

**HOE LEONG CORPORATION LTD.****和隆集团有限公司**

Company Registration No.: 199408433W

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

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**Unaudited Financial Statements and Dividend Announcement**  
**For the 2<sup>nd</sup> Quarter (“2Q 2021”) and 6 Months (“6M 2021”) Ended 30 June 2021**

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

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

| Group                                                                        | Unaudited<br>2Q 2021<br>S\$'000 | Unaudited<br>2Q 2020<br>S\$'000 | Increase/<br>(Decrease)<br>% | Unaudited<br>6M 2021<br>S\$'000 | Unaudited<br>6M 2020<br>S\$'000 | Increase/<br>(Decrease)<br>% |
|------------------------------------------------------------------------------|---------------------------------|---------------------------------|------------------------------|---------------------------------|---------------------------------|------------------------------|
| <b>Continuing operations</b>                                                 |                                 |                                 |                              |                                 |                                 |                              |
| Revenue                                                                      | 11,095                          | 10,348                          | 7.2                          | 21,305                          | 20,833                          | 2.3                          |
| Cost of sales                                                                | (9,352)                         | (8,274)                         | (13.0)                       | (18,110)                        | (17,187)                        | (5.4)                        |
| <b>Gross profit</b>                                                          | 1,743                           | 2,074                           | (16.0)                       | 3,195                           | 3,646                           | (12.4)                       |
| Other income                                                                 | 192                             | 448                             | (57.1)                       | 369                             | 494                             | (25.3)                       |
| Distribution expenses                                                        | (831)                           | (746)                           | (11.4)                       | (1,686)                         | (1,536)                         | (9.8)                        |
| Administrative expenses                                                      | (1,342)                         | (1,108)                         | (21.1)                       | (2,579)                         | (2,172)                         | (18.7)                       |
| Other expenses                                                               | (85)                            | (1,545)                         | 94.5                         | (226)                           | (536)                           | 57.8                         |
| Impairment loss on trade receivables (reversal)                              | 35                              | 87                              | (59.8)                       | 212                             | 101                             | 109.9                        |
| <b>Results from operating activities</b>                                     | (288)                           | (790)                           | 63.5                         | (715)                           | (3)                             | N.M                          |
| Finance costs                                                                | (113)                           | (138)                           | 18.1                         | (233)                           | (277)                           | 15.9                         |
| <b>Net finance costs</b>                                                     | (113)                           | (138)                           | 18.1                         | (233)                           | (277)                           | 15.9                         |
| <b>Loss before income tax</b>                                                | (401)                           | (928)                           | 56.8                         | (948)                           | (280)                           | (238.6)                      |
| Income tax expense                                                           | 49                              | (107)                           | N.M                          | 70                              | (43)                            | N.M                          |
| <b>Loss from continued operations</b>                                        | (352)                           | (1,035)                         | 66.0                         | (878)                           | (323)                           | (171.8)                      |
| <b>Discontinued operation</b>                                                |                                 |                                 |                              |                                 |                                 |                              |
| Profit from discontinued operation (net of tax)                              | 1,045                           | 949                             | 10.1                         | 1,063                           | 191                             | 456.5                        |
| <b>Profit/ (Loss) for the period</b>                                         | 693                             | (86)                            | N.M                          | 185                             | (132)                           | N.M                          |
| <b>Profit/ (Loss) attributable to:</b>                                       |                                 |                                 |                              |                                 |                                 |                              |
| Owners of the Company                                                        | 693                             | (86)                            | N.M                          | 185                             | (132)                           | N.M                          |
| <b>Profit/ (Loss) for the period</b>                                         | 693                             | (86)                            | N.M                          | 185                             | (132)                           | N.M                          |
| <b>Items that are or may be reclassified subsequently to profit or loss:</b> |                                 |                                 |                              |                                 |                                 |                              |
| Foreign currency translation differences arising from foreign operations     | 240                             | 968                             | (75.2)                       | 100                             | 709                             | (85.9)                       |
| <b>Other comprehensive income, net of income tax</b>                         | 240                             | 968                             | (75.2)                       | 100                             | 709                             | (85.9)                       |
| <b>Total comprehensive income for the period</b>                             | 933                             | 882                             | 5.8                          | 285                             | 577                             | (50.6)                       |
| <b>Total comprehensive income attributable to:</b>                           |                                 |                                 |                              |                                 |                                 |                              |
| Owners of the Company                                                        | 933                             | 882                             | 5.8                          | 285                             | 577                             | (50.6)                       |
| <b>Total comprehensive income for the period</b>                             | 933                             | 882                             | 5.8                          | 285                             | 577                             | (50.6)                       |

2Q 2020 – 2<sup>nd</sup> quarter ended 30 June 2020  
6M 2020 – 6 months ended 30 June 2020  
N.M – Not meaningful

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

| GROUP                                                                                      | Unaudited<br>2Q 2021<br>S\$'000 | Unaudited<br>2Q 2020<br>S\$'000 | Increase/<br>(Decrease)<br>% | Unaudited<br>6M 2021<br>S\$'000 | Unaudited<br>6M 2020<br>S\$'000 | Increase/<br>(Decrease)<br>% |
|--------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|------------------------------|---------------------------------|---------------------------------|------------------------------|
| <b>Finance costs:</b>                                                                      |                                 |                                 |                              |                                 |                                 |                              |
| Interest cost on bank loans                                                                | (104)                           | (115)                           | 9.6                          | (213)                           | (235)                           | 9.4                          |
| Interest cost on lease liabilities                                                         | (9)                             | (23)                            | 60.9                         | (20)                            | (42)                            | 52.4                         |
|                                                                                            | (113)                           | (138)                           | 18.1                         | (233)                           | (277)                           | 15.9                         |
| <b>Included in 'Other income':</b>                                                         |                                 |                                 |                              |                                 |                                 |                              |
| Rental income                                                                              | 21                              | 11                              | 90.9                         | 43                              | 35                              | 22.9                         |
| Government grant income                                                                    | 53                              | 378                             | (86.0)                       | 142                             | 378                             | (62.4)                       |
| Gains on disposal of plant and equipment                                                   | 18                              | 9                               | 106.2                        | 18                              | 40                              | (55.5)                       |
| <b>Included in 'Other expenses':</b>                                                       |                                 |                                 |                              |                                 |                                 |                              |
| Depreciation of property, plant and equipment<br>(partially classified in 'Cost of sales') | (239)                           | (288)                           | 17.0                         | (487)                           | (570)                           | 14.6                         |
| Depreciation of right-of-use assets                                                        | (192)                           | (218)                           | 11.9                         | (381)                           | (436)                           | 12.6                         |
| Bad debts written off - Trade receivables                                                  | -                               | (19)                            | N.M                          | -                               | (24)                            | N.M                          |
| Allowance for impairment of inventories<br>(reversal)                                      | 544                             | 84                              | 547.6                        | 801                             | 813                             | (1.5)                        |
| Foreign currency exchange gain/ (loss)                                                     | (52)                            | (1,029)                         | 94.9                         | 94                              | (167)                           | N.M                          |

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

|                                      | Group                                         |                                                 | Company                                       |                                                 |
|--------------------------------------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
|                                      | Unaudited<br>As at<br>30 June 2021<br>S\$'000 | Audited<br>As at<br>31 December 2020<br>S\$'000 | Unaudited<br>As at<br>30 June 2021<br>S\$'000 | Audited<br>As at<br>31 December 2020<br>S\$'000 |
| <b>ASSETS</b>                        |                                               |                                                 |                                               |                                                 |
| <b>Non-current assets</b>            |                                               |                                                 |                                               |                                                 |
| Property, plant and equipment        | 9,828                                         | 10,550                                          | 2,543                                         | 2,794                                           |
| Investments in subsidiaries          | -                                             | -                                               | 10,298                                        | 10,298                                          |
| Deferred tax assets                  | 784                                           | 650                                             | 18                                            | -                                               |
| <b>Total non-current assets</b>      | 10,612                                        | 11,200                                          | 12,859                                        | 13,092                                          |
| <b>Current assets</b>                |                                               |                                                 |                                               |                                                 |
| Inventories                          | 18,941                                        | 17,516                                          | -                                             | -                                               |
| Trade and other receivables          | 12,238                                        | 10,142                                          | 5,244                                         | 3,642                                           |
| Cash and cash equivalents            | 3,437                                         | 3,105                                           | 2,319                                         | 1,077                                           |
| <b>Total current assets</b>          | 34,616                                        | 30,763                                          | 7,563                                         | 4,719                                           |
| <b>Total assets</b>                  | 45,228                                        | 41,963                                          | 20,422                                        | 17,811                                          |
| <b>EQUITY</b>                        |                                               |                                                 |                                               |                                                 |
| Share capital                        | 115,601                                       | 114,461                                         | 115,601                                       | 114,461                                         |
| Convertible bond                     | 834                                           | -                                               | 834                                           | -                                               |
| Treasury shares                      | (55)                                          | (55)                                            | (55)                                          | (55)                                            |
| Other reserves                       | 285                                           | -                                               | 285                                           | -                                               |
| Currency translation reserve         | 7                                             | (93)                                            | -                                             | -                                               |
| Accumulated losses                   | (104,117)                                     | (104,302)                                       | (106,795)                                     | (105,928)                                       |
| <b>Total equity</b>                  | 12,555                                        | 10,011                                          | 9,870                                         | 8,478                                           |
| <b>LIABILITIES</b>                   |                                               |                                                 |                                               |                                                 |
| <b>Non-current liabilities</b>       |                                               |                                                 |                                               |                                                 |
| Loans and borrowings                 | 7,591                                         | 6,050                                           | 62                                            | 1,304                                           |
| Convertible loan                     | 2,715                                         | -                                               | 2,715                                         | -                                               |
| Deferred tax liabilities             | 20                                            | 39                                              | 38                                            | 20                                              |
| <b>Total non-current liabilities</b> | 10,326                                        | 6,089                                           | 2,815                                         | 1,324                                           |
| <b>Current liabilities</b>           |                                               |                                                 |                                               |                                                 |
| Trade and other payables             | 8,891                                         | 10,737                                          | 2,449                                         | 3,144                                           |
| Loans and borrowings                 | 9,824                                         | 11,519                                          | 1,700                                         | 1,277                                           |
| Other provision                      | 3,588                                         | 3,588                                           | 3,588                                         | 3,588                                           |
| Income tax payable                   | 44                                            | 19                                              | -                                             | -                                               |
| <b>Total current liabilities</b>     | 22,347                                        | 25,863                                          | 7,737                                         | 8,009                                           |
| <b>Total liabilities</b>             | 32,673                                        | 31,952                                          | 10,552                                        | 9,333                                           |
| <b>Total equity and liabilities</b>  | 45,228                                        | 41,963                                          | 20,422                                        | 17,811                                          |

