Hoe Leong Corporation Ltd.

CONSOLIDATING STRENGTHS BUILDING RESILIENCE

ANNUAL REPORT 2021

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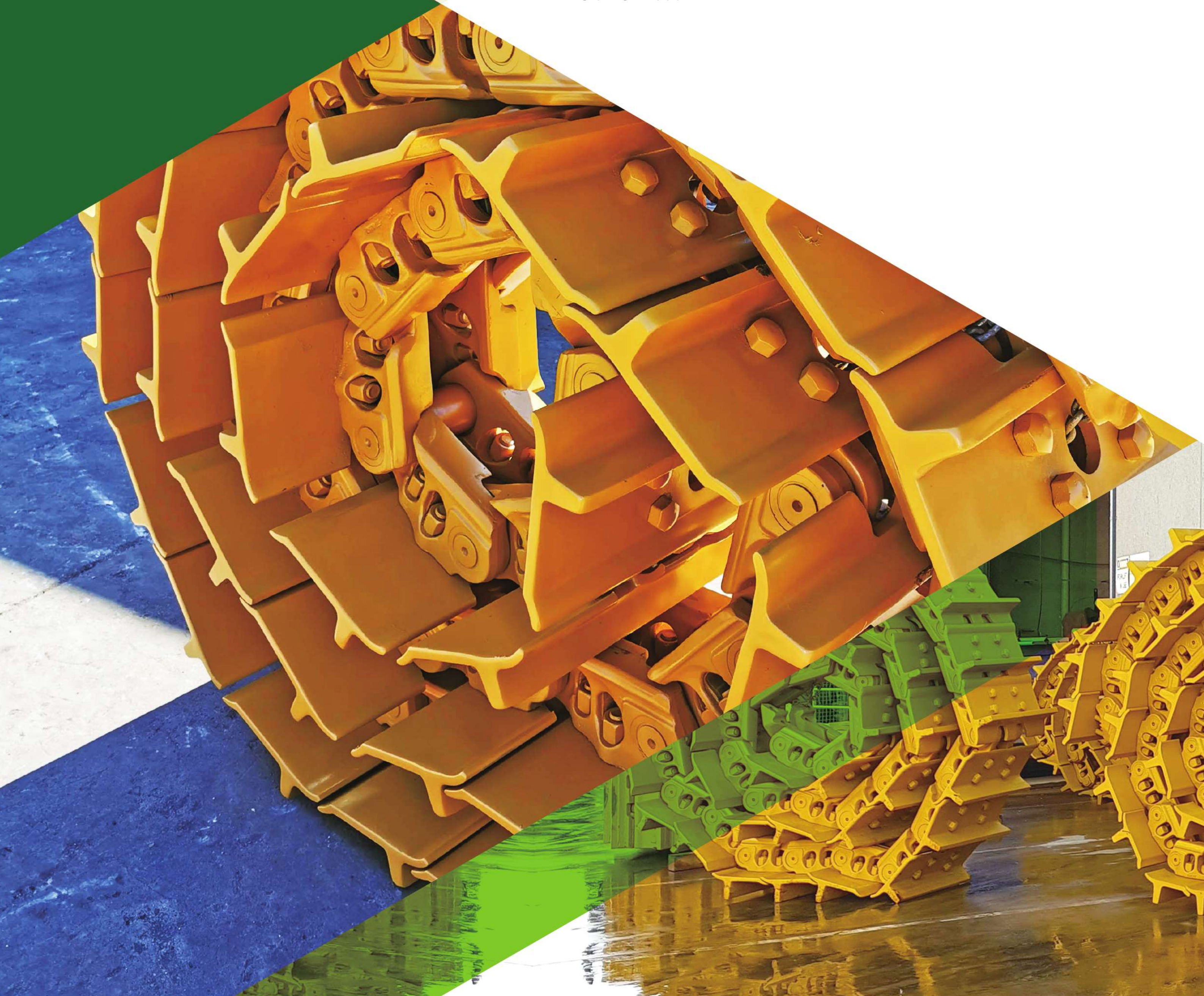
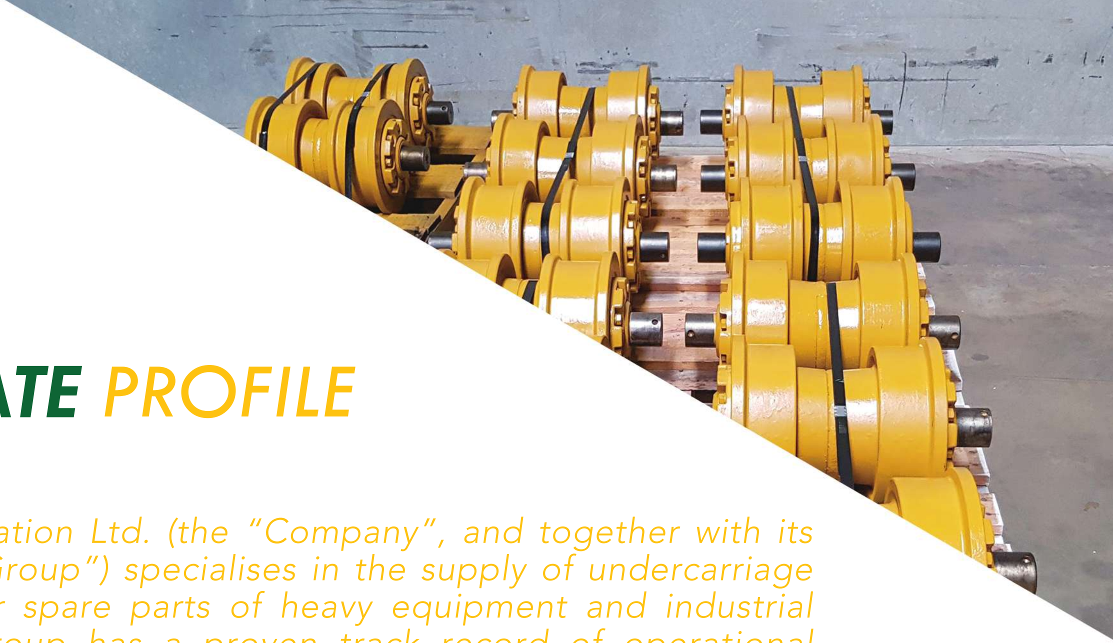




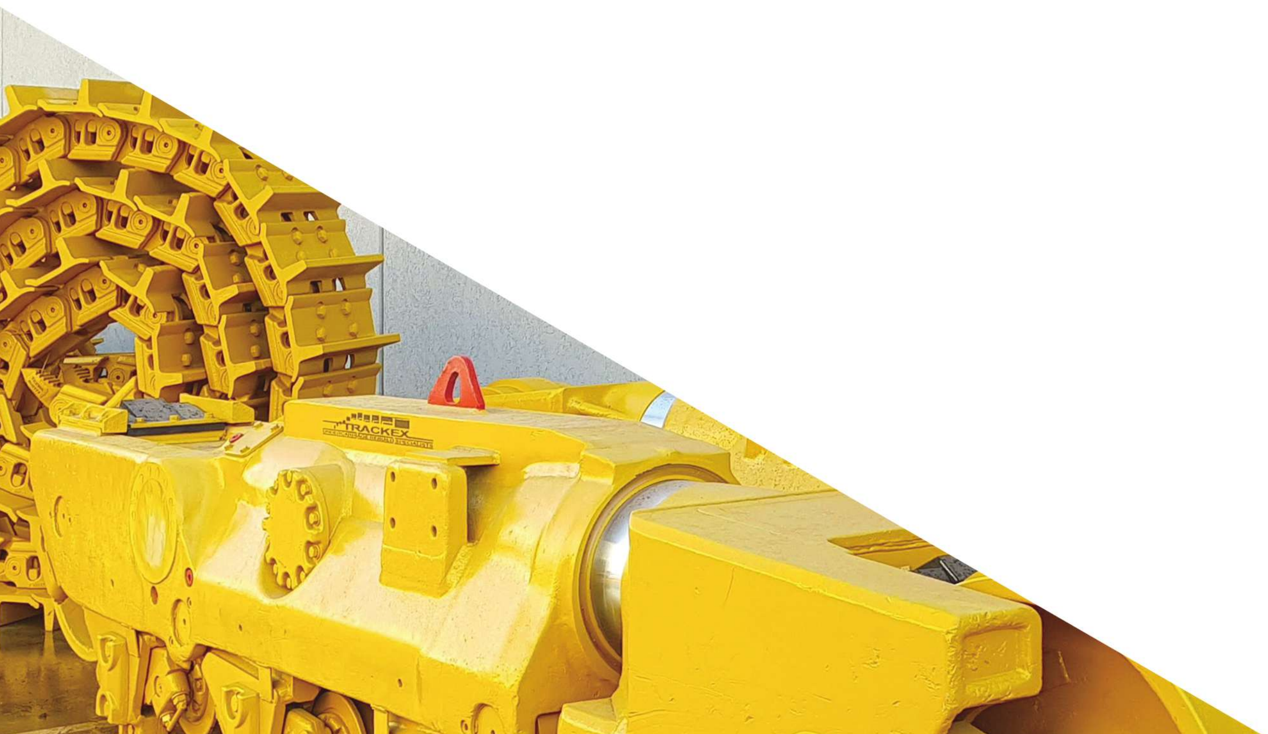
CORPORATE PROFILE

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

"We will continue to forge ahead in the Company's turnaround journey and build a more resilient and sustainable Hoe Leong for all our stakeholders."

DEAR SHAREHOLDERS,

On behalf of the Board of Directors 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 2021 ("FY2021").

FINANCIAL PERFORMANCE

The Group registered revenue of S$45.5 million for FY2021 compared to S$43.2 million during the financial year ended 31 December 2020 ("FY2020"). The slight increase in revenue was mainly due to increases in the selling prices of our undercarriage products to cope with increases of raw material costs. As the world emerged from its pandemic-induced slump, strong demand for raw materials led to increases in overall material prices. While we adjusted selling prices to manage some of the increased material costs, it was not enough to offset the higher overall production cost which resulted in a lower gross profit of S$7.0 million compared to S$8.1 million recorded in FY2020.

The pandemic also affected global supply chain logistics which was made worse by the Suez Canal blockage in March 2021, resulting in higher shipping costs in the ensuing months. To address these challenges, the Group continued to pursue cost management measures and made significant progress in the disposal of slow-moving and obsolete inventories. During FY2021, the Group cleared large volume of old inventories and reversed allowance for impairment of inventories by S$1.7 million (FY2020: S$0.9 million). The Group intends to continue to focus on these initiatives to free-up warehousing space and reduce associated costs in the short to medium term.

During FY2021, the Group also managed to recover debts amounting to S$0.6 million which were previously impaired. Including reversal of litigation provision of S$3.0 million and profit from deconsolidation of discontinued operations of S$1.1 million, we managed to maintain approximately the same level of net profit attributable to shareholders of S$2.1 million in FY2021 as compared to FY2020.

CHAIRMAN'S STATEMENT

EQUIPMENT PARTS BUSINESS

Despite the challenges arising from COVID-19 mandated travel restrictions, our sales team in Singapore and around the region continued to prospect for new customers and organised regular dialogues with our existing customers to gain better understanding of their needs and the market conditions and build rapport. Our objectives were to improve the Group's market position and further diversifying our customer base. During FY2021, we continued to receive bulk orders from several reputable track chains distributors from North America and Europe.

The Queensland branch of Trackspares (Australia) Pty Ltd saw high turnover of sales staff in the first half of 2021, resulting in decreased sales in our Australian market, from S$14.7 million in FY2020 to S$9.8 million in FY2021. The management of the branch had since been reorganised and there have been more stability in the sales department and the workshop.

The Group's manufacturing facility at Kunshan City (China) was relocated to a new premise within Kunshan City in December 2021. During this period of transition arising from the relocation, the Group will work closely with other third-party suppliers to fulfil its customers' orders and mitigate any potential disruption.

In January 2022, the Company launched its revamped website which incorporated customer-centric design and features, enabling customers to locate with ease the information they need, including the Company's corporate governance practices and disclosures, which facilitates improved interaction with the Company.

Liquidation of the last 3 subsidiaries under the vessel chartering segment commenced in April 2021. With this, the Group completely exited the vessel chartering business and is able to focus on driving growth for the equipment parts business.

STRENGTHENING OUR FINANCIAL POSITION

FY2021 was an extraordinary year not only for the Company but for the global market with the ongoing Covid-19 pandemic and the emergence of new variants, exacerbating the tough operating environment that the Group operates in. Despite the challenges, the Board and the management continued to work tirelessly to restructure with an emphasis to complete the Proposed Transactions (as defined in the Company's SGXNet announcement dated 21 December 2020) and seek avenues to improve profitability and liquidity.

With the support of the shareholders and the Board, the Company completed the issuance of a S$3.0 million convertible loan note and the grant of a S$9.0 million option to an investor, Shing Heng Holding Pte. Ltd. ("SHHPL"), and the conversion of vessel-related bank loans amounting to S$1.9 million into ordinary shares and convertible bond of the Company. In the light of the Company being reinstated as a going concern following the completion of the Proposed Transactions, trading of the Company's shares on the SGX Mainboard resumed on 25 June 2021.

As at 31 December 2021, SHHPL had disbursed 2 tranches of bridging loans accumulatively amounting to S$4.0 million. On 25 March 2022, SHHPL converted the S$3 million convertible loan note and exercised S$7.2 million of the option. On the same day, a S$0.8 million convertible bond was converted by United Overseas Bank Limited into shares. 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 would be used for working capital purposes and to strengthen our core businesses through the enhancement of our operational capacity.

WORDS OF APPRECIATION

The Group had remained resilient during 2021, possible with the wise counsel of the Board of Directors and hard work by the management and staff. I would thus like to thank my fellow directors for their enthusiastic participation and strong contributions during our Board discussions and our staff for taking the lead in the execution of various initiatives and staying the course. Lastly, on behalf of the Group, I wish to express our sincere gratitude to our customers, suppliers and shareholders for the unwavering support and trust. We will continue to forge ahead in the Company's turnaround journey and build a more resilient and sustainable Hoe Leong for all our stakeholders.

Liew Yoke Pheng Joseph
Executive Chairman and CEO

BOARD OF DIRECTORS

***Mr Liew Yoke Pheng Joseph** | Age 66 | Executive Chairman and CEO*

Mr Liew Yoke Pheng Joseph was appointed as Executive Director on 23 October 2019 and was appointed as Chief Executive Officer ("CEO") and Executive Chairman on 25 October 2019 and 1 November 2019 respectively. His appointments were ratified in an extraordinary general meeting on 4 September 2020.

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 Zhong Xin Pharmaceutical Group Corporation Limited Independent Director, Lew Foundation Treasurer, Char Yong (Dabu) Foundation	Shanghai Turbo Enterprises Ltd Innovalues Limited 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 54 | Executive Director (Business Development)*

Mr Yeo Puay Hin was appointed as Executive Director on 23 June 2021.

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.

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.

Directors 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	Senior Director, Programme Management Office (Asia Pacific/Central Europe/Middle East/Africa), Visa Inc.

Mr Choy Bing Choong | *Age 56* | *Lead Independent Director*

Mr Choy Bing Choong was appointed as Independent Director on 1 September 2019 and was appointed as the Lead Independent Director on 1 November 2019. He was last re-elected on 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)**
Hiap Tong Corporation Ltd Zhongmin Baihui Retail Group Ltd Natural Cool Holdings Limited	HMK Energy Pte Ltd P.T. Harpindo Mitra Kharisma HMK Investments Ltd. Neo Group Limited

Mr Lee Chin Chai | *Age 50* | *Independent Director*

Mr Lee Chin Chai was appointed as Independent Director on 1 November 2019 and was last re-elected on 24 June 2020.

