



GRAND VENTURE TECHNOLOGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 201222831E)

UNAUDITED HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022 FOR GRAND VENTURE TECHNOLOGY LIMITED (THE “COMPANY” AND TOGETHER WITH ITS SUBSIDIARIES, THE “GROUP”)

Comparative financial year

For the purposes of this results announcement:

- The current financial period being reported on, refers to the half year from 1 January 2022 to 30 June 2022, shall be referred to herein as “**1HFY2022**”.
- The corresponding financial period of the immediately preceding financial year, the half year from 1 January 2021 to 30 June 2021, will be referred to herein as “**1HFY2021**”; and
- The financial year ended 31 December 2021 shall be referred to herein as “**FY2021**”.

Table of contents

A. Condensed interim consolidated statement of profit or loss and other comprehensive income	3
B. Condensed interim statements of financial position	4
C. Condensed interim statements of changes in equity	5
D. Condensed interim consolidated statement of cash flows	7
E. Notes to the condensed interim consolidated financial statements	8
F. Other information required by Listing Rule Appendix 7.2	19

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group		Changes
		1HFY2022 S\$'000	1HFY2021 S\$'000	
Revenue	4	67,064	53,540	25.3%
Cost of sales		(49,003)	(35,820)	36.8%
Gross profit		18,061	17,720	1.9%
Other income ^{Note (a)}		1,697	631	168.9%
Selling and distribution costs		(629)	(483)	30.2%
General and administrative expenses ^{Note (a)}		(7,223)	(5,270)	37.1%
Other operating expenses		(2,349)	(1,234)	90.4%
Finance costs		(1,149)	(843)	36.3%
Profit before tax	6	8,408	10,521	(20.1)%
Income tax expense	9	(1,276)	(2,013)	(36.6)%
Profit after tax		7,132	8,508	(16.2)%
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences arising from consolidation of foreign operations		(1,733)	(224)	NM
Total comprehensive income for the financial year attributable to owners of the Company		5,399	8,284	(34.8)%
Earnings per share (cents per share) - Basic and diluted	7	2.12	3.07	
EBITDA ^{Note (b)}		16,067	15,391	4.4%

NM: Not meaningful

Note (a): Gain or loss in foreign exchange forward contract has been recorded as a net amount with the Group's gain or loss in foreign exchange transactions.

Note (b): EBITDA refers to Earnings before Interest, Tax, Depreciation and Amortisation
i.e. Profit before Tax + Interest cost - Interest income + Depreciation + Amortisation

B. Condensed interim statements of financial position

	Note	Group		Company	
		30-Jun-22 S\$'000	31-Dec-21 S\$'000	30-Jun-22 S\$'000	31-Dec-21 S\$'000
Non-current assets					
Property, plant and equipment	12	76,907	56,360	16,600	16,670
Investment in subsidiaries	16	-	-	45,796	15,492
Intangible assets	13	10,749	2,015	-	-
Prepayments		3,211	3,055	-	-
Loans to subsidiaries		-	-	6,150	4,150
Deferred tax assets		445	333	-	-
Total non-current assets		91,312	61,763	68,546	36,312
Current assets					
Cash and bank balances		27,704	46,338	14,022	39,132
Trade and other receivables		33,191	30,018	12,245	12,323
Prepayments		6,249	3,835	4,179	4,658
Inventories		50,771	40,911	11,791	10,818
Forward contract		-	6	-	6
Loans to subsidiaries		-	-	5,400	4,900
Total current assets		117,915	121,108	47,637	71,837
Total assets		209,227	182,871	116,183	108,149
Current liabilities					
Trade and other payables		25,107	25,053	7,679	7,428
Loans and borrowings	14	20,256	16,250	3,440	3,369
Lease liabilities	14	2,737	1,326	32	31
Deferred income		199	90	199	90
Forward contract		199	-	199	-
Provision for income tax		147	431	157	257
Total current liabilities		48,645	43,150	11,706	11,175
Net current assets		69,270	77,958	35,931	60,662
Non-current liabilities					
Loans and borrowings	14	33,291	29,550	14,418	15,816
Lease liabilities	14	7,664	4,303	1,551	1,567
Deferred income		915	427	915	427
Deferred tax liabilities		2,504	836	594	216
Total non-current liabilities		44,374	35,116	17,478	18,026
Total liabilities		93,019	78,266	29,184	29,201
Net assets		116,208	104,605	86,999	78,948
Equity attributable to owners of the Company					
Share capital	15	87,590	78,926	87,590	78,926
Currency translation reserve		(2,731)	(998)	-	-
Share-based payment reserve		-	764	-	764
Retained earnings/(accumulated losses)		31,349	25,913	(591)	(742)
Total equity		116,208	104,605	86,999	78,948

