



**HOE LEONG CORPORATION LTD.**

**和隆集团有限公司**

Company Registration No.: 199408433W

Registered Address: 6 Clementi Loop, Singapore 129814

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

**As at and for the 2<sup>nd</sup> Half Year (“2H 2023”) and  
Full Year (“FY2023”) Ended 31 December 2023**

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## Statement of Comprehensive Income

Group	Note	2H 2023 S\$'000	2H 2022 S\$'000	Increase/ (Decrease) %	FY 2023 S\$'000	FY 2022 S\$'000	Increase/ (Decrease) %
<b>Revenue</b>	4	21,328	20,995	1.6	40,011	41,792	(4.3)
Cost of sales		(16,927)	(20,033)	(15.5)	(33,397)	(38,600)	(13.5)
<b>Gross profit</b>		4,401	962	357.5	6,614	3,192	107.2
Other income		300	2,621	(88.6)	425	2,866	(85.2)
Distribution expenses		(1,524)	(1,458)	4.5	(3,027)	(3,412)	(11.3)
Administrative expenses		(2,050)	(2,406)	(14.8)	(4,275)	(4,891)	(12.6)
Other expenses		(918)	(2,011)	(54.4)	(1,976)	(2,783)	(29.0)
Net reversal of impairment losses		1,188	3,674	(67.7)	3,250	6,161	(47.2)
<b>Results from operating activities</b>		1,397	1,382	1.1	1,011	1,133	(10.8)
Finance costs	6	(274)	(230)	19.1	(554)	(537)	3.2
<b>Profit before income tax</b>		1,123	1,152	(2.5)	457	596	(23.3)
Income tax (expense)/ credit	7	(153)	57	N.M.	(207)	199	N.M.
<b>Profit for the period attributable to owners of the Company</b>		970	1,209	(19.8)	250	795	(68.6)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>							
Foreign currency translation differences arising from foreign operations		172	(282)	N.M.	(974)	(385)	153.0
<b>Other comprehensive income/(loss), net of income</b>		172	(282)	N.M.	(974)	(385)	153.0
<b>Total comprehensive income/(loss) for the period attributable to owners of the Company</b>		1,142	927	23.2	(724)	410	N.M.

2H 2022 – 2nd Half Year ended 31 December 2022

12 2022 – Full Year ended 31 December 2022

N.M. – Not meaningful

## Statement of Financial Position

	Note	Group		Company	
		As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	7,926	8,894	2,170	2,626
Investments in subsidiaries	11	-	-	10,298	10,298
Deferred tax assets		412	650	-	-
<b>Total non-current assets</b>		<b>8,338</b>	<b>9,544</b>	<b>12,468</b>	<b>12,924</b>
<b>Current assets</b>					
Inventories	12	20,243	17,981	-	-
Trade and other receivables	13	12,994	12,642	9,845	8,625
Cash and cash equivalents		3,445	4,666	72	413
<b>Total current assets</b>		<b>36,682</b>	<b>35,289</b>	<b>9,917</b>	<b>9,038</b>
<b>Total assets</b>		<b>45,020</b>	<b>44,833</b>	<b>22,385</b>	<b>21,962</b>
<b>EQUITY</b>					
Share capital	18	128,772	126,814	128,772	126,814
Treasury shares		(55)	(55)	(55)	(55)
Currency translation reserve		(2,102)	(1,128)	-	-
Other reserves		22	14	22	14
Accumulated losses		(101,189)	(101,439)	(108,238)	(107,679)
<b>Total equity</b>		<b>25,448</b>	<b>24,206</b>	<b>20,501</b>	<b>19,094</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	14	4,180	5,561	138	448
Deferred tax liabilities		1	41	-	20
<b>Total non-current liabilities</b>		<b>4,181</b>	<b>5,602</b>	<b>138</b>	<b>468</b>
<b>Current liabilities</b>					
Trade and other payables	15	6,304	7,559	875	1,400
Loans and borrowings	14	8,510	6,878	313	412
Other provision	16	558	588	558	588
Income tax payable		19	-	-	-
<b>Total current liabilities</b>		<b>15,391</b>	<b>15,025</b>	<b>1,746</b>	<b>2,400</b>
<b>Total liabilities</b>		<b>19,572</b>	<b>20,627</b>	<b>1,884</b>	<b>2,868</b>
<b>Total equity and liabilities</b>		<b>45,020</b>	<b>44,833</b>	<b>22,385</b>	<b>21,962</b>