He was most recently CEO of AWWA, a social service agency, which provides life cycle services to more than 10,000 clients and has a staff strength exceeding 650. He holds membership on various Boards and management committees to render his expertise in strategy and transformation, audit and finance management, human resources and remuneration and operations management. He has more than 20 years of experience in transforming and growing businesses both in Singapore and across the Asia Pacific region and had taken on various executive leadership roles with multinational companies.

Mr Lee graduated with a Bachelor of Science Degree from the National University of Singapore in 1997 and has a Master of Science Degree from the CUNY Baruch College. He 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, iConnecx Pte Ltd Board member and Chairman (Audit Committee) of: – New Hope Community Service – St Francis Methodist School	Audit Committee Chairman, Trinity Theological College Chief Executive Officer, AWWA

Wee Sung Leng | *Age 57* | *Independent Director*

Mr Wee Sung Leng was appointed as Independent Director on 29 April 2021.

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.

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

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
General Manager
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 Branch Manager (Western Australia) of TSA in August 2019. He was promoted to General Manager of TSA in September 2021. 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.

Goh Chu Haw
Director
Ho Leong Tractors Sdn Bhd ("HLT")

Mr Goh joined HLT as General Manager in April 2007 and was appointed Director on October 2020. He has more than 25 years of experience in the heavy equipment business. Before joining HLT, he was with a Caterpillar dealer for Malaysia and undertook various roles ranging from information technology, service, parts sales, branch management, engine marketing and product management. Mr Goh holds a Degree in Computer Science and Economics from Keele University, United Kingdom.

* Executive officers/ Key management personnel

GROUP STRUCTURE

Hoe Leong Corporation Ltd.
UEN: 199408433W

- **TRACKSPARES GLOBAL PTE. LTD.** — 100%
  UEN: 202100912W
  (Singapore)
  - **HOE LEONG CRAWLER PARTS PTE. LTD.** — 100%
    UEN: 201536676R
    (Singapore)
  - **TRACKSPARES (AUSTRALIA) PTY. LTD.** — 100%
    UEN: ABN 79 152 227 891
    (Australia)
    - **TRACKEX PTY. LTD.** — 100%
      UEN: ABN 79 152 227 891
      (Australia)
  - **KOREA CRAWLER TRACK LTD.** — 100%
    UEN: 194211-0179011
    (South Korea)
  - **JIANGSU TRACKSPARES MANUFACTURING CO., LTD** — 100%
    UEN: 320583000202112070159
    (China)
- **HO LEONG TRACTORS SDN. BHD.** — 100%
  UEN: 198701000588 (159255-V)
  (Malaysia)
- **KUNSHAN KANTO BUHIN MANUFACTURING CO., LTD.** — 100%
  UEN: 913205837890552517
  (China)
- **PT TRACKSPARE** — 99%
  (Dormant)
  (Indonesia)

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	FY2021 S$'000	FY2020 S$'000	Increase/(Decrease) S$'000	%
Continuing operations				
Revenue	45,457	43,168	2,289	5.3
Cost of sales	(38,409)	(35,115)	3,294	9.4
Gross profit	7,048	8,053	(1,005)	(12.5)
Other income	3,604	1,382	2,222	160.8
Distribution expenses	(4,286)	(3,147)	1,139	36.2
Administrative expenses	(4,923)	(5,078)	(155)	(3.1)
Other expenses	(669)	(1,227)	(558)	(45.5)
Allowance for impairment loss on trade receivables	560	(231)	N.M	N.M
Results from operating activities	1,334	(248)	N.M	N.M
Finance costs	(587)	(519)	68	13.1
Profit/(Loss) before income tax	747	(767)	N.M	N.M
Income tax income/(expense)	258	(183)	N.M	N.M
Profit/(Loss) from continuing operations	1,005	(950)	N.M	N.M
Discontinued operation				
Profit from discontinued operation (net of tax)	1,063	3,036	(1,973)	(65.0)
Profit for the year	2,068	2,086	(18)	(0.9)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising from foreign operations	(650)	786	N.M	N.M
Other comprehensive income, net of income tax	(650)	786	N.M	N.M
Total comprehensive income for the year and attributable to owners of the Company	1,418	2,872	(1,454)	(50.6)

N.M = Not meaningful

REVENUE

The Group registered revenue of S$45.5 million during FY2021 compared to S$43.2 million during FY2020, a marginal increase of S$2.3 million or 5.3%. Revenue derived from sales of the Group's products in certain markets (e.g. USA) improved during the FY2021 mainly due to increase in selling prices to cover increase in raw material costs. Business volume in Australia was lower during FY2021, affected by turnover of sales staff in the Group's Queensland branch.

COST OF SALES

Cost of sales increased by S$3.2 million or 9.4% to S$38.4 million during FY2021 from S$35.1 million during FY2020. Gross profit ("GP") was S$7.0 million (GP margin: 15.5%) in FY2021 and S$8.1 million (GP margin: 18.7%) in FY2020. The increase in cost of sales and resultant reduction in GP and GP margin were mainly due to increases in raw material prices.

OTHER INCOME

Other income increased by S$2.2 million to S$3.6 million during FY2021 from S$1.4 million during FY2020. The increase was mainly due to a reversal of provision for litigation compensation of S$3.0 million in relation to ongoing litigation. The reversal was made following management's assessment taking into consideration recent developments and various legal and financial opinions received. The financial effects of the above was partially offset by lower government grant income (relating to Covid-19 relief measures by governments) received during FY2021.

DISTRIBUTION EXPENSES

Distribution expenses increased by S$1.2 million or 36.2% to S$4.3 million during FY2021 from S$3.1 million during FY2020. The increase was mainly due to increase in freight costs.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by S$0.2 million or 3.1% to S$4.9 million during FY2021 from S$5.1 million during FY2020. During FY2021, the Group reversed provision for legal and professional fee amounting to S$0.5 million made in prior years as the matters for which they have been provided for has been resolved/completed. There was also a decrease in legal and professional fee by S$0.1 million as there were fewer corporate activities undertaken during FY2021. The above decreases were partially offset by a S$0.4 million increase in payroll costs, mainly due to a one-off gratuity payment made to employees of subsidiary, Kunshan Kanto Buhin Manufacturing Co., Ltd ("KKBM") arising from the relocation of premise and in recognition of the employees' years of service to KKBM.

OTHER EXPENSES

Other expenses decreased by S$0.5 million to S$0.7 million during FY2021 from S$1.2 million during FY2020. This was mainly due to decrease in repair and maintenance costs by S$0.3 million, increase in allowance written back for slow-moving inventories by S$0.7 million and foreign currency exchange gain of S$0.1 million (FY2020: Loss of S$0.2 million). The above effects on other expenses were partially offset by increase in rental expense by S$0.1 million and increase in inventories written off by S$0.2 million. In FY2020, there was also a reversal of cost provision for branch closure of subsidiary, Trackspares (Australia) Pty Ltd, amounting to S$0.5 million as the said branch was not closed eventually. There is no such reversal in FY2021.

IMPAIRMENT LOSS ON TRADE RECEIVABLES

During FY2021, there were recovery of trade receivables which were impaired in prior years contrary to FY2020 when additional allowance for impairment of trade receivables were made.

FINANCE COSTS

Finance costs for FY2021 and FY2020 were S$0.6 million and S$0.5 million respectively. While decreases in term loan balances (including vessel-related bank loans) and decrease in interest rates have the effect of reducing finance costs, there were higher utilisation of trade financing facilities during FY2021 to secure the purchase of steel resulting in higher amount of interest incurred.

PROFIT OR LOSS BEFORE TAX

For FY2021, profit before income tax was S$0.7 million while a loss before income tax of S$0.8 million was registered in FY2020. The higher profit before tax was due to the reversals of other provision and certain administrative expenses amounting to S$3.5 million, if excluded would reflect an adjusted loss before tax of S$2.8 million. The higher adjusted loss before tax was mainly due to higher raw material costs, increased distribution expense due to higher freight costs and lower amount of Covid-19-related government grants received during FY2021, which were partially offset by higher reversal of impairment allowance on inventories and trade receivables during FY2021.

INCOME TAX INCOME/(EXPENSE)

Income tax income recorded for FY2021 was mainly due to tax refundable to subsidiaries, Trackspares (Australia) Pty Ltd and Trackex Pty Ltd, arising from loss carry back measures introduced by the Australian Taxation Office in 2021.

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2021 S$'000	As at 31 December 2020 S$'000	Increase/(Decrease) S$'000	%
ASSETS				
Property, plant and equipment	8,750	10,550	(1,800)	(17.1)
Deferred tax assets	657	650	7	1.1
Non-current assets	9,407	11,200	(1,793)	(16.0)
Inventories	18,321	17,516	805	4.6
Trade and other receivables	15,371	10,142	5,229	51.6
Cash and cash equivalents	3,044	3,105	(61)	(2.0)
Current assets	36,736	30,763	5,973	19.4
Total assets	46,143	41,963	4,180	10.0
EQUITY				
Share capital	115,601	114,461	1,140	1.0
Treasury shares	(55)	(55)	–	–
Convertible bond	834	–	834	N.M
Currency translation reserve	(743)	(93)	(650)	(698.9)
Other reserves	638	–	638	N.M
Accumulated losses	(102,234)	(104,302)	(2,068)	(2.0)
Total equity	14,041	10,011	4,030	40.3
LIABILITIES				
Loans and borrowings	10,201	6,050	4,151	68.6
Convertible loan	2,458	–	2,458	N.M
Deferred tax liabilities	39	39	–	–
Non-current liabilities	12,698	6,089	6,609	108.5
Trade and other payables	8,668	10,737	(2,069)	(19.3)
Loans and borrowings	10,148	11,519	(1,371)	(11.9)
Other provision	588	3,588	(3,000)	(83.6)
Current tax payable	–	19	(19)	N.M
Current liabilities	19,404	25,863	(6,459)	(25.0)
Total liabilities	32,102	31,952	150	0.5
Total equity and liabilities	46,143	41,963	4,180	10.0

NON-CURRENT ASSETS

Non-current assets decreased by S$1.8 million from S$11.2 million as at 31 December 2020 to S$9.4 million as at 31 December 2021. The decrease was mainly due to decrease in property, plant and equipment by S$1.8, mainly attributable to depreciation.

CURRENT ASSETS

Current assets increased by S$5.9 million from S$30.8 million as at 31 December 2020 to S$36.7 million as at 31 December 2021. The increase was mainly due to increase in inventories and trade and other receivables by S$0.8 million and S$5.2 million respectively.

The increase in trade receivables was mainly due to the Group securing more bulk orders where customers require longer repayment terms. As a result, trade receivables turnover was higher at 99 days as at 31 December 2021 compared to 70 days as at 31 December 2020. There was also increases in advance payment to suppliers to secure the availability of raw materials in view of the increased demand and resultant shortage of steel supply.

The increase in inventories was mainly due to the increased cost of raw materials (e.g. steel). Inventories turnover was 174 days as at 31 December 2021 compared to 183 days as at 31 December 2020.

NON-CURRENT LIABILITIES

Non-current liabilities increased by S$6.6 million from S$6.1 million as at 31 December 2020 to S$12.7 million as at 31 December 2021. The increase was mainly due to drawdown of a S$3 million convertible loan from Shing Heng Holding Pte Ltd ("SHHPL"). Equity portion of the convertible loan amounting to S$0.6 million was reclassified to other reserves during FY2021. The increase was also due to increase in S$3.0 million of other borrowings from SHHPL. Non-current liabilities as at 31 December 2021 include S$2.4 million of bank borrowings which were classified in current liabilities due to breach of certain bank covenants as at 31 December 2020. As at 31 December 2021, there is no breach of bank covenants. The above increases were partially offset by reclassification of S$1.0 million bridging loan from SHHPL from non-current liabilities to current liabilities and decrease in lease liabilities by S$0.4 million.

CURRENT LIABILITIES

Current liabilities decreased by S$6.5 million from S$25.9 million as at 31 December 2020 to S$19.4 million as at 31 December 2021. The decrease was mainly due to a derecognition of trade and other payables of S$1.4 million in the books of former subsidiaries under vessel chartering segment upon the commencement of liquidation during 2Q 2021, reversal of provision for litigation compensation of S$3.0 million and reversal of provision of certain administrative expenses of S$0.5 million. S$1.9 million of bank borrowings are converted to share capital and convertible bond during a debt conversion exercise in June 2021. On 31 December 2020, S$2.8 million of non-current portion of bank borrowings were classified in current liabilities due to breach of certain bank covenants as at 31 December 2020. As at 31 December 2021, the Group complied with all bank covenants and no non-current portion of bank borrowings are classified in the current portion. During FY2021, lease liabilities decreased by S$0.3 million. The above decreases were partially offset by a net drawdown of bank borrowings amounting to S$2.7 million and reclassification of S$1.0 million bridging loan from SHHPL from non-current liabilities to current liabilities. Trade payables' turnover was 33 days as at 31 December 2021 and 36 days as at 31 December 2020.

PROPERTIES HELD BY THE GROUP

Address	**55 Greenwich Parade, Neerabup, Western Australia 6031**	**455 Jisu-Myeon, Jinju City, Gyeongnam, South Korea**	**No. 16 Jalan Firma 2/1, Kawasan Perindustrian Tebrau I, 81100 Johor Bahru, Malaysia**
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	Two factory buildings with annexed 2-storey office buildings; and other ancillary structures
Purpose to the Group	Western Australia branch office of TSA	Manufacturing facility of KCT	Rental to a related party
Tenure of land	Freehold	Freehold	Freehold
Estimated area			
– Land ('000 sf)	41	135	75
– Floor ('000 sf)	25	57	46
Purchase price of land (S$'000)	1,136	1,725	164
Development and directly attributable costs (S$'000)	2,013	3,342	972
Carrying amount as at 31 December 2021 (S$'000)	1,810	4,011	620
Open market valuation as at 31 December 2021 (S$'000)	1,931	4,141	3,395

CORPORATE INFORMATION

BOARD OF DIRECTORS

LIEW YOKE PHENG JOSEPH
Executive Chairman and CEO

YEO PUAY HIN
Executive Director (Business Development)

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/ PRINCIPAL PLACE OF BUSINESS

6 Clementi Loop
Singapore 129814
T: +65 6463 8666
F: +65 6464 7183

SHARE REGISTRAR

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

DATE OF LISTING

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

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 2021 ("**FY2021**"). This report describes the Company's sustainability practices with reference to the primary components set out in Listing Rule 711B of the SGX-ST 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.

Sustainability reporting enables us to build business resilience by identifying and responding to material risks and opportunities. The management determines the material economic, environmental, social and governance ("**EESG**") factors concerning our business. The Board oversees the management and monitoring of the material EESG factors and considers sustainability issues when formulating the Group's strategic direction and policies.

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: Core option and covered the sustainability values and performance of our Group for FY2021.

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

ACCESSIBILITY

The sustainability report forms part of the Company's Annual Report for FY2021 ("**Annual Report 2021**") and should be read in conjunction with Annual Report 2021.

The Company's Sustainability Team, consisting of our Executive Directors, Mr Liew Yoke Pheng Joseph and Mr Yeo Puay Hin, and our Executive Officers, Mr Wu Peicong and Mr Chin Yon Fei, are committed to listening to our stakeholders and welcome feedback on this report and with regards to our sustainability efforts. Please send us your comments and suggestions to: contact@hoeleong.com.

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 a globally regarded name in manufacturing and supply of engine and undercarriage parts for heavy machinery and equipment in our involved industries

Mission:

– To accomplish our vision through firm dedication to quality products and excellent customer service.
– To achieve sustainable financial growth through efficient financial management and strong corporate governance.
– To enhance shareholder value through diversification of our product range.
– To enhance customer satisfaction through distinctive value add propositions with strong focus on product quality and excellent customer services.
– To attract, develop and retain motivated and competent staff focused on achieving our goals.

APPROACH TO SUSTAINABILITY

Sustainability Reporting Process

The Group strives to achieve our sustainability goals through the following approaches:

Corporate 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.

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 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 Group's Human Resources Department.

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.

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, 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.