C. Condensed interim statements of changes in equity

	Note	Share capital S\$'000	Currency translation reserve S\$'000	Share-based payment reserve S\$'000	Retained earnings S\$'000	Total S\$'000
Group						
Balance as at 1 January 2021		27,843	(868)	-	9,886	36,861
<i>Transactions with owners, recognised directly in equity</i>						
Shares issued pursuant to Placement Agreements	15	23,604	-	-	-	23,604
Shares issuance expenses	15	(99)	-	-	-	(99)
Total		23,505	-	-	-	23,505
<i>Total comprehensive income for the financial period</i>						
Profit for the financial period		-	-	-	8,508	8,508
Other comprehensive income for the financial period		-	(224)	-	-	(224)
Total comprehensive income for the financial period		-	(224)	-	8,508	8,284
Balance as at 30 June 2021		51,348	(1,092)	-	18,394	68,650
Balance as at 1 January 2022		78,926	(998)	764	25,913	104,605
<i>Transactions with owners, recognised directly in equity</i>						
Shares issued for acquisition of subsidiaries	15	7,900	-	-	-	7,900
Shares issued pursuant to GVT Performance Share Plan ("GVT PSP")	15	764	-	(764)	-	-
Dividends paid		-	-	-	(1,696)	(1,696)
Total		8,664	-	(764)	(1,696)	6,204
<i>Total comprehensive income for the financial period</i>						
Profit for the financial period		-	-	-	7,132	7,132
Other comprehensive income for the financial period		-	(1,733)	-	-	(1,733)
Total comprehensive income for the financial period		-	(1,733)	-	7,132	5,399
Balance as at 30 June 2022		87,590	(2,731)	-	31,349	116,208

	Note	Share capital S\$'000	Share-based payment reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
Company					
Balance as at 1 January 2021		27,843	-	(1,805)	26,038
<i>Transactions with owners, recognised directly in equity</i>					
Shares issued pursuant to Placement Agreements	15	23,604	-	-	23,604
Shares issuance expenses	15	(99)	-	-	(99)
Total		23,505	-	-	23,505
<i>Total comprehensive income for the financial period</i>					
Profit for the financial period, representing total comprehensive income for the financial period		-	-	867	867
Balance as at 30 June 2021		51,348	-	(938)	50,410
Balance as at 1 January 2022		78,926	764	(742)	78,948
<i>Transactions with owners, recognised directly in equity</i>					
Shares issued for acquisition subsidiaries	15	7,900	-	-	7,900
Shares issued pursuant to GVT PSP		764	(764)	-	-
Dividends paid		-	-	(1,696)	(1,696)
Total		8,664	(764)	(1,696)	6,204
<i>Total comprehensive income for the financial period</i>					
Profit for the financial period, representing total comprehensive income for the financial period		-	-	1,847	1,847
Balance as at 30 June 2022		87,590	-	(591)	86,999

D. Condensed interim consolidated statements of cashflow

	Note	Group	
		1HFY2022 S\$'000	1HFY2021 S\$'000
Operating activities			
Profit before tax		8,408	10,521
Adjustments for:			
Depreciation of property, plant and equipment	6	6,347	4,036
Amortisation of intangible assets	6	309	12
Amortisation of deferred income	6	(137)	(13)
Net loss/(gain) on disposal of property, plant and equipment	6	108	(16)
Gain on lease modification		-	(1)
Interest income	6	(9)	(8)
Interest expense	6	1,149	843
Provision for unutilised leave	6	-	87
Inventories written-down	6	-	50
Unrealised foreign exchange gain		(614)	(39)
Operating cash flows before changes in working capital		15,561	15,472
Decrease/(increase) in trade and other receivables		2,556	(14,268)
Increase in inventories		(379)	(10,257)
Decrease/(increase) in prepayments ^{Note (c)}		138	(1,236)
(Decrease)/increase in trade and other payables		(12,349)	13,884
Cash flows generated from operations		5,527	3,595
Income tax paid		(962)	(276)
Interest received		9	8
Interest paid		(1,149)	(843)
Net cash flows generated from operating activities		3,425	2,484
Investing activities			
Purchases of property, plant and equipment		(6,506)	(6,836)
Prepayment for purchases of property, plant and equipment ^{Note (c)}		(1,680)	(882)
Proceeds from disposal of property, plant and equipment		29	16
Capital expenditure grants received		733	-
Net cash outflow on acquisition of subsidiaries	16	(6,879)	-
Net cash flows used in investing activities		(14,303)	(7,702)
Financing activities			
Proceeds from loans and borrowings		2,065	309
Repayment of loans and borrowings		(2,856)	(1,935)
Repayment of hire purchases		(2,574)	(2,292)
Payment of principal portion of lease liabilities		(938)	(366)
(Repayment)/proceeds from trade financing		(1,501)	2,051
Net proceeds from issuance of shares	15	-	23,505
Dividends paid		(1,696)	-
Decrease/(increase) in placement of short-term fixed deposits		173	(8)
Net cash flows (used in)/generated from financing activities		(7,327)	21,264
Net (decrease)/increase in cash and cash equivalents		(18,205)	16,046
Effect of foreign exchange rate changes, net		(278)	28
Cash and cash equivalents at the beginning of the financial period		46,090	7,105
Cash and cash equivalents at the end of the financial period		27,607	23,179
Cash and cash equivalents represented by:			
Cash and bank balances		27,704	23,568
less Short-term fixed deposits		(97)	(389)
		27,607	23,179

