



Unaudited Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2022

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group					
	6 months ended 31 Dec 2022 (Unaudited) \$'000	6 months ended 31 Dec 2021 (Audited) \$'000	Increase/ (decrease) %	12 months ended 31 Dec 2022 (Unaudited) \$'000	12 months ended 31 Dec 2021 (Audited) \$'000	Increase/ (decrease) %
Revenue						
Products and installation	3,122	1,554	100.9	4,122	2,743	50.3
Servicing and maintenance	217	226	(4.0)	408	462	(11.7)
Rental income	369	375	(1.6)	707	741	(4.6)
Total revenue	3,708	2,155	72.1	5,237	3,946	32.7
Other items of income						
Share of results of an associated company	1,363	–	N.M.	1,363	–	N.M.
Other income	728	203	66.2	927	438	111.6
Total other items of income	2,091	203	930.0	2,290	438	422.8
Cost and expenses						
Cost of products and installation	(1,992)	(1,081)	84.3	(2,650)	(2,002)	32.4
Property operating expenses	(85)	(110)	(22.7)	(201)	(208)	(3.4)
Salaries and employee benefits	(1,131)	(1,000)	13.1	(2,169)	(1,975)	9.8
Depreciation and amortisation expense	(55)	(69)	(20.3)	(132)	(135)	(2.2)
Other expenses	(300)	(2,354)	(87.3)	(591)	(2,648)	(77.7)
Finance cost	(66)	(46)	43.5	(113)	(91)	24.2
Total cost and expenses	(3,629)	(4,660)	(22.1)	(5,856)	(7,059)	(17.0)
Profit/(loss) before tax	2,170	(2,302)	N.M.	1,671	(2,675)	N.M.
Income tax	12	–	N.M.	(20)	–	N.M.
Profit/(loss), net of tax, attributable to equity holders of the parent	2,182	(2,302)	N.M.	1,651	(2,675)	N.M.
Other comprehensive income						
Foreign currency translation	(20)	–	N.M.	(34)	(9)	N.M.
Total comprehensive income attributable to equity holders of the parent	2,162	(2,302)	N.M.	1,617	(2,684)	N.M.
N.M. denotes not meaningful						
Profit/(loss) per share (cents per share)						
Basic	0.557	(0.590)		0.423	(0.685)	
Diluted	0.557	(0.590)		0.423	(0.685)	

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Group		Company	
	As at	As at	As at	As at
	31 Dec 2022 (Unaudited) \$'000	31 Dec 2021 (Audited) \$'000	31 Dec 2022 (Unaudited) \$'000	31 Dec 2021 (Audited) \$'000
Non-current assets				
Property, plant and equipment	417	427	58	58
Investment property	18,500	18,000	–	–
Right-of-use asset	1,727	1,670	759	83
Intangible asset	–	29	–	–
Fixed deposits	2,000	2,000	–	–
Investment in subsidiaries	–	–	8,987	8,987
Investment in an associated company	1,363	–	–	–
Amount due from subsidiaries	–	–	23,192	24,822
Loan to an associated company	–	8,630	–	–
Other receivables	–	637	–	–
Deferred tax asset	54	54	–	–
	24,061	31,447	32,996	33,950
Current assets				
Cash and bank balances	361	583	49	65
Trade receivables	1,107	660	–	–
Contract assets	142	43	–	–
Prepayments	49	52	5	6
Deposits	25	37	5	5
Other receivables	893	17	–	3
Investment securities	62	71	–	–
Amounts due from subsidiaries	–	–	1,411	1,264
Loan to an associated company	8,630	–	–	–
Inventories	206	143	–	–
	11,475	1,606	1,470	1,343
Current liabilities				
Trade payables	(884)	(581)	(34)	(38)
Deferred revenue	(80)	(89)	–	–
Other payables	(3,072)	(2,522)	(912)	(862)
Contract liabilities	(504)	(910)	–	–
Income tax payable	(6)	(6)	(5)	(5)
Borrowings	(1,750)	(1,400)	–	–
Amounts due to subsidiaries	–	–	(456)	(2,023)
Lease liabilities	(34)	(32)	(126)	(87)
	(6,330)	(5,540)	(1,533)	(3,015)
Net current assets/(liabilities)	5,145	(3,934)	(63)	(1,672)
Non-current liabilities				
Lease liabilities	(1,693)	(1,638)	(638)	–
Deferred tax liabilities	(21)	–	–	–
Net assets	27,492	25,875	32,295	32,278
Equity attributable to equity holders of the parent				
Share capital	32,390	32,390	32,390	32,390
Foreign currency translation	(22)	12	–	–
Accumulated loss	(4,876)	(6,527)	(95)	(112)
Total equity	27,492	25,875	32,295	32,278

C. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31 December 2022 (Unaudited) \$'000	12 months ended 31 December 2021 (Audited) \$'000
Operating activities		
Profit/(loss) before income tax	1,671	(2,675)
Adjustments for:		
Interest income	(252)	(116)
Finance costs	113	91
Gain on disposal of property, plant and equipment	–	–
Dividend income from investment securities	–	–
Depreciation of property, plant and equipment	104	82
Amortisation of intangible asset	28	53
Allowance/(write-back) for expected credit loss	50	(64)
Allowance for stock obsolescence	–	34
Property, plant and equipment written off	–	40
Fair value (gain)/loss on investment property	(500)	2,000
Fair value loss on right-of-use asset	32	30
Fair value loss/(gain) on investment securities	9	(7)
Currency realignment	(34)	(9)
Share of results of an associated company	(1,363)	–
Operating cash flows before changes in working capital	(142)	(542)
(Increase)/decrease in trade and other receivables	(488)	458
(Increase)/decrease in contract asset	(99)	112
Decrease in grant receivables	–	115
Decrease in prepayments and deposits	15	33
(Increase)/decrease in inventories	(63)	154
Increase/(decrease) in trade payables	304	(511)
(Decrease)/increase in deferred revenue	(9)	14
Increase/(decrease) in other payables	550	(18)
(Decrease)/increase in contract liabilities	(406)	562
(Decrease) in deferred income	–	(175)
Cash flows (used in)/generated from operations	(338)	202
Interest paid	(54)	(31)
Interest received	3	3
Net cash flows (used in)/generated from operating activities	(389)	174
Investing activities		
Purchase of property, plant and equipment	(93)	(86)
Additions to intangible asset	–	(9)
Net cash flows used in investing activities	(93)	(95)
Financing activities		
Payment of lease liabilities	(90)	(90)
Proceeds from loans and borrowings	350	100
Net cash flows from financing activities	260	10
Net (decrease)/increase in cash and cash equivalents	(222)	89
Cash and cash equivalents at 1 January	583	494
Cash and cash equivalents at 31 December	361	583

D. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated (loss) \$'000	Total equity \$'000
Group				
2022				
As at 1 January	32,390	12	(6,527)	25,875
Profit net of tax	–	–	1,651	1,651
Other comprehensive income for the year	–	(34)	–	(34)
Total comprehensive income for the year	–	(34)	1,651	1,617
At 31 December	32,390	(22)	(4,876)	27,492
2021				
As at 1 January	32,390	21	(3,852)	28,559
Loss net of tax	–	–	(2,675)	(2,675)
Other comprehensive income for the year	–	(9)	–	(9)
Total comprehensive income for the year	–	(9)	(2,675)	(2,684)
At 31 December	32,390	12	(6,527)	25,875

	Attributable to equity holders of the Company		
	Share capital \$'000	Accumulated (loss) \$'000	Total equity \$'000
Company			
2022			
At 1 January	32,390	(112)	32,278
Profit net of tax	–	17	17
Total comprehensive income for the year	–	17	17
At 31 December	32,390	(95)	32,295
2021			
At 1 January	32,390	(93)	32,297
Loss net of tax	–	(19)	(19)
Total comprehensive income for the year	–	(19)	(19)
At 31 December	32,390	(112)	32,278

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

E.1 Corporate information

Progen Holdings Ltd (the "Company") is a public company limited by shares incorporated and domiciled in Singapore and is listed on the Catalyst of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office and principal place of business of the Company is located at 28 Riverside Road, Singapore 739085.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are trading, contracting, servicing and maintenance of air-conditioning and mechanical ventilation systems and rental of building space. The principal activity of the associated company is property development.