Whistle-Blowing Policy

The Group also has in place a whistle-blowing policy which is available on the Company's website. All concerns about possible improprieties can be communicated directly to the Audit Committee via: whistleblowing@hoeleong.com.

No significant matter was raised through the Group's whistle-blowing channels during FY2021.

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.

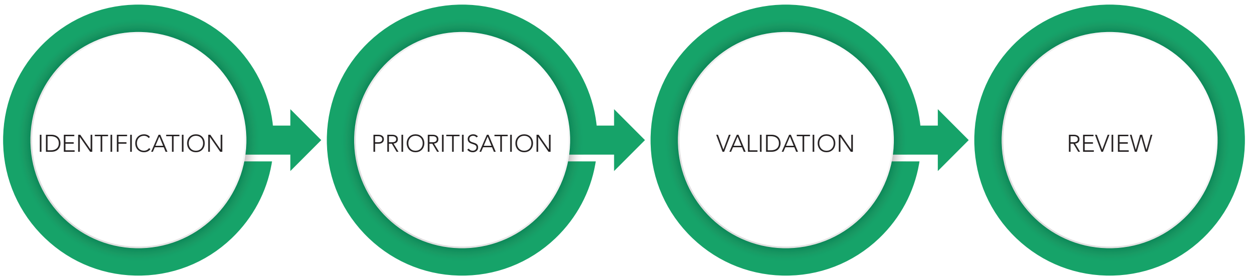
The concerns and key topics of interest of the key stakeholders of the Group were evaluated regularly by the Sustainability Team. The Group adopts both formal and informal engagement channels to understand the needs of key stakeholders.

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 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 of the SGX-ST. 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 – 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 meetings with suppliers and vendors – Quotations – Suppliers' evaluation

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

Our sustainability process begins with the identification of relevant aspects. Relevant aspects 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 the Sustainability Report.



The sustainability team, 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 team examines the significance of the EESG factor's economic, environmental and social impacts and its influence on stakeholders.

Reference	Material factors	Pillar
1	Economic performance	Economic
2	Energy consumption	Environmental
3	Occupational health and safety	Social
4	Corporate governance	Governance

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.

During FY2021, the Group received government grants amounting to S$171,000 (FY2020: S$935,000). These are mainly relating to COVID-19 relief measures by governments, such as Jobs Credit Scheme in Singapore and JobKeeper Payment Scheme in Australia.

For detailed financial results, please refer to the following sections in Annual Report 2021:

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

ENVIRONMENTAL

Energy Consumption

The sustainability team assessed the environmental effects of the Group's manufacturing activities in South Korea and China and concluded that energy consumption to be the largest contributor to the Group's environment footprint and will be working with the management of our overseas manufacturing facilities to implement initiatives to consume energy more efficiently and devise/select suitable efficiency indexes to keep track of our energy consumption.

SOCIAL

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 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 Kunshan Kanto Buhin Manufacturing Co., Ltd ("KKBM" – 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 KKBM.

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 Human Resources ("**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.

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE

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 FY2021, we continued to adhere to the principles and provisions of the Code of Corporate Governance 2018. Please refer to 'Corporate Governance Report' section of Annual Report 2021 for the Company's corporate governance values and practices.

OUR PEOPLE

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.

Human Resource Statistics

As at 31 December 2021, the Group has 143 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 HR personnel of our various group entities, a further breakdown of our workforce as at the end of our reporting periods are as follows:

Gender	FY2021		FY2020	
	Number	%	Number	%
Male	105	73	109	72
Female	38	27	42	28
Total	**143**	**100**	**151**	**100**

Nationality	FY2021		FY2020	
	Number	%	Number	%
Singaporean	11	8	14	9
South Korean	49	34	45	30
Chinese	24	17	29	19
Malaysian	29	20	30	20
Australian	23	16	24	16
Others	7	5	9	6
Total	**143**	**100**	**151**	**100**

Length of service	FY2021		FY2020	
	Number	%	Number	%
Less than 5 years	69	48	74	49
5 years and above	74	52	77	51
Total	**143**	**100**	**151**	**100**

Board Diversity

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

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 about the Company's Board diversity practices, please refer to our commentaries under Provision 2.4 of 'Corporate Governance Report' section of Annual Report 2021.

PERFORMANCE REVIEW AND TARGET SETTING

During FY2021, there is no major workplace accidents which resulted in serious injury, death or censuring by relevant authorities and no occupational disease is reported. There is also 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 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.

GRI Content Index			
GRI Standard	Disclosure	Annual report section reference	Remarks
General Disclosures (GRI 102: General Disclosures 2016)			
1. Organisational Profile			
102-1	Name of the organisation	Cover Page	–
102-2	Activities, brands, products, and services	Corporate Profile Notes 1, 5 and 22 to the Financial Statements	–
102-3	Location of headquarters	Corporate Information	–
102-4	Location of operations	Group Structure Our Offices	–
102-5	Ownership and legal form	Statistics of Shareholdings	–
102-6	Markets served	Corporate Profile Group Structure Notes 17 and 22 to the Financial Statements	–
102-7	Scale of the organisation	Corporate Profile Group Structure Financial Review Financial Statements Statistics of Shareholdings Our Offices	–
102-8	Information on employees and other workers	Sustainability Report: "Our People"	–
102-9	Supply chain	Corporate Profile	–
102-10	Significant changes to the organisation and its supply chain	–	There is no significant change to the supply chain that can cause or contribute to significant economic, environmental and social impacts during the reporting period.
102-11	Precautionary principle or approach	Corporate Governance Report: Principle 9 Sustainability Report: "Approach to Sustainability"	–
102-12	External initiatives	–	Other than GRI, the Group does not adopt any externally-developed economic, environmental and social charters, principles or other initiatives.

GRI Content Index			
GRI Standard	**Disclosure**	**Annual report section reference**	**Remarks**
102-13	Membership of associations	Sustainability Report: "Organisational Profile"	–
2. Strategy			
102-14	Statement from senior decision-maker	Chairman's Statement Sustainability Report: "Board Statement"	–
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Sustainability Report: "Organisational Profile"; and "Approach to Sustainability"	–
4. Governance			
102-18	Governance structure	Corporate Information Corporate Governance Report Sustainability Report: "Approach to Sustainability"	–
5. Stakeholder engagement			
102-40	List of stakeholder groups	Sustainability Report: "Stakeholder Engagement"	–
102-41	Collective bargaining agreements	–	No employee of the Group is covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Sustainability Report: "Stakeholder Engagement"	–
102-43	Approach to stakeholder engagement	Sustainability Report: "Stakeholder Engagement"	–
102-44	Key topics and concerns raised	Sustainability Report: "Stakeholder Engagement"	–
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Group Structure Note 5 to the Financial Statements	–
102-46	Defining report content and topic boundaries	Sustainability Report: "Board Statement"; and "Materiality Assessment"	–
102-47	List of material topics	Sustainability Report: "Materiality Assessment"	–

GRI Content Index			
GRI Standard	**Disclosure**	**Annual report section reference**	**Remarks**
102-48	Restatements of information	–	There is no restatement of information.
102-49	Changes in reporting	–	There is no significant change from previous reporting period in the list of material topics and topic boundaries.
102-50	Reporting period	Sustainability Report: "Board Statement"; and "Reporting Methodology"	–
102-51	Date of most recent report	–	14 April 2021.
102-52	Reporting cycle	Sustainability Report: "Board Statement"	Annual.
102-53	Contact point for questions regarding the report	Sustainability Report: "Accessibility"	–
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report: "Reporting Methodology"	–
102-55	GRI content index	Sustainability Report: "GRI Content Index"	–
102-56	External assurance	Sustainability Report: "Reporting Methodology"	This report is not externally assured.
Material Topics (GRI 103: Management Approach 2016)			
103-1	Explanation of the material topic and its boundaries	Sustainability Report: "Economic", "Environmental", "Social", "Governance"	–
103-2	The management approach and its components		
103-3	Evaluation of management approach		
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	Not applicable	Climate change is not expected to generate substantive changes in operations, revenue or expenditure.

GRI Content Index			
GRI Standard	**Disclosure**	**Annual report section reference**	**Remarks**
201-3	Defined benefit plan obligations and other retirement plans	Note 19 to the Financial Statements	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	Sustainability Report: "Economic" Note 19 to the Financial Statements	–
Material Topics (GRI 302: Energy 2016)			
302-1	Energy consumption within the organization	Information unavailable	The Group will establish its energy consumption and efficiency indexes to track its carbon footprint consistently.
302-2	Energy consumption outside the organization		
302-3	Energy intensity		
302-4	Reduction of energy consumption		
302-5	Reduction in energy requirements of products and services		
Material Topics (GRI 403: Occupational Health and Safety 2018)			
403-1	Occupational health and safety management system	Sustainability Report: "Social"	–
403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report: "Social"	–
403-3	Occupational health services	Sustainability Report: "Social"	–

GRI Content Index			
GRI Standard	Disclosure	Annual report section reference	Remarks
403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report: "Social"	–
403-5	Worker training on occupational health and safety	Sustainability Report: "Social"	–
403-6	Promotion of worker health	Sustainability Report: "Social"	–
403-7	Prevention and mitigation of occupation health and safety impacts directly linked by business relationships	Sustainability Report: "Social"	–
403-8	Workers covered by an occupational health and safety management system	Sustainability Report: "Social"	Safety measures put in place by the Group mainly cover employees of the Group.
403-9	Work-related injuries	Sustainability Report: "Social"	–
403-10	Work-related ill health	Sustainability Report: "Social"	–

CORPORATE GOVERNANCE REPORT

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 (the "**Code**") issued by the Monetary Authority of Singapore (the "**MAS**"). We have also taken into consideration the Practice Guidance provided by the MAS.

The Board of Directors of the Company (the "**Board**") is pleased to confirm that for the year ended 31 December 2021 ("**FY2021**"), 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.

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

The Board oversees the Group's overall policies, strategies, key operational initiatives, performance and measurement, internal control and risk management to protect and enhance long-term shareholders' value. Board members act in good faith and exercise independent judgement in the best interest of the Group. Directors of the Board discharge their duties and responsibilities at all times, comply with applicable laws and act objectively in the interest of the Company. The primary functions 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 the Company's risk of becoming subject to, or violating, any Sanctions Law and ensuring that disclosures to 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.

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

All directors are aware of their fiduciary duties and are committed to exercising due care and diligence in making their decisions 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:

– 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 to familiarise themselves with the Group's operations. New directors who have no prior experience as director of a listed company shall undergo 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. Such training expenses will be borne by the Company.

Mr Wee Sung Leng (Independent Director) and Mr Yeo Puay Hin (Executive Director) were appointed to the Board on 29 April 2021 and 23 June 2021 respectively. Within 3 months of appointment, Mr Wee was briefed of key operational and corporate matters of the Group and had met up with key staff at the corporate headquarters to understand more about the business and operations. In addition to in-house orientation, Mr Yeo, who has no prior experience as director of a Singapore listed company, attended 4 core modules and 2 elective modules of the Listed Entity Director Programme organised by the Singapore Institute of Directors in mid-2021.

When there are changes in laws and regulations, including the Companies Act, the Listing Manual of SGX-ST and the Code which are relevant to the Group, the Directors would be updated 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 and familiarises the directors on the business activities of the Group during Board and Board Committee meetings.

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. The expenses of such training programmes relevant to the Group and to the better performance of the directors will be borne by the Company.

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 director(s), 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, 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 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 (Executive Chairman and CEO)	–	Member	–
Yeo Puay Hin (Executive Director, Business Development) (Appointed on 23 June 2021)	–	–	–
Choy Bing Choong[(1)] (Lead Independent Director)	Member	Member	Chairman
Lee Chin Chai (Independent Director)	Member	Chairman	Member
Wee Sung Leng (Independent Director) (Appointed on 29 April 2021)	Chairman	–	Member
Ang Mong Seng (Independent Director) (Retired on 29 April 2021)	Member	Member	Chairman

Note:

(1) Mr Choy Bing Choong was appointed as the Chairman of the RC on 29 April 2021 and relinquished his position as Chairman of the AC on the same day.

Profiles of the current directors are set out in the 'Board of Directors' section of Annual Report 2021.

Board and Board Committee meetings are held regularly. Board and Board Committee meetings and annual general meetings are scheduled in advance to facilitate the directors' attendance. Ad-hoc meetings will be convened when the Board's guidance or approval is required, outside of the scheduled Board meetings.

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

During FY2021, the number of Board and Board Committees meetings held and attended are set out as follows:

Directors	Board (No. of meetings held: 6)		AC (4)		NC (3)		RC (1)	
	No. of meetings held#	No. of meetings attended	No. of meetings held#	No. of meetings attended	No. of meetings held#	No. of meetings attended	No. of meetings held#	No. of meetings attended
Liew Yoke Pheng Joseph	6	6	4	4*	3	3	1	1*
Yeo Puay Hin (Appointed on 23 June 2021)	2	2	2	2*	–	–	–	–
Choy Bing Choong	6	6	4	4	3	3*	1	1
Lee Chin Chai	6	6	4	4	3	3	1	1
Wee Sung Leng (Appointed on 29 April 2021)	3	3	3	3	–	–	–	–
Ang Mong Seng (Retired on 29 April 2021)	3	3	1	1	3	3	1	1

Refers to number of meetings held during the director's tenure in FY2021 as Board or Board Committee member.

* Attendance by invitation of the Board Committee.

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.

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.

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 and ensuring that meeting procedures are adhere to;
– Together with the management, ensuring that the Company complies with all relevant requirements of the Companies Act and the SGX-ST 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.

During FY2021, the Company Secretary, Ms Ang Siew Koon, and/or her assistants 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

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

The Board feels 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 and suppliers. Three of the five directors 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 the Listing Manual. The NC adopts the Code's definition of 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) the director who is and has been employed by the Company or any of its related corporations for the current or any of the past three financial years;

(b) the director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC;

(c) the director who has been a director on the Board for an aggregate period of more than nine years (whether before or after listing) and whose continue appointment as an independent director has not been sought and approved in separate resolutions by:
   (i) all shareholders; or
   (ii) all shareholders excluding shareholders who also serve as the directors or chief executive officer and associates of such directors and chief executive officers ("**CEOs**");

(d) the director:
   (i) who, in the current or immediate past financial year, is or was; or
   (ii) whose immediate family member, in the current or immediate past financial year, is or was, a 5% shareholder of, or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S$200,000 should generally be deemed significant;

(e) the director who is a 5% shareholder or an immediate family member of a 5% shareholder of the Company; or

(f) the director who is or has been directly associated with a 5% shareholder of the Company, in the current or immediate past financial year.

The NC is also 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.

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 and the Board have reviewed and ascertained that all independent directors are independent according to the Code and 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 director's independent judgement.

Pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual which will take effect from 1 January 2022, any independent director who has served the Board for more than 9 years will no longer be independent unless his continued appointment as an independent director has been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders, excluding the directors and the chief executive officer, and associates of such directors and chief executive officer. As at the date of this report, no independent director has served on the Board for more than nine years.

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 meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

However, 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 ultimate decision for new Board appointments will be based on merit and contribution that the selected candidates are expected to bring to the Board.

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 2021.

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 or the Executive Chairman and 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

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

The Executive Chairman and CEO of the Company is Mr Liew Yoke Pheng Joseph. He takes an active role in the management 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 Board, after careful consideration, is of the opinion that it is not necessary, under current circumstances, to separate the roles of the Executive Chairman and CEO. This is after taking into consideration the size, scope and nature of the operations of our Group and that majority of the board members are independent. The strong independent element on the Board ensures that decisions are made collectively and that there is no concentration of power and authority vested in one individual. The Board also comprise a lead independent director to provide leadership in situations where the Executive Chairman may be conflicted.

Provision 3.3 of the Code:
Lead Independent Director

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, as recommended by the Code. The responsibilities of the Lead Independent Director include:

- 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 FY2021.

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.