Note (c): Prepayment for purchases of property, plant and equipment being investing in nature has been re-classified to from operating activities to investing activities.

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Grand Venture Technology Limited (the “**Company**”) is incorporated in Singapore with its principal place of business and registered office at 2 Changi North Street 1, Singapore 498828.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the “**Group**”).

The principal activities of the Group and the Company are that of manufacturing ultra-precision machining parts, modules, complex sheet metal and mechatronics assembly.

Basis of Preparation

The condensed interim financial statements for the financial year ended 30 June 2022 have been prepared in accordance with Singapore Financial Reporting Standards (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 annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar (“**S\$**”) which is the Company’s functional currency, and all values in the tables are rounded to the nearest thousand (“**S\$’000**”), except when otherwise indicated.

2.1. 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 those standards.

2.2. 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 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.

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 interim period are included in the following notes:

- Note 13 – Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts.
- Note 16 – identification of assets acquired and liabilities assumed in a business combination

3. Seasonal operations

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

4. Segment and revenue information

Revenue is recognised at the point in time when control over the goods has been transferred to the customer, usually on delivery of goods and acceptance by the customer. The goods are sold with retrospective sales rebates based on sales over a period of time.

The Group is organised into the following main business segments:

- Semiconductor

The semiconductor segment involves the manufacturing of precision machined components, complex sheet metal manufacturing and mechatronics assembly for customers who are leading equipment providers for semiconductor manufacturing and electronics assembly solutions.

- Life sciences

The life sciences segment involves the manufacturing of key components of mass spectrometers, high performance liquid chromatography instruments and bolt-on instruments used for various laboratories testing and pharmaceutical applications.

- Electronics, aerospace, medical and others

The electronics, aerospace, medical and others segment involves the manufacturing of consumable parts, manufacturing and assembly of parts and components for aircraft carriers, surgical microscopes and the assembly of complex modules for customers in the business of industrial automation and manufacturing equipment.

These operating segments are reported in a manner consistent with internal reporting provided to management who are responsible for allocating resources and assessing performance of the operating segments. Segment performance is evaluated based on gross profit or loss.

By business segment

Group	Electronics, aerospace, medical and others			Total S\$'000
	Semiconductor S\$'000	Life sciences S\$'000	S\$'000	
1HFY2022				
Revenue	41,634	9,437	15,993	67,064
Cost of sales	(29,408)	(6,279)	(13,316)	(49,003)
Gross profit	12,226	3,158	2,677	18,061
1HFY2021				
Revenue	38,855	8,263	6,422	53,540
Cost of sales	(25,139)	(5,561)	(5,120)	(35,820)
Gross profit	13,716	2,702	1,302	17,720

Revenue by geographical segment

	Group	
	1HFY2022 S\$'000	1HFY2021 S\$'000
Malaysia	28,860	30,966
Singapore	17,803	15,022
United States	9,620	2,118
China	9,445	4,598
Others	1,336	836
Total	67,064	53,540

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities, excluding net input tax, of the Group as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30-Jun-22 S\$'000	31-Dec-21 S\$'000	30-Jun-22 S\$'000	31-Dec-21 S\$'000
Financial assets				
Cash and bank balances and trade and other receivables (amortised cost)	60,772	76,007	37,867	60,398
Financial liabilities				
Trade and other payables and borrowings (amortised cost)	89,055	76,482	27,120	28,212