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

- a) The amount repayable in one year or less, or on demand;
- b) The amount repayable after one year;
- c) Whether the amounts are secured or unsecured; and
- d) Details of any collaterals.

|                                                | GROUP                                         |                                                 |
|------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
|                                                | Unaudited<br>As at<br>30 June 2021<br>S\$'000 | Audited<br>As at<br>31 December 2020<br>S\$'000 |
| Amount repayable within one year or on demand: |                                               |                                                 |
| Secured bank borrowings                        | 7,422                                         | 9,973                                           |
| Secured other borrowing                        | 1,000                                         | -                                               |
| Unsecured bank borrowings                      | 570                                           | 725                                             |
| Lease liabilities                              | 832                                           | 821                                             |
| Total                                          | 9,824                                         | 11,519                                          |
| Amount repayable after one year:               |                                               |                                                 |
| Secured bank borrowings                        | 2,753                                         | 38                                              |
| Secured other borrowing                        | -                                             | 1,000                                           |
| Unsecured bank borrowings                      | 4,610                                         | 4,510                                           |
| Lease liabilities                              | 228                                           | 502                                             |
| Total                                          | 7,591                                         | 6,050                                           |

Bank loans are secured by:

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

Other borrowing pertains to S\$1.0 million bridging loan granted by Shing Heng Holding Pte. Ltd. which is secured by all shares of Ho Leong Tractors Sdn Bhd, a wholly-owned subsidiary of the Company.

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

| GROUP                                                        | Unaudited<br>2Q 2021<br>S\$'000 | Unaudited<br>2Q 2020<br>S\$'000 | Unaudited<br>6M 2021<br>S\$'000 | Unaudited<br>6M 2020<br>S\$'000 |
|--------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>                  |                                 |                                 |                                 |                                 |
| Profit/ (loss) before income tax                             | 644                             | 21                              | 115                             | (89)                            |
| Adjustments for:                                             |                                 |                                 |                                 |                                 |
| Depreciation of property, plant and equipment                | 239                             | 288                             | 487                             | 570                             |
| Depreciation of right-of-use assets                          | 192                             | 218                             | 381                             | 436                             |
| Interest costs on other financial liabilities                | 104                             | 115                             | 213                             | 235                             |
| Interest costs on lease liabilities                          | 9                               | 23                              | 20                              | 42                              |
| Gain on sale of discontinued operation, net of tax           | (1,045)                         | (709)                           | (1,063)                         | (620)                           |
| Gains on disposal of property, plant and equipment           | (18)                            | (9)                             | (18)                            | (40)                            |
| Allowance for impairment of inventories (reversal)           | (544)                           | (84)                            | (801)                           | (813)                           |
| Bad debts written off                                        | -                               | 19                              | -                               | 24                              |
| Allowance for impairment of trade receivables (reversal)     | (35)                            | (87)                            | (212)                           | (101)                           |
| <b>Operating cash flows before working capital changes</b>   | (454)                           | (205)                           | (878)                           | (356)                           |
| Changes in working capital:                                  |                                 |                                 |                                 |                                 |
| Inventories                                                  | (803)                           | (72)                            | (624)                           | 2,332                           |
| Trade and other receivables                                  | (2,224)                         | 2                               | (1,883)                         | 917                             |
| Trade and other payables                                     | 480                             | 1,072                           | (395)                           | 290                             |
| Cash flows from operations                                   | (3,001)                         | 797                             | (3,780)                         | 3,183                           |
| Income taxes paid                                            | (31)                            | (17)                            | (58)                            | (50)                            |
| <b>Net cash (used in)/ from operating activities</b>         | (3,032)                         | 780                             | (3,838)                         | 3,133                           |
| <b>Cash flows from investing activities</b>                  |                                 |                                 |                                 |                                 |
| Purchase of plant and equipment                              | (146)                           | (107)                           | (146)                           | (228)                           |
| Proceeds from disposal of plant and equipment                | 12                              | 44                              | 12                              | 84                              |
| Proceeds from disposal of discontinued operation             | -                               | -                               | -                               | 2,318                           |
| <b>Net cash (used in)/ from investing activities</b>         | (134)                           | (63)                            | (134)                           | 2,174                           |
| <b>Cash flows from financing activities</b>                  |                                 |                                 |                                 |                                 |
| Interest paid                                                | (112)                           | (105)                           | (232)                           | (244)                           |
| Proceeds from bills payable and trust receipts               | 1,705                           | 824                             | 2,595                           | 979                             |
| Repayment of bills payable and trust receipts                | (776)                           | (498)                           | (1,389)                         | (1,965)                         |
| Payment of lease liabilities                                 | (179)                           | (279)                           | (401)                           | (463)                           |
| Proceeds from convertible loan                               | 3,000                           | -                               | 3,000                           | -                               |
| Proceeds from bank borrowings                                | 1,100                           | -                               | 1,105                           | -                               |
| Repayment of bank borrowings                                 | (85)                            | (187)                           | (147)                           | (4,002)                         |
| <b>Net cash (used in)/ from financing activities</b>         | 4,653                           | (245)                           | 4,531                           | (5,695)                         |
| <b>Net increase/ (decrease) in cash and cash equivalents</b> | 1,487                           | 472                             | 559                             | (388)                           |
| Cash and cash equivalents, beginning balance                 | 1,960                           | 1,442                           | 3,105                           | 2,499                           |
| Effect of exchange rates fluctuations                        | (10)                            | 373                             | (227)                           | 176                             |
| <b>Cash and cash equivalents, ending balance</b>             | 3,437                           | 2,287                           | 3,437                           | 2,287                           |

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

| GROUP                                     | Share capital<br>S\$'000 | Convertible bond<br>S\$'000 | Treasury shares<br>S\$'000 | Other reserves<br>S\$'000 | Currency translation reserve<br>S\$'000 | Accumulated losses<br>S\$'000 | Total equity<br>S\$'000 |
|-------------------------------------------|--------------------------|-----------------------------|----------------------------|---------------------------|-----------------------------------------|-------------------------------|-------------------------|
| <b>FY2021 (Unaudited):</b>                |                          |                             |                            |                           |                                         |                               |                         |
| At 1 January 2021                         | 114,461                  | -                           | (55)                       | -                         | (93)                                    | (104,302)                     | 10,011                  |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (140)                                   | (508)                         | (648)                   |
| At 31 March 2021                          | 114,461                  | -                           | (55)                       | -                         | (233)                                   | (104,810)                     | 9,363                   |
| Issuance of share capital                 | 1,140                    | -                           | -                          | -                         | -                                       | -                             | 1,140                   |
| Equity components of convertible loan     | -                        | -                           | -                          | 285                       | -                                       | -                             | 285                     |
| Issuance of convertible bond              | -                        | 834                         | -                          | -                         | -                                       | -                             | 834                     |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 240                                     | 693                           | 933                     |
| At 30 June 2021                           | 115,601                  | 834                         | (55)                       | 285                       | 7                                       | (104,117)                     | 12,555                  |
| <b>FY2020 (Unaudited):</b>                |                          |                             |                            |                           |                                         |                               |                         |
| At 1 January 2020                         | 114,461                  | -                           | (55)                       | -                         | (879)                                   | (106,388)                     | 7,139                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (259)                                   | (46)                          | (305)                   |
| At 31 March 2020                          | 114,461                  | -                           | (55)                       | -                         | (1,138)                                 | (106,434)                     | 6,834                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 968                                     | (86)                          | 882                     |
| At 30 June 2020                           | 114,461                  | -                           | (55)                       | -                         | (170)                                   | (106,520)                     | 7,716                   |

| COMPANY                                   | Share capital<br>S\$'000 | Convertible bond<br>S\$'000 | Treasury shares<br>S\$'000 | Other reserves<br>S\$'000 | Accumulated losses<br>S\$'000 | Total equity<br>S\$'000 |
|-------------------------------------------|--------------------------|-----------------------------|----------------------------|---------------------------|-------------------------------|-------------------------|
| <b>FY2021 (Unaudited):</b>                |                          |                             |                            |                           |                               |                         |
| At 1 January 2021                         | 114,461                  | -                           | (55)                       | -                         | (105,928)                     | 8,478                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (1,146)                       | (1,146)                 |
| At 31 March 2021                          | 114,461                  | -                           | (55)                       | -                         | (107,074)                     | 7,332                   |
| Issuance of share capital                 | 1,140                    | -                           | -                          | -                         | -                             | 1,140                   |
| Equity components of convertible loan     | -                        | -                           | -                          | 285                       | -                             | 285                     |
| Issuance of convertible bond              | -                        | 834                         | -                          | -                         | -                             | 834                     |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 279                           | 279                     |
| At 30 June 2021                           | 115,601                  | 834                         | (55)                       | 285                       | (106,795)                     | 9,870                   |
| <b>FY2020 (Unaudited):</b>                |                          |                             |                            |                           |                               |                         |
| At 1 January 2020                         | 114,461                  | -                           | (55)                       | -                         | (106,988)                     | 7,418                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 18                            | 18                      |
| At 31 March 2020                          | 114,461                  | -                           | (55)                       | -                         | (106,970)                     | 7,436                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (297)                         | (297)                   |
| At 30 June 2020                           | 114,461                  | -                           | (55)                       | -                         | (107,267)                     | 7,139                   |

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on**

Number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

- 1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

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

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

For item 1(d)(ii) to 1(d)(v), please refer to Section E (Note 16) of Interim FS.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The interim financial information and Interim FS (including explanatory notes) for 2Q 2021, 6M 2021 and as at 30 June 2021 have not been audited or reviewed by the Company's auditors.

