Hoe Leong Corporation Ltd.

2022 ANNUAL REPORT

STEERING TOWARDS NEW HORIZONS

CONTENTS

CORPORATE PROFILE

Hoe Leong Corporation Ltd. (the "Company", and together with its subsidiaries, the "Group") specialises in the supply of undercarriage products and other spare parts of heavy equipment and industrial machinery. The Group has a proven track record of operational effectiveness and innovation, offering genuine cost savings and solutions to customers without compromising on quality.

The Group distributes an extensive range of equipment parts for heavy equipment and industry machinery (such as bulldozers, excavators, wheel loaders, crushers and screening plants) produced by international equipment makers such as Caterpillar, Cummins, Hitachi, Hyster, Kato, Kobelco, Komatsu, Mitsubishi, P&H and Sumitomo. Our extensive range of equipment parts includes track chains and groups, track and carrier rollers, crawler shoes, sprockets, grouser parts and idlers.

The Group has manufacturing facilities in China (since 2004) and South Korea (since 2011) which manufacture and deliver quality equipment parts under in-house brand, KBJ, to our customers around the world. The Group also distributes undercarriage components under in-house brands, MIZU, Rossi and OEM. Our experience as equipment distributors enables us to understand the market better and put us in good stead to meet the changing requirements of our customers.

The Group markets its products directly to end-users in the construction, forestry, agriculture and mining industries as well as through distributors in Singapore and overseas markets including Malaysia, Indonesia, Australia, United States of America and countries in Europe and the Middle East. Our wide procurement network and wholly-owned overseas manufacturing capabilities gives us greater control over cost and quality and enable us to respond swiftly to customers' needs.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Hoe Leong Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present to you our annual report for the financial year ended 31 December 2022 ("**FY2022**").

FINANCIAL PERFORMANCE

The Group registered revenue of S$41.8 million for FY2022 compared to S$45.5 million during the financial year ended 31 December 2021 ("**FY2021**"). Sales of the Group's undercarriage products to customers in North America and Europe was most impacted in view of slowing economic activities, with revenue decreasing by 11.4% from S$20.8 million during FY2021 to S$18.4 million during FY2022. Revenue generated from the Australia market increased slightly during FY2022, contrary to a significant decrease during FY2021.

During FY2022, the Group continued to clear large volume of old and slowing-moving inventories which were almost fully impaired. Although the clearance of old inventories resulted in lower overall gross margin, the Group recognized a gain of S$5.6 million (FY2021: S$1.7 million) in the statement of profit or loss through the reversal of allowance for impairment of inventories.

In December 2022, the Group completed the disposal of a freehold factory premise in Johor Bahru (Malaysia) and recognized a one-time disposal gain amounting to S$2.4 million. No one-time reversal of litigation provision was made during FY2022 (FY2021: S$3.0 million). In spite of the higher foreign exchange losses and lower COVID-19 related government grant income during FY2022, the Group generated earnings before interest, tax, depreciation and amortization (EBITDA) of S$2.6 million for FY2022 (FY2021: S$3.0 million).

EQUIPMENT PARTS BUSINESS

With the return to normalcy post COVID-19, our sales teams in Singapore and around the region are travelling to meet face-to-face with our existing and prospective customers. In March 2023, the Company participated in ConExpo 2023, an international construction trade show in Las Vegas. This is the first trade fair that Hoe Leong had taken part in the last few years and we plan to participate in other high profile trade fairs to showcase our products and connect or re-connect with our customers.

Our wholly owned subsidiary in Australia, Trackspares (Australia) Pty Ltd ("**TSA**"), was reorganized during FY2022 and performance of the sales team has been encouraging in recent months. In addition to the sales of undercarriage parts for heavy equipment, TSA reworked and launched the 'Track Frame Rebuild and Exchange Programme' in 2022. The programme enables customers to turn in mid-life track frames in exchange for fully overhauled pairs, minimizing operational downtime and is gaining customer traction and recurring business.

The relocation of the Group's manufacturing facility at Kunshan City (China) to a new premise within the city was completed in December 2021. The production of undercarriage parts in Kunshan at mid-2022 was hindered by COVID-19 lockdowns in the first half of 2022. As at the date of this statement, manufacturing activities have resumed and the Group is working towards improving our range of products and product quality and aiming to become one of the best equipment parts suppliers.

STRENGTHENING OUR FINANCIAL POSITION

Since year 2019, our wholly owned subsidiary in Singapore, Hoe Leong Crawler Parts Pte Ltd, has been exerting effort to realise old and slow-moving inventories. During FY2022, the inventory clearance exercise was more intensively carried out in preparation for the return of certain warehousing premise in the corporate headquarters to the landlord. The exercise proved to be a success with S$5.6 million of impairment allowance on inventories reversed and vast majority of the old inventories realized at above book value in view of the relatively high scrap metal prices in 2022. The warehouse premise was vacated in March 2023 and rental was not renewed, leading to annual rental saving of about S$0.3 million.

In mid-2022, our wholly-owned subsidiary in Malaysia, Ho Leong Tractors Sdn Bhd ("**HLT**"), granted an option to a third party to purchase HLT's freehold factory premises in Johor Bahru at RM10.8 million (Equivalent to S$3.4 million). The freehold premise was not used

by the Group for its core operations. The disposal was completed in December 2022 and net cash inflow of S$1.3 million (after redemption of a term loan that was secured by the property) was generated.

On 25 March 2022, substantial shareholder, Shing Heng Holding Pte. Ltd. ("**SHHPL**"), converted a S$3.0 million convertible loan note and exercised S$7.2 million of options that were issued/granted in mid-2021. On the same day, a S$0.8 million convertible bond was converted by United Overseas Bank Limited into shares. On 28 March 2023, SHHPL exercised the remaining options amounting to S$1.8 million. The continued show of steadfast support and confidence in the Group is heartening and would provide the Group with the resolute and renewed determination to perform better. The investment proceeds of S$1.8 million would be used for working capital purposes and to strengthen our core businesses through the enhancement of our operational capacity.

Under the backdrop of a slowing global economy in 2023, the Group shall continue to strengthen revenue streams, pursue cost management measures and explore additional means to shore up liquidity as necessary.

WORDS OF APPRECIATION

As the Company continues its turnaround journey, I wish to express my heartfelt appreciation to my fellow directors for their advice and guidance and to the management and staff for their dedication to their work in the Group. I would also like to thank all our customers, suppliers and shareholders for their support and continued faith in the Group. We will continue to work hard to strengthen our business and remain vigilant on cost and cash management, to build a more resilient and sustainable Hoe Leong for all our stakeholders.

Liew Yoke Pheng Joseph
Executive Chairman

BOARD OF DIRECTORS

Mr Liew Yoke Pheng Joseph | *Age 67* | *Executive Chairman*

Date of first appointment: 23 October 2019 | Date of last re-election: 29 April 2022

Mr Liew was appointed as Executive Director on 23 October 2019, Chief Executive Officer ("CEO") on 25 October 2019, and Executive Chairman on 1 November 2019. He relinquished the CEO role on 9 January 2023.

Mr Liew is a seasoned business and strategic management leader, passionate in the fields of information technology, corporate governance, finance and accounting. He held various senior management positions of multinational companies based in Singapore and China. He had turned around businesses, managed growth and business transformation for companies in the Asia Pacific region and beyond.

Mr Liew graduated with a Bachelor of Commerce (Accountancy) Degree from Singapore Nanyang University in 1980. He is a Certified Information Systems Auditor; Certified Fraud Examiner; Fellow of the Institute of Singapore Chartered Accountants; Fellow of the Association of Chartered Certified Accountants and member of the Singapore Institute of Directors.

Directorships in other listed companies and other principal commitments	
Present	**Past (Preceding 5 years)**
Grand Venture Technology Limited Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited Independent Director, Lew Foundation Director, Char Yong (Dabu) Foundation Treasurer, Char Yong (Dabu) Association Treasurer, Nanyang Hakka Federation Treasurer, St. Andrew's Mission Hospital	Shanghai Turbo Enterprises Ltd General Manager of Business Compliance and Senior Advisor of Internal Controls, Giti Tire (China) Investment Company Ltd Consultant, GT Asia Pacific Holdings Pte Ltd

Yeo Puay Hin | *Age 55* | *Executive Director and Chief Executive Officer*

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

Mr Yeo was appointed as Executive Director on 23 June 2021 and CEO on 9 January 2023.

Mr Yeo has more than 20 years of experience in innovative industries. His diverse portfolio includes heading the business programme office and delivering project transformation in the field of technology and financial payment. He started as a System Support Engineer of Sun Microsystems and held various senior and regional positions in multinational technology and payment technology firms. He was a Senior Director, Programme Management Office (Asia Pacific/Central Europe/Middle East/Africa) of Visa Inc. from 2012 to 2020.

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

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

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

*Mr Choy Bing Choong** | *Age 57* | *Lead Independent Director*

Date of first appointment: 1 September 2019 | Date of last re-election: 29 April 2021

Mr Choy has 30 years of experience in a variety of roles in multiple industries and countries. He is a director and the Group Chief Operating Officer of Natural Cool Holdings Limited where he has been for the last 8 years. Prior to that, he served 8 years in the corporate finance department at CIMB Bank Berhad, Singapore Branch where he last held the position of Director, Corporate Finance and served 3 years in the Corporate and Capital Markets Group at Rajah & Tann. He has worked in China, the United Kingdom and Indonesia.

Mr Choy graduated with a Bachelor of Accountancy Degree from the National University of Singapore in 1990. He is a Fellow Chartered Accountant of Singapore and a member of the Singapore Institute of Directors.

Directorships in other listed companies and other principal commitments	
Present	**Past (Preceding 5 years)**
Natural Cool Holdings Limited Hiap Tong Corporation Ltd Zhongmin Baihui Retail Group Ltd	HMK Energy Pte Ltd P.T. Harpindo Mitra Kharisma HMK Investments Ltd. Neo Group Limited

Mr Lee Chin Chai | *Age 51* | *Independent Director*

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

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

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

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

*Wee Sung Leng** | *Age 58* | *Independent Director*

Date of first appointment: 29 April 2021 | Date of last re-election: Not applicable

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

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

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

KEY EXECUTIVES

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

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

Wu Peicong*
Group Financial Controller
Hoe Leong Corporation Ltd.

Mr Wu joined the Group in August 2020 and is in charge of the Group's financial and corporate affairs, including financial reporting, tax, internal controls and corporate governance. He began his career as an auditor with RSM Chio Lim LLP in 2005 and had been the financial manager/ financial controller of 2 Singapore listed companies, Hafary Holdings Limited and Reclaims Global Limited, between 2011 and 2019. Mr Wu is a Fellow of the Association of Chartered Certified Accountants and a non-practising Chartered Accountant of Singapore. He obtained his Master of Science in Professional Accountancy Degree from University of London in 2017.

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

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

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

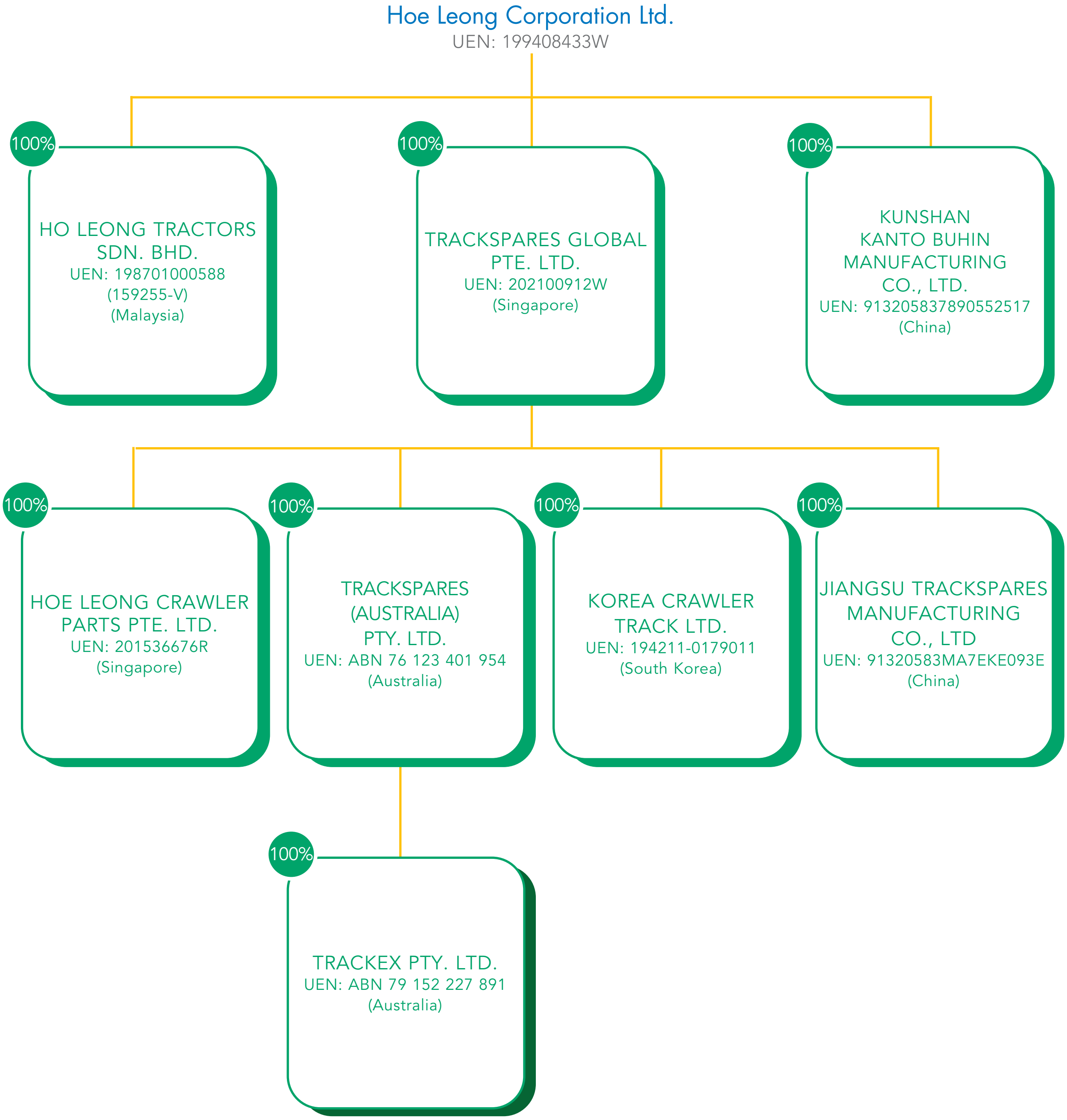
Mr Zhu joined JTM in January 2022 and is responsible for the Group's manufacturing and distribution operations in Kunshan, China. He previously worked for Fujitsu Limited for 17 years and participated in the formation of Fujitsu's operations in Shanghai, China. During his tenure, he assumed senior roles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

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

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

* Executive officers/ Key management personnel

GROUP STRUCTURE



Note: There is no merger, acquisition and disposal of entity during FY2022.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	FY2022 S$'000	FY2021 S$'000	Increase/(Decrease) S$'000	%
Continuing operations				
Revenue	41,792	45,457	(3,665)	(8.1)
Cost of sales	(38,600)	(38,409)	191	0.5
Gross profit	3,192	7,048	(3,856)	(54.7)
Other income	2,866	3,580	(714)	(19.9)
Distribution expenses	(3,412)	(4,286)	(874)	(20.4)
Administrative expenses	(4,891)	(4,923)	(32)	(0.7)
Other expenses	(2,783)	(2,132)	651	30.5
Impairment losses	6,161	2,047	4,114	201.0
Results from operating activities	1,133	1,334	(201)	(15.1)
Finance costs	(537)	(587)	(50)	(8.5)
Profit before income tax	596	747	(151)	(20.2)
Income tax credit	199	258	(59)	(22.9)
Profit from continuing operations	795	1,005	(210)	(20.9)
Discontinued operation				
Profit from discontinued operation (net of tax)	–	1,063	(1,063)	N.M
Profit for the year	795	2,068	(1,273)	(61.6)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising from foreign operations	(385)	(650)	(265)	(40.8)
Other comprehensive income, net of income tax	(385)	(650)	(265)	(40.8)
Total comprehensive income for the year and attributable to owners of the Company	410	1,418	(1,008)	(71.1)

N.M = Not meaningful

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2022 S$'000	As at 31 December 2021 S$'000	Increase/(Decrease) S$'000	%
ASSETS				
Property, plant and equipment	8,894	8,750	144	1.6
Deferred tax assets	650	657	(7)	(1.1)
Non-current assets	9,544	9,407	137	1.5
Inventories	17,981	18,321	(340)	(1.9)
Trade and other receivables	12,642	15,371	(2,729)	(17.8)
Cash and cash equivalents	4,666	3,044	1,622	53.3
Current assets	35,289	36,736	(1,447)	(3.9)
Total assets	44,833	46,143	(1,310)	(2.8)
EQUITY				
Share capital	126,814	115,601	11,213	9.7
Treasury shares	(55)	(55)	–	–
Convertible bond	–	834	(834)	N.M
Currency translation reserve	(1,128)	(743)	385	51.8
Other reserves	14	638	(624)	N.M
Accumulated losses	(101,439)	(102,234)	(795)	(0.8)
Total equity	24,206	14,041	10,165	72.4
LIABILITIES				
Loans and borrowings	5,561	10,201	(4,640)	(45.5)
Convertible loan	–	2,458	(2,458)	N.M
Deferred tax liabilities	41	39	2	5.1
Non-current liabilities	5,602	12,698	(7,096)	(55.9)
Trade and other payables	7,559	8,668	(1,109)	(12.8)
Loans and borrowings	6,878	10,148	(3,270)	(32.2)
Other provision	588	588	–	–
Current liabilities	15,025	19,404	(4,379)	(22.6)
Total liabilities	20,627	32,102	(11,475)	(35.7)
Total equity and liabilities	44,833	46,143	(1,310)	(2.8)

FINANCIAL REVIEW

REVENUE

Revenue of the Group decreased by S$3.7 million or 8.1% to S$41.8 million during FY2022 compared to S$45.5 million during FY2021. Sales of the Group's products in certain markets (e.g. North America and Europe) decreased during FY2022 in view of slowing economic activities. The Group also registered lower revenue in Japan during FY2022, compared to FY2021. Revenue generated from the Australia market slightly increased during FY2022, contrary to the significant decrease during FY2021, as the sales team at the Company's subsidiary in Australia stabilises and are prospecting better.

COST OF SALES

Costs of sales was S$38.6 million during FY2022 and comparable to that of FY2021. Gross profit ("**GP**") was S$3.2 million (GP margin: 7.6%) in FY2022 and S$7.0 million (GP margin: 15.5%) in FY2021. The increase in cost of sales and resultant reduction in GP and GP margin is mainly due to higher proportion of sales of old, slow-moving inventories during FY2022 compared to FY2021 in preparation for the return of certain rented warehousing space at the Singapore corporate headquarter in March 2023. Although GP margins for sales 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$5.6 million during FY2022 (FY2021: S$1.7 million).

OTHER INCOME

Other income for FY2022 comprised mainly of gain on disposal of a freehold property in Johor Bahru (Malaysia) amounting to S$2.4 million, while other income for FY2021 comprised mainly of a reversal of provision for litigation compensation (under 'Other provision') amounting to S$3.0 million in relation to a material litigation.

DISTRIBUTION EXPENSES

Distribution expenses decreased by S$0.9 million or 20.4% to S$3.4 million during FY2022 from S$4.3 million during FY2021. The higher distribution expenses FY2021 was mainly due to higher freight costs.

ADMINISTRATIVE EXPENSES

Administrative expenses were S$4.9 million during FY2022 and comparable to that of FY2021. The slight decrease of administrative expenses during FY2022 was mainly due to decrease in legal and professional fees.

OTHER EXPENSES

Other expenses comprised mainly of depreciation and foreign currency exchange gains/losses. The higher amount of other expenses was mainly due to high foreign currency exchange losses recorded during FY2022.

IMPAIRMENT LOSSES

Impairment losses comprised mainly of reversal of allowance for impairment of slow-moving inventories. This reversal was higher during FY2022 due to 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.

FINANCE COSTS

Finance costs decreased by S$50,000 or 8.5% from S$587,000 during FY2021 to S$537,000 during FY2022. The lower amount for FY2022 is mainly as a result of higher notional interest, arising from a S$3 million convertible loan from substantial shareholder, Shing Heng Holding Pte. Ltd. ("**SHHPL**"), recognised during FY2021.

