

**RESPONSES TO QUESTIONS ON ANNUAL REPORT FOR THE FINANCIAL YEAR
("FY") ENDED 31 DECEMBER 2025**

The Board of Directors (the "**Board**") of Hoe Leong Corporation Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") would like to thank a shareholder and Securities Investors Association (Singapore) ("**SIAS**") for submitting the following questions (the "**Questions**") in advance of the Annual General Meeting (the "**AGM**") of the Company which will be held at Devan Nair Institute for Employment and Employability, 80 Jurong East Street 21, #01-04, Singapore 609607 on Wednesday, 29 April 2026 at 9.30 a.m..

Please refer to our responses below.

A. Questions submitted by a shareholder

Question 1:

Group revenue decreased by 12.4% in FY2025, specifically driven by a \$3.2 million drop in North American revenue due to tariff uncertainties. What specific strategies are being implemented to stabilize performance in North America and offset potential further impacts from geopolitical shift?

Company's response:

The decline in Group revenue in FY2025 was primarily due to a slowdown in North America stemming from tariff-related uncertainties, which impacted customer procurement and spending decisions. To stabilise performance and mitigate ongoing geopolitical risks, the Group has implemented targeted measures.

We initiated early-stage business development efforts at the start of FY2026, re-engaging specific key customers ahead of their budgeting cycles to improve pipeline visibility and alignment.

In addition, the Group strengthened its market presence through participation in CONEXPO-CON/AGG in Las Vegas in March 2026, while management conducted direct customer outreach across North America to reinforce relationships and identify opportunities in 2026.

Collectively, the Company is cautiously optimistic that these actions support the stabilisation of North American performance and enhance the Group's resilience amid continued market uncertainty.

Question 2:

The report notes that a drop in gross profit was primarily due to a clearance sale of old inventory at significantly discounted prices following the expiry of the Singapore warehouse lease. To what extent was this a one-time event, and how do you anticipate gross margins trending in FY2026 now that this clearance is completed.

Company's response:

The Group has been systematically clearing old and slow-moving inventory items over the past few years, with corresponding stock provisions made and reversed in the books as disposals occurred. FY2025 represented the final year of this multi-year programme, as the Singapore warehouse lease expired in the second quarter of 2025. This led to an increased in physical disposal activities compared with earlier years, together with the final corresponding reversals from the allowance for inventory obsolescence account.

The clearance sale was therefore the culminating (and most significant) phase of the programme. With the lease now expired and the clearance fully completed, this drag on gross profit is behind us.

Despite the impact of clearance activities, gross profit margin improved from 22.7% in FY2024 to 24.9% in FY2025, driven by continued operational efficiencies and disciplined cost management. The Group remains focused on a lean cost structure to support margin resilience.

Question 3:

While net cash inflow from operating activities improved to \$4.6 million, the average trade receivables turnover increased from 102 to 116 days. What proactive measures is the finance team taking to accelerate collections and manage credit risk in the current environment?

Company's response:

The extension in collection days is partly attributable to the challenging macroeconomic environment in FY2025, particularly in the Asian and North American markets, where customers have themselves faced liquidity pressures amid ongoing geopolitical uncertainty and the broader softening in the heavy equipment sector. As disclosed in the Sustainability Report, the finance team monitors the Group's financial health with particular focus on working capital requirements and credit risk. For the coming financial year, the Group has refined its KPIs in this area to further enhance oversight and discipline.

It is noted that despite the increase in the turnover ratio, total trade receivables decreased by \$4.1 million during FY2025. This reduction in the receivables balance was in fact the primary driver of the Group's significantly improved net cash inflow from operating activities of \$4.6 million — compared to only \$1.6 million in FY2024. The cash conversion improvement is therefore material and encouraging, even as the turnover days metric reflects some timing elongation that management continues to work on.

Question 4:

Australia contributed 36.3% of Group revenue in FY2025. Can the Board elaborate on the specific "top and mid-tier customers" within the Australian mining sector currently being engaged and the expected impact on growth for FY2026?