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

Not applicable.

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

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as presented in the audited financial statements of the Group for the financial year ended 31 December 2020.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

A number of new standards and/ or amendments to standards are effective for the Company from 1 January 2021 (i.e. the beginning of the current financial year).

| Description                                                                                           | Effective for annual periods beginning on or after |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions                                            | 1 June 2020                                        |
| Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 16 Interest rate benchmark reform – phase 2 | 1 January 2021                                     |

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

**6 Earnings per ordinary share ("EPS") of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

| GROUP                                                | Unaudited<br>2Q 2021 | Unaudited<br>2Q 2020 | Unaudited<br>6M 2021 | Unaudited<br>6M 2020 |
|------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Loss attributable to owners of the Company (S\$'000) |                      |                      |                      |                      |
| - Continuing operations                              | (352)                | (1,035)              | (878)                | (323)                |
| - Discontinued operation                             | 1,045                | 949                  | 1,063                | 191                  |
| - Total                                              | 693                  | (86)                 | 185                  | (132)                |
| Weighted average number of ordinary shares ('000)    | 5,676,716            | 5,619,433            | 5,648,233            | 5,619,433            |
| EPS (Basic) (cents)                                  |                      |                      |                      |                      |
| - Continuing operations                              | (0.01)               | (0.02)               | (0.02)               | (0.01)               |
| - Discontinued operation                             | 0.02                 | (0.02)               | 0.02                 | -*                   |
| - Total                                              | 0.01                 | -*                   | -*                   | -*                   |
| EPS (Diluted) (cents)                                |                      |                      |                      |                      |
| - Continuing operations                              | (0.01)               | Note 1               | (0.02)               | Note 1               |
| - Discontinued operation                             | 0.02                 |                      | 0.02                 |                      |
| - Total                                              | 0.01                 |                      | -*                   |                      |

\*Less than 0.01 Singapore cent.

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

Diluted EPS is calculated by dividing profit or loss, net of tax attributable to owners of the Company (after giving effect to the elimination of interest expense, net of tax benefit, applicable to the convertible loan note) by the weighted average number of ordinary shares outstanding and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect on EPS derives from transactions such as: Convertible loan note subscribed by and option granted to an investor and convertible bond issued to a bank during a debt conversion exercise.

Note 1: Diluted EPS is the same as basic EPS as no potential dilutive ordinary shares exist during the respective reporting period.

**7 Net asset value (“NAV”) (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and the immediately preceding financial year**

|                                                                | GROUP                        |                                | COMPANY                      |                                |
|----------------------------------------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
|                                                                | Unaudited<br>30 June<br>2021 | Audited<br>31 December<br>2020 | Unaudited<br>30 June<br>2021 | Audited<br>31 December<br>2020 |
| NAV attributable to owners of the Company (S\$'000)            | 12,555                       | 10,011                         | 9,870                        | 8,478                          |
| Total number of issued shares excluding treasury shares ('000) | 6,271,035                    | 5,619,433                      | 6,271,035                    | 5,619,433                      |
| NAV per ordinary share (cents)                                 | 0.20                         | 0.18                           | 0.16                         | 0.15                           |

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

**(a) Significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factor**

**Revenue**

For 2Q 2021, revenue for the Group increased by S\$0.7m or 7.2% to S\$11.1 million from S\$10.4 million during 2Q 2020.

For 6M 2021, the Group registered revenue of S\$21.3 million compared to S\$20.8 million during 6M 2020, a marginal increase of S\$0.5 million or 2.3%.

Revenue derived from sales of the Group's products in certain markets (e.g. USA) has improved during the current financial period. However, business in Australia has not picked up as the mining industry is still recovering from the adverse impact of Covid-19. As such, revenue registered during the current financial period is comparable to that of the prior period.

**Cost of sales**

For 2Q 2021, cost of sales increased by S\$1.0 million or 13.0% to S\$9.3 million from S\$8.3 million during 2Q 2020.

For 6M 2021, cost of sales increased by S\$0.9 million or 5.4% to S\$18.1 million from S\$17.2 million during 6M 2020.

Gross profit was S\$1.7 million (Gross profit margin: 15.7%) in 2Q 2021 and S\$2.0 million (Gross profit margin: 20.0%) in 2Q 2020.

Gross profit was S\$3.2 million (Gross profit margin: 15.0%) in 6M 2021 and S\$3.6 million (Gross profit margin: 17.5%) in 6M 2020.

The reduction in gross profit margin is mainly due to clearance of old stock with low margin (before take into consideration of allowance for impairment of inventories made) and increase in raw material prices.

### **Other income**

For 2Q 2021, other income decreased by S\$0.3 million to S\$0.2 million from S\$0.5 million during 2Q 2020. The decrease was mainly due to lower government grant income (relating to Covid-19 relief measures by governments) received during 2Q 2021.

For 6M 2021, other income decreased by S\$0.1 million to S\$0.4 million from S\$0.5 million during 6M 2020. The decrease was mainly due to lower government grant income (relating to Covid-19 relief measures by governments) received. This decrease was partially offset by higher income from sale of scrap metal during 6M 2021.

### **Distribution expenses**

For 2Q 2021, distribution expenses increased by S\$0.1 million or 11.4% to S\$0.8 million from S\$0.7 million during 2Q 2020.

For 6M 2021, distribution expenses increased by S\$0.2 million or 9.8% to S\$1.7 million from S\$1.5 million during 6M 2020.

The increases were mainly due to increase in freight costs.

### **Administrative expenses**

For 2Q 2021, administrative expenses increased by S\$0.2 million or 21.1% to S\$1.3 million from S\$1.1 million during 2Q 2020.

For 6M 2021, administrative expenses increased by S\$0.4 million or 18.7% to S\$2.6 million from S\$2.2 million during 6M 2020.

The increase was mainly attributable to legal and professional fee and related expenses in relation to a funding and debt conversion exercise which begun in FY2020 and was completed towards the end of 2Q 2021.

### **Other expenses**

For 2Q 2021, other expenses decreased by S\$1.5 million or 94.5% to S\$0.1 million from S\$1.6 million during 2Q 2020. This is mainly due to lower foreign currency exchange loss (Decrease of S\$1.0 million). There was also higher reversal of allowance for impairment of inventories (Increase of S\$0.5 million) during 2Q 2021 in view of the Group's continual efforts to clear the older inventories and free up warehousing space.

For 6M 2021, other expenses decreased by S\$0.3 million to S\$0.2 million from S\$0.5 million during 6M 2020. This is mainly due to foreign currency exchange gain of S\$0.1 million recognised during 6M 2021, compared to a loss of S\$0.2 million recognised in 6M 2020.

### **Impairment loss on trade receivables**

There were higher recovery of trade receivables which were impaired in prior periods resulting in a higher credit amount for 6M 2021.

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

Loss before income tax for 2Q 2021 was S\$0.4 million. The higher loss before income tax of S\$0.9 million for 2Q 2020 was mainly due to higher foreign currency exchange loss recognised.

For 6M 2021, loss before income tax was S\$0.9 million while a lower loss before income tax of S\$0.3 million was registered in 6M 2020. This is mainly due to lower gross profit derived in and higher legal and professional fees incurred during 6M 2021.

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

**Financial Position Review**

**Non-current assets**

Non-current assets decreased by S\$0.6 million from S\$11.2 million as at 31 December 2020 to S\$10.6 million as at 30 June 2021. The decrease was mainly due to decrease in property, plant and equipment by S\$0.7 million from S\$10.5 million as at 31 December 2020 to S\$9.8 million as at 30 June 2021 is mainly attributable to depreciation.

**Current assets**

Current assets increased by S\$3.8 million from S\$30.8 million as at 31 December 2020 to S\$34.6 million as at 31 December 2020. The increase was mainly due to increase in inventories and trade and other receivables by S\$1.4 million and S\$2.1 million respectively.

Trade receivables turnover was 93 days as at 30 June 2021 compared to 70 days as at 31 December 2020.

The increase in inventories is mainly due to increase in cost of raw materials and more finished goods not delivered to customers as at 30 June 2021 (compared to 31 December 2020) due to shipment delays. Inventories turnover was 191 days as at 30 June 2021 compared to 162 days as at 31 December 2020.

**Non-current liabilities**

Non-current liabilities increased by S\$4.2 million from S\$6.1 million as at 31 December 2020 to S\$10.3 million as at 30 June 2021. The increase was mainly due to drawdown of a \$3 million convertible loan. Equity portion of the convertible loan amounting to S\$0.3 million were reclassified to other reserves in 2Q 2021. As at 30 June 2021, non-current liabilities include S\$2.7 million of bank borrowings which were classified in current liabilities on 31 December 2020 due to breach of certain bank covenants. As at 30 June 2021, there is no breach of bank covenants. The above increases were partially offset by reclassification of S\$1.0 million bridging loan from an investor and S\$0.2 million lease liabilities from non-current to current liabilities.

**Current liabilities**

Current liabilities decreased by S\$3.6 million from S\$25.9 million as at 31 December 2020 to S\$22.3 million as at 30 June 2021. The decrease was mainly due to a derecognition of trade and other payables of S\$1.4 million in the books of subsidiaries under vessel chartering segment upon the commencement of liquidation during 2Q 2021. S\$2.0 million of bank borrowings are converted to share capital and convertible bonds during a debt conversion exercise in 2Q 2021. On 31 December 2020, S\$2.7 million of non-current portion of bank borrowings were classified in current liabilities during to breach of certain bank covenants. As at 30 June 2021, the Group complied with all bank covenants and no non-current portion of bank borrowings are classified in the current portion. The above decreases were partially offset by a net drawdown of bank borrowings amounting to S\$1.5 million and reclassification of S\$1.0 million bridging loan from an investor from non-current to current liabilities.