6. Significant items included in profit before taxation

	Group	
	1HFY2022	1HFY2021
	S\$'000	S\$'000
The following items have been included in arriving at profit before tax:		
Employee benefits expenses	14,685	11,161
Depreciation of property, plant and equipment	6,347	4,036
Interest income	(9)	(8)
Interest expense	1,149	843
Amortisation of intangible assets	309	12
Net loss/(gain) on disposal of property, plant and equipment	108	(16)
Operating lease expenses for short-term leases	95	83
Provision for unutilised leave	-	87
Inventories written-down	-	50
Foreign exchange gain	(960)	(281)
Rental income	(141)	(95)
Amortisation of deferred income	(137)	(13)

7. Earnings per share

	1HFY2022	1HFY2021
Profit after tax (S\$'000)	7,132	8,508
Weighted average numbers of ordinary shares ('000)	336,616	276,932
Basic and diluted Earnings Per Share (" EPS ") (Singapore cents)	<u>2.12</u>	<u>3.07</u>

The basic and diluted EPS for the respective financial periods are computed based on the weighted average number of ordinary shares in issue during the respective financial period.

The basic and diluted earnings per share were the same as there were no potentially dilutive ordinary shares in issue in 1HFY2022 and 1HFY2021.

8. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the period:

	Group		Company	
	1HFY2022	1HFY2021	1HFY2022	1HFY2021
	S\$'000	S\$'000	S\$'000	S\$'000
Purchase from subsidiaries	-	-	9,247	8,802
Management fee from subsidiaries	-	-	374	200
Interest income from subsidiaries	-	-	140	112
Advisory fee to an affiliate shareholder	48	-	48	-
Sales to subsidiaries	-	-	17	16

The remuneration of directors and other members of key management during the years were as follows:

	Group		Company	
	1HFY2022	1HFY2021	1HFY2022	1HFY2021
	S\$'000	S\$'000	S\$'000	S\$'000
Short-term benefits	1,097	753	620	477
Defined contributions plans	85	69	25	23
Total	1,182	822	645	500

9. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	1HFY2022	1HFY2021
	S\$'000	S\$'000
Current income tax expense	964	1,555
Deferred income tax expense relating to origination and reversal of temporary differences	312	458
Total income tax expense in the statement of profit or loss and other comprehensive income	1,276	2,013

10. Net asset value

	Group		Company	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
Net assets (S\$'000)	116,208	104,605	86,999	78,948
Number of ordinary shares ('000)	339,289	330,780	339,289	330,780
Net asset value per ordinary share (Singapore cents)	34.25	31.62	25.64	23.87

11. Fair value measurement

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.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of the Company's assets and liabilities not measured at fair value, for which fair value is disclosed:

Company	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments S\$'000	Significant observable inputs other than quoted prices S\$'000	Significant unobservable inputs S\$'000	Total S\$'000
30 June 2022				
Loans to subsidiaries (non-current)	-	-	5,849	5,849
31 December 2021				
Loans to a subsidiary (non-current)	-	-	3,821	3,821

The fair value as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending and borrowing arrangements at the end of the reporting period.

The carrying amount of loans and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

12. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired plant, machinery, and equipment with an aggregated cost of S\$2,177,000 (30 June 2021: S\$1,708,000) by means of hire purchase. The cash outflow on acquisition of property, plant and equipment amounted to S\$6,506,000 (30 June 2021: S\$6,836,000)

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
Capital commitments in respect of property, plant and equipment	13,922	10,707	2,630	329

13. Intangible assets

Group	Customer relationship S\$'000	Goodwill S\$'000	Total S\$'000
Cost:			
At 1 January 2021	1,244	1,868	3,112
Translation differences	-	4	4
At 31 December 2021 and 1 January 2022	1,244	1,872	3,116
Acquisition of subsidiaries	3,763	5,468	9,231
Translation differences	-	(189)	(189)
At 30 June 2022	5,007	7,151	12,158
Accumulated amortisation:			
At 1 January 2021	1,077	-	1,077
Amortisation for the year	24	-	24
At 31 December 2021 and 1 January 2022	1,101	-	1,101
Amortisation for the year	308	-	308
At 30 June 2022	1,409	-	1,409
Carrying amount			
At 31 December 2021	143	1,872	2,015
At 30 June 2022	3,598	7,151	10,749

13.1 Customer relationship

Customer relationship have a weighted average remaining amortisation period of 9.6 years (FY2021: 6.0 years).

