18,000 also contributed to the decrease.

CURRENT ASSETS

Current assets increased by S$1.4 million from S$35.3 million as at 31 December 2022 to S$36.7 million as at 31 December 2023. The increase was mainly due to increase in inventories by S$2.3 million and trade and other receivables by S$0.4 million. Such increases were partially offset by a decrease of S$1.2 million in cash and cash equivalents.

The slight increase in trade receivables was mainly due to slower recovery of trade debts during FY2023. Average trade receivables turnover was 93 days as at 31 December 2023 as compared to 97 days as at 31 December 2022.

The increase in inventories was mainly due to higher amount of finished goods as at 31 December 2023 as compared to 31 December 2022. Average inventories turnover was 209 days as at 31 December 2023 as compared to 171 days as at 31 December 2022.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by S$1.4 million from S$5.6 million as at 31 December 2022 to S$4.2 million as at 31 December 2023. The decrease was mainly attributable to a reduction of S$0.9 million in outstanding balance of loans and borrowings and a reduction of S$0.4 million in lease liabilities.

CURRENT LIABILITIES

Current liabilities increased by S$0.4 million from S$15.0 million as at 31 December 2022 to S$15.4 million as at 31 December 2023. The increase was mainly attributable to the increase of short-term loans and borrowings amounting to S$1.6 million. Such increase was partially offset by a decrease of S$1.2 million in trade, provision and other payables and a decrease of S$0.2 million in lease liabilities. Average trade payables' turnover was 32 days as at 31 December 2023 and 27 days as at 31 December 2022.

CASH FLOW

Net cash used in operating activities was S$1.5 million during FY2023. This was mainly due to operating cash outflows of S$0.8 million as well as the net change in working capital of S$0.9 million but was partially offset by an income tax refund of S$0.2 million.

Net cash used in investing activities amounting to S$0.5 million was mainly due to the purchase of plant and equipment.

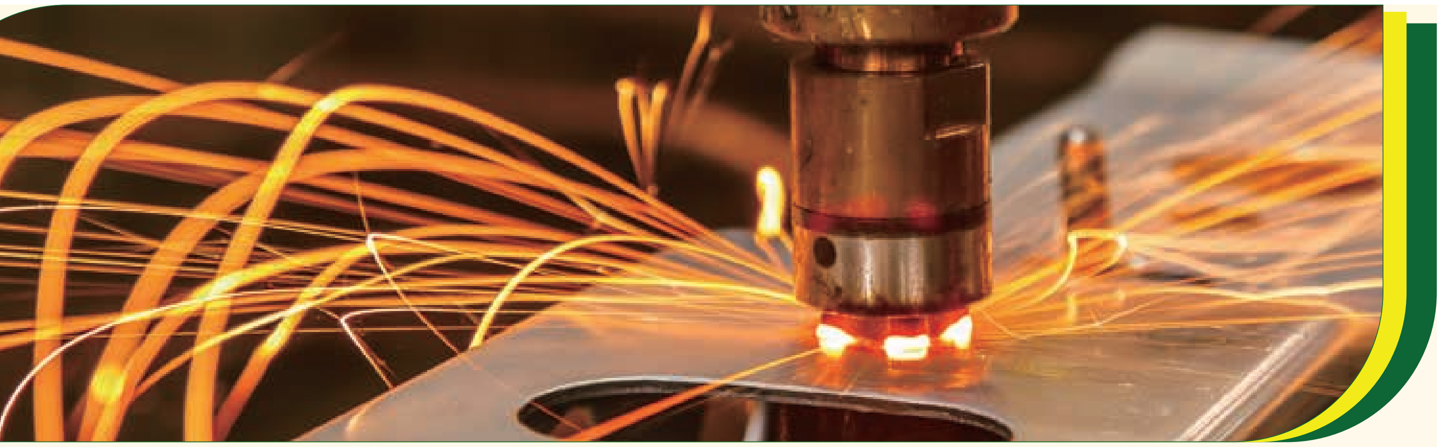
Net cash generated from financing activities amounting to S$1.8 million was mainly due to net proceeds of S$1.8 million arising from the exercise of options by a substantial shareholder and net increase in bank borrowings and trust receipts of S$1.4 million. The above inflows were partially offset by interest payment of S$0.6 million and payment of lease liabilities of S$0.8 million.

As a result of the above, there was a net decrease of S$0.2 million in cash and cash equivalents during FY2023. Cash and cash equivalents were S$3.4 million as at 31 December 2023.

PROPERTIES HELD BY THE GROUP

Address	**55 Greenwich Parade, Neerabup, Western Australia 6031**	**707 Jisu-ro, Jisu-Myeon, Jinju City, Gyeongnam, South Korea**
Description	Single storey office building with warehouse and workshop attached	Two factory buildings; a 2-storey office building; a 2-storey building for ancillary purposes
Purpose to the Group	Western Australia branch office of Trackspares (Australia) Pty Ltd	Manufacturing facility of Korea Crawler Track Ltd
Tenure of land	Freehold	Freehold
Estimated area		
– Land ('000 sf)	41	135
– Floor ('000 sf)	19	57
Purchase price of land (S$'000)	1,136	1,725
Development and directly attributable costs (S$'000)	2,013	3,342
Carrying amount as at 31 December 2023 (S$'000)	1,729	3,622
Open market valuation as at 31 December 2023 (S$'000)	2,742	3,995

CORPORATE INFORMATION



BOARD OF DIRECTORS

YEO PUAY HIN
Executive Director and Chief Executive Officer

LEE CHIN CHAI
Independent Director

WEE SUNG LENG
Independent Director

KUAN CHENG TUCK
Independent Director

AUDIT COMMITTEE

KUAN CHENG TUCK (Chairman)
LEE CHIN CHAI
WEE SUNG LENG

NOMINATING COMMITTEE

LEE CHIN CHAI (Chairman)
KUAN CHENG TUCK
YEO PUAY HIN

REMUNERATION COMMITTEE

WEE SUNG LENG (Chairman)
LEE CHIN CHAI
KUAN CHENG TUCK

COMPANY SECRETARY

ZHAN AIJUAN

REGISTERED OFFICE/CORPORATE HEADQUARTERS

6 Clementi Loop
Singapore 129814
T: +65 6463 8666
Email: contact@hoeleong.com

SHARE REGISTRAR

TRICOR BARBINDER SHARE REGISTRATION SERVICES
(A division of Tricor Singapore Pte. Ltd.)
9 Raffles Place
#26-01 Republic Plaza Tower 1
Singapore 048619

DATE OF LISTING ON THE MAINBOARD OF THE SINGAPORE EXCHANGE

5 December 2005

DATE OF INCORPORATION

18 November 1994

REGISTRATION NUMBER

199408433W

INDEPENDENT AUDITOR

PKF-CAP LLP
6 Shenton Way
OUE Downtown 1, #38-01
Singapore 068809
Partner-in-charge: Ang Kok Keong
(Effective from reporting year ended 31 December 2023)

INTERNAL AUDITOR

BAKER TILLY CONSULTANCY (SINGAPORE) PTE LTD
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

SUSTAINABILITY REPORT FY2023

BOARD STATEMENT

The Board of Directors (the "**Board**") of Hoe Leong Corporation Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to present the Company's annual sustainability report for the reporting year ended 31 December 2023 ("**FY2023**").

This report covers all active entities of the Group (Refer to 'Group Structure' section of Annual Report 2023) and describes the Group's sustainability practices with reference to the primary components set out in Listing Rule 711B of the Listing Manual of The Singapore Exchange Securities Trading Limited (the "**Listing Manual**") on a 'comply or explain' basis, with particular focus on our commitment to working alongside our valued stakeholders to build a sustainable business. This report also provides insights into the way we conduct our business while highlighting our key economic, environmental, social and governance ("**EESG**") factors.

GOVERNANCE STRUCTURE

Sustainability reporting enables us to build business resilience by identifying and responding to material risks and opportunities. The Sustainability Committee identifies and updates the Board of the material EESG factors concerning our business from time to time, taking into account the internal and external developments as well as feedback from our stakeholders. The Board is ultimately responsible for the Company's sustainability reporting, oversees the management and monitoring of the material EESG factors and considers sustainability issues when formulating the Group's strategic direction and policies. The Board is responsible for reviewing and approving the Group's sustainability policies, practices and performance disclosures.

During the last reporting year ended 31 December 2022, all directors had attended the mandatory training on sustainability matters prescribed under Rule 720(7) of the Listing Manual. As for the newly-appointed independent director, Mr Kuan Cheng Tuck, he had attended mandatory training prior to joining the Company as he is also a director in other companies listed on the SGX-ST.

The Company's Sustainability Committee comprises the following members:

Yeo Puay Hin (Executive Director and Chief Executive Officer) – Chairman of Sustainability Committee

– Oversees the Company's strategic formulation and vision and approves the Company's sustainability strategies and action plans to address its climate-related risks and impacts thus will evaluate EESG risks and monitor climate-related performances in the Company's business practices

Low Chuan Jee (Group Financial Controller)

– Supports to foster a culture of sustainability across the Company by ensuring legal compliance with relevant financial-related requirements and promotes recycling practices and cultivates sustainability habits across the Company

Chin Yon Fei (Director of Sales and Marketing)

– Supports to foster a culture of sustainability across the Company by managing day-to-day operations pertaining to EESG performance of the Company and makes decision on climate-related opportunities in strategic planning

SUSTAINABILITY REPORT FY2023

REPORTING FRAMEWORK

When preparing this report, the Group relied on internal data monitoring and verification to ensure the accuracy of data and information.

The Group has chosen to report on sustainability using the Global Reporting Initiative ("**GRI**") framework as it is a globally recognised sustainability reporting framework that provides detailed reporting guidance that are relevant to the Group's business. This report has been prepared in accordance with the GRI Standards (GRI 1: Foundation 2021) and covered the sustainability values and performance of our Group for FY2023.

The Company has not sought external assurance for this report and may consider doing so in future.

The sustainability reporting process had been internally reviewed by our outsourced internal auditors from Baker Tilly Consultancy (Singapore) Pte Ltd during FY2022.

ACCESSIBILITY & FEEDBACK

The sustainability report forms part of the Company's Annual Report for FY2023 ("**Annual Report 2023**") and should be read in conjunction with Annual Report 2023.

We listen to our stakeholders and welcome feedback on this report as well as our sustainability efforts. Please send us your questions, comments and suggestions via email: contact@hoeleong.com; and/or contact us via phone: +65 6463 8666.

ORGANISATIONAL PROFILE

The Group specialises in the supply of undercarriage products and other spare parts of heavy equipment and industrial machinery and has a proven track record of operational effectiveness and innovation, offering genuine cost savings and solutions to customers without compromising on quality.

The Company is a member of Singapore Business Federation and Singapore National Employers Federation.

VISION AND MISSION

The Company's sustainability values are incorporated in the Company's vision and mission statements.

Vision:

To be globally recognised as a preferred manufacturer and supplier of undercarriage parts for heavy machinery and equipment.

Mission:

- To enhance customer satisfaction through distinctive value-add propositions with strong focus on product quality and excellent customer services.

- To achieve sustainable financial growth through efficient financial management and strong corporate governance.

- To enhance shareholder value through diversification of our product range.

- To attract, develop and retain motivated and competent staff focused on achieving Hoe Leong's business goals.

APPROACH TO SUSTAINABILITY

Sustainability Reporting Process

Enterprise Risk Management

Risk analysis and management is undertaken within the Group as a source of sustainable business benefits and competitive advantage. The Group has in place an enterprise risk management framework which includes a set of processes to ensure that the Group is aware of, and attends to, current and emerging risks. The Group documents its significant risks (including climate-related risks), their mitigating measures, together with the risk owners and action plans to address these risks in a risk register and reports them to the Board annually.

STAKEHOLDER ENGAGEMENT

Sustainability is part of the Group's strategy to create long-term value for our stakeholders. The interests and requirements of key stakeholders are taken into account when formulating strategies in order to foster mutually beneficial relationships.

The concerns and key topics of interest of the key stakeholders of the Group were evaluated regularly by the Sustainability Committee. The Group adopts both formal and informal engagement channels to understand the needs of key stakeholders.

Stakeholders	Group's commitment	Topics of interest	Engagement channels
Customers	Maximise customers' satisfaction by effective execution and on-time delivery of our products	– Ability to meet customers' requirements in terms of pricing, quality and timeliness of delivery	– Regular dialogue and face-to-face/online meetings with customers – Company's website
Employees	Provide our employees with safe and conducive working environment and fair remuneration and benefits Develop our employees to their fullest potential	– Remuneration and benefits – Workplace safety – Open communications – Talent retention and career progression – Training and development – Work-life harmony	– On-boarding and orientation – Get-together sessions – On-the-job training – Structured trainings – Annual performance appraisal
Regulators	Comply with the Listing Manual Adhere to laws and regulations in jurisdictions where the Group operates	– Corporate governance – Regulatory compliance – Anti-corruption and bribery – Conflict of interest	– SGXNet announcements – Annual reports and circulars – Sustainability reports – Seminars, trainings and dialogues organised by the relevant authorities – 'Code of Business Conduct and Ethics for Employees' of the Company

Stakeholders	Group's commitment	Topics of interest	Engagement channels
Shareholders	Maximise shareholders' value through strengthening of our financial fundamentals	– Business strategies and developments – Financial performance and stability – Risk management – Corporate governance – Regulatory compliance	– SGXNet announcements – Company's website – General meetings (at venues accessible to shareholders) – Annual reports and circulars
Suppliers and vendors	Cultivate and maintain cordial relationships with our suppliers and vendors through adherence to trading norms	– Group's financial stability – Fair payment terms	– Regular dialogues and face-to-face/online meetings with suppliers and vendors – Quotations – Suppliers' evaluation

MATERIALITY ASSESSMENT

Our sustainability process begins with the identification of relevant factors under each pillar of sustainability. Relevant factors are then prioritised to identify material factors which are subject to validation. The end result of this process (as shown in the following diagram) is a list of material factors disclosed in this report.

The Sustainability Committee, based on the understanding of the business and stakeholders as well as using the guidelines from GRI, identifies the material EESG factors. In determining whether the identified EESG factors are material and their order of priority, the Sustainability Committee examines the significance of the EESG factors to stakeholders.

S/n	Pillar	Material factors & ranking of impact on business and stakeholders	Reason(s) for its significance
1	Economic	Economic performance – ranked first	All customers and suppliers expect us to fulfil our delivery and payment obligations. In order to do so, the Group must deliver financial performance, aim to generate positive cash flows from operations and ensure that the Group's financial position is healthy.
2	Environmental	Energy consumption – ranked third Climate change – ranked eighth	Climate-related risks, if not addressed, are likely to have adverse impact (for example, higher electricity and water costs) on the Company's financial position and performance. The Group has manufacturing facilities in South Korea and China and is well-poised to limit global warming by minimising GHG (greenhouse gas) emission from operations.

S/n	Pillar	Material factors & ranking of impact on business and stakeholders	Reason(s) for its significance
3	Social	Employment practices – ranked seventh Occupational health and safety – ranked second	Our employees spend significant amount of their time at work thus the management is mindful of their well-being. Improving the health and safety of our employees would also enable us to sustain the productivity of the Group.
4	Governance	Business conduct and ethics – ranked fifth Anti-corruption practices – ranked sixth Legal and regulatory compliance – ranked fourth	Our shareholders and other stakeholders (such as the regulators) look to the management to maintain sound system of corporate governance to ensure that their investments and/or interests are safeguarded. Sound system of corporate governance will help the process of decision-making process being more objective and holistic.

These material EESG factors are monitored and managed by the management regularly. The effectiveness of the approaches taken by the management are reviewed from time to time via various mechanisms such as benchmarking to market practices and norms as well as reviewing of stakeholders' feedback and performance indicators. We will continue to examine our material EESG factors periodically and will work to strengthen our sustainability management framework, processes and procedures.

ECONOMIC

Economic performance

Our economic performance affects financial stability which in turn, has an impact on our ability to meet our financial obligations to various stakeholders, such as payment of salaries to our employees, settlement of invoices from suppliers, payment of taxes to the government and contributions to the local communities. To ensure financial stability, our finance team monitors the financial health of the Group, paying particular attention to working capital needs and credit risks. In addition, higher key performance indicators have been set for the next financial year in order to improve the bottom line and to sustain the business.

During FY2023, the Company's wholly-owned subsidiaries in Australia received tax refunds amounting to A$184,000 (Equivalent to S$166,000) [FY2022: A$277,000 (Equivalent to S$266,000)] arising from the 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.

For detailed financial results, please refer to the following sections in Annual Report 2023:

– 'Financial Review'; and

– 'Directors' Statement and Financial Statements'.

ENVIRONMENTAL

Electricity consumption

We are committed to responsible usage of energy resources and emissions reduction through enhancing our energy usage efficiency.

Performance indicator (Group)	Unit of measurement	FY2023	FY2022
Electricity consumption	MWh	3,964	3,761
Electricity consumption intensity	MWh/Revenue	0.10	0.09
Electricity consumption intensity	MWh/Average number of employees during the financial year	30.72	27.06

Specific metrics (Group)	FY2023	FY2022
Revenue (S$'000)	40,011	41,792
Average number of employees	129	139

Electricity consumption was higher during FY2023 as it included electricity used for heat treatment during the manufacturing process of rollers by of one our China subsidiaries and the new heat treatment plant was fully commissioned by June 2023.

Our key electricity conservation initiatives are as follow:

– Track and review electricity usage regularly and take corrective actions if required;

– Switch to energy-efficient LED lighting where possible;

– Turn off lights when they are not in use; and

– Consider electricity usage during procurement of plant and equipment.

Water conservation

We are committed to responsible usage of water resources through enhancing our water consumption efficiency.

Performance indicator (Group)	Unit of measurement	FY2023	FY2022
Water consumption	m^3	5,690	6,043
Water consumption intensity	m^3/Revenue	0.14	0.14
Water consumption intensity	m^3/Average number of employees during the financial year	44.11	43.47

The changes implemented to the cleaning process at our China manufacturing facility together with the improvement and replacement of certain machinery to enable the use of recycled water had resulted in lower usage of water during FY2023.

Our key water conservation initiatives are as follow:

– Track and review water usage regularly and take corrective actions if required;

– Enable the usage of recycled water in our manufacturing processes as much as possible; and

– Providing reminders to employees on the importance of conserving water resources.

Waste generation

Responsible waste management can help to preserve the environment. Accordingly, the Group is committed to disposing waste responsibly and recycling resources which no longer serve any economic value to the Group.

Our Singapore subsidiary undertook an inventory clearance exercise in 2022 to prepare for the return of certain warehousing space at the Singapore corporate headquarters in March 2023 and this exercise was also carried out during FY2023. During this clean-up, inventory items, containing 88 tonnes (FY2022: 476 tonnes) of iron, which are not sellable are sold to metal collectors to be recycled.

Climate change – Scope 1 & 2 Emissions

We strive to do our part to reduce greenhouse gas ("**GHG**") emissions in our business operations by putting in place business strategies which align with the goal of limiting global temperature rise.

In total for Scope 1 and 2, the Group contributed 1,769.42 tonnes CO2-e of GHG emissions. This is the first year the Group is reporting the GHG emissions hence there are no comparative figures. The carbon intensity was 0.04 tonnes CO2-e/million S$ revenue.

Year	FY2023
Scope 1 and 2 GHG Emissions (tonne CO2-e)	1,769.42
Carbon intensity (tonne CO2-e/million S$ revenue)	0.04

Scope 1 emissions contributed 9% of the total emissions, with the rest from Scope 2 (purchased electricity).

Material topics	Short-Term Target (Target year 2028)	Medium-Term Target (Target year 2035)	Long-Term Target (Target year 2050)
Energy Consumption	• Monitoring energy usage in our office premises and across our value chain • Promote more energy-saving habits and initiatives • Assess energy usage in the operations and identify areas of improvement	• Adopt the use of higher energy-efficient features and fittings • Include disclosure of quantitative metrics and targets	• Reduce energy consumption to achieve overall net zero GHG emissions target
Climate Change	• Monitor our operations for potential climate-related risks • Commence on the assessment of Scope 3 emissions and progressively collect data for relevant categories • Establish quantitative metrics and targets for GHG emissions	• Include disclosures of the quantitative impact of climate-related risks identified • Include disclosure of Scope 3 emissions • Include disclosure of metrics and targets	• Achieve net zero GHG emissions

SOCIAL

Engaged workforce

In building an engaged workforce, the Group is committed to providing equal opportunities to every employee regardless of background.

We are concerned with the well-being of our employees and have implemented a number of staff welfare initiatives, such as festive gifts. Our employees are entitled to medical benefits and covered by medical insurance. The Group provides our employees with maternity and paternity leaves and childcare leave in accordance with local laws and regulations.

Diversity of our human resource

As at 31 December 2023, the Group had 125 permanent and full-time employees and did not have any temporary or part-time employees. The amount of work provided by casual labour was not significant.