Trade payables' turnover was 29 days as at 31 December 2020 and 36 days as at 30 June 2021.

## **Cash Flow Review**

### **2Q 2021**

During 2Q 2021, net cash used in operating activities was S\$3.0 million. This was mainly resulting from operating cash outflows of S\$0.5 million and increase in working capital of S\$2.5 million. The increase in working capital was mainly due to increase in inventories and trade and other receivables.

Net cash used in investing activities during 2Q 2021 of S\$0.1million was mainly due to purchase of plant and equipment.

Net cash from financing activities amounting to S\$4.6 million was mainly due to proceeds from convertible loan of S\$3.0 million, proceeds from drawdown of bank borrowing of S\$2.8 million. The above inflows were partially offset by interest payment of S\$0.1 million, repayment of bank borrowings of S\$0.9 million and payment of lease liabilities of S\$0.2 million.

As a result of the above, there was a net increase of S\$1.5 million in cash and cash equivalents during 2Q 2021. Cash and cash equivalents was S\$3.4 million as at 30 June 2021.

### **6M 2021**

During 6M 2021, net cash used in operating activities was S\$3.8 million. This mainly resulting from operating cash outflows of S\$0.9 million and increase in working capital of S\$2.9 million. The increase in working capital was mainly due to increase in inventories, trade and other receivables and trade and other payables.

Net cash used in investing activities during 6M 2021 was S\$0.1 million mainly due to purchase of plant and equipment.

Net cash from financing activities amounting to S\$4.5 million was mainly due to proceeds from convertible loan of S\$3.0 million, proceeds from drawdown of bank borrowing of S\$3.7 million. The above inflows were partially offset by interest payment of S\$0.2 million, repayment of bank borrowings of S\$1.5 million and payment of lease liabilities of S\$0.4 million.

As a result of the above, there was a net increase of S\$0.6 million in cash and cash equivalents during 6M 2021. Cash and cash equivalents was S\$3.4 million as at 30 June 2021.

## **Material Litigation**

Please refer to Section E (Note 18) of Interim FS.

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

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

### **10 Commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The global COVID-19 situation remains fluid and the Group continues to maintain a cautious outlook for the next 12 months. Notwithstanding the ongoing uncertainties, the Group shall continue to reduce risks and strengthen revenue streams, pursue cost management measures and will also explore additional means to shore up liquidity as necessary.

## 11 Dividend

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

No dividend has been declared for 2Q 2021.

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

No dividend was declared for 2Q 2020.

### (c) Date payable

Not applicable.

### (d) Books closure date

Not applicable.

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

Not applicable.

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

No dividend has been declared/ recommended for 2Q 2021 in view of the Group's accumulated losses.

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

| Name of interested person and nature of transactions           | Nature of relationship               | Aggregate value of all IPTs during 6M 2021 (excluding transactions less than S\$100,000)                              |                                                                                                        |
|----------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
|                                                                |                                      | Excluding IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S\$'000 | Conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S\$'000 |
| Hoe Leong Plastic Industry (China) Co., Ltd:<br>Rental expense | Associate of controlling shareholder | 424                                                                                                                   | -                                                                                                      |

On 1 January 2021, the Company's wholly-owned subsidiary, Kunshan Kanto Buhin Manufacturing Co., Ltd ("KKBM") renewed its tenancy agreement (the "Tenancy Agreement") with Hoe Leong Plastic Industry (China) Co., Ltd. The lease period under the Tenancy Agreement is 1 January 2021 to 31 December 2021 and the value at risk (i.e. rental and maintenance fee for the lease period) amounts to approximately S\$424,000. The Tenancy Agreement and the lease thereunder do not require shareholders' approval as it is exempted under Rule 916(1) of the SGX-ST Listing Manual. Please refer to the Company's SGXNet announcement dated 5 January 2021.

No IPT mandate has been obtained by the Company.

#### 14 Use of proceeds from issuance of convertible loan note

Referring to the Company's announcements dated 13 July 2021 and 2 August 2021 pertaining to the use of proceeds from issuance of S\$3 million convertible loan note on 23 June 2021, the utilisation of proceeds as at the date of this announcement is as follows:

| Use of proceeds<br>(As set out in the Company's Circular<br>dated 1 June 2021)                                                       | Amount<br>allocated<br>S\$'000 | Amount<br>used<br>S\$'000 | Amount<br>unused<br>S\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------|-----------------------------|
| General working capital (and any potential investments in plant and equipment for expansion and enhancement of operational capacity) | 3,000                          | (1,860)                   | 1,140                       |

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

|                                             | S\$'000 |
|---------------------------------------------|---------|
| Purchases from suppliers and subcontractors | 1,322   |
| Other operating expenses*                   | 538     |
| Total                                       | 1,860   |

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

The use of proceeds from issuance of the convertible loan note is in accordance with the intended use as disclosed in the Company's circular dated 1 June 2021. The Company will make periodic announcements as and when the unused proceeds are materially disbursed.

#### 15 Negative confirmation pursuant to Rule 705(5) of the Listing Manual

The Board confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the interim financial information and Interim FS (including explanatory notes) for 2Q 2021, 6M 2021 and as at 30 June 2021 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Liew Yoke Pheng Joseph  
Executive Chairman and CEO

14 August 2021

Hoe Leong Corporation Ltd.

**Condensed Interim Financial Statements**  
**For the 6 months ended 30 June 2021**

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**A. Statement of profit or loss and comprehensive income**

| Group                                                                        | Unaudited<br>2Q 2021<br>S\$'000 | Unaudited<br>2Q 2020<br>S\$'000 | Unaudited<br>6M 2021<br>S\$'000 | Unaudited<br>6M 2020<br>S\$'000 |
|------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Continuing operations</b>                                                 |                                 |                                 |                                 |                                 |
| <b>Revenue</b>                                                               | 11,095                          | 10,348                          | 21,305                          | 20,833                          |
| Cost of sales                                                                | (9,352)                         | (8,274)                         | (18,110)                        | (17,187)                        |
| <b>Gross profit</b>                                                          | 1,743                           | 2,074                           | 3,195                           | 3,646                           |
| Other income                                                                 | 192                             | 448                             | 369                             | 494                             |
| Distribution expenses                                                        | (831)                           | (746)                           | (1,686)                         | (1,536)                         |
| Administrative expenses                                                      | (1,342)                         | (1,108)                         | (2,579)                         | (2,172)                         |
| Other expenses                                                               | (85)                            | (1,545)                         | (226)                           | (536)                           |
| Impairment loss on trade receivables (reversal)                              | 35                              | 87                              | 212                             | 101                             |
| <b>Results from operating activities</b>                                     | (288)                           | (790)                           | (715)                           | (3)                             |
| Finance costs                                                                | (113)                           | (138)                           | (233)                           | (277)                           |
| <b>Net finance costs</b>                                                     | (113)                           | (138)                           | (233)                           | (277)                           |
| <b>Loss before income tax</b>                                                | (401)                           | (928)                           | (948)                           | (280)                           |
| Income tax expense                                                           | 49                              | (107)                           | 70                              | (43)                            |
| <b>Loss from continued operations</b>                                        | (352)                           | (1,035)                         | (878)                           | (323)                           |
| <b>Discontinued operation</b>                                                |                                 |                                 |                                 |                                 |
| Profit from discontinued operation (net of tax)                              | 1,045                           | 949                             | 1,063                           | 191                             |
| <b>Profit/ (Loss) for the period</b>                                         | 693                             | (86)                            | 185                             | (132)                           |
| <b>Profit/ (Loss) attributable to:</b>                                       |                                 |                                 |                                 |                                 |
| Owners of the Company                                                        | 693                             | (86)                            | 185                             | (132)                           |
| <b>Profit/ (Loss) for the period</b>                                         | 693                             | (86)                            | 185                             | (132)                           |
| <b>Items that are or may be reclassified subsequently to profit or loss:</b> |                                 |                                 |                                 |                                 |
| Foreign currency translation differences arising from foreign operations     | 240                             | 968                             | 100                             | 709                             |
| <b>Other comprehensive income, net of income tax</b>                         | 240                             | 968                             | 100                             | 709                             |
| <b>Total comprehensive income for the period</b>                             | 933                             | 882                             | 285                             | 577                             |
| <b>Total comprehensive income attributable to:</b>                           |                                 |                                 |                                 |                                 |
| Owners of the Company                                                        | 933                             | 882                             | 285                             | 577                             |
| <b>Total comprehensive income for the period</b>                             | 933                             | 882                             | 285                             | 577                             |

