



JADASON ENTERPRISES LTD
(Registration No. 199003898K)

RESPONSE TO SGX QUERIES

The Board of Directors (the “Board”) of Jadason Enterprises Ltd. (the “Company”) and together with its subsidiaries (collectively known as “Group”) has on 20 March 2024 received the following queries from the Singapore Exchange Securities Trading Limited (“SGX-ST”) in relation to the Group’s unaudited condensed interim consolidated financial statements for the six months and financial year ended 31 December 2023 released on 29 February 2024 and sets out its response as follows:-

Question 1 : It is noted on page 11 of the unaudited financial statements that (i) an amount of S\$905,000 was recognised as impairment loss on property, plant and equipment; and (ii) an amount of S\$1,418,000 was recognised as impairment loss on right-of-use assets for the year ended 31 Dec 2023. In this regard, please disclose the following information:

- (i) how the amount of impairment was determined;
- (ii) whether any valuation was conducted; the value placed on the assets; the basis and the date of such valuation;
- (iii) the Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and
- (iv) the reasons for the impairment losses.

Company’s Response :

As at the end of each reporting period, the Group carried out an impairment testing of the recoverable amounts of its property, plant and equipment held by certain subsidiaries in China that were loss making.

As at 31 December 2023, due to the unfavorable market conditions in the PCB industry, the management determined the recoverable amounts of the property, plant and machinery using the fair value less costs of disposal (“FVLCD”) method. For this purpose, the management engaged an independent professional valuer to assess the fair value of the Group’s plant and machinery as at 31 December 2023 using replacement cost method. This approach considered the cost that would be required currently to replace the similar plant and machinery of comparable utility, adjusted for obsolescence which encompasses physical deterioration and economic obsolescence.

As at 31 December 2023, due to poor demand for the Group's PCB drilling services in China, the Group decided to take steps to scale down the drilling operation and hence issued notice for early termination of the existing lease. The Group carried out an impairment testing of the recoverable amounts of its right-of-use assets using the FVLCD method.

Arising from the abovementioned assessments, impairment losses of \$905,000 for plant and machinery and \$1,418,000 for right-of-use assets were recognised in "Other expenses" line item in the consolidated statement of comprehensive income for the financial year ended 31 December 2023.

The Board is of the view that :

- 1) under the current challenging market environment, the key assumptions used to determine the fair value of the Group's plant and machinery which included budgeted purchase cost and incidental cost to purchase the similar machinery and physical deterioration and economic obsolescence rate are reasonable.
- 2) as the subsidiary had given lease termination notice to the landlord and is not able to transfer the existing lease to a new tenant, no recoverable amount is assessed on the right-of-use assets. Hence, full impairment loss of \$1,418,000 was charged to the right-of-use assets.

Question 2 : It is disclosed on page 7 of the unaudited financial statements that, "During the six-month period ended 31 December 2023, the Group has progressively ceased the PCB drilling services operation in China. During the previous financial year ended 31 December 2022, the Group also ceased the PCB mass lamination services operation in China."

Please disclose the impact arising from the closure of PCB drilling services operations and PCB mass lamination services operations on the Group's financial position and financial performance.

Company's Response :

Please see the tabulation below for the impact arising from the closure of PCB drilling services operations ("Drilling") and PCB mass lamination services operations ("Mass Lamination") on the Group's financial position and financial performance for the financial year ended 31 December 2023 ("FY2023") and 31 December 2022 ("FY2022") respectively.

<u>Financial position</u>	Drilling FY2023 SGD'000	Mass Lamination FY2022 SGD'000
<u>Assets</u>		
Property, plant and equipment	(905)	(125)
Right-of-use assets	(2,676)	(2,144)
Cash and cash equivalents	-	(289)
<u>Liabilities</u>		
Lease liabilities	(1,555)	(2,890)
Provision	1,063	-
<u>Equity</u>		
Reserves	(3,089)	332
<u>Profit or loss</u>	Drilling FY2023 SGD'000	Mass Lamination FY2022 SGD'000
<u>Other income</u>		
Gain on de-recognition of lease liabilities and right-of-use assets:		
- lease modification	297	-
- lease termination	-	746
<u>Other expenses</u>		
Impairment loss on property, plant and equipment	(905)	(125)
Impairment loss on right-of-use assets	(1,418)	-
Provision for staff retrenchment cost	(451)	-
Provision for reinstatement cost	(612)	-
Restoration expenses	-	(289)
Net (loss)/gain	(3,089)	332

By Order of the Board

Fung Chi Wai
Chief Executive Officer

22 March 2024