E.2.1 Basis of preparation

The condensed interim financial statements for the six months and full year ended 31 December 2022 have been prepared in accordance with Singapore Financial Reporting Standard (International) ("SFRS(I)") 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 30 June 2022.

The accounting policies and method of computation adopted are consistent with those of the previous financial year except that in the current financial period, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

As at 31 December 2022, the condensed interim financial statements of the Company have been prepared on a going concern basis, notwithstanding that the Company was in a net current liabilities position of S\$63,000 (2021: S\$1,672,000). The subsidiaries of the Company maintain adequate cash and retained earnings and the Company has the right to call upon dividends from the subsidiaries.

E.2.2 New and amended standards adopted by the Group

A number of amendments to SFRS(I)s have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new/revised SFRS(I)s.

E.2.3 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 December 2021. 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Revenue from construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and revenue recognised. The estimates are made based on past experience and knowledge of the project engineers.

(b) Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The fair value of investment property is determined by independent real estate valuation expert using direct comparison approach. The determination of the fair value of the investment property requires the use of estimates such as price per square feet. These estimates are based on local market conditions existing at the end of each reporting date. In relying on the valuation report, management has exercised its judgement to ensure that the valuation method and estimates are reflective of current local market conditions existing at the end of each reporting date.

The determination of the fair value of the investment property involves the use of a range of estimates made by management and the External Appraiser. There continues to be a heightened level of estimation uncertainty in

determining the valuation of the investment property as at 31 December 2022 arising from the changes in market and economic conditions brought on by increasing interest rates, ongoing Russian-Ukraine war.

(c) Provision for expected credit losses of financial assets carried at amortised costs

(i) Simplified approach

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(ii) General approach

The Group applies the general approach to provide for ECLs on all other financial assets carried at amortised cost. At each reporting date, the Group assesses whether the credit risk of a financial asset has increased significantly since initial recognition. When initial credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

The assessment of whether credit risk of a financial asset has increased significantly since initial recognition is a significant estimate. Credit risk assessment is based on both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

E.3 Seasonal operations

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

E.4 Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- I. The products and installation segment relates to contracting of engineering works, cooling towers, air-conditioning and mechanical ventilation systems.
- II. The servicing and maintenance segment relates to servicing and repairing of air-conditioners, cooling towers and other cooling equipment.
- III. The rental segment relates to the leasing of factory and office space.
- IV. The property development segment relates to the business of developing and selling of residential properties undertaken by the associated company.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

As the Group operates substantially in Singapore, no segment information by geographical segment is presented.

The following table presents revenue and results information regarding the Group's business segments for the six months and full years ended 31 December 2022 and 31 December 2021:

Business segments	Products and	Servicing and	Rental	Property	Others	Adjustment	Group
	installation	maintenance		development			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 Jul to 31 Dec 2022							
<u>Segment revenue</u>							
Sales to external customers	3,122	217	369	–	–	–	3,708
Intersegment sales	53	–	75	–	–	(128)	–
Total revenue							<u>3,708</u>
<u>Segment results</u>							
Interest income	1	–	–	172	–	–	173
Other income	39	1	(1)	–	27	–	66
Depreciation and amortisation	(47)	(3)	(68)	–	(6)	69	55
Loss, net of tax	(95)	56	755	(35)	1,552	(63)	2,170
1 Jul to 31 Dec 2021							
<u>Segment revenue</u>							
Sales to external customers	1,554	226	375	–	–	–	2,155
Intersegment sales	65	–	75	–	–	(140)	–
Total revenue							<u>2,155</u>
<u>Segment results</u>							
Interest income	1	–	1	57	–	–	59
Other income	52	6	12	–	13	–	83
Depreciation and amortisation	(51)	(3)	(155)	–	(1)	141	(69)
Loss, net of tax	(508)	–	(1,876)	(41)	240	(117)	(2,302)