PROFIT OR LOSS BEFORE TAX

As result of the above, profit before income tax for FY2022 and FY2021 was S$0.6 million and S$0.7 million respectively.

INCOME TAX INCOME

Income tax income recorded for FY2022 and FY2021 was mainly due to tax refunded to the Company's wholly-owned subsidiaries, Trackspares (Australia) Pty Ltd and Trackex Pty Ltd, arising from tax losses carry back scheme, a measure introduced by the Australian Taxation Office to help Australia companies cope with cash flows during the Covid-19 pandemic.

NON-CURRENT ASSETS

Non-current assets increased by S$0.1 million from S$9.4 million as at 31 December 2021 to S$9.5 million as at 31 December 2022. The increase was mainly due to increase in property, plant and equipment ("**PPE**") by S$0.1 million from S$8.8 million as at 31 December 2021 to S$8.9 million as at 31 December 2022. The increase was mainly due to additions of plant and equipment amounting to S$0.3 million and recognition of rights-of-use assets (relating to leases of premises) amounting to S$2.0 million. The above increase were partially offset by depreciation amounting to S$1.5 million and disposal of PPE with net book value amounting to S$0.6 million and translation difference of S$0.1 million.

CURRENT ASSETS

Current assets decreased by S$1.4 million from S$36.7 million as at 31 December 2021 to S$35.3 million as at 31 December 2022. The decrease was mainly due to decrease in inventories by S$0.3 million and trade and other receivables by S$2.7 million. The above decreases were partial offset by increase in cash and cash equivalents by S$1.6 million.

The decrease in trade receivables is mainly due to higher recovery of trade debts during FY2022. Trade receivables turnover was 86 days as at 31 December 2022 compared to 99 days as at 31 December 2021.

The decrease in inventories is mainly due to lower amount of raw materials held as at 31 December 2022 compared to 31 December 2021. Work-in-progress ("**WIPs**") is lower as at 31 December 2022 as the Group's factory in Kunshan City (China) resumes operations gradually and has been completing WIPs and making deliveries since the beginning of FY2022. Inventories turnover was 170 days as at 31 December 2022 compared to 174 days as at 31 December 2021.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by S$7.1 million from S$12.7 million as at 31 December 2021 to S$5.6 million as at 31 December 2022.

The decrease was mainly attributable to:

(a) Conversion of a convertible loan from substantial shareholder, SHHPL, in March 2022 amounting to S$2.5 million;

(b) Offsetting of S$3.0 million of other borrowings from SHHPL against consideration payable arising from the exercise of options by SHHPL; and

(c) Net decrease of secured bank borrowings by S$2.4 million mainly as a result of redemption of a term loan following the disposal of a freehold property in Johor Bahru (Malaysia) which was pledged as security for the term loan.

The above decreases were partially offset by an increase in lease liabilities by S$0.8 million.

CURRENT LIABILITIES

Current liabilities decreased by S$4.4 million from S$19.4 million as at 31 December 2021 to S$15.0 million as at 31 December 2022.

The decrease was mainly attributable to:

(a) Decrease in trade and other payables by S$1.1 million;

(b) Offsetting of S$1.0 million of other borrowings from SHHPL against consideration payable arising from the exercise of options by SHHPL; and

(c) Decrease in secured bank borrowings (i.e. lower of term loan) of S$4.4 million.

The above decreases were partially offset by increase of unsecured bank borrowings amounting to S$1.8 million in view of the increase in monthly repayment amount in relation to an unsecured term loan with effect from June 2023.

Trade payables' turnover was 27 days as at 31 December 2022 and 33 days as at 31 December 2021.

PROPERTIES HELD BY THE GROUP

Address	**55 Greenwich Parade, Neerabup, Western Australia 6031**	**455 Jisu-Myeon, Jinju City, Gyeongnam, South Korea**
Description	Single storey office building with warehouse and workshop attached	Two factory buildings; a 2-storey office building; a 2-storey building for ancillary purposes
Purpose to the Group	Western Australia branch office of TSA	Manufacturing facility of KCT
Tenure of land	Freehold	Freehold
Estimated area		
– Land ('000 sf)	41	135
– Floor ('000 sf)	15	57
Purchase price of land (S$'000)	1,136	1,725
Development and directly attributable costs (S$'000)	2,013	3,342
Carrying amount as at 31 December 2022 (S$'000)	1,770	3,951
Open market valuation as at 31 December 2022 (S$'000)	2,103	4,208

CORPORATE INFORMATION

BOARD OF DIRECTORS

LIEW YOKE PHENG JOSEPH
Executive Chairman

YEO PUAY HIN
Executive Director and CEO

CHOY BING CHOONG
Lead Independent Director

LEE CHIN CHAI
Independent Director

WEE SUNG LENG
Independent Director

AUDIT COMMITTEE

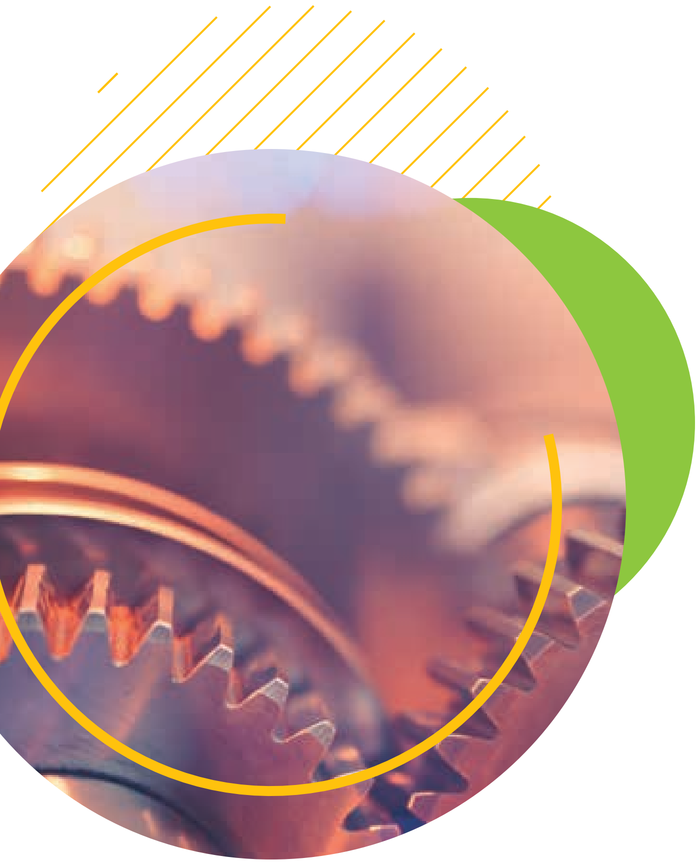
WEE SUNG LENG (Chairman)
CHOY BING CHOONG
LEE CHIN CHAI

NOMINATING COMMITTEE

LEE CHIN CHAI (Chairman)
LIEW YOKE PHENG JOSEPH
CHOY BING CHOONG

REMUNERATION COMMITTEE

CHOY BING CHOONG (Chairman)
LEE CHIN CHAI
WEE SUNG LENG



COMPANY SECRETARY

ANG SIEW KOON, ACIS

REGISTERED OFFICE/ CORPORATE HEADQUARTERS

6 Clementi Loop
Singapore 129814
T: +65 6463 8666
F: +65 6464 7183
Email: contact@hoeleong.com

SHARE REGISTRAR

TRICOR BARBINDER SHARE REGISTRATION SERVICES
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

DATE OF LISTING ON THE MAINBOARD OF THE SINGAPORE EXCHANGE

5 December 2005

DATE OF INCORPORATION

18 November 1994

REGISTRATION NUMBER

199408433W

INDEPENDENT AUDITOR

PKF-CAP LLP
6 Shenton Way
OUE Downtown 1, #38-01
Singapore 068809
Partner-in-charge: Lee Eng Kian
(Effective from reporting year ended 31 December 2021)

INTERNAL AUDITOR

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

SUSTAINABILITY REPORT FY2022

BOARD STATEMENT

The Board of Directors (the "**Board**") of Hoe Leong Corporation Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to present the Company's annual sustainability report for the reporting year ended 31 December 2022 ("**FY2022**").

This report covers all active entities of the Group (Refer to 'Group Structure' section of Annual Report 2022) and describes the Group's sustainability practices with reference to the primary components set out in Listing Rule 711B of the Listing Manual of The Singapore Exchange Securities Trading Limited (the "**Listing Manual**") on a 'comply or explain' basis, with particular focus on our commitment to working alongside our valued stakeholders to build a sustainable business. This report also provides insights into the way we conduct our business while highlighting our key economic, environmental, social and governance ("**EESG**") factors.

Sustainability reporting enables us to build business resilience by identifying and responding to material risks and opportunities. The Sustainability Committee (comprising of all executive directors and executive officers of the Company) identifies and updates the Board of the material EESG factors concerning our business from time to time, taking into account of internal and external developments and feedback from our stakeholders. The Board has ultimate responsibility for the Company's sustainability reporting, oversees the management and monitoring of the material EESG factors and considers sustainability issues when formulating the Group's strategic direction and policies.

In FY2022, all directors had attended the mandatory training on sustainability matters prescribed under Rule 720(7) of the Listing Manual.

REPORTING METHODOLOGY

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

The Group has chosen to report on sustainability using the Global Reporting Initiative ("**GRI**") framework as it is a globally recognised sustainability reporting framework that provides detailed reporting guidance that are relevant to the Group's business. This report has been prepared in accordance with the GRI Standards (GRI 1: Foundation 2021) and covered the sustainability values and performance of our Group for FY2022.

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

To provide assurance to management and the Board, the sustainability reporting process has been internally reviewed by our outsourced internal auditors from Baker Tilly Consultancy (Singapore) Pte Ltd.

ACCESSIBILITY

The sustainability report forms part of the Company's Annual Report for FY2022 ("**Annual Report 2022**") and should be read in conjunction with Annual Report 2022.

The Company's Sustainability Committee comprises of the following members:

Yeo Puay Hin (Executive Director and CEO) - Chairman of Sustainability Committee
Liew Yoke Pheng Joseph (Executive Chairman)
Wu Peicong (Group Financial Controller)
Chin Yon Fei (Director of Sales and Marketing)

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

13 April 2023

ORGANISATIONAL PROFILE

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

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

VISION AND MISSION

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

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

Mission:
- To enhance customer satisfaction through distinctive value-add propositions with strong focus on product quality and excellent customer services.
- To achieve sustainable financial growth through efficient financial management and strong corporate governance.
- To enhance shareholder value through diversification of our product range.
- To attract, develop and retain motivated and competent staff focused on achieving Hoe Leong's business goals.

APPROACH TO SUSTAINABILITY

Sustainability Reporting Process

Enterprise Risk Management

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

STAKEHOLDER ENGAGEMENT

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

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

Stakeholders	Group's commitment	Topics of interest	Engagement channels
Customers	Maximise customers' satisfaction by effective execution and on-time delivery of our products.	– Ability to meet customers' requirements in terms of pricing, quality and timeliness of delivery	– Regular dialogue and face-to-face/online meetings with customers – Company's website
Employees	Provide our employees with safe and conducive working environment and fair remuneration and benefits. Develop our employees to their fullest potential.	– Remuneration and benefits – Workplace safety – Open communications – Talent retention and career progression – Training and development – Work-life harmony	– On-boarding and orientation – Get-together sessions – On-the-job training – Structured trainings – Annual performance appraisal
Regulators	Comply with the Listing Manual. Adhere to laws and regulations in jurisdictions where the Group operates.	– Corporate governance – Regulatory compliance – Anti-corruption and bribery – Conflict of interest	– SGXNet announcements – Annual reports and circulars – Sustainability reports – Seminars, trainings and dialogues organised by the relevant authorities – 'Code of Business Conduct and Ethics for Employees' of the Company
Shareholders	Maximise shareholders' value through strengthening of our financial fundamentals.	– Business strategies and developments – Financial performance and stability – Risk management – Corporate governance – Regulatory compliance	– SGXNet announcements – Company's website – General meetings (at venues accessible to shareholders) – Annual reports and circulars
Suppliers and vendors	Cultivate and maintain cordial relationships with our suppliers and vendors through adherence to trading norms.	– Group's financial stability – Fair payment terms	– Regular dialogues and face-to-face/ online meetings with suppliers and vendors – Quotations – Suppliers' evaluation

MATERIALITY ASSESSMENT

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

The Sustainability Committee, based on understanding of the business and stakeholders, identifies the material EESG factors. In determining whether the identified EESG factors are material and when prioritising them, the Sustainability Committee examines the significance of the EESG factors to stakeholders.

S/n	Pillar	Material factors	Reason(s) for its significance
1	Economic	Economic performance	All customers and suppliers expect us to fulfil our delivery and payment obligations. In order to do so, the Group must deliver financial performance, aim to generate positive cash flows from operations and ensure that the Group's financial position is healthy.
2	Environmental	Energy consumption	Climate-related risks, if not addressed, are likely to have adverse impact (for example, higher electricity and water costs) on the Company's financial position and performance. The Group has manufacturing facilities in South Korea and China and is well-poised to limit global warming by minimising CHG emission from operations.
3	Social	Occupational health and safety	Our employees spend significant amount of their lives at work. The management is thus morally obliged to ensure that our employees are well taken care of when they serve the Company. Improving the health, safety and well-being of our employees would also enable us to sustain the productivity of the Group.
4	Governance	Corporate governance	Our shareholders and other stakeholders (such as the regulators) look to the management to maintain sound system of corporate governance to ensure that their investments and/ or interests are safeguarded. Sound system of corporate governance could also lead to more objective and holistic decision-making.

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

ECONOMIC

Economic performance

Our economic performance affects financial stability which in turn, has an impact on our ability to meet our financial obligations to various stakeholders, such as payment of salaries to our employees, settlement of invoices from suppliers, payment of taxes to the government and contributions to the local communities. To ensure financial stability, our finance team monitors the financial health of the Group, paying particular attention to working capital needs and credit risks.

Government grants (Mainly Covid-19 relief measures) received by group entities in various countries:

	FY2022	FY2021
Name of country	**S$'000**	**S$'000**
Australia	–	94
Malaysia	12	22
Singapore	14	56
South Korea	–	41
Total	**26**	**213**

During FY2022, the Company's wholly-owned subsidiaries in Australia received tax refunds amounting to A$277,000 (Equivalent to S$266,000) arising from the tax losses carry-back scheme, a measure introduced by the Australian Taxation Office to help Australia companies cope with cash flows during the Covid-19 pandemic.

For detailed financial results, please refer to the following sections in Annual Report 2022:

– 'Financial Review'; and
– 'Directors' Statement and Financial Statements'.

ENVIRONMENTAL

Electricity Consumption

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

Performance indicator (Group)	Unit of measurement	FY2022	FY2021
Electricity consumption	MWh	3,761	5,163
Electricity consumption intensity	MWh/Revenue (S$'000)	0.09	0.11
Electricity consumption intensity	MWh/Average number of employees during financial period	27.06	34.89

Specific metrics (Group)	FY2022	FY2021
Revenue (S$'000)	41,792	45,457
Average number of employees	139	148

Electricity consumption is higher during FY2021 as it included electricity used for heat treatment during the manufacturing process of rollers by our China subsidiary, Kunshan Kanto Buhin Manufacturing Co., Ltd. ("**KKBM**"). KKBM shifted to a new premise at the beginning of FY2022 and the new heat treatment plant is expected to be fully commissioned by June 2023. With this, electricity consumption during FY2023 is expected to be higher than that of FY2022.

Our key electricity conservation initiatives are as follow:

– Track and review electricity usage regularly and take corrective actions if required;
– Switch to energy-efficient LED lighting where possible (During FY2022, all fluorescent lighting at the office area of our Singapore corporate headquarters were replaced by energy-efficient LED lighting);
– Turn off lights when they are not in use; and
– Consider energy efficiency when procuring plant and equipment.

Water conservation

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

Performance indicator (Group)	Unit of measurement	FY2022	FY2021
Water consumption	m^3	6,043	24,025
Water consumption intensity	m^3/Revenue (S$'000)	0.14	0.53
Water consumption intensity	m^3/Average number of employees during financial period	43.47	173.47

The higher water consumption during FY2021 was mainly due to water used during the cleaning process of finished products at KKBM. To reduce the use of water and in view of environmental concerns, KKBM implemented changes to the cleaning process. In addition, certain machinery at our new manufacturing facility in China were improved/replaced to enable the use of recycled water.

Our key water conservation initiatives are as follow:

– Track and review water usage regularly and take corrective actions if required;
– Enable the usage of recycled water in our manufacturing processes as much as possible; and
– Providing reminders to employees on the importance of conserving water resources.

Waste generation

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

Our Singapore subsidiary, Hoe Leong Crawler Parts Pte Ltd, undertook an inventory clearance exercise in 2022 to prepare for the return of certain warehousing space at the Singapore corporate headquarters in March 2023. During this clean-up, inventory items, containing 476 tonnes of iron, which are not sellable are sold to metal collectors and to be recycled. Large quantities of metal racks were also sold to a third party and to be put to good use.

SOCIAL

Engaged Workforce

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

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

Diversity of our human resource

As at 31 December 2022, the Group has 133 permanent and full-time employees and does not have any temporary or part-time employees. The amount of work provided by casual labour is not significant.

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

	Male		Female		Total	
FY2022	**Number**	**%**	**Number**	**%**	**Number**	**%**
As at 1 January 2022[A]:						
– Under 30 years old	9	6	3	2	12	8
– 30-50 years old	57	40	25	17	82	57
– Over 50 years old	40	28	10	7	50	35
Sub-total	106	74	38	26	144	100
Joiners during the year[B]:						
– Under 30 years old	5	4	1	1	6	5
– 30-50 years old	6	4	5	4	11	8
– Over 50 years old	4	3	2	1	6	4
Sub-total	15	11	8	6	23	17
Leavers during the year[C]:						
– Under 30 years old	(6)	4	(2)	1	(8)	5
– 30-50 years old	(12)	9	(6)	4	(18)	13
– Over 50 years old	(7)	5	(1)	1	(8)	6
Sub-total	(25)	18	(9)	6	(34)	24
As at 31 December 2022[A]:						
– Under 30 years old	8	6	2	2	10	8
– 30-50 years old	51	38	24	18	75	56
– Over 50 years old	37	28	11	8	48	36
Total	96	72	37	28	133	100

FY2021	Male		Female		Total	
	Number	%	Number	%	Number	%
As at 1 January 2021[A]:						
– Under 30 years old	10	7	3	2	13	9
– 30-50 years old	67	46	28	19	95	65
– Over 50 years old	27	19	10	7	37	26
Sub-total	104	72	41	28	145	100
Joiners during the year[B]:						
– Under 30 years old	2	1	–	–	2	1
– 30-50 years old	12	8	8	6	20	14
– Over 50 years old	15	11	2	1	17	12
Sub-total	29	20	10	7	39	27
Leavers during the year[C]:						
– Under 30 years old	(3)	2	–	–	(3)	2
– 30-50 years old	(18)	13	(9)	6	(27)	19
– Over 50 years old	(6)	4	(4)	3	(10)	7
Sub-total	(27)	19	(13)	9	(40)	28
As at 31 December 2021[A]:						
– Under 30 years old	9	6	3	2	12	8
– 30-50 years old	61	43	27	19	88	62
– Over 50 years old	36	25	8	5	44	30
Total	106	74	38	26	144	100

Notes:

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

B – Number of joiners (new employees hires) as percentage of total number of employees at year end date

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

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

Nationality (FY2021)	Male		Female		Total	
	Number	%	Number	%	Number	%
Singaporean	8	6	3	2	11	8
South Korean	38	26	11	8	49	34
Chinese	18	13	6	4	24	17
Malaysian	18	13	12	8	30	21
Australian	19	13	4	3	23	16
Others	5	3	2	1	7	4
Total	**106**	**74**	**38**	**26**	**144**	**100**

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

Length of service (FY2021)	Male		Female		Total	
	Number	%	Number	%	Number	%
Less than 5 years	51	35	18	13	69	48
5 years and above	55	38	20	14	75	52
Total	**106**	**73**	**38**	**27**	**144**	**100**

Occupational health and safety

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

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

For Korea Crawler Track Ltd ("**KCT**" – Manufacturing facility in South Korea)

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

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

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

For Jiangsu Trackspares Manufacturing Co., Ltd ("**JTM**" – Manufacturing facility in China):

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

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

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

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

GOVERNANCE

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

Code of Corporate Governance 2018

The Board and the management of the Group are committed to employing the best practices of corporate governance to ensure sustainability of the Group's operations. During FY2022, we continued to adhere substantially to provisions of the Code of Corporate Governance 2018 (Last amended on 11 January 2023). Please refer to 'Corporate Governance Report' section of Annual Report 2022 for the Company's corporate governance values and practices.