2Q 2021 – 2<sup>nd</sup> quarter ended 30 June 2021

2Q 2020 – 2<sup>nd</sup> quarter ended 30 June 2020

6M 2021 – 6 months ended 30 June 2021

6M 2020 – 6 months ended 30 June 2020

## B. Statements of financial position

|                                      | Group                                         |                                                 | Company                                       |                                                 |
|--------------------------------------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
|                                      | Unaudited<br>As at<br>30 June 2021<br>S\$'000 | Audited<br>As at<br>31 December 2020<br>S\$'000 | Unaudited<br>As at<br>30 June 2021<br>S\$'000 | Audited<br>As at<br>31 December 2020<br>S\$'000 |
| <b>ASSETS</b>                        |                                               |                                                 |                                               |                                                 |
| <b>Non-current assets</b>            |                                               |                                                 |                                               |                                                 |
| Property, plant and equipment        | 9,828                                         | 10,550                                          | 2,543                                         | 2,794                                           |
| Investments in subsidiaries          | -                                             | -                                               | 10,298                                        | 10,298                                          |
| Deferred tax assets                  | 784                                           | 650                                             | 18                                            | -                                               |
| <b>Total non-current assets</b>      | 10,612                                        | 11,200                                          | 12,859                                        | 13,092                                          |
| <b>Current assets</b>                |                                               |                                                 |                                               |                                                 |
| Inventories                          | 18,941                                        | 17,516                                          | -                                             | -                                               |
| Trade and other receivables          | 12,238                                        | 10,142                                          | 5,244                                         | 3,642                                           |
| Cash and cash equivalents            | 3,437                                         | 3,105                                           | 2,319                                         | 1,077                                           |
| <b>Total current assets</b>          | 34,616                                        | 30,763                                          | 7,563                                         | 4,719                                           |
| <b>Total assets</b>                  | 45,228                                        | 41,963                                          | 20,422                                        | 17,811                                          |
| <b>EQUITY</b>                        |                                               |                                                 |                                               |                                                 |
| Share capital                        | 115,601                                       | 114,461                                         | 115,601                                       | 114,461                                         |
| Convertible bond                     | 834                                           | -                                               | 834                                           | -                                               |
| Treasury shares                      | (55)                                          | (55)                                            | (55)                                          | (55)                                            |
| Other reserves                       | 285                                           | -                                               | 285                                           | -                                               |
| Currency translation reserve         | 7                                             | (93)                                            | -                                             | -                                               |
| Accumulated losses                   | (104,117)                                     | (104,302)                                       | (106,795)                                     | (105,928)                                       |
| <b>Total equity</b>                  | 12,555                                        | 10,011                                          | 9,870                                         | 8,478                                           |
| <b>LIABILITIES</b>                   |                                               |                                                 |                                               |                                                 |
| <b>Non-current liabilities</b>       |                                               |                                                 |                                               |                                                 |
| Loans and borrowings                 | 7,591                                         | 6,050                                           | 62                                            | 1,304                                           |
| Convertible loan                     | 2,715                                         | -                                               | 2,715                                         | -                                               |
| Deferred tax liabilities             | 20                                            | 39                                              | 38                                            | 20                                              |
| <b>Total non-current liabilities</b> | 10,326                                        | 6,089                                           | 2,815                                         | 1,324                                           |
| <b>Current liabilities</b>           |                                               |                                                 |                                               |                                                 |
| Trade and other payables             | 8,891                                         | 10,737                                          | 2,449                                         | 3,144                                           |
| Loans and borrowings                 | 9,824                                         | 11,519                                          | 1,700                                         | 1,277                                           |
| Other provision                      | 3,588                                         | 3,588                                           | 3,588                                         | 3,588                                           |
| Income tax payable                   | 44                                            | 19                                              | -                                             | -                                               |
| <b>Total current liabilities</b>     | 22,347                                        | 25,863                                          | 7,737                                         | 8,009                                           |
| <b>Total liabilities</b>             | 32,673                                        | 31,952                                          | 10,552                                        | 9,333                                           |
| <b>Total equity and liabilities</b>  | 45,228                                        | 41,963                                          | 20,422                                        | 17,811                                          |

### C. Statement of changes in equity

| GROUP                                     | Share capital<br>S\$'000 | Convertible bond<br>S\$'000 | Treasury shares<br>S\$'000 | Other reserves<br>S\$'000 | Currency translation reserve<br>S\$'000 | Accumulated losses<br>S\$'000 | Total equity<br>S\$'000 |
|-------------------------------------------|--------------------------|-----------------------------|----------------------------|---------------------------|-----------------------------------------|-------------------------------|-------------------------|
| <b>FY2021 (Unaudited):</b>                |                          |                             |                            |                           |                                         |                               |                         |
| At 1 January 2021                         | 114,461                  | -                           | (55)                       | -                         | (93)                                    | (104,302)                     | 10,011                  |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (140)                                   | (508)                         | (648)                   |
| At 31 March 2021                          | 114,461                  | -                           | (55)                       | -                         | (233)                                   | (104,810)                     | 9,363                   |
| Issuance of share capital                 | 1,140                    | -                           | -                          | -                         | -                                       | -                             | 1,140                   |
| Equity components of convertible loan     | -                        | -                           | -                          | 285                       | -                                       | -                             | 285                     |
| Issuance of convertible bond              | -                        | 834                         | -                          | -                         | -                                       | -                             | 834                     |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 240                                     | 693                           | 933                     |
| At 30 June 2021                           | 115,601                  | 834                         | (55)                       | 285                       | 7                                       | (104,117)                     | 12,555                  |
| <b>FY2020 (Unaudited):</b>                |                          |                             |                            |                           |                                         |                               |                         |
| At 1 January 2020                         | 114,461                  | -                           | (55)                       | -                         | (879)                                   | (106,388)                     | 7,139                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (259)                                   | (46)                          | (305)                   |
| At 31 March 2020                          | 114,461                  | -                           | (55)                       | -                         | (1,138)                                 | (106,434)                     | 6,834                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 968                                     | (86)                          | 882                     |
| At 30 June 2020                           | 114,461                  | -                           | (55)                       | -                         | (170)                                   | (106,520)                     | 7,716                   |

| COMPANY                                   | Share capital<br>S\$'000 | Convertible bond<br>S\$'000 | Treasury shares<br>S\$'000 | Other reserves<br>S\$'000 | Accumulated losses<br>S\$'000 | Total equity<br>S\$'000 |
|-------------------------------------------|--------------------------|-----------------------------|----------------------------|---------------------------|-------------------------------|-------------------------|
| <b>FY2021 (Unaudited):</b>                |                          |                             |                            |                           |                               |                         |
| At 1 January 2021                         | 114,461                  | -                           | (55)                       | -                         | (105,928)                     | 8,478                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (1,146)                       | (1,146)                 |
| At 31 March 2021                          | 114,461                  | -                           | (55)                       | -                         | (107,074)                     | 7,332                   |
| Issuance of share capital                 | 1,140                    | -                           | -                          | -                         | -                             | 1,140                   |
| Equity components of convertible loan     | -                        | -                           | -                          | 285                       | -                             | 285                     |
| Issuance of convertible bond              | -                        | 834                         | -                          | -                         | -                             | 834                     |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 279                           | 279                     |
| At 30 June 2021                           | 115,601                  | 834                         | (55)                       | 285                       | (106,795)                     | 9,870                   |
| <b>FY2020 (Unaudited):</b>                |                          |                             |                            |                           |                               |                         |
| At 1 January 2020                         | 114,461                  | -                           | (55)                       | -                         | (106,988)                     | 7,418                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | 18                            | 18                      |
| At 31 March 2020                          | 114,461                  | -                           | (55)                       | -                         | (106,970)                     | 7,436                   |
| Total comprehensive income for the period | -                        | -                           | -                          | -                         | (297)                         | (297)                   |
| At 30 June 2020                           | 114,461                  | -                           | (55)                       | -                         | (107,267)                     | 7,139                   |

## D. Statement of cash flows

| GROUP                                                        | Unaudited<br>2Q 2021<br>S\$'000 | Unaudited<br>2Q 2020<br>S\$'000 | Unaudited<br>6M 2021<br>S\$'000 | Unaudited<br>6M 2020<br>S\$'000 |
|--------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>                  |                                 |                                 |                                 |                                 |
| Profit/ (loss) before income tax                             | 644                             | 21                              | 115                             | (89)                            |
| Adjustments for:                                             |                                 |                                 |                                 |                                 |
| Depreciation of property, plant and equipment                | 239                             | 288                             | 487                             | 570                             |
| Depreciation of right-of-use assets                          | 192                             | 218                             | 381                             | 436                             |
| Interest costs on other financial liabilities                | 104                             | 115                             | 213                             | 235                             |
| Interest costs on lease liabilities                          | 9                               | 23                              | 20                              | 42                              |
| Gain on sale of discontinued operation, net of tax           | (1,045)                         | (709)                           | (1,063)                         | (620)                           |
| Gains on disposal of property, plant and equipment           | (18)                            | (9)                             | (18)                            | (40)                            |
| Allowance for impairment of inventories (reversal)           | (544)                           | (84)                            | (801)                           | (813)                           |
| Bad debts written off                                        | -                               | 19                              | -                               | 24                              |
| Allowance for impairment of trade receivables (reversal)     | (35)                            | (87)                            | (212)                           | (101)                           |
| <b>Operating cash flows before working capital changes</b>   | (454)                           | (205)                           | (878)                           | (356)                           |
| Changes in working capital:                                  |                                 |                                 |                                 |                                 |
| Inventories                                                  | (803)                           | (72)                            | (624)                           | 2,332                           |
| Trade and other receivables                                  | (2,224)                         | 2                               | (1,883)                         | 917                             |
| Trade and other payables                                     | 480                             | 1,072                           | (395)                           | 290                             |
| Cash flows from operations                                   | (3,001)                         | 797                             | (3,780)                         | 3,183                           |
| Income taxes paid                                            | (31)                            | (17)                            | (58)                            | (50)                            |
| <b>Net cash (used in)/ from operating activities</b>         | (3,032)                         | 780                             | (3,838)                         | 3,133                           |
| <b>Cash flows from investing activities</b>                  |                                 |                                 |                                 |                                 |
| Purchase of plant and equipment                              | (146)                           | (107)                           | (146)                           | (228)                           |
| Proceeds from disposal of plant and equipment                | 12                              | 44                              | 12                              | 84                              |
| Proceeds from disposal of discontinued operation             | -                               | -                               | -                               | 2,318                           |
| <b>Net cash (used in)/ from investing activities</b>         | (134)                           | (63)                            | (134)                           | 2,174                           |
| <b>Cash flows from financing activities</b>                  |                                 |                                 |                                 |                                 |
| Interest paid                                                | (112)                           | (105)                           | (232)                           | (244)                           |
| Proceeds from bills payable and trust receipts               | 1,705                           | 824                             | 2,595                           | 979                             |
| Repayment of bills payable and trust receipts                | (776)                           | (498)                           | (1,389)                         | (1,965)                         |
| Payment of lease liabilities                                 | (179)                           | (279)                           | (401)                           | (463)                           |
| Proceeds from convertible loan                               | 3,000                           | -                               | 3,000                           | -                               |
| Proceeds from bank borrowings                                | 1,100                           | -                               | 1,105                           | -                               |
| Repayment of bank borrowings                                 | (85)                            | (187)                           | (147)                           | (4,002)                         |
| <b>Net cash (used in)/ from financing activities</b>         | 4,653                           | (245)                           | 4,531                           | (5,695)                         |
| <b>Net increase/ (decrease) in cash and cash equivalents</b> | 1,487                           | 472                             | 559                             | (388)                           |
| Cash and cash equivalents, beginning balance                 | 1,960                           | 1,442                           | 3,105                           | 2,499                           |
| Effect of exchange rates fluctuations                        | (10)                            | 373                             | (227)                           | 176                             |
| <b>Cash and cash equivalents, ending balance</b>             | 3,437                           | 2,287                           | 3,437                           | 2,287                           |

## **E. Notes to the condensed interim financial statements**

### **1. Corporate information**

Hoe Leong Corporation Ltd. (the “Company”) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the “Group”).

