



**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 1<sup>st</sup> Half Year Ended 30 June 2023 (“1H 2023”)**

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## Statement of Comprehensive Income

Group	Note	1H 2023 S\$'000	1H 2022 S\$'000	Increase/ (Decrease) %
<b>Revenue</b>	4.2	18,683	20,797	(10.2)
Cost of sales		(16,470)	(18,567)	(11.3)
<b>Gross profit</b>		2,213	2,230	(0.8)
Other income	6.1	125	271	(53.9)
Distribution expenses		(1,503)	(1,954)	(23.1)
Administrative expenses		(2,225)	(2,485)	(10.5)
Other expenses	6.1	(1,058)	(798)	32.6
Net reversal of impairment losses	6.1	2,062	2,487	(17.1)
<b>Results from operating activities</b>		(386)	(249)	55.0
Finance costs	6.1	(280)	(307)	(8.8)
<b>Loss before income tax</b>		(666)	(556)	19.8
Income tax (expense)/ income	7	(54)	142	N.M.
<b>Loss for the period</b>		(720)	(414)	73.9
<b>Loss attributable to:</b>				
Owners of the Company		(720)	(414)	73.9
<b>Loss for the period</b>		(720)	(414)	73.9
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences arising from foreign operations		(1,146)	(103)	1,012.6
<b>Other comprehensive income, net of income tax</b>		(1,146)	(103)	1,012.6
<b>Total comprehensive income for the period</b>		(1,866)	(517)	260.9
<b>Total comprehensive income attributable to:</b>				
Owners of the Company		(1,866)	(517)	260.9
<b>Total comprehensive income for the period</b>		(1,866)	(517)	260.9

1H 2022 – 1<sup>st</sup> half year ended 30 June 2022  
N.M. – Not meaningful

## Statement of Financial Position

	Note	Group		Company	
		As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	8,290	8,894	2,357	2,626
Investments in subsidiaries	11	-	-	10,298	10,298
Deferred tax assets		585	650	-	-
<b>Total non-current assets</b>		<b>8,875</b>	<b>9,544</b>	<b>12,655</b>	<b>12,924</b>
<b>Current assets</b>					
Inventories	12	18,680	17,981	-	-
Trade and other receivables	13	11,335	12,642	10,054	8,625
Cash and cash equivalents		4,009	4,666	254	413
<b>Total current assets</b>		<b>34,024</b>	<b>35,289</b>	<b>10,308</b>	<b>9,038</b>
<b>Total assets</b>		<b>42,899</b>	<b>44,833</b>	<b>22,963</b>	<b>21,962</b>
<b>EQUITY</b>					
Share capital	18	128,756	126,814	128,756	126,814
Treasury shares		(55)	(55)	(55)	(55)
Currency translation reserve		(2,274)	(1,128)	-	-
Other reserves		14	14	14	14
Accumulated losses		(102,159)	(101,439)	(108,008)	(107,679)
<b>Total equity</b>		<b>24,282</b>	<b>24,206</b>	<b>20,707</b>	<b>19,094</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	14	5,531	5,561	289	448
Deferred tax liabilities		39	41	20	20
<b>Total non-current liabilities</b>		<b>5,570</b>	<b>5,602</b>	<b>309</b>	<b>468</b>
<b>Current liabilities</b>					
Trade and other payables	15	6,473	7,559	1,041	1,400
Loans and borrowings	14	5,996	6,878	328	412
Other provision	16	578	588	578	588
<b>Total current liabilities</b>		<b>13,047</b>	<b>15,025</b>	<b>1,947</b>	<b>2,400</b>
<b>Total liabilities</b>		<b>18,617</b>	<b>20,627</b>	<b>2,256</b>	<b>2,868</b>
<b>Total equity and liabilities</b>		<b>42,899</b>	<b>44,833</b>	<b>22,963</b>	<b>21,962</b>