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

Independence and diversity

The Board comprised of 5 directors, of which 3 (i.e. 60%) are independent.

The Company has no female director and no woman in the management team. The Board and management are conscious that the Group operates in male-dominated industries and environments and will put in effort to source and consider female candidates for new appointments to the Board and/ or management team.

In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

For more information how the Company maintain an appropriate balance of independence and diversity of thought and background in its composition, please refer to our commentaries under Principle 2 of 'Corporate Governance Report' section of Annual Report 2022.

Code of Conduct/ Anti-corruption

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

As at the date of this report, the 'Code of Business Conduct and Ethics for Employees' ("**Code of Conduct**"), including anti-corruption policy, has been formally communicated to:

– All directors of the Company;
– All key executives of the Company's subsidiaries (Number: 5; Percentage of total workforce: 4%);
– Heads of department and employees from the sales, procurement, accounts, HR, and administration departments of the Group (Number: 40; Percentage of total workforce: 30%)

Name of subsidiaries	Total number of employees as at 31 March 2023 (A)	Employees (including executive directors and key executives) who are formally informed of the Code of Conduct	
		Number	% of A
Hoe Leong Corporation Ltd. (Singapore)	2	2	100
Hoe Leong Crawler Parts Pte. Ltd. (Singapore)	18	12	67
Ho Leong Tractors Sdn. Bhd. (Malaysia)	16	13	81
Jiangsu Trackspares Manufacturing Co., Ltd (China)	21	2 (1)	10
Korea Crawler Track Ltd. (South Korea)	52	2 (1)	4
Trackspares (Australia) Pty. Ltd. (Australia)	15	15	100
Trackex Pty. Ltd. (Australia)	9	2 (2)	22
Total	**133**	**48**	**36**

Notes:

(1) Substantial portion of workforce of JTM and KCT are made up of production and warehouse staff. Majority of the employees are not well versed in the English language. The Code of Conduct will be translated into Chinese and Korean, circulated to employees of JTM and KCT and uploaded on the Company's website by 4Q 2023.

(2) Workforce of Trackex Pty. Ltd. are made up of workshop supervisors and staff.

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

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

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

During FY2022 and up to the date of this report, this is no confirmed incident of corruption and there is no public legal case regarding corruption brought against any group entity or its employees.

Whistle-blowing

The Group also has in place a whistle-blowing policy which is available on the Company's website (Link: www.hoeleong.com/investor-relations/policies/). More details of the Company's whistle-blowing policy can be found in 'Corporate Governance Report' section of Annual Report 2022. All concerns about possible improprieties can be communicated directly to the Audit Committee via email: whistleblowing@hoeleong.com.

No significant matter was raised through the Group's whistle-blowing channels during FY2022 and up to the date of this report.

Compliance with laws and regulations

During FY2022, there is no significant instance of non-compliance with laws and regulations.

PERFORMANCE REVIEW AND TARGET SETTING

Environmental

To support the climate change agenda, we will disclose our Scope 1 and 2 GHG emissions starting from our sustainability report for the financial year ending 31 December 2023. The Group would continue to focus on ways to minimising GHG emissions, electricity and water usage and waste generated. In the short to medium term, climate-related targets relating to GHG emissions and water and energy consumption would be set and monitored to further enhance our efficiency.

Social

During FY2022, there is 1 case of workplace accident which resulted in injury which required medical review of over 6 months. A workshop staff of our Australia subsidiary, Trackex Pty Ltd, suffered a laceration when using a grinder. The staff is recovering and lifting restrictions of his upper limb has increased. The subsidiary had since installed new guards for grinders and ensured that longer gloves are worn by workshop staff when using grinders. The target for FY2023 is zero occurrence of fatal workplace accident and ill-health.

Governance

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

In January 2023, the Group Financial Controller conducted a briefing on anti-corruption for the Company's Executive Directors and 3 key executives of the Group who made up 50% of total number of governance body members. The Company aims to formalise and conduct regular in-house training on anti-corruption for employees who are susceptible to corruption with effect from FY2023.

SUPPORTING THE TCFD

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

TCFD's pillars	Our approach
Governance	The Board considers sustainability issues in the Company's business and strategy. The Board is updated of material EESG factors by the Sustainability Committee of the Company and oversees the management and monitoring of material EESG factors. The Sustainability Committee (which comprise of executive directors and executive officers of the Company) considers climate-related issues in the development of sustainability strategy, target setting, and collection, monitoring and reporting of performance data. Please refer to 'Board Statement' section in this report.
Strategy	The Sustainability Committee identifies the material EESG factors based on understanding of the business and stakeholders. The Sustainability Committee, in conducting materiality assessment, also considers survey results and findings from the enterprise risk management processes. Climate-related risks and opportunities and other EESG factors are covered in the Company's enterprise risk management framework. Please refer to 'Materiality Assessment' section in this report. Transition risks such as increase in electricity and water pricing could have an adverse impact on the Group's profitability. Physical risks such as extreme weather patterns and temperature increases could lead to damage to the Group's premise and equipment and harm to the health and well-being of our employees. Climate-related risks and opportunities are likely to impact the Company's future financial position and performance. The Company is thus determined to implement support efforts to mitigate the effects of climate change, starting with energy consumption. Such efforts include the switching to more energy-efficient production equipment (for example, air compressor) and LED lighting. The Company may perform scenario analysis, in line with TCFD recommendations, using commonly used market standards in future.
Risk Management	The Sustainability Committee conducts materiality assessment annually to determine the key EESG issues. Climate-related risks and opportunities and other EESG factors are covered in the Company's enterprise risk management framework.
Metrics and targets	Key metrics on electricity and water usage are published in this report. Monitoring and reporting these metrics help us identify areas with the highest climate-related risks and enable more proactive and targeted approaches to manage these risks. To support the climate change agenda, we will disclose our Scope 1 and 2 GHG emissions starting from our sustainability report for the financial year ending 31 December 2023. The Group would continue to focus on ways to minimising GHG emissions, electricity and water usage and waste generated. In the short to medium term, climate-related targets relating to GHG emissions and water and energy consumption would be set and monitored to further enhance our efficiency.

GRI CONTENT INDEX

Statement of use	Hoe Leong Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	The available GRI Sector Standards are not applicable to the Group.

Disclosure		Annual report section reference	Requirement(s) omitted and reason/ explanation for omission
Ref	Description		
GRI 2: General Disclosures 2021			
1. The organisation and its reporting practices			
2-1	Organisational details	Sustainability Report ("**SR**") – Board Statement Statistics of Shareholdings Corporate Information Group Structure	–
2-2	Entities included in the organisation's sustainability reporting	SR – Board Statement Group Structure Note 5 of Financial Statements	–
2-3	Reporting period, frequency and contact point	SR – Board Statement	–
2-4	Restatements of information	–	Not applicable ("**N/A**"):There is no restatement of information made from the previous reporting period.
2-5	External assurance	SR – Board Statement	N/A: The Company's SR has not been externally assured.
2. Activities and workers			
2-6	Activities, value chain and other business relationships	Corporate Profile Group Structure Note 22 to the Financial Statements	2-6c – Confidentiality constraints: Other business relationships not disclosed in view of commercial consideration. 2-6d – N/A: No significant change in the Group's activities and supply chain.
2-7	Employees	SR – Social: Diversity of our human resources	2-7e – N/A: There is no significant fluctuation in the number of employees during FY2022 and compared to FY2021.
2-8	Workers who are not employees	–	N/A: Certain manufacturing processes are outsourced but work of the vendors are not controlled by the Group.
3. Governance			
2-9	Governance structure and composition	Corporate Governance Report ("**CG Report**") (Introduction) Board of Directors	–

Disclosure		Annual report section reference	Requirement(s) omitted and reason/ explanation for omission
Ref	Description		
2-10	Nomination and selection of the highest governance body	CG Report (Provision 4.3 of the Code of Corporate Governance 2018 (the "**Code**"))	–
2-11	Chair of the highest governance body	Board of Directors CG Report (Provision 1.1 of the Code)	–
2-12	Role of the highest governance body in overseeing the management of impacts	SR – Board Statement	–
2-13	Delegation of responsibility for managing impacts	SR – Board Statement	–
2-14	Role of the highest governance body in sustainability reporting	SR – Board Statement	–
2-15	Conflicts of interest	CG Report (Provision 1.1 of the Code)	–
2-16	Communication of critical concerns	SR – Governance: Whistle-blowing CG Report (Whistle-Blowing Policy)	–
2-17	Collective knowledge of the highest governance body	SR – Board Statement CG Report (Provision 1.2 of the Code)	–
2-18	Evaluation of the performance of the highest governance body	CG Report (Provision 5.1 and 5.2 of the Code)	–
2-19	Remuneration policies	CG Report (Provision 7.1, 7.2 and 7.3 of the Code)	–
2-20	Process to determine remuneration	CG Report (Provision 6.4, 7.1, 7.2 and 7.3 of the Code)	2-20b – N/A: Remuneration policies and proposals are usually approved by the Board.
2-21	Annual total compensation ratio	CG Report (Provision 8.1 and 8.3 of the Code)	–
4. Strategy, policies and practices			
2-22	Statement on sustainable development strategy	SR – Board Statement	–
2-23	Policy commitments	SR – Governance: Code of Conduct/ Anti-corruption	2-23b – Information unavailable: The Company will include specific policy commitment in relation to human rights by end of 1H 2024.
2-24	Embedding policy commitments	SR – Governance: Code of Conduct/ Anti-corruption	–
2-25	Processes to remediate negative impacts	SR – Governance: Code of Conduct/ Anti-corruption; and Whistle-blowing	–

Disclosure		Annual report section reference	Requirement(s) omitted and reason/ explanation for omission
Ref	Description		
2-26	Mechanism for seeking advice and raising concerns	SR – Governance: Code of Conduct/ Anti-corruption	–
2-27	Compliance with laws and regulations	SR – Governance: Compliance with laws and regulations	–
2-28	Membership associations	–	N/A: The Group does not participate in a significant role in industry associations and advocacy organisation.
5. Stakeholder engagement			
2-29	Approach to stakeholder engagement	SR – Stakeholder Engagement	–
2-30	Collective bargaining agreement	–	N/A: No employee of the Group is covered by collective bargaining agreement.
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	SR – Materiality Assessment	–
3-2	List of material topics	SR – Materiality Assessment	–
3-3	Management of material topics	SR - Materiality Assessment, Economic, Environmental, Social, Governance	–
Material Topics (GRI 201: Economic Performance 2016)			
201-1	Direct economic value generated and distributed	Financial Review Financial Statements	–
201-2	Financial implications and other risks and opportunities due to climate change	–	N/A: Climate change is not expected to result in substantial changes in operations, revenue or expenditure.
201-3	Defined benefit plan obligations and other retirement plans	Note 19 to the Financial Statements	N/A: The retirement plans offered to employees are not based on defined benefit plans. The Group is obliged to contribute, for employees who are Singaporeans or Singapore Permanent Residents, to the Central Provident Fund, a defined contribution retirement benefit plan managed by the Singapore government.
201-4	Financial assistance received from government	SR – Economic: Economic performance Note 19 to the Financial Statements Statistics of Shareholdings	201-4c – N/A: No government is present in the shareholding structure of the Company.

<table>
<tr><th colspan="2">Disclosure</th><th rowspan="2">Annual report section reference</th><th rowspan="2">Requirement(s) omitted and reason/ explanation for omission</th></tr>
<tr><th>Ref</th><th>Description</th></tr>
<tr><td colspan="4">Material Topics
(GRI 205: Anti-Corruption 2016)</td></tr>
<tr><td>205-1</td><td>Operations assessed for risks related to corruption</td><td>SR – Governance: Code of Conduct/ Anti-corruption</td><td>–</td></tr>
<tr><td>205-2</td><td>Communication and training about anti-corruption policies and procedures</td><td>SR – Governance: Code of Conduct/ Anti-corruption</td><td>205-2c – N/A: Anti-corruption policies and procedures are not formally communicated to business partners. However, such policies and procedures (Code of Business Conduct and Ethics for Employees) are available on the Company's website.

205-2e – N/A: The Company aims to formalise and conduct regular in-house training on anti-corruption for employees with effect from FY2023.</td></tr>
<tr><td>205-3</td><td>Confirmed incidents of corruption and actions taken</td><td>SR – Governance: Code of Conduct/ Anti-corruption</td><td>–</td></tr>
<tr><td colspan="4">Material Topics
(GRI 302: Energy 2016)</td></tr>
<tr><td>302-1</td><td>Energy consumption within the organization</td><td>SR – Environmental: Electricity consumption</td><td>302-1 a/b/e/f/g – Information unavailable: Energy consumption will be disclosed with effect from FY2023 SR.

302-1 d – N/A: The Group does not sell energy.</td></tr>
<tr><td>302-2</td><td>Energy consumption outside the organization</td><td>–</td><td>Information unavailable: In the short term, the Group would not monitor and disclose energy consumption outside the Group and Scope 3 GHG emissions in view of resource constraints.</td></tr>
<tr><td>302-3</td><td>Energy intensity</td><td>SR – Environmental: Electricity consumption</td><td>Please refer to remarks above (under 302-2).</td></tr>
<tr><td>302-4</td><td>Reduction of energy consumption</td><td>SR – Environmental: Electricity consumption</td><td>Please refer to remarks above (under 302-2).</td></tr>
<tr><td>302-5</td><td>Reduction in energy requirements of products and services</td><td>–</td><td>Please refer to remarks above (under 302-2).</td></tr>
<tr><td colspan="4">Material Topics
(GRI 403: Occupational Health and Safety 2018)</td></tr>
<tr><td>403-1</td><td>Occupational health and safety management system</td><td>SR – Social: Occupational health and safety</td><td rowspan="2">N/A: The Company has safety measures and reporting channels in place and aims to formalise an occupational health and safety management system by end of 1H 2024. The Company would also including the reporting of work-related hazards and hazardous situations in the whistle-blowing policy in FY2023.</td></tr>
<tr><td>403-2</td><td>Hazard identification, risk assessment, and incident investigation</td><td>SR – Social: Occupational health and safety</td></tr>
</table>

Disclosure		Annual report section reference	Requirement(s) omitted and reason/ explanation for omission
Ref	Description		
403-3	Occupational health services	SR – Social: Occupational health and safety	–
403-4	Worker participation, consultation, and communication on occupational health and safety	SR – Social: Occupational health and safety	403-4b – N/A: The management and employees discuss occupational health and safety matters in the course of work and there is no need for a separate management-worker committee to facilitate such exchange.
403-5	Worker training on occupational health and safety	SR – Social: Occupational health and safety	–
403-6	Promotion of worker health	SR – Social: Occupational health and safety	403-6b – N/A: No voluntary health promotion services and programs are offered to employees. Group entities would consider organising these programs when headcount increases, and such program can be organized more efficiently.
403-7	Prevention and mitigation of occupation health and safety impacts directly linked by business relationships	SR – Social: Occupational health and safety	–
403-8	Workers covered by an occupational health and safety management system	SR – Social: Occupational health and safety	N/A: Please refer to remarks under 403-1.
403-9	Work-related injuries	SR – Social: Occupational health and safety	N/A: The number of employees involved in factory/workshop operations is not high and the occurrence of work-related injuries and ill health is not frequent. The Group would continue to report the number of work-related injuries and ill health and continue to ensure that measures are in place to keep our workplaces safe.
403-10	Work-related ill health	SR – Social: Occupational health and safety	

CORPORATE GOVERNANCE REPORT FY2022

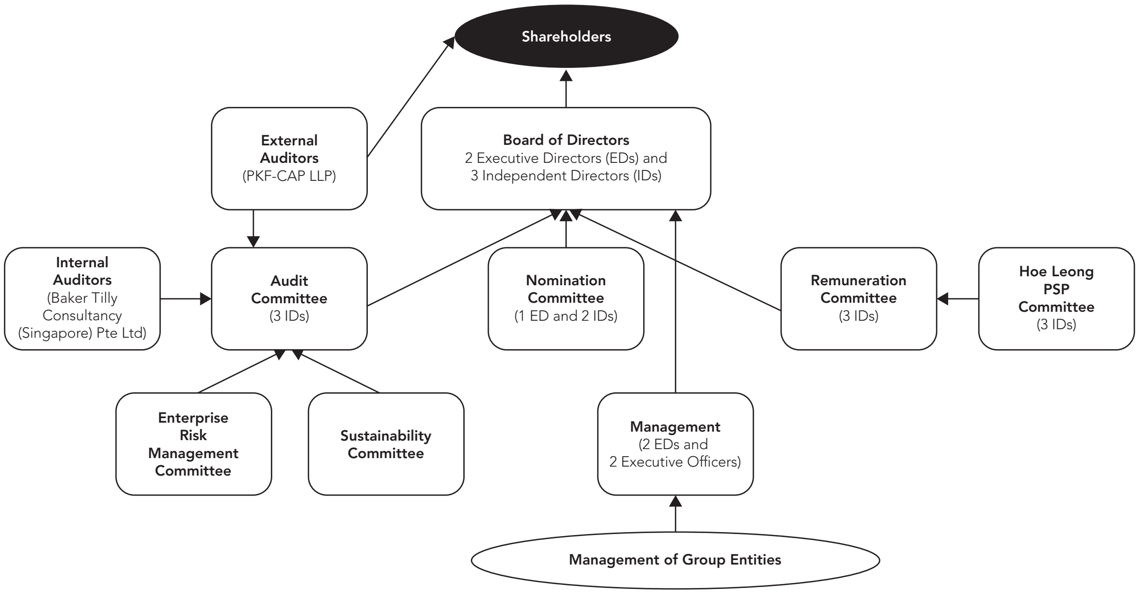
13 April 2023

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

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

The Board of Directors of the Company (the "**Board**") is pleased to confirm that for the year ended 31 December 2022 ("**FY2022**"), the Group has adhered to the principles and provisions as set out in the Code. Where the Company's practices vary from any provisions of the Code, we have explained the reasons for the deviations, and explained how the practices we have adopted are consistent with the intent of the relevant principle.

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



BOARD MATTERS

Principle 1: THE BOARD'S CONDUCT OF AFFAIRS

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

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

During FY2022 and as at the date of this report, the Board comprises 5 directors, 3 of whom are independent. The Board oversees the Group's overall policies, strategies, key operational initiatives, performance and measurement, internal controls and risk management to protect and enhance long-term shareholders' value. Board members are entrusted to discharge their duties and responsibilities objectively, act in the best interest of the Company and hold the management accountable for performance. The primary roles and responsibilities of the Board, apart from its statutory duties, include:

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

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

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

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

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

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

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

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

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

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

Briefings, updates, seminars and trainings attended by the directors in FY2022 and up to the date of this report include:

– Executive directors and officers updated the Board at each Board meeting on business and strategic developments of the Group;
– Company secretary briefed the Board on updates on relevant regulations, including those related to sustainability and corporate governance, issued by the SGX-ST; and
– Code of Practice on Chief Executives' and Board of Directors' WSH Duties

All directors, had attended the mandatory training on sustainability matters prescribed under Rule 720(7) of the Listing Manual during FY2022.

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

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

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

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

– Changes to the Group's capital structure and corporate structure;
– Material investments, acquisitions and disposals of assets;
– Material operating and capital expenditure;
– Interested person transactions;
– Significant policies, strategic plans and monitor the performance of the Group;
– Recommendation/declaration of dividend;
– Annual budgets, financial statements (interim and full year), annual reports, sustainability reports, circulars to shareholders and SGXNet announcements; and
– Appointment or removal of directors, company secretary and key management personnel of the Company.

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

Provision 1.4 of the Code:
Board Committees

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

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

Composition of Board and Board Committees

Name of director	Audit Committee	Nominating Committee	Remuneration Committee
Liew Yoke Pheng Joseph[(1)] (Executive Chairman)	–	Member	–
Yeo Puay Hin[(2)] (Executive Director and CEO)	–	–	–
Choy Bing Choong (Lead Independent Director)	Member	Member	Chairman
Lee Chin Chai (Independent Director)	Member	Chairman	Member
Wee Sung Leng (Independent Director)	Chairman	–	Member

Notes:

(1) Mr Liew relinquished his position as CEO of the Company on 9 January 2023.

(2) Mr Yeo was appointed as the CEO of the Company on 9 January 2023.

Profiles of the directors are set out in the 'Board of Directors' section of Annual Report 2022.