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

### **2. Basis of preparation**

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.2.

The condensed interim financial statements are presented in Singapore dollar which is the Company’s functional currency.

#### **2.1 Use of going concern assumption**

In the independent auditors’ report for the financial year ended 31 December 2020, the auditors drew attention to the Group’s outstanding current loan and borrowing obligations of S\$11,519,000, of which S\$4,897,000 can be called upon on demand basis due to breaches in certain loan covenants as at 31 December 2020. Although the directors of the Company had put in place fund raising and debt conversion plans (the “restructuring plans”) to improve the liquidity and financial position of the Group and the Company, such restructuring plans were dependent on regulatory and shareholders’ approval; and the continuing financial support from lenders was also dependent on the successful completion of these restructuring plans.

As at 30 June 2021, pertaining to the restructuring plans, the Company has completed the issuance of convertible loan note amounting to S\$3,000,000 to an investor and the conversion of vessel loans amounting to S\$1,859,000 into ordinary shares and convertible bond of the Company. As at 30 June 2021, the Group’s outstanding current loan and borrowing obligations amounted to S\$9,824,000 and the Group has complied with all loan covenants.

In assessing the continuing use of the going concern assumption, the directors of the Company have considered the completion of the restructuring plans and the Group’s cash flow forecast.

#### **2.2 New and amended standards adopted by the Group**

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

## 2.3 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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

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

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

- Note 9: Measurement of depreciation and recoverable amounts of property, plant and equipment.
- Note 10: Measurement of recoverable amounts of investments in subsidiaries.
- Note 11: Measurement of net realisable value of inventories.
- Note 12: Measurement of impairment loss allowance for trade receivables.
- Note 18: Measurement of estimation of provision of loss liabilities from on-going litigation cases.

## 3. Seasonal operations

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

## 4. Segment and revenue information

The Group is organised into the following main business segments:

### a) Design and manufacture

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

### b) Trading and distribution

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

### c) Vessel chartering

Chartering of vessels to charterers in the oil and gas industry. During the financial year ended 31 December 2020, the Group sold all its vessels and exited the vessel chartering segment.

These operating segments are reported in a manner consistent with internal reporting provided to the Executive Chairman and Chief Executive Officer of the Company who is responsible for allocating resources and assessing performance of the operating segments.

#### 4.1 Reportable segments

|                                                                | Design and manufacture    |                           | Trading and distribution  |                           | Vessel chartering (Discontinued operation) |                           | Total                     |                           |
|----------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------------------|---------------------------|---------------------------|---------------------------|
|                                                                | Unaudited 2Q 2021 S\$'000 | Unaudited 2Q 2020 S\$'000 | Unaudited 2Q 2021 S\$'000 | Unaudited 2Q 2020 S\$'000 | Unaudited 2Q 2021 S\$'000                  | Unaudited 2Q 2020 S\$'000 | Unaudited 2Q 2021 S\$'000 | Unaudited 2Q 2020 S\$'000 |
| External revenue                                               | 9,068                     | 6,522                     | 2,027                     | 3,826                     | -                                          | -                         | 11,095                    | 10,348                    |
| Finance income                                                 |                           |                           |                           |                           |                                            |                           |                           |                           |
| Finance costs                                                  | (89)                      | (61)                      | (24)                      | (77)                      | -                                          | -                         | (113)                     | (138)                     |
| Depreciation                                                   | (360)                     | (376)                     | (71)                      | (130)                     | -                                          | -                         | (431)                     | (506)                     |
| Reportable segment profit/ (loss) before income tax            | (529)                     | (769)                     | (140)                     | 122                       | 1,045                                      | 948                       | 376                       | 301                       |
| Unallocated expenses                                           |                           |                           |                           |                           |                                            |                           | 268                       | (280)                     |
| Profit/(Loss) before income tax                                |                           |                           |                           |                           |                                            |                           | 644                       | 21                        |
| <b>Other material non-cash items:</b>                          |                           |                           |                           |                           |                                            |                           |                           |                           |
| Allowance written back/(allowance) for slow-moving inventories | 560                       | 13                        | (16)                      | 71                        | -                                          | -                         | 544                       | 84                        |
| Impairment loss on trade receivables (reversal)                | (25)                      | (85)                      | (10)                      | (2)                       | -                                          | -                         | (35)                      | (87)                      |
| Bad debts written back                                         | -                         | 7                         | -                         | 12                        | -                                          | -                         | -                         | 19                        |
| <b>Capital expenditure:</b>                                    |                           |                           |                           |                           |                                            |                           |                           |                           |
| Purchase of property, plant and equipment                      | (121)                     | (51)                      | (25)                      | (56)                      | -                                          | -                         | (146)                     | (107)                     |
| Additions to right-of-use assets                               | (119)                     | -                         | (19)                      | -                         | -                                          | -                         | (138)                     | -                         |

|                                                                | Design and manufacture    |                           | Trading and distribution  |                           | Vessel chartering (Discontinued operation) |                           | Total                     |                           |
|----------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------------------|---------------------------|---------------------------|---------------------------|
|                                                                | Unaudited 6M 2021 S\$'000 | Unaudited 6M 2020 S\$'000 | Unaudited 6M 2021 S\$'000 | Unaudited 6M 2020 S\$'000 | Unaudited 6M 2021 S\$'000                  | Unaudited 6M 2020 S\$'000 | Unaudited 6M 2021 S\$'000 | Unaudited 6M 2020 S\$'000 |
| External revenue                                               | 17,002                    | 13,638                    | 4,303                     | 7,195                     | -                                          | 125                       | 21,305                    | 20,958                    |
| Finance income                                                 |                           |                           |                           |                           |                                            |                           |                           |                           |
| Finance costs                                                  | (182)                     | (140)                     | (51)                      | (137)                     | -                                          | -                         | (233)                     | (277)                     |
| Depreciation                                                   | (714)                     | (785)                     | (154)                     | (221)                     | -                                          | -                         | (868)                     | (1,006)                   |
| Reportable segment profit/ (loss) before income tax            | (751)                     | (108)                     | (184)                     | 84                        | 1,063                                      | 191                       | 128                       | 167                       |
| Unallocated expenses                                           |                           |                           |                           |                           |                                            |                           | (13)                      | (256)                     |
| Profit/(Loss) before income tax                                |                           |                           |                           |                           |                                            |                           | 115                       | (89)                      |
| <b>Other material non-cash items:</b>                          |                           |                           |                           |                           |                                            |                           |                           |                           |
| Allowance written back/(allowance) for slow-moving inventories | 805                       | 465                       | (4)                       | 348                       | -                                          | -                         | 801                       | 813                       |
| Impairment loss on trade receivables (reversal)                | (187)                     | (73)                      | (25)                      | (28)                      | -                                          | -                         | (212)                     | (101)                     |
| Bad debts written back                                         | -                         | 9                         | -                         | 15                        | -                                          | -                         | -                         | 24                        |
| <b>Capital expenditure:</b>                                    |                           |                           |                           |                           |                                            |                           |                           |                           |
| Purchase of property, plant and equipment                      | (121)                     | (124)                     | (25)                      | (104)                     | -                                          | -                         | (146)                     | (228)                     |
| Additions to right-of-use assets                               | (119)                     | -                         | (19)                      | -                         | -                                          | -                         | (138)                     | -                         |

|                                | Design and manufacture                     |                                           | Trading and distribution                   |                                           | Vessel chartering (Discontinued operation) |                                           | Total                                      |                                           |
|--------------------------------|--------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------|
|                                | Unaudited<br>As at<br>30/6/2021<br>S\$'000 | Audited<br>As at<br>31/12/2020<br>S\$'000 | Unaudited<br>As at<br>30/6/2021<br>S\$'000 | Audited<br>As at<br>31/12/2020<br>S\$'000 | Unaudited<br>As at<br>30/6/2021<br>S\$'000 | Audited<br>As at<br>31/12/2020<br>S\$'000 | Unaudited<br>As at<br>30/6/2021<br>S\$'000 | Audited<br>As at<br>31/12/2020<br>S\$'000 |
| Reportable segment assets      | 36,743                                     | 34,388                                    | 8,484                                      | 7,199                                     | -                                          | 376                                       | 45,227                                     | 41,963                                    |
| Unallocated assets             |                                            |                                           |                                            |                                           |                                            |                                           | -                                          | -                                         |
| <b>Total assets</b>            |                                            |                                           |                                            |                                           |                                            |                                           | <b>45,227</b>                              | <b>41,963</b>                             |
| Reportable segment liabilities | 27,806                                     | 24,012                                    | 4,585                                      | 5,058                                     | -                                          | 2,596                                     | 32,391                                     | 31,666                                    |
| Unallocated liabilities        |                                            |                                           |                                            |                                           |                                            |                                           | 282                                        | 286                                       |
| <b>Total liabilities</b>       |                                            |                                           |                                            |                                           |                                            |                                           | <b>32,673</b>                              | <b>31,952</b>                             |