Business segments	Products and installation \$'000	Servicing and maintenance \$'000	Rental \$'000	Property development \$'000	Others \$'000	Adjustment \$'000	Group \$'000
1 Jan to 31 Dec 2022							
<u>Segment revenue</u>							
Sales to external customers	4,122	408	707	–	–	–	5,237
Intersegment sales	99	–	151	–	–	(250)	–
Total revenue							<u>5,237</u>
<u>Segment results</u>							
Interest income	2	–	–	249	–	–	251
Other income	86	3	18	–	64	–	171
Depreciation and amortisation	(96)	(6)	(158)	–	(11)	139	(132)
Loss, net of tax	(551)	27	764	(68)	1,637	(138)	1,671
<u>Segment assets and liabilities</u>							
Segment assets	2,436	118	21,970	9,516	1,497	–	35,537
Segment liabilities	2,937	161	2,201	9,976	2,789	(9,796)	8,058
1 Jan to 31 Dec 2021							
<u>Segment revenue</u>							
Sales to external customers	2,743	462	741	–	–	–	3,946
Intersegment sales	101	–	151	–	–	(252)	–
Total revenue							<u>3,946</u>
<u>Segment results</u>							
Interest income	2	–	1	114	–	–	117
Other income	123	33	38	–	44	–	238
Depreciation and amortisation	(96)	(8)	(171)	–	(1)	141	(135)
Loss, net of tax	(875)	45	(1,810)	(130)	240	(145)	(2,675)
<u>Segment assets and liabilities</u>							
Segment assets	1,420	329	21,883	9,267	154	–	33,053
Segment liabilities	2,539	161	2,113	9,476	2,365	(9,476)	7,178

E.5 Disaggregation of revenue

	Products and installation \$'000	Servicing and maintenance \$'000	Rental \$'000	Group \$'000
1 Jul to 31 Dec 2022				
Transferred over time	2,620	-	-	2,620
Transferred at a point in time	502	217	369	1,088
Total revenue	3,122	217	369	3,708

1 Jul to 31 Dec 2021				
Transferred over time	759	-	-	759
Transferred at point in time	795	226	375	1,369
Total revenue	1,554	226	375	2,155

	Products and installation \$'000	Servicing and maintenance \$'000	Rental \$'000	Group \$'000
1 Jan to 31 Dec 2022				
Transferred over time	3,564	-	-	3,564
Transferred at a point in time	558	408	707	1,673
Total revenue	4,122	408	707	5,237

1 Jan to 31 Dec 2021				
Transferred over time	2,515	-	-	2,515
Transferred at point in time	228	462	741	1,431
Total revenue	2,743	462	741	3,946

Breakdown of sales

	FY2022 \$'000	FY2021 \$'000	Change
(a) Sales reported for first half year	1,529	1,791	(14.6%)
(b) Operating losses after tax before deducting non-controlling interests reported for first half of year	(531)	(373)	42.4%
(c) Sales reported for second half year	3,708	2,155	72.1%
(d) Operating profit/(losses) after tax before deducting non-controlling interests reported for second half of year	2,182	(2,302)	Not meaningful

E.6 Financial assets and financial liabilities

The undiscounted financial assets and liabilities of the Group and Company are as follows:

	Group		Company	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Financial assets				
-Cash and bank balances	361	583	49	65
-Trade receivables	1,107	660	-	-
-Contract assets	142	43	-	-
-Fixed deposits	2,000	2,000	-	-
-Deposits	25	37	5	5
-Other receivables	893	654	-	3
-Investment securities	62	71	-	-
-Loan to an associated company	8,630	8,630	-	-
-Amount due from subsidiaries	-	-	1,411	1,264
	13,220	12,678	1,465	1,337
Financial liabilities				
-Trade payables	(884)	(581)	(34)	(38)
-Other payables	(3,072)	(2,522)	(912)	(862)
-Contract liabilities	(504)	(910)	-	-
-Borrowings	(1,750)	(1,400)	-	-
-Lease liabilities	(2,772)	(2,719)	(844)	(88)
-Amount due to subsidiaries	-	-	(456)	(2,023)
	(8,982)	(8,132)	(2,246)	(3,011)