Based on records maintained by the human resource ("**HR**") personnel of our various group entities, a further breakdown of our workforce as at the end of our reporting periods are as follows:

FY2023	Male		Female		Total	
	Number	%	Number	%	Number	%
As at 1 January 2023[A]:						
– Under 30 years old	7	5	2	2	9	7
– 30-50 years old	51	38	24	18	75	56
– Over 50 years old	38	29	11	8	49	37
Sub-total	96	72	37	28	133	100
Joiners during the year[B]:						
– Under 30 years old	3	2	1	1	4	3
– 30-50 years old	9	7	6	5	15	12
– Over 50 years old	14	11	2	2	16	13
Sub-total	26	20	9	8	35	28
Leavers during the year[C]:						
– Under 30 years old	(5)	4	(2)	2	(7)	6
– 30-50 years old	(11)	9	(5)	4	(16)	13
– Over 50 years old	(19)	15	(1)	1	(20)	16
Sub-total	(35)	28	(8)	7	(43)	35
As at 31 December 2023[A]:						
– Under 30 years old	5	4	1	1	6	5
– 30-50 years old	49	39	25	20	74	59
– Over 50 years old	33	26	12	10	45	36
Total	87	69	38	31	125	100

FY2022	Male		Female		Total	
	Number	%	Number	%	Number	%
As at 1 January 2022[A]:						
– Under 30 years old	9	6	3	2	12	8
– 30-50 years old	57	40	25	17	82	57
– Over 50 years old	40	28	10	7	50	35
Sub-total	106	74	38	26	144	100
Joiners during the year[B]:						
– Under 30 years old	5	4	1	1	6	5
– 30-50 years old	6	4	5	4	11	8
– Over 50 years old	4	3	2	1	6	4
Sub-total	15	11	8	6	23	17

SUSTAINABILITY REPORT FY2023

FY2022	Male		Female		Total	
	Number	%	Number	%	Number	%
Leavers during the year[C]:						
– Under 30 years old	(6)	4	(2)	1	(8)	5
– 30-50 years old	(12)	9	(6)	4	(18)	13
– Over 50 years old	(7)	5	(1)	1	(8)	6
Sub-total	(25)	18	(9)	6	(34)	24
As at 31 December 2022[A]:						
– Under 30 years old	8	6	2	2	10	8
– 30-50 years old	51	38	24	18	75	56
– Over 50 years old	37	28	11	8	48	36
Total	96	72	37	28	133	100

Notes:

A – Number of employees as percentage of total number of employees as at stated date

B – Joiners (New employees hires) as percentage of total number of employees at period end date

C – Employee turnover rate: Number of leavers/Average number of employees during the period x 100%

Nationality (FY2023)	Male		Female		Total	
	Number	%	Number	%	Number	%
Singaporean	3	2	3	3	6	5
South Korean	32	26	11	9	43	35
Chinese	17	14	6	5	23	19
Malaysian	14	11	13	10	27	21
Australian	15	12	3	2	18	14
Others	6	4	2	2	8	6
Total	**87**	**69**	**38**	**31**	**125**	**100**

Nationality (FY2022)	Male		Female		Total	
	Number	%	Number	%	Number	%
Singaporean	6	5	2	2	8	6
South Korean	34	26	11	8	45	34
Chinese	17	13	6	4	23	17
Malaysian	16	12	13	10	29	22
Australian	19	14	4	3	23	17
Others	4	3	1	1	5	4
Total	**96**	**72**	**37**	**28**	**133**	**100**

Length of service (FY2023)	Male		Female		Total	
	Number	%	Number	%	Number	%
Less than 5 years	38	30	18	15	56	45
5 years and above	49	39	20	16	69	55
Total	**87**	**69**	**38**	**31**	**125**	**100**

Length of service (FY2022)	Male		Female		Total	
	Number	%	Number	%	Number	%
Less than 5 years	44	33	16	12	60	45
5 years and above	52	39	21	16	73	55
Total	**96**	**72**	**37**	**28**	**133**	**100**

Occupational health and safety

The Group is committed to workplace safety and health and takes every precaution to prevent occupational injuries among our employees. The Group believes that a safe and conducive work environment can boost staff morale and productivity.

The Group has put in place comprehensive safety measures to provide a safe and healthy working environment for all our employees. Such measures include:

For manufacturing facility in South Korea:

(a) conducting periodic and necessary risk assessments of the facility's operations to identify the risks and gaps, and implement mitigating procedures in order to achieve an accident-free environment or minimise risks to an acceptable level;

(b) conducting regular safety meetings and providing sufficient management support and resources to plan, implement and execute safety measures in compliance with workplace health and safety legislations and other requirements; and

(c) engaging an industrial safety company to conduct regular equipment checks and for other workplace safety related services.

For manufacturing facility in China:

(a) issuance of personal protective equipment for factory workers; and

(b) procurement of social insurance and accident insurance for all employees

Both manufacturing facilities cultivate good safety habits through proper training, instruction and guidance. Our employees are encouraged to report any work-related hazards and hazardous situations during safety meetings and training sessions and by any means and at any time to their direct supervisors and/or President of Korea entity/General Manager of China entity.

In Singapore, the Company took up corporate schemes with Raffles Medical Group and Alliance Medinet Pte Ltd which own and/or operate a large network of clinics. All our employees in Singapore are also allowed to visit their preferred clinics for general medical consultation. Expenses incurred for traditional Chinese medicine consultation are also claimable under the Company's medical and dental benefits for staff. The HR Department monitors the frequency of consultations and if necessary, check if frequent consultations, especially by employees from the same department or work location, are related to work hazards that need to be addressed.

GOVERNANCE

The Group views corporate accountability, transparency and sustainability as strategic tools for enhancing long-term shareholders' value and is committed to observing high standards of corporate governance.

Code of Corporate Governance 2018

The Board and the management of the Group are committed to employing the best practices of corporate governance to ensure sustainability of the Group's operations. During FY2023, we continued to adhere substantially to provisions of the Code of Corporate Governance 2018 (Last amended on 11 January 2023). Please refer to 'Corporate Governance Report' section of Annual Report 2023 for the Company's corporate governance values and practices.

The Group has in place an internal guide on matters that require the Board's approval. This would ensure that matters that are expected to have a material impact on the Group are carefully considered.

Independence and diversity

The Board comprised 4 directors, of which 3 (i.e. 75%) are independent.

The Company has no female director but it had recruited a female staff in the management team. The Board and management are conscious that the Group operates mainly in a male-dominated industry and environment and will put in effort to source and consider female candidates for new appointments to the Board when there is cessation of directorship during the nine-year term or when a director reaches his nine-year term. During the review of Board composition, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

For more information how the Company maintain an appropriate balance of independence and diversity of thought and background in its composition, please refer to our commentaries under Principle 2 of 'Corporate Governance Report' section of Annual Report 2023.

Business Conduct and Ethics/Anti-corruption practice

The Group has established a 'Code of Business Conduct and Ethics for Employees' that states the fundamental principles of ethical and professional conduct expected of all employees covering areas such as employees' responsibilities to the Group, confidentiality of information, anti-corruption practice and conflict of interest. Employees of the Group, including the directors, whose job responsibilities may give rise to conflict of interest are required to complete and submit an annual conflict of interest declaration to the Human Resources Department of the Company.

Employees from the production and warehouse departments are informed of the key requirements of the Code of Conduct and a copy of the Code of Conduct is pinned up/place in the vicinity of production and warehousing areas for easy reference. Employees may seek advice on implementing the Code of Conduct from their respective finance manager or the Group Financial Controller. Concerns about the Group's business conduct can be raised to the directors of the Company and/or key executives of the Group or via the Company's whistle-blowing channel (Email: whistleblowing@hoeleong.com).

The code of conduct is approved by the Board of Directors of the Company and published on the Company's website (Link: www.hoeleong.com/investor-relations/policies/) and accessible by all employees, business partners and other parties.

Corruption risks are covered in the Company's enterprise risk management framework and risks of corruption practice taking place in the Group are not high.

During FY2023, this is no confirmed incident of corruption and there is no public legal case regarding corruption brought against any group entity or its employees.

Whistle-blowing policy

The Group also has in place a whistle-blowing policy which is available on the Company's website (Link: www.hoeleong.com/investor-relations/policies/). More details of the Company's whistle-blowing policy can be found in Corporate Governance Report FY2023. All concerns about possible improprieties can be communicated directly to the Audit Committee via email: whistleblowing@hoeleong.com.

No significant matter was raised through the Group's whistle-blowing channels during FY2023 and up to the date of this report.

Compliance with laws and regulations

During FY2023, there is no significant instance of non-compliance with laws and regulations and the Group will continue to ensure compliance.

PERFORMANCE REVIEW AND TARGET SETTING

Social

During FY2023, there was zero occurrence of fatal workplace accident and ill-health and the Group will continue to maintain the highest standards of safety enforcement.

Governance

There is no non-compliance with environment and related laws and regulations that resulted in significant fines and non-monetary sanctions and no material non-compliance with the Code of Corporate Governance 2018 and the Company's Code of Business Conduct and Ethics for Employees. The Group strives to maintain the positive record in the coming years.

In January 2023, a briefing on anti-corruption was conducted for the Company's Executive Directors and 3 key executives of the Group who made up 50% of total number of governance body members. The Company's anti-corruption policy can be found in the Code of Business Conduct and Ethics for Employees which all employees have access to.

SUPPORTING THE TCFD

We are committed to support the recommendations by the Task Force on Climate-related Financial Disclosures ("TCFD"). The following table describes the Company's approach in managing climate-related risks and opportunities.

TCFD's pillars	Our approach
Governance	The Board considers sustainability issues in the Company's business and strategy. The Board is updated of material EESG factors by the Sustainability Committee of the Company and oversees the management and monitoring of material EESG factors. The Sustainability Committee considers climate-related issues in the development of sustainability strategy, target setting, and collection, monitoring and reporting of performance data. Please refer to 'Board Statement' section in this report.
Strategy	The Sustainability Committee identifies the material EESG factors based on understanding of the business and stakeholders. The Sustainability Committee, in conducting materiality assessment, also considers survey results and findings from the enterprise risk management processes. Climate-related risks and opportunities and other EESG factors are covered in the Company's enterprise risk management framework. Please refer to 'Materiality Assessment' section in this report. Transition risks such as increase in electricity and water pricing could have an adverse impact on the Group's profitability. Physical risks such as extreme weather patterns and temperature increases could lead to damage to the Group's premise and equipment and harm to the health and well-being of our employees. Climate-related risks and opportunities are likely to impact the Company's future financial position and performance. The Company is thus determined to implement support efforts to mitigate the effects of climate change, starting with energy consumption. Such efforts include the switching to more energy-efficient production equipment (for example, air compressor) and LED lighting. The Company may perform scenario analysis, in line with TCFD recommendations, using commonly used market standards in future.
Risk Management	The Sustainability Committee conducts materiality assessment annually to determine the key EESG issues. Climate-related risks and opportunities and other EESG factors are covered in the Company's enterprise risk management framework.
Metrics and targets	Key metrics on electricity and water usage are published in this report. Monitoring and reporting these metrics help us identify areas with the highest climate-related risks and enable more proactive and targeted approaches to manage these risks. To support the climate change agenda, we have disclosed our Scope 1 and 2 GHG emissions starting from this financial year in our sustainability report. The Group would continue to focus on ways to minimising GHG emissions, electricity and water usage and waste generated. In the short to medium term, climate-related targets relating to GHG emissions and water and energy consumption would be set and monitored to further enhance our efficiency.

GRI CONTENT INDEX

Statement of use	Hoe Leong Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") has reported in accordance with the GRI Standards for the period from 1 January 2023 to 31 December 2023.

Disclosure		Annual report section reference
Ref	**Description**	
GRI 2: General Disclosures 2021		
1. The organisation and its reporting practices		
2-1	Organisational details	Annual Report – (1) Group Structure (2) Corporate Information
2-2	Entities included in the organisation's sustainability reporting	Annual Report – (1) Group Structure (2) Financial Statements
2-3	Reporting period, frequency and contact point	Sustainability Report ("**SR**") – (1) Board Statement (2) Accessibility & Feedback
2-4	Restatements of information	Not applicable
2-5	External assurance	The Company's SR has not been externally assured.
2. Activities and workers		
2-6	Activities, value chain and other business relationships	Annual Report – (1) Corporate Profile (2) Financial Statements
2-7	Employees	SR – Social
2-8	Workers who are not employees	Not applicable
3. Governance		
2-9	Governance structure and composition	Annual Report – Corporate Governance Report ("**CGR**")
2-10	Nomination and selection of the highest governance body	Annual Report – CGR
2-11	Chair of the highest governance body	Annual Report – CGR
2-12	Role of the highest governance body in overseeing the management of impacts	SR – Board Statement
2-13	Delegation of responsibility for managing impacts	SR – Governance Structure
2-14	Role of the highest governance body in sustainability reporting	SR – Governance Structure
2-15	Conflicts of interest	Annual Report – CGR
2-16	Communication of critical concerns	SR – Governance Annual Report – CGR

Disclosure		
Ref	Description	Annual report section reference
2-17	Collective knowledge of the highest governance body	SR – Board Statement Annual Report – CGR
2-18	Evaluation of the performance of the highest governance body	Annual Report – CGR
2-19	Remuneration policies	Annual Report – CGR
2-20	Process to determine remuneration	Annual Report – CGR
2-21	Annual total compensation ratio	Annual Report – CGR
4. Strategy, policies and practices		
2-22	Statement on sustainable development strategy	SR – Board Statement
2-23	Policy commitments	SR – Governance
2-24	Embedding policy commitments	SR – Governance
2-25	Processes to remediate negative impacts	SR – Governance
2-26	Mechanism for seeking advice and raising concerns	SR – Governance
2-27	Compliance with laws and regulations	SR – Governance
2-28	Membership associations	Not applicable
5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	SR – Stakeholder Engagement
2-30	Collective bargaining agreement	Not applicable
3-1	Process to determine material topics	SR – Materiality Assessment
3-2	List of material topics	SR – Materiality Assessment
3-3	Management of material topics	SR – Materiality Assessment
201-1	Direct economic value generated and distributed	Annual Report – (1) Financial Review (2) Financial Statements
201-2	Financial implications and other risks and opportunities due to climate change	Not applicable
201-3	Defined benefit plan obligations and other retirement plans	Annual Report – Financial Statements
201-4	Financial assistance received from government	SR – Economic
205-1	Operations assessed for risks related to corruption	SR – Governance
205-2	Communication and training about anti-corruption policies and procedures	SR – Governance
205-3	Confirmed incidents of corruption and actions taken	SR – Governance
302-1	Energy consumption within the organization	SR – Environmental
302-2	Energy consumption outside the organization	No such disclosure currently but Scope 3 GHG emissions data will be collected progressively.

Disclosure		
Ref	Description	Annual report section reference
302-3	Energy intensity	SR – Environmental
302-4	Reduction of energy consumption	SR – Environmental
302-5	Reduction in energy requirements of products and services	No such disclosure currently as such data has yet to be collected.
305-2	Energy indirect (Scope 2) GHG emissions	SR – Environmental
305-4	GHG emissions intensity	SR – Environmental
305-5	Reduction of GHG emissions	SR – Environmental
403-1	Occupational health and safety management system	SR – Social
403-2	Hazard identification, risk assessment, and incident investigation	SR – Social
403-3	Occupational health services	SR – Social
403-4	Worker participation, consultation, and communication on occupational health and safety	SR – Social
403-5	Worker training on occupational health and safety	SR – Social
403-6	Promotion of worker health	SR – Social
403-7	Prevention and mitigation of occupation health and safety impacts directly linked by business relationships	SR – Social
403-8	Workers covered by an occupational health and safety management system	SR – Social
403-9	Work-related injuries	SR – Social
403-10	Work-related injuries	SR – Social

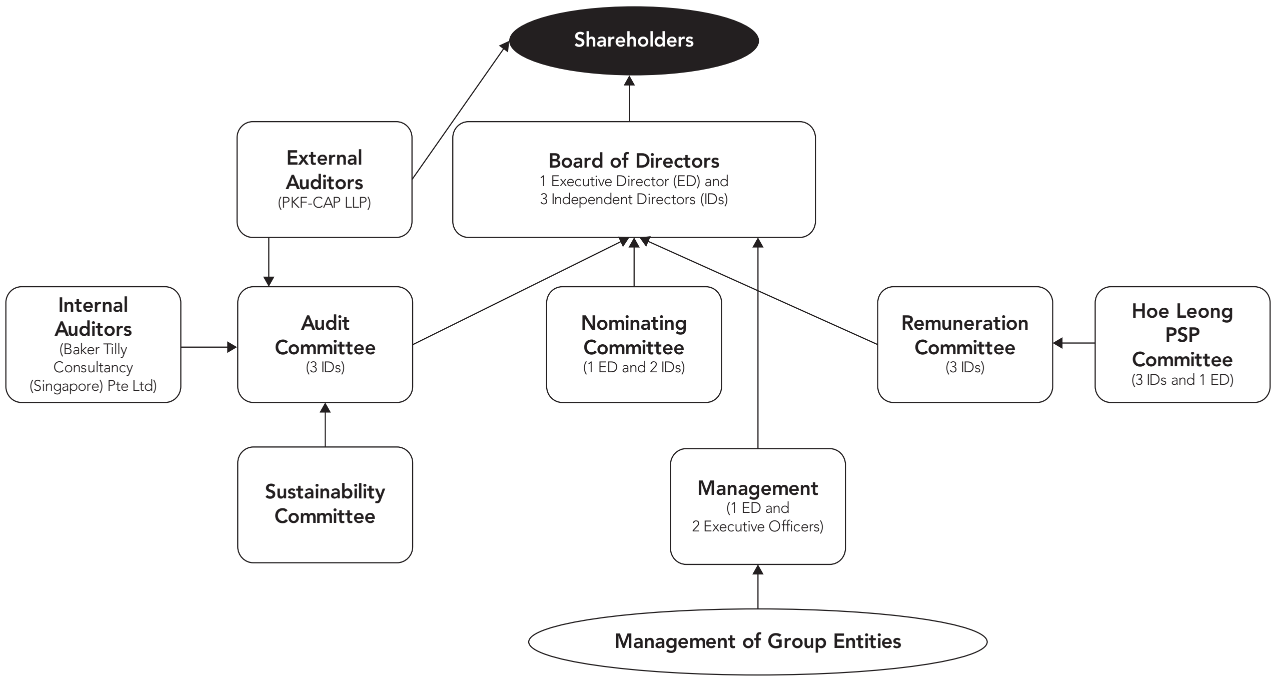
CORPORATE GOVERNANCE REPORT FY2023

Hoe Leong Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**"), views corporate accountability, transparency and sustainability as strategic tools for enhancing long-term shareholders' value and are committed to observing high standards of corporate governance.

This report describes the Company's corporate governance practices with specific reference to both the principles and provisions set out in the Code of Corporate Governance 2018 (last amended on 11 January 2023) (the "**Code**") issued by the Monetary Authority of Singapore (the "**MAS**"). We have also taken into consideration the Code's accompanying Practice Guidance provided by the MAS. In addition, compliance with relevant Listing Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") is also disclosed wherever applicable in this report.

The Board of Directors of the Company (the "**Board**") is pleased to confirm that for the year ended 31 December 2023 ("**FY2023**"), the Group has adhered to the principles and provisions as set out in the Code. Where the Company's practices vary from any provisions of the Code, we have explained the reasons for the deviations, and explained how the practices we have adopted are consistent with the intent of the relevant principle.

As at the date of this report, the Company's corporate governance framework is as follows:



BOARD MATTERS

Principle 1: THE BOARD'S CONDUCT OF AFFAIRS

The Company is headed by an effective Board which is collectively responsible and works with management for the long-term success of the Company.

Provision 1.1 of the Code:
Directors are fiduciaries who act objectively in the best interests of the Company

During FY2023 and as at the date of this report, the Board comprises 4 directors, 3 of whom are independent. The Board oversees the Group's overall policies, strategies, key operational initiatives, performance and measurement, internal control and risk management to protect and enhance long-term shareholders' value. Board members are entrusted to discharge their duties and responsibilities objectively, act in the best interest of the Company and hold the management accountable for performance. The primary roles and responsibilities of the Board, apart from its statutory duties, include:

- Overseeing the overall management and business affairs of the Group;
- Formulating the Group's strategies, focusing on value creation and innovation and considering sustainability issues;
- Ensuring that the necessary resources are in place for the Group to meet its strategic objectives;
- Setting financial objectives and monitoring the Group's financial performance and management's performance;
- Reviewing and approving the Group's business plan, including annual budgets and major funding proposals;
- Overseeing the evaluation of the adequacy and effectiveness of financial reporting, internal controls and risk management framework;
- Setting the Group's approach to corporate governance, including the establishment of ethical values and standards;
- Monitoring and ensuring compliance with the Listing Manual of the SGX-ST (the "**Listing Manual**") and laws and regulations relevant to the Group;
- Monitoring the Company's risk of becoming subject to, or violating, any Sanctions Law and ensuring that disclosures to/via the SGX-ST and other relevant authorities are made accurately and in a timely manner; and
- Balancing the demands of the business with those of the Company's stakeholders and ensuring obligations to material stakeholder groups (including shareholders) are met.

The Board has put in place a 'Code of Business Conduct and Ethics for Employees' which establishes the fundamental principles of professional and ethical conduct expected of all employees in the performance of their duties. It includes guidelines on matters relating to conflicts of interest.

A director is required to promptly disclose any actual, potential and perceived conflict of interest and must recuse himself/herself from discussions and decisions involving the matter, unless his/her presence and participation is necessary to enhance the efficacy of such discussion. Nevertheless, he/she shall abstain from voting on resolutions in relation to the conflict-related matters. Such compliance will be recorded in the minutes of meeting or the Board resolutions.

Provision 1.2 of the Code:
Directors' duties, induction, training and development

All directors understand the Company's business. They are aware of their fiduciary duties and are committed to exercising due care and diligence in decision-making and to objectively discharge their duties and responsibilities in the best interest of the Company. Aside from their statutory duties, the key roles of different classes of directors are set out below:

- Executive directors are members of the management who are involved in the day-to-day running of the Group's business operations. They work closely with the independent directors on the long-term sustainability and success of the Group. They provide insights and recommendations on the Group's operations at the Board and Board Committee meetings.

- Independent directors do not participate in the Group's business operations and are deemed independent by the Board. They provide independent and objective advice and insights to the Board and the management. They constructively challenge the management on its decisions and contribute to the development of the Group's strategic goals and policies. They participate in the review of the management's performance in achieving the strategic goals as well as the appointment, assessment and remuneration of the executive directors and key management personnel.

The executive directors are appointed by way of service agreements or employment contract while the independent directors are appointed by way of letters of appointment. The duties and responsibilities of directors are clearly set out in these service agreements/employment contracts and letters of appointment.

New directors would be briefed on the Group's industry, business, organisation structure and strategic plans and objectives. Minutes of the Board and Board Committees' meetings for the past one year, Company's Constitution, Terms of Reference of the Board Committees together with the relevant policies and procedural guidelines would also be provided. Orientation for new directors includes visits to the Group's key premises and meet-ups with key executives and employees to familiarise themselves with the Group's operations and key personnel. New directors who have no prior experience as director of a listed company in Singapore shall undergo mandatory training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST, and pursuant to Rule 210(5) of the Listing Manual. New directors shall also undergo a one-time training on sustainability. Expenses relating to mandatory training for new directors will be borne by the Company.

When there are changes in laws and regulations, including the Companies Act 1967 of Singapore (the "**Companies Act**"), the Listing Manual and the Code which are relevant to the Group, the directors would be updated by the Company Secretary at the Board Meetings and/or via email in a timely manner. The external auditors regularly update the Audit Committee and the Board on the developments in the Singapore Financial Reporting Standards (International) which are applicable to the Group. Changes to regulations and accounting standards are monitored closely by the management. In addition, the management regularly updates the directors on the business and strategic development of the Group during Board and Board Committee meetings.