13.2 Impairment testing of goodwill

Goodwill acquired through business combinations are attributable to the acquisition of the Company's subsidiaries, which are also considered as cash-generating units ("CGUs") for impairment testing as follows:

	1HFY2021 S\$'000	FY2021 S\$'000
Formach Asia Sdn. Bhd. ("Formach")	3,162	-
J-Dragon Tech (Suzhou) Co., Ltd ("J-Dragon")	2,160	-
Grand Venture Technology Sdn. Bhd. ("GVT MY")	1,329	1,362
Grand Venture Technology (Suzhou) Co., Ltd. ("GVT SZ")	500	510
Total	7,151	1,872

GVT MY and GVT SZ

The recoverable amounts of the CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. Value-in-use as at 30 June 2022 was determined similarly to the 31 December 2021 goodwill impairment test, and was based on the following key assumptions:

	GVT MY	GVT SZ
Long-term growth rates	2.0%	2.0%
Pre-tax discount rates	14.2%	13.9%

The long-term growth rates and pre-tax discount rates assumed were the same for the year ended 31 December 2021.

J-Dragon and Formach

Goodwill was recognised from the acquisitions of new subsidiaries during the year as the difference between the fair value of the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed.

The key assumptions to determine the fair values are described in Note 16.

As at 30 June 2022, management performed an impairment assessment on the goodwill arising from the acquisitions of the new subsidiaries.

Goodwill acquired through business combinations

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amounts.

Accordingly, no impairment loss was recognised for the financial year ended 31 December 2021 and six months ended 30 June 2022 for goodwill as their recoverable values were in excess of their carrying values.

14. Borrowings

	Group			
	30-Jun-22		31-Dec-21	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount payable in one year or less or on demand	22,993	-	17,576	-
Amount payable after one year	40,955	-	33,853	-
Total	63,948	-	51,429	-
The above includes lease liabilities, as follows:				
Amount payable in one year or less or on demand	2,737	-	1,326	-
Amount payable after one year	7,664	-	4,303	-
Total	10,401	-	5,629	-

Details of any collateral

The Group has provided different securities for its various secured loan and credit facilities which include:

- (i) Open all monies first party first legal charge over the Group's properties in Penang (Malaysia);
- (ii) First legal mortgage over the property in Singapore;
- (iii) Personal guarantees by certain key management members of the Group's subsidiaries;
- (iv) Corporate guarantees by the Company and its wholly-owned subsidiary, GVT MY; and
- (v) Charge over certain of the Group's equipment and vehicles.

15. Share capital

	30-Jun-22		31-Dec-21	
	Number of ordinary shares	S\$'000	Number of ordinary shares	S\$'000
Beginning of period	330,780,000	78,926	234,253,000	27,843
Issuance of ordinary shares	8,509,432	8,664	96,527,000	52,103
Share issuance expenses	-	-	-	(1,020)
End of period	339,289,432	87,590	330,780,000	78,926

During 1HFY2021, the Company had on 12 January 2021 entered into a Placement Agreement with the issuance of 71,527,000 new ordinary shares in the capital of the Company to NT SPV 12 at an issue price of S\$0.33 for each placement share. The net proceeds raised for the Company amounted to S\$23,505,000.

The Company did not have any outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2022 and 31 December 2021.

16. Investment in subsidiaries

Composition of the Group

The Group has acquired Formach and J-Dragon during 1HFY2022, composition of the Group as at 30 June 2022 is as follows:

Name of subsidiaries	Principal activities (Principal place of business)	Proportion of ownership interest	
		1HFY2022 %	FY2021 %
Held by the company			
Grand Venture Technology Sdn. Bhd.	Manufacturing of machinery parts (Malaysia, Penang)	100	100
Grand Venture Technology (Penang) Sdn. Bhd.	Manufacturing of machinery parts (Malaysia, Penang)	100	100
Grand Venture Technology (Suzhou) Co., Ltd.	Manufacturing of machinery parts (China, Suzhou)	100	100
Formach Asia Sdn. Bhd.	Manufacturing of machinery parts (Malaysia, Johor)	100	-
J-Dragon Tech (Suzhou) Co., Ltd.	Manufacturing of machinery parts (China, Suzhou)	100	-

On 2 March 2022, the Group completed the acquisition of 100% equity interests in J-Dragon and Formach (the "Acquirees").

J-Dragon

J-Dragon is involved in the manufacturing of parts, modules and tooling for the aerospace, medical and semiconductor segments.