## Statement of Cash Flows

GROUP	1H 2023 S\$'000	1H 2022 S\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(666)	(556)
Adjustments for:		
Depreciation of property, plant and equipment	419	328
Depreciation of right-of-use assets	269	378
Interest costs on other financial liabilities	244	253
Interest costs on lease liabilities	36	21
Amortisation of imputed interest	-	33
(Gain)/ loss on disposal of property, plant and equipment	(20)	26
Reversal of allowance for impairment of inventories (net)	(1,917)	(2,113)
Bad debts written off - Trade receivables	152	223
Reversal of impairment of trade receivables	(317)	(84)
Reversal of other provisions	(10)	-
Payables written back	-	(550)
<b>Operating cash flows before working capital changes</b>	<b>(1,810)</b>	<b>(2,041)</b>
Changes in working capital:		
Inventories	1,218	2,205
Trade and other receivables	1,470	2,091
Trade and other payables	(990)	(2,285)
Cash flows used in operations	(112)	(30)
Income taxes paid	-	186
<b>Net cash (used in)/ from operating activities</b>	<b>(112)</b>	<b>156</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(400)	(115)
Proceeds from disposal of property, plant and equipment	20	34
<b>Net cash used in investing activities</b>	<b>(380)</b>	<b>(81)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(280)	(274)
Proceeds from bills payable and trust receipts	1,482	6,336
Repayment of bills payable and trust receipts	(1,104)	(7,771)
Payment of lease liabilities	(460)	(437)
Proceeds from options	1,846	3,154
Proceeds from bank borrowings	17	1,272
Repayment of bank borrowings	(454)	(720)
<b>Net cash from financing activities</b>	<b>1,047</b>	<b>1,560</b>
<b>Net increase in cash and cash equivalents</b>	<b>555</b>	<b>1,635</b>
Cash and cash equivalents, beginning balance	4,666	3,044
Effect of exchange rates fluctuations	(1,212)	(90)
<b>Cash and cash equivalents, ending balance</b>	<b>4,009</b>	<b>4,589</b>

## 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	1,846	-	-	-	-	-	1,846
Total comprehensive income for the period	-	-	-	(874)	-	(637)	(1,511)
At 31 March 2023	128,660	(55)	-	(2,002)	14	(102,076)	24,541
Issuance of share capital	96	-	-	-	-	-	96
Total comprehensive income for the period	-	-	-	(272)	-	(83)	(355)
At 30 June 2023	128,756	(55)	-	(2,274)	14	(102,159)	24,282
<b>FY2022:</b>							
At 1 January 2022	115,601	(55)	834	(743)	638	(102,234)	14,041
Issuance of share capital	9,645	-	-	-	-	-	9,645
Transfer from other reserves	638	-	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-	-
Total comprehensive income for the period	-	-	-	159	-	(770)	(611)
At 31 March 2022	126,718	(55)	-	(584)	-	(103,004)	23,075
Issuance of share capital	96	-	-	-	-	-	96
Total comprehensive income for the period	-	-	-	(262)	-	356	94
At 30 June 2022	126,814	(55)	-	(846)	-	(102,648)	23,265

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	1,846	-	-	-	-	1,846
Total comprehensive income for the period	-	-	-	-	(213)	(213)
At 31 March 2023	128,660	(55)	-	14	(107,892)	20,727
Issuance of share capital	96	-	-	-	-	96
Total comprehensive income for the period	-	-	-	-	(116)	(116)
At 30 June 2023	128,756	(55)	-	14	(108,008)	20,707
<b>FY2022:</b>						
At 1 January 2022	115,601	(55)	834	638	(107,195)	9,823
Issuance of share capital	9,645	-	-	-	-	9,645
Transfer from other reserves	638	-	-	(638)	-	-
Conversion of convertible loan	834	-	(834)	-	-	-
Total comprehensive income for the period	-	-	-	-	(253)	(253)
At 31 March 2022	126,718	(55)	-	-	(107,448)	19,215
Issuance of share capital	96	-	-	-	-	96
Total comprehensive income for the period	-	-	-	-	(159)	(159)
At 30 June 2022	126,814	(55)	-	-	(107,607)	19,152