Briefings, updates, seminars and trainings attended by the directors in FY2023 and up to the date of this report include:

- Executive directors and officers updated the Board at each Board meeting on business and strategic developments of the Group;

- Company secretary briefed the Board on updates on relevant regulations, including those related to sustainability and corporate governance, issued by the SGX-ST; and

- Code of Practice on Chief Executives' and Board of Directors' workplace safety and health duties

All directors, had attended the mandatory training on sustainability matters prescribed under Rule 720(7) of the Listing Manual during FY2022. Mr Kuan Cheng Tuck, who was appointed on 2 October 2023, had also attended mandatory training prior to joining the Company due to his current appointment as an independent director at other locally-listed companies.

The Nominating Committee evaluates the individual directors' competencies and recommends to the Board on training and development programmes for each director. Our directors are also encouraged to attend relevant seminar and training programmes to enhance their skills and knowledge.

Provision 1.3 of the Code:
Matters requiring Board's approval

Although the day-to-day management of the Company is delegated to the executive director, there are matters which are required to be decided by the Board as a whole.

The Group has in place an internal guide on matters that require the Board's approval and these matters include:

- Changes to the Group's capital structure and corporate structure;

- Material investments, acquisitions and disposals of assets;

- Material operating and capital expenditure;

- Interested person transactions;

- Significant policies, strategic plans and monitor the performance of the Group;

- Recommendation/declaration of dividend;

- Annual budgets, financial statements (interim and full year), annual reports, sustainability reports, circulars to shareholders and SGXNet announcements; and

- Appointment or removal of directors, company secretary and key management personnel of the Company.

Certain important matters could be subject to the recommendation by the respective Board Committees. Matters which the Board considers suitable for delegation to a Board Committee are contained in the terms of reference of the respective Board Committees.

Board Committees, namely Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") have been established to assist the Board. Each Board Committee has its own terms of reference, setting out the composition, authorities and duties, which are approved by the Board. All Board Committees are chaired by an independent director. While these Board Committees are delegated with certain responsibilities, the responsibility for decisions relating to matters under the purview of the Board Committees ultimately lies with the Board. The activities of the Board Committees are reported to the Board by the respective Committee Chairman after each meeting.

Provision 1.4 of the Code:
Board Committees

The terms of reference of the respective Board Committees, which are reviewed by the Board on a regular basis, as well as other relevant information on the Board Committees can be found in the subsequent sections of this report.

Composition of Board and Board Committees

Name of director	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Yeo Puay Hin (Executive Director and Chief Executive Officer)	–	Member	–
Lee Chin Chai (Independent Director)	Member	Chairman	Member
Wee Sung Leng (Independent Director)	Member	–	Chairman
Kuan Cheng Tuck (Independent Director)	Chairman	Member	Member

Profiles of the directors are set out in the 'Board of Directors' section of Annual Report 2023.

The Board meets on a quarterly basis and as and when required. Board and Board Committee meetings and annual general meeting are typically scheduled before the start of the financial year to enable the directors to plan ahead to attend these meetings. Ad-hoc meetings will be convened when the Board's guidance or approval is required, outside of the scheduled Board meetings.

Provision 1.5 of the Code:
Attendance and participation in Board and Board Committee meetings

In accordance with Regulation 110(2) of the Company's Constitution, a director who is unable to attend a Board meeting in person can participate in the meeting via telephone conference or other methods of simultaneous communication by electronic or telegraphic means. Important matters concerning the Group can also be put to the Board and Board Committees for decision by way of written resolutions.

The directors attend and actively participate in Board and Board Committee meetings. The independent directors contribute to the Board process by monitoring and reviewing the management's performance in meeting the Group's goals and objectives.

During FY2023, the number of Board and Board Committees meetings held and attended are set out as follows:

Directors	Board (No. of meetings held: 4)	AC (4)	NC (2)	RC (4)	Annual General Meeting/ Extraordinary General Meeting (1)
	Number of meetings attended by members (Excluding attendance by invitation of the Board Committee, where applicable)				
Yeo Puay Hin	4	N. A.	N.A.	N.A.	1
Lee Chin Chai	4	4	2	4	1
Wee Sung Leng	4	4	N.A.	4	1
Kuan Cheng Tuck*	1	1	–	1	–

* Mr Kuan Cheng Tuck was appointed on 2 October 2023.
# N.A. – Not applicable

When a director has multiple board representations, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments.

Provision 1.6 of the Code: Complete, adequate and timely information to make informed decisions

The management recognises that relevant, complete and accurate information needs to be provided to the directors prior to meetings and on an on-going basis to enable the directors to make informed decisions and discharge their duties and responsibilities effectively and efficiently. As such, the management takes initiative to brief the Board on potential business development at an early stage before formal Board approval is sought.

The management provides the Board with quarterly financial information and relevant background information and materials relating to the matters that will be discussed at the Board and Board Committee meetings. This enables the directors to better understand the subject matters before the meetings, allowing for more time at such meetings for questions that directors may have. Any additional materials or information requested by the directors are promptly furnished. If necessary, key management personnel who are able to explain and provide insights to the matters to be discussed are invited to make the appropriate presentation and address the concerns of the directors.

In respect of the annual budget of the Group, material variance between budgeted results and actual results would be disclosed and explained by the management at AC and/or Board meetings.

The management will also inform the Board of all significant events as and when they occur and circulate Board papers and/or salient information on material transactions to facilitate a robust discussion before the transactions are entered into.

Provision 1.7 of the Code:
Separate and independent access to Management, company secretary and external advisers; Appointment and removal of the company secretary

The Board has separate and independent access to the management, the company secretary and external professionals, including legal counsels and auditors. Any materials or information requested by the directors to make informed decisions were promptly furnished.

The role of the company secretary is clearly defined and includes:

- Attending Board and Board Committee meetings, ensuring that meeting procedures are adhered to and prepares meeting minutes;

- Together with the management, ensuring that the Company complies with all relevant requirements of the Companies Act, Securities and Futures Act 2001 of Singapore and the Listing Manual;

- Advising the Board on all corporate governance matters; and

- Assisting the Chairman of the Board in ensuring adequate and flow of information in a timely manner within the Board and Board Committees and between the management and the Board.

The company secretary function is outsourced to Boardroom Corporate & Advisory Services Pte Ltd.

The appointment and removal of the company secretary is subject to the approval of the Board.

During FY2023, the company secretary and/or her representative(s) attended all Board and Board Committees meetings.

The Company will seek appropriate advice or opinion from qualified professional or expert, if deemed necessary by the Board. The directors are entitled to seek independent professional advice at the expense of the Company.

Principle 2:
BOARD COMPOSITION AND GUIDANCE

The Board has an appropriate balance of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provision 2.1 of the Code:
Director independence

Provision 2.2 of the Code:
Independent directors make up a majority of the Board

Provision 2.3 of the Code:
Non-executive directors make up a majority of the Board

Board Independence

The Board opines that the role of the independent directors is particularly important in ensuring that the strategies proposed by management are constructively challenged, thoroughly considered and examined, and take into account the long-term interests of the Group's stakeholders, which includes shareholders, employees, customers, suppliers and regulators.

During FY2023 and as at the date of this report, the Board comprises 4 directors, 3 of whom are independent. The independent element on the Board is thus strong and enables the Board to exercise objective independent judgement on corporate affairs and provide the management with diverse and objective perspectives on issues.

The independence of each director is reviewed annually by the NC. Each independent director is required annually to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code and Rule 210(5)(d) of the Listing Manual. The NC adopts the Code's and its Practice Guidance's definitions as well as the definition set out in the Listing Rule 210(5)(d) on what constitutes an "independent" director in its review. The existence of any of the following relationships or circumstances will deem the director as not independent:

(a) if he/she is and has been employed by the Company or any of its related corporations in the current or any of the past 3 financial years;

(b) if he/she has an immediate family member who is or has been employed by the Company or any of its related corporations in the current or any of the past 3 financial years and whose remuneration is or was determined by the RC of the Company;

(c) if he/she has been a director of the Company for an aggregate period of more than 9 years;

(d) if he/she, or his/her immediate family member, had provided or received from the Company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting, and legal services), other than compensation for board service, in the current or immediate past financial year. The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material. As a guide, payments aggregated over any financial year in excess of S$50,000 should generally be deemed significant;

(e) If he/she, or his/her immediate family member, in the current or immediate past financial year, is or was a substantial shareholder or a/an partner (with stake of 5% or more)/executive officer/director of any organisation which provided to or received from the Company or any of its subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services). The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material. As a guide, payments aggregated over any financial year in excess of S$200,000 should generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question; or

(f) if he/she is or has been directly associated with a substantial shareholder of the Company, in the current or immediate past financial year.

An independent director shall immediately disclose to the NC and/or company secretary any relationship (whether familial, business, financial, employment or otherwise) with the Company, its related corporations, substantial shareholders or officers, or circumstances that could interfere, or be reasonably perceived to interfere, with his/her independent judgement.

The NC and the Board have reviewed and ascertained that all independent directors are independent according to the Code, its Practice Guidance and the Listing Manual and noted that none of the independent directors has any relationship with the Company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the independent director's judgement.

The Singapore Exchange Regulation (the "**SGX RegCo**") has removed the two-tier vote mechanism for companies to retain independent directors who have served on boards of listed issuers for more than 9 years and will limit the tenure of independent directors to 9 years. As at the date of this report, none of the independent directors has reached the 9-year tenure.

The NC is of the view that no individual or small groups of individuals dominate the Board's decision-making processes. All matters put forth to the Board for decision need majority of the directors to approve.

Board Diversity

Provision 2.4 of the Code:
Size and composition of the Board and Board Committee; Board diversity policy

The Company recognises and embraces Board diversity as an essential element in supporting the achievement of business objectives and sustainable development in the ever-changing business environment.

The Company has a formal Board diversity policy in place that set out the approach to achieve diversity for the Company's board of directors and provides the Company with the flexibility to select from a wide and diverse talent pool when shortlisting candidates for Board appointment. The NC will continue to review the Board diversity policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval. Any updates or progress made towards implementing the Board diversity policy will be disclosed in the Company's Corporate Governance Report, as appropriate.

In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. All Board appointments will be based on merits of the selected candidate, the needs of the Board (having due regard for the benefits of diversity on the Board) and the potential contributions that the selected candidate will bring to the Board.

The Board is also of the view that gender is one of the key aspects of diversity and will strive to ensure that (a) any brief to external search consultants to identify candidates for appointment to the Board will include a requirement to present female candidates, (b) female candidates are included for consideration by the NC whenever it seeks to identify a new director for appointment to the Board or when a director reaches his 9-year term, and (c) when a female director is appointed to the Board, she shall be a member of the NC.

Nevertheless, diversity is not merely limited to gender or any other personal attributes. The benefits of Board diversity could only be harnessed if directors adopt an independent mindset when carrying out their responsibilities. To gather and leverage on diverse perspectives, all directors are encouraged to speak up and participate in decision-making in order to cultivate an inclusive environment.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, considering the nature and scope of the Group's operations. No individual or small group of individuals dominate the Board's decision-making. The Board and Board Committees have an appropriate balance and mix of skills, knowledge and experience in the Group's core businesses and the areas of accounting and finance, legal and regulatory compliance, business management and risk management. All directors of the Company have individually more than 20 years of professional and/or corporate experience, working with employers and clients spanning diverse industries, enabling them to provide diverse and objective perspectives on the Group's business and direction. The NC will continue to assess on an annual basis the skill set of the board of directors to ensure that the skills of the directors remain relevant to the business of the Group. Profiles of the directors are set out in the 'Board of Directors' section of Annual Report 2023.

Provision 2.5 of the Code:
Independent Directors meet regularly without the presence of the Management

To facilitate a more effective check on the management, the independent directors meet at least once a year with the internal and external auditors without the presence of the management. The independent directors also communicate with each other from time to time without the presence of the management to discuss the performance of the management and any matters of concern. Feedback arising from such meetings or discussions is provided to the Board and/or the Chief Executive Officer (the "**CEO**"), as appropriate.

Principle 3:
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the leadership of the Board and the management, and no one individual has unfettered powers of decision making.

Provision 3.1 of the Code:
Chairman and CEO are separate persons

Chairman of the Board bears responsibility for the working of the Board and, together with the rest of the board committees, ensures the integrity and effectiveness of the governance process of the Board. He is also responsible for overall strategic planning and direction of the group. The Chairman also provides overall leadership and strategic vision for the group.

Provision 3.2 of the Code:
Division of responsibilities between Chairman and CEO

Currently, there is no Chairman.

The CEO, Mr Yeo Puay Hin, is responsible for business development and operations as well as strategic planning of the Group. He is assisted by the management to execute business strategies/initiatives, develop the Group's businesses and implement the Board's decisions.

Provision 3.3 of the Code:
Lead Independent Director

There is no replacement after the previous Lead Independent Director, Mr Choy Bing Choong resigned from the Board, as the Board is of the view that there is sufficiently strong independent element on the Board to enable independent exercise of objective judgement on affairs and operations of the Group by members of the Board.

Principle 4: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 of the Code: NC to make recommendations to the Board on relevant matters

Provision 4.2 of the Code: Composition of NC

2 out of 3 members of the NC are independent directors. The Chairman of the NC is an independent director. The NC's responsibilities, as set out in its terms of reference, include the following:

- Making recommendations to the Board relating to matters such as:
  - succession plans for directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;
  - process and criteria for evaluation of the performance of the Board, Board Committees and directors;
  - review of training and professional development programmes for the directors;
  - appointment, re-election and re-appointment of directors;
  - composition of the Board to ensure that the Board has an appropriate balance of expertise, skills, diversity, attributes and abilities; and
  - determine the maximum number of listed company representation which any director may hold.
- Determining annually whether or not a director is independent in accordance with the Code, the Listing Manual and any other salient factors;
- Evaluating the effectiveness of the Board, Board Committees and directors; and
- Reviewing and approving the employment of persons related to the directors, CEO or substantial shareholders and the proposed terms of their employment.

During FY2023, the NC conducted activities in line with its foregoing terms of reference.

Provision 4.3 of the Code:
Process for the selection, appointment and re-appointment of Directors

The NC conducts an annual review of the appropriate balance, diversity and size of the Board to determine whether any changes are required in relation to the Board composition.

Process for the Selection and Appointment of New Directors		
1	Determine selection criteria	The NC, in consultation with the Board, identifies the needs of the Board in terms of directors' skillsets and experience.
2	Search for suitable candidates	Candidates would first be sourced through the directors' and/or key management personnels' network of contacts and referrals. The NC may engage a talent acquisition firm, if necessary.
3	Assess shortlisted candidates	Suitable candidates would be shortlisted for interview by the NC and for assessment for suitability as director of the Company.
4	Appoint candidate as director	The NC would recommend the selected candidate to the Board for consideration and approval.

Process for the Re-Election of Directors		
1	Assess director	The NC assesses the performance of the director and ensures that he/she is able to contribute to the ongoing effectiveness of the Board.
2	Re-appoint director	The NC would recommend the re-appointment of the director to the Board for consideration and approval.

In recommending to the Board on appointment and re-appointment of directors, the NC considers the following factors:

- Needs of the Group, Board diversity policy, competencies and experience of the candidate and his or her commitment, contribution and performance as director of the Company, officer of other companies and/or professionals in his or her area of expertise;

- Number of public listed company directorships and other principal commitments held by the candidate;

- Whether the candidate is a fit and proper person (in accordance with the MAS' fit and proper guidelines as a reference point), which broadly considers the candidate's competence, honesty, integrity and financial soundness; and

- Independence of the candidate (for independent directors).

The Constitution of the Company provides that one-third of the directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of our directors, shall retire and subject themselves to re-election by the shareholders at every Annual General Meeting ("**AGM**"). In addition, all directors of the Company shall retire from office and subject themselves for re-nomination and re-appointment at least once every 3 years. The Company's Constitution also provides that new directors appointed during the year but not appointed in a general meeting, either to fill a vacancy or as an addition to the Board, are required to submit themselves for re-election at the next AGM of the Company. Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a director.

Pursuant to Regulation 98(2) of the Company's Constitution, Mr Yeo Puay Hin ("**Mr Yeo"**) and Mr Lee Chin Chai ("**Mr Lee**") will be retiring from the Board by rotation at the forthcoming AGM. Mr Yeo and Mr Lee, being eligible for re-election, have offered themselves for re-election.

Pursuant to Regulation 99 of the Company's Constitution, Mr Kuan Cheng Tuck ("**Mr Kuan**") will be retiring from the Board at the forthcoming AGM. Mr Kuan, being eligible for re-election, has offered himself for re-election.

The NC, having considered the attendance and participation of Mr Yeo, Mr Lee and Mr Kuan at the Board and Board committee meetings and in particular, their contribution to the business and operations of the Company, has recommended their re-election. Each member of the NC/Board had abstained from participating in any deliberations of the NC/Board, making any recommendations and/or voting on any resolutions in respect of his re-election as a director of the Company. The Board has concurred with the NC's recommendation to nominate Mr Yeo, Mr Lee and Mr Kuan for re-election at the Company's forthcoming AGM.

The details of Mr Yeo, Mr Lee and Mr Kuan, who are seeking re-election as directors, as required under Rule 720(6) of the Listing Manual are set out in the 'Disclosure of Information on Directors Seeking Re-Election' section of Annual Report 2023.

Provision 4.4 of the Code:
Circumstances affecting Director's independence

As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the directors. Each independent director is required annually to complete a checklist to confirm his independence. Furthermore, an independent director shall immediately disclose to the NC and/or company secretary any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Company. The NC is of the view that the independent directors are independent. As at the date of this report, there is no relationship or circumstance set forth in Provision 2.1 of the Code which put the independence of the independent directors in question.

Provision 4.5 of the Code:
Multiple listed company directorships and other principal commitments

To address the issue of competing time commitments faced by the directors, the NC determined that the maximum number of listed company directorships and other principal commitments which each director may hold is 8. All directors have complied with this requirement.

The above guideline is reviewed by the NC annually. The NC requires each director to declare changes in listed company directorships or other principal commitments as soon as possible to enable the on-going monitoring of the commitment of the directors to the Company.

In addition to the number of listed company directorships and other principal commitments, the NC also considers the results of the annual evaluation of each director's effectiveness and the respective directors' conduct and performance at the Board and Board Committee meetings to determine whether the director is able to discharge his duties diligently.

In respect of FY2023, the NC is of the view that each director has discharged his duties diligently. The NC considered and is satisfied that the directors did not hold a significant number of listed company directorships and other principal commitments and such directorships and principal commitments did not impede their respective performance in carrying out their duties towards the Company. Please refer to the 'Board of Directors' section of Annual Report 2023 for the listed company directorships and other principal commitments of the directors.

Alternate directors would only be appointed in exceptional circumstances. No alternate director has been appointed to the Board during FY2023 and as at the date of this report.

Principle 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

Provisions 5.1 and 5.2 of the Code: Assessment of effectiveness of the Board and Board Committees and assessing the contribution by the Chairman and each Director

The NC assesses the effectiveness of the Board and Board Committees and the contribution by each director annually using evaluation checklists. Directors' responses in the evaluation checklists are consolidated by the company secretary and summarised into a report that is reviewed by the NC and tabled to the Board. The Board will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed or resignation of directors may be sought.

In assessing the Board's and Board Committees' effectiveness, the NC considers factors such as:

- Board's and Board Committees' composition, including balance of skills;
- Board's and Board Committees' practices and conduct, including flow of information, communication with the shareholders and management and how the Board and Board Committees' chairpersons provide effective leadership to the Board and Board Committees respectively;
- Board's contribution to formulation of strategies and in ensuring effective risk management; and
- Board Committees' contribution in facilitating effective and efficient decision-making by the Board.

In assessing the contribution by each director, the NC considers factors such as:

- Commitment demonstrated by each director, including attendance at Board and Board Committees meetings and how well each director prepares for meetings;
- Willingness and ability to constructively challenge and contribute effectively in discussions;
- Technical and business knowledge; and
- Interaction with fellow directors and management.

Where appropriate, the NC will review and make changes to the evaluation checklists to align with prevailing regulations and requirements.

Each member of the NC shall abstain from deliberating and voting on any resolutions in respect of the assessment of his/her performance or re-nomination as director.

Based on the NC's review for FY2023, the Board has been effective as a whole and each director has contributed to the effective functioning of the Board and Board Committees.

Although no external independent facilitator had been engaged for performance assessment, the NC has full authority to do so, if the need arises.

REMUNERATION MATTERS

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Principle 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises all 3 independent directors of the Company. In FY2023, the RC conducted activities in line with its terms of reference as disclosed hereunder.

Provision 6.1 of the Code: RC to recommend remuneration framework and packages

Provision 6.2 of the Code: Composition of RC

The RC's responsibilities, as set out in its terms of reference, include the following:

- Review and recommend to the Board in relation to remuneration policy and guidelines for remuneration of directors and key management personnel;
- Determine specific remuneration packages for each director and key management personnel;
- Review the Company's obligations arising in the event of termination of service contracts entered into between the Group and the executive directors and key management personnel, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly generous and avoid rewarding poor performance;
- If necessary, seek expert advice within and/or outside the Company on remuneration matters and ensure that relationships between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;
- Periodically review remuneration packages of the directors and key management personnel in order to maintain the attractiveness of the remuneration packages so as to retain and motivate the directors and key management personnel; and
- Ensure that remuneration of directors and key management personnel are adequately disclosed, in particular those required by regulatory bodies such as the SGX-ST.

The recommendations of the RC shall be submitted for endorsement by the Board. Each RC member/board member shall abstain from reviewing, deliberating and voting on any resolution in respect of his/her remuneration package or that of any employees who are related to him/her.

The RC ensures that formal and transparent procedures for determination of remuneration packages of directors and key management personnel are in place. All aspects of remuneration (including director's fees, salaries, allowances, bonuses, share-based compensation, benefits in kind and termination terms) of directors and key management personnel (including employees who have family relationship with any director and/or substantial shareholder) are reviewed for fairness by the RC annually. Recommendations of the RC are then tabled at Board meeting for approval. The above procedures are reviewed periodically to ensure that they remain relevant.

Provision 6.3 of the Code: RC to consider and ensure all aspects of remuneration are fair

Employment contracts signed between the Company and the executive directors and key management personnel can be terminated by the Company without prejudice by providing notice of 2 to 3 months. These employment contracts do not contain onerous termination clauses and are reviewed periodically.

The independent directors do not have service agreements with the Company and receive directors' fees in accordance with their contributions and considering factors such as effort and time spent and their responsibilities. The directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at the annual general meeting.