## Statement of Cash Flows

	Group	
	Financial year ended	
	31 December 2023 S\$'000	31 December 2022 S\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	457	596
Adjustments for:		
Depreciation of property, plant and equipment	1,279	1,487
Interest costs on other financial liabilities	493	469
Interest costs on lease liabilities	61	35
Amortisation of imputed interest	-	33
Gain on disposal of property, plant and equipment	(36)	(2,414)
Reversal of allowance for inventories (net)	(2,968)	(5,553)
Bad debts written off - Trade receivables	152	218
Reversal of impairment of trade receivables	(464)	(551)
Reversal of other provisions	(30)	-
Payables written back	-	(268)
Equity-settled share-based expenses	8	14
<b>Operating cash flows before working capital changes</b>	(1,048)	(5,934)
Changes in working capital:		
Inventories	706	5,893
Trade and other receivables	(208)	3,168
Trade and other payables	(1,143)	(745)
Cash flows (used in)/ generated from operations	(1,693)	2,382
Income taxes received	178	238
<b>Net cash (used in)/ generated from operating activities</b>	(1,515)	2,620
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(573)	(338)
Proceeds from disposal of property, plant and equipment	57	2,866
<b>Net cash (used in)/ generated from investing activities</b>	(516)	2,528
<b>Cash flows from financing activities</b>		
Interest paid	(554)	(504)
Proceeds from bills payable and trust receipts	4,117	8,323
Repayment of bills payable and trust receipts	(2,559)	(11,001)
Payment of lease liabilities	(822)	(931)
Proceeds from exercise of options	1,846	3,154
Proceeds from bank borrowings	18	1,363
Repayment of bank borrowings	(1,115)	(3,562)
<b>Net cash generated from/ (used in) financing activities</b>	931	(3,158)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(1,100)	1,990
Cash and cash equivalents, beginning balance	4,666	3,044
Effect of exchange rates fluctuations	(121)	(368)
<b>Cash and cash equivalents, ending balance</b>	3,445	4,666

## Statement of Changes in Equity

GROUP	Share capital S\$'000	Treasury shares S\$'000	Convertible bond S\$'000	Currency translation reserve S\$'000	Other reserves S\$'000	Accumulated losses S\$'000	Total equity S\$'000
<b>FY2023:</b>							
At 1 January 2023	126,814	(55)	-	(1,128)	14	(101,439)	24,206
Issuance of share capital	1,942	-	-	-	-	-	1,942
Total comprehensive income for the period	-	-	-	(1,146)	-	(720)	(1,866)
At 30 June 2023	128,756	(55)	-	(2,274)	14	(102,159)	24,282
Issuance of share capital	16	-	-	-	-	-	16
Equity-settled share-based expenses	-	-	-	-	8	-	8
Total comprehensive income for the period	-	-	-	172	-	970	1,142
At 31 December 2023	128,772	(55)	-	(2,102)	22	(101,189)	25,448
<b>FY2022:</b>							
At 1 January 2022	115,601	(55)	834	(743)	638	(102,234)	14,041
Issuance of share capital	9,741	-	-	-	-	-	9,741
Transfer from other reserves	638	-	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-	-
Total comprehensive income for the period	-	-	-	(103)	-	(414)	(517)
At 30 June 2022	126,814	(55)	-	(846)	-	(102,648)	23,265
Equity-settled share-based expenses	-	-	-	-	14	-	14
Total comprehensive income for the period	-	-	-	(282)	-	1,209	927
At 31 December 2022	126,814	(55)	-	(1,128)	14	(101,439)	24,206