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

Two out of three 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:

- Making recommendations to the Board relating to matters such as:
  - succession plans for directors, in particular, the appointment and/or replacement of the Chairman and the CEO;
  - process for evaluation of the performance of the Board, Board Committees and directors;
  - review of training and professional development programmes for the directors;
  - appointment and re-appointment of directors;
  - composition of the Board to ensure that the Board has an appropriate balance of expertise, skills, 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 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.

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

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. Where the need for a new director arises, candidates would first be sourced through the directors' and/or key management personnel's network of contacts and referrals. The NC may engage a talent acquisition firm to identify a broader range of candidates to ensure that the Board comprises of members from different and relevant area of competencies and able to offer wide perspectives of the business and board matters. Suitable candidates would be interviewed by the NC and/or the Board and then assessed and nominated by the NC to the Board which retains the final discretion in appointing such new directors.

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, 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 requires one-third of the directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of our directors, to retire and subject themselves to re-election by the shareholders at every Annual General Meeting ("**AGM**"). In addition, all directors of the Company, including the Managing Director after his initial term of engagement as Managing Director, shall retire from office at least once every three 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 Liew Yoke Pheng Joseph and Mr Lee Chin Chai will be retiring by rotation at the forthcoming AGM. Mr Liew and Mr Lee, being eligible for re-election, have offered themselves for re-election. The NC, having considered the attendance and participation of Mr Liew and Mr Lee 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 Liew and Mr Lee for re-election at the Company's forthcoming AGM.

The details of Mr Liew and Mr Lee, who are seeking re-election as directors, as required under Rule 720(6) of the SGX-ST Listing Manual are set out in the 'Disclosure of Information on Directors Seeking Re-Election' section of Annual Report 2021.

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 or her duties diligently.

In respect of FY2021, the NC is of the view that each director has discharged his duties diligently. The NC considered and is satisfied that the multiple board directorships and other principal commitments held presently by directors 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 2021 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 FY2021 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 FY2021, the Board has been effective as a whole and each director has 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 three independent directors of the Company.

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 director(s) 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 considers all aspects of remuneration (including director's fees, salaries, allowances, bonuses, share-based compensation, benefits in kind and termination terms) in the review of remuneration packages for each director and key management personnel.

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

The independent directors do not have service agreements with the Company and receive directors' fees in accordance with their contributions and considering of 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.

The employment contract signed between the Company and Mr Liew Yoke Pheng Joseph (Executive Chairman and CEO) on 1 November 2019 stipulates that his remuneration comprises fixed and variable component. The fixed component comprises fixed basic salary payable in cash (monthly) and in the form of shares (payable on an annual basis subject to shareholders' approval in a general meeting). The variable component comprises incentive bonus based on the audited Group's profit before tax (before incentive bonus) for the financial year. Mr Liew is entitled to other benefits, such as medical, dental and car. There is no excessively long or onerous removal clause in the employment contract. The employment contract contains non-competition and non-solicitation clauses, which are binding on Mr Liew during his period of employment with the Company and for a period of 12 months after the cessation of his employment with the Company.

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 FY2021, 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 individual 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' 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.

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.

The Company does not offer any share scheme. The RC may consider other forms of long-term incentive schemes for the management when necessary.

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.

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

The RC had recommended to the Board an amount of S$135,000 as directors' fees to be paid to the independent directors for the financial year ending 31 December 2022 (FY2021: S$135,000). 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.

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
Member	20,000	5,000	5,000	5,000

The Company does not have any scheme to encourage independent directors to hold shares in the Company.

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 remuneration for FY2021 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	61	33	6	–	100
Below S$250,000:					
Yeo Puay Hin (Appointed on 23 June 2021)	91	–	9	–	100
Choy Bing Choong	–	–	–	100	100
Lee Chin Chai	–	–	–	100	100
Wee Sung Leng (Appointed on 29 April 2021)	–	–	–	100	100
Ang Mong Seng (Retired on 29 April 2021)	–	–	–	100	100

A breakdown showing the band and mix of each of the executive officer's remuneration for FY2021 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	100	–	–	100
Wu Peicong	Group Financial Controller	100	–	–	100
Kelvin Kuah Zhichao[2]	General Manager, Hoe Leong Crawler Parts Pte Ltd ("**HLCP**")	100	–	–	100
Raymond Quah Eng Kiat[2]	General Manager, HLCP	100	–	–	100

Notes:

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

(2) Kelvin Kuah and Raymond Quah resigned on 30 March 2021 and each of their respective remuneration did not exceed S$100,000.

The total remuneration paid to key management personnel of the Group (who are not directors or the CEO of the Company) in FY2021 amounted to S$347,000 (FY2020: S$438,000).

The above remuneration to executive directors and executive officers for FY2021 has been approved by the Board.

During FY2021, there was no termination and post-employment benefits granted to the directors, the CEO and the key management personnel.

The Company does not have any employee share scheme.

Provision 8.2 of the Code: Remuneration disclosure of related employees

During FY2021, there is no employee who is an immediate family member of a director, the CEO or a substantial shareholder of the Company and whose annual remuneration exceeded S$100,000.

No substantial shareholder or associate of substantial shareholder is employed by the Group during FY2021.

On 25 March 2022, Shing Heng Holding Pte. Ltd. ("**SHHPL**") converted a S$3 million convertible loan note and exercised 4,900,000,000 options and became a substantial shareholder of the Company. Please refer to the Company's SGXNet announcements dated 29 March 2022 and 31 March 2022. Mr Yeo Puay Hin, Executive Director (Business Development) of the Company, who holds 50% shareholding in SHHPL is deemed to have an interest in SHHPL's shareholding in the Company. His remuneration band for FY2022 is expected to be from S$100,000 to S$199,999.

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 authorizes 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 not to establish a separate Board Risk Committee to carry out its responsibility of helping the Board in the overseeing of the Group's risk management framework and policies. Instead, this responsibility is assumed by the AC. 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 risk 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 audit processes.

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

Internal Controls

The Board recognizes the importance of maintaining a sound system of internal controls to safeguard the shareholders' interest and investments and the Group's assets. 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.

The Board 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 2021. 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 about 1% 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

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 three independent directors of the Company.

All members of the AC are appropriately qualified and have relevant accounting or related financial management expertise and experience. They are not former partners or directors of the Company's auditing firm.

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 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 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 SGX-ST 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 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; and
- undertake such other functions and duties as may be required by statute or the SGX-ST 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 SGX-ST 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 FY2021 were S$118,000 and. No non-audit services was rendered by PKF-CAP LLP during/for FY2021. The AC, having reviewed the scope and value of the audit and non-audit services provided by the external auditor, is satisfied that the independence and objectivity of the external auditor is not impaired.

In recommending the re-appointment of PKF-CAP LLP as external auditor for the financial year ending 31 December 2022, 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 FY2021 was reviewed and approved by the AC before commencement of the audit.

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

During FY2021, 4 AC meetings were convened. The Group Financial Controller attended all the meetings, while the external auditors (KPMG LLP) and internal auditors respectively attended 3 and 1 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 23 February 2022 to discuss, amongst other matters, the conduct of internal audit for FY2021 and audit of financial statements for the year ended 31 December 2021.

SIGNIFICANT ACCOUNTING MATTERS

In the review of the financial statements for FY2021, 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 FY2021.

Key audit matters	How the matters were addressed by the AC
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 2021, valuation of inventories are reasonably stated and allowance for impairment of inventories are adequately made.
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 2021, trade receivables are valid and allowance for impairment of trade receivables are adequately made.
Litigations and claims	The AC reviewed the management's basis of S$3 million reversal in provision relating to legal and related expenses to be supportable, taking into consideration the legal and financial opinions obtained, and recent development on the ongoing material litigations and possible course of actions to be taken.

WHISTLE-BLOWING POLICY

During FY2021, 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 directly to the AC. The AC is responsible for oversight and monitoring of whistleblowing. 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. This policy is disseminated to employees of the Group and available on the Company's website.

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

During FY2021 and up to the date of this report, no significant matter was raised through the Group's whistle-blowing channels.

SHAREHOLDER RIGHTS AND ENGAGEMENT

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.

Principle 11: SHAREHOLDER RIGHTS AND CONDUCT OF 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.

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

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.

During FY2021, to minimise physical interactions and COVID-19 transmission risks, all general meetings were held via electronic means. The Company is expected to continue to conduct its general meetings via electronic means until the alternative arrangements for the conduct of meetings contained in the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 cease to be available. Under such circumstance, all notices of general meetings contained/will contain instructions to shareholders on how they may:

(i) access any documents or information relating to the business of the general meeting;
(ii) submit their questions ahead of the meeting, the timeframe for submission of questions and how the substantial and relevant questions will be responded to prior to/at the meeting; and
(iii) cast their votes, including specific instruction to CPF and SRS investors (where applicable).

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.

The most recent AGM held on 29 April 2021 was attended by all directors (including the Executive Chairman and CEO), Group Financial Controller, the external auditors (KPMG LLP), representatives from the share registrar and the scrutineers.

The Company's Constitution allows all shareholders to appoint not more than 2 proxies to attend and vote on their behalf and also 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. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors")** (as may be applicable) may attend and cast his vote(s) at the general meetings in person. CPF and SRS Investors who are unable to attend the general meetings but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the chairman of the general meetings to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the general meetings. Proxies need not be a shareholder of the Company.

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

The Company's Constitution permits voting in absentia 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, for the time being, not to implement 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

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.

Entrust Advisory Pte. Ltd. was appointed as scrutineer for polls in relations to all general meetings held during FY2021. The votes from the proxy forms received from the shareholders were verified by the scrutineer.

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

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.

Provision 11.6 of the Code: Dividend policy

No dividend was declared during/recommended for FY2021 and FY2020 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 be 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 quarterly, half yearly and full year results, material transactions and other developments and performance relating to 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 Executive Chairman and 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 (www.hoeleong.com).

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' section of Annual Report 2021.

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 team 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 directors, officers and employees of the Company and its subsidiaries.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. All directors, officers and employees of the Group are not allowed to deal in the Company's shares during the periods commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

The Company's officers and employee are also advised to observe insider trading laws at all times. Directors are required to report all dealings in securities to the Company Secretary.

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. Save for the information disclosed in the table below, there were no other IPTs conducted during the year, which exceeds S$100,000 in value.

The aggregate value of IPTs during FY2021 was as follows:

Name of interested person and nature of transactions	Nature of relationship	Aggregate value of all IPTs (excluding transactions less than S$100,000)	
		Excluding IPTs conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S$'000	**Conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST S$'000**
Hoe Leong Plastic Industry (China) Co., Ltd: Rental expense(1)	Associate of controlling shareholder	424	–
Liew Yoke Pheng Joseph: Interest-free advances accumulatively amounting to S$1,374,000 to a subsidiary of the Company(2)	Director	–	–

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

(2) During FY2021, Mr Liew made interest-free advances to a subsidiary due to operational expediency, which has been fully settled as at the date of this announcement. Under Listing Rule 909(3), in the case of advances made by an interested person, the value of the transaction is the interest payable on the amount advanced. Accordingly, the aggregate value of the transaction is NIL because the advances from Mr Liew are interest-free.

No IPT mandate has been obtained by the Company.

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the SGX-ST 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 FY2021 or, if not then subsisting, entered into since the end of FY2020.

On 23 June 2021, the Company completed the issuance of a S$3 million convertible loan note and the grant of a S$9 million option to an investor, Shing Heng Holding Pte. Ltd. ("**SHHPL**"). On 25 March 2022, SHHPL converted the S$3 million convertible loan note and exercised 4,900,000,000 options and became a controlling shareholder of the Company. As at 31 December 2021, the following bridging loans were disbursed by SHHPL to the Company and remained due to SHHPL:

Date of loan agreement	Loan amount (S$'million)	Interest rate	Repayment terms	Security
21 Dec 2020	1.0	First 12 months: NIL Next 6 months: 3.5% p.a.	18 months from date of drawdown and no later than 1 Aug 2022	All shares of Ho Leong Tractors Sdn Bhd
11 Oct 2021	3.0	Interest-free	18 months from date of drawdown and no later than 15 Apr 2023	All shares of Trackspares Global Pte Ltd

The above bridging loans had been set-off against the exercise consideration of S$7,154,000 payable by SHHPL to Company arising from SHHPL's exercise of the 4,900,000,000 options.

USE OF PROCEEDS FROM ISSUANCE OF CONVERTIBLE LOAN NOTE

The Company received proceeds of S$3.0 million from the issuance of convertible loan note to SHHPL. The Company had subsequently announced the utilisation of the proceeds on 13 July 2021, 2 August 2021 and 13 October 2021.

As at 13 October 2021, the S$3.0 million proceeds had been fully utilised for the general working capital purposes as follows:

	S$'000
Purchases from suppliers and subcontractors	2,106
Rental expenses	339
Legal and professional fees	117
Payroll costs	397
Other expenses	41
Total	3,000

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

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
Rental expenses	430
Legal and professional fees	251
Payroll costs	950
Other expenses	168
Total	4,000

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

The Company will make periodic announcements via SGXNet on the utilisation of the remaining proceeds (i.e. S$3.2 million) 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 2021

We are pleased to present the accompanying financial statements of the Company and of the Group for the financial year ended 31 December 2021.

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 2021 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 Singapore 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	(Appointed on 23 June 2021)
Choy Bing Choong	
Lee Chin Chai	
Wee Sung Leng	(Appointed on 29 April 2021)

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 or date of appointment (if later)	At end of the year
Yeo Puay Hin:		
Company – Options	6,164,383,561	6,164,383,561

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2022.

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.

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.

DIRECTORS' *STATEMENT*

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

13 April 2022

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 2021, 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 2021 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 2021. 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.

Valuation of inventories ($18,321,000) (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 2021. 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 computation of probabilities of inventories being unutilised historically. 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 2021 to be supported with sufficient data and analysis, and adequately disclosed in the financial statements.	

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

Valuation of trade receivables ($12,291,000) (Refer to Note 8 to the financial statements)	
Key audit matter	*How the matter was addressed in our audit*
Trade receivables represent 27% of the Group's total assets as at 31 December 2021. 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 2021 to be supported with sufficient data and analysis, and adequately disclosed in the financial statements.	

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.	

Report on the audit of the financial statements (cont'd)

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.

Report on the audit of the financial statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

- 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.

Other Matter

The financial statements for the financial year ended 31 December 2021 were audited by another firm of auditors whose report dated 13 April 2021 expressed an unqualified audit opinion on those financial statements.