The RC members are familiar with remuneration matters as they hold/had held key executive positions with remuneration responsibilities, and they are regularly updated of market practices. During FY2023, the Company did not engage any remuneration consultant to seek advice on remuneration matters.

Provision 6.4 of the Code:
Expert advice on remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Principle 7:
LEVEL AND MIX OF REMUNERATION

Remuneration of executive directors and key management personnel comprise fixed components, including salaries and bonuses, and a variable component. Discretionary bonuses (if any) are determined based on the individual's performance, the Group's performance for each financial year against key performance indicators on revenue and profit targets, as well as other factors such as market conditions. Their remuneration is linked to their roles and responsibilities and aligned with shareholders' and other stakeholders' interests to promote long-term success of the Group. The Group's remuneration policy is to ensure that the remuneration offered is competitive and sufficient to attract, retain and motivate the directors and the key management personnel of the required experience and expertise.

Provisions 7.1 and 7.3 of the Code:
Remuneration of Executive Directors and key management personnel are appropriately structured to encourage good stewardship and promote long-term success of the Company

<u>Contractual provision to reclaim incentive components of remuneration</u>

Having reviewed the variable component in the remuneration packages of the executive directors and key management personnel, the RC is of the view that it is not necessary to institute contractual provisions to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events.

<u>Long-term incentive scheme</u>

The RC recognises that long-term incentive schemes reinforce the delivery of long-term growth and shareholder value and recommended the Hoe Leong Corporation Performance Share Plan (the "**Hoe Leong PSP**"). Hoe Leong PSP was approved by the shareholders on 10 August 2022 and provides employees and directors the opportunity to participate in equity of the Company upon the fulfilment of performance condition(s). Details of the Hoe Leong PSP are set out in disclosures under Provision 8.3 of this report.

The independent directors are paid directors' fees which take into consideration of their contribution, effort, time spent and responsibilities. They are not overly remunerated to the extent that their independence may be compromised. Executive directors are not paid directors' fees.

Provision 7.2 of the Code: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilities

The independent directors are remunerated according to the following structure:

Fee per year as:	Board S$	AC S$	NC S$	RC S$
Chairman	–	30,000	10,000	10,000
Lead independent director	Not stipulated[#]	–	–	–
Member	20,000	5,000	5,000	5,000

[#] Mr Choy Bing Chong, who resigned on 30 September 2023, had waived the requirement to pay fee relating to his appointment as the lead independent director for FY2023.

Breakdown of directors' fee for FY2023 is as follows:

Independent directors	Board/Board Committees appointments	FY2023 S$
Choy Bing Choong*	Lead Independent Director RC Chairman AC and NC member	30,000
Lee Chin Chai	NC Chairman AC and RC member	40,000
Wee Sung Leng	RC Chairman AC member	55,000
Kuan Cheng Tuck*	AC Chairman NC and RC member	10,000

* Mr Choy Bing Choong resigned on 30 September 2023 and Mr Kuan Cheng Tuck was appointed on 2 October 2023.

For FY2024, the RC had recommended to the Board an amount of S$135,000 as directors' fees to be paid to the independent directors. The Board had concurred with the RC's recommendation. These recommendations will be tabled for shareholders' approval at the Company's forthcoming AGM. Each of the RC/Board members had abstained from deliberating and voting on his own remuneration.

On 10 August 2022, the Company adopted the Hoe Leong PSP which the independent directors can participate in. As at the date of this report, no award of performance shares was granted to any independent director.

Principle 8: DISCLOSURE ON REMUNERATION

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1 and 8.3 of the Code: Remuneration disclosures of Directors and key management personnel; Details of employee share schemes

A separate annual remuneration report is not prepared as the matters which need to be disclosed in such annual remuneration report have already been sufficiently disclosed in this report and in the financial statements of the Company.

In view of confidentiality of remuneration policies of the Group, sensitive nature of remuneration matters and competitive pressures in the talent market, the Board is of the view that it is in the best interest of the Company to disclose the remuneration of its directors and key management personnel in salary bands as such disclosure will help to retain and nurture the Group's talent pool, given the sensitive nature of remuneration matter, the Company's operating environment and the competition for talents.

A breakdown showing the band and mix of each director's and the CEO's remuneration for FY2023 is as follows:

Remuneration band and name of director	Salary, allowance and CPF (%)	Salary payable in shares (%)	Variable or performance-related bonus (%)	Directors' fee (%)	Total (%)
Below S$250,000:					
Liew Yoke Pheng Joseph*	89	11	–	–	100
Yeo Puay Hin	100	–	–	–	100
Choy Bing Choong*	–	–	–	100	100
Lee Chin Chai	–	–	–	100	100
Wee Sung Leng	–	–	–	100	100
Kuan Cheng Tuck*	–	–	–	100	100

* Mr Liew Yoke Pheng Joseph had resigned on 31 October 2023, Mr Choy Bing Choong had resigned on 30 September 2023 and Mr Kuan Cheng Tuck was appointed on 2 October 2023.

Total remuneration of the directors for FY2023 amounted to S$502,000 (FY2022: S$545,000).

A breakdown showing the band and mix of each of the executive officer's remuneration for FY2023 is as follows:

Remuneration band and name of key management personnel(1)	Designation	Salary, allowance and CPF (%)	Variable or performance-related bonus (%)	Other benefits (%)	Total (%)
Below S$250,000:					
Chin Yon Fei	Director of Sales and Marketing	88	6	6	100
Wu Peicong(2)	Group Financial Controller	100	–	–	100
Low Chuan Jee(3)	Group Financial Controller	100	–	–	100

Notes:

(1) Given the size of the Group's operations, the abovenamed executive officers are the only key management personnel of the Group, excluding the executive directors.

(2) Mr Wu Peicong had resigned on 11 May 2023.

(3) Ms Low Chuan Jee was appointed on 3 July 2023.

The total remuneration paid to the abovenamed key management personnel of the Group (who are not directors or the CEO of the Company) in FY2023 amounted to S$324,000 (FY2022: S$310,000).

The above remuneration of the executive directors and executive officers for FY2023 has been approved by the Board.

During FY2023, no termination and post-employment benefits were granted to the directors, the CEO and the key management personnel.

Except as disclosed in this report, no other payments and benefits were paid by the Company and its subsidiaries to the directors and key management personnel of the Company for FY2023.

Hoe Leong Corporation Performance Share Plan

Unless otherwise defined, all terms not defined herein shall be as defined in the rules of the Hoe Leong PSP. Please refer to the Company's Circular dated 26 July 2022.

The Hoe Leong PSP is intended to give the Company greater flexibility in tailoring reward and incentive packages for its directors and employees and aligning their interest with those of the Company's shareholders.

Awards granted under the Hoe Leong PSP will be principally: (i) performance-based; and/or (ii) loyalty-based. The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Plan Committee, which shall take into account criteria such as rank, job performance and potential for future development, his contribution to the success and development of the Group and the extent of effort with which the Performance Condition may be achieved within the Performance Period.

The aggregate number of Shares which may be issued or transferred pursuant to Awards granted under the Plan on any date, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued Shares excluding treasury shares and subsidiary holdings (if any) on the day preceding that date.

The Hoe Leong PSP was approved by the shareholders of the Company at the Extraordinary General Meeting held on 10 August 2022, and is administered by the Plan Committee, comprising the Remuneration Committee and the CEO, appointed by the Board.

Name of members of the Plan Committee:

Wee Sung Leng	Chairman
Lee Chin Chai	Member
Kuan Cheng Tuck	Member
Yeo Puay Hin	Member

Participants in the Hoe Leong PSP will receive awards which represent the right to receive fully paid shares of the Company free of charge, upon satisfying the Performance Condition (determined at the discretion of the Plan Committee) and provided that the relevant Participant has continued to be a Group executive from the Award Date to the end of the Performance Period. Employees who are Controlling Shareholders or Associates of Controlling Shareholders shall not participate in the Hoe Leong PSP.

During FY2023, the number of performance shares granted, vested and cancelled under the Hoe Leong PSP are as follow:

	Number of Hoe Leong performance share				
Grant date	**As at 1 January 2023 ('000)**	**Granted during the year ('000)**	**Vested during the year ('000)**	**Cancelled/ lapsed during the year ('000)**	**As at 31 December 2023 ('000)**
1 September 2022	34,000	–	(8,333)	(9,000)	16,667
16 August 2023	–	7,500	–	–	7,500

On 16 August 2023, Awards comprising 7,500,000 ordinary shares were granted to Group executives who are not directors of the Company. The Awards vest in 3 equal tranches over 3 years, subject to the participants remaining in employment of the Group during each 1-year period. Please refer to the Company's SGXNet announcement dated 16 August 2023.

As at the date of this annual report, no Award was granted to any directors of the Company. No employee in the Group has received shares which, in aggregate, represent 5% or more of the aggregate of the total number of shares available under the Hoe Leong PSP. Controlling shareholders of the Company and their associates are not eligible to participate in the Hoe Leong PSP.

Provision 8.2 of the Code:
Remuneration disclosure of related employees

The following employee is a substantial shareholder (and an immediate family member of substantial shareholders of the Company) and whose remuneration exceeded S$100,000 during FY2023:

Name of related employee	**Designation in the Company**	**Relationship**
Below S$250,000:		
Yeo Puay Hin	9 January 2023 to present: Executive Director and CEO 23 June 2021 to 8 January 2023: Executive Director (Business Development)	Mr Yeo, along with Mr Lew Chee Beng (father-in-law) and Mdm Lew Puay Ling (spouse), are substantial shareholders of the Company.

ACCOUNTABILITY AND AUDIT

Principle 9:
RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provision 9.1 of the Code:
Board determines the nature and extent of significant risks

One of the Board's principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the periodic financial statements as well as the announcement of significant corporate developments and activities in a timely manner so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The management presents to the Audit Committee the quarterly and full-year results for their review and recommendation to the Board for approval. The Board approves the results and authorizes the release of the results to the public via SGXNet.

Risk Management

Risk analysis and management is undertaken within the Group as a source of sustainable business benefit and competitive advantage. The Board had assessed and decided that the AC (instead of a separate Board Risk Committee) shall oversee the Group's risk management framework and policies. The AC assists the Board in providing oversight of risk management in the Company. The AC is responsible for reviewing the adequacy and effectiveness of the Group's risk management systems and internal controls, including financial, operational, compliance (including sanctions-related risks) and information technology controls and report to the Board its observations on the matters as it considers necessary and makes recommendations to the Board.

The Company has in place an enterprise risk management ("**ERM**") framework which includes a set of processes to ensure that the Group is aware of, and attends to, current and emerging risks. The management is expected to constantly review the business operations and environment to identify significant risks and ensure that mitigating measures, including preventive, detective and corrective controls, are promptly implemented to address these risks. These significant risks and mitigating measures taken, together with the risk owners and action plans to address any gaps, are documented in a risk register.

The AC, with the assistance of the internal and external auditors, annually reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance (including sanctions-related risk) and information technology controls.

The internal auditor, Baker Tilly Consultancy (Singapore) Pte Ltd, has carried out internal audit according to standards set out by the Institute of Internal Auditors on the system of internal controls and reported the findings to the AC. The external auditor, PKF-CAP LLP, has also, in the course of their statutory audit, gained an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audits.

Internal Controls

Provision 9.2 of the Code:
Assurance from CEO, CFO and other key management personnel

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' interest and investments and the Group's assets. The internal controls measures also aim to ensure that proper accounting records are maintained and financial information to be used within the business and/or to be published are accurate and complete. The Board notes that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities. As such, the Company's risk management and internal controls systems are regularly evaluated and improved to ensure its relevance to the Company's operations.

For FY2023, the Board received assurance from the CEO and the Group Financial Controller that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

- the Group's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the management, various Board Committees and the Board, and the written assurance from the CEO and the Group Financial Controller, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing key financial, operational, compliance (including sanctions-related risks) and information technology controls, and risk management systems were adequate and effective as at 31 December 2023. The Group will review its internal control systems and processes on an on-going basis and make further improvements when necessary.

Sanctions-Related Risks

As a member of the United Nations, Singapore implements the Resolutions passed by the United Nations Security Council ("**UNSC**") through Singapore laws. Activities which contravene the decisions of the UNSC in their resolutions are prohibited.

On 5 March 2022, the Ministry of Foreign Affairs of Singapore issued a statement detailing the sanctions and measures that Singapore will take in response to Russia's military operations in Ukraine.

The Group sells undercarriage parts to a small number of undercarriage distributors and end-users in Russia. Sales to these customers made up about 5.1% of total sales of the Group for FY2023. The Group does not transact with any party in other sanctioned nations. The Group does not have a physical presence in any sanctioned nation and no substantial shareholder, director or executive officer is located in a sanctioned nation. Considering the above factors, the Board confirms that the Company's exposure to sanctions-related risks is not material.

The Board and the AC will continue to be: (i) responsible for monitoring the Company's risk of becoming subject to, or violating any sanctions law; and (ii) ensuring accurate disclosures to the SGX-ST and other relevant authorities in a timely manner.

The Board and the AC will continue to monitor and ensure disclosure to the SGX-ST and other relevant authorities of any material changes to the risk of the Group in a timely manner.

As at the date of this report, based on report from management, the AC and the Board confirm that there has been no material change in its risk of being subject to any sanctions law.

Principle 10:
AUDIT COMMITTEE

The Board has an AC which discharges its duties objectively.

Provision 10.1 of the Code: Duties of AC

Provision 10.2 of the Code: Composition of AC

Provision 10.3 of the Code: AC does not comprise former partners or directors of the Company's auditing firm

The AC comprises all 3 independent directors of the Company.

All members of the AC, including the AC Chairman, are appropriately qualified and have recent and relevant accounting or related financial management expertise and experience. They are not former partners or directors of the Company's auditing firm, PKF-CAP LLP, and do not hold any financial interest in the firm.

During FY2023, the AC conducted activities in line with its term of reference and its statutory duties prescribed under Section 201B(5) of the Companies Act.

The AC's responsibilities, as set out in its terms of reference, include the following

- review with the external auditors and management:
  - the audit plan;
  - their evaluation of the system of internal accounting controls and effectiveness of the Company's audit function;
  - significant financial reporting issues and judgements;
  - audit report issued by the external auditors; and
  - management letter issued by the external auditors and the management's response;
- review the financial statements of the Company including quarterly, half yearly and full-year results before submission to the Board for approval;
- meet with the internal auditors and external auditors at least once a year in the absence of management to discuss issues arising from the audit, including the assistance given by the management to the auditors;
- review the independence of external auditors annually and the aggregate amount of fees paid to the external auditors for the financial year and a breakdown of the fees paid for audit and non-audit services;
- consider and recommend to the Board, the appointment/re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls, including financial, operational, compliance (including sanctions-related risks) and information technology controls (such review to be carried out internally or with the assistance of any competent third parties);
- review the internal audit plan and report, adequacy, effectiveness and independence of the internal audit function and monitor management's responsiveness to the internal audit findings and recommendation;
- review the appointment, removal, evaluation and compensation of the internal audit function;
- review interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- review the Group's whistle-blowing and fraud detection procedures and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

- monitor the Company's risk of becoming subject to, or violating, any Sanctions Law and ensure that disclosures to/via the SGX-ST and other relevant authorities are made accurately and in a timely manner and monitoring continuously the validity of information provided to shareholders and the SGX-ST;
- assess whether there is a need to obtain independent legal advice or appoint a compliance adviser in relation to sanctions-related risks that apply to the Company;
- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising;
- review the Company's sustainability report and sustainability practices; and
- undertake such other functions and duties as may be required by statute or the Listing Manual.

The AC is authorised to investigate any matter within its terms of reference, and has full access to, and co-operation of, the Management. The AC has full discretion to invite any director, executive officer or management personnel to attend its meetings and has access to reasonable resources, including independent professional advice, to enable it to discharge its functions.

The Group has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of external auditor. The aggregate amount of fees paid/payable to the external auditor, PKF-CAP LLP, for audit services for FY2023 were S$209,000 and no non-audit services was rendered by PKF-CA LL and external auditors of the Company's subsidiaries during FY2023. The AC, having reviewed the scope and value of the audit and non-audit services provided by PKF-CAP LLP, is satisfied that the independence and objectivity of PKF-CAP LLP is not impaired.

The AC had evaluated the performance of PKF-CA LL based on the key indicators of audit quality set out in the "Audit Quality Indicators Disclosure Framework" published by ACRA.

Fees paid/payable to the external auditors for FY2023	Audit fees S$'000	Non-audit fees S$'000	Non-audit fees As % of total audit fees
External auditors of the Company (PKF-CAP LLP)	122	–	–
Overseas PKF entities	87	–	–
Total	209	–	–

In recommending the re-appointment of PKF-CAP LLP as external auditor for the financial year ending 31 December 2024, the AC considered the adequacy of their resources, training and quality control, experience of the engagement team and the firm as a whole and quality of work carried out by the external auditor.

The Company has outsourced its internal audit function to Baker Tilly Consultancy (Singapore) Pte Ltd, a corporate member of the Institute of Internal Auditors Singapore. The primary reporting line of the internal auditors is to the AC on any material non-compliance and internal control weaknesses identified in the course of audit. The hiring, removal, evaluation of the internal auditors and compensation to be paid to them is recommended by the AC and approved by the Board.

Provision 10.4 of the Code:
Primary reporting line of the internal audit function is to AC;
Internal audit function has unfettered access to Company's documents, records, properties and personnel

The internal audit team have unrestricted access to the Company's documents, records, properties and personnel. The internal audit team is staffed with personnel with relevant qualifications and experience and takes reference from the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors when performing their reviews. The AC reviews the adequacy and effectiveness of the internal audit function at least on an annual basis, and as and when the situation calls for it. The AC is satisfied that the internal auditors is independent, effective, have adequate resources to perform its functions and have appropriate standing within the Group. The internal audit plan for FY2023 was reviewed and approved by the AC before commencement of the audit.

Provision 10.5 of the Code:
AC meets with the auditors without the presence of Management annually

During FY2023, 4 AC meetings were convened. The Group Financial Controller attended all the meetings, while the external auditors (PKF-CAP LLP) and internal auditors respectively attended 4 and 3 of the meetings.

The AC meets at least once a year with the internal auditors and external auditors without the presence of the management so that any concern and/or issue can be raised directly and privately. The last private session with the internal auditors and external auditors was held on 27 February 2024 to discuss, amongst other matters, the conduct of internal audit for FY2023 and audit of financial statements for the year ended 31 December 2023.

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2023, the AC has discussed with the management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements.

The following key audit matters were discussed between the management and the external auditor and were reviewed by the AC. The key audit matters are included in the independent auditor's report for FY2023.

Key audit matters	How the matters were addressed by the AC
1. Valuation of inventories	The AC reviewed the management's approach, methodology and judgement applied to the estimate of impairment allowance for slow-moving and obsolete inventories and concurred with the management's conclusion that as at 31 December 2023, valuation of inventories are reasonably stated and allowance for impairment of inventories are adequately made.
2. Valuation of trade receivables	The AC reviewed the management's approach, methodology and judgement pertaining to the recognition of revenue and trade receivables and estimates of impairment allowance and concurred with the management's conclusion that as at 31 December 2023, trade receivables are valid and allowance for impairment of trade receivables are adequately made.
3. Litigations and claims	The AC reviewed and concurred with the management's conclusion that the provision relating to legal and related expenses to be supportable, taking into consideration the legal and financial opinions/confirmation obtained, and recent development on the ongoing material litigations and possible course of actions to be taken.

WHISTLE-BLOWING POLICY

During FY2023, the Company has in place a whistle-blowing policy and procedures for employees of the Group and other persons to raise concerns about possible improprieties in matters of financial reporting, fraudulent behaviour and other significant matters, misconduct or wrongdoing relating to the Company and its officers, directly to the AC. The AC has been designated as the independent function responsible for oversight and monitoring of whistle-blowing, as well as investigating reports made in good faith.

According to the Company's whistle-blowing policy, whistle-blowers shall be protected from reprisal and the identity of the whistle-blower and the concern raised would be treated with strictest confidentiality. Anonymous reporting will be attended to, taking into consideration of the seriousness and credibility of the issue raised and the likelihood of confirming the allegation from attributable sources and information provided. The Company is committed to ensure protection of the whistle-blower against detrimental or unfair treatment. This policy is disseminated to employees of the Group and available on the Company's website (www.hoeleong.com/investor-relations/policies/).

Possible improprieties such as suspected fraud, corruption, dishonest practices and other significant matters can be reported to the AC via email (whistleblowing@hoeleong.com).

During FY2023, no significant matter was raised through the Group's whistle-blowing channels.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 of the Code:
Company provides shareholders with the opportunity to participate effectively and vote at general meetings

The Board ensures that the shareholders are treated fairly and equitably. All material information which would likely affect the price or value of the Company's shares shall be disclosed adequately and in a timely manner. Presentations to shareholders will be made available on SGXNet and the Company's website.

In presenting the Group's financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects.

The Company's principal form of dialogue with shareholders takes place at general meetings. Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated. Notices of general meetings are dispatched to shareholders, together with the annual report and/or circulars within the time notice period as prescribed by the relevant regulations. Where necessary, additional explanatory notes will be provided for relevant resolutions which are to be tabled at general meetings to enable shareholders to exercise their vote on an informed basis. The Company strives to hold general meetings at venues which are accessible to shareholders and provide shareholders with the opportunity to voice their views and direct their questions to the Board regarding the Company.

Shareholders will also be briefed during the general meetings on voting procedures of the general meetings. Voting procedures will also be documented in the notices of general meetings.

The Board notes that the best practice is to have separate resolutions on each substantially separate issue. The Company shall avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. In situations where resolutions are inter-conditional, the Company will provide clear explanations.

Provision 11.2 of the Code:
Separate resolution on each substantially separate issue

All directors and the relevant key management personnel shall attend general meetings to address shareholders' queries and receive feedback from shareholders.

Provision 11.3 of the Code:
All Directors attend general meetings

The external auditor of the Company shall also be invited to attend the AGMs and shall assist in addressing queries from the shareholders relating to the conduct of the audit and the preparation and content of the independent auditor's report.

The Chairman of the general meeting will facilitate constructive dialogue between shareholders and the Board, management, external auditors and other relevant professionals.

All general meetings held during FY2023 were attended by all directors of the Company.