E.7 Fair value of assets and liabilities

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The financial instruments of the Group and Company as at 31 December 2022 and 31 December 2021 by classes are as follows:

	Group		Company	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Financial assets at amortised cost				
Fixed deposits	2,000	2,000	–	–
Loan to an associated company	8,630	8,630	–	–
Cash and bank balances	361	583	49	65
Trade receivables	1,107	660	–	–
Deposits	25	37	5	5
Other receivables	893	654	–	3
Contract assets	142	43	–	–
Amounts due from subsidiaries	–	–	1,411	1,264
	<u>13,158</u>	<u>12,607</u>	<u>1,465</u>	<u>1,337</u>
Financial assets at fair value through profit or loss				
Investment securities	62	71	–	–
Financial liabilities at amortised cost				
Trade payables	(884)	(581)	(34)	(38)
Other payables	(3,072)	(2,522)	(912)	(862)
Contract liabilities	(504)	(910)	–	–
Borrowings	(1,750)	(1,400)	–	–
Amounts due to subsidiaries	–	–	(456)	(2,023)
Lease liabilities	(1,727)	(1,670)	(764)	(87)
	<u>(7,937)</u>	<u>(7,083)</u>	<u>(2,166)</u>	<u>(3,010)</u>

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 - Unobservable inputs for the asset or liability.

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

(b) **Assets and liabilities measured at fair value**

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group (\$000)	Fair value measurements at the end of the reporting period using:			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
31 December 2022				
Assets measures at fair value				
Financial assets:				
Equity securities at fair value through profit or loss	62	–	–	62
Financial assets as at 31 December 2022	62	–	–	62
Non-financial assets:				
Investment property – Factory	–	–	18,500	18,500
Non-financial assets as at 31 December 2022	–	–	18,500	18,500
31 December 2021				
Assets measures at fair value				
Financial assets:				
Equity securities at fair value through profit or loss	71	–	–	71
Financial assets as at 31 December 2021	71	–	–	71
Non-financial assets:				
Investment property – Factory	–	–	18,000	18,000
Non-financial assets as at 31 December 2021	–	–	18,000	18,000

There have been no transfers between Level 1, Level 2 and Level 3 for the 12 months ended 31 December 2022 and 31 December 2021 respectively.

(c) **Level 3 fair value measurements**

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable input level 3.

Description	Fair value (\$'000)	Valuation techniques	Unobservable inputs	Range \$
Recurring fair value measurement				
31 December 2022				
<i>Investment property - Factory</i>	18,500	Direct comparison method	Price per square feet	120 - 230
31 December 2021				
<i>Investment property - Factory</i>	18,000	Direct comparison method	Price per square feet	120 - 230

Observable inputs are quoted prices for assets in a market. Where the market price for an asset is not available, unobservable inputs are used and they are developed using assumptions that market participants would use when pricing the asset.

Where necessary, these inputs have been adjusted to reflect specific circumstances of the investment property and developed using the best information available about the assumptions that market participants would use when pricing the assets.

A significant increase/(decrease) in price per square feet based on management's assumptions would result in a significantly higher/(lower) fair value measurement.

(ii) Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs:

	Investment property -Factory S\$'000
At 1 January 2021	20,000
Total losses for the period	
Included in profit or loss in 2021	(2,000)
At 31 December 2021	18,000
Total gains for the period	
Included in profit or loss in 2022	500
At 31 December 2022	18,500

(iii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation appraisers who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by the independent external appraiser, the appropriateness of the valuation methodologies and assumptions adopted are reviewed by management along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(d) **Assets and liabilities not carried at fair value but for which fair value is disclosed**

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short term nature: cash and bank balances, fixed deposits, trade receivables deposits and other receivables, related party balances, trade payables, other payables and loan and borrowings.