The acquisition of J-Dragon will enable the Group to gain immediate access to the former's patents, know-how, and capabilities, and facilitate the Company's strategic expansion into the aerospace and medical business segments.

Formach

Formach is the manufacturer of complex sheet metal, machine structure weldment, and provision of electro-mechanical machine assembly services.

Its operations are expected to supplement the Group's manufacturing nodes, capacity expansion and complementary capabilities for customers.

Acquisition-related costs

The Group incurred acquisition related cost of S\$0.4 million on legal fees, due diligence costs, transaction advisory fees and other professional fees for the above acquisition, of which S\$0.2 million was recognised in FY2021 as the expenses were incurred. These costs have been included in general & administrative expenses within the consolidated statement of profit or loss and other comprehensive income.

	J-Dragon S\$,000	Formach S\$,000	Total S\$,000
Total cash consideration	4,203	6,800	11,003
Less: retention	(1,220)	(780)	(2,000)
Cash consideration paid	2,983	6,020	9,003
Cash in acquired companies - J-Dragon and Formach	(1,540)	(584)	(2,124)
Net cash outflow	1,443	5,436	6,879

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset acquired	Valuation technique
Property, plant and equipment	<i>Market comparison method:</i> The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	<i>Multi-period excess earnings method:</i> The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
<ul style="list-style-type: none"> - Customer relationships - Order backlog 	

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	J-Dragon S\$'000	Formach S\$'000
Property, plant and equipment	9,446	2,925
Customer relationship	3,380	383
Cash and bank deposits	1,541	584
Trade and other receivables	6,165	1,322
Prepayment	-	72
Inventories	7,377	2,308
Trade and other payables	(9,167)	(1,530)
Loan and borrowing	(4,330)	(491)
Lease liabilities	(4,713)	(454)
Income tax (payable) / receivable	(35)	41
Deferred tax liabilities	(672)	(317)
Fair value of identifiable net assets	8,992	4,843
Goodwill arising from acquisition	2,234	3,234
Total consideration	11,226	8,077
Consideration transferred for acquisition of business		
Cash consideration	4,203	6,800
Equity instruments issued at fair value	7,023	877
Deemed transfer of customer deposit	-	400
Total consideration transferred	11,226	8,077

Goodwill arising from the acquisitions of S\$2,234,000 and S\$3,234,000 in relation to J-Dragon and Formach respectively pertains to the benefit of having access to a readily available production facility, operational resources, customer synergies and technical competencies.

Fair values measured on a provisional basis

The fair value of the assets acquired above has been determined provisionally pending completion of an independent valuation. A provisional amount has been recognised and the Group will continue to review the valuation during the measurement period.

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

17. Subsequent events

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

F. Other information required by Listing Rule Appendix 7.2

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

- 1(a)(i) An income and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Refer to section A. Condensed interim consolidated statement of profit or loss and other comprehensive income.

- 1(a)(ii) Notes to the consolidated statement of comprehensive income.**

Refer to section E. Notes to the condensed interim consolidated financial statements.

- 1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

Refer to section B. Condensed interim statements of financial position.

- 1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:**

Refer to section E. Notes to the condensed interim consolidated financial statements.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Refer to section D. Condensed interim consolidated statement of cash flows.

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Refer to section C. Condensed interim statements of changes in equity.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Refer to section E. Notes to the condensed interim consolidated financial statements.

- 1(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30-Jun-22	31-Dec-21
Total number of issued shares excluding treasury shares	<u>339,289,432</u>	<u>330,780,000</u>

There were no treasury shares as at 30 June 2022 and 31 December 2021.

- 1(d)(iv) **A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 1(d)(v) **A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable.

2. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).**

Not applicable.

- 3A. **Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

(a) **Updates on the efforts taken to resolve each outstanding audit issue.**

(b) **Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those of the audited financial statements for the year ended 31 December 2021.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:**

- (a) **Based on the weighted average number of ordinary shares on issue; and**
 (b) **On a fully diluted basis (detailing any adjustments made to the earnings).**

Refer to section E. Notes to the condensed interim consolidated financial statements.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**

- (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

Refer to section E. Notes to the condensed interim consolidated financial statements.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Consolidated Statement of Comprehensive Income

Revenue

The Group's revenue grew by S\$13.5 million or 25.3% from S\$53.5 million in 1HFY2021 to S\$67.1 million in 1HFY2022, mainly driven by increased business activities across the following key segments:

Sales by segment	1HFY2022		1HFY2021		Growth
	S\$'000	%	S\$'000	%	S\$'000
Semiconductor	41,634	62.1%	38,855	72.6%	2,779
Life sciences	9,437	14.1%	8,263	15.4%	1,174
Electronics, aerospace, medical and others	15,993	23.8%	6,422	12.0%	9,571
Total	67,064	100.0%	53,540	100.0%	13,524

Semiconductor

Revenue from the Semiconductor segment rose 7.2% to S\$41.6 million in 1HFY2022 driven by an overall sustained demand for semiconductor chips and additional contribution from the Group's recent acquisitions.