The Company's Constitution allows all shareholders to appoint not more than 2 proxies to attend and vote on their behalf and provides that a proxy need not be a shareholder of the Company. A relevant intermediary (as defined in Section 181 of the Companies Act) may appoint more than 2 proxies to participate in shareholders' meetings. Investors who hold shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his/her vote(s) at the general meetings in person. CPF and SRS Investors shall inform their CPF Agent Banks or SRS Operators of their intention to attend general meeting and they would be appointed as proxies of the intermediaries to attend and vote in the general meeting. CPF and SRS Investors who are unable to attend the general meeting but would like to vote, should approach their CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the general meeting.

Provision 11.4 of the Code:
Company's Constitution allow for absentia voting of shareholders

The Company's Constitution does not permit voting in absentia except only by appointment of proxy. As the authenticity of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided not to amend its Constitution for the time being, to allow voting in absentia by mail or electronic means.

Minutes of general meetings which include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and the relevant key management personnel will be available to shareholders upon their written request.

Provision 11.5 of the Code:
Minutes of general meetings are published on the Company's corporate website as soon as practicable

The minutes will be published on SGXNet and the Company's website within 1 month of the general meetings.

All resolutions proposed at general meetings shall be put to vote by way of a poll. All votes cast, for or against, and the respective percentages, in respect of each resolution are tallied and disclosed at the meeting and an announcement with the detailed results showing the numbers of votes cast for and against for each resolution and the respective percentage will be released via SGXNet after the general meetings. Electronic polling is not used due to the small turnout at general meetings. The votes from the proxy forms received from the shareholders will be counted and validated by an independent scrutineer.

The Company does not have a formal dividend policy. The form, frequency and amount of future dividend of the Company's shares will depend on the earnings, financial position, results of operations, cash flows, capital needs, general business conditions, terms of borrowing arrangements (if any), plans for expansion, and other factors as the Board may deem appropriate.

Provision 11.6 of the Code: Dividend policy

No dividend was declared during/recommended for FY2023 in view of the Company's accumulated losses.

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Principle 12: ENGAGEMENT WITH SHAREHOLDERS

The Company is committed to treating all shareholders fairly and equitably and keep all its shareholders and other stakeholders promptly informed of its corporate activities which would likely to materially affect the price or value of its shares. The Company does not practise selective disclosure. Information is mainly communicated to shareholders via SGXNet announcements and the Company's annual reports. Announcements released on the SGXNet include the half yearly and full year results, material transactions and other developments of the Group which require disclosure. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure dissemination of the information to shareholders in a timely manner.

Provision 12.1 of the Code: Company provides avenues for communication between the Board and shareholders and discloses steps taken to solicit and understand the views of shareholders

The investor relations function is overseen by the CEO who leads the Investor Relations team which comprises the executive director and executive officers of the Company. The Investor Relations team takes an active role in communications with shareholders and the investment community to address their queries or concerns and to update them on the latest corporate development.

The Company has in place an investor relations policy which promotes the dissemination of relevant information to the Company's shareholders and prospective investors in a timely manner to enable them to make well-informed investment decisions and to ensure a level playing field. The Company's investor relations policy is available at the Company's website The dedicated website link for investor relations is: www.hoeleong.com/investor-relations/.

Provisions 12.2 and 12.3 of the Code: Company has in place an investor relations policy; Investor relations policy sets out mechanism of communication between the shareholders and the Company

Shareholders and the investment community can contact the Company's Investor Relations team by telephone at +65 6463 8666 or email at contact@hoeleong.com.

MANAGING STAKEHOLDERS RELATIONSHIPS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Principle 13: ENGAGEMENT WITH STAKEHOLDERS

The Company endeavours to communicate effectively and regularly with our stakeholders. Our engagement with material stakeholder groups, including key area of focus and engagement channels, are disclosed in the 'Sustainability Report' which forms part of Annual Report 2023.

Provisions 13.1 and 13.2 of the Code: Engagement with material stakeholder groups

The Group seizes opportunities to engage our stakeholders and welcomes feedback on our sustainability report. The Company's Sustainability Committee, which comprise all executive director and executive officers of the Company, can be contacted via email (contact@hoeleong.com).

Stakeholders who wish to know more about the Group and our business can visit our website (www.hoeleong.com). The Company's website was revamped during FY2021 and has a dedicated section on investor relations where the Group's latest financial results, annual report, SGXNet announcements, group structure, key policies and investor relations contacts are disclosed.

Provision 13.3 of the Code:
Corporate website to engage stakeholders

DEALINGS IN SECURITIES

The Company has put in place policy on dealings in the Company's securities by the Company, its directors, officers and employees of the Company and its subsidiaries.

The Company prohibits its directors, officers and employees from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company and all its directors, officers and employees of the Group are not allowed to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first 3 quarters of its financial year (where applicable) and 1 month before the announcement of the Company's half year and full year financial statements.

The Company's officers and employees are also expected to observe insider trading laws at all times. Directors are required to report all dealings in securities of the Company to the company secretary immediately.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Group has adopted a policy in respect of any transactions with interested persons and requires all such transactions to be at arm's length, on normal commercial terms and not prejudicial to the Company and its minority shareholders. All IPTs are documented and submitted periodically to the AC for their review. During FY2023, there were no IPTs which exceeds S$100,000 in value.

No IPT mandate has been obtained by the Company.

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual, the Company confirms that there was no material contracts and loans of the Company and its subsidiaries involving the interests of the CEO, each director or controlling shareholder, either still subsisting at the end of FY2023 or, if not then subsisting, entered into since the end of FY2022.

USE OF PROCEEDS FROM EXERCISE OF OPTION

On 28 March 2023, the substantial shareholder, Shing Heng Holding Pte. Ltd. ("**SHHPL**") exercised the remaining 1,264,383,561 options of principal amount of S$1,846,000.

The proceeds from the exercise of option amounting to S$1,846,000 were used for working capital purpose as follows:

	S$'000
Purchases from suppliers and subcontractors	322
Investment in plant and equipment	207
Other operating expenses*	1,317
Total	1,846

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

The use of proceeds from the exercise of Options was in accordance with the intended use (i.e. General working capital and any potential investment in plant and equipment for expansion and enhancement of operational capacity) as disclosed in the Company's circular dated 1 June 2021.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

We are pleased to present the accompanying consolidated financial statements of Hoe Leong Corporation Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2023.

In our opinion:

(a) the financial statements are drawn up to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this report are as follows:

Yeo Puay Hin
Lee Chin Chai
Wee Sung Leng
Kuan Cheng Tuck (appointed on 2 October 2023)

Directors' interests

Directors who held office at the end of the financial year had no interests in shares, debentures, warrants or share options of the Company or of related corporations as recorded in the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the "Act"), except as follows:

Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**
Deemed interest		
Yeo Puay Hin:		
Company – Ordinary shares	6,954,794,520	8,219,178,081
Company – Options	1,264,383,561	–

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2024.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Hoe Leong Corporation Performance Share Plan

The Hoe Leong Corporation Performance Share Plan (the "Hoe Leong PSP") was approved by the Company's shareholders at an Extraordinary General Meeting held on 10 August 2022.

The Hoe Leong PSP is intended to give the Company greater flexibility in tailoring reward and incentive packages for its directors and employees and aligning their interest with those of the Company's shareholders.

Directors' interests (cont'd)

Hoe Leong Corporation Performance Share Plan (cont'd)

Awards granted under the Hoe Leong PSP will be principally (i) performance-based; and/or (ii) loyalty-based. The number of shares which are the subject of each award to be granted to a participant in accordance with the Plan shall be determined at the absolute discretion of the Plan Committee, which shall take into account criteria such as rank, job performance and potential for future development, his/her contribution to the success and development of the Group and the extend of effort with which the performance condition may be achieved within the performance period.

The aggregate number of shares which may be issued or transferred pursuant to awards granted under the Plan on any date, when aggregated with the aggregate number of shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued shares excluding treasury shares and subsidiary holdings (if any) on the day preceding that date.

The Hoe Leong PSP is administered by the Plan Committee, comprising the Remuneration Committee and the Chief Executive Officer, appointed by the Board.

Name of members of the Plan Committee:

Wee Sung Leng	Chairman
Lee Chin Chai	Member
Kuan Cheng Tuck	Member
Yeo Puay Hin	Member

Participants in the Hoe Leong PSP will receive awards which represent the right to receive fully paid shares of the Company free of charge, upon satisfying the performance condition (determined at the discretion of the Plan Committee) and provided that the relevant participant has continued to be a Group executive from the award date to the end of the performance period. Employees who are controlling shareholders or associates of controlling shareholders shall not participate in the Hoe Leong PSP.

During the reporting year ended 31 December 2023, the number of performance share awards granted, vested and cancelled under the Hoe Leong PSP are as follow:

	Number of shares under Hoe Leong PSP awards				
Grant date	**As at 1 January 2023 ('000)**	**Granted during the year ('000)**	**Vested during the year ('000)**	**Cancelled/ lapsed during the year ('000)**	**As at 31 December 2023 ('000)**
1 September 2022	34,000	–	(8,333)	(9,000)	16,667
16 August 2023	–	7,500	–	–	7,500

No performance shares awards were granted to any directors of the Company during the financial year ended 31 December 2023. No employee in the Group has received shares which, in aggregate, represent 5% or more of the aggregate of the total number of shares available under the Hoe Leong PSP.

Audit Committee

The members of the Audit Committee at the date of this report are:

- Kuan Cheng Tuck (Chairman), Independent Director
- Lee Chin Chai, Independent Director
- Wee Sung Leng, Independent Director

The Audit Committee performs the functions specified in Section 201B of the Act, the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Code of Corporate Governance.

The Audit Committee has held four meetings since the date of the last directors' statement. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system. The Company's internal audit function has been outsourced and the Audit Committee has discussed the scope of the work with the appointed firm, the results of their examination and their evaluation of the Company's internal accounting system, where appropriate.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Board of Directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, PKF-CAP LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company and its subsidiaries, the Company has complied with Rule 712 and 715 of the SGX-ST Listing Manual.

Auditor

PKF-CAP LLP has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Lee Chin Chai
Director

Yeo Puay Hin
Director

15 April 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOE LEONG CORPORATION LTD.
(COMPANY REGISTRATION NO. 199408433W)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hoe Leong Corporation Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2023, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of this report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters.

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

1. Valuation of inventories ($20,243,000) (Refer to Note 7 to the financial statements)	
Key audit matter	*How the matter was addressed in our audit*
Inventories represented 45% of the Group's total assets as at 31 December 2023. The write down to net realisable value for slow-moving and obsolete inventories requires management to exercise judgement in assessing slow-moving and obsolete inventories and making estimates of the net realisable value to determine the appropriate level of write-down required and adequacy of the provision for slow-moving and obsolete inventories.	We reviewed and evaluated the management's analyses and assessments on the net realisable value of inventories by comparing the cost of inventories against recent and subsequent selling prices. We reviewed management's assessment on the allowance for slow moving and obsolete inventories and evaluated the reasonableness of the allowance made. We reviewed adequacy of the disclosure in the financial statements.
2. Valuation of trade receivables ($10,495,000) (Refer to Note 8 to the financial statements)	
Key audit matter	*How the matter was addressed in our audit*
Trade receivables represented 23% of the Group's total assets as at 31 December 2023. In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances for expected credit losses ("ECL") on financial assets. In formulating the ECL model, the Group considers both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. Such an assessment involves judgement and use of estimates which are inherently subjective.	We reviewed the credit evaluation and monitoring process activities. We reviewed and assessed the appropriateness of the assumptions applied in the ECL model by comparing against the Group's historical default rates, subsequent debt collections from debtors and forward-looking factors. We reviewed adequacy of the disclosure in the financial statements.
3. Litigations and claims (Refer to Note 14 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group is involved in several on-going litigations and claims. As the outcome of these on-going litigations and claims is contingent on events that may be outside the control of the Group, there is risk of estimation uncertainties associated with the provision of loss liabilities recorded by the Group.	We assessed management's basis for the provisions made in relation to on-going litigations and claims. We held discussions with management and reviewed relevant correspondence and/or agreements between the parties involved in the on-going litigations and claims. We obtained confirmation letters from the external legal counsel, and evaluated their legal view to support management's judgement and stand on each of the on-going litigations and claims against the Group.

Report on the audit of the financial statements (cont'd)

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Report on the audit of the financial statements (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Kok Keong.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore

15 April 2024

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group		Company	
		2023	2022	2023	2022
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	**7,926**	8,894	**2,170**	2,626
Investments in subsidiaries	5	**–**	–	**10,298**	10,298
Deferred tax assets	6	**412**	650	**–**	–
Non-current assets		**8,338**	9,544	**12,468**	12,924
Inventories	7	**20,243**	17,981	**–**	–
Trade and other receivables	8	**12,994**	12,642	**9,845**	8,625
Cash and cash equivalents	9	**3,445**	4,666	**72**	413
Current assets		**36,682**	35,289	**9,917**	9,038
Total assets		**45,020**	44,833	**22,385**	21,962
Equity					
Share capital	10	**128,772**	126,814	**128,772**	126,814
Treasury shares		**(55)**	(55)	**(55)**	(55)
Currency translation reserve	11	**(2,102)**	(1,128)	**–**	–
Other reserves		**22**	14	**22**	14
Accumulated losses		**(101,189)**	(101,439)	**(108,238)**	(107,679)
Total equity		**25,448**	24,206	**20,501**	19,094
Liabilities					
Loans and borrowings	12	**4,190**	5,561	**138**	448
Deferred tax liabilities	6	**1**	41	**–**	20
Non-current liabilities		**4,191**	5,602	**138**	468
Trade, provisions and other payables	15	**5,448**	6,664	**875**	1,400
Loans and borrowings	12	**8,500**	6,878	**313**	412
Reserve for retirement allowance	16	**856**	895	**–**	–
Other provisions	14	**558**	588	**558**	588
Income tax payable		**19**	–	**–**	–
Current liabilities		**15,381**	15,025	**1,746**	2,400
Total liabilities		**19,572**	20,627	**1,884**	2,868
Total equity and liabilities		**45,020**	44,833	**22,385**	21,962

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 $'000	Group 2022 $'000
Revenue	17	**40,011**	41,792
Cost of sales		**(33,397)**	(38,600)
Gross profit		**6,614**	3,192
Other income	19	**425**	2,866
Distribution expenses		**(3,027)**	(3,412)
Administrative expenses		**(4,275)**	(4,891)
Other expenses		**(1,976)**	(2,783)
Net reversal of impairment losses	19	**3,250**	6,161
Results from operating activities		**1,011**	1,133
Finance costs	18	**(554)**	(537)
Profit before income tax	19	**457**	596
Income tax (expense)/credit	20	**(207)**	199
Profit for the year attributable to owners of the Company		**250**	795
Earnings per share:			
Basic (cents)	21	**–***	0.01
Diluted (cents)	21	**–***	0.01

* Less than 0.01 cent

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Group	
	2023	**2022**
	$'000	**$'000**
Profit for the year	**250**	795
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from foreign operations	**(974)**	(385)
Other comprehensive (loss)/income, net of income tax	**(974)**	(385)
Total comprehensive (loss)/income for the year attributable to the owners of the Company	**(724)**	410

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Share capital $'000	Treasury shares $'000	Convertible bond $'000	Currency translation reserve $'000	Other reserves $'000	Accumulated losses $'000	Total equity $'000
		Attributable to owners of the Company						
Group								
At 1 January 2022		115,601	(55)	834	(743)	638	(102,234)	14,041
Issuance of share capital		7,250	–	–	–	–	–	7,250
Issuance of convertible bond	10	834	–	(834)	–	–	–	–
Conversion of convertible loan	10	3,129	–	–	–	(638)	–	2,491
Equity-settled share-based expenses		–	–	–	–	14	–	14
Total comprehensive (loss)/income for the year								
Profit for the year		–	–	–	–	–	795	795
Other comprehensive (loss)/income								
Foreign currency translation differences arising from foreign operations		–	–	–	(385)	–	–	(385)
Total comprehensive (loss)/income for the year		–	–	–	(385)	–	795	410
At 31 December 2022		126,814	(55)	–	(1,128)	14	(101,439)	24,206
At 1 January 2023		**126,814**	**(55)**	**–**	**(1,128)**	**14**	**(101,439)**	**24,206**
Issuance of share capital		**1,958**	**–**	**–**	**–**	**–**	**–**	**1,958**
Equity-settled share-based expenses		**–**	**–**	**–**	**–**	**8**	**–**	**8**
Total comprehensive (loss)/income for the year								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**250**	**250**
Other comprehensive (loss)/income								
Foreign currency translation differences arising from foreign operations		**–**	**–**	**–**	**(974)**	**–**	**–**	**(974)**
Total comprehensive (loss)/income for the year		**–**	**–**	**–**	**(974)**	**–**	**250**	**(724)**
At 31 December 2023		**128,772**	**(55)**	**–**	**(2,102)**	**22**	**(101,189)**	**25,448**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 $'000	Group 2022 $'000
Cash flows from operating activities			
Profit before income tax		**457**	596
Adjustments for:			
Depreciation of property, plant and equipment	4	**1,279**	1,487
Interest costs on other financial liabilities	18	**493**	469
Interest costs on lease liabilities	18	**61**	35
Amortisation of imputed interest	18	**–**	33
Gain on disposal of property, plant and equipment	19	**(36)**	(2,414)
Reversal of allowance for inventories (net)	19	**(2,968)**	(5,553)
Inventories written off/(back)	19	**30**	(7)
Bad debts written off – Trade receivables	19	**152**	218
Payables written back	19	**–**	(268)
Reversal of impairment of trade receivables	19	**(464)**	(551)
Reversal of other provisions		**(30)**	–
Retirement benefits	16	**223**	326
Equity-settled share-based expenses		**8**	14
Warranty provision	15	**29**	(8)
Operating cash flows before working capital changes		**(766)**	(5,623)
Changes in working capital:			
Inventories		**676**	5,900
Trade and other receivables		**(208)**	3,168
Trade, provisions and other payables		**(1,395)**	(1,063)
Cash (used in)/generated from operations		**(1,693)**	2,382
Income taxes received		**178**	238
Net cash (used in)/generated from operating activities		**(1,515)**	2,620
Cash flows from investing activities			
Purchase of property, plant and equipment		**(573)**	(338)
Proceeds from disposal of property, plant and equipment		**54**	2,866
Net cash (used in)/generated from investing activities		**(519)**	2,528
Cash flows from financing activities			
Interest paid		**(554)**	(504)
Proceeds from bills payable and trust receipts		**4,117**	8,323
Repayment of bills payable and trust receipts		**(2,559)**	(11,001)
Payment of lease liabilities		**(822)**	(931)
Proceeds from exercise of options	10	**1,846**	3,154
Proceeds from bank borrowings		**918**	1,363
Repayment of bank borrowings		**(1,115)**	(3,562)
Net cash generated from/(used in) financing activities		**1,831**	(3,158)
Net (decrease)/increase in cash and cash equivalents		**(203)**	1,990
Cash and cash equivalents at beginning of the year		**4,666**	3,044
Effect of exchange rate fluctuations		**(1,018)**	(368)
Cash and cash equivalents at end of the year	9	**3,445**	4,666

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 April 2024.

1 Domicile and activities

Hoe Leong Corporation Ltd. (the "Company") is incorporated in the Republic of Singapore. The Company's registered office is at 6 Clementi Loop, Singapore 129814.

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

The financial statements of the Group as at and for the financial year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

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 financial year are included in the following notes:

- Note 4 – Measurement of depreciation and recoverable amounts of property, plant and equipment.
- Note 5 – Measurement of recoverable amounts of investments in subsidiaries.
- Note 7 – Measurement of net realisable value of inventories.
- Note 8 – Measurement of impairment loss allowance for trade receivables.
- Note 25 – Measurement of estimation of provision for loss liabilities from on-going litigation cases.

2 Basis of preparation (cont'd)

2.5 Changes in accounting policies

New standards and amendments

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual periods beginning 1 January 2023. The adoption of these new or revised SFRS(I)s and SFRS(I) INTs did not result in changes to the Group's and the Company's accounting policies and has no material effect on the current or prior year's financial statements except as below.

The Group adopted the amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies in the current financial year. The amendments require the disclosure of "material" instead of "significant" accounting policy information and provides guidance to assist the entity in providing useful, entity-specific accounting policy information for the users' understanding of the financial statements. Accordingly, management had reviewed the accounting policies and updated the information disclosed in Note 3 Summary of material accounting policy information in line with the amendments.

3 Material accounting policy information

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Basis of consolidation

(i) Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. There were no business combinations during the financial year.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3 Material accounting policy information (cont'd)

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income ("OCI"). However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the currency translation reserve in equity.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 Material accounting policy information (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost. Non-derivative financial assets are categorised as follows:

Financial assets	Conditions to be met	Subsequent measurement
Amortised cost	• Business model to hold assets to collect contractual cash flows; and • its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	• Measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. • Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. • Any gain or loss on derecognition is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

<u>Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest</u>

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3 Material accounting policy information (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets (cont'd)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

<u>Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses</u>

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3 Material accounting policy information (cont'd)

3.3 Financial instruments (cont'd)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequently, they are measured at the higher of the amount of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

Expected credit losses ("ECLs") are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2017, the Group's date of transition to SFRS(I), was determined with reference to its fair value at that date.

3 Material accounting policy information (cont'd)

3.4 Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

3 Material accounting policy information (cont'd)

3.4 Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold building	–	50 years
Office equipment and fittings	–	5 to 10 years
Material handling equipment	–	5 to 10 years
Computers	–	3 years
Motor vehicles	–	1 to 5 years
Right-of-use assets	–	1 to 3 years

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.6 Impairment

(i) Non-derivative financial assets and contract assets

- The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost; and

- intra-group financial guarantee contracts ("FGC").

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

3 Material accounting policy information (cont'd)

3.6 Impairment (cont'd)

(i) Non-derivative financial assets and contract assets (cont'd)

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each financial year end date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses ("ECLs")

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

3 Material accounting policy information (cont'd)

3.6 Impairment (cont'd)

(i) Non-derivative financial assets and contract assets (cont'd)

General approach (cont'd)

Credit-impaired financial assets

At each financial year end date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds the estimated recoverable amount.

3 Material accounting policy information (cont'd)

3.6 Impairment (cont'd)

(ii) Non-financial assets (cont'd)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and are tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Employee benefits

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3 Material accounting policy information (cont'd)

3.7 Employee benefits (cont'd)

(iii) Defined benefit plan

In accordance with labour regulations in Korea, the estimated amount of retirement benefits to be paid in the event that all employees who have worked for more than one year as of the end of reporting period retire at once.