## Selected Notes to the Interim Financial Statements

### 1. Corporate information

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

These condensed interim consolidated financial statements as at and for the 6 months ended 30 June 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 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 (i.e. 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) 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	
	1H 2023 S\$'000	1H 2022 S\$'000	1H 2023 S\$'000	1H 2022 S\$'000	1H 2023 S\$'000	1H 2022 S\$'000
External revenue	14,547	17,402	4,136	3,395	18,683	20,797
Finance costs	(241)	(262)	(39)	(45)	(280)	(307)
Depreciation	(449)	(569)	(239)	(137)	(688)	(706)
Reportable segment loss before income tax	(403)	(229)	(263)	(327)	(666)	(556)
<b>Other material non-cash items:</b>						
Reversal of allowance for impairment for inventories (net)	1,787	1,875	130	238	1,917	2,113
Reversal of impairment on trade receivables	135	75	182	9	317	84
Payables written back	-	550	-	-	-	550
Bad debts written off - Trade receivables	(65)	(223)	(87)	-	(152)	(223)
<b>Capital expenditure:</b>						
Purchase of property, plant and equipment	(12)	(101)	(388)	(14)	(400)	(115)
Additions to right-of-use assets	(100)	(1,082)	(101)	(168)	(201)	(1,249)

GROUP	Design and manufacture		Trading and distribution		Total	
	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
Reportable segment assets	34,600	35,945	8,299	8,888	42,899	44,833
Reportable segment liabilities	16,645	18,426	1,972	2,201	18,617	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	Revenue	
	1H 2023 S\$'000	1H 2022 S\$'000
Australia	5,301	4,314
Europe	1,647	1,879
North America	3,349	6,890
Asia	6,082	6,726
Middle East	1,510	257
Others	794	731
Total	18,683	20,797

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 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
Australia	356	399
Asia	7,934	8,495
Total	8,290	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 30 June 2023 S\$'000	As at 31 December 2022 S\$'000	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
Financial assets not measured at fair value:				
Trade and other receivables	11,077	12,444	10,042	8,619
Cash and cash equivalents	4,009	4,666	254	413
Total	15,086	17,110	10,296	9,032
Financial liabilities not measured at fair value:				
Loans and borrowings	11,527	12,439	617	860
Trade and other payables	6,473	7,559	1,041	1,400
Total	18,000	19,998	1,658	2,260

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

## 6 Profit or loss after tax

### 6.1 Significant items

GROUP	1H 2023 S\$'000	1H 2022 S\$'000	Increase/ (Decrease) %
<b>Finance costs:</b>			
Interest expense on loans and borrowings	(244)	(253)	(3.6)
Interest expense on financial liabilities measured at amortised cost	(36)	(21)	71.4
Amortisation of imputed interest	-	(33)	N.M.
	(280)	(307)	(8.8)
<b>Included in 'Other income':</b>			
Rental income	-	42	N.M.
Payables written back	-	550	N.M.
Government grant income	-	26	N.M.
Gain on disposal of property, plant and equipment	20	-	N.M.
<b>Included in 'Other expenses':</b>			
Depreciation of property, plant and equipment (partially classified in 'Cost of sales')	(419)	(328)	27.7
Depreciation of right-of-use assets	(269)	(378)	(28.8)
Foreign currency exchange (loss)/ gain	(160)	285	N.M.
Loss on disposal of property, plant and equipment	-	(26)	N.M.
<b>Included in 'Impairment losses':</b>			
Bad debts written off - Trade receivables	(152)	(223)	(31.8)
Reversal of impairment of trade receivables	317	84	277.4
Inventories written off	(20)	(37)	(45.9)
Reversal of allowance for impairment of inventories	1,917	2,113	(9.3)

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	1H 2023 S\$'000	1H 2022 S\$'000
Affiliated corporations:		
Rental and miscellaneous expenses	(12)	-
Rental income	-	42

## 7 Taxation

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

GROUP	1H 2023 S\$'000	1H 2022 S\$'000
Current tax expense	1	153
Deferred tax income	(55)	(11)
Total income tax (income)/ expense	(54)	142

## 8 Earnings Per Ordinary Share (“EPS”)

GROUP	1H 2023	1H 2022
Loss attributable to owners of the Company (S\$'000)	(720)	(414)
Weighted average number of ordinary shares ('000):		
- Basic	14,419,884	10,132,414
- Dilutive share options effect	-	1,264,384
- Diluted	14,419,884	11,396,798
EPS (Basic) (cents)	(0.01)	(-)*
EPS (Diluted) (cents)	(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 1H 2022 was derived from option granted to an investor. For 1H 2023, 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 announcement dated 1 September 2022 on grant of share awards) is not significant.