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

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

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

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

During FY2022, the number of Board and Board Committees meetings as well as general meetings held and attended are set out as follows:

Directors	Board (No. of meetings held: 4)	AC (5)	NC (1)	RC (1)	AGM/EGM (2)
	Number of meetings attended by members (Excluding attendance by invitation of the Board Committee, where applicable)				
Liew Yoke Pheng Joseph	4	N/A	1	N/A	2
Yeo Puay Hin	4	N/A	N/A	N/A	2
Choy Bing Choong	4	5	1	1	2
Lee Chin Chai	4	5	1	1	2
Wee Sung Leng	4	5	N/A	1	2

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

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

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

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

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

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

All meeting papers are circulated one week in advance of the Board and each Committee meeting to allow Board members sufficient time to digest the meeting materials.

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

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

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

– Attending Board and Board Committee meetings, ensuring that meeting procedures are adhere to and preparing meeting minutes;
– Together with the management, ensuring that the Company complies with all relevant requirements of the Companies Act, Securities and Futures Act 2001 of Singapore and the Listing Manual;
– Advising the Board on all corporate governance matters; and
– Assisting the Executive Chairman in ensuring adequate and flow of information in a timely manner within the Board and Board Committees and between the management and the Board.

The company secretary function is outsourced to Tricor Evatthouse Corporate Services.

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

During FY2022, the company secretary and/or her representative(s) attended all Board and Board Committees meetings.

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

Principle 2:
BOARD COMPOSITION AND GUIDANCE

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

Board Independence

Provision 2.1 of the Code:
Director independence

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

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

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

During FY2022 and as at the date of this report, the Board comprises 5 directors, 3 of whom are independent. The independent element on the Board is thus strong and enables the Board to exercise objective independent judgement on corporate affairs and provide the management with diverse and objective perspectives on issues.

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

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

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

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

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

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

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

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

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

The Singapore Exchange Regulation (SGX RegCo) has removed the two-tier vote mechanism for companies to retain independent directors who have served on boards of listed issuers for more than 9 years and will limit the tenure of independent directors to 9 years. As at the date of this report, the independent directors of the Company have served on the Board for between 2 and 4 years and none of them has reached the 9-year tenure.

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

Board Diversity

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

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

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

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

The Board is of the view that gender is an important aspect of diversity and will strive to ensure that: (a) any brief to external search consultants to identify candidates for appointment to the Board will include a requirement to present female candidates; (b) female candidates are included for consideration by the NC whenever it seeks to identify a new director for appointment to the Board; and (c) when a female director is appointed to the Board, she shall be a member of the NC.

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

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, considering the nature and scope of the Group's operations. No individual or small group of individuals dominate the Board's decision-making. The Board and Board Committees have an appropriate balance and mix of skills, knowledge and experience in the Group's core businesses and the areas of accounting and finance, legal and regulatory compliance, business management and risk management. All directors of the Company have individually more than 20 years of professional and/or corporate experience, working with employers and clients spanning diverse industries, enabling them to provide diverse and objective perspectives on the Group's business and direction. The NC will continue to assess on an annual basis the skill set of the board of directors to ensure that the skills of the directors remain relevant to the business of the Group. Profiles of the directors are set out in the 'Board of Directors' section of Annual Report 2022.

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

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

Principle 3:
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

The Executive Chairman and the CEO are separate persons. Mr Liew Yoke Pheng Joseph relinquished his role as CEO of the Company on 9 January 2023 and remains as the Executive Chairman. Mr Yeo Puay Hin, Executive Director, was appointed as the CEO of the Company on the same day. The Executive Chairman has no family relationship with the CEO.

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

The Executive Chairman, Mr Liew, focuses on the strategic initiatives of the Group and also bears responsibility for the effectiveness of the Board. He ensures that Board meetings are held regularly, sets the Board meeting agenda in consultation with all Board members and ensures that information are disseminated to the Board members adequately and in a timely manner. Mr Liew also ensures that the culture in the Boardroom promotes open interaction and contributions by all Board members.

The CEO, Mr Yeo, oversees the overall management and operations of the Group. He is assisted by the management to execute business strategies/initiatives, develop the Group's businesses and implement the Board's decisions.

As the Executive Chairman is part of the management and therefore not independent, Mr Choy Bing Choong has been appointed as the Lead Independent Director since 1 November 2019, as recommended by the Code. The responsibilities of the Lead Independent Director include:

Provision 3.3 of the Code:
Lead Independent Director

- acting as the principal liaison to address shareholders' concerns for which contact through the normal channels of communication with the executive director(s) or key management personnel are inappropriate or failed to resolve the concerns in question;
- chairing Board meetings on behalf of or in the absence of the Executive Chairman;
- working with the Executive Chairman in leading the Board; and
- providing a channel to Independent Directors for confidential discussions on any concerns they may have and to resolve conflicts of interest, as and when necessary.

Mr Choy can be contacted via: benjamin.choy@cxrus.com.

No query or request on any matters which requires the attention of the lead independent director was received during FY2022.

Principle 4:
BOARD MEMBERSHIP

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

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

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

Provision 4.2 of the Code:
Composition of NC

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

During FY2022, the NC conducted activities in line with its foregoing terms of reference.

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

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

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

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

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

- Needs of the Group, Board diversity policy, competencies and experience of the candidate and his or her commitment, contribution and performance as director of the Company, officer of other companies and/or professionals in his or her area of expertise;
- Number of public listed company directorships and other principal commitments held by the candidate;
- Whether the candidate is a fit and proper person (in accordance with the MAS' fit and proper guidelines as a reference point), which broadly considers the candidate's competence, honesty, integrity and financial soundness; and
- Independence of the candidate (for independent directors).

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

Pursuant to Regulation 98(2) of the Company's Constitution, Mr Choy Bing Choong and Mr Wee Sung Leng will be retiring from the Board by rotation at the forthcoming AGM. Mr Wee, being eligible for re-election, has offered himself for re-election. Mr Choy has communicated his wish to retire as soon as possible in order to dedicate more time for his other professional and personal commitments. Nevertheless, he has offered himself for re-election and shall continue to serve the Board, if he is re-elected, until a suitable replacement is found. The NC is in the process of searching for suitable candidates (including female candidates) for appointment as the new independent director. The Company will announce via SGXNet once a replacement is confirmed.

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

The details of Mr Choy and Mr Wee, who are seeking re-election as directors, as required under Rule 720(6) of the Listing Manual are set out in the 'Disclosure of Information on Directors Seeking Re-Election' section of Annual Report 2022.

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

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

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

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

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

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

In respect of FY2022, the NC is of the view that each director has discharged his duties diligently. The NC considered and is satisfied that the directors did not hold a significant number of listed company directorships and other principal commitments and such directorships and principal commitments did not impede their respective performance in carrying out their duties towards the Company. Please refer to the 'Board of Directors' section of Annual Report 2022 for the listed company directorships and other principal commitments of the directors.

Alternate directors would only be appointed in exceptional circumstances. No alternate director has been appointed to the Board during FY2022 and as at the date of this report.

Principle 5:
BOARD PERFORMANCE

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

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

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

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

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

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

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

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

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

Based on the NC's review for FY2022, the Board has been effective as a whole and the chairman and each director have contributed to the effective functioning of the Board and Board Committees.

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

REMUNERATION MATTERS

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

Principle 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The RC comprises all 3 independent directors of the Company. In FY2022, the RC conducted activities in line with its terms of reference as disclosed hereunder.

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

Provision 6.2 of the Code: Composition of RC

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

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

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

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

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

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

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

Provision 6.4 of the Code:
Expert advice on remuneration

The RC members are familiar with remuneration matters as they hold/had held key executive positions with remuneration responsibilities, and they are regularly updated of market practices. During FY2022, the Company did not engage any remuneration consultant to seek advice on remuneration matters.

Principle 7:
LEVEL AND MIX OF REMUNERATION

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

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

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

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

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

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

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

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

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

The independent directors are remunerated according to the following structure:

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

Mr Choy Bing Choong, has waived requirement to pay fee relating to his appointment as the lead independent director for FY2022.

Although directors' fees of S$135,000 for FY2022 was approved in the AGM on 29 April 2022, all 3 independent directors of the Company have waived their directors' fee for the 4th quarter of FY2022 (amounting to S$33,750) to help the Company conserve more cash. Directors' fees for FY2022 were thus a reduced amount of S$101,250. Breakdown of directors' fee for FY2022 is as follows:

Independent directors	Board/Board Committees appointments	FY2022 S$
Choy Bing Choong	Lead Independent Director RC Chairman AC and NC member	30,000
Lee Chin Chai	NC Chairman AC and RC member	30,000
Wee Sung Leng	AC Chairman RC member	41,250

For FY2023, the RC had recommended to the Board an amount of S$135,000 as directors' fees to be paid to the independent directors. The Board had concurred with the RC's recommendation. These recommendations will be tabled for shareholders' approval at the Company's forthcoming AGM. Each of the RC/Board members had abstained from deliberating and voting on his own remuneration.

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

Principle 8: DISCLOSURE ON REMUNERATION

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

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

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

In view of confidentiality of remuneration policies of the Group, sensitive nature of remuneration matters and competitive pressures in the talent market, the Board is of the view that it is in the best interest of the Company to disclose the remuneration of its directors and key management personnel in salary bands.

A breakdown showing the band and mix of each director's and the CEO's remuneration for FY2022 is as follows:

Remuneration band and name of director	Salary, allowance and CPF (%)	Salary payable in shares (%)	Variable or performance-related bonus (%)	Directors' fee (%)	Total (%)
S$250,000 to S$499,9999:					
Liew Yoke Pheng Joseph	65	35	–	–	100
Below S$250,000:					
Yeo Puay Hin	100	–	–	–	100
Choy Bing Choong	–	–	–	100	100
Lee Chin Chai	–	–	–	100	100
Wee Sung Leng	–	–	–	100	100

Total remuneration of the directors for FY2022 amounted to S$545,000 (FY2021: S$527,000).

A breakdown showing the band and mix of each of the executive officer's remuneration for FY2022 is as follows:

Remuneration band and name of key management personnel[(1)]	Designation	Salary, allowance and CPF (%)	Variable or performance-related bonus (%)	Other benefits (%)	Total (%)
Below S$250,000:					
Chin Yon Fei	Director of Sales and Marketing	94	6	–	100
Wu Peicong	Group Financial Controller	100	–	–	100

Note:

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

The total remuneration paid to the abovenamed key management personnel of the Group (who are not directors or the CEO of the Company) in FY2022 amounted to S$310,000 (FY2021: S$347,000 for 4 personnel. 2 of the 4 personnel resigned in March 2021).

The above remuneration to executive directors and executive officers for FY2022 has been approved by the Board.

During FY2022, no termination and post-employment benefits were granted to the directors, the CEO and the key management personnel.

Except as disclosed in this report, no other payments and benefits were paid by the Company and its subsidiaries to the directors and key management personnel of the Company for FY2022.

Hoe Leong Corporation Performance Share Plan

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

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

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

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

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

Name of members of the Plan Committee:

Choy Bing Choong	Chairman
Lee Chin Chai	Member
Wee Sung Leng	Member
Liew Yoke Pheng Joseph	Member

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

During FY2022, the number of performance shares granted, vested and cancelled under the Hoe Leong PSP are as follow:

	Number of Shares under Hoe Leong PSP Awards				
Grant date	**As at 1 January 2022 ('000)**	**Granted during the year ('000)**	**Vested during the year ('000)**	**Cancelled/ lapsed during the year ('000)**	**As at 31 December 2022 ('000)**
1 September 2022	–	34,000	–	–	34,000

On 1 September 2022, Awards comprising 34,000,000 ordinary shares were granted to 3 Group executives who are not directors of the Company. The Awards vest in 3 equal tranches over 3 years, subject to the participants remaining in employment of the Group during each 1-year period. Please refer to the Company's SGXNet announcement dated 1 September 2022.

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

Provision 8.2 of the Code:
Remuneration disclosure of related employees

The following employee is a substantial shareholder (and an immediate family member of substantial shareholders of the Company) and whose remuneration exceeded S$100,000 during FY2022:

Name of related employee	**Designation in the Company**	**Relationship**
S$100,000 to S$199,999:		
Yeo Puay Hin	9 January 2023 to present: Executive Director and CEO 23 June 2021 to 8 January 2023: Executive Director (Business Development)	Mr Yeo, along with Mr Lew Chee Beng (father-in-law) and Mdm Lew Puay Ling (wife), are substantial shareholders of the Company.

ACCOUNTABILITY AND AUDIT

Principle 9:
RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Risk Management

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

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

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

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

Internal Controls

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

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

For FY2022, the Board had received assurance from the CEO and the Group Financial Controller that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- the Group's risk management and internal control systems are adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the management, various Board Committees and the Board, and the written assurance from the CEO and the Group Financial Controller, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing key financial, operational, compliance (including sanctions-related risks) and information technology controls, and risk management systems were adequate and effective as at 31 December 2022. The Group will review its internal control systems and processes on an on-going basis and make further improvements when necessary.

Sanctions-Related Risks

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

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

The Group sells undercarriage parts to a small number of undercarriage distributors and end-users in Russia. Sales to these customers made up 2.5% of total sales of the Group. The Group does not transact with any party in other sanctioned nations. The Group does not have a physical presence in any sanctioned nation and no substantial shareholder, director or executive officer is located or incorporated in a sanctioned nation. Considering the above factors, the Board confirms that the Company's exposure to sanctions-related risks is not material.

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

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

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

Principle 10: AUDIT COMMITTEE

The Board has an AC which discharges its duties objectively.

Provision 10.1 of the Code: Duties of AC

Provision 10.2 of the Code: Composition of AC

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

The AC comprises all 3 independent directors of the Company.

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

During FY2022, the AC conducted activities in line with its term of reference and its statutory duties prescribed under Section 201B(5) of the Companies Act.

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

- review with the external auditors and management:
  - the audit plan;
  - their evaluation of the system of internal accounting controls and effectiveness of the Company's audit function;
  - significant financial reporting issues and judgements;
  - audit report issued by the external auditors; and
  - management letter issued by the external auditors and the management's response;
- review the financial statements of the Company including quarterly, half yearly and full-year results before submission to the Board for approval;
- meet with the internal auditors and external auditors at least once a year in the absence of management to discuss issues arising from the audit, including the assistance given by the management to the auditors;
- review the independence of external auditors annually and the aggregate amount of fees paid to the external auditors for the financial year and a breakdown of the fees paid for audit and non-audit services;
- consider and recommend to the Board, the appointment/re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- review and report to the Board at least annually on the adequacy and effectiveness of the Company's risk management and internal controls, including financial, operational, compliance (including sanctions-related risks) and information technology controls (such review to be carried out internally or with the assistance of any competent third parties);
- review the internal audit plan and report, adequacy, effectiveness and independence of the internal audit function and monitor management's responsiveness to the internal audit findings and recommendation;
- review the appointment, removal, evaluation and compensation of the internal audit function;
- review interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
- review the Group's whistleblowing and fraud detection procedures and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- monitor the Company's risk of becoming subject to, or violating, any Sanctions Law and ensure that disclosures to/via the SGX-ST and other relevant authorities are made accurately and in a timely manner and monitoring continuously the validity of information provided to shareholders and the SGX-ST;
- assess whether there is a need to obtain independent legal advice or appoint a compliance adviser in relation to sanctions-related risks that apply to the Company;

- undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising;
- review the Company's sustainability report and sustainability practices; and
- undertake such other functions and duties as may be required by statute or the Listing Manual.

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

The Group has complied with Rules 712 and 715 of the Listing Manual in relation to the appointment of external auditor. The aggregate amount of fees paid/payable to the external auditor, PKF-CAP LLP, for audit services for FY2022 were S$118,000 and no non-audit services was rendered by PKF-CAP LLP and external auditors of the Company's subsidiaries during FY2022. The AC, having reviewed the scope and value of the audit and non-audit services provided by PKF-CAP LLP, is satisfied that the independence and objectivity of PKF-CAP LLP is not impaired.

Fees paid/payable to the external auditors for FY2022	**Audit fees S$'000**	**Non-audit fees S$'000**	**Non-audit fees as % of total audit fees**
External auditors of the Company (PKF-CAP LLP)	122	–	–
Overseas PKF entities	48	–	–
Other external auditors	46	–	–
Total	216	–	–

In recommending the re-appointment of PKF-CAP LLP as external auditor for the financial year ending 31 December 2023, the AC considered the adequacy of their resources, training and quality control, experience of the engagement team and the firm as a whole and quality of work carried out by the external auditor.

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

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

The internal audit team have unrestricted access to the Company's documents, records, properties and personnel. The internal audit team is staffed with personnel with relevant qualifications and experience and takes reference from the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors when performing their reviews. The AC reviews the adequacy and effectiveness of the internal audit function at least on an annual basis, and as and when the situation calls for it. The AC is satisfied that the internal auditors is independent, effective, have adequate resources to perform its functions and have appropriate standing within the Group. The internal audit plan for FY2022 was reviewed and approved by the AC before commencement of the audit.

During FY2022, 4 AC meetings were convened. The Group Financial Controller attended all the meetings, while the external auditors (PKF-CAP LLP) and internal auditors respectively attended 4 and 2 of the meetings.

The AC meets at least once a year with the internal auditors and external auditors without the presence of the management so that any concern and/or issue can be raised directly and privately. The last private session with the internal auditors and external auditors was held on 22 February 2023 to discuss, amongst other matters, the conduct of internal audit for FY2022 and audit of financial statements for the year ended 31 December 2022.

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

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2022, the AC has discussed with the management the significant accounting principles that were applied and their judgement of items that might affect the accuracy and completeness of the financial statements.

The following key audit matters were discussed between the management and the external auditor and were reviewed by the AC. The key audit matters are included in the independent auditor's report for FY2022.

Key audit matters	How the matters were addressed by the AC
1. Valuation of inventories	The AC reviewed the management's approach, methodology and judgement applied to the estimate of impairment allowance for slow-moving and obsolete inventories and management's plan to realise such inventories and concurred with the management's conclusion that as at 31 December 2022, valuation of inventories are reasonably stated and allowance for impairment of inventories are adequately made.
2. Valuation of trade receivables	The AC reviewed the management's approach, methodology and judgement pertaining to the recognition of revenue and trade receivables and estimates of impairment allowance and concurred with the management's conclusion that as at 31 December 2022, trade receivables are valid and allowance for impairment of trade receivables are adequately made.
3. Litigations and claims	The AC reviewed and concurred with the management's conclusion that the provision relating to legal and related expenses to be supportable, taking into consideration the legal and financial opinions/confirmation obtained, and recent development on the ongoing material litigations and possible course of actions to be taken.

WHISTLE-BLOWING POLICY

During FY2022, the Company has in place a whistle-blowing policy and procedures for employees of the Group and other persons to raise concerns about possible improprieties in matters of financial reporting, fraudulent behaviour and other significant matters, misconduct or wrongdoing relating to the Company and its officers, directly to the AC. The AC has been designated as the independent function responsible for oversight and monitoring of whistleblowing, as well as investigating reports made in good faith.

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

Possible improprieties such as suspected fraud, corruption, dishonest practices and other significant matters can be reported to the AC via email (whistleblowing@hoeleong.com). The Lead Independent Director can also be contacted directly via his email address (benjamin.choy@cxrus.com).

During FY2022 and up to the date of this report, no significant matter was raised through the Group's whistle-blowing channels.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

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

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

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

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

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

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

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

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

Provision 11.3 of the Code:
All Directors attend general meetings

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

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

All general meetings held during FY2022 were attended by all directors.

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

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

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

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

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

In FY2022, the minutes were published on SGXNet and the Company's website within 1 month of the general meetings.

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

Entrust Advisory Pte. Ltd. was appointed as scrutineer for polls in relations to all general meetings held during FY2022. The votes from the proxy forms received from the shareholders were counted and validated by the scrutineer.

Annual General Meeting ("**AGM**") FY2021

In view of the COVID-19 pandemic, all general meetings during FY2022, including AGM FY2021, were held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 which is effective and extended until 30 June 2023. To enable shareholders to participate in and vote effectively at general meetings held by way of electronic means, the Company set out detailed information on the arrangements relating to attendance at the general meetings, submission of questions in advance of the general meetings, addressing of substantial and relevant questions prior to or at the general meetings, and voting procedures for the general meetings.

AGM FY2021 was held on 29 April 2022 and was attended by all directors (including the Executive Chairman and CEO), all executive officers (including the Group Financial Controller), the external auditors (PKF-CAP LLP), representatives from the share registrar and the scrutineers.

The minutes of AGM FY2021 were posted on the SGXNet and the Company's corporate website within one month from the date of AGM FY2021.