COMPANY	Share capital S\$'000	Treasury shares S\$'000	Convertible bond S\$'000	Other reserves S\$'000	Accumulated losses S\$'000	Total equity S\$'000
<b>FY2023:</b>						
At 1 January 2023	126,814	(55)	-	14	(107,679)	19,094
Issuance of share capital	1,942	-	-	-	-	1,942
Total comprehensive income for the period	-	-	-	-	(329)	(329)
At 30 June 2023	128,756	(55)	-	14	(108,008)	20,707
Issuance of share capital	16	-	-	-	-	16
Equity-settled share-based expenses	-	-	-	8	-	8
Total comprehensive income for the period	-	-	-	-	(230)	(230)
At 31 December 2023	128,772	(55)	-	22	(108,238)	20,501
<b>FY2022:</b>						
At 1 January 2022	115,601	(55)	834	638	(107,195)	9,823
Issuance of share capital	9,741	-	-	-	-	9,741
Transfer from other reserves	638	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-
Total comprehensive income for the period	-	-	-	-	(412)	(412)
At 30 June 2022	126,814	(55)	-	-	(107,607)	19,152
Equity-settled share-based expenses	-	-	-	14	-	14
Total comprehensive income for the period	-	-	-	-	(72)	(72)
At 31 December 2022	126,814	(55)	-	14	(107,679)	19,094

## Selected Notes to the Interim Financial Statements

### 1. Corporate information

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

These condensed interim consolidated financial statements as at and for the financial year ended 31 December 2023 comprise the Company and its subsidiaries (collectively, the “**Group**”).

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

### 2. Basis of preparation

This condensed interim financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**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 2022.

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

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

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

A number of new standards and/ or amendments to standards are effective for the Company on or after 1 January 2023, the beginning of the current financial year.

Standard	Title	Annual periods beginning on or after
SFRS(I) 17	Insurance Contracts	1 January 2023
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current	1 January 2023
Various	Amendments to SFRS(I) 17	1 January 2023
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2024
SFRS(I) 16	Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback	1 January 2024
Various	Amendments to SFRS(I) 1-1: Non-current Liabilities with Covenants	1 January 2024
SFRS(I) 1-7, SFRS(I) 7	Amendments to SFRS(I) 1-7 and SFRS(I) 7: Supplier Finance Arrangements	1 January 2024
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

## **2.2 Use of judgements and estimates**

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

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

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

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

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

## **3. Seasonal operations**

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

## **4. Segment and revenue information**

The Group is organised into the following main business segments:

a) Design and manufacture

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

b) Trading and distribution

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

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



#### 4.1 Reportable segments

GROUP	Design and manufacture		Trading and distribution		Total	
	2H 2023 S\$'000	2H 2022 S\$'000	2H 2023 S\$'000	2H 2022 S\$'000	2H 2023 S\$'000	2H 2022 S\$'000
External revenue	14,353	16,257	6,975	4,738	21,328	20,995
Finance costs	(219)	(214)	(55)	(16)	(275)	(230)
Depreciation	(219)	(640)	(372)	(141)	(591)	(781)
Reportable segment profit before income tax	647	383	475	769	1,122	1,152
<b>Other material non-cash items:</b>						
Reversal of allowance for inventories (net)	399	3,130	652	310	1,051	3,440
Reversal of impairment on trade receivables	106	251	41	216	147	467
Payables written off	-	(282)	-	-	-	(282)
Bad debts written back/ (off) - Trade receivables	6	5	(7)	-	(1)	5
<b>Capital expenditure:</b>						
Purchase of plant and equipment	(115)	(142)	(58)	(81)	(173)	(223)
Additions to right-of-use assets	-	(790)	-	-	-	(790)

GROUP	Design and manufacture		Trading and distribution		Total	
	FY 2023 S\$'000	FY 2022 S\$'000	FY 2023 S\$'000	FY 2022 S\$'000	FY 2023 S\$'000	FY 2022 S\$'000
External revenue	28,900	33,659	11,111	8,133	40,011	41,792
Finance costs	(460)	(476)	(94)	(61)	(554)	(537)
Depreciation	(668)	(1,209)	(610)	(278)	(1,279)	(1,487)
Reportable segment profit before income tax	245	154	212	442	457	596
<b>Other material non-cash items:</b>						
Reversal of allowance for inventories (net)	2,186	5,005	782	548	2,968	5,553
Reversal of impairment on trade receivables	241	325	223	226	464	551
Payables written back	-	268	-	-	-	268
Bad debts written off - Trade receivables	(58)	(218)	(94)	-	(152)	(218)
<b>Capital expenditure:</b>						
Purchase of plant and equipment	(127)	(243)	(446)	(95)	(572)	(338)
Additions to right-of-use assets	(100)	(1,873)	(101)	(168)	(201)	(2,041)