E.8 Related party disclosures

Loan to an associated company

The loan is interest bearing, unsecured, repayable upon the completion of the associated company's development project and is to be settled in cash. The interest rate is pegged to the interest rate of the land loan obtained by the associated company from external banks.

This amount relates to shareholder's' loan provided to the associated company for the property development project at 17 Balmoral Road.

The Group considers default when there is adverse internal or external information relating to the progress of the planned development, progress of the associated company's property development and sales plans, outlook of the relevant property market prices, potential impact of the COVID-19 pandemic on expected sale prices and development completion date and costs, the credentials, track record and credit default information of the main developer and major shareholder of the associated company, external information on the industry default rate and rate of return for similar investments. As at 31 December 2022 and 31 December 2021, the Group has not recorded any expected credit loss on the loan to the associated company.

Compensation of key management personnel

Group (\$'000)	2022	2021
Salaries and other emoluments	1,385	1,421
Central Provident Fund contributions	55	60
Other short-term benefits	7	6
	<hr/>	<hr/>
	1,447	1,487
	<hr/>	<hr/>
<i>Comprise amounts paid to :</i>		
- Directors of the Company	931	931
- Other key management personnel	516	556
	<hr/>	<hr/>
	1,447	1,487
	<hr/>	<hr/>

E.9 Taxation

Deferred tax asset arising from temporary differences during the periods under review are not recognised due to uncertainty of its recoverability.

E.10 Net asset value

	Group		Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Net asset value per ordinary share (in cents)	7.040	6.627	8.270	8.267
Number of ordinary shares in issue	390,511,778	390,511,778	390,511,778	390,511,778

E.11 Intangible asset

Group (\$'000)	2022	2021
Cost		
At 30 June	279	274
Additions	-	5
	<hr/>	<hr/>
At 31 December	279	279
	<hr/>	<hr/>
Accumulated amortisation		
At 30 June	279	222
Charge for six months	-	28
	<hr/>	<hr/>
At 31 December	279	250
	<hr/>	<hr/>
Net carrying amount		
At 31 December	-	29
	<hr/>	<hr/>

E.12 Property, plant and equipment

During the six months ended 31 December 2022, additions to property, plant and equipment amounted to S\$14,000 (31 December 2021: S\$86,000). There were no disposals of property, plant and equipment (31 December 2021: NIL); and no write-off of property, plant and equipment (31 December 2021: S\$40,000) during the six months ended 31 December 2022.

E.13 Investment property

The investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property is included in profit or loss in the period in which it arises. During the financial year ended 31 December 2022, there was no acquisition or disposal of investment properties.

E.14 Valuation

Investment property is stated at fair value, which has been determined based on a valuation performed by an external appraiser with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The fair value gain recorded for the financial year ended 31 December 2022 was S\$500,000 (31 December 2021: fair value loss of S\$2,000,000). The fair value of the investment property is determined using the Direct Comparison Method which takes into account the price per square feet applicable to the property. In arriving at its estimate of market value, the valuer has used his market knowledge and professional judgement.

E.15 Borrowings

The Group's bank borrowings as at 31 December 2022 was S\$1,750,000 (31 December 2021: S\$1,400,000), which are all secured and repayable in one year or less, or on demand. The effective interest rate is 3.58% (2021: 2.30%) per annum. The bank borrowings were secured on the investment property.

E.16 Share capital

The Company's share capital as at 30 June 2022, 31 December 2022 and 31 December 2021 was S\$32,390,000 comprising 390,511,778 shares. There were no outstanding convertibles as at 31 December 2022 and 31 December 2021.

E.17 Changes in treasury shares

Not applicable. There were no treasury shares during and as at 31 December 2022 and 31 December 2021. As such, there was no sale, transfer, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

E.18 Changes in subsidiary holdings

Not applicable. There were no subsidiary holdings during and as at 31 December 2022 and 31 December 2021. As such, there was no sale, transfer, cancellation and/or use of subsidiary holdings during and as at the end of the current financial period reported on.