The Group operates a funded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligations under the Scheme, calculated using Projected Unit Cost Method, is determined based on actuarial computations by independent actuaries. That benefit is discounted in order to determine its present value.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.9 Revenue

Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3 Material accounting policy information (cont'd)

3.10 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

3 Material accounting policy information (cont'd)

3.10 Leases (cont'd)

(i) As a lessee (cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

3 Material accounting policy information (cont'd)

3.11 Government grants

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.12 Finance costs

The Group's finance costs include interest expense that is recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

3 Material accounting policy information (cont'd)

3.13 Tax (cont'd)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3.14 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of dilutive potential ordinary shares, which comprise convertible loan note, share options and convertible bond.

3 Material accounting policy information (cont'd)

3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman and Chief Executive Officer (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.16 New standards and interpretations not yet adopted

A number of new standards and amendments to standard that have been issued are not yet effective and have not been applied in preparing these financial statements. The directors expect that the adoption of these new and amended standards will have no material impact on the financial statements in the year of initial application.

Standard	Title	Annual periods beginning on or after
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current	1 January 2024
SFRS(I) 16	Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback	1 January 2024
SFRS(I) 1-7, SFRS(I) 7	Amendments to SFRS(I) 1-7 and SFRS(I) 7: Supplier Finance Arrangements	1 January 2024
Various	Amendment to SFRS (I) 1-1: Non-current Liabilities with Covenants	1 January 2024
SFRS(I) 1-21	Amendments to SFRS(I) 1-21: Lack of Exchangeability	1 January 2025
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

4 Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Office equipment and fittings $'000	Material handling equipment $'000	Computers $'000	Motor vehicles $'000	Right-of-use assets $'000	Total $'000
Group								
Cost								
At 1 January 2022	2,875	6,027	1,647	11,164	832	753	2,814	26,112
Additions	–	–	98	159	48	8	2,065	2,378
Disposals	(152)	(901)	(49)	(735)	(4)	(96)	(1,911)	(3,848)
Written off	–	–	(709)	(617)	(440)	–	–	(1,766)
Translation differences on consolidation	(10)	(57)	(55)	(287)	(20)	(108)	–	(537)
At 31 December 2022	2,713	5,069	932	9,684	416	557	2,968	22,339
Additions	–	54	55	446	13	5	199	772
Disposals	–	–	(17)	(79)	(34)	(68)	(308)	(506)
Written off	–	–	–	–	(1)	–	(8)	(9)
Translation differences on consolidation	(130)	(251)	(31)	(616)	(11)	(29)	(39)	(1,107)
At 31 December 2023	**2,583**	**4,872**	**939**	**9,435**	**383**	**465**	**2,812**	**21,489**
Accumulated depreciation and impairment loss								
At 1 January 2022	350	2,112	1,575	9,819	765	577	2,164	17,362
Depreciation	–	117	42	330	46	50	902	1,487
Disposals	–	(505)	(44)	(700)	(4)	(96)	(1,911)	(3,260)
Written off	–	–	(709)	(617)	(440)	–	–	(1,766)
Translation differences on consolidation	–	(11)	(50)	(263)	(23)	(31)	–	(378)
At 31 December 2022	350	1,713	814	8,569	344	500	1,155	13,445
Depreciation	–	96	47	272	28	41	795	1,279
Disposals	–	–	(15)	(72)	(28)	(65)	(308)	(488)
Written off	–	–	–	–	(1)	–	(3)	(4)
Transfer	–	–	3	–	(3)	–	–	–
Translation differences on consolidation	–	(55)	(30)	(544)	(8)	(22)	(10)	(669)
At 31 December 2023	**350**	**1,754**	**819**	**8,225**	**332**	**454**	**1,629**	**13,563**
Carrying amounts								
At 1 January 2022	2,525	3,915	72	1,345	67	176	650	8,750
At 31 December 2022	2,363	3,356	118	1,115	72	57	1,813	8,894
At 31 December 2023	**2,233**	**3,118**	**120**	**1,210**	**51**	**11**	**1,183**	**7,926**

4 Property, plant and equipment (cont'd)

	Freehold land $'000	Freehold building $'000	Material handling equipment $'000	Computers $'000	Right-of-use assets $'000	Total $'000
Company						
Cost						
At 1 January 2022	1,136	2,013	206	13	2,013	5,381
Additions	–	–	–	–	1,194	1,194
Disposals	–	–	–	–	(1,911)	(1,911)
At 31 December 2022	1,136	2,013	206	13	1,296	4,664
Disposals	–	–	–	–	(308)	(308)
At 31 December 2023	**1,136**	**2,013**	**206**	**13**	**988**	**4,356**
Accumulated depreciation and impairment loss						
At 1 January 2022	350	988	206	5	1,647	3,196
Depreciation	–	40	–	4	709	753
Disposals	–	–	–	–	(1,911)	(1,911)
At 31 December 2022	350	1,028	206	9	445	2,038
Depreciation	–	41	–	3	412	456
Disposals	–	–	–	–	(308)	(308)
At 31 December 2023	**350**	**1,069**	**206**	**12**	**549**	**2,186**
Carrying amounts						
At 1 January 2022	786	1,025	–	8	366	2,185
At 31 December 2022	786	985	–	4	851	2,626
At 31 December 2023	**786**	**944**	**–**	**1**	**439**	**2,170**

Details of the right-of-use assets included in property, plant and equipment are as follow:

	Land and buildings $'000	Material handling equipment $'000	Motor vehicles $'000	Total $'000
Group – Carrying amounts				
At 1 January 2022	322	25	303	650
Additions	1,985	–	80	2,065
Depreciation	(754)	(10)	(138)	(902)
At 31 December 2022	1,553	15	245	1,813
Additions	199	–	–	199
Depreciation	(678)	(10)	(107)	(795)
Written off	–	–	(5)	(5)
Translation differences on consolidation	–	(1)	(28)	(29)
At 31 December 2023	**1,074**	**4**	**105**	**1,183**

4 Property, plant and equipment (cont'd)

	Land and buildings $'000	Motor vehicles $'000	Total $'000
Company – Carrying amounts			
At 1 January 2022	287	79	366
Additions	1,194	–	1,194
Depreciation	(676)	(33)	(709)
At 31 December 2022	805	46	851
Depreciation	(377)	(35)	(412)
At 31 December 2023	**428**	**11**	**439**

Carrying amount of property, plant and equipment pledged as security to secure credit facilities:

	2023 $'000	2022 $'000
Group		
Freehold land and buildings	**5,351**	5,719
Material handling equipment	**620**	821
Motor vehicles	**95**	135
	6,066	6,675

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. 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 external valuation reports obtained from independent professional valuers, with appropriate recognised professional qualifications and experience in the assets being valued. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the fair value.

5 Subsidiaries

	Company	
	2023 $'000	2022 $'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

Movements in accumulated impairment losses:

	2023 $'000	2022 $'000
At 1 January/31 December	**11,183**	11,183

Investments in subsidiaries are reviewed at each financial year end 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 accounting policy stated in Note 3.6.

5 Subsidiaries (cont'd)

The information of subsidiaries are as follows:

Name of subsidiaries and principal activities	Country of incorporation	Effective equity held by the Group 2023 %	Effective equity held by the Group 2022 %
Trackspares Global Pte. Ltd.[(1)] Investment holding	Singapore	**100**	100
Ho Leong Tractors Sdn. Bhd.[(2)] Distribution of heavy equipment parts	Malaysia	**100**	100
Kunshan Kanto Buhin Manufacturing Co., Ltd[(3)] Manufacturing and distribution of heavy equipment parts	People's Republic of China	**100**	100
PT Trackspare Dormant	Indonesia	**99**	99
Held through Trackspares Global Pte. Ltd.:			
Hoe Leong Crawler Parts Pte. Ltd.[(1)] Distribution of heavy equipment parts	Singapore	**100**	100
Trackspares (Australia) Pty. Ltd.[(4)] Sales and servicing of heavy machinery and equipment parts	Australia	**100**	100
Korea Crawler Track Ltd.[(5)] Manufacturing and distribution of heavy equipment parts	South Korea	**100**	100
Jiangsu Trackspares Manufacturing Co., Ltd[(3)] Manufacturing, import, export and distribution of heavy equipment parts	People's Republic of China	**100**	100
Kunshan Trackspares Trading Co., Ltd[(6)] Trading, import, export and distribution of heavy equipment parts.	People's Republic of China	**100**	–
Held through Trackspares (Australia) Pty. Ltd.:			
Trackex Pty. Ltd.[(4)] Servicing of heavy equipment and machinery	Australia	**100**	100

(1) In compliance with Rule 715(1) of the SGX-ST Listing Manual, all Singapore-incorporated subsidiaries are audited by the Company's auditors, PKF-CAP LLP.

(2) Audited by PKF Malaysia, an affiliated firm of PKF-CAP LLP.

(3) Audited by PKF Shenzhen, an affiliated firm of PKF-CAP LLP.

(4) Audited by PKF Brisbane, an affiliated firm of PKF-CAP LLP.

(5) Audited by PKF Korea, an affiliated firm of PKF-CAP LLP.

(6) Newly incorporated on 11 September 2023.

6 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the financial year are as follows:

	At 1 January 2022 $'000	Recognised in profit or loss (Note 20) $'000	Exchange differences $'000	At 31 December 2022 $'000	Recognised in profit or loss (Note 20) $'000	Exchange differences $'000	At 31 December 2023 $'000
Group							
Deferred tax assets							
Provisions	646	38	(45)	639	(227)	(11)	**401**
Others	11	–	–	11	–	–	**11**
	657	38	(45)	650	(227)	(11)	**412**
Deferred tax liabilities							
Property, plant and equipment	(39)	(2)	–	(41)	40	–	**(1)**

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	Company 2023 $'000	Company 2022 $'000
Deferred tax assets		
Provisions	**–**	19
Deferred tax liabilities		
Property, plant and equipment	**–**	(39)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are included in the statements of financial position as follows:

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Deferred tax assets	**412**	650	**–**	19
Deferred tax liabilities	**(1)**	(41)	**–**	(39)

Deferred tax assets have been recognised in respect of provisions to the extent that these balances will reverse in the foreseeable future and to the extent that their realisation through future taxable profits is probable.

7 Inventories

	Group	
	2023	2022
	$'000	$'000
Raw materials	**1,627**	1,884
Work-in-progress	**5,058**	5,176
Finished goods	**12,360**	10,237
Goods-in-transit	**1,198**	684
	20,243	17,981

In 2023, the amount of inventories recognised in cost of sales was $30,123,000 (2022: $36,934,000). In addition, an allowance for slow-moving inventories of $2,968,000 (2022: $5,553,000) previously made was written back due to the inventories being sold above the carrying amounts.

Work-in-progress consists primarily of raw materials and allocated overhead costs.

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 year to the extent that such events confirm conditions that existed at the financial year end 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.

Finished goods are stated after deducting an allowance for slow-moving inventories of $6,526,000 (2022: $9,646,000).

8 Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trade receivables due from:				
– third parties	**10,789**	10,589	**–**	–
– subsidiaries	**–**	–	**12,507**	12,190
Less: allowance for impairment losses				
– third parties	**(294)**	(775)	**–**	–
– subsidiaries	**–**	–	**(4,419)**	(4,427)
Net trade receivables	**10,495**	9,814	**8,088**	7,763
Other receivables due from subsidiaries	**–**	–	**1,622**	657
Advances to suppliers	**303**	503	**–**	–
Deposits	**1,093**	1,084	**131**	199
Tax recoverable	**22**	190	**–**	–
Sundry receivables	**874**	853	**–**	–
Prepayments	**207**	198	**4**	6
Total other receivables	**2,499**	2,828	**1,757**	862
Total trade and other receivables	**12,994**	12,642	**9,845**	8,625

8 **Trade and other receivables (cont'd)**

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

Included in deposits as at 31 December 2023 was a sum of approximately $906,000 (2022: $808,000) set aside for post-employment purposes.

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. The Group estimated the expected credit loss ("ECL") for trade receivables using the allowance matrix to measure the ECLs of trade receivables from individually significant customers and groups of customers with common characteristics. The historical credit loss rates were determined based on historical credit losses in relation to aggregated balances over a period of 3 to 5 years.

The exposure to credit risk for trade receivables at the financial year end date (by geographical distribution) was as follows:

	Group		Company	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Australia	**2,174**	1,778	**–**	–
Europe	**114**	946	**–**	–
North America	**2,491**	2,636	**–**	–
Asia	**4,652**	3,551	**8,088**	7,763
Others	**1,064**	903	**–**	–
	10,495	9,814	**8,088**	7,763

A summary of the Group and Company's exposures to credit risk for trade receivables is as follows:

	2023			2022		
	Not credit-impaired $'000	**Credit-impaired $'000**	**Gross carrying amount $'000**	**Not credit-impaired $'000**	**Credit-impaired $'000**	**Gross carrying amount $'000**
Group						
Receivables measured at lifetime ECL						
Trade receivables	**10,539**	**250**	**10,789**	10,001	588	10,589
Total gross carrying amount	**10,539**	**250**	**10,789**	10,001	588	10,589
Allowance for impairment losses on trade receivables	**(44)**	**(250)**	**(294)**	(187)	(588)	(775)
Total	**10,495**	**–**	**10,495**	9,814	–	9,814
Company						
Receivables measured at lifetime ECL						
Trade receivables	**8,088**	**4,419**	**12,507**	7,763	4,427	12,190
Total gross carrying amount	**8,088**	**4,419**	**12,507**	7,763	4,427	12,190
Allowance for impairment losses on trade receivables	**–**	**(4,419)**	**(4,419)**	–	(4,427)	(4,427)
Total	**8,088**	**–**	**8,088**	7,763	–	7,763

8 Trade and other receivables (cont'd)

Movements in the allowance for impairment in respect of trade and other receivables (excluding loans to investees):

	Group Lifetime ECL $'000	Company Lifetime ECL $'000
At 1 January 2022	1,473	9,897
Impairment loss recognised	83	522
Impairment loss utilised or reversed	(748)	(5,992)
Translation differences	(33)	–
At 31 December 2022	775	4,427
Impairment loss reversed	(464)	(8)
Translation differences	(17)	–
At 31 December 2023	**294**	**4,419**

Expected credit loss assessment

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on observed default rates according to days past due of trade receivables of the respective group entities. The Group also incorporate forward looking information such as forecast of economic conditions especially if the gross domestic product growth is expected to deteriorate over the next year, leading to higher likelihood of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at the financial year end date:

	Weighted average loss rate	Gross carrying amount $'000	Allowance for impairment losses $'000	Credit impaired
2023				
Group				
Not past due	**0.1%**	**6,600**	**6**	**No**
Past due 0 to 30 days	**1.2%**	**1,784**	**21**	**No**
Past due 31 to 60 days	**1.8%**	**335**	**6**	**No**
Past due 61 to 90 days	**0.5%**	**415**	**2**	**No**
Past due 91 to 150 days	**0.3%**	**332**	**1**	**No**
Past due more than 150 days	**19.5%**	**1,323**	**258**	**Yes**
		10,789	**294**	

8 Trade and other receivables (cont'd)

	Weighted average loss rate	Gross carrying amount $'000	Allowance for impairment losses $'000	Credit impaired
2022				
Group				
Not past due	1.3%	6,881	92	No
Past due 0 to 30 days	2.6%	1,016	27	No
Past due 31 to 60 days	2.1%	281	6	No
Past due 61 to 90 days	1.6%	828	13	No
Past due 91 to 150 days	4.6%	205	9	No
Past due more than 150 days	45.6%	1,378	628	Yes
		10,589	775	
2023				
Company				
Not past due	**–**	**308**	**–**	**No**
Past due 0 to 90 days	**–**	**340**	**–**	**No**
Past due 91 to 150 days	**–**	**278**	**–**	**No**
Past due more than 150 days	**38.2%**	**11,581**	**4,419**	**Yes**
		12,507	**4,419**	
2022				
Company				
Not past due	–	1,208	–	No
Past due 0 to 90 days	–	1,069	–	No
Past due 91 to 150 days	–	674	–	No
Past due more than 150 days	47.9%	9,239	4,427	Yes
		12,190	4,427	

9 Cash and cash equivalents

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Not restricted in use	**3,445**	4,666	**72**	413

10 Share capital

	Group and Company	
	Number of Shares issued '000	**Share capital $'000**
As at 1 January 2022	6,271,035	115,601
Issue of ordinary shares arising from:		
Conversion of convertible loan note	2,054,795	3,129
Exercise of options	4,900,000	7,154
Conversion of convertible bonds	476,328	834
Share-based payment	48,000	96
As at 31 December 2022	13,750,158	126,814
Issue of ordinary shares arising from:		
Exercise of options	1,264,384	1,846
Vesting of performance shares	8,333	16
Share-based payment	48,000	96
At 31 December 2023	**15,070,875**	**128,772**

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

On 25 March 2022, the convertible loan note of amount $3 million, issued to substantial shareholder, Shing Heng Holding Pte Ltd ("SHHPL") on 23 June 2021 and will mature on 23 June 2024, was converted in full into 2,054,794,520 new ordinary shares at a conversion price of $0.00146 per share. In addition to this, the convertible bond of amount $834,000, issued to a lender on 23 June 2021, was also converted in full into 476,328,000 new ordinary shares at a conversion price of $0.00175 per share. On the same day, SHHPL exercised 4,900,000,000 options at a consideration of $7,154,000 and 4,900,000,000 new ordinary shares were issued and allotted to SHHPL. After setting off against other borrowings of $4,000,000 owed to SHHPL, the net consideration paid by SHHPL to the Company was $3,154,000.

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

Based on the employment contract entered between the Company and the then Executive Chairman and ex-Chief Executive Officer of the Company on 1 November 2019, a portion of his monthly remuneration amounting to $8,000 shall be paid in shares subject to shareholders' approval at a general meeting.

On 28 March 2023, SHHPL exercised the remaining 1,264,383,561 options and 1,264,383,561 new ordinary shares were issued and allotted to SHHPL.

On 9 May 2023, 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 then Executive Chairman, from 1 January 2022 to 31 December 2022 amounting to S$96,000.

On 4 September 2023, the Company issued and allotted 8,333,333 ordinary shares at S$0.002 per share pursuant to the vesting of awards granted under the Hoe Leong Corporation Performance Share Plan.

10 Share capital (cont'd)

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as profit for the year divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity, when required.

There were no changes in the Group's approach to capital management in 2023 and 2022.

Certain of the Group's banking facilities are subject to fulfilment of covenants relating to certain balance sheet ratios and minimum level of net worth.

11 Currency translation reserve

The currency translation reserve of the Group comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currency is in a foreign currency, as well as from the translation of receivables denominated in foreign currencies, which form part of the Company's net investment in the foreign operations.

12 Loans and borrowings

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Non-current liabilities				
Secured bank loan B	**–**	309	**–**	–
Unsecured bank loan A	**2,392**	2,795	**–**	–
Unsecured bank loans B	**1,215**	1,435	**–**	–
Lease liabilities	**583**	1,022	**138**	448
	4,190	5,561	**138**	448
Current liabilities				
Secured bank loans A	**2,106**	2,866	**–**	–
Secured bank loan B	**476**	256	**–**	–
Secured bank loan C	**–**	14	**–**	–
Secured invoice financing	**–**	416	**–**	–
Unsecured bank loan A	**984**	1,455	**–**	–
Unsecured bank loans B	**1,938**	1,121	**–**	–
Unsecured bank loan C	**900**	–	**–**	–
Unsecured bank loan D	**1,530**	–	**–**	–
Lease liabilities	**566**	750	**313**	412
	8,500	6,878	**313**	412
Total loans and borrowings	**12,690**	12,439	**451**	860

(i) The secured bank loans A, B, C and secured invoice financing are granted to subsidiaries for working capital purposes and are secured by legal mortgages over the freehold land and building and certain plant and equipment of the Company and group entities.

(ii) Corporate guarantees are provided by the Company for secured bank loans B and unsecured bank loans A and C granted to subsidiaries.

12 Loans and borrowings (cont'd)

(iii) Repayment terms of the relevant loans and borrowings are as follows:

Loans and borrowings	Repayment terms
Secured bank loans A	Loans are subject to renewal annually.
Secured bank loan B	Repayable via monthly principal instalment of AUD$12,000. Loan is rolled over every 5 years and due for rollover in December 2024.
Secured bank loan C	Repayable over 36 monthly instalments until August 2023.
Secured invoice financing	Loans are repayable within 4 to 6 months of drawdown date.
Unsecured bank loan A	Repayable via monthly principal instalment of $60,000 (December 2021 to May 2023); and between $82,000 and $85,000 (June 2023 to May 2027).
Unsecured bank loans B	The tenure of loans is between 1 and 5 years. These loans shall be repaid in lump sum at maturity date or over the tenure of the loan.
Unsecured bank loan C	Repayable 180 days from the date of each drawdown.
Unsecured bank loan D	Loans are subject to renewal annually.

Lease liabilities

Lease liabilities are payable as follows:

	Total contractual cash flow $'000	Interest $'000	Present value of minimum lease payments $'000
Group			
2023			
Within 1 year	**596**	**30**	**566**
Between 1 and 5 years	**590**	**7**	**583**
	1,186	**37**	**1,149**
2022			
Within 1 year	794	44	750
Between 1 and 5 years	1,048	26	1,022
	1,842	70	1,772
Company			
2023			
Within 1 year	**321**	**8**	**313**
Between 1 and 5 years	**139**	**1**	**138**
	460	**9**	**451**
2022			
Within 1 year	430	18	412
Between 1 and 5 years	457	9	448
	887	27	860

12 Loans and borrowings (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

		2023		2022	
	Year of maturity	**Face Value $'000**	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
Group					
SGD floating rate loans:					
Unsecured bank loan A	2027	**3,376**	**3,376**	4,250	4,250
Unsecured bank loan C	2024	**900**	**900**	–	–
KRW floating rate loan:					
Secured bank loans A and C	2023 to 2024	**2,106**	**2,106**	2,880	2,880
Secured invoice financing	2023	**–**	**–**	416	416
Unsecured bank loans B	2023 to 2027	**3,153**	**3,153**	2,556	2,556
Unsecured bank loans D	2023 to 2024	**1,530**	**1,530**	–	–
AUD floating rate loan:					
Secured bank loan B	2024	**476**	**476**	565	565
Lease liabilities	2023 to 2025	**1,186**	**1,149**	1,842	1,772
		12,727	**12,690**	12,509	12,439
Company					
Lease liabilities	2023 to 2025	**460**	**451**	887	860
		460	**451**	887	860

The SGD floating rate loans bear interest ranging from 4.2% to 4.8% (2022: 3.0% to 4.6%) per annum.