GROUP	Design and manufacture		Trading and distribution		Total	
	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
Reportable segment assets	30,203	35,945	14,817	8,888	45,020	44,833
Reportable segment liabilities	16,200	18,426	3,372	2,201	19,572	20,627

## 4.2 Geographical segments

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

GROUP	FY 2023 S\$'000	FY 2022 S\$'000
Australia	11,768	9,941
Europe	3,243	6,351
North America	8,659	12,078
Asia	11,173	11,631
Others	5,168	1,791
Total	40,011	41,792

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

GROUP	Non-current assets (excluding deferred tax assets)	
	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
Australia	333	399
Asia	7,593	8,495
Total	7,926	8,894

## 5 Financial assets and financial liabilities

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

	Carrying amount			
	GROUP		COMPANY	
	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
<b><i>Financial assets at amortised cost</i></b>				
Trade and other receivables	12,787	12,444	9,841	8,619
Cash and cash equivalents	3,445	4,666	72	413
Total	16,232	17,110	9,913	9,032
<b><i>Financial liabilities at amortised cost</i></b>				
Loans and borrowings	12,690	12,439	451	860
Trade and other payables	6,304	7,559	875	1,400
Total	18,994	19,998	1,326	2,260

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

## 6 Profit or loss before income tax

### 6.1 Significant items

GROUP	2H 2023 S\$'000	2H 2022 S\$'000	Increase/ (Decrease) %	FY 2023 S\$'000	FY 2022 S\$'000	Increase/ (Decrease) %
<b>Finance costs:</b>						
Interest expense on loans and borrowings	(249)	(216)	15.3	(493)	(469)	5.1
Interest expense on financial liabilities measured at amortised cost	(25)	(14)	78.6	(61)	(35)	74.3
Amortisation of imputed interest	-	-	-	-	(33)	N.M.
	(274)	(230)	19.1	(554)	(537)	3.2
<b>Included in 'Other income':</b>						
Rental income/ (refund)	-	41	N.M.	(2)	83	N.M.
Government grant income	-	-	-	-	26	N.M.
Gain on disposal of plant and equipment	16	2,440	(99.3)	36	2,414	(98.5)
<b>Included in 'Other expenses':</b>						
Depreciation of property, plant and equipment (partially classified in 'Cost of sales')	(591)	(781)	(24.4)	(1,279)	(1,487)	(14.0)
Foreign currency exchange (loss)/ gain	(81)	(829)	(90.2)	(241)	(544)	(55.7)
<b>Included in 'Impairment losses':</b>						
Payables written back/ (off)	-	(282)	N.M.	-	268	N.M.
Bad debts written back/ (off) - Trade receivables	(1)	5	N.M.	(152)	(218)	(30.2)
Reversal of impairment of trade receivables	147	467	(68.5)	464	551	(15.8)
Inventories written back/ (off)	(20)	-	N.M.	(30)	-	N.M.
Reversal of allowance for inventories (net)	1,051	3,440	(69.4)	2,968	5,553	(46.5)

N.M. - Not meaningful

### 6.2 Related party transactions

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

GROUP	2H 2023 S\$'000	2H 2022 S\$'000	FY 2023 S\$'000	FY 2022 S\$'000
Affiliated corporations:				
Rental and miscellaneous expenses	-	(36)	(12)	(70)
Rental income	-	41	-	83

## 7 Taxation

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

GROUP	2H 2023 S\$'000	2H 2022 S\$'000	FY 2023 S\$'000	FY 2022 S\$'000
Current tax (expense)/ credit	(20)	7	(20)	160
Deferred tax (expense)/ credit	(133)	50	(187)	39
Total income tax (expense)/ credit	(153)	57	(207)	199

## 8 Earnings Per Ordinary Share ("EPS")

GROUP	2H 2023	2H 2022	FY2023	FY2022
Profit attributable to owners of the Company (S\$'000)	970	1,209	250	795
Weighted average number of ordinary shares ('000):				
- Basic	15,067,931	13,750,158	14,750,516	11,956,153
- Dilutive share options effect	-	1,264,384	-	1,264,384
- Diluted	15,067,931	15,014,541	14,750,516	13,220,537
EPS (Basic) (cents)	0.01	0.01	-*	0.01
EPS (Diluted) (cents)	0.01	0.01	-*	0.01

\* Less than 0.01 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 for FY2022 was derived from options granted to an investor. For FY2023, there is no dilutive effect on EPS as all remaining options were exercised on 28 March 2023. Dilutive effect of performance shares (Refer to SGXNet announcements dated 1 September 2022 and 16 August 2023 on grant of share awards) is not significant.