Company's response:

Except where disclosed in the annual report, the Group does not identify individual customers due to commercial sensitivity and customer confidentiality. Australia accounted for 36.3% of Group revenue in FY2025, delivering underlying growth of 6.7% excluding foreign exchange effects. In 2H FY2025, the Group further strengthened its Australian operations through capital reinforcement, organisational restructuring, and enhancements to operational reliability.

The Group also achieved deeper penetration among selected top- and mid-tier Australian mining customers, driven by undercarriage replacement demand where equipment uptime and reliability are critical.

The appointment of Mr Daniel Martin Cheesman as Managing Director of Trackspares (Australia), effective March 2026, introduces additional industry experience and established relationships with major participants, including BHP Billiton. These developments are consistent with Australia's role within the Group's regional strategy.

Question 5:

The Middle East showed encouraging progress, now contributing 6.6% of revenue. What specific infrastructure or mining projects in that region is the Group targeting to further diversify its revenue base.

Company's response:

The Group's Middle Eastern operations focus on the supply of undercarriage components for heavy equipment, supported by a strong regional installed base of 40–80-metric-tonne machines, which aligns well with the Group's product strengths. While the region presents growth potential, the prevailing security environment necessitates a measured approach. The Group supports customers through government-linked tenders as well, while actively managing credit exposure and conducting ongoing due diligence to mitigate risks associated with regional instability.

Question 6:

The CEO mentioned a focus on "rebuilding the KBJ brand". What measurable indicators (e.g., market share, customer feedback) is the Board using to track the success of this brand restoration?

Company's response:

The Board recognises that rebuilding the KBJ brand and strengthening brand equity is a multi-year effort, with progress expected to be gradual and dependent on market acceptance. Management tracks progress using measurable indicators such as order volume trends, repeat customer activity, and feedback from distributors and end-users.

The KBJ brand is focused on developed markets where customers prioritise quality and OEM-comparable performance. While Management has observed early positive signs—including increased order activity, favourable customer feedback, and improved visibility at industry exhibitions and in new markets—the Board remains mindful that sustained brand acceptance and meaningful improvements in brand equity will take time to materialise.

Question 7:

The Company is still managing two legacy lawsuits from the former vessel chartering business. While the Malaysia High Court ruled in the Company's favor in one case, another has a notice of appeal filed as of December 2025. What is the Board's assessment of the potential financial exposure should these appeals not favour the Company?

Company's response:

Please refer to Note 24(A) to the FY2025 Audited Financial Statements (at page 162 of the FY2025 Annual Report) for detail. The Company does not intend to comment further so as not to prejudice or jeopardise the ongoing legal proceedings. The Company will make timely announcements to shareholders as the appeal progresses, in accordance with the continuing disclosure obligations under the SGX-ST Listing Rules.

Question 8:

How is the Group proactively managing the deglobalization risks mentioned in the CEO's statement to ensure that supply chain disruptions do not affect the delivery timelines of precision-engineered components?

Company's response:

The Group is exposed to deglobalisation and supply-chain risks, including potential disruptions to the availability and cost of key inputs. These risks are managed through a vertically integrated operating model, comprising wholly owned manufacturing facilities in China and South Korea and an extensive sales and procurement network. This structure gives us fairly strong control over cost, quality, and lead times.

Question 9:

With the appointment of Ms. Linda Hoon as the pioneer female member of the Board in July 2025, what further plans does the Nominating Committee have to enhance board diversity, particularly in terms of technical or digital expertise?

Company's response:

The Board regards the appointment of Ms Linda Hoon as a meaningful step in strengthening both the diversity and the substantive capabilities of the Board. Ms Hoon brings deep legal, regulatory, and governance expertise from large SGX-listed companies, including sustainability related competency. The Board now comprises a balanced mix of skills and experience, with two of four Directors bringing strong technology and digital expertise, including backgrounds in technology programme management, management consulting, and senior leadership roles at organisations such as Microsoft, Hewlett-Packard, and Cisco Systems. Collectively, this composition supports effective oversight of enterprise risks, including digital and sustainability considerations, and informed strategic decision-making.