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
13 April 2022

STATEMENTS OF *FINANCIAL POSITION*

AS AT 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Assets					
Property, plant and equipment	4	**8,750**	10,550	**2,185**	2,794
Investments in subsidiaries	5	**–**	–	**10,298**	10,298
Deferred tax assets	6	**657**	650	**–**	–
Non-current assets		**9,407**	11,200	**12,483**	13,092
Inventories	7	**18,321**	17,516	**–**	–
Trade and other receivables	8	**15,371**	10,142	**6,034**	3,642
Cash and cash equivalents	9	**3,044**	3,105	**557**	1,077
Current assets		**36,736**	30,763	**6,591**	4,719
Total assets		**46,143**	41,963	**19,074**	17,811
Equity					
Share capital	10	**115,601**	114,461	**115,601**	114,461
Treasury shares		**(55)**	(55)	**(55)**	(55)
Convertible bond	11	**834**	–	**834**	–
Currency translation reserve	12	**(743)**	(93)	**–**	–
Other reserves	14	**638**	–	**638**	–
Accumulated losses		**(102,234)**	(104,302)	**(107,195)**	(105,928)
Total equity		**14,041**	10,011	**9,823**	8,478
Liabilities					
Loans and borrowings	13	**10,201**	6,050	**3,045**	1,304
Convertible loan	14	**2,458**	–	**2,458**	–
Deferred tax liabilities	6	**39**	39	**20**	20
Non-current liabilities		**12,698**	6,089	**5,523**	1,324
Trade and other payables	16	**8,668**	10,737	**1,800**	3,144
Loans and borrowings	13	**10,148**	11,519	**1,340**	1,277
Other provisions	15	**588**	3,588	**588**	3,588
Current tax payable		**–**	19	**–**	–
Current liabilities		**19,404**	25,863	**3,728**	8,009
Total liabilities		**32,102**	31,952	**9,251**	9,333
Total equity and liabilities		**46,143**	41,963	**19,074**	17,811

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000
Continuing operations			
Revenue	17	**45,457**	43,168
Cost of sales		**(38,409)**	(35,115)
Gross profit		**7,048**	8,053
Other income	19	**3,604**	1,382
Distribution expenses		**(4,286)**	(3,147)
Administrative expenses		**(4,923)**	(5,078)
Other expenses		**(669)**	(1,227)
Impairment loss on trade receivables		**560**	(231)
Results from operating activities		**1,334**	(248)
Finance costs	18	**(587)**	(519)
Profit/(Loss) before income tax	19	**747**	(767)
Income tax income/(expense)	20	**258**	(183)
Profit/(Loss) from continuing operations		**1,005**	(950)
Discontinued operation			
Profit from discontinued operation (net of tax)	27	**1,063**	3,036
Profit for the year		**2,068**	2,086
Profit attributable to:			
Owners of the Company		**2,068**	2,086
Profit for the year		**2,068**	2,086
Earnings per share:			
Basic (cents)	21	**0.04**	0.04
Diluted (cents)	21	**0.02**	0.04

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group	
	2021	**2020**
	$'000	**$'000**
Profit for the year	**2,068**	2,086
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from foreign operations	**(650)**	786
Other comprehensive income, net of income tax	**(650)**	786
Total comprehensive income for the year	**1,418**	2,872
Total comprehensive income attributable to:		
Owners of the Company	**1,418**	2,872
Total comprehensive income for the year	**1,418**	2,872

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	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 2020	114,461	(55)	–	(879)	–	(106,388)	7,139
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	2,086	2,086
Other comprehensive income							
Foreign currency translation differences arising from foreign operations	–	–	–	786	–	–	786
Total comprehensive income for the year	–	–	–	786	–	2,086	2,872
At 31 December 2020	114,461	(55)	–	(93)	–	(104,302)	10,011
At 1 January 2021	**114,461**	**(55)**	**–**	**(93)**	**–**	**(104,302)**	**10,011**
Issuance of share capital	**1,140**	**–**	**–**	**–**	**–**	**–**	**1,140**
Issuance of convertible bond	**–**	**–**	**834**	**–**	**–**	**–**	**834**
Equity components of convertible loan	**–**	**–**	**–**	**–**	**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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000
Cash flows from operating activities			
Profit before income tax		**1,810**	2,269
Adjustments for:			
Depreciation of property, plant and equipment	4	**864**	989
Depreciation of right-of-use assets	4	**817**	898
Interest costs on other financial liabilities	18	**455**	455
Interest costs on lease liabilities	18	**36**	64
Amortisation of imputed interest	18	**96**	–
Gain on disposal of property, plant and equipment, net	19	**(22)**	(53)
Gain from discontinued operation, net of tax	27	**(1,063)**	(4,166)
Allowance for impairment of inventories (reversal)	19	**(1,661)**	(912)
Bad debts written off	19	**–**	31
(Reversal of)/allowance for impairment of trade and other receivables		**(560)**	231
Reversal of other provisions	19	**(3,000)**	–
Loss on deconsolidation of subsidiaries	5	**–**	80
		(2,228)	(114)
Changes in working capital:			
Inventories		**856**	2,389
Trade and other receivables		**(4,436)**	1,211
Trade and other payables		**(618)**	(688)
Cash generated from operations		**(6,426)**	2,798
Income taxes paid		**(1)**	(116)
Net cash (used in)/generated from operating activities		**(6,427)**	2,682
Cash flows from investing activities			
Purchase of plant and equipment		**(218)**	(346)
Proceeds from disposal of plant and equipment		**34**	93
Proceeds from disposal of discontinued operation	27	**–**	10,166
Net cash (used in)/generated from investing activities		**(184)**	9,913
Cash flows from financing activities			
Interest paid		**(491)**	(519)
Proceeds from bills payable and trust receipts		**8,267**	1,124
Repayment of bills payable and trust receipts		**(5,783)**	(1,377)
Payment of lease liabilities		**(848)**	(835)
Proceeds from other borrowing		**3,000**	1,000
Proceeds from convertible loan		**3,000**	–
Proceeds from bank borrowings		**1,913**	3,569
Repayment of bank borrowings		**(1,465)**	(14,369)
Net cash generated from/(used in) financing activities		**7,593**	(11,407)
Net increase in cash and cash equivalents		**982**	1,188
Cash and cash equivalents at beginning of the year		**3,105**	2,499
Effect of exchange rate fluctuations		**(1,043)**	(582)
Cash and cash equivalents at end of the year	9	**3,044**	3,105

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 13 April 2022.

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 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

Business impacts arising from Covid-19 pandemic

The Covid-19 pandemic has affected almost all countries of the world, and resulted in border closures, workplace closures, movement controls and other measures imposed by the various governments. The Group's design and manufacture and trading and distribution segments was marked by weak business and trade sentiments since the onset of Covid-19 in early 2020. The Group's significant operations are in Singapore, Korea and Australia, all of which have been affected by the spread of Covid-19.

The global Covid-19 situation remains fluid and the Group continues to maintain a cautious outlook. Notwithstanding the ongoing uncertainties, the Group continues to pursue cost management measures and will also explore additional means to shore up liquidity as necessary. The Company is also actively taking steps to streamline its cost structure with a view to improve the profitability of this business.

The impact of Covid-19 on the Group's financial performance reflected in this set of financial statements for the financial year ended 31 December 2021 are as follow:

(i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

(ii) During the financial year, the Group received grants from the respective governments which are aimed to help businesses cope with the impacts and challenges of Covid-19. The effects of such government grants as well as the accounting treatment are disclosed in Note 3.11 and Note 19.

(iii) The Company has considered the market conditions (including the impact of Covid-19) as at 31 December 2021, in making estimates and judgements on the recoverability of financial and non-financial assets. The significant estimates and judgement applied on impairment of non-financial assets, impairment of investments in subsidiaries and impairment of trade receivables, are disclosed in Notes 4, 5 and 8 respectively.

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 Basis of preparation (cont'd)

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.

2.5 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 2021:

- Amendments to SFRS(I) 16: Covid-19 related rent concessions
- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 and SFRS(I) 16: Interest rate benchmark reform – Phase 2

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.

3.2 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.

3 Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

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.

3 Significant accounting policies (cont'd)

3.6 Impairment (cont'd)

(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.

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.

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.

3 Significant accounting policies (cont'd)

3.10 Leases (cont'd)

(i) As a lessee (cont'd)

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.

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.

3 Significant accounting policies (cont'd)

3.10 Leases (cont'd)

(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.

3.12 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 Significant accounting policies (cont'd)

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.

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 Significant accounting policies (cont'd)

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 all 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 Executive Chairman and 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.

3.16 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 Significant accounting policies (cont'd)

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 2022 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) 3	Amendments to SFRS(I) 3 Reference to the Conceptual Framework	1 January 2022
SFRS(I) 1-16	Amendments to SFRS(I) 1-16 Property, Plant and Equipment Proceeds before Intended Use	1 January 2022
SFRS(I) 1-37	Amendments to SFRS(I) 1-37 Onerous Contracts Cost of Fulfilling a Contract	1 January 2022
Various	Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
SFRS(I) 16	Amendments to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
SFRS(I) 17	Insurance Contracts	1 January 2023
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-Current	1 January 2023
Various	Amendments to SFRS(I) 17	1 January 2023
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

4 Property, plant and equipment

Group	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
Cost								
At 1 January 2020	2,955	6,198	1,658	11,129	717	832	3,025	26,514
Additions	–	–	8	48	101	166	148	471
Disposals	–	–	–	(75)	–	(259)	(520)	(854)
Deconsolidation of subsidiaries	–	–	–	–	(8)	–	–	(8)
Written off	–	–	(38)	–	(38)	(16)	–	(92)
Translation differences on consolidation	70	129	41	500	43	40	–	823
At 31 December 2020	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**
Accumulated depreciation and impairment losses								
At 1 January 2020	350	1,954	1,492	8,499	715	818	670	14,498
Depreciation	–	78	59	799	32	21	898	1,887
Disposals	–	–	–	(73)	–	(221)	(209)	(503)
Deconsolidation of subsidiaries	–	–	–	–	(5)	–	–	(5)
Written off	–	–	(38)	–	(38)	(16)	–	(92)
Translation differences on consolidation	–	18	38	415	29	19	–	519
At 31 December 2020	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**
Carrying amounts								
At 1 January 2020	2,605	4,244	166	2,630	2	14	2,355	12,016
At 31 December 2020	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**

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 2020	1,136	2,013	206	2	2,397	5,754
Additions	–	–	–	–	23	23
Disposals	–	–	–	–	(486)	(486)
At 31 December 2020	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**
Accumulated depreciation and impairment losses						
At 1 January 2020	350	908	206	2	442	1,908
Depreciation	–	40	–	–	750	790
Disposals	–	–	–	–	(201)	(201)
At 31 December 2020	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**
Carrying amounts						
At 1 January 2020	786	1,105	–	–	1,955	3,846
At 31 December 2020	786	1,065	–	–	943	2,794
At 31 December 2021	**786**	**1,025**	**–**	**8**	**366**	**2,185**

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

	Land and buildings $'000	Office equipment $'000	Motor vehicles $'000	Material handling equipment $'000	Total $'000
Group – Carrying amounts					
At 1 January 2020	2,070	1	238	46	2,355
Depreciation	(781)	(1)	(106)	(10)	(898)
Additions	–	–	148	–	148
Derecognition	(285)	–	(26)	–	(311)
At 31 December 2020	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**

4 Property, plant and equipment (cont'd)

	Land and buildings $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Company – Carrying amounts				
At 1 January 2020	1,934	20	1	1,955
Depreciation	(725)	(24)	(1)	(750)
Additions	–	23	–	23
Derecognition	(285)	–	–	(285)
At 31 December 2020	924	19	–	943
Depreciation	(637)	(7)	–	(644)
Additions	–	–	–	–
Derecognition	–	(12)	–	(12)
At 31 December 2021	**287**	**–**	**–**	**287**

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

	2021 $'000	2020 $'000
Group		
Freehold land and buildings	**6,449**	6,952
Material handling equipment	**972**	1,443
Motor vehicles	**68**	127
	7,489	8,522

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

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 2021 and 31 December 2020.

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	
	2021	**2020**
	$'000	**$'000**
Investments in subsidiaries		
Unquoted equity shares, at cost	**21,481**	36,981
Accumulated impairment losses	**(11,183)**	(26,683)
Carrying amount	**10,298**	10,298

Movements in accumulated impairment losses:

	2021	2020
	$'000	$'000
At 1 January	**26,683**	26,993
Impairment losses utilised	**(15,500)**	(310)
At 31 December	**11,183**	26,683

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 (2020: 4) were placed under creditors' voluntary liquidation and accumulated impairment losses of $10,000,000 (2020: $310,000) were utilised. During the same period, accumulated impairment losses of 2 active subsidiaries (2020: NIL) amounting to $5,500,000 (2020: NIL) were utilised.

The information of subsidiaries are as follows:

Name of subsidiaries and principal activities	**Country of incorporation**	**Effective equity held by the Group 2021 %**	**2020 %**
Trackspares Global Pte. Ltd.[1] (Incorporated on 7 January 2021) Investment holding	Singapore	**100**	–
Ho Leong Tractors Sdn. Bhd.[4] Distribution of heavy equipment parts	Malaysia	**100**	100
Kunshan Kanto Buhin Manufacturing Co., Ltd[5] 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 2021 %	2020 %
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.(2) Sales and servicing of heavy machinery and equipment parts	Australia	**100**	100
Korea Crawler Track Ltd.(3) Manufacturing and distribution of heavy equipment parts	South Korea	**100**	100
Jiangsu Trackspares Manufacturing Co., Ltd (Incorporated on 7 December 2021) Manufacturing, import, export and distribution of heavy equipment parts	People's Republic of China	**100**	–
Held through Trackspares (Australia) Pty. Ltd.:			
Trackex Pty. Ltd.(2) 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 Crowe Audit Australia.

(3) Audited by Daum Accounting Corporation.

(4) Audited by Moore Stephens Associates PLT.

(5) Audited by Suzhou Fangben Certified Public Accountants Co., Ltd.

Deconsolidation of subsidiaries

The Company lost control of the following subsidiaries following discontinuation of the vessel chartering business as at the financial year end date:

2021
(i) Arkstar Offshore Pte Ltd
(ii) Arkstar Voyager Pte Ltd
(iii) Arkstar Unicorn Pte Ltd

2020
(i) Arkstar Energy Pte Ltd
(ii) Arkstar Eagle 3 Pte Ltd
(iii) Markstar Marine Sdn Bhd
(iv) Polaris Ship Management Pte Ltd

5 **Subsidiaries (cont'd)**

Details on the deconsolidation are set out as follows:

	2021 $'000	2020 $'000
Current assets	–	80
Current liabilities	–	–
Net (liabilities)/assets de-recognised	–	80
Consideration received	–	–
(Gain)/Loss on deconsolidation	–	80

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:

Group	At 1 January 2020 $'000	Recognised in profit or loss (Note 20) $'000	Exchange differences $'000	At 31 December 2020 $'000	Recognised in profit or loss (Note 20) $'000	Exchange differences $'000	At 31 December 2021 $'000
Deferred tax assets							
Provisions	690	(99)	48	639	32	(25)	**646**
Others	11	–	–	11	–	–	**11**
	701	(99)	48	650	32	(25)	**657**
Deferred tax liabilities							
Property, plant and equipment	(38)	(1)	–	(39)	–	–	**(39)**

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

	Company	
	2021 $'000	2020 $'000
Deferred tax assets		
Provisions	**19**	19
Deferred tax liabilities		
Property, plant and equipment	**(39)**	(39)

6 Deferred tax assets and liabilities (cont'd)

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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Deferred tax assets	**657**	650	**19**	19
Deferred tax liabilities	**(39)**	(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	
	2021 $'000	2020 $'000
Raw materials	**2,561**	1,284
Work-in-progress	**5,861**	5,125
Finished goods	**9,666**	10,905
Goods-in-transit	**233**	202
	18,321	17,516

In 2021, the amount of inventories recognised in cost of sales was $26,873,000 (2020: $29,814,000). In addition, an allowance for slow-moving inventories of $1,661,000 (2020: $912,000) previously made was written back following subsequent sale or disposal 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.

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 $$15,313,000 (2020: $17,516,000).

8 Trade and other receivables

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Trade receivables due from:				
– third parties	**13,764**	15,587	**–**	–
– subsidiaries	**–**	–	**15,658**	9,945
Less: allowance for impairment losses				
– third parties	**(1,473)**	(7,263)	**–**	–
– subsidiaries	**–**	–	**(9,897)**	(6,456)
Net trade receivables	**12,291**	8,324	**5,761**	3,489
Other receivables due from subsidiaries	**–**	–	**57**	13,726
Less: Allowance for impairment losses	**–**	–	**–**	(13,726)
Advances to suppliers	**1,032**	94	**–**	–
Deposits	**1,004**	891	**210**	149
Tax recoverable	**313**	80	**–**	–
Sundry receivables	**516**	601	**–**	–
	2,865	1,666	**267**	149
Prepayments	**215**	152	**6**	4
Net other receivables	**3,080**	1,818	**273**	153
Total trade and other receivables	**15,371**	10,142	**6,034**	3,642

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 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.