AGM FY2022

AGM for FY2022 would be in physical face-to-face format. This would enable shareholders to participate fully in the AGM and make decision on an informed basis. Each shareholder can appoint not more than 2 proxies to attend and vote on their behalf. A proxy need not be a shareholder of the Company or the chairman of the meeting. Shareholders, including CPF and SRS investors, may attend the AGM in person, raise questions at or in advance of the AGM, and vote at the AGM themselves or through their duly appointed proxy(ies). Shareholders who are voting by proxy can submit their filled and signed copies of proxy forms via email (contact@hoeleong.com) or by post. CPF and SRS investors who wish to appoint the chairman of the meeting to vote on their behalf should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM. Shareholders who have questions in relation to any item of the meeting agenda may send their queries to the Company via email (contact@hoeleong.com) by 21 April 2023. The Company would publish responses to substantial questions prior to the AGM. Please refer to 'Notice of Annual General Meeting' of Annual Report 2022 for more details.

Provision 11.6 of the Code:
Dividend policy

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

No dividend was declared during/recommended for FY2022 in view of the Company's accumulated losses.

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

Principle 12: ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

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

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

MANAGING STAKEHOLDERS RELATIONSHIPS

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

Principle 13: ENGAGEMENT WITH STAKEHOLDERS

The Company endeavours to communicate effectively and regularly with our stakeholders. Our engagement with material stakeholder groups, including key area of focus and engagement channels, are disclosed in the 'Sustainability Report' which forms part of Annual Report 2022.

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

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

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

Provision 13.3 of the Code: Corporate website to engage stakeholders

DEALINGS IN SECURITIES

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

The Company prohibits its directors, officers and employees from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company and all its directors, officers and employees of the Group are not allowed to deal in the Company's shares during the periods commencing 2 weeks before the announcement of the Company's financial statements for each of the first 3 quarters of its financial year (where applicable) and 1 month before the announcement of the Company's half year and full year interim financial statements.

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

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Group has adopted a policy in respect of any transactions with interested persons and requires all such transactions to be at arm's length, on normal commercial terms and not prejudicial to the Company and its minority shareholders. All IPTs are documented and submitted periodically to the AC for their review. During FY2022, there were no IPTs which exceeds S$100,000 in value.

No IPT mandate has been obtained by the Company.

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual, the Company confirms that there was no material contracts and loans of the Company and its subsidiaries involving the interests of the CEO, each director or controlling shareholder, either still subsisting at the end of FY2022 or, if not then subsisting, entered into since the end of FY2021.

USE OF PROCEEDS FROM EXERCISE OF OPTION

On 25 March 2022, SHHPL exercised 4,900,000,000 options of principal amount of S$7,154,000. After setting off against bridging loans of S$4 million owed to SHHPL, the net consideration paid by SHHPL to the Company is S$3,154,000.

The bridging loans were disbursed in December 2020 and October 2021 and proceeds were used for working capital purpose as follows:

	S$'000
Purchases from suppliers and subcontractors	2,201
Other operating expenses*	1,799
Total	4,000

The net proceeds from the exercise of option amounting to S$3,154,000 were used for working capital purpose as follows:

	S$'000
Purchases from suppliers and subcontractors	535
Investments in plant and equipment	180
Other operating expenses*	2,439
Total	3,154

On 28 March 2023, SHHPL exercised 1,264,383,561 options and principal amount of S$1,846,000 was paid to the Company.

As at 13 April 2023, S$583,000 of the proceeds were used for working capital purpose as follows:

	S$'000
Purchases from suppliers and subcontractors	129
Investments in plant and equipment	207
Other operating expenses*	247
Total	583

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

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

The Company will make periodic announcements via SGXNet on the utilisation of the above proceeds (i.e. S$1,846,000) as and when such balance of proceeds is materially disbursed and will also provide a status report on the use of proceeds in the next annual report of the Company.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

We are pleased to present the accompanying financial statements of the Company and of the Group for the financial year ended 31 December 2022.

In our opinion:

(a) the financial statements are drawn up to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); and

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

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

Directors

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

Liew Yoke Pheng Joseph
Yeo Puay Hin
Choy Bing Choong
Lee Chin Chai
Wee Sung Leng

Directors' interests

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

Name of director and corporation in which interests are held	At beginning of the year	At end of the year
Deemed interest		
Yeo Puay Hin:		
Company – Ordinary shares	–	6,954,794,520
Company – Options	6,164,383,561	1,264,383,561

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2023.

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

Hoe Leong Corporation Ltd. Performance Share Plan

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

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

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

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

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

Name of members of the Plan Committee:

Choy Bing Choong	Chairman
Lee Chin Chai	Member
Wee Sung Leng	Member
Liew Yoke Pheng Joseph	Member

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

During the reporting year ended 31 December 2022, the number of performance share awards granted, vested and cancelled under the Hoe Leong PSP are as follow:

	Number of shares under Hoe Leong PSP awards				
Grant date	**As at 1 January 2022 ('000)**	**Granted during the year ('000)**	**Vested during the year ('000)**	**Cancelled/ lapsed during the year ('000)**	**As at 31 December 2022 ('000)**
1 September 2022	–	34,000	–	–	34,000

No performance shares awards were granted to any directors of the Company during the financial year ended 31 December 2022. No employee in the Group has received shares which, in aggregate, represent 5% or more of the aggregate of the total number of shares available under the Hoe Leong PSP.

Audit Committee

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

- Wee Sung Leng (Chairman), Independent Director
- Choy Bing Choong, Lead Independent Director
- Lee Chin Chai, Independent Director

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

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

The Audit Committee also reviewed the following:

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

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

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

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

Auditors

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

On behalf of the Board of Directors

Liew Yoke Pheng Joseph
Director

Yeo Puay Hin
Director

10 April 2023

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hoe Leong Corporation Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters.

1. Valuation of inventories ($17,981,000) (Refer to Note 7 to the financial statements)	
Key audit matter	*How the matter was addressed in our audit*
Inventories represent 40% of the Group's total assets as at 31 December 2022. The write down to net realisable value for slow-moving and obsolete inventories requires management to exercise judgement in assessing slow-moving and obsolete inventories and making estimates of the net realisable value to determine the appropriate level of write-down required. Any significant changes in anticipated future selling prices and saleability may affect the valuation of inventories.	We reviewed the inventory obsolescence policy to determine reasonableness by using data analytics on the data for gross profit margin and excessive stocks. We reviewed and assessed the net realisable value of inventories by comparison of written down values against recent and subsequent selling prices. We reviewed the management's plan to sell inventories and their potential scrap values.
Our findings	
We found the carrying amount of inventories and inventory write down policy as at 31 December 2022 to be supported with sufficient data and analysis, and adequately disclosed in the financial statements.	
2. Valuation of trade receivables ($9,814,000) (Refer to Note 8 to the financial statements)	
Key audit matter	*How the matter was addressed in our audit*
Trade receivables represent 22% of the Group's total assets as at 31 December 2022. In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances for expected credit losses ("ECL") on financial assets. In formulating the ECL model, the Group considers both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. Such an assessment involves judgement and use of estimates which are inherently subjective.	We reviewed the credit evaluation and monitoring process activities. We reviewed and assessed the appropriateness of the assumptions applied in the ECL model by comparing against the Group's aging profile of receivables, historical default rates, debt collection patterns, and other information on creditworthiness of the Group's customers.
Our findings	
We found the ECL provision created as at 31 December 2022 to be supported with sufficient data and analysis, and adequately disclosed in the financial statements.	
3. Litigations and claims (Refer to Note 15 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group is involved in several on-going litigations and claims. As the outcome of these on-going litigations and claims is contingent on events that may be outside the control of the Group, there is risk of estimation uncertainties associating with the provision of loss liabilities created by the Group.	We assessed management's basis for the provisions made in relation to on-going litigations and claims. We held discussions with management and reviewed relevant correspondence and/or agreements between the parties involved in the on-going litigations and claims. We obtained confirmation letters from the external legal counsel, and evaluated the legal view sought form this exercise.
Our findings	
We found the provision for loss liabilities created, together with the accompanying disclosure of facts and circumstances surrounding the on-going litigations and the related estimation risk to be relevant.	

Other information

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Eng Kian.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore

10 April 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Assets					
Property, plant and equipment	4	**8,894**	8,750	**2,626**	2,185
Investments in subsidiaries	5	**–**	–	**10,298**	10,298
Deferred tax assets	6	**650**	657	**–**	–
Non-current assets		**9,544**	9,407	**12,924**	12,483
Inventories	7	**17,981**	18,321	**–**	–
Trade and other receivables	8	**12,642**	15,371	**8,625**	6,034
Cash and cash equivalents	9	**4,666**	3,044	**413**	557
Current assets		**35,289**	36,736	**9,038**	6,591
Total assets		**44,833**	46,143	**21,962**	19,074
Equity					
Share capital	10	**126,814**	115,601	**126,814**	115,601
Treasury shares		**(55)**	(55)	**(55)**	(55)
Convertible bond	11	**–**	834	**–**	834
Currency translation reserve	12	**(1,128)**	(743)	**–**	–
Other reserves		**14**	638	**14**	638
Accumulated losses		**(101,439)**	(102,234)	**(107,679)**	(107,195)
Total equity		**24,206**	14,041	**19,094**	9,823
Liabilities					
Loans and borrowings	13	**5,561**	10,201	**448**	3,045
Convertible loan	14	**–**	2,458	**–**	2,458
Deferred tax liabilities	6	**41**	39	**20**	20
Non-current liabilities		**5,602**	12,698	**468**	5,523
Trade and other payables	16	**7,559**	8,668	**1,400**	1,800
Loans and borrowings	13	**6,878**	10,148	**412**	1,340
Other provisions	15	**588**	588	**588**	588
Current liabilities		**15,025**	19,404	**2,400**	3,728
Total liabilities		**20,627**	32,102	**2,868**	9,251
Total equity and liabilities		**44,833**	46,143	**21,962**	19,074

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 $'000	Group 2021 $'000
Continuing operations			
Revenue	17	**41,792**	45,457
Cost of sales		**(38,600)**	(38,409)
Gross profit		**3,192**	7,048
Other income	19	**2,866**	3,580
Distribution expenses		**(3,412)**	(4,286)
Administrative expenses		**(4,891)**	(4,923)
Other expenses		**(2,783)**	(2,132)
Impairment losses	19	**6,161**	2,047
Results from operating activities		**1,133**	1,334
Finance costs	18	**(537)**	(587)
Profit before income tax	19	**596**	747
Income tax credit	20	**199**	258
Profit from continuing operations		**795**	1,005
Discontinued operation			
Profit from discontinued operation (net of tax)	27	**–**	1,063
Profit for the year		**795**	2,068
Profit attributable to:			
Owners of the Company		**795**	2,068
Profit for the year		**795**	2,068
Earnings per share:			
Basic (cents)	21	**0.01**	0.04
Diluted (cents)	21	**0.01**	0.02

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group	
	2022 $'000	2021 $'000
Profit for the year	**795**	2,068
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from foreign operations	**(385)**	(650)
Other comprehensive income, net of income tax	**(385)**	(650)
Total comprehensive income for the year	**410**	1,418
Total comprehensive income attributable to:		
Owners of the Company	**410**	1,418
Total comprehensive income for the year	**410**	1,418

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Attributable to owners of the Company						
		Share capital $'000	Treasury shares $'000	Convertible bond $'000	Currency translation reserve $'000	Other reserves $'000	Accumulated losses $'000	Total equity $'000
Group								
At 1 January 2021		114,461	(55)	–	(93)	–	(104,302)	10,011
Issuance of share capital		1,140	–	–	–	–	–	1,140
Issuance of convertible bond	10	–	–	834	–	–	–	834
Equity components of convertible loan	14	–	–	–	–	638	–	638
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	2,068	2,068
Other comprehensive income								
Foreign currency translation differences arising from foreign operations		–	–	–	(650)	–	–	(650)
Total comprehensive income for the year		–	–	–	(650)	–	2,068	1,418
At 31 December 2021		115,601	(55)	834	(743)	638	(102,234)	14,041
At 1 January 2022		115,601	(55)	834	(743)	638	(102,234)	14,041
Issuance of share capital		7,250	–	–	–	–	–	7,250
Conversion of convertible bond	10	834	–	(834)	–	–	–	–
Conversion of convertible loan	10	3,129	–	–	–	(638)	–	2,491
Equity-settled share-based expenses		–	–	–	–	14	–	14
Total comprehensive income for the year								
Profit for the year		–	–	–	–	–	795	795
Other comprehensive income								
Foreign currency translation differences arising from foreign operations		–	–	–	(385)	–	–	(385)
Total comprehensive income for the year		–	–	–	(385)	–	795	410
At 31 December 2022		126,814	(55)	–	(1,128)	14	(101,439)	24,206

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 $'000	Group 2021 $'000
Cash flows from operating activities			
Profit before income tax		**596**	1,810
Adjustments for:			
Depreciation of property, plant and equipment	4	**585**	864
Depreciation of right-of-use assets	4	**902**	817
Interest costs on other financial liabilities	18	**469**	455
Interest costs on lease liabilities	18	**35**	36
Amortisation of imputed interest	18	**33**	96
Gain on disposal of property, plant and equipment	19	**(2,414)**	(22)
Gain from discontinued operation, net of tax	27	**–**	(1,063)
Allowance for impairment of inventories (reversal)	19	**(5,553)**	(1,661)
Bad debts written off – Trade receivables	19	**218**	–
Payables written back		**(268)**	–
Reversal of allowance for impairment of trade receivables		**(551)**	(560)
Equity-settled share-based expenses		**14**	–
Reversal of other provisions	19	**–**	(3,000)
Operating cash flows before working capital changes		**(5,934)**	(2,228)
Changes in working capital:			
Inventories		**5,893**	856
Trade and other receivables		**3,168**	(4,436)
Trade and other payables		**(745)**	(618)
Cash generated from/(used in) operations		**2,382**	(6,426)
Income taxes received/(paid)		**238**	(1)
Net cash generated from/(used in) operating activities		**2,620**	(6,427)
Cash flows from investing activities			
Purchase of plant and equipment		**(338)**	(218)
Proceeds from disposal of property, plant and equipment		**2,866**	34
Net cash generated from/(used in) investing activities		**2,528**	(184)
Cash flows from financing activities			
Interest paid		**(504)**	(491)
Proceeds from bills payable and trust receipts		**8,323**	8,267
Repayment of bills payable and trust receipts		**(11,001)**	(5,783)
Payment of lease liabilities		**(931)**	(848)
Proceeds from other borrowing		**–**	3,000
Proceeds from convertible loan		**–**	3,000
Proceeds from options	10	**3,154**	–
Proceeds from bank borrowings		**1,363**	1,913
Repayment of bank borrowings		**(3,562)**	(1,465)
Net cash (used in)/generated from financing activities		**(3,158)**	7,593
Net increase in cash and cash equivalents		**1,990**	982
Cash and cash equivalents at beginning of the year		**3,044**	3,105
Effect of exchange rate fluctuations		**(368)**	(1,043)
Cash and cash equivalents at end of the year	9	**4,666**	3,044

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

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

The financial statements were authorised for issue by the Board of Directors on 10 April 2023.

1 Domicile and activities

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

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

The financial statements of the Group as at and for the financial year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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 financial year are included in the following notes:

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

2 Basis of preparation (cont'd)

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2022:

Standard	Title
SFRS(I) 3	Amendments to SFRS(I) 3 Reference to the Conceptual Framework
SFRS(I) 1-16	Amendments to SFRS(I) 1-16 Property, Plant and Equipment Proceeds before Intended Use
SFRS(I) 1-37	Amendments to SFRS(I) 1-37 Onerous Contracts Cost of Fulfilling a Contract
Various	Annual improvements to SFRS(I)s 2018-2020

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

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

3.1 Basis of consolidation

(i) Business combinations

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

(ii) Subsidiaries

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

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

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

(v) Subsidiaries in the separate financial statements

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

3 Significant accounting policies (cont'd)

3.2 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

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

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

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

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

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

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

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

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

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

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

Non-derivative financial assets (cont'd)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

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

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

(iii) Derecognition

Financial assets

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

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

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

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

(vi) Share capital

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

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

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

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

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

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

3.4 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

3 Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

3.5 Inventories

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

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

3 Significant accounting policies (cont'd)

3.6 Impairment

(i) Non-derivative financial assets and contract assets

- The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost; and
- intra-group financial guarantee contracts ("FGC").

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

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

Simplified approach

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

General approach

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

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

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

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

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

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

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

3 Significant accounting policies (cont'd)

3.6 Impairment (cont'd)

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

General approach (cont'd)

Measurement of expected credit losses ("ECLs")

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

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

Write-off

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

(ii) Non-financial assets

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

3 Significant accounting policies (cont'd)

3.6 Impairment (cont'd)

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

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

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

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

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

3.7 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

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

3 Significant accounting policies (cont'd)

3.8 Provisions

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

3.9 Revenue

(i) Goods and services sold

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

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

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

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

3.10 Leases

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

(i) As a lessee

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

3 Significant accounting policies (cont'd)

3.10 Leases (cont'd)

(i) As a lessee (cont'd)

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

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

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

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

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

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

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

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

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

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

3 Significant accounting policies (cont'd)

3.10 Leases (cont'd)

(i) As a lessee (cont'd)

Short-term leases and leases of low-value assets

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

(ii) As a lessor

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

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

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

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

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

3.11 Government grants

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

3 Significant accounting policies (cont'd)

3.12 Finance costs

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

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

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

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

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

3.13 Tax

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

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

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

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

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

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

3 Significant accounting policies (cont'd)

3.13 Tax (cont'd)

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

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

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

3.14 Earnings per share

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

3.15 Segment reporting

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

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

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

3 Significant accounting policies (cont'd)

3.16 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations; or
- is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3.17 New standards and interpretations not yet adopted

The following amendments to standards are effective for annual periods beginning on or after 1 January 2023 and are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

Standard	Title	Annual periods beginning on or after
SFRS(I) 17	Insurance Contracts	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	Lease liability in a Sale and Leaseback	1 January 2024
SFRS(I) 1-1	Non-current Liabilities with Covenants	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

4 Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Office equipment and fittings $'000	Material handling equipment $'000	Computers $'000	Motor vehicles $'000	Right-of-use assets $'000	Total $'000
Group								
Cost								
At 1 January 2021	3,025	6,327	1,669	11,602	815	763	2,653	26,854
Additions	–	–	10	148	27	33	185	403
Disposals	–	–	(2)	–	(7)	(27)	(24)	(60)
Translation differences on consolidation	(150)	(300)	(30)	(586)	(3)	(16)	–	(1,085)
At 31 December 2021	2,875	6,027	1,647	11,164	832	753	2,814	26,112
Additions	–	–	98	159	48	8	2,065	2,378
Disposals	(152)	(901)	(49)	(735)	(4)	(96)	(1,911)	(3,848)
Written off	–	–	(709)	(617)	(440)	–	–	(1,766)
Translation differences on consolidation	(10)	(57)	(55)	(287)	(20)	(108)	–	(537)
At 31 December 2022	2,713	5,069	932	9,684	416	557	2,968	22,339
Accumulated depreciation								
At 1 January 2021	350	2,050	1,551	9,640	733	621	1,359	16,304
Depreciation	–	123	52	593	43	53	817	1,681
Disposals	–	–	(2)	–	(7)	(27)	(12)	(48)
Translation differences on consolidation	–	(61)	(26)	(414)	(4)	(70)	–	(575)
At 31 December 2021	350	2,112	1,575	9,819	765	577	2,164	17,362
Depreciation	–	117	42	330	46	50	902	1,487
Disposals	–	(505)	(44)	(700)	(4)	(96)	(1,911)	(3,260)
Written off	–	–	(709)	(617)	(440)	–	–	(1,766)
Translation differences on consolidation	–	(11)	(50)	(263)	(23)	(31)	–	(378)
At 31 December 2022	350	1,713	814	8,569	344	500	1,155	13,445
Carrying amounts								
At 1 January 2021	2,675	4,277	118	1,962	82	142	1,294	10,550
At 31 December 2021	2,525	3,915	72	1,345	67	176	650	8,750
At 31 December 2022	2,363	3,356	118	1,115	72	57	1,813	8,894

4 Property, plant and equipment (cont'd)

	Freehold land $'000	Freehold building $'000	Material handling equipment $'000	Computers $'000	Right-of-use assets $'000	Total $'000
Company						
Cost						
At 1 January 2021	1,136	2,013	206	2	1,934	5,291
Additions	–	–	–	11	103	114
Disposals	–	–	–	–	(24)	(24)
At 31 December 2021	1,136	2,013	206	13	2,013	5,381
Additions	–	–	–	–	1,194	1,194
Disposals	–	–	–	–	(1,911)	(1,911)
At 31 December 2022	1,136	2,013	206	13	1,296	4,664
Accumulated depreciation						
At 1 January 2021	350	948	206	2	991	2,497
Depreciation	–	40	–	3	668	711
Disposals	–	–	–	–	(12)	(12)
At 31 December 2021	350	988	206	5	1,647	3,196
Depreciation	–	40	–	4	709	753
Disposals	–	–	–	–	(1,911)	(1,911)
At 31 December 2022	350	1,028	206	9	445	2,038
Carrying amounts						
At 1 January 2021	786	1,065	–	–	943	2,794
At 31 December 2021	786	1,025	–	8	366	2,185
At 31 December 2022	786	985	–	4	851	2,626

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

	Land and buildings $'000	Motor vehicles $'000	Material handling equipment $'000	Total $'000
Group – Carrying amounts				
At 1 January 2021	1,004	254	36	1,294
Depreciation	(682)	(124)	(11)	(817)
Additions	–	185	–	185
Derecognition	–	(12)	–	(12)
At 31 December 2021	322	303	25	650
Depreciation	(754)	(138)	(10)	(902)
Additions	1,985	80	–	2,065
At 31 December 2022	1,553	245	15	1,813

4 Property, plant and equipment (cont'd)

	Land and buildings $'000	Motor vehicles $'000	Total $'000
Company – Carrying amounts			
At 1 January 2021	924	19	943
Depreciation	(637)	(31)	(668)
Additions	–	103	103
Derecognition	–	(12)	(12)
At 31 December 2021	287	79	366
Depreciation	(676)	(33)	(709)
Additions	1,194	–	1,194
At 31 December 2022	805	46	851

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

	2022 $'000	2021 $'000
Group		
Freehold land and buildings	**5,720**	6,449
Material handling equipment	**821**	972
Motor vehicles	**135**	68
	6,676	7,489

Assets are depreciated on a straight-line basis over their estimated useful lives. As changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. The Group performed an impairment assessment of its property, plant and equipment. The estimated recoverable amounts are mainly based on fair value less costs of disposal using external valuation reports obtained from independent professional valuers, with appropriate recognised professional qualifications and experience in the assets being valued. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the fair value.