B. Questions submitted by SIAS

Question 1:

For FY2025, the group reported revenue of \$38.5 million, a decrease of 12.4% year on year, driven by weaker demand in North America. Despite this, profit before tax improved modestly to \$0.7 million, reflecting cost management and operational discipline. The group has also increased its focus on growing the Australia business.

21 Operating segments (cont'd)

Business segments and reconciliations

Information about reportable segments

	Design and manufacture		Trading and distribution		Investment holding		Total	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
External revenue	24,746	30,033	13,786	13,977	–	–	38,532	44,010
Finance costs	(373)	(462)	(128)	(95)	(7)	(9)	(508)	(566)
Depreciation [#]	(360)	(269)	(495)	(559)	(199)	(260)	(1,054)	(1,088)
Reportable segment profit/ (loss) before income tax	424	1,144	1,764	521	(1,516)	(1,068)	672	597

(Source: company annual report)

Over time, the design and manufacture segment of the group has reportable segment profit of:

FY2020: \$(1.36) million
 FY2021: \$(1.30) million
 FY2022: \$0.15 million
 FY2023: \$0.25 million
 FY2024: \$1.14 million
 FY2025: \$0.42 million

(i) Can management explain how the design and manufacture segment creates and captures value for shareholders, including the competitive positioning of its in-house brands, whether they are positioned as premium or entry-level offerings, and who the group's key competitors are in these markets?

(ii) What is the group's detailed strategy for expansion in Australia, including target market segments, expected capital expenditure, and the anticipated return profile on these investments? What hurdle rate was used to approve the recent investments?

(iii) What is the impact of geopolitical developments in the Middle East on demand dynamics in the mining, forestry, and agriculture sectors across Australia and North America, and has management observed any structural shifts or divergence in market conditions across regions?

Company's response:

(i) Please refer to the Company's response to Question 6 in Section A: Questions submitted by a shareholder.

(ii) Please refer to the Company's response to Question 4 in Section A: Questions submitted by a shareholder. For completeness, the capital expenditure to enhance the Group's Australian track frame rebuild operations was completed in FY2024/2025. The enhancements comprised a new assembly area, incremental warehouse infrastructure to free up storage capacity, and a redesigned workflow, delivering improved quality, higher output, and faster turnaround times. No material capital expenditure is anticipated for these operations in FY2026.

(iii) Please refer to the Company's response to Question 5 in Section A: Questions submitted by a shareholder. The escalation in the Middle East in March remains recent, and its longer term implications for demand dynamics in the mining, forestry, and agriculture sectors across Australia and North America are not yet clear. In the immediate term, the Group has observed some deferral of customer orders, shipment delays to Middle East customers, and indirect impacts, including higher shipping costs borne by customers.

Question 2:

The valuation of inventories has been identified as a key audit matter by the independent auditors. While work-in-progress increased during the year, the level of finished goods remained elevated at \$15.7 million. In addition, \$4.0 million of inventory obsolescence allowances were written back in FY2025, compared with \$0.4 million in the prior year.

Inventories

	Group	
	2025	2024
	\$'000	\$'000
Raw materials	917	964
Work-in-progress	4,657	4,177
Finished goods	15,699	18,616
Goods-in-transit	103	1,356
Less: allowance for inventory obsolescence	(2,142)	(6,071)
	<u>19,234</u>	<u>19,042</u>

(Source: company annual report)

Inventory turnover days have lengthened to 241 days as at 31 December 2025, compared with 211 days in the prior year.

(i) Excluding the impact of inventory obsolescence movements, can management explain the drivers behind the elevated level of finished goods relative to revenue, and what specific actions are being taken to optimise inventory levels and improve turnover?