## 9 Net asset value

	GROUP		COMPANY	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
NAV (S\$'000)	25,448	24,206	20,501	19,094
Total number of issued shares excluding treasury shares ('000)	15,070,875	13,750,158	15,070,875	13,750,158
NAV per ordinary share (cents)	0.17	0.18	0.14	0.14

## 10 Property, plant and equipment

During the financial year ended 31 December 2023, the Group acquired assets amounting to S\$573,000 (FY2022: S\$338,000) and disposed of assets with net book value amounting to S\$21,000 (FY2022: S\$695,000).

## 11 Subsidiaries

COMPANY	31 December 2023 S\$'000	31 December 2022 S\$'000
Investments in subsidiaries:		
Unquoted equity shares, at cost	21,481	21,481
Accumulated impairment losses	(11,183)	(11,183)
Carrying amount	10,298	10,298

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

## 12 Inventories

Group	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
Raw materials	1,627	1,884
Work-in-progress	5,058	5,176
Finished goods, at net realisable value	12,360	10,237
Goods-in-transit	1,198	684
Total	20,243	17,981

During FY2023, an allowance for slow-moving inventories of S\$2,968,000 (FY2022: S\$5,553,000) was reversed following subsequent sale or disposal of these inventories during the financial year.

### 13 Trade and other receivables

	Group		Company	
	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
Trade receivables due from:				
- third parties	10,789	10,589	-	-
- subsidiaries	-	-	9,710	12,190
	10,789	10,589	9,710	12,190
Less: allowance for impairment losses				
- third parties	(294)	(775)	-	-
- subsidiaries	-	-	-	(4,427)
	(294)	(775)	-	(4,427)
Net trade receivables	10,495	9,814	9,710	7,763
Other receivables due from subsidiaries	-	-	-	657
Less: Allowance for impairment losses	-	-	-	-
Advances to suppliers	303	503	-	-
Deposits	1,093	1,084	131	199
Tax recoverable	22	190	-	-
Sundry receivables	874	853	-	-
Prepayments	207	198	4	6
Total other receivables	2,499	2,828	135	862
Total trade and other receivables	12,994	12,642	9,845	8,625

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

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

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

Group	31 December 2023 S\$'000	31 December 2022 S\$'000
Not past due	6,600	6,881
Past due 0 – 30 days	1,784	1,016
Past due 31 – 60 days	335	281
Past due 61 – 90 days	415	828
Past due 91 – 150 days	331	205
Past due more than 150 days	1,324	1,378
Total	10,789	10,589
Less: Allowance for impairment loss	(294)	(775)
Net trade receivables	10,495	9,814

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

Credit term of up to 150 days is granted to customers. Trade receivables which were past due for more than 150 days as at 31 December 2023 amounting to S\$1,324,000 (31 December 2022: S\$1,378,000) were mainly pertaining to sales reported during FY2020 to FY2023. Included in the total allowance for impairment of trade receivables amounting to S\$294,000 (31 December 2022: S\$775,000) is a specific allowance for impairment of S\$250,000 (31 December 2022: S\$580,000) relating to credit-impaired receivables.

The Group's top 5 customers accounted for about 26% (31 December 2022: 26%) of total trade receivables. Considering the payment track record of these major customers, no allowance for impairment was made for the amount due as at 31 December 2023 and 31 December 2022 and the Group continues to trade with them.

#### 14 Loans and borrowings

	GROUP		COMPANY	
	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
Amount repayable within one year:				
Secured bank borrowings	2,592	3,552	-	-
Unsecured bank borrowings	5,352	2,576	-	-
Lease liabilities	566	750	313	412
Sub-total	8,510	6,878	313	412
Amount repayable after one year:				
Secured bank borrowings	1,205	309	-	-
Unsecured bank borrowings	2,392	4,230	-	-
Lease liabilities	583	1,022	138	448
Sub-total	4,180	5,561	138	448
Total	12,690	12,439	451	860

Bank borrowings are secured by:

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

#### 15 Trade and other payables

	Group		Company	
	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000	As at 31 December 2023 S\$'000	As at 31 December 2022 S\$'000
Trade payables due to:				
- Third parties	2,922	2,896	7	36
Accrued expenses and provisions	3,381	4,629	868	1,364
Deposits received	1	34	-	-
Total	6,304	7,559	875	1,400

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

#### 16 Other provision

	GROUP		COMPANY	
	31 December 2023 S\$'000	31 December 2022 S\$'000	31 December 2023 S\$'000	31 December 2022 S\$'000
At beginning of the financial year	588	588	588	588
Reversal during the financial year	(30)	-	(30)	-
At end of the financial year	558	588	558	588

Other provision pertains to ongoing material litigations (Note 19).