The increase was driven by onboarding of new customers and front-end semiconductor related projects, however offset by the delay in deliveries of testing and bonding equipment for the consumer electronics market in light of Shanghai COVID-19 lockdown, Russia-Ukraine tension and challenging macroeconomic environment.

Life sciences

Revenue from Life Sciences recorded a 14.2% improvement to S\$9.4 million in 1HFY2022, on increased production volume for existing mass spectrometers and its bolt-on products and expanded wallet share from new customers in the segment.

The growth was however impacted by supply-chain-induced constraints by the customers due to COVID-19 restrictions in Shanghai, China.

Electronics, aerospace, medical and others

Revenue from the Electronics, Aerospace, Medical and Others segment rose 149.0% to S\$16.0 million in 1HFY2022, following robust demand growth across all key customers in the segment and maiden contribution from the Group's recent acquisitions, including S\$3.2 million from the aerospace business.

Gross profit ("GP") and margin ("GPM")

In line with the rise in revenue, GP increased by S\$0.3 million to S\$18.1 million from S\$17.7 million in 1HFY2021.

However, GPM was 26.9% in 1HFY2022 as compared to 33.1% in, mainly due to lower margins recorded in the semiconductor, as well as the electronics, aerospace, medical and others segments.

A breakdown of GP and GPM by segment, as follows:

GP and GPM by segment	1HFY2022		1HFY2021	
	GP S\$'000	GPM %	GP S\$'000	GPM %
Semiconductor	12,226	29.4%	13,716	35.3%
Life sciences	3,158	33.5%	2,702	32.7%
Electronics, aerospace, medical and others	2,677	16.7%	1,302	20.3%
Total	18,061	26.9%	17,720	33.1%

The margin contraction in 1HFY2022 to 26.9% for the semiconductor margin was on the back of a change in customer mix, and recently expanded capabilities for future growth that were still being absorbed by the Group. The Group also incurred higher input costs in the form of materials and energy and encountered timing differences in passing on some of these to its customers.

Further, a S\$0.4 million non-recurring fair value adjustments were charged against cost of sales, largely in the Electronics, Aerospace, Medical and Others segment, in relation to inventories acquired from the acquisition of J-Dragon and Formach.

Other income

Other income in 1HFY2022 was S\$1.7 million, reflecting a S\$1.1 million increase from S\$0.6 million in 1HFY2021. This was mainly driven by (i) higher foreign exchange gain of S\$0.7 million arising from the strengthening of US Dollar against respective functional currencies of each entity, (ii) approximately S\$0.1 million higher amortisation of deferred income and (iii) S\$0.1 million higher rental and charges to tenants.

General and administrative expenses

General and administrative expenses increased by S\$2.0 million from S\$5.3 million in 1HFY2021 to S\$7.2 million in 1HFY2022. This was mainly driven by (i) an inclusion of S\$1.0 million in expenses from the newly acquired subsidiaries J-Dragon's and Formach's, (ii) talent and competency acquisition costs amounting to S\$0.4 million, and (iii) a S\$0.2 million increase in professional expenses in connection with the Group's corporate actions.

During 1HFY2022, the Group incurred approximately S\$0.3 million in one-off expenses on professional and administrative charges in respect of (i) the completion of J-Dragon and Formach acquisitions and (ii) COVID-19 related costs.

Other operating expenses

Other operating expenses increased by S\$1.1 million from S\$1.2 million in 1HFY2021 to S\$2.3 million in 1HFY2022, mainly driven by a (i) S\$0.3 million increase in depreciation arising from the acquisition of non-production assets, (ii) S\$0.3 million rise in the amortisation of customer relationships and order backlog in connection with J-Dragon and Formach, and (iii) S\$0.2 million increase in repair, maintenance and other expenses in conjunction with the expanded business volume.

Finance costs

Finance costs increased by S\$0.3 million from S\$0.8 million in 1HFY2021 to S\$1.1 million in 1HFY2022, mainly driven by (i) an increase of approximately S\$0.2 million in finance costs from the Group's utilisation of its credit facilities and (ii) a S\$0.1 million rise in operating lease interest expenses for the Group's expanded factory floor space.