The KRW floating rate loans bear interest ranging from 3.0% to 5.8% (2022: 2.4% to 6.6%) per annum and is repriced on a quarterly basis.

The AUD floating rate loans bear interest of approximately 8% (2022: 7%) per annum and are repriced on a monthly basis.

The Group shall comply with certain financial covenants, which is (i) maintain a minimum consolidated tangible net worth of S$18 million and (ii) maintain a leverage ratio of not more than 5.0. There is no breach of bank covenants as at 31 December 2023 and 2022.

12 Loans and borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other loans and borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2023	**10,667**	**1,772**	**12,439**
Changes from financing cash flows			
Proceeds from bills payables and trust receipts	**4,117**	**–**	**4,117**
Proceeds from interest-bearing borrowings	**918**	**–**	**918**
Repayment of bills payables and trust receipts	**(2,559)**	**–**	**(2,559)**
Repayment of interest-bearing borrowings	**(1,115)**	**–**	**(1,115)**
Payment of lease liabilities	**–**	**(822)**	**(822)**
Finance costs paid	**(493)**	**(61)**	**(554)**
Total changes from financing cash flows	**868**	**(883)**	**(15)**
The effect of changes in foreign exchange rates	**(487)**	**–**	**(487)**
Other changes			
Liability-related			
Interest expense	**493**	**61**	**554**
New leases	**–**	**199**	**199**
Total liability-related other changes	**493**	**260**	**753**
Balance at 31 December 2023	**11,541**	**1,149**	**12,690**
Balance at 1 January 2022	19,689	660	20,349
Changes from financing cash flows			
Proceeds from bills payables and trust receipts	8,323	–	8,323
Proceeds from interest-bearing borrowings	1,363	–	1,363
Repayment of bills payables and trust receipts	(11,001)	–	(11,001)
Repayment of interest-bearing borrowings	(3,562)	–	(3,562)
Payment of lease liabilities	–	(931)	(931)
Finance costs paid	(469)	(35)	(504)
Total changes from financing cash flows	(5,346)	(966)	(6,312)
The effect of changes in foreign exchange rates	(178)	3	(175)
Other changes			
Liability-related			
Options	(4,000)	–	(4,000)
Imputed interest	33	–	33
Interest expense	469	35	504
New leases	–	2,040	2,040
Total liability-related other changes	(3,498)	2,075	(1,423)
Balance at 31 December 2022	10,667	1,772	12,439

13 Convertible loan

	Group and Company	
	2023	**2022**
	$'000	**$'000**
At 1 January	**–**	2,458
Amortisation of imputed interest	**–**	33
Conversion into ordinary shares	**–**	(2,491)
At 31 December	**–**	–

On 23 June 2021, the Company issued convertible loan note of $3,000,000 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 $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.

14 Other provisions

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**588**	588	**588**	588
Reversal during the year	**(30)**	–	**(30)**	–
At 31 December	**558**	588	**558**	588

Other provisions are in relation to ongoing material litigations (Note 25).

As permitted under paragraph 92 of SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*, details of the provisions made for each litigation case are not disclosed in order not to prejudice the Group's legal position in the proceedings.

15 Trade, provision and other payables

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trade payables due to:				
– Third parties	**2,922**	2,896	**7**	36
Accrued expenses	**2,348**	3,586	**868**	1,364
Provision*	**177**	148	**–**	–
Deposits received	**1**	34	**–**	–
Total trade, provision and other payables	**5,448**	6,664	**875**	1,400

* *Provision has been recognised by the Group for estimated warranty claims in respect of products sold which are still under warranty as at 31 December 2023.*

Movements in provision for warranty were as follows:

	Group	
	2023	2022
	$'000	$'000
At 1 January	**148**	156
Movement during the year	**29**	(8)
At 31 December	**177**	148

16 Reserve for retirement allowance

The Group contributes the post-employment defined benefit plan in Korea. The asset of the plan is held separately from those of the Group and is fully funded by the Group's subsidiary. The defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

The Group's obligation in respect of its defined benefit retirement benefit plan is as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Present value of defined benefit obligations				
At 1 January	**895**	709	**–**	–
Amount recognised in consolidated statement of profit or loss	**223**	326	**–**	–
Contribution paid	**(189)**	(146)	**–**	–
Translation differences	**(73)**	6	**–**	–
At 31 December	**856**	895	**–**	–

The most recent actuarial valuations of the plan assets and the present value of the defined benefit liability were carried out at 31 December 2023. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit cost method.

16 Reserve for retirement allowance (cont'd)

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	Group Valuation at	
	2023	**2022**
	%	**%**
Discount rate	**4.32**	4.32
Expected rate of salary increases	**3.91**	3.91

Significant actuarial assumptions for the determination of the defined benefit obligations are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial year, while holding all other assumptions constant.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2023		31 December 2022	
	Increase	**Decrease**	**Increase**	**Decrease**
	$'000	**$'000**	**$'000**	**$'000**
Discount rate (1% movement)	**(20)**	**82**	15	126
Future salary growth (1% movement)	**83**	**(22)**	127	13

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

17 Revenue

Revenue represents sales of goods less discounts and returns and income from rendering of services.

	Group	
	2023	**2022**
	$'000	**$'000**
Sales of goods	**38,431**	40,390
Rendering of services	**1,580**	1,402
	40,011	41,792

17 Revenue (cont'd)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sale of goods

Nature of goods or services	Sales and distribution of machinery parts
When revenue is recognised	Revenue is recognised when goods are received at the customers' warehouse or when goods are delivered onto the carrier at the port depending on the shipping terms.
Significant payment terms	Varies from 30 to 90 days after invoice date.
Obligations for returns and refunds, if any	Customers do not have right of return except for faulty parts.
Obligations for warranties	Faulty parts are exchanged on one-for-one basis.

Rendering of services

Nature of goods or services	Revenue from repairing and refurbishment services
When revenue is recognised	Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.
Significant payment terms	Varies from 30 to 60 days after invoice date

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets and major products/service lines.

	Machinery parts	
	2023	**2022**
	$'000	**$'000**
Primary geographical markets		
Australia	**11,768**	9,941
Europe	**3,243**	6,351
North America	**8,659**	12,078
Asia	**11,173**	11,631
Others	**5,168**	1,791
Total	**40,011**	41,792

18 Finance costs

	Group	
	2023	**2022**
	$'000	**$'000**
Interest expense on:		
– Loans and borrowings	**493**	469
– Financial liabilities measured at amortised cost	**61**	35
– Amortisation of imputed interest (Note 13)	**–**	33
	554	537

19 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Note	Group 2023 $'000	Group 2022 $'000
Audit fees paid and payable to:			
– Auditors of the Company		**122**	122
– Other auditors		**87**	94
Depreciation	4	**1,279**	1,487
Foreign exchange loss, included in other expenses		**241**	544
Other income			
Gain on sale of scrap metals		**130**	193
Gain on disposal of property, plant and equipment, net		**36**	2,414
Government grant income		**28**	26
Rental (refund)/income		**(2)**	83
Other income		**233**	150
		425	2,866
Employee benefits expense			
Staff costs		**3,482**	3,964
Contributions to defined contribution plans		**322**	321
		3,804	4,285
Net reversal of impairment losses			
Reversal of impairment of trade receivables		**464**	551
Bad debts written off – trade receivables		**(152)**	(218)
		312	333
Payables written back		**–**	268
Reversal of allowance for inventories (net)	7	**2,968**	5,553
Inventories written (off)/back		**(30)**	7
		3,250	6,161

20 Income tax expense/(credit)

	Group 2023 $'000	Group 2022 $'000
Current tax expense/(credit)		
Current year	**4**	(160)
Under provision in respect of prior years	**16**	–
	20	(160)
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**187**	(39)
Total income tax expense/(credit)	**207**	(199)

20 Income tax expense/(credit) (cont'd)

	Group 2023 $'000	Group 2022 $'000
Reconciliation of effective tax rate		
Profit before income tax	**457**	596
Tax using the Singapore tax rate of 17% (2022: 17%)	**78**	101
Effect of tax rates in foreign jurisdictions	**8**	(64)
Non-deductible expenses	**153**	234
Non-taxable income	**(48)**	(483)
Effect of tax incentives and rebates	**(8)**	(31)
Deferred tax assets not recognised	**15**	47
Others	**9**	(3)
	207	(199)

As the end of the reporting period, the Group has unutilised tax losses and capital allowances of approximately $9,802,000 (2022: $9,696,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities in the jurisdictions which the companies operate.

21 Earnings per share

	Group 2023	Group 2022
Basic earnings per share (cents):	**–***	0.01
Diluted earnings per share (cents)	**–***	0.01

* Less than 0.01 cent

The basic and diluted earnings per share is calculated based on:

	Group 2023 $'000	Group 2022 $'000
Profit attributable to owners of the Company	**250**	795

	Group 2023 '000	Group 2022 '000
Issued ordinary shares at 1 January	**13,750,628**	6,271,505
Effect of treasury shares held	**(470)**	(470)
Effect of ordinary shares issued	**1,000,358**	5,685,118
Weighted average number of ordinary shares used in the calculation of basic earnings per share for the financial year	**14,750,516**	11,956,153
Add: Dilutive share option effect	**–**	1,264,384
Weighted average number of ordinary shares used in the calculation of diluted earnings per share for the financial year	**14,750,516**	13,220,537

21 Earnings per share (cont'd)

The weighted average number of ordinary shares refers to shares in issue outstanding during the financial year.

The basic earnings per share is based on the weighted average number of ordinary shares outstanding during each financial year.

The dilutive effect derives from transactions such as: share option and convertible loan note (Note 13). Dilutive effect of performance shares (Refer to directors' statement for disclosures on performance share awards) is not significant. The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each financial year. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the financial year and (2) shares of ordinary share issuable upon assumed exercise of share options which (if any) would have a dilutive effect. Where there are convertible loan notes, the average number of ordinary shares assumed to be outstanding during the financial year are as if the convertible loan notes had been converted into ordinary shares and the profit or loss is after giving effect to the elimination of interest expense (if any), net of tax benefit, applicable to the convertible loan notes.

22 Operating segments

The Group has two operating and reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Executive Chairman and Chief Executive Officer reviews internal management reports at least on a quarterly basis. The Group's reportable segments and scope of operations are:

Design and manufacture

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

Trading and distribution

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

22 Operating segments (cont'd)

Business segments

Information about reportable segments

	Design and manufacture 2023 $'000	Design and manufacture 2022 $'000	Trading and distribution 2023 $'000	Trading and distribution 2022 $'000	Total 2023 $'000	Total 2022 $'000
External revenue	**28,900**	33,659	**11,111**	8,133	**40,011**	41,792
Finance costs	**(460)**	(476)	**(94)**	(61)	**(554)**	(537)
Depreciation	**(665)**	(1,209)	**(614)**	(278)	**(1,279)**	(1,487)
Reportable segment profit before income tax	**245**	154	**212**	442	**457**	596
Other material non-cash items:						
Reversal of allowance for inventories (net)	**2,186**	5,005	**782**	548	**2,968**	5,553
Reversal of impairment of trade receivables	**241**	325	**223**	226	**464**	551
Payables written back	**–**	268	**–**	–	**–**	268
Bad debts written off – trade receivables	**(58)**	(218)	**(94)**	–	**(152)**	(218)
Capital expenditure:						
Purchase of property, plant and equipment	**(127)**	(243)	**(446)**	(95)	**(573)**	(338)
Additions to right-of-use assets	**(98)**	(1,873)	**(101)**	(167)	**(199)**	(2,040)
Reportable segment assets	**30,203**	35,945	**14,817**	8,888	**45,020**	44,833
Reportable segment liabilities	**16,200**	18,426	**3,372**	2,201	**19,572**	20,627

Information about major customers

Revenue of approximately $2,503,000 (2022: $3,969,000) are derived from a single external customer who individually contributed approximately 6% (2022: 9%) of the Group's revenue and is attributable to the design and manufacture segment (2022: Design and manufacture segment).

22 Operating segments (cont'd)

Geographical segments

The design and manufacture and trading and distribution are presented by geographical segment below.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	Revenue		Non-current assets (excluding deferred tax assets)	
	2023 S$'000	**2022 S$'000**	**2023 S$'000**	**2022 S$'000**
Australia	**11,768**	9,941	**333**	399
Europe	**3,243**	6,351	**–**	–
North America	**8,659**	12,078	**–**	–
Asia	**11,173**	11,631	**7,593**	8,495
Others	**5,168**	1,791	**–**	–
	40,011	41,792	**7,926**	8,894

23 Financial instruments

General

The Group has a system of controls in place to create an acceptable balance between the potential loss from risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by an outsourced Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The financial risk management is described below:

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit limit of each customer is established after taking into account the financial position of, and past experience with, the customer.

Refer to Note 8 to the financial statements for disclosures relating to the Group's credit risk exposures and ECL.

23 Financial instruments (cont'd)

Credit risk (cont'd)

Cash and cash equivalents

Cash and fixed deposits are placed with banks and approved financial institutions.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries. Financial guarantees provided by the Company to its subsidiaries are eliminated in preparing the consolidated financial statements.

Financial guarantees were computed based on the expected payment to reimburse the holder less any amount that the Company expected to recover. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates. Financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $4,752,000 (2022: $4,815,000).

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as defaults by certain major customers.

The Group's operations are financed mainly through equity and bank borrowings. As disclosed in Note 12, the Group shall comply with certain financial covenants, which is (i) maintain a minimum consolidated tangible net worth of S$18 million and (ii) maintain a leverage ratio of not more than 5.0. There is no breach of bank covenants as at 31 December 2023 and 2022.

23 Financial instruments (cont'd)

Credit risk (cont'd)

Liquidity risk (cont'd)

The following are the remaining contractual maturities of non-derivative financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and excluding the impact of netting agreements:

	Carrying amount $'000	Contractual cash flows $'000	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
Group						
31 December 2023						
Secured loans	**2,582**	**(2,623)**	**(2,623)**	**–**	**–**	**–**
Unsecured bank loan	**8,959**	**(9,544)**	**(5,156)**	**(1,845)**	**(1,603)**	**(940)**
Lease liabilities	**1,149**	**(1,186)**	**(596)**	**(590)**	**–**	**–**
Trade and other payables	**5,271**	**(5,271)**	**(5,271)**	**–**	**–**	**–**
	17,961	**(18,624)**	**(13,646)**	**(2,435)**	**(1,603)**	**(940)**
Group						
31 December 2022						
Secured loans	3,445	(3,600)	(3,146)	(454)	–	–
Unsecured bank loan	6,806	(7,192)	(2,794)	(2,227)	(2,065)	(106)
Invoice financing	416	(416)	(416)	–	–	–
Lease liabilities	1,772	(1,842)	(794)	(1,048)	–	–
Trade and other payables	6,589	(6,589)	(6,589)	–	–	–
	19,028	(19,639)	(13,739)	(3,729)	(2,065)	(106)
Company						
31 December 2023						
Lease liabilities	**451**	**(460)**	**(321)**	**(139)**	**–**	**–**
Trade and other payables	**875**	**(875)**	**(875)**	**–**	**–**	**–**
Recognised financial liabilities	**1,326**	**(1,335)**	**(1,196)**	**(139)**	**–**	**–**
Intra-group financial guarantees	**–**	**(4,752)**	**(4,752)**	**–**	**–**	**–**
	1,326	**(6,087)**	**(5,948)**	**(139)**		
Company						
31 December 2022						
Lease liabilities	860	(887)	(430)	(457)	–	–
Trade and other payables	1,400	(1,400)	(1,400)	–	–	–
Recognised financial liabilities	2,260	(2,287)	(1,830)	(457)	–	–
Intra-group financial guarantees	–	(4,815)	(4,815)	–	–	–
	2,260	(7,102)	(6,645)	(457)	–	–

23 Financial instruments (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to risk of change in cash flows due to changes in interest rates relates primarily to the Group's variable-rate borrowings with financial institutions. Short-term receivables and payables are not exposed to interest rate risk.

Exposure to interest rate risk

At the end of the financial year, the interest rate profile of the Group's and Company's interest-bearing financial instruments was as follows:

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Variable rate instruments				
Loans and borrowings	**11,541**	10,667	**–**	–

Sensitivity analysis

Decrease in profit before tax as a result of hypothetical increase in interest rates by 50 basis points with all other variables held constant:

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Decrease in profit before tax	**58**	53	**–**	–

Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Group entities are primarily the Singapore dollar, United States dollar ("USD"), Australian dollar ("AUD"), Korean Won and Malaysian Ringgit ("MYR").

23 Financial instruments (cont'd)

Foreign currency risk (cont'd)

The Group's and Company's exposures to foreign currency risk are as follows:

	2023 AUD $'000	2023 MYR $'000	2023 USD $'000	2022 AUD $'000	2022 MYR $'000	2022 USD $'000
Group						
Trade and other receivables (before impairment)	**1,984**	**1,462**	**6,480**	2,119	949	7,009
Cash and cash equivalents	**43**	**1,672**	**1,236**	293	1,712	1,827
Trade and other payables	**(666)**	**(78)**	**(9)**	(560)	(136)	(9)
Loans and borrowings	**(476)**	**–**	**–**	(826)	–	(826)
Net exposure	**885**	**3,056**	**7,707**	1,026	2,525	8,827
Company						
Cash and cash equivalents	**–**	**–**	**17**	–	–	18
Net exposure	**–**	**–**	**17**	–	–	18

Sensitivity analysis

Decrease in profit before tax as a result of a hypothetical 10% strengthening in the exchange rate of the Singapore dollar against the following currencies with all other variables held constant:

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
AUD	**89**	103	**–**	–
MYR	**306**	253	**–**	–
USD	**771**	883	**2**	2

A 10% weakening of the Singapore dollar against the above currencies would have an equal but opposite effect on equity and profit or loss by the amounts shown above, on the basis that all other variables, in particular interest rates, remain constant.

Measurement of fair values

The following summarises the significant methods and assumptions used in measuring the fair values of financial instruments of the Group and the Company.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings) are assumed to approximate their fair values because of the short period to maturity.

23 Financial instruments (cont'd)

Fair value hierarchy

The table below analyses fair value measurements for assets and liabilities, by the levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Accounting classification and fair values

The carrying amounts and fair values of financial assets and financial liabilities are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

Group	Note	Amortised cost $'000
31 December 2023		
Financial assets		
Trade and other receivables	8	**12,787**
Cash and cash equivalents	9	**3,445**
		16,232
Financial liabilities		
Loans and borrowings	12	**(12,690)**
Trade and other payables	15	**(6,304)**
		(18,994)
31 December 2022		
Financial assets		
Trade and other receivables	8	12,444
Cash and cash equivalents	9	4,666
		17,110
Financial liabilities		
Loans and borrowings	12	(12,439)
Trade and other payables	15	(7,559)
		(19,998)

23 Financial instruments (cont'd)

Accounting classification and fair values (cont'd)

	Note	Amortised cost $'000
Company		
31 December 2023		
Financial assets		
Trade and other receivables	8	**9,841**
Cash and cash equivalents	9	**72**
		9,913
Financial liabilities		
Loans and borrowings	12	**(451)**
Trade and other payables	15	**(875)**
		(1,326)
31 December 2022		
Financial assets		
Trade and other receivables	8	8,619
Cash and cash equivalents	9	413
		9,032
Financial liabilities		
Loans and borrowings	12	(860)
Trade and other payables	15	(1,400)
		(2,260)

24 Leases

Leases as lessee

The Group leases office space, motor vehicle and office equipment. The leases typically run for a period of three to five years, and may have an option to renew the lease after that date. Lease payments are renegotiated every three years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The Group also leases certain motor vehicle with contract term of one year. These leases are short term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (Note 4).

24 Leases (cont'd)

Amounts recognised in profit or loss

	2023 $'000	2022 $'000
Interest on lease liabilities (Note 18)	**61**	35
Expenses relating to short-term leases	**294**	334

Amounts recognised in statement of cash flows

	2023 $'000	2022 $'000
Total cash outflow for leases	**822**	931

Extension options

Some property leases may contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

25 Contingencies

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.

25 Contingencies (cont'd)

A. Kuala Lumpur High Court – Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd and 5 Others (cont'd)

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 took place during 10 July 2023 to 13 July 2023 where all the plaintiff's witnesses completed their testimony. As the Court deemed that the trial on 14 July 2023 will not result in a full cross-examination of the Company's representatives, it had fixed additional trial dates from 24 June 2024 to 28 June 2024 instead.

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.

In accordance to paragraph 92 of SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*, 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.

26 Related party transactions

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

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Rental and miscellaneous expenses – affiliated corporations	**12**	71	**–**	–
Rental income – related companies	**–**	(83)	**566**	916

26 Related party transactions (cont'd)

Key management personnel compensation

Key management personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the activities of Group entities. The directors and certain key executives are considered as key management personnel of the Group.

	Group	
	2023	**2022**
	$'000	**$'000**
Key management personnel compensation comprised:		
Directors' fee	**135**	135
Salaries and other short-term employee benefits	**646**	710
Defined contribution plan	**44**	46
	825	891

27 Reclassification and comparative figures

Certain comparative figures have been reclassified to the prior year's financial statements to enhance comparability with the current year's financial statements.

	Group	
	As previously reported	**As reclassified**
	2022	**2022**
	$'000	**$'000**
Statements of financial position		
Trade, provisions and other payables	7,559	6,664
Reserve for retirement allowance	–	895
Consolidated statement of cash flows		
Operating activities		
Allowance for impairment of inventories (reversal)	(5,553)	(5,560)
Inventories written back	–	7
Retirement benefits	–	326
Warranty provision	–	(8)
Changes in working capital:		
Inventories	5,893	5,900
Trade, provisions and other payables	(745)	(1,063)

28. Event occurring after the reporting period

Subsequent to year end, the Company had commenced confidential discussions and entered into a non- binding term sheet with a third party in relation to a possible investment in the Company by the third party.