## 9 Net asset value

	GROUP		COMPANY	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
NAV attributable to owners of the Company (S\$'000)	24,282	24,206	20,707	19,094
Total number of issued shares excluding treasury shares ('000)	15,062,541	13,750,158	15,062,541	13,750,158
NAV per ordinary share (cents)	0.16	0.18	0.14	0.14

## 10 Property, plant and equipment

During the year ended 30 June 2023, the Group acquired assets amounting to S\$400,000 (1H 2022: S\$115,000) and disposed of assets of net book value amounting to S\$NIL (1H 2022: S\$61,000).

Assets are depreciated on a straight-line basis over their estimated useful lives. As changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. In view of the recurring losses incurred, the Group performed an impairment assessment of its property, plant and equipment. The estimated recoverable amounts are mainly based on fair value less costs of disposal using the latest available external valuation reports and considering current market conditions. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the fair value.

## 11 Subsidiaries

COMPANY	30 June 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 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
Raw materials	1,856	1,884
Work-in-progress	5,491	5,176
Finished goods, at net realisable value	11,014	10,237
Goods-in-transit	319	684
Total	18,680	17,981

During 1H 2023, an allowance for slow-moving inventories of S\$1,917,000 (1H 2022: S\$2,113,000) was reversed following subsequent sale or disposal of these inventories during the financial period.

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

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

### 13 Trade and other receivables

	Group		Company	
	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
Trade receivables due from:				
- third parties	9,058	10,589	-	-
- subsidiaries	-	-	12,782	12,190
	9,058	10,589	12,782	12,190
Less: allowance for impairment losses				
- third parties	(446)	(775)	-	-
- subsidiaries	-	-	(4,427)	(4,427)
	(446)	(775)	(4,427)	(4,427)
Net trade receivables	8,612	9,814	8,355	7,763
Other receivables due from subsidiaries	-	-	1,554	657
Advances to suppliers	291	503	-	-
Deposits	961	1,084	129	199
Tax recoverable	188	283	-	-
Sundry receivables	1,025	760	4	-
Sub-total	2,465	2,630	1,687	856
Prepayments	258	198	12	6
Net other receivables	2,723	2,828	1,699	862
Total trade and other receivables	11,335	12,642	10,054	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	30 June 2023 S\$'000	31 December 2022 S\$'000
Not past due	6,333	6,881
Past due 0 – 30 days	670	1,016
Past due 31 – 60 days	352	281
Past due 61 – 90 days	293	828
Past due 91 – 150 days	427	205
Past due more than 150 days	983	1,378
Total	9,058	10,589
Less: Allowance for impairment loss	(446)	(775)
Net trade receivables	8,612	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 30 June 2023 amounting to S\$983,000 (31 December 2022: S\$1,378,000) were mainly pertaining to sales reported during FY2020 to FY2022. Of the total allowance for impairment of trade receivables amounting to S\$446,000 (31 December 2022: S\$775,000), specific allowance for impairment of S\$252,000 (31 December 2022: S\$580,000) relates to trade receivables which are past due for more than 150 days.

The Group's top 5 customers accounted for about 35% (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 30 June 2023 and 31 December 2022 and the Group continues to trade with them.

#### 14 Loans and borrowings

	GROUP		COMPANY	
	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
Amount repayable within one year:				
Secured bank borrowings	3,482	3,552	-	-
Unsecured bank borrowings	1,992	2,576	-	-
Lease liabilities	522	747	328	412
Sub-total	5,996	6,875	328	412
Amount repayable after one year:				
Secured bank borrowings	367	309	-	-
Unsecured bank borrowings	4,176	4,230	-	-
Lease liabilities	988	1,022	289	448
Sub-total	5,531	5,561	289	448
Total	11,527	12,436	617	860

Bank borrowings are secured by:

- Legal mortgages over freehold land and buildings and certain plant and equipment; and
- Corporate guarantees provided by the Company.