#### 4.1 Sales by geographical segments

|                                       | GROUP         |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2Q 2021       | 2Q 2020       | 6M 2021       | 6M 2020       |
|                                       | S\$'000       | S\$'000       | S\$'000       | S\$'000       |
| Australia                             | 2,984         | 3,765         | 5,738         | 8,241         |
| Europe                                | 1,262         | 1,654         | 3,067         | 2,923         |
| North America                         | 2,862         | 1,227         | 4,601         | 2,343         |
| South East Asia (Including Singapore) | 1,349         | 1,430         | 2,984         | 2,834         |
| Other parts of Asia                   | 2,158         | 1,229         | 3,660         | 2,441         |
| Middle East                           | 170           | 223           | 211           | 539           |
| Others                                | 309           | 820           | 1,044         | 1,512         |
| <b>Total</b>                          | <b>11,095</b> | <b>10,348</b> | <b>21,305</b> | <b>20,833</b> |

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

#### 5 Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

|                                                   | Carrying amount                  |                                      |                                  |                                      |
|---------------------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
|                                                   | GROUP                            |                                      | COMPANY                          |                                      |
|                                                   | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 |
| Financial assets not measured at fair value:      |                                  |                                      |                                  |                                      |
| Trade and other receivables                       | 12,238                           | 10,142                               | 5,244                            | 3,642                                |
| Cash and cash equivalents                         | 3,437                            | 3,105                                | 2,319                            | 1,077                                |
| <b>Total</b>                                      | <b>15,675</b>                    | <b>13,247</b>                        | <b>7,563</b>                     | <b>4,719</b>                         |
| Financial liabilities not measured at fair value: |                                  |                                      |                                  |                                      |
| Loans and borrowings                              | 17,415                           | 17,569                               | 1,762                            | 2,581                                |
| Trade and other payables                          | 8,891                            | 10,737                               | 2,449                            | 3,144                                |
| <b>Total</b>                                      | <b>26,306</b>                    | <b>28,306</b>                        | <b>4,211</b>                     | <b>5,725</b>                         |

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

## 6 Profit or loss after tax

### 6.1 Significant items

| GROUP                                                                                      | Unaudited<br>2Q 2021<br>S\$'000 | Unaudited<br>2Q 2020<br>S\$'000 | Unaudited<br>6M 2021<br>S\$'000 | Unaudited<br>6M 2020<br>S\$'000 |
|--------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>Finance costs:</b>                                                                      |                                 |                                 |                                 |                                 |
| Interest cost on bank loans                                                                | (104)                           | (115)                           | (213)                           | (235)                           |
| Interest cost on lease liabilities                                                         | (9)                             | (23)                            | (20)                            | (42)                            |
|                                                                                            | (113)                           | (138)                           | (233)                           | (277)                           |
| <b>Included in 'Other income':</b>                                                         |                                 |                                 |                                 |                                 |
| Rental income                                                                              | 21                              | 11                              | 43                              | 35                              |
| Government grant income                                                                    | 53                              | 378                             | 142                             | 378                             |
| Gains on disposal of plant and equipment                                                   | 18                              | 9                               | 18                              | 40                              |
| <b>Included in 'Other expenses':</b>                                                       |                                 |                                 |                                 |                                 |
| Depreciation of property, plant and equipment<br>(partially classified in 'Cost of sales') | (239)                           | (288)                           | (487)                           | (570)                           |
| Depreciation of right-of-use assets                                                        | (192)                           | (218)                           | (381)                           | (436)                           |
| Bad debts written off - Trade receivables                                                  | -                               | (19)                            | -                               | (24)                            |
| Allowance for impairment of inventories<br>(reversal)                                      | 544                             | 84                              | 801                             | 813                             |
| Foreign currency exchange gain/ (loss)                                                     | (52)                            | (1,029)                         | 94                              | (167)                           |

### 6.2 Related party transactions

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

| GROUP                             | 2Q 2021<br>S\$'000 | 2Q 2020<br>S\$'000 | 6M 2021<br>S\$'000 | 6M 2020<br>S\$'000 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Affiliated corporations:          |                    |                    |                    |                    |
| Rental and miscellaneous expenses | 129                | 94                 | 258                | 126                |
| Rental income                     | (15)               | (15)               | (29)               | (20)               |

## 7 Taxation

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

| GROUP                    | 2Q 2021<br>S\$'000 | 2Q 2020<br>S\$'000 | 6M 2021<br>S\$'000 | 6M 2020<br>S\$'000 |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| Current tax expense      | 24                 | 7                  | (92)               | (21)               |
| Deferred tax expense     | 25                 | (114)              | 162                | (22)               |
| Total income tax expense | 49                 | (107)              | 70                 | (43)               |

## 8 Net asset value

|                                                                | GROUP                            |                                      | COMPANY                          |                                      |
|----------------------------------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
|                                                                | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 |
| NAV attributable to owners of the Company (S\$'000)            | 12,555                           | 10,011                               | 9,870                            | 8,478                                |
| Total number of issued shares excluding treasury shares ('000) | 6,271,035                        | 5,619,433                            | 6,271,035                        | 5,619,433                            |
| NAV per ordinary share (cents)                                 | 0.20                             | 0.18                                 | 0.16                             | 0.15                                 |

## 9 Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired assets amounting to S\$283,000 (30 June 2020: S\$228,000) and disposed assets amounted to S\$6,000 (30 June 2020: S\$2,362,000).

Assets are depreciated on a straight-line basis over their estimated useful lives. As changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. In view of the recurring losses incurred, the Group performed an impairment assessment of its property, plant and equipment. The estimated recoverable amounts are mainly based on fair value less costs of disposal using 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.

For impairment testing of PPE, the cash-generating units (CGUs) of the design and manufacture and trading and distribution operating segments, also referred to by management as the "Equipment segments", comprising significant subsidiaries where property, plants and equipment are deployed, are individually tested. Owing to the continuing challenging market conditions affecting the Equipment segments and their CGUs, management assessed the recoverable amounts of the CGUs based on their respective fair values less costs of disposal. The fair values were estimated using external valuations performed by independent professional valuers with appropriate recognised professional qualifications and experience in the assets being valued. No impairment losses were found to be necessary as at 30 June 2021.

## 10 Subsidiaries

| COMPANY                         | 30 June 2021<br>S\$'000 | 31 December 2021<br>S\$'000 |
|---------------------------------|-------------------------|-----------------------------|
| Investments in subsidiaries:    |                         |                             |
| Unquoted equity shares, at cost | 21,481                  | 36,981                      |
| Accumulated impairment losses   | (11,183)                | (26,683)                    |
| Carrying amount                 | 10,298                  | 10,298                      |

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

During 6M 2021, three inactive subsidiaries were placed under creditors' voluntary liquidation and accumulated impairment losses of S\$10,000,000 (6M 2020: NIL) were utilised. During the same period, accumulated impairment losses of two active subsidiaries amounting to S\$5,500,000 were utilised

## 11 Inventories

| Group                                   | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 |
|-----------------------------------------|----------------------------------|--------------------------------------|
| Raw materials                           | 2,103                            | 1,284                                |
| Work-in-progress                        | 6,252                            | 5,125                                |
| Finished goods, at net realisable value | 10,265                           | 10,905                               |
| Goods-in-transit                        | 321                              | 202                                  |
| Total                                   | 18,941                           | 17,516                               |

An allowance for slow-moving inventories of S\$801,000 (6M 2020: S\$813,000) previously made was written back following subsequent sale of these inventories above their net book value during the financial period.

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

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

## 12 Trade and other receivables

|                                             | Group                            |                                      | Company                          |                                      |
|---------------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
|                                             | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 |
| Trade receivables due from:                 |                                  |                                      |                                  |                                      |
| - third parties                             | 11,510                           | 15,587                               | -                                | -                                    |
| - subsidiaries                              | -                                | -                                    | 11,474                           | 9,945                                |
|                                             | 11,510                           | 15,587                               | 11,474                           | 9,945                                |
| Less: allowance for impairment losses       |                                  |                                      |                                  |                                      |
| - third parties                             | (1,832)                          | (7,263)                              | -                                | -                                    |
| - subsidiaries                              | -                                | -                                    | (6,920)                          | (6,456)                              |
|                                             | (1,832)                          | (7,263)                              | (6,920)                          | (6,456)                              |
| Net trade receivables                       | 9,678                            | 8,324                                | 4,554                            | 3,489                                |
| Non-trade receivables due from subsidiaries | -                                | -                                    | -                                | 13,726                               |
| Less: allowance for impairment losses       | -                                | -                                    | -                                | (13,726)                             |
| Net non-trade receivables                   | -                                | -                                    | -                                | -                                    |
| Advances to suppliers                       | 669                              | 94                                   | -                                | -                                    |
| Deposits                                    | 925                              | 891                                  | 213                              | 149                                  |
| Tax recoverable                             | 84                               | 80                                   | -                                | -                                    |
| Sundry receivables                          | 702                              | 601                                  | 3                                | -                                    |
|                                             | 12,058                           | 9,990                                | 4,770                            | 3,638                                |
| Prepayments                                 | 180                              | 152                                  | 10                               | 4                                    |
| Total                                       | 12,238                           | 10,142                               | 4,780                            | 3,642                                |

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

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

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.