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

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Australia	**1,445**	1,667	**–**	–
Europe	**2,109**	1,801	**–**	–
North America	**3,771**	2,233	**–**	–
South East Asia (Including Singapore)	**1,940**	762	**–**	–
Other parts of Asia	**1,917**	1,297	**5,761**	3,489
Others	**1,109**	564	**–**	–
	12,291	8,324	**5,761**	3,489

8 Trade and other receivables (cont'd)

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

	2021			2020		
	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	**12,902**	**862**	**13,764**	9,041	6,546	15,587
Total gross carrying amount	**12,902**	**862**	**13,764**	9,041	6,546	15,587
Allowance for impairment losses on trade receivables	**(611)**	**(862)**	**(1,473)**	(717)	(6,546)	(7,263)
Total	**12,291**	**–**	**12,291**	8,324	–	8,324
Company						
Receivables measured at lifetime ECL						
Trade receivables	**9,666**	**5,992**	**15,658**	3,953	5,992	9,945
Total gross carrying amount	**9,666**	**5,992**	**15,658**	3,953	5,992	9,945
Allowance for impairment losses on trade receivables	**(3,905)**	**(5,992)**	**(9,897)**	(464)	(5,992)	(6,456)
Total	**5,761**	**–**	**5,761**	3,489	–	3,489

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 2020	7,284	56,081
Impairment loss recognised	231	–
Impairment loss reversed	–	(910)
Impairment loss utilised	(177)	(34,989)
Translation differences	(75)	–
At 31 December 2020	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**

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a large number of individually insignificant balances. The allowance matrix is based on actual credit loss experience over the past four years. The ECL computed is derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date, taking into consideration of the GDP growth of the construction industry in Singapore.

8 Trade and other receivables (cont'd)

Expected credit loss assessment (cont'd)

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
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	**22.6%**	**204**	**46**	**No**
Past due 91 to 150 days	**71.2%**	**545**	**388**	**No**
Past due more than 150 days	**100.0%**	**862**	**862**	**Yes**
		13,764	**1,473**	
2020				
Group				
Not past due	1.0%	7,138	74	No
Past due 0 to 30 days	8.4%	712	59	No
Past due 31 to 60 days	28.5%	313	89	No
Past due 61 to 90 days	35.3%	532	187	No
Past due 91 to 150 days	90.9%	420	382	No
Past due more than 150 days	100.0%	6,472	6,472	Yes
		15,587	7,263	
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**	
2020				
Company				
Not past due	–	–	–	No
Past due 0 to 90 days	–	–	–	No
Past due 91 to 150 days	11.7%	3,953	464	No
Past due more than 150 days	100.0%	5,992	5,992	Yes
		9,945	6,456	

Loss rates are based on actual credit loss experience over the past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

9 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Not restricted in use	**3,044**	3,105	**557**	1,077

10 Share capital

	Group and Company	
	Number of Shares issued ('000)	Share capital $'000
Ordinary shares of no par value		
At 1 January 2020 and 31 December 2020	5,619,433	114,461
Issue of ordinary shares	651,602	1,140
At 31 December 2021	**6,271,035**	**115,601**

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 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 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 Shing Heng Holding Pte. Ltd. (the "Investor"), 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 the Investor 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, mandatorily converted within a three-year period.

10 Share capital (cont'd)

Upon the conversion of the above convertible loan note and convertible bond and exercise of the option, the Company will have an enlarged issued share capital of approximately $128,434,000 comprising 14,966,541,389 shares (excluding treasury shares).

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 2020 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.

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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Non-current liabilities				
Secured bank loan D	**333**	–	**–**	–
Secured bank loan E	**1,810**	–	**–**	–
Secured bank loan F	**606**	–	**–**	–
Secured bank loan G	**15**	38	**–**	–
Unsecured bank loan	**4,250**	4,510	**–**	–
Other borrowings	**3,000**	1,000	**3,000**	1,000
Lease liabilities	**187**	502	**45**	304
	10,201	6,050	**3,045**	1,304
Current liabilities				
Secured bank loan A	**–**	833	**–**	–
Secured bank loan B	**–**	602	**–**	602
Secured bank loan C	**–**	423	**–**	–
Secured bank loans D	**4,538**	4,375	**–**	–
Secured bank loan E	**154**	2,124	**–**	–
Secured bank loan F	**137**	915	**–**	–
Secured bank loan G	**20**	22	**–**	–
Secured invoice financing	**3,106**	679	**–**	–
Unsecured bank loan	**720**	725	**–**	–
Other borrowings	**1,000**	–	**1,000**	–
Lease liabilities	**473**	821	**340**	675
	10,148	11,519	**1,340**	1,277
Total loans and borrowings	**20,349**	17,569	**4,385**	2,581

(i) The secured bank loans A, B and C were for purpose of acquisition of vessels and secured by vessels previously held by former subsidiaries. Pursuant to a debt conversion exercise during the financial year ended 31 December 2021, secured bank loan A was converted into convertible bonds (Note 11) and secured bank loans B and C were converted into share capital.

(ii) The secured bank loans D, E, F 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.

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

(iv) Other borrowings pertain to loans from Investor secured by all ordinary shares of a subsidiary.

13 Loans and borrowings (cont'd)

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

Loans and borrowings	Repayment terms
Secured bank loans D	The tenure of loans are between 1 and 4 years and shall be repaid in lump sum at maturity date. Loans are subject to renewal annually.
Secured bank loan E	Repayable over 180 monthly instalments until November 2031.
Secured bank loan F	Repayable via monthly principal instalment of $12,000. Loan is rolled over every 5 years and due for rollover in December 2024.
Secured bank loan G	Repayable over 36 monthly instalments until August 2023.
Secured invoice financing	Loans are repayable within 4 months of drawdown date.
Unsecured bank loan	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).
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			
2021			
Within 1 year	**477**	**4**	**473**
Between 1 and 5 years	**187**	**–**	**187**
	664	**4**	**660**
2020			
Within 1 year	844	23	821
Between 1 and 5 years	506	4	502
	1,350	27	1,323

	Total contractual cash flow $'000	Interest $'000	Present value of minimum lease payments $'000
Company			
2021			
Within 1 year	**343**	**3**	**340**
Between 1 and 5 years	**45**	**–**	**45**
	388	**3**	**385**
2020			
Within 1 year	695	20	675
Between 1 and 5 years	307	3	304
	1,002	23	979

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	2021 Face value $'000	2021 Carrying amount $'000	2020 Face value $'000	2020 Carrying amount $'000
Group					
SGD floating rate loans:					
Secured bank loans A, B and C	2020 to 2025	–	–	1,858	1,858
Unsecured bank loan	2020 to 2024	**4,970**	**4,970**	5,235	5,235
SGD fixed rate loan:					
Other borrowings	2020 to 2022	**4,000**	**4,000**	1,000	1,000
KRW floating rate loan:					
Secured bank loans D	2020 to 2022	**4,906**	**4,906**	4,435	4,435
AUD floating rate loan:					
Secured bank loan F	2019 to 2024	**743**	**743**	915	915
RM floating rate loan:					
Secured bank loan E	2020 to 2031	**1,964**	**1,964**	2,124	2,124
Lease liabilities	2020 to 2024	**664**	**660**	1,350	1,323
Secured invoice financing	2020 to 2021	**3,106**	**3,106**	679	679
		20,353	**20,349**	17,596	17,569

	Year of maturity	2021 Face value $'000	2021 Carrying amount $'000	2020 Face value $'000	2020 Carrying amount $'000
Company					
SGD floating rate loan:					
Secured bank loan B	2020 to 2025	–	–	602	602
SGD fixed rate loan:					
Secured loan from third party	2020 to 2022	**4,000**	**4,000**	1,000	1,000
Lease liabilities	2020 to 2022	**387**	**384**	1,002	979
		4,387	**4,384**	2,604	2,581

The SGD floating rate loans bear interest of 3.0% (2020: 3.0%) per annum.

The KRW floating rate loans bears interest ranging from 2.0% to 4.2% (2020: 1.8% to 3.7%) per annum and is repriced on a quarterly basis.

The AUD floating rate loans bear interest of approximately 3.9% (2020: 3.7% to 4.8%) per annum and are repriced on a monthly basis.

The RM floating rate loan bears interest ranging from 4.1% (2020: 4.1% to 4.4%) per annum and is repriced on a monthly basis.

As at 31 December 2020, the Group breached certain covenants on consolidated tangible net worth and debt to equity ratio as stipulated under certain bank facilities agreements. As a result of the breach, loans and borrowings of $4,897,000 can be called for repayment at any time upon notification by the banks and the amount has been reclassified from non-current liabilities to current liabilities as at 31 December 2020. There is no breach of bank covenants as at 31 December 2021.

13 Loans and borrowings (cont'd)

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

	Other loan and borrowings $'000	Lease liabilities $'000	Total $'000
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**
Balance at 1 January 2020	25,184	2,326	27,510
Changes from financing cash flows			
Proceeds from bills payables and trust receipts	1,124	–	1,124
Proceeds from interest-bearing borrowings	3,569	–	3,569
Proceeds from other borrowing	1,000	–	1,000
Repayment of bills payables and trust receipts	(1,377)	–	(1,377)
Repayment of interest-bearing borrowings	(14,369)	–	(14,369)
Payment of lease liabilities	–	(835)	(835)
Finance costs paid	(455)	(64)	(519)
Total changes from financing cash flows	(10,508)	(899)	(11,407)
The effect of changes in foreign exchange rates	(170)	16	(154)
Other changes			
Liability-related			
Reclassification from interest accrual	1,285	–	1,285
Derecognition of right of use asset	–	(285)	(285)
Interest expense	455	64	519
New leases	–	101	101
Total liability-related other changes	1,740	(120)	1,620
Balance at 31 December 2020	16,246	1,323	17,569

14 Convertible loan

	Group and Company	
	2021	2020
	$'000	$'000
At 1 January	**–**	–
Proceeds from issuance of convertible loan note	**3,000**	–
Amount classified as equity – Other reserves	**(638)**	–
Amortisation of imputed interest	**96**	–
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.

15 Other provisions

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
At 1 January	**3,588**	3,588	**3,588**	3,588
Reversal during the year	**(3,000)**	–	**(3,000)**	–
At 31 December	**588**	3,588	**588**	3,588

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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade payables due to:				
– Third parties	**3,431**	4,507	**36**	–
– Subsidiaries	**–**	–	**–**	418
Accrued expenses	**4,821**	5,479	**1,764**	1,946
Other payables due to:				
– Subsidiaries	**–**	–	**–**	780
– Affiliated corporation*	**54**	674	**–**	–
– Director	**349**	–	**–**	–
Deposits received	**13**	77	**–**	–
Total trade and other payables	**8,668**	10,737	**1,800**	3,144

* Affiliated corporation refers to an associate of a 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 chartering of vessels.

	Continuing operations		Discontinued operation (Note 27)		Group	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Sales of goods	**45,457**	43,168	**–**	–	**45,457**	43,168
Vessels chartering	**–**	–	**–**	515	**–**	515
	45,457	43,168	**–**	515	**45,457**	43,683

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.

Rendering of services

Nature of goods or services	Revenue from vessel chartering (Discontinued operation)
When revenue is recognised	Lease income is recognised on a straight line basis over the term of the lease.
Significant payment terms	Varies from 30 to 45 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		Vessel chartering (Discontinued)		Total	
Primary geographical markets	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Australia	**9,802**	14,714	**–**	–	**9,802**	14,714
Europe	**7,402**	6,837	**–**	–	**7,402**	6,837
North America	**12,164**	6,820	**–**	–	**12,164**	6,820
South East Asia (Including Singapore)	**6,206**	5,758	**–**	–	**6,206**	5,758
Other parts of Asia	**6,746**	5,098	**–**	–	**6,746**	5,098
Others	**3,137**	3,941	**–**	515	**3,137**	4,456
Total	**45,457**	43,168	**–**	515	**45,457**	43,683

18 Finance costs

	Group 2021 $'000	Group 2020 $'000
Interest expense on:		
– Loans and borrowings	**455**	455
– Financial liabilities measured at amortised cost	**36**	64
– Amortisation of imputed interest (Note 14)	**96**	–
	587	519

19 Profit or loss before income tax

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

	Note	Group 2021 $'000	Group 2020 $'000
Allowance written back for slow-moving inventories, included in other expenses	7	**(1,661)**	(912)
Audit fees paid and payable to:			
– Auditors of the Company		**128**	184
– Other auditors		**91**	87
Bad debts written off		**–**	31
Depreciation	4	**1,681**	1,887
Foreign exchange loss/(gain), included in other expenses		**127**	(259)
Loss on deconsolidation of subsidiaries	5	**–**	80
Other income			
Gain on sale of scrap metals		**216**	123
Gain on disposal of property, plant and equipment, net		**22**	53
Government grant income		**213**	935
Rental income		**86**	78
Other income		**67**	193
Reversal of other provisions		**3,000**	–
		3,604	1,382
Employee benefits expense			
Staff costs		**4,244**	4,149
Contributions to defined contribution plans		**334**	351
		4,578	4,500

20 Income tax expense

	Group	
	2021	2020
	$'000	$'000
Current tax expense		
Current year	**(226)**	178
Changes in estimates related to prior years	**–**	(95)
	(226)	83
Deferred tax expense		
Origination and reversal of temporary differences	**(32)**	100
Total income tax (income)/expense	**(258)**	183

	Group	
	2021	**2020**
	$'000	**$'000**
Reconciliation of effective tax rate		
Profit before income tax	**1,810**	2,269
Tax using the Singapore tax rate of 17% (2020: 17%)	**308**	386
Effect of tax rates in foreign jurisdictions	**247**	1
Non-deductible expenses	**1,152**	300
Utilisation of tax losses not previously recognised/Benefits of deferred tax assets not recognised	**(1,965)**	(409)
Over provided in prior years	**–**	(95)
	(258)	183

21 Earnings per share

	Group	
	2021	**2020**
Basic earnings/(loss) per share (cents):		
Continuing operations	**0.02**	(0.01)
Discontinued operation	**0.02**	0.05
Total	**0.04**	0.04
Diluted earnings/(loss) per share (cents):		
Continuing operations	**0.01**	(0.01)
Discontinued operation	**0.01**	0.05
Total	**0.02**	0.04

The basic and diluted earnings/(loss) per share is calculated based on:

	Group	
	2021	**2020**
	$'000	$'000
Profit/(Loss) attributable to owners of the Company:		
Continuing operations	**1,005**	(950)
Discontinued operation	**1,063**	3,036
Total	**2,068**	2,086

21 Earnings per share (cont'd)

	Group 2021 '000	Group 2020 '000
Issued ordinary shares at 1 January	**5,619,903**	5,619,903
Effect of own shares held	**(470)**	(470)
Issue of ordinary shares	**342,761**	–
Weighted average number of ordinary shares used in the calculation of basic earnings per share for the financial year	**5,962,194**	5,619,433
Add: Conversion of convertibles to equity	**1,080,878**	–
Add: Dilutive share option effect	**3,242,634**	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share for the financial year	**10,285,706**	5,619,433

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). 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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenue	**37,455**	30,365	**8,002**	12,803	**–**	515	**45,457**	43,683
Finance costs	**(479)**	(400)	**(108)**	(118)	**–**	(384)	**(587)**	(902)
Depreciation	**(1,383)**	(1,500)	**(298)**	(387)	**–**	–	**(1,681)**	(1,887)
Reportable segment (loss)/profit before income tax	**(1,298)**	(1,355)	**(1,095)**	(803)	**1,063**	3,036*	**(1,330)**	878
Unallocated income							**3,140**	1,391
Profit before income tax							**1,810**	2,269
Other material non-cash items:								
Allowance written back for slow-moving inventories	**1,648**	813	**13**	99	**–**	–	**1,661**	912
Impairment loss on trade receivables	**496**	(65)	**64**	(166)	**–**	–	**560**	(231)
Bad debts written off	**–**	(15)	**–**	(16)	**–**	–	**–**	(31)
Capital expenditure:								
Purchase of property, plant and equipment	**(190)**	(315)	**(28)**	(8)	**–**	–	**(218)**	(323)
Additions to right-of-use assets	**–**	–	**(185)**	(148)	**–**	–	**(185)**	(148)

* In 2020, the profit from vessel chartering segment is mainly attributable to a gain from sale of all vessels amounting to $3,127,000.