Impairment loss in relation to property, plant and equipment ("PPE")

For impairment testing of PPE, the cash-generating units ("CGUs") of the design and manufacture and trading and distribution operating segments, also referred to by management as the "Equipment segments", comprising significant subsidiaries where these PPEs are deployed, are individually tested. Owing to the continuing challenging market conditions affecting the Equipment segments and their CGUs, management assessed the recoverable amounts of the CGUs based on their respective fair values less costs of disposal. The fair values were estimated using external valuations performed by independent professional valuers with appropriate recognised professional qualifications and experience in the assets being valued. No impairment losses were found to be necessary as at 31 December 2022 and 31 December 2021.

In preparing their valuation reports, some of the factors the valuers considered include market comparable transactions, the current charter market and current market sentiment which takes into account other similar vessels currently on the market, offers and negotiations that have been tabled and/or are under way, vessel specification, builder's yard, quality of equipment and other market factors.

5 Subsidiaries

	Company 2022 $'000	Company 2021 $'000
Investments in subsidiaries		
Unquoted equity shares, at cost	**21,481**	21,481
Accumulated impairment losses	**(11,183)**	(11,183)
Carrying amount	**10,298**	10,298

Movements in accumulated impairment losses:

	2022 $'000	2021 $'000
At 1 January	**11,183**	26,683
Impairment losses utilised	**–**	(15,500)
At 31 December	**11,183**	11,183

Investments in subsidiaries are reviewed at each financial year end date to determine whether there is any indication of impairment by assessing the factors that affect the recoverable amount of an investment, and the financial health of and business outlook for the investee. These include factors such as industry and sector performance, changes in technology, and operating and financing cash flows. Any change in the business environment and estimates of the recoverable amounts of the subsidiaries can impact the carrying amounts of the investments in the subsidiaries. Management of the Company has performed a review of the recoverable amounts of its investments in its subsidiaries in accordance with the accounting policy stated in Note 3.6.

In 2021, 3 inactive subsidiaries were placed under creditors' voluntary liquidation and accumulated impairment losses of $10,000,000 were utilised. During the same period, accumulated impairment losses of 2 active subsidiaries amounting to $5,500,000 were utilised.

The information of subsidiaries are as follows:

Name of subsidiaries and principal activities	Country of incorporation	Effective equity held by the Group 2022 %	Effective equity held by the Group 2021 %
Trackspares Global Pte. Ltd.[(1)] Investment holding	Singapore	**100**	100
Ho Leong Tractors Sdn. Bhd.[(2)] Distribution of heavy equipment parts	Malaysia	**100**	100
Kunshan Kanto Buhin Manufacturing Co., Ltd[(3)] Manufacturing and distribution of heavy equipment parts	People's Republic of China	**100**	100
PT Trackspare Dormant	Indonesia	**99**	99

5 Subsidiaries (cont'd)

Name of subsidiaries and principal activities	Country of incorporation	Effective equity held by the Group 2022 %	2021 %
Held through Trackspares Global Pte. Ltd.:			
Hoe Leong Crawler Parts Pte. Ltd.[(1)] Distribution of heavy equipment parts	Singapore	**100**	100
Trackspares (Australia) Pty. Ltd.[(4)] Sales and servicing of heavy machinery and equipment parts	Australia	**100**	100
Korea Crawler Track Ltd.[(5)] Manufacturing and distribution of heavy equipment parts	South Korea	**100**	100
Jiangsu Trackspares Manufacturing Co., Ltd[(3)] Manufacturing, import, export and distribution of heavy equipment parts	People's Republic of China	**100**	100
Held through Trackspares (Australia) Pty. Ltd.:			
Trackex Pty. Ltd.[(4)] Servicing of heavy equipment and machinery	Australia	**100**	100

(1) In compliance with Rule 715(1) of the SGX-ST Listing Manual, all Singapore-incorporated subsidiaries are audited by the Company's auditors, PKF-CAP LLP.
(2) Audited by PKF Malaysia, an affiliated firm of PKF-CAP LLP.
(3) Audited by PKF Shenzhen, an affiliated firm of PKF-CAP LLP.
(4) Audited by PKF Brisbane, an affiliated firm of PKF-CAP LLP.
(5) Audited by Daum Accounting Corporation.

6 Deferred tax assets and liabilities

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

	At 1 January 2021 $'000	Recognised in profit or loss (Note 20) $'000	Exchange differences $'000	At 31 December 2021 $'000	Recognised in profit or loss (Note 20) $'000	Exchange differences $'000	At 31 December 2022 $'000
Group							
Deferred tax assets							
Provisions	639	32	(25)	646	38	(45)	**639**
Others	11	–	–	11	–	–	**11**
	650	32	(25)	657	38	(45)	**650**
Deferred tax liabilities							
Property, plant and equipment	(39)	–	–	(39)	(2)	–	**(41)**

6 Deferred tax assets and liabilities (cont'd)

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

	Company	
	2022	**2021**
	$'000	**$'000**
Deferred tax assets		
Provisions	**19**	19
Deferred tax liabilities		
Property, plant and equipment	**(39)**	(39)

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	**650**	657	**19**	19
Deferred tax liabilities	**(41)**	(39)	**(39)**	(39)

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

7 Inventories

	Group	
	2022	**2021**
	$'000	**$'000**
Raw materials	**1,884**	2,561
Work-in-progress	**5,176**	5,861
Finished goods	**10,237**	9,666
Goods-in-transit	**684**	233
	17,981	18,321

In 2022, the amount of inventories recognised in cost of sales was $36,934,000 (2021: $26,873,000). In addition, an allowance for slow-moving inventories of $5,553,000 (2021: $1,661,000) previously made was written back following subsequent sale or dispposal of these inventories.

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

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

7 Inventories (cont'd)

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

Finished goods are stated after deducting an allowance for slow-moving inventories of $9,646,000 (2021: $15,313,000).

8 Trade and other receivables

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables due from:				
– third parties	**10,589**	13,764	**–**	–
– subsidiaries	**–**	–	**12,190**	15,658
Less: allowance for impairment losses				
– third parties	**(775)**	(1,473)	**–**	–
– subsidiaries	**–**	–	**(4,427)**	(9,897)
Net trade receivables	**9,814**	12,291	**7,763**	5,761
Other receivables due from subsidiaries	**–**	–	**657**	57
Advances to suppliers	**503**	1,032	**–**	–
Deposits	**1,084**	1,004	**199**	210
Tax recoverable	**283**	313	**–**	–
Sundry receivables	**760**	516	**–**	–
	2,630	2,865	**856**	267
Prepayments	**198**	215	**6**	6
Net other receivables	**2,828**	3,080	**862**	273
Total trade and other receivables	**12,642**	15,371	**8,625**	6,034

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

Management estimated the impairment loss allowance on credit-impaired receivables based on the age of the trade receivables, their future collectability, credit-worthiness of customers, the historical default rate, and various other factors. The Group estimated the expected credit loss ("ECL") for trade receivables using the allowance matrix to measure the ECLs of trade receivables from individually significant customers and groups of customers with common characteristics. The historical credit loss rates were determined based on historical credit losses in relation to aggregated balances over a period of 3 to 4 years.

Loss rates are calculated separately for exposures in the different segments based on geographic region and adjusted to take into account current conditions with reference to the forward looking gross domestic product ("GDP") growth. If the financial conditions of the customers or counterparties were to deteriorate, actual write-offs or impairment losses could be higher than estimated.

8 Trade and other receivables (cont'd)

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Australia	**1,778**	1,445	**–**	–
Europe	**946**	2,109	**–**	–
North America	**2,636**	3,771	**–**	–
Asia	**3,551**	3,857	**7,763**	5,761
Others	**903**	1,109	**–**	–
	9,814	12,291	**7,763**	5,761

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

	2022			2021		
	Not credit-impaired $'000	Credit-impaired $'000	Gross carrying amount $'000	Not credit-impaired $'000	Credit-impaired $'000	Gross carrying amount $'000
Group						
Receivables measured at lifetime ECL						
Trade receivables	**10,001**	**588**	**10,589**	12,902	862	13,764
Total gross carrying amount	**10,001**	**588**	**10,589**	12,902	862	13,764
Allowance for impairment losses on trade receivables	**(187)**	**(588)**	**(775)**	(611)	(862)	(1,473)
Total	**9,814**	**–**	**9,814**	12,291	–	12,291
Company						
Receivables measured at lifetime ECL						
Trade receivables	**7,763**	**4,427**	**12,190**	9,666	5,992	15,658
Total gross carrying amount	**7,763**	**4,427**	**12,190**	9,666	5,992	15,658
Allowance for impairment losses on trade receivables	**–**	**(4,427)**	**(4,427)**	(3,905)	(5,992)	(9,897)
Total	**7,763**	**–**	**7,763**	5,761	–	5,761

8 Trade and other receivables (cont'd)

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

	Group Lifetime ECL $'000	Company Lifetime ECL $'000
At 1 January 2021	7,263	20,182
Impairment loss recognised	178	4,318
Impairment loss utilised	(5,952)	(14,603)
Translation differences	(16)	–
At 31 December 2021	1,473	9,897
Impairment loss recognised	83	522
Impairment loss utilised	(748)	(5,992)
Translation differences	(33)	–
At 31 December 2022	775	4,427

Expected credit loss assessment

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

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

	Weighted average loss rate	Gross carrying amount $'000	Allowance for impairment losses $'000	Credit impaired
2022				
Group				
Not past due	**1.3%**	**6,881**	**92**	**No**
Past due 0 to 30 days	**2.6%**	**1,016**	**27**	**No**
Past due 31 to 60 days	**2.1%**	**281**	**6**	**No**
Past due 61 to 90 days	**1.6%**	**828**	**13**	**No**
Past due 91 to 150 days	**4.6%**	**205**	**9**	**No**
Past due more than 150 days	**45.6%**	**1,378**	**628**	**Yes**
		10,589	**775**	

8 Trade and other receivables (cont'd)

	Weighted average loss rate	Gross carrying amount $'000	Allowance for impairment losses $'000	Credit impaired
2021				
Group				
Not past due	0.5%	10,056	53	No
Past due 0 to 30 days	5.5%	1,965	108	No
Past due 31 to 60 days	12.2%	132	16	No
Past due 61 to 90 days	18.2%	253	46	No
Past due 91 to 150 days	–	35	–	No
Past due more than 150 days	94.5%	1,323	1,250	Yes
		13,764	1,473	
2022				
Company				
Not past due	**–**	**1,208**	**–**	**No**
Past due 0 to 90 days	**–**	**1,069**	**–**	**No**
Past due 91 to 150 days	**–**	**674**	**–**	**No**
Past due more than 150 days	**47.9%**	**9,239**	**4,427**	**Yes**
		12,190	**4,427**	
2021				
Company				
Not past due	–	–	–	No
Past due 0 to 90 days	–	–	–	No
Past due 91 to 150 days	40.4%	9,666	3,905	No
Past due more than 150 days	100.0%	5,992	5,992	Yes
		15,658	9,897	

9 Cash and cash equivalents

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not restricted in use	**4,666**	3,044	**413**	557

10 Share capital

	Group and Company	
	Number of Shares issued ('000)	Share capital $'000
As at 1 January 2021	5,619,433	114,461
Issue of ordinary shares arising from:		
Conversion of bank borrowings	586,211	1,025
Share-based payment	65,391	115
As at 31 December 2021	6,271,035	115,601
Issue of ordinary shares arising from:		
Conversion of convertible loan note	2,054,795	3,129
Exercise of options	4,900,000	7,154
Conversion of convertible bonds	476,328	834
Share-based payment	48,000	96
At 31 December 2022	13,750,158	126,814

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

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

a) To certain banks pursuant to a scheme to convert $1,025,000 of borrowings into equity; and

b) In satisfaction of a portion of the remuneration of the Executive Chairman and ex-Chief Executive Officer from 23 October 2019 to 31 December 2020 amounting to $115,000 based on issue price of $0.00175 per share.

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

The following transactions were also completed on 23 June 2021:

a) Issuance of convertible loan note of the Company amounting to $3,000,000 to substantial shareholder, Shing Heng Holding Pte. Ltd. (the "SHHPL"), convertible in whole into 2,054,794,520 new ordinary shares at a conversion price of $0.00146 per share, maturing on 23 June 2024; and

b) Granting of 6,164,383,561 options by the Company to the Investor which gives a right for SHHPL to exercise the options at $0.00146 per option in exchange for 6,164,383,561 new ordinary shares, to be exercised on the earlier of the full repayment of the above $3 million convertible loan and accrued interest in the event of default or 23 June 2025. As at 23 June 2021 (i.e. date of grant), the market price of each ordinary share of the Company is $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; and

c) Issuance of convertible bond of the Company amounting to $834,000 to a lender, convertible into 476,328,000 new ordinary shares at a conversion price of $0.00175, to be converted mandatorily within a three-year period.

10 Share capital (cont'd)

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 the lender. On the same day, SHHPL exercised 4,900,000,000 options at a consideration of $7,154,000 and 4,900,000,000 new ordinary shares are issued and allotted to SHHPL. After setting off against other borrowings of $4,000,000 owed to SHHPL, the net consideration paid by SHHPL to the Company is $3,154,000.

On 28 March 2023, SHHPL exercised the remaining 1,264,383,561 options and 1,264,383,561 new ordinary shares are issued and allotted to SHHPL. Following this exercise of options, the Company's enlarged issued share capital is $128,660,000, comprising of 15,014,541,389.

Capital management

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

There were no changes in the Group's approach to capital management in 2022 and 2021.

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

11 Convertible bond

On 23 June 2021, the Company converted bank borrowings amounting to $834,000 into a 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 $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.

12 Currency translation reserve

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

13 Loans and borrowings

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Non-current liabilities				
Secured bank loan A	–	333	–	–
Secured bank loan B	–	1,810	–	–
Secured bank loan C	309	606	–	–
Secured bank loan D	–	15	–	–
Unsecured bank loan A	2,795	4,250	–	–
Unsecured bank loans B	1,435	–	–	–
Other borrowings	–	3,000	–	3,000
Lease liabilities	1,022	187	448	45
	5,561	10,201	448	3,045
Current liabilities				
Secured bank loans A	2,866	4,538	–	–
Secured bank loan B	–	154	–	–
Secured bank loan C	256	137	–	–
Secured bank loan D	14	20	–	–
Secured invoice financing	416	3,106	–	–
Unsecured bank loan A	1,455	720	–	–
Unsecured bank loans B	1,121	–	–	–
Other borrowings	–	1,000	–	1,000
Lease liabilities	750	473	412	340
	6,878	10,148	412	1,340
Total loans and borrowings	12,439	20,349	860	4,385

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

(ii) Corporate guarantees are provided by the Company for secured bank loans B, C and unsecured bank loan A granted to subsidiaries. Personal guarantees were provided by former directors for secured bank loan B granted to a subsidiary.

(iii) Other borrowings pertain to loans from substantial shareholder, SHHPL, secured by all ordinary shares of a subsidiary.

13 Loans and borrowings (cont'd)

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

Loans and borrowings	**Repayment terms**
Secured bank loans A	Loans are subject to renewal annually.
Secured bank loan B	Repayable over 180 monthly instalments until November 2031.
Secured bank loan C	Repayable via monthly principal instalment of AUD$12,000. Loan is rolled over every 5 years and due for rollover in December 2024.
Secured bank loan D	Repayable over 36 monthly instalments until August 2023.
Secured invoice financing	Loans are repayable within 4 to 6 months of drawdown date.
Unsecured bank loan A	Repayable via monthly principal instalment of $60,000 (December 2021 to May 2023); and between $155,000 and $165,000 (June 2023 to May 2025).
Unsecured bank loan B	The tenure of loans are between 1 and 5 years and these loans shall be repaid in lump sum at maturity date or over the tenure of the loan.
Other borrowings	Repayable in lump sum within 18 months of drawdown date.

Lease liabilities

Lease liabilities are payable as follows:

	Total contractual cash flow $'000	**Interest $'000**	**Present value of minimum lease payments $'000**
Group			
2022			
Within 1 year	**794**	**44**	**750**
Between 1 and 5 years	**1,048**	**26**	**1,022**
	1,842	**70**	**1,772**
2021			
Within 1 year	477	4	473
Between 1 and 5 years	187	–	187
	664	4	660
Company			
2022			
Within 1 year	**430**	**18**	**412**
Between 1 and 5 years	**457**	**9**	**448**
	887	**27**	**860**
Company			
2021			
Within 1 year	343	3	340
Between 1 and 5 years	45	–	45
	388	3	385

13 Loans and borrowings (cont'd)

Terms and debt repayment schedule

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

	Year of maturity	2022 Face value $'000	2022 Carrying amount $'000	2021 Face value $'000	2021 Carrying amount $'000
Group					
SGD floating rate loans:					
Unsecured bank loan A	2025	**4,250**	**4,250**	4,970	4,970
SGD fixed rate loan:					
Other borrowings	2022 to 2023	**–**	**–**	4,000	4,000
KRW floating rate loan:					
Secured bank loans A and D	2022 to 2023	**2,880**	**2,880**	4,906	4,906
Secured invoice financing	2022 to 2023	**416**	**416**	3,064	3,064
Unsecured bank loans B	2023 to 2026	**2,556**	**2,556**	–	–
AUD floating rate loan:					
Secured bank loan C	2024	**565**	**565**	743	743
Secured invoice financing	2022	**–**	**–**	42	42
RM floating rate loan:					
Secured bank loan B	2031	**–**	**–**	1,964	1,964
Lease liabilities	2022 to 2025	**1,842**	**1,772**	664	660
		12,509	**12,439**	20,353	20,349

	Year of maturity	2022 Face value $'000	2022 Carrying amount $'000	2021 Face value $'000	2021 Carrying amount $'000
Company					
SGD fixed rate loan:					
Secured loan from third party	2022 to 2023	**–**	**–**	4,000	4,000
Lease liabilities	2022 to 2025	**887**	**860**	388	385
		887	**860**	4,388	4,385

The SGD floating rate loans bear interest ranging from 3.0% to 4.61% (2021: 3.0%) per annum.

The KRW floating rate loans bears interest ranging from 2.4% to 6.6% (2021: 2.0% to 4.2%) per annum and is repriced on a quarterly basis.