E.19 Subsequent events

There were no known subsequent events which have led to adjustments to this set of interim financial statements.

F. OTHER INFORMATION REQUIRED BY APPENDIX 7C OF THE CATALIST RULES

F.1 Review

The condensed consolidated statement of financial position of Progen Holdings Ltd and its subsidiaries as at 31 December 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months and financial year then ended and certain explanatory notes have not been audited or reviewed by the Company's auditor.

F.2 Audit Opinion (Applicable to Companies That Have Received Modified Audit Opinions)

Not applicable. The Group's latest audited financial statements for the financial year ended 31 December 2021 was not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

F.3 Variance from forecast or prospect statements

Not applicable as no forecast or prospect statements was previously provided.

F.4 Earnings per share

The basic and diluted earnings per share for the financial year ended 31 December 2022 were 0.423 cents per share (31 December 2021: loss of 0.685 cents per share). The earnings per ordinary share for the financial period under review is calculated based on the weighted average of 390,511,778 ordinary shares (financial year ended 31 December 2021: 390,511,778 ordinary shares) in issue. The basic and fully diluted earnings/(loss) per ordinary share are the same as there were no potentially dilutive shares in issue during and as at the end of the financial period ended 31 December 2022 and 31 December 2021.

F.5 Review of Group performance

Financial year ended 31 December 2022 ("FY2022") vs. Financial year ended 31 December 2021 ("FY2021")

Income Statement

The Group's revenue increased by S\$1,291k (32.7%) from S\$3,946k (FY2021) to S\$5,237k (FY2022) mainly due to the resumption of business activities with the government easing of COVID-19 related restrictions.

With the easing of government restrictions, activities under Products and installation were substantially restored due to resumption of existing contracts and new contracts being entered into and revenue increased by S\$1,379k (50.3%) from S\$2,743k (FY2021) to S\$4,122k (FY2022). Revenue from Servicing and maintenance decreased by S\$54k (11.7%) from S\$462k (FY2021) to S\$408k (FY2022). Rental income remained stable.

Other income increased by S\$489k (111.6%) from S\$438k (FY2021) to S\$927k (FY2022) mainly due to fair value gain on Investment Property of S\$500k for FY2022. Other items of income for FY2022 included share of results of an associated company of S\$1,363k (FY2021: NIL). With the sale of the properties developed by the associated company picking up, the Group recognised its proportionate share of the associated company's earnings in FY2022.

Costs of Products and installation increased by S\$648k (32.4%) from S\$2,002k (FY2021) to S\$2,650k (FY2022), in line with the higher revenue generated in FY2022. The foregoing rate of increase was lower than the rate of increase in revenue from Products and installation due to economies of scale as a result of higher revenue.

Property operating expenses, depreciation and amortisation expense remained fairly constant.

Salaries and employee benefits increased by S\$194k (9.8%) from S\$1,975k (FY2021) to S\$2,169k (FY2022), in line with the higher revenue for FY2022.

Other expenses decreased by S\$2,057k (77.7%) from S\$2,648k (FY2021) to S\$591k (FY2022) mainly due to the absence of fair value loss on investment property of S\$2,000k recorded in FY2021.

Finance cost increased by S\$22k (24.2%) from S\$91k (FY2021) to S\$113k (FY2022) mainly due to higher borrowings and higher interest rate in FY2022 compared to FY2021.

As a result of the above, the Group's profit net of tax amounted to S\$1,651k in FY2022 as compared to loss of S\$2,675k in FY2021.

Balance Sheet

Property, plant and equipment decreased by S\$10k from S\$427k as at 31 December 2021 to S\$417k as at 31 December 2022 due to depreciation during the year which was partially offset by purchase of property, plant and equipment.

Investment property increased by S\$500k to S\$18,500k as at 31 December 2022 due to the revaluation of investment property conducted by an independent valuer.

Intangible asset decreased from S\$29k to S\$0 as at 31 December 2022 as it was fully amortised during the period.