22 Operating segments (cont'd)

Business segments (cont'd)

Information about reportable segments (cont'd)

	Design and manufacture		Trading and distribution		Vessel chartering (Discontinued)		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Reportable segment assets	**39,080**	32,644	**7,063**	8,943	**–**	376	**46,143**	41,963
Unallocated assets							**–**	–
Total assets							**46,143**	41,963
Reportable segment liabilities	**28,137**	23,620	**3,965**	5,450	**–**	2,596	**32,102**	31,666
Unallocated liabilities							**–**	286
Total liabilities							**32,102**	31,952

Information about major customers

Revenue of approximately $4,805,000 (2020: $3,455,000) are derived from a single external customer who individually contributed approximately 11% (2020: 8%) of the Group's revenue and is attributable to the design and manufacture segment (2020: 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)	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Australia	**9,802**	14,714	**430**	599
Europe	**7,402**	6,837	**–**	–
North America	**12,164**	6,820	**–**	–
South East Asia (Including Singapore)	**6,206**	5,758	**2,967**	3,686
Other parts of Asia	**6,746**	5,098	**5,353**	6,265
Others	**3,137**	4,456	**–**	–
	45,457	43,683	**8,750**	10,550

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.

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 $7,677,000 (2020: $9,531,000).

23 Financial instruments (cont'd)

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 had breached certain covenants on consolidated tangible net worth and debt to equity ratio, as stipulated under the bank facilities agreements as at 31 December 2020. As a result of the breach, loans and borrowings of $4,897,000 can be called for repayment at any time upon notification by the banks and the amount has been reclassified from non-current liabilities to current liabilities as at 31 December 2020. There is no breach of bank covenants as at 31 December 2021.

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 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)**
Group						
31 December 2020						
Secured loans	10,332	(11,169)	(7,011)	(1,438)	(1,149)	(1,571)
Unsecured bank loan	5,235	(5,599)	(874)	(1,454)	(3,271)	–
Invoice financing	679	(679)	(679)	–	–	–
Lease liabilities	1,323	(1,350)	(844)	(506)	–	–
Trade and other payables	10,737	(10,737)	(10,737)	–	–	–
	28,306	(29,534)	(20,145)	(3,398)	(4,420)	(1,571)

23 Financial instruments (cont'd)

Liquidity risk (cont'd)

`	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
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)**	**–**	**–**
Company						
31 December 2020						
Secured loans	1,602	(1,637)	(602)	(1,035)	–	–
Lease liabilities	979	(1,002)	(695)	(307)	–	–
Trade and other payables	3,144	(3,144)	(3,144)	–	–	–
Recognised financial liabilities	5,725	(5,783)	(4,441)	(1,342)	–	–
Intra-group financial guarantees	–	(9,531)	(9,531)	–	–	–
	5,725	(15,314)	(13,972)	(1,342)	–	–

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	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Variable rate instruments				
Loans and borrowings	**12,583**	14,567	**–**	602

23 Financial instruments (cont'd)

Interest rate risk (cont'd)

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	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Decrease in profit before tax	**629**	728	**–**	30

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.

The Group's and Company's exposures to foreign currency risk are as follows:

	2021		2020	
	AUD	**USD**	**AUD**	**USD**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Trade and other receivables (before impairment)	**1,914**	**9,683**	2,017	5,969
Cash and cash equivalents	**57**	**295**	685	454
Trade and other payables	**(709)**	**(467)**	(637)	(1,142)
Loans and borrowings	**(1,161)**	**–**	(1,122)	–
Net exposure	**101**	**9,511**	944	5,281
Company				
Trade and other receivables (before impairment)	**–**	**–**	–	–
Cash and cash equivalents	**–**	**18**	–	17
Trade and other payables	**–**	**–**	–	–
Net exposure	**–**	**18**	–	17

23 Financial instruments (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

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	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
AUD	**10**	94	**–**	–
USD	**951**	528	**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.

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).

23 Financial instruments (cont'd)

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	Carrying amount Amortised cost $'000	Other financial liabilities $'000	Total $'000
31 December 2021				
Financial assets				
Trade and other receivables	8	**15,156**	**–**	**15,156**
Cash and cash equivalents	9	**3,044**	**–**	**3,044**
		18,200	**–**	**18,200**
Financial liabilities				
Loans and borrowings	13	**–**	**(20,349)**	**(20,349)**
Trade and other payables	16	**–**	**(8,668)**	**(8,668)**
		–	**(29,017)**	**(29,017)**
31 December 2020				
Financial assets				
Trade and other receivables	8	9,990	–	9,990
Cash and cash equivalents	9	3,105	–	3,105
		13,095	–	13,095
Financial liabilities				
Loans and borrowings	13	–	(17,569)	(17,569)
Trade and other payables	16	–	(10,737)	(10,737)
		–	(28,306)	(28,306)

23 Financial instruments (cont'd)

Accounting classification and fair values (cont'd)

	Note	Amortised cost $'000	Carrying amount Other financial liabilities $'000	Total $'000
Company				
31 December 2021				
Financial assets				
Trade and other receivables	8	**6,028**	**–**	**6,028**
Cash and cash equivalents	9	**557**	**–**	**557**
		6,585	**–**	**6,585**
Financial liabilities				
Loans and borrowings	13	**–**	**(4,385)**	**(4,385)**
Trade and other payables	16	**–**	**(1,800)**	**(1,800)**
		–	**(6,185)**	**(6,185)**
31 December 2020				
Financial assets				
Trade and other receivables	8	3,638	–	3,638
Cash and cash equivalents	9	1,077	–	1,077
		4,715	–	4,715
Financial liabilities				
Loans and borrowings	13	–	(2,581)	(2,581)
Trade and other payables	16	–	(3,144)	(3,144)
		–	(5,725)	(5,725)

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.

24 Leases (cont'd)

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).

Amounts recognised in profit or loss

	2021 $'000	2020 $'000
Interest on lease liabilities (Note 18)	**36**	64
Expenses relating to short-term leases	**501**	597

Amounts recognised in statement of cash flows

	2021 $'000	2020 $'000
Total cash outflow for leases	**848**	835

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. Kuala Lumpur High Court – Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd and 5 Others

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

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

(a) a declaration that the Company has conducted the affairs of Ebony in a manner that is oppressive to the Plaintiff by 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.

During a case management on 10 November 2021, the High Court granted adjournment of the trial upon the request of the Plaintiff. The new trial dates are now fixed from 18 July 2022 to 22 July 2022.

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 engaged solicitors to enter its appearance in the suit and to defend against the same. The Company filed its defence against the said suit on 4 November 2019 and filed an application to strike out the said suit. On 8 December 2020, the High Court dismissed the striking out application with costs of RM3,000, payable each by the Company and 3 other defendants to Tan Sri Halim (RM12,000 in total).

On 16 December 2020, the Company filed an appeal to the Court of Appeal against the dismissal of the striking out application. On 20 October 2021, the Court of Appeal decided that the matter is better dealt with at trial and did not wish to disturb the High Court's exercise of discretion in dismissing the striking out application. The Company's appeal is therefore dismissed with costs of RM20,000. The said trial was fixed in November 2021.

On 29 October 2021, Tan Sri Halim filed an application to amend his statement of claim (the "Amendment Application"). On 17 November 2021, the High Court dismissed Tan Sri Halim's Amendment Application. Later on the same day, Tan Sri Halim filed an appeal against the said dismissal at the Court of Appeal (the "Amendment Appeal"). The Court of Appeal hearing of the Amendment Appeal is fixed on 29 April 2022.

The trial that was previously fixed in November 2021 is adjourned to 16 January 2023 to 18 January 2023. A case management is fixed on 14 November 2022.

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	
	2021	**2020**
	$'000	**$'000**
Affiliated corporations		
Rental and miscellaneous expenses	**242**	305
Rental income	**(86)**	(78)

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	
	2021	**2020**
	$'000	**$'000**
Key management personnel compensation comprised:		
Salaries and other short-term employee benefits	**739**	782

27 Discontinued operation

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

	Group	
	2021	**2020**
	$'000	**$'000**
Results of discontinued operation		
External revenue	**–**	515
External expenses	**–**	(1,645)
Results from operating activities	**–**	(1,130)
Tax	**–**	–
Results from operating activities, net of tax	**–**	(1,130)
Gain on sale of discontinued operation	**(273)**	3,127
Derecognition of liabilities*	**1,336**	1,039
Total other income	**1,063**	4,166
Profit from discontinued operation, net of tax	**1,063**	3,036
Basic earnings per share (cents)	**0.02**	0.05
Diluted earnings per share (cents)	**0.01**	0.05

27 Discontinued operation (cont'd)

In April 2021, the Company deconsolidated three of its former subsidiaries, Arkstar Offshore Pte Ltd, Arkstar Voyager Pte Ltd and Arkstar Unicorn Pte Ltd, and net trade and other payables amounted to S$1,336,000 in the consolidated accounts were de-recognised.

* In 2019, the Company deconsolidated its former subsidiary, Arkstar Ship Management Pte Ltd (ASM), and recorded accrued expenses owing to third party suppliers amounting to $1,039,000 in the consolidated accounts when the liquidation was underway. The Company is not legally bound to make payment to the third party vessel suppliers and this is consistent with the principles of separate legal entity and limited liability structure of companies. In the absence of any claims against the Company and considering that ASM had been dissolved as at 31 December 2020, a reversal of the accruals was made.

	Group	
	2021	**2020**
	$'000	**$'000**
Cash flows generated from/(used in) discontinued operation		
Net cash used in operating activities	–	(287)
Net cash generated from investing activities	–	10,166
Net cash used in financing activities	–	(9,690)
Net cash flows for the year	–	189

Effect of disposal on the financial position of the Group

	Note	Group	
		2021	**2020**
		$'000	**$'000**
Assets held for sale	5	–	6,909
Trade and other payables		**(1,336)**	(1,039)
Net assets and liabilities		**(1,336)**	5,870
Consideration received, satisfied in cash		–	10,166
Net cash inflow		–	10,166

28 Events occurring after the financial year

On 29 March 2022, the Company issued and allotted 7,431,122,520 new ordinary shares to Shing Heng Holding Pte. Ltd. and a lender pursuant to the conversion of the convertible loan note of $3,000,000 (Note 14) and convertible bond of $833,574 (Note 11). Shing Heng Holding Pte. Ltd. also exercised 4,900,000,000 options for $7,154,000.

STATISTICS OF *SHAREHOLDINGS*

AS AT 31 MARCH 2022

Class of shares	:	Ordinary and fully paid
Voting rights	:	One vote per share
Number of shares (excluding treasury shares)	:	13,702,157,828
Number of treasury shares	:	470,000

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	47	2.66	620	–*
100 – 1,000	113	6.40	70,485	–*
1,001 – 10,000	320	18.12	2,212,167	0.02
10,001 – 1,000,000	1,121	63.48	224,373,074	1.64
1,000,001 and above	165	9.34	13,475,501,482	98.34
TOTAL	**1,766**	**100.00**	**13,702,157,828**	**100.00**

* Less than 0.01%.

REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct interest		Deemed interest	
	Number of shares	%	Number of shares	%
Shing Heng Holding Pte. Ltd.	6,954,794,520	50.76	–	–
Lew Chee Beng[(1)]	–	–	6,954,794,520	50.76
Yeo Puay Hin[(1)]	–	–	6,954,794,520	50.76
Lew Puay Ling[(1)]	–	–	6,954,794,520	50.76
United Overseas Bank Limited[(2)]	–	–	2,086,871,486	15.23
Hoe Leong Co. (Pte.) Ltd.	1,325,196,177	9.67	–	–
Kuah Geok Lin[(3)]	15,506,671	0.11	1,325,196,177	9.67
Kuah Geok Khim[(3)]	17	–*	1,325,196,177	9.67
Quah Yoke Hwee[(3)]	15,314,117	0.11	1,325,196,177	9.67
Mdm Kuah Geok Khim[(3)]	4,000,092	0.03	1,325,196,177	9.67
DBS Bank Ltd.[(4)]	–	–	911,972,699	6.66
DBS Group Holdings Ltd[(4)]	–	–	911,972,699	6.66
Temasek Holdings (Private) Limited[(4)]	–	–	911,972,699	6.66

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.

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2022

TWENTY LARGEST SHAREHOLDERS

No.	Shareholder's Name	Number of Shares	%
1	SHING HENG HOLDING PTE LTD	6,954,794,520	50.76
2	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,087,390,393	15.23
3	HOE LEONG CO. PTE LTD	1,325,196,177	9.67
4	DBS NOMINEES PTE LTD	977,384,225	7.13
5	RHB BANK NOMINEES PTE LTD	458,449,139	3.35
6	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	420,089,404	3.07
7	SING INVESTMENTS & FINANCE LTD	413,091,146	3.01
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	78,296,850	0.57
9	MAYBANK NOMINEES (SINGAPORE) PTE LTD	38,396,802	0.28
10	HENG WANG CHEW	37,750,000	0.28
11	PHILLIP SECURITIES PTE LTD	37,571,608	0.27
12	TENGKU SINANNAGA @ CHENG MIN SIONG @ ZENG MING XIONG	28,000,000	0.20
13	IFAST FINANCIAL PTE LTD	27,510,800	0.20
14	KOH YEW CHOO	24,951,500	0.18
15	RAFFLES NOMINEES (PTE) LIMITED	23,724,400	0.17
16	TIGER BROKERS (SINGAPORE) PTE. LTD.	19,915,800	0.15
17	LIM AND TAN SECURITIES PTE LTD	19,122,150	0.14
18	LOW KOK SOON	15,720,300	0.11
19	KUAH GEOK LIN	15,506,617	0.11
20	QUAH YOKE HWEE	15,314,117	0.11
	TOTAL	**13,018,175,948**	**94.99**

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC'S HANDS

17.43% 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 by electronic means (via LIVE WEBCAST and AUDIO ONLY MEANS) on Friday, 29 April 2022 at 2.00 p.m. to transact the following businesses:–

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2021 and the Directors' Statement and the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect Mr Liew Yoke Pheng Joseph, a director retiring pursuant to Regulation 98(2) of the Constitution of the Company. **(Resolution 2)**

3. To re-elect Mr Lee Chin Chai, a director retiring pursuant to Regulation 98(2) of the Constitution of the Company: **(Resolution 3)**

   Mr Lee Chin Chai is considered as independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). If re-elected, Mr Lee will remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

4. To approve payment of directors' fees of S$135,000 for the financial year ending 31 December 2022 (2021: S$135,000). **(Resolution 4)**

5. To re-appoint PKF-CAP LLP as Auditors of the Company for the financial year ending 31 December 2022 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 AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:–

7. Authority to issue shares **(Resolution 6)**

   "That pursuant to Section 161 of the Companies Act 1967, and the Listing Manual of the 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, and

   at any time to such persons and upon such terms 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), 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 shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company, and for the purpose of this resolution, the total number of issued shares (excluding treasury shares) shall be the Company's total number of issued shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities,

(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 AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

(see explanatory note 1)

8. Authority to issue shares to the Chief Executive Officer which forms part of his remuneration package. **(Resolution 7)**

That the directors be and are hereby authorised to allot and issue 48,000,000 shares to Mr Liew Yoke Pheng Joseph, the Executive Chairman and Chief Executive Officer of the Company, which forms part of his remuneration package for the period from 1 January 2021 to 31 December 2021.