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

## 17 Convertible loan

GROUP AND COMPANY	31 December 2023 S\$'000	31 December 2022 S\$'000
At beginning of the financial year	-	2,458
Amortisation of imputed interest	-	33
Conversion into ordinary shares	-	(2,491)
At end of the financial year	-	-

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

## 18 Share capital

GROUP AND COMPANY	Number of ordinary shares	Share capital S\$'000
As at 1 January 2022	6,271,035,308	115,601
Issue of ordinary shares arising from:		
- Conversion of convertible loan note	2,054,794,520	3,129
- Exercise of options	4,900,000,000	7,154
- Conversion of convertible bonds	476,328,000	834
- Share-based payment	48,000,000	96
As at 31 December 2022	13,750,157,828	126,814
Issue of ordinary shares arising from:		
- Exercise of options	1,264,383,561	1,846
- Share-based payment	48,000,000	96
- Vesting of performance shares	8,333,333	16
As at 31 December 2023	15,070,874,722	128,772

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

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

On 28 March 2023, SHHPL exercised the remaining 1,264,383,561 options into 1,264,383,561 new ordinary shares.

On 9 May 2023, the Company issued and allotted 48,000,000 ordinary shares at an issue price of S\$0.002 per share in satisfaction of a portion of the remuneration of Liew Yoke Pheng Joseph, Executive Chairman, from 1 January 2022 to 31 December 2022 amounting to S\$96,000.



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

470,000 treasury shares were held as at 31 December 2023 and 31 December 2022. There is no sale, transfer, cancellation and/ or use of treasury shares during FY2023 and FY2022.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2023 and 31 December 2022 and there is no sale, transfer, cancellation and/ or use of subsidiary holdings during FY2023 and FY2022.

## **19 Material litigations**

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

For details of this case, please refer to the last audited financial statements. The update is briefly stated below.

The trial for assessment of damages took place during 10 July 2023 to 13 July 2023 where all the plaintiff's witnesses completed their testimony. As the Court deemed that the trial on 14 July 2023 will not result in a full cross-examination of the Company's representatives, it had fixed additional trial dates from 24 June 2024 to 28 June 2024 instead.

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

For details of this case, please refer to the last audited financial statements. The update is briefly stated below.

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

## Other Information:

### 1 Audit and Review

The condensed consolidated statement of financial position of the Company and its subsidiaries as at 31 December 2023 and the condensed consolidated statement of comprehensive income, and condensed consolidated statement of changes in equity for the six-month period and for the year then ended, and the condensed consolidated statement of cash flows for the year then ended, explanatory notes and other information have not been audited or reviewed by the Company's auditors.

### 2 Review of Group Performance

#### Revenue

For 2H 2023, revenue of the Group increased by S\$0.3 million or 1.6% to S\$21.3 million compared to S\$21.0 million during 2H 2022. Revenue of the Group decreased by S\$1.8 million or 4.3% to S\$40.0 million during FY2023 compared to S\$41.8 million during FY2022.

Sales of the Group's products in certain markets (e.g. USA, Mexico and Netherlands) decreased during 2H 2023 in view of slowing economic activities in North America and Europe. Revenue generated from the Australia and Middle East market was higher during 2H 2023 compared to 2H 2022 as a result of more engagements with customers from Australia and the Middle East.

#### Breakdown of sales and operating profit

<b>GROUP</b>	<b>FY2023 S\$'000</b>	<b>FY2022 S\$'000</b>	<b>Increase/ (Decrease) %</b>
Sales reported for 1st half year	18,683	20,797	(10.2)
Operating loss after tax before deducting non-controlling interests reported for 1st half year	(720)	(414)	73.9
Sales reported for 2nd half year	21,328	20,995	1.6
Operating profit after tax before deducting non-controlling interests reported for 2nd half year	970	1,209	(19.8)

#### Cost of sales

For 2H 2023, costs of sales decreased by S\$3.1 million or 15.5% to S\$16.9 million compared to S\$20.0 million during 2H 2022. Costs of sales decreased by S\$5.2 million or 13.5% to S\$33.4 million during FY2023 compared to S\$38.6 million during FY2022.