#### 15 Trade and other payables

	Group		Company	
	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000	As at 30 June 2023 S\$'000	As at 31 December 2022 S\$'000
Trade payables	2,814	2,896	36	36
Accrued expenses	3,647	4,629	1,005	1,364
Deposits received	12	34	-	-
Total	6,473	7,559	1,041	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 and unbilled purchases and other operating expenses.

The Group has established debt repayment plans with certain creditors and continues to be in discussion with other parties to finalise repayment plans.

## 16 Other provision

	GROUP		COMPANY	
	30 June 2023 S\$'000	31 December 2022 S\$'000	30 June 2023 S\$'000	31 December 2022 S\$'000
At beginning of the financial period/ year	588	588	588	588
Reversal during the period/ year	(10)	-	(10)	-
At end of the financial period/ year	578	588	578	588

Other provision pertains to ongoing material litigations (Note 20).

Details of the provisions made for each litigation case were not disclosed in order not to prejudice the Group's legal position in the proceedings. This complies with Paragraph 92 of SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets.

## 17 Convertible loan

GROUP AND COMPANY	30 June 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	-	-

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.

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
As at 30 June 2023	15,062,541,389	128,756

The following transactions were also completed on 23 June 2021:

- a) Issuance of convertible loan note of the Company amounting to S\$3,000,000 to Shing Heng Holding Pte. Ltd. ("**SHHPL**"), convertible in whole into 2,054,794,520 new ordinary shares at a conversion price of S\$0.00146 per share, maturing on 23 June 2024; and
- b) Granting of S\$9,000,000 options by the Company to SHHPL which gives a right for SHHPL to exercise the option at S\$0.00146 per share in exchange for 6,164,383,561 new ordinary shares, to be exercised on the earlier of the full repayment of the above convertible loan and accrued interest or 23 June 2025. The market price of each ordinary share of the Company is S\$0.002 based on last trade done on 29 August 2019 being the last market day when the Company's shares were traded prior to trading halt and suspension requested by the Company as at 23 June 2021 (i.e. date of grant); and
- c) Issuance of convertible bond of the Company amounting to S\$834,000 to United Overseas Bank Limited ("**UOB**"), convertible into 476,328,000 new ordinary shares at a conversion price of S\$0.00175, mandatorily converted within a three-year period.

On 25 March 2022, the above convertible loan note and convertible bond were converted in full into 2,531,122,520 new ordinary shares by SHHPL and UOB. On the same day, SHHPL exercised 4,900,000,000 options into 4,900,000,000 new ordinary shares. Following this exercise of options, 1,264,383,561 options (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.

470,000 treasury shares were held as at 30 June 2023 and 31 December 2022. There is no sale, transfer, cancellation and/ or use of treasury shares during 1H 2023 and FY2022.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023 and 31 December 2022 and there is no sale, transfer, cancellation and/ or use of subsidiary holdings during 1H 2023 and FY2022.

## 19 Convertible bond

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

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

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

The above convertible bond was fully converted into 476,328,000 new ordinary shares of the Company on 25 March 2022.

## 20 Material litigations

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

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

On 3 August 2016, the High Court issued an order partially in favour of the Plaintiff and ordered that:

- (a) a declaration that the Company has conducted the affairs of Ebony in a manner that is oppressive to the Plaintiff be made;
- (b) Ebony Ritz is to be wound up and the Official Receiver be appointed as the liquidator of Ebony Ritz;
- (c) the Company is to pay general damages with interest to the Plaintiff, to be assessed by the Court through an assessment process; and
- (d) the Company has to pay costs of RM300,000 to the Plaintiff.

Subsequent to the High Court Order dated 3 August 2016, the Plaintiff appealed against the winding-up remedy and the Company appealed against the finding of oppression. Both appeals were dismissed by the Court of Appeal. The Plaintiff then appealed to the Federal Court against the winding-up remedy and sought for a buy-out of its shareholding in Ebony Ritz whilst the Company did not appeal further.

On 9 March 2021, the Federal Court dismissed the Plaintiff's appeal and directed for the assessment of damages by a High Court Judge. The outcome of the Federal Court appeal was updated to the High Court on 12 March 2021 during a case management for the assessment of damages proceeding. During subsequent case management sessions, date of trial and submission of respective affidavits were fixed and postponed.