Trade receivables days have also increased to 116 days from 102 days. Trade payables days remained broadly stable at 33 days (versus 32 days).

(ii) Can management explain the underlying drivers, including any changes in customer mix, credit terms, or collection practices, and whether this reflects a deterioration in credit conditions?

(iii) All things considered, how has the group's cash conversion cycle evolved, and what targets or initiatives are in place to improve working capital efficiency and cash flow generation?

Company's response:

(i) Excluding the impact of inventory obsolescence movements, management notes that finished goods levels in FY2025 were primarily influenced by planned production and delivery phasing to meet customer requirements. Notwithstanding this, finished goods declined by \$2.9 million compared with FY2024, while overall inventory levels remained broadly consistent with the prior year. Inventory management disciplines have been progressively tightened, and these actions are expected to support improved inventory turnover and closer alignment between finished goods and revenue generation over time.

(ii) Please refer to the Company's response to Question 3 under Section A: Questions submitted by a shareholder. In addition, we refer to page 138 of the FY2025 annual report and wish to highlight that the allowance for impairment losses has decreased from \$897,000 during 2024 to \$627,000 during 2025. This reduction is indicative of improved credit risk assessment outcomes in respect of the Group's outstanding receivables.

(iii) Please refer to the Company's response to Question 3 under Section A: Questions submitted by a shareholder.

Question 3:

As disclosed in Note 24 (A) Contingencies (pages 161 and 162), the company is involved in a minority oppression relating to its former subsidiary, Ebony Ritz Sdn Bhd. The company has obtained a conditional stay order and paid RM9.28 million on 12 March 2026, representing half of the general damages awarded of RM18.67 million, pending appeal.

The High Court judgement can be found here:

<https://efs.kehakiman.gov.my/EFSWeb/DocDownloader.aspx?DocumentID=1fc6a1e1-f245-477a-8d2c-136f6cafbbe3&Inline=true>

The board has stated that external legal counsel considers the appeal to have good and arguable grounds and that it is more likely than not to succeed. On this basis, and given the uncertainty in the final quantum, no provision has been recognised under SFRS(I) 1-37.

(i) Can the independent directors explain how they have exercised oversight over this litigation, including the evaluation of legal advice, and what framework is used to assess whether to continue with an appeal or pursue alternative options such as settlement? How do the independent directors validate the external legal counsel's assessment that the appeal is more likely than not to succeed?

(ii) What has been the financial and operational impact of this litigation to date, including legal costs incurred, expected future costs, and the extent of management time and resources committed?

(iii) Given that these matters relate to legacy operations, how do the board and independent directors assess their ongoing relevance and risk to the group, and what is the board's position on pursuing the matter through the full appellate process, including escalation to the Federal Court if required?

Company's response to Question 3(i), 3(ii) and 3(iii)

The Board actively oversees this litigation given its significance to the Group, with regular updates provided as part of its governance and risk management processes. Independent external legal advisers have been engaged, and their advice has been reviewed by both the Board and the Audit Committee and considered as part of the external audit. The Board is satisfied that appropriate oversight and governance arrangements are in place. As the appeal is ongoing, the Board does not consider it appropriate to comment further on its internal deliberations at this stage.

The financial impact of the litigation to date has been fully disclosed in the FY2025 Annual Report, including the damages awarded, the deposit paid under the Conditional Stay Order, related costs, and the shareholder loan used to fund the deposit. These are set out in Note 24 and Note 27 to the Audited Financial Statements, and appropriate provisions have been made for legal costs.

While the matter relates to legacy operations that have since been wound down, the Board recognises its significance in light of the Group's financial position and continues to manage it with care. Based on legal advice received, the Company is proceeding with the appeal to the Malaysia Court of Appeal. Any further steps will be considered after the appellate outcome, having regard to shareholders' interests. The Company will continue to provide timely updates in accordance with SGX disclosure requirements.

By Order of the Board

Yeo Puay Hin
Executive Director and Chief Executive Officer
27 April 2026