(See Explanatory Note 2)

On Behalf of the Board

Liew Yoke Pheng Joseph
Executive Chairman and Chief Executive Officer

Dated: 14 April 2022

Explanatory Notes:

1. Resolution 6, 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 and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares) of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of the SGX-ST currently provides that the total number of issued shares (excluding treasury shares) of the Company for this purpose shall be the total number of issued shares (excluding treasury shares) at the time of this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

2. Resolution 7, if passed, will authorise and empower the directors of the Company to allot and issue 48,000,000 shares to Mr Liew Yoke Pheng Joseph, the Executive Chairman and Chief Executive Officer of the Company, which forms part of his remuneration package for the period from 1 January 2021 to 31 December 2021. Pursuant to the service agreement signed with the Company, Mr Liew is entitled to receive a fixed basic salary of S$24,000(1) per month, of which S$16,000 is payable in cash and S$8,000 is payable in shares. The allotment and issuance of shares as part of the remuneration is subject to shareholders' approval at the Company's AGM. The issue price of the share will be calculated based 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. In the event that the trading of the Company's shares are suspended, the issue price will be calculated by reference to the weighted average price traded in the immediate 14 trading days prior to the trading suspension.

(1) As part of the Company's cost management measures, Mr Liew accepted a 10% reduction in monthly fixed basic salary payable in cash from S$16,000 to S$14,400 with effect from 1 June 2020. As at the date of this notice, Mr Liew's monthly fixed basic salary is S$22,400.

Important Notice of Shareholders Regarding the Conduct of the Company's AGM

Pursuant to Part 4 of the Covid-19 (Temporary Measures) Act 2020 and the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, a member of the Company will not be able to attend the Meeting in person. A member of the Company (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. This proxy form has been made available on SGXNET and the Company's corporate website at www.hoeleong.com. A printed copy of this proxy form will **NOT** be despatched to members.

Shareholders should note the following procedures and/or instructions to participate in the AGM via LIVE WEBCAST or AUDIO ONLY MEANS.

1. Proxy Voting

Voting at the AGM is by proxy ONLY. Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the AGM as your proxy to vote on your behalf by completing the proxy form attached to the Notice of AGM or download it from the Company's announcement on SGXNET or from the Company's corporate website at www.hoeleong.com. Shareholders should specifically indicate how they wish to vote for or vote against (or abstain from voting on) the resolutions set out in the Notice of AGM.

Shareholders must submit the completed and signed proxy form appointing the Chairman of the AGM as proxy (i) **by email to contact@hoeleong.com**; or (ii) **by post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814, by 2.00 p.m. on 26 April 2022** (being not less than seventy-two (72) hours before the time fixed for the AGM). Any incomplete proxy form will be rejected by the Company.

For CPF and SRS investors who wish to appoint the Chairman of the AGM as their proxy, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes **by email to contact@hoeleong.com or post to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814** at least seven (7) working days before the AGM.

2. Shareholders' Questions and Answers (Q&A)

If Shareholders have any questions in relation to any item of the Agenda of the AGM, Shareholders may send their queries in advance, by 21 April 2022, **by email to contact@hoeleong.com**. Please state your question(s), your full name, NRIC/Passport Nos./Company Registration Nos. and number of shares held, and whether you are a shareholder or a Proxy or a Corporate Representative of a Corporate Shareholder. Any question without these identification details will not be entertained.

Please note that the Company will provide responses to substantial questions and relevant comments from Shareholders, so submitted by Shareholders in advance, prior to the AGM by publishing the responses on the SGXNet and Company's corporate website at www.hoeleong.com by 24 April 2022. Where substantial questions and relevant comments submitted by Shareholders are unable to be addressed prior to the AGM, the Company will address them during the AGM via LIVE WEBCAST and AUDIO ONLY MEANS. The Company will also address any subsequent clarifications sought, or follow-up questions, prior to, or at, the AGM in respect of substantial and relevant matters. The responses from the Board and management of the Company shall thereafter be published on SGXNET and the Company's corporate website at www.hoeleong.com, together with the minutes of the AGM, within one (1) month after the conclusion of the AGM.

Shareholders, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act 1967, such as CPF and SRS investors, should approach their respective agents, such as CPF Agent Banks or SRS Operators, to submit their questions in relation to any resolution set out in the Notice of AGM prior to the AGM and have their substantial queries and relevant comments answered.

3. Registration to attend the LIVE WEBCAST or AUDIO ONLY MEANS

LIVE WEBCAST

Shareholders who wish to attend the AGM by viewing the proceedings of the AGM can participate via the LIVE WEBCAST by submitting their particulars (comprising emails, full names, NRIC/Passport Nos./Company Registration Nos. and number of shares held) **by email to contact@hoeleong.com by 2.00 p.m. on 26 April 2022** (being not less than seventy-two (72) hours before the time fixed for the AGM) (the "**Registration Deadline**") to enable the Company to verify the Shareholders' status. After the verification process, a unique link will be sent to authenticated Shareholders before end-of-the-day on 28 April 2022. The link will be used by Shareholders to view the proceedings of the AGM by accessing the LIVE WEBCAST. Shareholders may attend the LIVE WEBCAST via your smart phones, tablets or laptops/computers.

AUDIO ONLY MEANS

Shareholders who wish to attend the AGM by observing the proceedings of the AGM by listening only, can participate via the AUDIO ONLY MEANS by submitting their particulars (comprising emails, full names, NRIC/Passport Nos./Company Registration Nos. and number of shares held) by **email to contact@hoeleong.com by the Registration Deadline** to enable the Company to verify the Shareholders' status. After the verification process, an email confirmation containing details of the AUDIO ONLY MEANS will be sent to authenticated Shareholders by 5.00 p.m. on 28 April 2021. The details contained in the email confirmation will be used by Shareholders to observe the proceedings of the AGM by listening via the AUDIO ONLY MEANS.

Shareholders who wish to attend the AGM via LIVE WEBCAST or AUDIO ONLY MEANS are reminded that the AGM is private. Invitations to attend the LIVE WEBCAST or AUDIO ONLY MEANS shall not be forwarded to anyone who is not a Shareholder of the Company or who is not authorized to attend the LIVE WEBCAST or AUDIO ONLY MEANS. Recording of the LIVE WEBCAST and AUDIO ONLY MEANS in whatever form is also strictly prohibited.

The Company asks for Shareholders' understanding in the event of any technical disruptions during the LIVE WEBCAST and AUDIO ONLY MEANS.

Shareholders, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act 1967, such as CPF and SRS investors, should approach their respective agents, such as CPF Agent Banks or SRS Operators, to participate in the AGM via LIVE WEBCAST or AUDIO ONLY MEANS.

Shareholders who register by the Registration Deadline but do not receive an email response by 5.00 p.m. on 28 April 2022 may contact the Company at 6463 8666 or contact@hoeleong.com for assistance.

4. 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 2021, as well as the Notice of AGM and the proxy form for the AGM, have been published on SGXNET and the Company's corporate website at www.hoeleong.com on 14 April 2022.

The Company also seeks Shareholders' understanding and cooperation to adhere to the measures taken by the Company in light of the COVID-19 situation. Shareholders are advised to check on the Company's announcement(s) on SGXNET or the Company's corporate website at www.hoeleong.com for any changes or updates on this AGM, should there be any further measures recommended by the relevant authorities.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Liew Yoke Pheng Joseph and Mr Lee Chin Chai are the directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2022.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR LIEW YOKE PHENG JOSEPH	MR LEE CHIN CHAI
Date of appointment	23 October 2019	1 November 2019
Date of last re-appointment/ re-election	26 June 2020	24 June 2020
Age	66	50
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)	The Board has considered the recommendation of the Nominating Committee (the "NC") and has reviewed the performance of Mr Liew in FY2021, and concluded that he has the experience, expertise, knowledge and skills to contribute positively to the Group and diversity of the Board.	The Board has considered the recommendation of the NC and has reviewed the performance of Mr Lee in FY2021, and concluded that he has the experience, expertise, knowledge and skills to contribute positively to the Group and diversity of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Responsible for the Group's business operations and strategic planning.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and CEO and a member of the NC.	Independent Director, Chairman of the NC and a member of the Audit Committee and Remuneration Committee.
Professional qualifications	1. Fellow of the Association of Chartered Certified Accountants 2. Fellow of the Institute of Singapore Chartered Accountants 3. Certified Fraud Examiner (CFE) 4. Certified Information System Auditor (CISA)	1. Master of Science from the CUNY Baruch College 2. Bachelor of Science from the National University of Singapore

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIEW YOKE PHENG JOSEPH	MR LEE CHIN CHAI
Working experience and occupation(s) during the past 10 years	October 2019 to present: Executive Chairman and CEO of Hoe Leong Corporation Ltd. July 2018 to October 2019: Independent director of listed companies. September 2014 to June 2018: General Manager of Business Compliance and Senior Advisor of Internal Controls at Giti Tire (China) Investment Company Ltd. April 2006 to May 2014: Director and Chief Financial Officer for Asia and the Middle East at Sage Software Asia Pte Ltd.	2019 to present: Executive Director of iConnecx Pte Ltd. 2017 to 2019: Chief Executive Officer of AWWA. 2014 to 2016: Managing Director of Microsoft. 2010 to 2013: Vice President of Hewlett Packard.
Shareholding interest in the listed issuer and its subsidiaries	NIL	NIL
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments, including Directorships (Excluding working experience and occupations listed in previous section Past (for the last 5 years)	1. Independent Director, Shanghai Turbo Enterprises Ltd 2. Independent Director, Innovalues Limited	1. Audit Committee Chairman, Trinity Theological College

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR LIEW YOKE PHENG JOSEPH	MR LEE CHIN CHAI
Other Principal Commitments, including Directorships Present	1. Director of the following subsidiaries of the Company: – Trackspares Global Pte Ltd – Hoe Leong Crawler Parts Pte Ltd – Ho Leong Tractors Sdn Bhd – Trackspares (Australia) Pty Ltd – Trackex Pty Ltd – Korea Crawler Track Ltd 2. Legal Representative, Jiangsu Trackspares Manufacturing Co., Ltd (Subsidiary of the Company) 3. Lead Independent Director, Grand Venture Technology Limited 4. Independent Director, LEW Foundation 5. Treasurer, Char Yong (Dabu) Foundation	1. Board member and Chairman of Audit Committee, New Hope Community Services 2. Board member and Chairman of Audit Committee, St Francis Methodist School
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No

	MR LIEW YOKE PHENG JOSEPH	MR LEE CHIN CHAI
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

	MR LIEW YOKE PHENG JOSEPH	MR LEE CHIN CHAI
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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**") is being convened, and will be held, partly by way of electronic means pursuant to First Schedule of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM will NOT be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on SGXNet and the Company's corporate website at www.hoeleong.com.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via LIVE WEBCAST or AUDIO ONLY MEANS), submission of questions in advance of the AGM, addressing of substantial queries and relevant comments, prior to, or at, the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the Notice of AGM.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

(PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

I/We ______________________________ (Name) ________________ (*NRIC/Passport No.)

of ____ (Address)
hereby appoint the Chairman of the Annual General Meeting (the "Meeting") as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Meeting of the Company to be held by electronic means (via LIVE WEBCAST and AUDIO ONLY MEANS) on 29 April 2022 at 2.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against or abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as *my/our proxy will be treated as invalid.

Resolutions No.	Ordinary Resolutions	For**	Against**	Abstain**
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021.			
2	Re-election of Mr Liew Yoke Pheng Joseph as a director.			
3	Re-election of Mr Lee Chin Chai as a director.			
4	Approval of Directors' fee of S$135,000 for the financial year ending 31 December 2022.			
5	Re-appointment of PKF-CAP LLP as Auditor.			
6	Authority to issue shares.			
7	Authority to issue shares to the Chief Executive Officer which forms part of his remuneration package.			

(Please indicate your vote "**For**" or "**Against**" or "**Abstain**" with a tick [√] within the box provided.)

Notes:
* Delete accordingly
** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" or "Abstain" the relevant resolution, please tick "√" in the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" or "Abstain" each resolution. If you mark "√" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Signed this ________ day of ________________ 2022.

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:–

Notes:–

1. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the Meeting in person. A member of the Company (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting. This proxy form has been made available on SGXNET and the Company's corporate website at www.hoeleong.com. A printed copy of this proxy form will **NOT** be despatched to members.

2. This duly executed proxy form, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be sent by email to contact@hoeleong.com or posted to the registered address of the Company at No. 6 Clementi Loop, Singapore 129814 by 2.00 p.m. on 26 April 2022 (being not less than seventy-two (72) hours before the time appointed for holding the Meeting).

3. 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.

4. 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), 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 the 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.

5. 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 Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

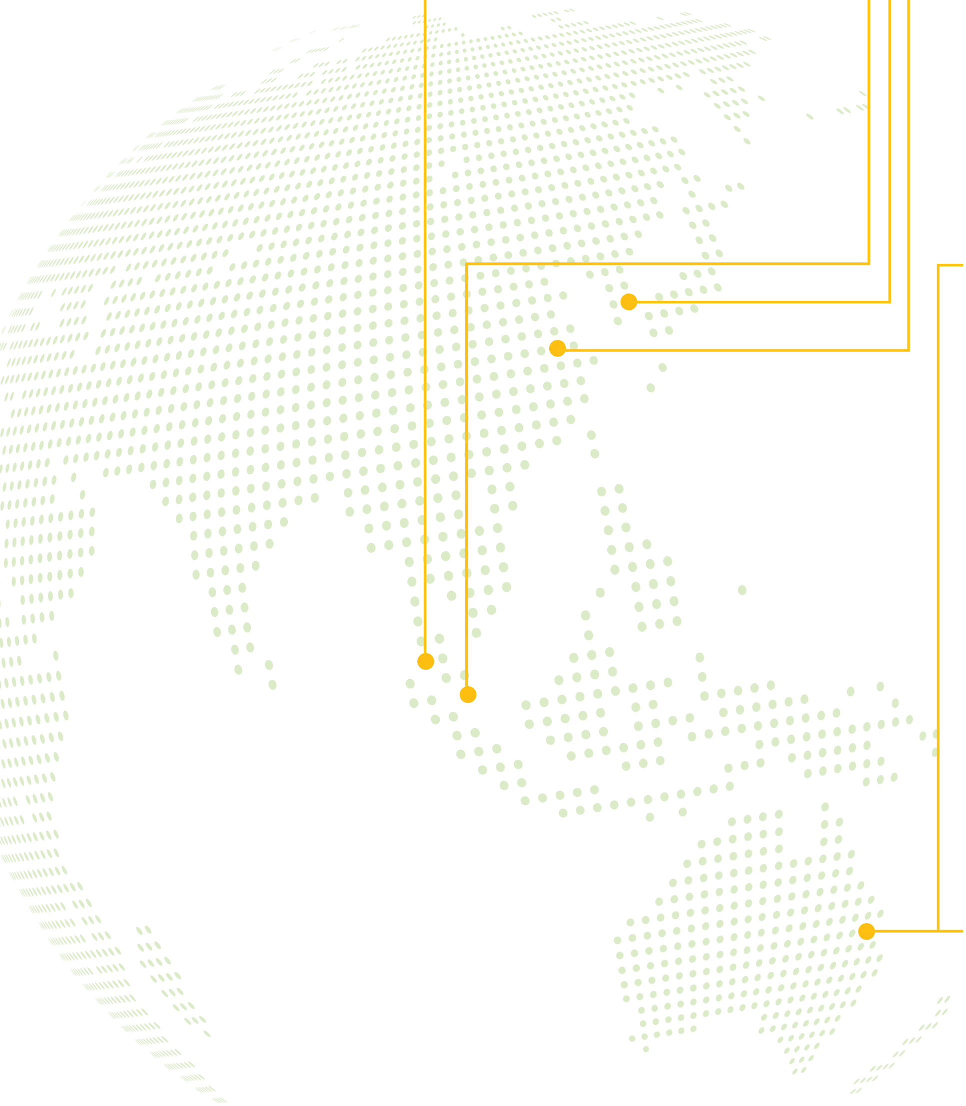
6. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register seventy-two (72) hours before the time set for the Annual General Meeting.

7. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

Personal data privacy:

By submitting an instrument appointing the Chairman of the Meeting to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of the appointment of the Chairman of the Meeting as proxy for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendances lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines.

OUR OFFICES



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HOE LEONG CORPORATION LTD.
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