The AUD floating rate loans bear interest of approximately 7% (2021: 3.9%) per annum and are repriced on a monthly basis.

The RM floating rate loan bears interest ranging from 4.1% to 4.9% (2021: 4.1%) per annum and is repriced on a monthly basis.

The Group shall comply with certain financial covenants, which is (i) maintain a minimum consolidated tangible net worth of S$18 million and (ii) maintain a leverage ratio of not more than 5.0. There is no breach of bank covenants as at 31 December 2022 and 2021.

13 Loans and borrowings (cont'd)

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

	Other loans and borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2022	19,689	660	20,349
Changes from financing cash flows			
Proceeds from bills payables and trust receipts	**8,323**	**–**	**8,323**
Proceeds from interest-bearing borrowings	**1,363**	**–**	**1,363**
Repayment of bills payables and trust receipts	**(11,001)**	**–**	**(11,001)**
Repayment of interest-bearing borrowings	**(3,562)**	**–**	**(3,562)**
Payment of lease liabilities	**–**	**(931)**	**(931)**
Finance costs paid	**(469)**	**(35)**	**(504)**
Total changes from financing cash flows	**(5,346)**	**(966)**	**(6,312)**
The effect of changes in foreign exchange rates	**(178)**	**3**	**(175)**
Other changes			
Liability-related			
Options	**(4,000)**	**–**	**(4,000)**
Imputed interest	**33**	**–**	**33**
Interest expense	**469**	**35**	**504**
New leases	**–**	**2,040**	**2,040**
Total liability-related other changes	**(3,498)**	**2,075**	**(1,423)**
Balance at 31 December 2022	**10,667**	**1,772**	**12,439**
Balance at 1 January 2021	16,246	1,323	17,569
Changes from financing cash flows			
Proceeds from bills payables and trust receipts	8,267	–	8,267
Proceeds from interest-bearing borrowings	1,913	–	1,913
Proceeds from other borrowing	3,000	–	3,000
Proceeds from convertible loans	3,000	–	3,000
Repayment of bills payables and trust receipts	(5,783)	–	(5,783)
Repayment of interest-bearing borrowings	(1,465)	–	(1,465)
Payment of lease liabilities	–	(848)	(848)
Finance costs paid	(455)	(36)	(491)
Total changes from financing cash flows	8,477	(884)	7,593
The effect of changes in foreign exchange rates	(630)	–	(630)
Other changes			
Liability-related			
Share capital	(1,025)	–	(1,025)
Imputed interest	(1,376)	–	(1,376)
Convertible loan	(2,458)	–	(2,458)
Reclassification of right of use asset	–	105	105
Derecognition of right of use asset	–	(12)	(12)
Interest expense	455	36	491
New leases	–	92	92
Total liability-related other changes	(4,404)	221	(4,183)
Balance at 31 December 2021	19,689	660	20,349

14 Convertible loan

	Group and Company	
	2022	**2021**
	$'000	**$'000**
At 1 January	**2,458**	–
Proceeds from issuance of convertible loan note	**–**	3,000
Amount classified as equity – Other reserves	**–**	(638)
Amortisation of imputed interest	**33**	96
Conversion into ordinary shares	**(2,491)**	–
At 31 December	**–**	2,458

On 23 June 2021, the Company issued convertible loan note of $3,000,000 to Shing Heng Holding Pte. Ltd..

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

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

15 Other provisions

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**588**	3,588	**588**	3,588
Reversal during the year	**–**	(3,000)	**–**	(3,000)
At 31 December	**588**	588	**588**	588

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

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

16 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Trade payables due to:				
– Third parties	**2,896**	3,431	**36**	36
Accrued expenses	**4,629**	4,821	**1,364**	1,764
Other payables due to:				
– Affiliated corporation*	**–**	54	**–**	–
– Director	**–**	349	**–**	–
Deposits received	**34**	13	**–**	–
Total trade and other payables	**7,559**	8,668	**1,400**	1,800

* Affiliated corporation refers to an associate of an ex-controlling shareholder of the Group.

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

17 Revenue

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

	Continuing operations		Group	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Sales of goods	**40,390**	42,486	**40,390**	42,486
Rendering of services	**1,402**	2,971	**1,402**	2,971
	41,792	45,457	**41,792**	45,457

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

Sale of goods

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

17 Revenue (cont'd)

Rendering of services

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

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets and major products/service lines (including revenue from discontinued operation).

	Machinery parts	
Primary geographical markets	**2022 $'000**	**2021 $'000**
Australia	**9,941**	9,802
Europe	**6,351**	7,402
North America	**12,078**	13,396
Asia	**11,631**	12,952
Others	**1,791**	1,905
Total	**41,792**	45,457

18 Finance costs

	Group	
	2022 $'000	**2021 $'000**
Interest expense on:		
– Loans and borrowings	**469**	455
– Financial liabilities measured at amortised cost	**35**	36
– Amortisation of imputed interest (Note 14)	**33**	96
	537	587

19 Profit or loss before income tax

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

	Note	Group 2022 $'000	Group 2021 $'000
Audit fees paid and payable to:			
– Auditors of the Company		**122**	128
– Other auditors		**94**	91
Depreciation	4	**1,487**	1,681
Foreign exchange loss/(gain), included in other expenses		**(544)**	127
Other income			
Gain on sale of scrap metals		**193**	216
Gain on disposal of property, plant and equipment, net		**2,414**	22
Government grant income		**26**	213
Rental income		**83**	86
Other income		**150**	43
Reversal of other provisions		**–**	3,000
		2,866	3,580
Employee benefits expense			
Staff costs		**3,964**	4,244
Contributions to defined contribution plans		**321**	334
		4,285	4,578
Impairment losses			
Reversal of impairment of trade receivables		**551**	560
Bad debts written off – trade receivables		**(218)**	–
		333	560
Payables written back		**268**	24
Reversal of impairment for slow-moving inventories	7	**5,553**	1,661
Inventories written back/(off)		**7**	(198)
		6,161	2,047

20 Income tax credit

	Group 2022 $'000	Group 2021 $'000
Current tax credit		
Current year	**(160)**	(226)
Changes in estimates related to prior years	**–**	–
	(160)	(226)
Deferred tax credit		
Origination and reversal of temporary differences	**(39)**	(32)
Total income tax credit	**(199)**	(258)

20 Income tax credit (cont'd)

	Group	
	2022	2021
	$'000	$'000
Reconciliation of effective tax rate		
Profit before income tax	**596**	1,810
Tax using the Singapore tax rate of 17% (2021: 17%)	**101**	308
Effect of tax rates in foreign jurisdictions	**(64)**	247
Non-deductible expenses	**234**	1,152
Non-taxable income	**(483)**	–
Effect of tax incentives and rebates	**(31)**	–
Utilisation of tax losses not previously recognised/Benefits of deferred tax assets not recognised	**47**	(1,965)
Others	**(3)**	–
	(199)	(258)

As the end of the reporting period, the Group has unutilised tax losses and capital allowances of approximately $7,319,000 (2021: $7,674,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities in the jurisdictions which the companies operate.

21 Earnings per share

	Group	
	2022	2021
Basic earnings per share (cents):		
Continuing operations	**0.01**	0.02
Discontinued operation	**–**	0.02
Total	**0.01**	0.04
Diluted earnings per share (cents):		
Continuing operations	**0.01**	0.01
Discontinued operation	**–**	0.01
Total	**0.01**	0.02

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

	Group	
	2022	2021
	$'000	$'000
Profit attributable to owners of the Company:		
Continuing operations	**795**	1,005
Discontinued operation	**–**	1,063
Total	**795**	2,068

21 Earnings per share (cont'd)

	Group 2022 '000	Group 2021 '000
Issued ordinary shares at 1 January	**6,271,505**	5,619,903
Effect of own shares held	**(470)**	(470)
Issue of ordinary shares	**5,685,118**	342,760
Weighted average number of ordinary shares used in the calculation of basic earnings per share for the financial year	**11,956,153**	5,962,193
Add: Conversion of convertibles to equity	**–**	1,331,440
Add: Dilutive share option effect	**1,264,384**	3,242,634
Weighted average number of ordinary shares used in the calculation of diluted earnings per share for the financial year	**13,220,537**	10,536,267

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

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each financial year. It is after the neutralisation by the treasury shares.

The dilutive effect derives from transactions such as: share option, convertible bond (Note 11) and convertible loan note (Note 14). Dilutive effect of performance shares (Refer to directors' statement for disclosures on performance share awards) is not significant. The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each financial year. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the financial year and (2) shares of ordinary share issuable upon assumed exercise of share options which (if any) would have a dilutive effect. Where there are convertible loan notes, the average number of ordinary shares assumed to be outstanding during the financial year are as if the convertible loan notes had been converted into ordinary shares and the profit or loss is after giving effect to the elimination of interest expense (if any), net of tax benefit, applicable to the convertible loan notes.

22 Operating segments

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

Design and manufacture

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

Trading and distribution

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

Vessel chartering

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Chairman and Chief Executive Officer.

22 Operating segments (cont'd)

Business segments

Information about reportable segments

	Design and manufacture		Trading and distribution		Vessel chartering (Discontinued)		Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
External revenue	**33,659**	37,455	**8,133**	8,002	**–**	–	**41,792**	45,457
Finance costs	**(476)**	(479)	**(61)**	(108)	**–**	–	**(537)**	(587)
Depreciation	**(1,209)**	(1,383)	**(278)**	(298)	**–**	–	**(1,487)**	(1,681)
Reportable segment profit/(loss) before income tax	**154**	(1,298)	**442**	(1,095)	**–**	1,063	**596**	(1,330)
Unallocated income							**–**	3,140
Profit before income tax							**596**	1,810
Other material non-cash items:								
Allowance written back for slow-moving inventories	**5,005**	1,648	**548**	13	**–**	–	**5,553**	1,661
Impairment loss on trade receivables	**325**	496	**226**	64	**–**	–	**551**	560
Payables written back	**268**	–	**–**	–	**–**	–	**268**	–
Bad debts written off – Trade receivables	**(218)**	–	**–**	–	**–**	–	**(218)**	–
Capital expenditure:								
Purchase of property, plant and equipment	**(243)**	(190)	**(95)**	(28)	**–**	–	**(338)**	(218)
Additions to right-of-use assets	**(1,873)**	–	**(167)**	(185)	**–**	–	**(2,040)**	(185)
Reportable segment assets	**35,945**	39,080	**8,888**	7,063	**–**	–	**44,833**	46,143
Unallocated assets							**–**	–
Total assets							**44,833**	46,143
Reportable segment liabilities	**18,426**	28,137	**2,201**	3,965	**–**	–	**20,627**	32,102
Unallocated liabilities							**–**	–
Total liabilities							**20,627**	32,102

22 Operating segments (cont'd)

Information about major customers

Revenue of approximately $3,969,000 (2021: $5,664,000) are derived from a single external customer who individually contributed approximately 9% (2021: 12%) of the Group's revenue and is attributable to the design and manufacture segment (2021: Design and manufacture segment).

Geographical segments

The design and manufacture, trading and distribution, and vessel chartering segments are presented by geographical segment below.

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

	Revenue		Non-current assets (excluding deferred tax assets)	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Australia	**9,941**	9,802	**399**	430
Europe	**6,351**	7,402	**–**	–
North America	**12,078**	13,396	**–**	–
Asia	**11,631**	12,952	**8,495**	8,320
Others	**1,791**	1,905	**–**	–
	41,792	45,457	**8,894**	8,750

23 Financial instruments

General

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

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

The financial risk management is described below:

Credit risk

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

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

23 Financial instruments (cont'd)

Credit risk (cont'd)

Cash and cash equivalents

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

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

Financial guarantees

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

Financial guarantees were computed based on the expected payment to reimburse the holder less any amount that the Company expected to recover. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates. Financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $4,815,000 (2021: $7,677,000).

Liquidity risk

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

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

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

The Group's operations are financed mainly through equity and bank borrowings. As disclosed in Note 13, the Group shall comply with certain financial covenants, which is (i) maintain a minimum consolidated tangible net worth of S$18 million and (ii) maintain a leverage ratio of not more than 5.0. There is no breach of bank covenants as at 31 December 2022 and 2021.

23 Financial instruments (cont'd)

Liquidity risk (cont'd)

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

	Carrying amount $'000	Contractual cash flows $'000	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
Group						
31 December 2022						
Secured loans	**3,445**	**(3,600)**	**(3,146)**	**(454)**	**–**	**–**
Unsecured bank loan	**6,806**	**(7,192)**	**(2,794)**	**(2,227)**	**(2,065)**	**(106)**
Invoice financing	**416**	**(416)**	**(416)**	**–**	**–**	**–**
Lease liabilities	**1,772**	**(1,842)**	**(794)**	**(1,048)**	**–**	**–**
Trade and other payables	**7,559**	**(7,559)**	**(7,559)**	**–**	**–**	**–**
	19,998	**(20,609)**	**(14,709)**	**(3,729)**	**(2,065)**	**(106)**
Group						
31 December 2021						
Secured loans	11,613	(12,270)	(6,578)	(3,390)	(1,158)	(1,144)
Unsecured bank loan	4,970	(5,271)	(857)	(1,563)	(2,851)	–
Invoice financing	3,106	(3,106)	(3,106)	–	–	–
Lease liabilities	660	(664)	(477)	(187)	–	–
Trade and other payables	8,668	(8,668)	(8,668)	–	–	–
	29,017	(29,979)	(19,686)	(5,140)	(4,009)	(1,144)
Company						
31 December 2022						
Secured loans						
Lease liabilities	**860**	**(887)**	**(430)**	**(457)**	**–**	**–**
Trade and other payables	**1,400**	**(1,400)**	**(1,400)**	**–**	**–**	**–**
Recognised financial liabilities	**2,260**	**(2,287)**	**(1,830)**	**(457)**	**–**	**–**
Intra-group financial guarantees	**–**	**(4,815)**	**(4,815)**	**–**	**–**	**–**
	2,260	**(7,102)**	**(6,645)**	**(457)**	**–**	**–**
Company						
31 December 2021						
Secured loans	4,000	(4,018)	(1,018)	(3,000)	–	–
Lease liabilities	385	(388)	(343)	(45)	–	–
Trade and other payables	1,800	(1,800)	(1,800)	–	–	–
Recognised financial liabilities	6,185	(6,206)	(3,161)	(3,045)	–	–
Intra-group financial guarantees	–	(7,677)	(7,677)	–	–	–
	6,185	(13,883)	(10,838)	(3,045)	–	–

23 Financial instruments (cont'd)

Market risk

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

Interest rate risk

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

Exposure to interest rate risk

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Variable rate instruments				
Loans and borrowings	**10,667**	15,689	**–**	–

Sensitivity analysis

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Decrease in profit before tax	**533**	784	**–**	–

Foreign currency risk

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

23 Financial instruments (cont'd)

Foreign currency risk (cont'd)

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

	2022		2021	
	AUD $'000	USD $'000	AUD $'000	USD $'000
Group				
Trade and other receivables (before impairment)	**2,119**	**7,009**	1,914	9,683
Cash and cash equivalents	**293**	**1,827**	57	295
Trade and other payables	**(560)**	**(9)**	(709)	(467)
Loans and borrowings	**(826)**	**–**	(1,161)	–
Net exposure	**1,026**	**8,827**	101	9,511
Company				
Trade and other receivables (before impairment)	**–**	**–**	–	–
Cash and cash equivalents	**–**	**18**	–	18
Trade and other payables	**–**	**–**	–	–
Net exposure	**–**	**18**	–	18

<u>Sensitivity analysis</u>

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

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
AUD	**103**	10	**–**	–
USD	**883**	951	**2**	2

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

Measurement of fair values

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

Non-derivative financial liabilities

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

Other financial assets and liabilities

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

23 Financial instruments (cont'd)

Fair value hierarchy

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

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

Accounting classification and fair values

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

Group	Note	Amortised cost $'000
31 December 2022		
Financial assets		
Trade and other receivables	8	**12,444**
Cash and cash equivalents	9	**4,666**
		17,110
Financial liabilities		
Loans and borrowings	13	**(12,439)**
Trade and other payables	16	**(7,559)**
		(19,998)
31 December 2021		
Financial assets		
Trade and other receivables	8	15,156
Cash and cash equivalents	9	3,044
		18,200
Financial liabilities		
Loans and borrowings	13	(20,349)
Trade and other payables	16	(8,668)
		(29,017)

23 Financial instruments (cont'd)

Accounting classification and fair values (cont'd)

	Note	Amortised cost $'000
Company		
31 December 2022		
Financial assets		
Trade and other receivables	8	**8,619**
Cash and cash equivalents	9	**413**
		9,032
Financial liabilities		
Loans and borrowings	13	**(860)**
Trade and other payables	16	**(1,400)**
		(2,260)
31 December 2021		
Financial assets		
Trade and other receivables	8	6,028
Cash and cash equivalents	9	557
		6,585
Financial liabilities		
Loans and borrowings	13	(4,385)
Trade and other payables	16	(1,800)
		(6,185)

24 Leases

Leases as lessee

The Group leases office space, motor vehicle and office equipment. The leases typically run for a period of three to five years, and may have an option to renew the lease after that date. Lease payments are renegotiated every three years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The Group also leases certain motor vehicle with contract term of one year. These leases are short term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (Note 4).

24 Leases (cont'd)

Amounts recognised in profit or loss

	2022	**2021**
	$'000	**$'000**
Interest on lease liabilities (Note 18)	**35**	36
Expenses relating to short-term leases	**334**	593

Amounts recognised in statement of cash flows

	2022	**2021**
	$'000	**$'000**
Total cash outflow for leases	**931**	848

Extension options

Some property leases may contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

25 Contingencies

A. <u>Kuala Lumpur High Court – Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd and 5 Others</u>

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

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

(a) a declaration that the Company has conducted the affairs of Ebony in a manner that is oppressive to the Plaintiff be made;

(b) Ebony Ritz is to be wound up and the Official Receiver be appointed as the liquidator of Ebony Ritz;

(c) The Company is to pay general damages with interest to the Plaintiff, to be assessed by the Court through an assessment process; and

(d) the Company has to pay costs of RM300,000 to the Plaintiff.

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

25 Contingencies (cont'd)

A. Kuala Lumpur High Court – Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd and 5 Others (cont'd)

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

The trial for assessment of damages will take place from 10 July 2023 to 14 July 2023.

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

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

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

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

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

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

26 Related party transactions

Other related party transactions

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

	Group	
	2022	**2021**
	$'000	**$'000**
Affiliated corporations		
Rental and miscellaneous expenses	**71**	334
Rental income	**(83)**	(86)

26 Related party transactions (cont'd)

Key management personnel compensation

Key management personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the activities of Group entities. The executive directors and certain key executives are considered as key management personnel of the Group.

	Group	
	2022	**2021**
	$'000	**$'000**
Key management personnel compensation comprised:		
Salaries and other short-term employee benefits	**710**	695
Defined contribution plan	**46**	44
	756	739

27 Discontinued operation

During financial year ended 31 December 2020, the Group sold all of its vessels and exited the vessel chartering segment.

	Group	
	2022	**2021**
	$'000	**$'000**
Results from operating activities	–	18
Tax	–	–
Results from operating activities, net of tax (A)	–	18
Gain on sale of discontinued operation	–	(291)
Derecognition of liabilities*	–	1,336
Total other income (B)	–	1,045
Profit from discontinued operation, net of tax (A+B)	–	1,063
Basic earnings per share (cents)	–	0.02
Diluted earnings per share (cents)	–	0.01

In April 2021, the Company deconsolidated three of its former subsidiaries under the vessel chartering segment and net trade and other payables amounted to S$1,336,000 in the consolidated accounts were de-recognised.

There is no cash flow arising from discontinued operation during FY2022 and FY2021.

28 Events occurring after the financial year

On 28 March 2023, SHHPL exercised 1,264,383,561 options for $1,846,000 and was allotted and issued with 1,264,383,561 new ordinary shares of the Company.

29 Reclassification and comparative figures

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

	Reclassifications		
	After $'000	Before $'000	Difference $'000
2021 Statement of comprehensive income:			
Other income	3,580	3,604	(24)
Other expenses	(2,132)	(669)	(1,463)
Impairment loss on trade receivables	–	560	(560)
Impairment losses	2,047	–	2,047

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

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

Class of shares	:	Ordinary and fully paid
Voting rights	:	One vote per share
Number of shares (excluding treasury shares)	:	15,014,541,389
Number of treasury shares	:	470,000

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	47	2.64	572	–*
100 – 1,000	117	6.57	71,585	–*
1,001 – 10,000	319	17.91	2,209,167	0.02
10,001 – 1,000,000	1,120	62.89	216,627,019	1.44
1,000,001 and above	178	9.99	14,795,633,046	98.54
Total	**1,781**	**100.00**	**15,014,541,389**	**100.00**

* Less than 0.01%.