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

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

On 20 June 2019, Tan Sri Halim Bin Saad (“**Tan Sri Halim**”) commenced a civil suit against the Company and other defendants, claiming for, in essence, alleged fraud and conspiracy. Tan Sri Halim is seeking, among others, general damages against the Company.

The Company filed its defence against the said suit on 4 November 2019 and filed an application to strike out the said suit. The striking out application was dismissed by the High Court and the Court of Appeal on 8 December 2020 and 20 October 2021 respectively.

On 29 October 2021, Tan Sri Halim filed an application to amend his statement of claim (the “**Amendment Application**”). On 1 July 2022, the High Court allowed the Amendment Application with no order as to costs and allowed the defendants to amend their respective defences after receiving Tan Sri Halim’s amended statement of claim.

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

**21 Subsequent events**

There is no known subsequent event which led to adjustments to this set of Interim FS.

**22 Reclassification and comparative figures**

Certain reclassifications were made in the balances in the interim financial statements for last period. The material changes in the balances included the following:

	Reclassification		
	After	Before	Difference
<u>1H 2022 Statement of comprehensive income:</u>	S\$'000	S\$'000	S\$'000
Other income	271	821	(550)
Other expenses	(798)	1,055	(1,853)
Reversal of impairment of trade receivables	-	84	(84)
Net reversal of impairment losses	2,487	-	2,487

Reclassifications have been made to enhance comparability with current period's financial statements.

## Other Information:

### 1 Audit Statement

The consolidated statement of financial position of the Company and its subsidiaries as at 30 June 2023 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 1<sup>st</sup> half year then ended, explanatory notes and other information have not been audited or reviewed by the Company's auditors.

### 2 Review of Group Performance

#### Revenue

Revenue of the Group decreased by S\$2.1 million or 10.2% to S\$18.7 million during 1H 2023 from S\$20.8 million during 1H 2022.

Sale of the Group's products in certain markets (e.g. USA and Netherlands) decreased during 1H 2023 in view of slowing economic activities in North America and Europe. Revenue generated from the Australia and Middle East markets was higher during 1H 2023 compared to 1H 2022 as a result of more engagements with customers from Australia and the Middle East since FY2022.

#### Cost of sales

Cost of sales decreased by S\$2.1 million or 11.3% to S\$16.5 million during 1H 2023 from S\$18.6 million during 1H 2022.

Gross profit ("GP") was S\$2.2 million (GP margin: 11.8%) in 1H 2023 and S\$2.2 million (GP margin: 10.7%) in 1H 2022.

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 1H 2022 compared to 1H 2023. During 1H 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. As the GP of such older inventories are lower, this impacted the overall GP margins for 1H 2023 compared to 1H 2022. Although GP margins for sale of slow-moving inventories are much lower, the realisation of such inventories resulted in a high reversal of allowance for impairment of slow-moving inventories of S\$2.1 million during 1H 2022 (1H 2023: S\$1.9 million).

#### Other income

Other income decreased by S\$146,000 to S\$125,000 during 1H 2023 from S\$271,000 during 1H 2022.

The above decrease was mainly due to lower sale of scrap metal and lower government grant income (relating to Covid-19 relief measures implemented by the government) received during 1H 2023 compared to 1H 2022.

Please refer to Note 6.1 of Interim FS for breakdown of key items in other income.

### **Distribution expenses**

Distribution expenses decreased by S\$0.5 million or 23.1% from S\$2.0 million during 1H 2022 to S\$1.5 million during 1H 2023.

The above decrease was mainly due to lower freight costs.

### **Administrative expenses**

Administrative expenses decreased by S\$0.3 million or 10.5% to S\$2.2 million during 1H 2023 from S\$2.5 million during 1H 2022.

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 net foreign currency exchange gain or loss. Higher other expenses incurred was mainly due to foreign currency exchange loss of S\$160,000 recorded during 1H 2023 (1H 2022: Gain of S\$285,000). The foreign exchange gain or loss was mainly resulting from the fluctuation in United States Dollar.

Please refer to note 6.1 of Interim FS for breakdown of key items in other expenses.

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

The reversal of allowance for impairment of slow-moving inventories was the main contributor to the net gain of S\$2.1 million. This reversal was due to realisation of old, slow-moving inventories in preparation for the return of certain rented warehousing space at the Singapore corporate headquarter in March 2023.