Gross profit ("GP") was S\$4.4 million (GP margin: 20.6%) in 2H 2023 and S\$1.0 million (GP margin: 4.6%) in 2H 2022. GP was S\$6.6 million (GP margin: 16.5%) in FY2023 and S\$3.2 million (GP margin: 7.6%) in FY2022.

The decrease in cost of sales and resultant increment in GP margin is mainly due to higher proportion of sale of old, slow-moving inventories during FY 2022 compared to FY 2023. During FY 2022, there was realisation of a higher quantity of old, slow-moving inventories in preparation for the return of certain rented warehousing space at the Singapore corporate headquarter in March 2023.

### **Other income**

Other income decreased by S\$2,441,000 to S\$425,000 during FY2023 from S\$2,866,000 during FY 2022.

The above decrease was mainly due to lower rental income, lower sale of scrap metal and lower gain on disposal of property, plant and equipment during FY2023 compared to FY 2022.

### **Distribution expenses**

For 2H 2023, distribution expenses increased by S\$0.1 million or 4.5% from S\$1.4 million during 2H 2022 to S\$1.5 million. The increase was mainly due to the increase in sales commission.

Distribution expenses decreased by S\$0.4 million or 11.3% to S\$3.0 million during FY2023 from S\$3.4 million during FY2022.

The lower distribution expenses during FY 2023 was mainly due to the decreased packing and delivery expenses.

### **Administrative expenses**

Administrative expenses were S\$2.0 million during 2H 2023 and S\$4.3 million during FY2023 and comparable to amounts in the previous corresponding periods.

The above decrease was mainly due to decrease in legal and professional fees and payroll costs of administrative staff.

### **Other expenses**

Other expenses comprised mainly of depreciation and foreign currency exchange gains/ losses. Lower other expenses incurred was mainly due to foreign currency exchange loss of S\$241,000 recorded during FY2023 (FY2022: S\$544,000). The foreign exchange gain or loss was mainly resulting from the fluctuation in United States Dollar.

### **Net reversal of impairment losses**

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

### **Finance costs**

Finance costs increased by S\$0.1 million or 19.1% from S\$0.2 million during 2H 2022 to S\$0.3 million during 2H 2023; and increased by S\$17,000 or 3.2% from S\$537,000 during FY2022 to S\$554,000 during FY2023.

The higher amount for 2H 2023 and FY2023 is mainly because of higher interest expense pertaining to higher loans and borrowings.

### **Profit or loss before tax**

As result of the above, profit before income tax for 2H 2023 and 2H 2022 was S\$1.1 million and S\$1.2 million respectively; and for FY2023 and FY2022 was S\$0.5 million and S\$0.6 million respectively.

### **Financial Position Review**

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

Non-current assets decreased by S\$1.2 million from S\$9.5 million as at 31 December 2022 to S\$8.3 million as at 31 December 2023. The decrease was mainly due to decrease in property, plant and equipment (“PPE”) by S\$1.0 million from S\$8.9 million as at 31 December 2022 to S\$7.9 million as at 31 December 2023. The decrease was mainly due to lesser additions of plant and equipment and recognition of rights-of-use assets (relating to leases of premises) of S\$0.7 million during FY2023 (FY2022: S\$2.4 million). The decrease was also attributed to the depreciation amounting to S\$1.3 million and disposal of PPE with net book value amounting to S\$21,000.

#### **Current assets**

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

The slight increase in trade receivables is mainly due to slower recovery of trade debts during FY2023. Average trade receivables turnover was 93 days for FY 2023 compared to 86 days for FY 2022.

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

The increase in inventories was mainly due to higher amount of finished goods as at 31 December 2023 compared to 31 December 2022. Average inventories turnover was 209 days for FY 2023 compared to 170 days for FY 2022.