## 13 Loans and borrowings

|                                                | GROUP                                         |                                                 | COMPANY                                       |                                                 |
|------------------------------------------------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
|                                                | Unaudited<br>As at<br>30 June 2021<br>S\$'000 | Audited<br>As at<br>31 December 2020<br>S\$'000 | Unaudited<br>As at<br>30 June 2021<br>S\$'000 | Audited<br>As at<br>31 December 2020<br>S\$'000 |
| Amount repayable within one year or on demand: |                                               |                                                 |                                               |                                                 |
| Secured bank borrowings                        | 7,422                                         | 9,973                                           | -                                             | 602                                             |
| Secured other borrowing                        | 1,000                                         | -                                               | 1,000                                         | -                                               |
| Unsecured bank borrowings                      | 570                                           | 725                                             | 0                                             | -                                               |
| Lease liabilities                              | 832                                           | 821                                             | 700                                           | 675                                             |
| Total                                          | 9,824                                         | 11,519                                          | 1,700                                         | 1,277                                           |
| Amount repayable after one year:               |                                               |                                                 |                                               |                                                 |
| Secured bank borrowings                        | 2,753                                         | 38                                              | -                                             | 0                                               |
| Secured other borrowing                        | -                                             | 1,000                                           | -                                             | 1,000                                           |
| Unsecured bank borrowings                      | 4,610                                         | 4,510                                           | -                                             | -                                               |
| Lease liabilities                              | 228                                           | 502                                             | 62                                            | 304                                             |
| Total                                          | 7,591                                         | 6,050                                           | 62                                            | 1,304                                           |

Bank borrowings are secured by:

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

Loans and borrowings include a S\$1 million bridging loan granted by Shing Heng Holding Pte. Ltd. which is secured by all shares of Ho Leong Tractors Sdn Bhd, a wholly-owned subsidiary of the Company.

#### 14 Trade and other payables

|                            | Group                            |                                      | Company                          |                                      |
|----------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
|                            | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 | As at<br>30 June 2021<br>S\$'000 | As at<br>31 December 2020<br>S\$'000 |
| Trade payables due to:     |                                  |                                      |                                  |                                      |
| - third parties            | 3,423                            | 4,507                                | 36                               | -                                    |
| - subsidiaries             | -                                | -                                    | -                                | 418                                  |
| Non-trade payables due to: |                                  |                                      |                                  |                                      |
| - subsidiaries             | -                                | -                                    | 577                              | 780                                  |
| - affiliated corporation   | 344                              | 674                                  | -                                | -                                    |
| Accrued expenses           | 5,105                            | 5,479                                | 1,836                            | 1,946                                |
| Accrued interests          | 6                                | -                                    | -                                | -                                    |
| Deposits received          | 13                               | 77                                   | -                                | -                                    |
|                            | 8,891                            | 10,737                               | 2,449                            | 3,144                                |

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

#### 15 Convertible loan

| GROUP AND COMPANY                               | 30 June 2021<br>S\$'000 | 31 December 2020<br>S\$'000 |
|-------------------------------------------------|-------------------------|-----------------------------|
| At beginning of the financial period            |                         |                             |
| Proceeds from issuance of convertible loan note | 3,000                   | -                           |
| Amount classified as equity – Other reserves    | (285)                   | -                           |
| At end of the financial period                  | 2,715                   | -                           |

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

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

## 16 Share capital

| GROUP AND COMPANY                         | Number of ordinary shares ('000) | Share capital \$'000 |
|-------------------------------------------|----------------------------------|----------------------|
| As at 1 January 2020 and 31 December 2020 | 5,619,433                        | 114,461              |
| Issue of ordinary shares                  | 651,602                          | 1,140                |
| As at 30 June 2021                        | 6,271,035                        | 115,601              |

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

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

The following transactions were also completed on 23 June 2021:

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

As at 30 June 2021, there is no conversion and/ or exercise of the above convertible loan note, option and convertible bond.

470,000 treasury shares were held as at 30 June 2021 and 31 December 2020. There is no sale, transfer, cancellation and/ or use of treasury shares during 1Q 2021.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021 and 31 December 2020 and there is no sale, transfer, cancellation and/ or use of subsidiary holdings during 6M 2021.

## 17 Convertible bond

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

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

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

## 18 Material litigations

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

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

On 3 August 2016, the 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 by made;
- (b) Ebony is to be wound up and the Official Receiver be appointed as the liquidator of Ebony;
- (c) the Company is to pay general damages with interest to the Plaintiff, to be assessed by the Court through an assessment process; and
- (d) the Company has to pay costs of RM300,000 to the Plaintiff.

The Plaintiff and the Company appealed against the order and both appeals, heard on 21 November 2018 and 21 May 2018 respectively, were dismissed by the Court of Appeal.

The Plaintiff filed an application for leave to appeal to the Federal Court against the dismissal of its appeal by the Court of Appeal. On 13 May 2019, the Federal Court made a decision to allow the leave application in part, in particular only insofar as the leave application relates to whether the directors of the Company can be attributed with the Company’s liability in respect of its said oppression on the Plaintiff. The hearing of the Federal Court appeal was concluded on 4 August 2020.

On 9 March 2021, the Federal Court dismissed the Plaintiff’s appeal and directed the assessment of damages to be assessed 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 a case management on 16 April 2021, the High Court directed the following:

1. The Plaintiff to file its Re-Amended Points of Claims by 30 April 2021;
2. The Company to file its Re-Amended Defence by 12 May 2021; and
3. The Plaintiff to file its Re-Amended Reply by 27 May 2021.

The Plaintiff filed its Re-Amended Points of Claims on 7 May 2021 and the Company filed its Re-Amended Defence on the extended deadline of 26 May 2021. The Plaintiff filed its Re-Amended Reply on 11 June 2021.

During a case management on 4 June 2021, the High Court directed the following:

1. The parties are to file their affidavits setting out the facts by 5 July 2021;
2. The parties are to file their expert affidavits by 8 October 2021;
3. The next Case Management is on 29 October 2021;
4. The parties are to prepare their case summaries and issues to be tried after all of the affidavits are exhausted; and
5. The trial is fixed on 7 March 2022 to 11 March 2022.

The Company will be filing the affidavit setting out the facts of the suit on 13 August 2021 and will be filing an expert affidavit by the given deadline.

The Official Receiver of Ebony had previously filed an application for a private liquidator to be appointed to manage Ebony in place of the Official Receiver (the “**Private Liquidator Application**”). During case management on 6 April 2021 and 7 April 2021, the Court directed that the hearing of the Private Liquidator Application be fixed on 14 June 2021. This hearing has been adjourned to 16 July 2021. On 16 July 2021, the hearing is later adjourned to 23 August 2021.

While the Court has issued an order in favour of the minority shareholder, the amount of damages has not been assessed. The proceedings for the assessment of damages are still ongoing.

**B. Kuala Lumpur High Court – Tan Sri Halim Bin Saad v Hoe Leong Corporation Ltd & 5 Ors**

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

The Company has engaged solicitors to enter its appearance in the civil suit and to defend against the same. The Company has filed its defence against the said civil suit on 4 November 2019. On 8 December 2020, the High Court had dismissed the striking out application with costs of RM3,000, payable each by the 1st, 2nd, 3rd and 5th defendants to the plaintiff (RM12,000 in total). The trial of this legal suit is fixed from 21 October 2021 to 25 October 2021.

On 16 December 2020, the Company filed an appeal to the Court of Appeal against the dismissal of the striking out application. During the case management on 3 March 2021 in respect of the appeal against the dismissal of the striking out application, the Court of Appeal fixed the hearing on 20 October 2021 and further case management on 22 September 2021 and 13 October 2021.

As at 30 June 2021, the proceedings are ongoing and pending the outcome of the appeal.

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.

## 19 Discontinued operation

|                                                | GROUP   |         |         |         |
|------------------------------------------------|---------|---------|---------|---------|
|                                                | 2Q 2021 | 2Q 2020 | 6M 2021 | 6M 2020 |
|                                                | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Results of discontinued operation              |         |         |         |         |
| External revenue                               | -       | 183     | -       | 308     |
| External expenses                              | -       | 766     | -       | (117)   |
| Results from operating activities              | -       | 949     | 18      | 191     |
| Tax                                            | -       | -       | -       | -       |
| Results from operating activities, net of tax  | -       | 949     | 18      | 191     |
| Gain on sale of discontinued operation         | (291)   | -       | (291)   | -       |
| Derecognition of liabilities                   | 1,336   | -       | 1,336   | -       |
| Total other income                             | 1,045   | -       | 1,045   | 0       |
| Profit from discontinued operation, net of tax | 1,045   | 949     | 1,063   | 191     |
|                                                |         |         |         |         |
| Basic and diluted earnings per share (cents)   | 0.17    | 0.17    | 0.17    | 0.03    |

During 2Q 2021, the Company deconsolidated three of its former subsidiaries, Arkstar Offshore Pte Ltd, Arkstar Voyager Pte Ltd and Arkstar Unicorn Pte Ltd, and the recorded trade and other payables owing to third party suppliers amounting to S\$1,336,000 in the consolidated accounts when the liquidation of these former subsidiaries was underway. The Company is not legally bound to make payment to the third party suppliers and this is consistent with the principles of separate legal entity and limited liability structure of companies. As such, the recorded trade and other payables were derecognised.

The profit from discontinued operation, net of tax and loss from continuing operation are attributable entirely to the owners of the Company.

|                                                    | GROUP   |         |         |         |
|----------------------------------------------------|---------|---------|---------|---------|
|                                                    | 2Q 2021 | 2Q 2020 | 6M 2021 | 6M 2020 |
|                                                    | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash flows from/ (used in) discontinued operation: |         |         |         |         |
| Operating activities                               | -       | 229     | -       | (329)   |
| Investing activities                               | -       | -       | -       | 2,318   |
| Financing activities                               | -       | (80)    | -       | (1,877) |
| Net cash flows for the year                        | -       | 149     | -       | 112     |

Effect of disposal on the financial position of the Group:

|                                           | GROUP   |         |
|-------------------------------------------|---------|---------|
|                                           | 6M 2021 | 6M 2020 |
|                                           | S\$'000 | S\$'000 |
| Assets held for sale                      | -       | 1,021   |
| Trade and other payables                  | -       | (7,305) |
| Net assets and liabilities                | -       | (6,284) |
|                                           |         |         |
| Consideration received, satisfied in cash | -       | 2,318   |
| Net cash inflow                           | -       | 2,318   |

## 20 Subsequent events

There is no known subsequent event which have led to adjustments to this set of interim financial statements.