### **Finance costs**

Finance costs decreased by S\$27,000 to S\$280,000 during 1H 2023 from S\$307,000 during 1H 2022. The higher finance costs in 1H 2022 was mainly attributable to the recognition of notional interest of S\$33,000 arising from a S\$3 million convertible loan that was drawn down in June 2021. The convertible loan was converted into ordinary shares in March 2022.

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

As result of the above, loss before income tax for 1H 2023 and 1H 2022 was S\$0.7 million and S\$0.6 million respectively.

## **Financial Position Review**

### **Non-current assets**

Non-current assets decreased by S\$0.6 million from S\$9.5 million as at 31 December 2022 to S\$8.9 million as at 30 June 2023. The decrease in property, plant and equipment (“**PPE**”) by S\$0.6 million from S\$8.9 million as at 31 December 2022 to S\$8.3 million as at 30 June 2023, mainly due to depreciation.

### **Current assets**

Current assets decreased by S\$1.3 million from S\$35.3 million as at 31 December 2022 to S\$34.0 million as at 30 June 2023. The decrease was mainly due to decrease in trade and other receivables by S\$1.3 million and cash and cash equivalents by S\$0.7 million and partially offset by increase in inventories by S\$0.7 million.

The decrease in trade and other receivables is mainly due to net recovery of trade debts of amount S\$1.2 million and decrease in other receivables by S\$0.1 million. Trade receivables turnover was 83 days as at 30 June 2023 compared to 86 days as at 31 December 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 is mainly due to higher amount of finished goods held as at 30 June 2023 compared to 31 December 2022. Inventories turnover was 204 days as at 30 June 2023 compared to 170 days as at 31 December 2022.

### **Non-current liabilities**

Non-current liabilities decreased by S\$32,000 was mainly attributable to the reduction in lease liabilities.

### **Current liabilities**

Current liabilities decreased by S\$2.0 million from S\$15.0 million as at 31 December 2022 to S\$13.0 million as at 30 June 2023. The decrease was mainly due to decrease in trade and other payables by S\$1.1 million and loans and borrowings by S\$0.9 million.

Trade payables' turnover was 31 days as at 30 June 2023 and 27 days as at 31 December 2022.

### **Cash Flow Review**

Net cash used in operating activities was S\$0.1 million during 1H 2023. The higher operating cash outflows of S\$2.0 million during 1H 2022 compared to S\$1.8 million during 1H 2023 was mainly due to the lower gross profit derived from sale of goods in 1H 2022.

Net cash used in investing activities amounting to S\$0.4 million mainly due to purchase of property, plant and equipment.

Net cash from financing activities amounting to S\$1.0 million was mainly due to proceeds from drawdown of bank borrowings of S\$1.5 million and net proceeds of S\$1.8 million arising from the exercise of options by SHHPL. The above inflows was partially offset by interest payment of S\$0.3 million, repayment of bank borrowings of S\$1.6 million and payment of lease liabilities of S\$0.5 million.

As a result of the above, there was a net increase of S\$0.6 million in cash and cash equivalents during 1H 2023. Cash and cash equivalents was S\$4.0 million as at 30 June 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 which will take some time to realise and we are hopeful about seeing results going forward. It also has on-going cost management measures in place.

In addition, the Group has been keeping a close tab on collections while working with customers and vendors for better credit terms. It will also explore additional means to shore up liquidity where necessary.

As the Group's key markets (such as Europe), are expected to experience slower economic growth during 2023, the Group shall continue to maintain a cautious outlook for the next 12 months and work towards reducing its risk exposure with the measures mentioned.

**5 Dividend**

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

No dividend has been declared for 1H 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 1H 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 1H 2023, 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 options was 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	(1,177)	669

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

	S\$'000
Purchases from suppliers and subcontractors	322
Investments in plant and equipment	207
Other operating expenses*	648
Total	<u>1,177</u>

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

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

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

The Board confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the Interim FS for 1H 2023 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

Liew Yoke Pheng Joseph  
Executive Chairman

Yeo Puay Hin  
Executive Director and CEO

11 August 2023