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

Non-current liabilities decreased by S\$1.4 million from S\$5.6 million as at 31 December 2022 to S\$4.2 million as at 31 December 2023. The decrease was mainly attributable to:

- a) Reduction in outstanding balance of loans and borrowings by S\$0.9 million; and
- b) Reduction in lease liabilities by S\$0.4 million.

#### **Current liabilities**

Current liabilities increased by S\$0.3 million from S\$15.0 million as at 31 December 2022 to S\$15.4 million as at 31 December 2023. The increase was mainly attributable to the increase of short-term loans and borrowings amounting to S\$1.6 million.

The above increases were partially offset by decrease of trade and other payables by S\$1.3 million. Lease liabilities decreased by S\$0.2 million.

Trade payables’ turnover was 32 days for FY 2023 and 27 days for FY 2022.

## **Cash Flow Review**

### **FY2023**

Net cash used in operating activities was S\$1.5 million during FY2023. The lower operating cash outflows before working capital changes of S\$1.0 million during FY2023 compared to S\$5.9 million during FY2022 was mainly due to the lower reversal of allowance for inventories. The negative changes in working capital of S\$0.6 million and income tax refund of S\$0.2 million resulted in the net cash used in operating activities in FY2023.

Net cash used in investing activities amounting to S\$0.5 million was mainly due to the purchase of plant and equipment amounting to S\$0.6 million.

Net cash generated from financing activities amounting to S\$0.9 million was mainly due to net proceeds of S\$1.8 million arising from the exercise of options by SHHPL and net increase in bank borrowings and trust receipts of S\$0.5 million. The above inflows were partially offset by interest payment of S\$0.6 million and payment of lease liabilities of S\$0.8 million.

As a result of the above, there was a net decrease of S\$1.1 million in cash and cash equivalents during FY2023. Cash and cash equivalents was S\$3.4 million as at 31 December 2023.

### **3 Variance from Forecast/ Prospect Statement**

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

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

The Group has diversified its revenue stream by entering more markets in FY2023 and we are hopeful about seeing results during this new financial year. Our cost management measures have been extended to this new financial year in order to strengthen our liquidity.

We are still keeping tabs on the collections and will look into various ways to raise working capital for business expansion where necessary.

Even though the global economy is taking a longer time to recover as we enter this new financial year, our growth markets continue their good progress in their contribution to the Group's overall results.

The Group will continue to reduce its risk exposure with the measures mentioned whilst it strives to improve the Group results further and also will maintain a cautious outlook for the next 12 months.

### **5 Dividend**

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

No dividend has been declared for 2H 2023 in view of the Group's accumulated losses.

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

No dividend was declared for 2H 2022.

#### **(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

Not applicable.

**6 Interested Person Transactions (“IPTs”)**

During FY2023, there is no IPTs amounting to S\$100,000 and above.

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

**7 Use of Proceeds from Exercise of Options**

On 28 March 2023, SHHPL exercised the remaining 1,264,383,561 options (Principal amount: S\$1,846,000) in relation to 6,164,383,561 options granted by the Company to SHHPL on 23 June 2021.

The proceeds arising from the exercise of the remaining options, which had been fully utilised on 15 November 2023, were used for the following purposes:

Use of proceeds (As set out in the Company’s Circular dated 1 June 2021)	Amount allocated S\$’000	Amount used S\$’000	Amount unused S\$’000
General working capital (and any potential investments in plant and equipment for expansion and enhancement of operational capacity)	1,846	(1,846)	-

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

	<b>S\$’000</b>
Purchases from suppliers and subcontractors	322
Investments in plant and equipment	207
Other operating expenses*	1,317
Total	<u>1,846</u>

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

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

**8 Disclosure of Person Occupying a Managerial Position**

<b>Name</b>	<b>Age</b>	<b>Family relationship with any director and/or substantial shareholder</b>	<b>Current position and duties, and year the position was held</b>	<b>Details of changes in duties and position held, if any, during the year</b>
Yeo Puay Hin ("Mr Yeo")	55	Mr Yeo, along with Mr Lew Chee Beng (father-in-law) and Mdm Lew Puay Ling (spouse), are substantial shareholders of the Company.	Executive Director since 23 June 2021. Appointed as CEO of the Company on 9 January 2023 and oversees the overall management and operations of the Company.	No change

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

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

BY ORDER OF THE BOARD

Lee Chin Chai  
Independent Director

Yeo Puay Hin  
Executive Director and CEO

29 February 2024