With the recognition of share of results of an associated company, investment in an associated company was S\$1,363k as at 31 December 2022.

Total other receivables increased by S\$239k from S\$654k as at 31 December 2021 to S\$893k as at 31 December 2022 mainly due to the recognition of interest receivable on the loan to the associated company for FY2022.

The Group's current assets increased by S\$9,869k from S\$1,606k as at 31 December 2021 to S\$11,475k as at 31 December 2022 mainly due to the reclassification of loan to an associated company and its corresponding interest receivable from non-current assets to current assets; and higher trade receivables pertaining to billings made for project works done near end of the year.

Contract assets increased by S\$99k from S\$43k as at 31 December 2021 to S\$142k as at 31 December 2022 due to the timing difference of billings made.

The Group's current liabilities increased by S\$790k from S\$5,540k as at 31 December 2021 to S\$6,330k as at 31 December 2022 mainly due to trade payables which increased by S\$303k from S\$581k as at 31 December 2021 to S\$884k as at 31 December 2022 due to the goods purchased for project works near end of the year and higher borrowings as at 31 December 2022.

The increase in current liabilities was partially offset by a decrease in contract liabilities of S\$406k from S\$910k as at 31 December 2021 to S\$504k as at 31 December 2022 due to the timing difference of billings made.

Cashflow Statement

The Group used cash of S\$222k in FY2022. Operating activities and investing activities used cash of S\$389k and S\$93k respectively in FY2022. Deficit in cashflow for operating activities was due to cash outflow pertaining to goods purchased for project works near end of FY2022, whereby corresponding cash inflow from payment received for the project works was received after year end. Financing activities contributed S\$260k mainly due to drawing down of banking facilities for general operating requirements, partially offset by the payment of lease liabilities.

F.6 Business outlook

The outlook for the next 12 months remains challenging amidst vast uncertainties in domestic and global market conditions resulting from global inflation, increasing oil prices and interest rates, ongoing Russian-Ukraine war and the escalation of costs of raw materials and transportation.

The Group will continue to explore new business opportunities, transform and consolidate its existing businesses to improve effectiveness and efficiency, and synergise and optimise resources across its businesses.

F.7 Dividend information

If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

Not applicable.

(b)(i) Amount per share cents

Nil

(b) (ii) Previous corresponding period cents

Nil

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended for the financial year ended 31 December 2022 as the Company deemed it more appropriate to retain the cash in the Group for operating cashflow purpose.

F.8 Interested person transactions

The Group does not have a shareholders' mandate for interested person transactions. There was no interested person transaction for the financial year ended 31 December 2022.

F.9 Disclosure of acquisition (including incorporations) and sale of shares under Rule 706A

The Company did not carry out any acquisition or sale of shares for the current financial period reported on.

F.10 Confirmation of Undertakings from Directors and Executive Officers under Rule 720(1) of Section B: Rules of Catalist of the Listing Manual of the SGX-ST ("Catalist Rules")

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H under Rule 720(1) of the Catalist Rules.

Additional information required for full year announcement

F.11 Segmented revenue and results for operating segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Refer to E.4 of the Notes to the Condensed Interim Financial Statements.

F.12 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Refer to Section F.5.

F.13 A breakdown of sales

Refer to E.5 of the Notes to the Condensed Interim Financial Statements.

F.14 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable. No dividend has been declared or recommended for FY2022 and FY2021.

F.15 Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Name	Age	Family relationship with any director and / or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Lee Pui Hoon	45	Daughter of Mr Lee Ee @ Lee Eng	Admin and Corporate Affairs Director Assist the Group in administrative matters and corporate affairs and oversees the finance department. Position was first held in 2014.	NIL
Lee Yung Li	43	Son of Mr Lee Ee @ Lee Eng	Senior Manager (in a wholly-owned subsidiary, Progen Pte Ltd) Responsible for Product Innovation and Development. Position was first held in 2014	NIL

BY ORDER OF THE BOARD PROGEN HOLDINGS LTD

Lee Ee @ Lee Eng
Managing Director
24 February 2023

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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