STATISTICS OF SHAREHOLDINGS

AS AT 28 MARCH 2024

Class of shares	:	Ordinary and fully paid
Voting rights	:	One vote per share
Number of shares (excluding treasury shares)	:	15,070,874,722
Number of treasury shares	:	470,000

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	47	2.68	572	–*
100 – 1,000	117	6.67	71,585	–*
1,001 – 10,000	318	18.13	2,204,167	0.02
10,001 – 1,000,000	1,094	62.37	211,304,698	1.40
1,000,001 and above	178	10.15	14,857,293,700	98.58
Total	**1,754**	**100.00**	**15,070,874,722**	**100.00**

*Less than 0.01%

REGISTER OF SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' SHAREHOLDINGS

	Direct Interest		Deemed Interest	
	Number of shares	%	Number of shares	%
Shing Heng Holding Pte. Ltd.	8,219,178,081	54.54	–	–
Lew Chee Beng(1)	–	–	8,219,178,081	54.54
Yeo Puay Hin(1)(5)	–	–	8,219,178,081	54.54
Lew Puay Ling(1)	–	–	8,219,178,081	54.54
United Overseas Bank Limited(2)	–	–	2,086,871,486	13.85
Hoe Leong Co. (Pte.) Ltd.	1,325,196,177	8.79	–	–
Kuah Geok Lin(3)	15,506,671	0.10	1,325,196,177	8.79
Kuah Geok Khim(3)	17	–*	1,325,196,177	8.79
Quah Yoke Hwee(3)	15,314,117	0.10	1,325,196,177	8.79
Mdm Kuah Geok Khim(3)	4,000,092	0.03	1,325,196,177	8.79
DBS Bank Ltd.(4)	–	–	910,367,699	6.04
DBS Group Holdings Ltd(4)	–	–	910,367,699	6.04
Temasek Holdings (Private) Limited(4)	–	–	910,367,699	6.04

Notes:

(1) Lew Chee Beng, Yeo Puay Hin and Lew Puay Ling are deemed to be interested in the shares of the Company held by Shing Heng Holding Pte. Ltd. by virtue of Section 7(4) of the Companies Act 1967.

(2) United Overseas Bank Limited's interests in 2,086,871,486 shares are held in a nominee account with United Overseas Bank Nominees Pte Ltd.

(3) Kuah Geok Lin, Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the shares of the Company held by Hoe Leong Co. (Pte.) Ltd. by virtue of Section 7(4) of the Companies Act 1967.

(4) DBS Bank Ltd.'s interests in 910,367,699 shares are held in a nominee account with DBS Nominees Pte Ltd. DBS Group Holdings Ltd and Temasek Holdings (Private) Limited are deemed to have an interest in the shares held by DBS Bank Ltd.

(5) Yeo Puay Hin is an executive director of the Company.

21 LARGEST SHAREHOLDERS

No.	Name of Shareholder	Number of Shares	%
1	SHING HENG HOLDING PTE LTD	8,219,178,081	54.54
2	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,087,337,393	13.85
3	HOE LEONG CO. (PTE.) LTD.	1,325,196,177	8.79
4	DBS NOMINEES PTE LTD	1,076,126,225	7.14
5	RHB BANK NOMINEES PTE LTD	458,449,139	3.04
6	CGS INTERNATIONAL SECURITIES SINGAPORE PTE LTD	419,311,150	2.78
7	SING INVESTMENTS & FINANCE LTD	413,091,146	2.74
8	NG KIM CHOON	64,074,955	0.43
9	TENGKU SINANNAGA @ CHENG MIN SIONG @ ZENG MING XIONG	50,000,000	0.33
10	HENG WANG CHEW	35,250,000	0.23
11	NG KAI HOCK	30,000,000	0.20
12	PHILLIP SECURITIES PTE LTD	28,208,308	0.19
13	KOH YEW CHOO	24,951,500	0.17
14	LIN YUANZHI	24,445,000	0.16
15	RAFFLES NOMINEES (PTE) LIMITED	22,683,100	0.15
16	MOOMOO FINANCIAL SINGAPORE PTE. LTD.	20,403,204	0.14
17	LOW KOK SOON	15,720,300	0.10
18	KUAH GEOK LIN	15,506,617	0.10
19	QUAH YOKE HWEE	15,314,117	0.10
20	CHAN SEN MENG	15,000,000	0.10
21	ONG WEE MENG	15,000,000	0.10
	TOTAL	**14,375,246,412**	**95.38**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

16.55% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Hoe Leong Corporation Ltd. (the "**Company**") will be held at Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, #01-04 Singapore 609607 on Tuesday, 30 April 2024 at 9.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2023 together with the Auditors' Report thereon.
Resolution 1

2. To re-elect Mr Yeo Puay Hin, a director retiring pursuant to Regulation 98(2) of the Constitution of the Company.
(See Explanation Note 1)
Resolution 2

3. To re-elect Mr Lee Chin Chai, a director retiring pursuant to Regulation 98(2) of the Constitution of the Company.
(See Explanation Note 2) **Resolution 3**

4. To re-elect Mr Kuan Cheng Tuck, a director retiring pursuant to Regulation 99 of the Constitution of the Company.
(See Explanation Note 3) **Resolution 4**

5. To approve the payment of Directors' fees of S$135,000.00 for the financial year ending 31 December 2024 (2023: S$135,000).
Resolution 5

6. To re-appoint PKF-CAP LLP as Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration.
Resolution 6

7. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to Issue Shares**

That pursuant to Section 161 of the Companies Act 1967 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "**Instruments**") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues,

at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a *pro-rata* basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the Company, and for the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities outstanding or subsisting at the time this resolution is passed;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(iii) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
(See Explanatory Note 4) **Resolution 7**

9. **Authority to issue remuneration shares to the former Executive Chairman which forms part of his remuneration package**

That the directors be and are hereby authorised to allot and issue to Mr Liew Yoke Pheng Joseph, the former Executive Chairman of the Company, 16,477,270 remuneration shares at an issue price of S$0.001 per remuneration share which forms part of his remuneration package for the period from 1 January 2023 to 31 October 2023.
(See Explanatory Note 5) **Resolution 8**

10. **Authority to grant awards and issue shares under the Hoe Leong Corporation Performance Share Plan**

That authority be and is hereby given to the Directors of the Company to offer and grant awards in accordance with the provisions of the Hoe Leong Corporation Performance Share Plan (the "**Plan**") and to allot and issue from time to time such number of ordinary shares of the Company ("**Shares**") as may be required to be issued pursuant to the vesting of awards under the Plan, provided always that:

(i) the aggregate number of Shares which may be issued or delivered pursuant to all awards granted under the Plan when aggregated with the number of Shares over which options or awards granted under any other share option schemes or share plans of the Company, shall not exceed 15% of the total number of all issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and

(ii) the aggregate number of Shares which may be issued or delivered pursuant to awards granted under the Plan on any date, when aggregated with (a) the total number of new Shares allotted and issued and/or to be allotted and issued Shares (including treasury Shares) delivered and/or to be delivered pursuant to awards already granted under the Plan; and (b) the total number of Shares subject to any other share option or share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time on the day preceding the grant of the relevant new awards.
(See Explanatory Note 6) **Resolution 9**

BY ORDER OF THE BOARD

Zhan Aijuan
Company Secretary

Singapore
15 April 2024

Explanatory Notes:

1. **Ordinary Resolution 2:** Mr Yeo Puay Hin, if re-elected, will remain as an Executive Director and Chief Executive Officer of the Company as well as a member of the Nominating Committee. Key information on Mr Yeo can be found under the sections titled "Board of Directors", "Corporate Governance Report" and "Disclosure of Information On Directors Seeking Re-election" of this Annual Report.

2. **Ordinary Resolution 3:** Mr Lee Chin Chai is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. If re-elected, Mr Lee will remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Key information on Mr Lee can be found under the sections titled "Board of Directors", "Corporate Governance Report" and "Disclosure of Information On Directors Seeking Re-election" of this Annual Report.

3. **Ordinary Resolution 4:** Mr Kuan Cheng Tuck is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. If re-elected, Mr Kuan will remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Key information on Mr Kuan can be found under the sections titled "Board of Directors", "Corporate Governance Report" and "Disclosure of Information On Directors Seeking Re-election" of this Annual Report.

4. **Ordinary Resolution 7:** This resolution, if passed, will authorise and empower the Directors of the Company from the date of the above AGM until the next AGM to issue shares in the capital of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company of which the aggregate number of shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

   For the purpose of Resolution 7, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed ordinary resolution is passed after adjusting for new shares arising from the conversion or exercise of Instruments or the vesting of share awards outstanding or subsisting at the time when this proposed ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

5. **Ordinary Resolution 8:** This resolution, if passed, will authorise and empower the directors of the Company to allot and issue 16,477,270 remuneration shares at an issue price of S$0.001 per remuneration share to Mr Liew Yoke Pheng Joseph, the former Executive Chairman of the Company, which will form part of his remuneration package for the period from 1 January 2023 to 31 October 2023. Pursuant to Mr Liew's service agreement signed with the Company, Mr Liew is entitled to receive a fixed basic salary comprising a portion payable in cash and a portion payable in shares. The allotment and issuance of shares as part of Mr Liew's remuneration is subject to shareholders' approval at the Company's AGM. Mr Liew had resigned on 31 October 2023.

The issue price of the remuneration share is calculated, at no discount, based on the volume-weighted average share price traded in the immediate 14 trading days after the announcement of the Company's unaudited full year financial results for the financial year ended 31 December 2023. In the event that the trading of the Company's shares are suspended, the issue price is calculated, at no discount, by reference to the weighted average price traded in the immediate 14 trading days prior to the trading suspension. Disclosure relating to Mr Liew's remuneration can be found under the section titled "Corporate Governance Report" of this Annual Report.

6. **Ordinary Resolution 9:** The Plan was approved by shareholders at the extraordinary general meeting held on 10 August 2022. This resolution, if passed, will authorise and empower the Directors of the Company from the date of this AGM to the next AGM to offer and grant awards under the Plan and to allot and issue shares, provided that the aggregate number of Shares which may be issued or delivered pursuant to awards granted under the Plan shall not exceed the limits as set out in sub paragraphs (i) and (ii) of agenda item 10 and Ordinary Resolution 9 stated above.

Important Notice of Shareholders Regarding the Conduct of the Company's AGM

1. The AGM will be held in a wholly physical format **There will be no option for shareholders and members to participate virtually.** This Notice of AGM, the accompanying proxy form and request form will be sent to shareholders and members by electronic means via publication on SGXNET at **https://www.sgx.com/securities/company-announcements** and the Company's corporate website at **https://www.hoeleong.com**. Only printed copies of this Notice of AGM, the accompanying proxy form and the request form will be despatched to shareholders and members. Shareholders who wish to receive a printed copy of the FY2023 Annual Report are required to complete the Request Form and return it to the Company by post or by email by 23 April 2024.

2. Shareholders and members, including CPF investors and SRS investors, may participate in the AGM by:

   (a) attending the AGM in person;

   (b) raising questions at the AGM or submitting questions in advance of the AGM; and/or

   (c) voting at the AGM (i) themselves; or (ii) through their duly appointed proxy(ies).

   For the avoidance of doubt, CPF investors and SRS investors will not be able to appoint third party proxy(ies) (i.e. persons other than the Chairman of the AGM) to vote at the AGM on their behalf.

   CPF and SRS investors:

   (a) may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on **18 April 2024**, being seven (7) working days prior to the date of the AGM.

3. Persons who hold shares through relevant intermediaries, other than CPF and SRS investors, and who wish to participate in the AGM by:

   (a) attending the AGM in person;

   (b) raising questions at the AGM or submitting questions in advance of the AGM; and/or

   (c) voting at the AGM (i) themselves; or (ii) appointing the Chairman of the AGM as proxy in respect of the Company's shares held by such relevant intermediary on their behalf,

   should contact the relevant intermediary through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

4. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named.

   A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

NOTICE OF ANNUAL GENERAL MEETING

"**relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Shareholders and members, including CPF and SRS investors, and (where applicable) duly appointed proxies attending the AGM in person, should bring along your NRIC/passport so as to enable the Company to verify your identity. Shareholders and members are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if they are feeling unwell.

6. A proxy need not be a member of the Company.

7. Shareholders and members may appoint the Chairman of the AGM as proxy but this is not mandatory.

8. The instrument appointing a proxy(ies) must be submitted to the Company in the following manner:

(a) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814; or

(b) by sending a scanned PDF copy via email to the Company at contact@hoeleong.com, in each case, **by 9.30 a.m. on 27 April 2024** being not less than seventy-two (72) hours before the time set for holding the AGM.

9. **Shareholders' Questions and Answers**

Shareholders and members, including CPF and SRS investors, may submit questions relating to the resolutions to be tabled for approval at the AGM in advance of the AGM in the following manner by **23 April 2024** (at least seven (7) calendar days after the date of the Notice of AGM):

(a) by email to contact@hoeleong.com; or

(b) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814.

Please state your question(s), your full name, NRIC/Passport/Company Registration No., number of shares held and whether you are a shareholder or a proxy or a corporate representative of a corporate shareholder. All questions without these identification details will not be entertained.

Please note that responses from the Board and management of the Company on substantial and relevant questions received from shareholders and members will be published on the SGXNET at **https://www.sgx.com/securities/company-announcements** and the Company's corporate website at **https://www.hoeleong.com** at least 48 hours prior to the closing date and time for the lodgement/receipt of instruments appointing a proxy(ies).

We will address any subsequent clarifications sought, or substantial and relevant follow-up questions (which are related to the resolutions to be tabled for approval at the AGM) received after the 23 April 2024 cut-off time at the AGM itself.

The minutes of the AGM will be published on the SGXNET and Company's corporate website within one (1) month after the conclusion of the AGM.

10. **Documents for the AGM**

Documents relating to the business of the AGM which comprise the Company's Annual Report for the financial year ended 31 December 2023, as well as the Notice of AGM, the accompanying proxy form and request form have been published and may be accessed on SGXNET at **https://www.sgx.com/securities/company-announcements** and the Company's corporate website at **https://www.hoeleong.com** from 15 April 2024.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Yeo Puay Hin, Mr Lee Chin Chai and Mr Kuan Cheng Tuck are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 30 April 2024 ("**AGM**") ("**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	YEO PUAY HIN	LEE CHIN CHAI	KUAN CHENG TUCK
Date of appointment	23 June 2021	1 November 2019	2 October 2023
Date of last re-appointment	Not applicable	29 April 2022	Not applicable
Age	56	51	52
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	Refer to the disclosures set out under "Board Diversity" and "Process for the selection, appointment and re-appointment of Directors" of the Corporate Governance Report in this Annual Report. The Board concurred with the Nominating Committee's recommendation for the re-appointment of Mr Yeo Puay Hin ("**Mr Yeo**") at the AGM.	Refer to the disclosures set out under "Board Diversity" and "Process for the selection, appointment and re-appointment of Directors" of the Corporate Governance Report in this Annual Report. The Board concurred with the Nominating Committee's recommendation for the re-appointment of Mr Lee Chin Chai ("**Mr Lee**") at the AGM.	Refer to the disclosures set out under "Board Diversity" and "Process for the selection, appointment and re-appointment of Directors" of the Corporate Governance Report in this Annual Report. The Board concurred with the Nominating Committee's recommendation for the re-appointment of Mr Kuan Cheng Tuck ("**Mr Kuan**") at the AGM.
Whether appointment is executive, and if so, the area of responsibility	Executive, Responsible for business development, business operations and strategic planning of the Group	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Officer	Independent Director Nominating Committee Chairman Audit Committee Member Remuneration Committee Member	Independent Director Audit Committee Chairman Nominating Committee Member Remuneration Committee Member

	YEO PUAY HIN	LEE CHIN CHAI	KUAN CHENG TUCK
Professional qualifications	Bachelor of Engineering (Electrical) Degree, Nanyang Technological University	Bachelor of Science Degree, National University of Singapore, Executive Masters of Science from Baruch College, City University of New York and Member of the Singapore Institute of Directors	Bachelor of Accountancy Degree, Nanyang Technological University of Singapore, Bachelor of Laws (Honours) Degree, University of London, UK, Master of Laws (Corporate and Financial Services Law), National University of Singapore, Fellow Member of Association of Chartered Certified Accountant, UK, Member of Institute of Singapore Chartered Accountants, Advocate and Solicitor, Singapore, Member of the Singapore Institute of Directors
Working experience and occupation(s) during the past 10 years	9 January 2023 to present: Executive Director and Chief Executive Officer, Hoe Leong Corporation Ltd 23 June 2021 to 8 January 2023: Executive Director (Business Development), Hoe Leong Corporation Ltd. 2012 to 2020: Senior Director, Programme Management Office (Asia Pacific/Central Europe/Middle East/Africa), Visa Inc.	2023 to present: Managing Director, Center for Serving Leadership Asia Pte Ltd 2019 to 2022: Executive Director, iConnecx Pte Ltd 2017 to 2019: Chief Executive Officer, AWWA 2014 to 2016: Managing Director of Microsoft	February 2004 to present: Director of KCT Consulting Pte Ltd
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries	Mr Yeo is a deemed controlling shareholder of the Company by virtue of his interest in Shing Heng Holding Pte. Ltd.	Nil	Nil
Conflict of interests (including any competing business)	Nil	Nil	Nil
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) Or Appendix 7H (Catalist Rule 704(6))	Yes	Yes	Yes

	YEO PUAY HIN	LEE CHIN CHAI	KUAN CHENG TUCK
Shareholding interest in the listed issuer and its subsidiaries?	Yes	No	No
Shareholding Details	Mr Yeo is deemed interested in 8,219,178,081 ordinary shares of the Company held by Shing Heng Holding Pte. Ltd.	Not applicable	Not applicable
Other Principal Commitments* **including directorships** Past (for the last 5 years) Present	Refer to the Director's profile of Mr Yeo disclosed under the section titled "Board of Directors" of this Annual Report.	Refer to the Director's profile of Mr Lee disclosed under the section titled "Board of Directors" of this Annual Report.	Refer to the Director's profile of Mr Kuan disclosed under the section titled "Board of Directors" of this Annual Report.
Information required pursuant to Listing Rule 704(7) under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual	Mr Yeo's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".	Mr Lee's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".	Except for item (b), Mr Kuan's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".

* "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance 2018

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	Yes
If Yes, please provide full details	No	No	He was a former independent non-executive director ("INED") of CW Group Holdings Limited ("CWGHL"), a company listed on the Hong Kong Stock Exchange. In or around June 2018, a petition by a creditor of CWGHL was presented to the Grand Court of Cayman Islands for CWGHL to be wound up on the grounds that the company was unable to pay its debt and for the appointment of provisional liquidators to the company. CWGHL was placed into provisional liquidation in or around August 2018. He resigned as an INED of CWGHL on 9 November 2018.
c) Whether there is any unsatisfied judgment against him?	No	No	No

d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

HOE LEONG CORPORATION LTD.

(Company Registration No.: 199408433W)
(Incorporated in the Republic of Singapore)

PROXY FORM
FOR ANNUAL GENERAL MEETING

IMPORTANT:

1. Arrangements relating to attendance at the AGM by shareholders and members, including CPF and SRS investors, submission of questions by shareholders and members, including CPF and SRS investors, in advance of, or at, the AGM, addressing of substantial and relevant questions in advance of, or at, the AGM, and voting at the AGM by shareholders and members, including CPF and SRS investors, or (where applicable) duly appointed proxy(ies), are set out in the AGM Notice.
2. Please read the notes overleaf which contain instructions on, inter alia, the appointment of proxy(ies).
3. Pursuant to Section 181(1C) of the Companies Act 1967, relevant intermediaries may appoint more than two proxies to attend, speak and vote at the AGM.
4. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF and SRS investors. CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April 2024.
5. Persons who hold shares through relevant intermediaries, other than CPF and SRS investors, and who wish to appoint the Chairman of the AGM as proxy, should approach the relevant intermediary to submit their votes.

(PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

I/We ______________________________ (Name) ______________________ (*NRIC/Passport/Co Reg No.)

of ____ (Address)

being a member/members of **HOE LEONG CORPORATION LTD.** (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing *him/her, the Chairman of the Annual General Meeting (the "**AGM**") as *my/our proxy/proxies to attend, speak or vote for *me/us on *my/our behalf at the AGM of the Company to be held at Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, #01-04 Singapore 609607 on Tuesday, 30 April 2024 at 9.30 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against or to abstain from voting on the Resolutions to be proposed at the AGM as indicated below. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

Resolution No.	Ordinary Resolutions	For	Against	Abstain
Resolution 1	Adoption of the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2023 together with the Auditors' Report thereon			
Resolution 2	Re-election of Mr Yeo Puay Hin as a director			
Resolution 3	Re-election of Mr Lee Chin Chai as a director			
Resolution 4	Re-election of Mr Kuan Cheng Tuck as a director			
Resolution 5	Approval of Directors' fee of S$135,000 for the financial year ending 31 December 2024			
Resolution 6	Re-appointment of PKF-CAP LLP as Auditor			
Resolution 7	Authority to issue shares			
Resolution 8	Authority to issue shares to the former Executive Chairman which forms part of his remuneration package			
Resolution 9	Authority to grant awards and issue shares under the Hoe Leong Corporation Performance Share Plan			

Please indicate your vote "**For**" or "**Against**" with a tick "√" within the box provided for each resolution. If you wish your proxy/proxies to abstain from voting on a resolution, please indicate with a tick "√" in the "**Abstain**" box provided in respect of that resolution.

Signed this _______ day of ________________ 2024.

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s) or Common Seal

*Delete accordingly

IMPORTANT:

Please read the notes overleaf:

Notes:

1. Except for a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act 1967 of Singapore ("**Companies Act**"), a member of the Company entitled to attend, speak and vote at the Annual General Meeting ("**AGM**") is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two (2) proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

4. A member can appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its constitution and Section 179 of the Companies Act.

8. The instrument appointing a proxy(ies) must be submitted to the Company in the following manner:

   (a) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814; or

   (b) by sending a scanned PDF copy via email to the Company at contact@hoeleong.com,

   in each case, by 9.30 a.m. on 27 April 2024, being not less than seventy-two (72) hours before the time set for holding the AGM.

9. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

11. Completion and submission of the instrument appointing a proxy(ies) by a member will not prevent him/her from attending, speaking and voting at the AGM if he/she so wishes. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

12. For purposes of the appointment of a proxy(ies) and/or representative(s), the member(s)' and the proxy(ies)' or representative(s)' full name and full NRIC/passport number will be required for verification purposes, and the proxy(ies)' or representative(s)' NRIC/passport will need to be produced for sighting upon registration at the AGM. This is so as to ensure that only duly appointed proxy(ies)/representative(s) attend, speak and vote at the AGM. The Company reserves the right to refuse admittance to the AGM if the proxy(ies)' or representative(s)' identity cannot be verified accurately.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HOE LEONG CORPORATION LTD.
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