REGISTER OF SUBSTANTIAL SHAREHOLDERS AND DIRECTORS' SHAREHOLDINGS

	Direct interest		Deemed interest	
	Number of shares	%	Number of shares	%
Shing Heng Holding Pte. Ltd.	8,219,178,081	54.74	–	–
Lew Chee Beng(1)	–	–	8,219,178,081	54.74
Yeo Puay Hin(1) (5)	–	–	8,219,178,081	54.74
Lew Puay Ling(1)	–	–	8,219,178,081	54.74
United Overseas Bank Limited(2)	–	–	2,086,871,486	13.90
Hoe Leong Co. (Pte.) Ltd.	1,325,196,177	8.83	–	–
Kuah Geok Lin(3)	15,506,671	0.10	1,325,196,177	8.83
Kuah Geok Khim(3)	17	–*	1,325,196,177	8.83
Quah Yoke Hwee(3)	15,314,117	0.10	1,325,196,177	8.83
Mdm Kuah Geok Khim(3)	4,000,092	0.03	1,325,196,177	8.83
DBS Bank Ltd.(4)	–	–	911,972,699	6.07
DBS Group Holdings Ltd(4)	–	–	911,972,699	6.07
Temasek Holdings (Private) Limited(4)	–	–	911,972,699	6.07
Liew Yoke Pheng Joseph(5)	48,000,000	0.32	–	–

Notes:

(1) Lew Chee Beng, Yeo Puay Hin and Lew Puay Ling are deemed to be interested in the shares of the Company held by Shing Heng Holding Pte. Ltd. by virtue of Section 7(4) of the Companies Act 1967.

(2) United Overseas Bank Limited's interests in 2,086,871,486 shares are held in a nominee account with United Overseas Bank Nominees Pte Ltd.

(3) Kuah Geok Lin, Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the shares of the Company held by Hoe Leong Co. (Pte.) Ltd. by virtue of Section 7(4) of the Companies Act 1967.

(4) DBS Bank Ltd.'s interests in 911,972,699 shares are held in a nominee account with DBS Nominees Pte Ltd. DBS Group Holdings Ltd and Temasek Holdings (Private) Limited are deemed to have an interest in the shares held by DBS Bank Ltd.

(5) Liew Yoke Pheng Joseph and Yeo Puay Hin are executive directors of the Company.

20 LARGEST SHAREHOLDERS

No.	Shareholder's Name	Number of Shares	%
1	SHING HENG HOLDING PTE LTD	8,219,178,081	54.74
2	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,087,337,393	13.90
3	HOE LEONG CO. PTE LTD	1,325,196,177	8.83
4	DBS NOMINEES PTE LTD	981,620,925	6.54
5	RHB BANK NOMINEES PTE LTD	458,449,139	3.05
6	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	420,089,350	2.80
7	SING INVESTMENTS & FINANCE LTD	413,091,146	2.75
8	NG KIM CHOON	64,074,955	0.43
9	TENGKU SINANNAGA @ CHENG MIN SIONG @ ZENG MING XIONG	50,000,000	0.33
10	LIEW YOKE PHENG JOSEPH	48,000,000	0.32
11	HENG WANG CHEW	37,750,000	0.25
12	PHILLIP SECURITIES PTE LTD	29,761,008	0.20
13	IFAST FINANCIAL PTE LTD	27,245,504	0.18
14	KOH YEW CHOO	24,951,500	0.17
15	RAFFLES NOMINEES (PTE) LIMITED	22,550,900	0.15
16	NG KAI HOCK	22,000,000	0.15
17	LIN YUANZHI	19,475,000	0.13
18	LOW KOK SOON	15,720,300	0.10
19	KUAH GEOK LIN	15,506,617	0.10
20	QUAH YOKE HWEE	15,314,117	0.10
	TOTAL	**14,297,312,112**	**95.22**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

15.91% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Hoe Leong Corporation Ltd. (the "**Company**") will be held at Lifelong Learning Institute, 11 Eunos Road 8 Singapore 408601 (Book Hall 2 of Level 4 Lobby A) on Friday, 28 April 2023 at 9.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2022 and the Directors' Statement and the Auditor's Report thereon. (Resolution 1)

2. To re-elect Mr Choy Bing Choong, a director retiring pursuant to Regulation 98(2) of the Constitution of the Company. (Resolution 2)
   (See Explanatory Note 1)

3. To re-elect Mr Wee Sung Leng, a director retiring pursuant to Regulation 98(2) of the Constitution of the Company. (Resolution 3)
   (See Explanatory Note 2)

4. To approve payment of directors' fees of S$135,000 for the financial year ending 31 December 2023 (2022: S$135,000). (Resolution 4)

5. To re-appoint PKF-CAP LLP as Auditors of the Company for the financial year ending 31 December 2023 and to authorise the directors to fix their remuneration. (Resolution 5)

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to Issue Shares** (Resolution 6)

   "That pursuant to Section 161 of the Companies Act 1967 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "**Instruments**") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues,

   at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding that the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that

the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the Company's total number of issued shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the Company, and for the purpose of this resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities outstanding or subsisting at the time this resolution is passed;

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(iii) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
(See Explanatory Note 3)

8. **Authority to issue remuneration shares to the Executive Chairman which forms part of his remuneration package** (Resolution 7)

That the directors be and are hereby authorised to allot and issue to Mr Liew Yoke Pheng Joseph, the Executive Chairman of the Company, 48,000,000 remuneration shares at an issue price of S$0.002 per remuneration share which forms part of his remuneration package for the period from 1 January 2022 to 31 December 2022.
(See Explanatory Note 4)

9. **Authority to grant awards and issue shares under the Hoe Leong Performance Share Plan** (Resolution 8)

That authority be and is hereby given to the Directors of the Company to offer and grant awards in accordance with the provisions of the Hoe Leong Performance Share Plan (the "**Plan**") and to allot and issue from time to time such number of ordinary shares of the Company ("**Shares**") as may be required to be issued pursuant to the vesting of awards under the Plan, provided always that:

(i) the aggregate number of Shares which may be issued or delivered pursuant to all awards granted under the Plan when aggregated with the number of Shares over which options or awards granted under any other share option schemes or share plans of the Company, shall not exceed 15% of the total number of all issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and

(ii) the aggregate number of Shares which may be issued or delivered pursuant to awards granted under the Plan on any date, when aggregated with (a) the total number of new Shares allotted and issued and/or to be allotted and issued Shares (including treasury Shares) delivered and/or to be delivered pursuant to awards already granted under the Plan; and (b) the total number of Shares subject to any other share option or share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time on the day preceding the grant of the relevant new awards.

(See Explanatory Note 5)

BY ORDER OF THE BOARD

Ang Siew Koon
Company Secretary

13 April 2023

Singapore

Explanatory Notes:

1. **Ordinary Resolution 2:** Mr Choy Bing Choong is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. If re-elected, Mr Choy will remain as Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. Key information on Mr Choy can be found under the sections titled "Board of Directors", "Corporate Governance Report" and "Disclosure of Information On Directors Seeking Re-election" of this Annual Report.

2. **Ordinary Resolution 3:** Mr Wee Sung Leng is considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. If re-elected, Mr Wee will remain as Chairman of the Audit Committee and a member of the Remuneration Committee. Key information on Mr Wee can be found under the sections titled "Board of Directors", "Corporate Governance Report" and "Disclosure of Information On Directors Seeking Re-election" of this Annual Report.

3. **Ordinary Resolution 6:** This resolution, if passed, will authorise and empower the Directors of the Company from the date of the above AGM until the next AGM to issue shares in the capital of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

   For the purpose of Resolution 6, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed ordinary resolution is passed after adjusting for new shares arising from the conversion or exercise of Instruments or the vesting of share awards outstanding or subsisting at the time when this proposed ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

4. **Ordinary Resolution 7:** This resolution, if passed, will authorise and empower the directors of the Company to allot and issue 48,000,000 remuneration shares at an issue price of S$0.002 per remuneration share to Mr Liew Yoke Pheng Joseph, the Executive Chairman of the Company, which forms part of his remuneration package for the period from 1 January 2022 to 31 December 2022. Pursuant to Mr Liew's service agreement signed with the Company, Mr Liew is entitled to receive a fixed basic salary comprising a portion payable in cash and a portion payable in shares. The allotment and issuance of shares as part of Mr Liew's remuneration is subject to shareholders' approval at the Company's AGM. Mr Liew and his associates will abstain from voting on this resolution.

   The issue price of the remuneration share is calculated, at no discount, based on the volume-weighted average share price traded in the immediate 14 trading days after the announcement of the Company's unaudited full year financial results for the financial year ended 31 December 2022. In the event that the trading of the Company's shares are suspended, the issue price is calculated, at no discount, by reference to the weighted average price traded in the immediate 14 trading days prior to the trading suspension. Disclosure relating to Mr Liew's remuneration can be found under the "Corporate Governance Report" section on page 48 of this Annual Report.

5. **Ordinary Resolution 8:** The Plan was approved by shareholders at the extraordinary general meeting held on 10 August 2022. This resolution, if passed, will authorise and empower the Directors of the Company from the date of this AGM to the next AGM to offer and grant awards under the Plan and to allot and issue shares, provided that the aggregate number of Shares which may be issued or delivered pursuant to awards granted under the Plan shall not exceed the limits as set out in sub paragraphs (i) and (ii) of agenda item 9 and Ordinary Resolution 8 stated above.

Important Notice of Shareholders Regarding the Conduct of the Company's AGM

1. The AGM will be held in a wholly physical format and pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **There will be no option for shareholders and members to participate virtually.** This Notice of AGM and the accompanying proxy form will be sent to shareholders and members by electronic means via publication on SGXNET at **https://www.sgx.com/securities/company-announcements** and the Company's corporate website at **https://www.hoeleong.com**. Printed copies of this Notice and the accompanying proxy form will NOT be despatched to shareholders and members.

2. Shareholders and members, including CPF investors and SRS investors, may participate in the AGM by:

   (a) attending the AGM in person;

   (b) raising questions at the AGM or submitting questions in advance of the AGM; and/or

   (c) voting at the AGM (i) themselves; or (ii) through their duly appointed proxy(ies).

   For the avoidance of doubt, CPF investors and SRS investors will not be able to appoint third party proxy(ies) (i.e. persons other than the Chairman of the AGM) to vote at the AGM on their behalf.

CPF and SRS investors:

(a) may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks or SRS Operators, and should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies; or

(b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on **18 April 2023**, being seven (7) working days prior to the date of the AGM.

3. Persons who hold shares through relevant intermediaries, other than CPF and SRS investors, and who wish to participate in the AGM by:

(a) attending the AGM in person;

(b) raising questions at the AGM or submitting questions in advance of the AGM; and/or

(c) voting at the AGM (i) themselves; or (ii) appointing the Chairman of the AGM as proxy in respect of the Company's shares held by such relevant intermediary on their behalf,

should contact the relevant intermediary through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

4. A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named.

A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

"**relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Shareholders and members, including CPF and SRS investors, and (where applicable) duly appointed proxies attending the AGM in person, should bring along your NRIC/passport so as to enable the Company to verify your identity. Shareholders and members are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if they are feeling unwell.

6. A proxy need not be a member of the Company.

7. Shareholders and members may appoint the Chairman of the AGM as proxy but this is not mandatory.

8. The instrument appointing a proxy(ies) must be submitted to the Company in the following manner:

(a) **by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814; or**

(b) **by sending a scanned PDF copy via email to the Company at contact@hoeleong.com,**

in each case, **by 9.30 a.m. on 25 April 2023**, being not less than seventy-two (72) hours before the time set for holding the AGM.

9. **Shareholders' Questions and Answers**

Shareholders and members, including CPF and SRS investors, may submit questions relating to the resolutions to be tabled for approval at the AGM in advance of the AGM in the following manner by **21 April 2023** (at least seven (7) calendar days after the date of the Notice of AGM):

(a) **by email to contact@hoeleong.com; or**

(b) **by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814**.

Please state your question(s), your full name, NRIC/Passport/Company Registration No., number of shares held and whether you are a shareholder or a proxy or a corporate representative of a corporate shareholder. All questions without these identification details will not be entertained.

Please note that responses from the Board and management of the Company on substantial and relevant questions received from shareholders and members will be published on the SGXNET at **https://www.sgx.com/securities/company-announcements** and the Company's corporate website at **https://www.hoeleong.com** prior to the AGM.

We will address any subsequent clarifications sought, or substantial and relevant follow-up questions (which are related to the resolutions to be tabled for approval at the AGM) received after the 21 April 2023 cut-off time at the AGM itself.

The minutes of the AGM will be published on the SGXNET and Company's corporate website within one (1) month after the conclusion of the AGM.

10. **Documents for the AGM**

Documents relating to the business of the AGM which comprise the Company's Annual Report for the financial year ended 31 December 2022, as well as the Notice of AGM and the accompanying proxy form have been published and may be accessed on SGXNET at **https://www.sgx.com/securities/company-announcements** and the Company's corporate website at **https://www.hoeleong.com** from 13 April 2023.

Personal data privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Choy Bing Choong and Mr Wee Sung Leng are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 28 April 2023 ("**AGM**") ("**Retiring Directors**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	CHOY BING CHOONG	WEE SUNG LENG
Date of appointment	1 September 2019	29 April 2021
Date of last re-appointment	29 April 2021	Not applicable
Age	57	58
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)	Refer to the disclosures set out under "Board Diversity" and "Process for the selection, appointment and re-appointment of Directors" of the Corporate Governance Report in this Annual Report. The Board concurred with the Nominating Committee's recommendation for the re-appointment of Mr Choy Bing Choong at the AGM.	Refer to the disclosures set out under "Board Diversity" and "Process for the selection, appointment and re-appointment of Directors" of the Corporate Governance Report in this Annual Report. The Board concurred with the Nominating Committee's recommendation for the re-appointment of Mr Wee Sung Leng at the AGM.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Director Remuneration Committee Chairman Audit Committee Member Nominating Committee Member	Independent Director Audit Committee Chairman Remuneration Committee Member
Professional qualifications	Bachelor of Accountancy Degree, National University of Singapore, Fellow Chartered Accountant of Singapore and Member of the Singapore Institute of Directors	Bachelor of Accountancy Degree, National University of Singapore
Working experience and occupation(s) during the past 10 years	March 2020 to present: Director and Group Chief Operating Officer of Natural Cool Holdings Limited July 2014 to February 2020: Chief Investment Officer of Natural Cool Holdings Limited August 2006 to June 2014: Director, Corporate Finance of CIMB Bank Berhad, Singapore Branch	June 2019 to present: Independent Director, Combine Will International Holdings Limited November 2013 to present: Independent Director, Singapore Myanmar Investco Limited May 2018 to June 2019: Chief Financial Officer, MoneyMax Financial Services Ltd. May 2014 to March 2016: General Manager, Head of Group Corporate Affairs, Straits Corporation Pte. Ltd. May 2013 to May 2014: Assistant Vice President, IL&FS Global Financial Services Pte Ltd

	CHOY BING CHOONG	WEE SUNG LENG
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or any of its principal subsidiaries	Nil	Nil
Conflict of interests (including any competing business)	Nil	Nil
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) Or Appendix 7H (Catalist Rule 704(6))	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries?	No	No
Shareholding Details	Not applicable	Not applicable
Other Principal Commitments* including directorships Past (for the last 5 years) Present	Refer to the Director's profile of Mr Choy disclosed under the section titled "Board of Directors" of this Annual Report.	Refer to the Director's profile of Mr Wee disclosed under the section titled "Board of Directors" of this Annual Report.
Information required pursuant to Listing Rule 704(7) under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual	Mr Choy's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".	Mr Wee's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".

* "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance 2018

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HOE LEONG CORPORATION LTD.

(Company Registration No.: 199408433W)
(Incorporated in the Republic of Singapore)

PROXY FORM
FOR ANNUAL GENERAL MEETING

IMPORTANT:
1. The Annual General Meeting ("**AGM**") will be held in a wholly physical format and pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **There will be no option for shareholders and members to participate virtually.** The Notice of AGM dated 13 April 2023 ("**AGM Notice**") and this accompanying Proxy Form will be sent to shareholders and members by electronic means via publication on SGXNET at https://www.sgx.com/securities/company-announcements and the Company's corporate website at https://www.hoeleong.com. Printed copies of the AGM Notice and this accompanying Proxy Form will not be despatched to shareholders and members.
2. Arrangements relating to attendance at the AGM by shareholders and members, including CPF and SRS investors, submission of questions by shareholders and members, including CPF and SRS investors, in advance of, or at, the AGM, addressing of substantial and relevant questions in advance of, or at, the AGM, and voting at the AGM by shareholders and members, including CPF and SRS investors, or (where applicable) duly appointed proxy(ies), are set out in the AGM Notice.
3. Please read the notes overleaf which contain instructions on, inter alia, the appointment of proxy(ies).
4. Pursuant to Section 181(1C) of the Companies Act 1967, relevant intermediaries may appoint more than two proxies to attend, speak and vote at the AGM.
5. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF and SRS investors. CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April.2023.
6. Persons who hold shares through relevant intermediaries, other than CPF and SRS investors, and who wish to appoint the Chairman of the AGM as proxy, should approach the relevant intermediary to submit their votes.

(PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

I/We ____________________ (Name) ____________________ (*NRIC/Passport/Co Reg No.)

of ____ (Address)

being a member/members of **HOE LEONG CORPORATION LTD.** (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing *him/her, the Chairman of the Annual General Meeting (the "**AGM**") as *my/our proxy/proxies to attend, speak or vote for *me/us on *my/our behalf at the AGM of the Company to be held at Lifelong Learning Institute, 11 Eunos Road 8 Singapore 408601 (Book Hall 2 of Level 4 Lobby A) on Friday, 28 April 2023 at 9.30 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against or to abstain from voting on the Resolutions to be proposed at the AGM as indicated below. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

Resolution No.	Ordinary Resolutions	For	Against	Abstain
Resolution 1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022.			
Resolution 2	Re-election of Mr Choy Bing Choong as a director.			
Resolution 3	Re-election of Mr Wee Sung Leng as a director.			
Resolution 4	Approval of Directors' fee of S$135,000 for the financial year ending 31 December 2023.			
Resolution 5	Re-appointment of PKF-CAP LLP as Auditor.			
Resolution 6	Authority to issue shares.			
Resolution 7	Authority to issue shares to the Executive Chairman which forms part of his remuneration package.			
Resolution 8	Authority to grant awards and issue shares under the Hoe Leong Performance Share Plan.			

Please indicate your vote "**For**" or "**Against**" with a tick [√] within the box provided for each resolution. If you wish your proxy/proxies to abstain from voting on a resolution, please indicate with a tick [√] in the "**Abstain**" box provided in respect of that resolution.

Signed this ______ day of ______________ 2023.

Total Number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature(s) of Shareholder(s) or Common Seal

*Delete accordingly

IMPORTANT:

Please read the notes overleaf:

Notes:

1. Except for a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act 1967 of Singapore ("**Companies Act**"), a member of the Company entitled to attend, speak and vote at the Annual General Meeting ("**AGM**") is entitled to appoint not more than two (2) proxies to attend, speak and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two (2) proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

3. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

4. A member can appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory.

5. A proxy need not be a member of the Company.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its constitution and Section 179 of the Companies Act.

8. The instrument appointing a proxy(ies) must be submitted to the Company in the following manner:

   (a) by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814; or
   (b) by sending a scanned PDF copy via email to the Company at contact@hoeleong.com,

   in each case, by 9.30 a.m. on 25 April 2023, being not less than seventy-two (72) hours before the time set for holding the AGM.

9. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

11. Completion and submission of the instrument appointing a proxy(ies) by a member will not prevent him/her from attending, speaking and voting at the AGM if he/she so wishes. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

12. For purposes of the appointment of a proxy(ies) and/or representative(s), the member(s)' and the proxy(ies)' or representative(s)' full name and full NRIC/passport number will be required for verification purposes, and the proxy(ies)' or representative(s)' NRIC/passport will need to be produced for sighting upon registration at the AGM. This is so as to ensure that only duly appointed proxy(ies)/representative(s) attend, speak and vote at the AGM. The Company reserves the right to refuse admittance to the AGM if the proxy(ies)' or representative(s)' identity cannot be verified accurately.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HOE LEONG CORPORATION LTD.
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