Income tax expense

Tax expenses decreased from by S\$0.7 million from S\$2.0 million in 1HFY2021 to S\$1.3 million in 1HFY2022, in line with the 20.1% lower profit before tax.

Review of Consolidated Statement of Financial Position

Non-current assets

Non-current assets increased by S\$29.5 million from S\$61.8 million as at 31 December 2021 to S\$91.3 million as at 30 June 2022. This took into account S\$20.5 million increase in fixed assets (including that acquired from J-Dragon and Formach) during the period to support capacity expansion, and a S\$8.7 million increase in intangible assets, net of amortisation, following the completion of J-Dragon and Formach acquisitions.

Current assets

Current assets as at 30 June 2022 was S\$117.9 million, taking into account S\$18.6 million in cash deployed mainly for capital expenditure and acquisition of J-Dragon and Formach, offset by the consolidation of J-Dragon and Formach's current assets comprising inventories, prepayments and trade and other receivables of approximately the same amount.

Non-current and current liabilities (Total liabilities)

Total liabilities increased by S\$14.7 million from S\$78.3 million as at 31 December 2021 to S\$93.0 million as at 30 June 2022. This was mainly due to a (i) S\$7.7 million increase in loans and borrowings to support capital expenditure on capacity expansion, (ii) S\$4.8 million increase in lease liabilities in respect of J-Dragon and Formach's production facilities, (iii) S\$1.7 million increase in deferred tax liabilities, and (iii) S\$0.6 million increase in deferred income in connection with government incentives received.

Equity attributable to owners of the Company

Total equity increased by S\$11.6 million from S\$104.6 million as at 31 December 2021 to S\$116.2 million as at 30 June 2022, mainly due to a (i) S\$7.9 million share issued as consideration shares for the acquisition of J-Dragon and Formach, and (ii) S\$5.4 million in total comprehensive income generated during the period which was partially offset by S\$1.7 million dividends paid.

Review of Consolidated Cash Flow Statement

Net cash generated from operating activities was S\$3.4 million, of which operating cash flows before changes in working capital was S\$15.6 million, offset by (i) S\$10.0 million decrease in working capital, (ii) interest paid of S\$1.1 million, and (iii) tax amount paid of S\$1.0 million.

In 1HFY2022, the Group (i) invested S\$8.2 million in capital expenditure, mainly for the acquisition of machinery and assets for capacity expansion and (ii) S\$6.9 million net cash outflow for the acquisition of subsidiaries, net of cash acquired and (iii) received S\$0.7 million in capital grant.

Net cash flows used in financing activities was S\$7.3 million, mainly due to (i) S\$4.9 million in net repayment towards Group's borrowing facilities, and (ii) S\$1.7 million payment of dividends.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement had been previously disclosed by the Company to shareholders for the financial period discussed in this announcement.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

While the Group expects to enjoy robust demand across all its business segments in the ensuing months, it is mindful that the headwinds faced by some of its back-end semiconductor customers may cap the Group's growth in the near term. The Group's recent expansion into the front-end semiconductor business is thus a timely move. Engagement with prospective customers is progressing well and the onboarding of new customers for this business segment in due course should mitigate the softening demand situation from back-end semiconductor customers.

Demand from the Life Sciences segment should remain resilient given the typically long lifecycles of the customers' products. Business activity is expected to remain healthy for the medical segment, and the Group is tapping on acquisition synergies with J-Dragon to engage new customers.

The Group's recent implementation of i4.0 to its Singapore's production facility has driven production efficiencies and utilisation of the machineries. As part of the Group's digitalisation roadmap, it is the process of rolling out to its other production facilities in China and Malaysia. The Group is also studying the application of Robotic Process Automation ("RPA"), Artificial Intelligence ("AI") and other technologies as it craft out the data architecture and libraries for its production enhancements.

The Group is mindful that the rise in operating costs on the back of inflationary pressures may result in some margin erosion, and has been proactively seeking to mitigate the situation. Amid the rising interest rate environment, it has successfully locked in a lower, fixed interest rate for the financing of its Singapore facility in early 2022. This should have a positive impact on its borrowing cost.

11. If a decision regarding dividend has been made:

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

Yes, interim dividend is declared for 1HFY2022.

(b) (i) Amount per share (cents)

Name of dividend	Proposed interim dividend
Dividend type	Cash
Dividend amount (SGD)	0.3 cents per ordinary share
Tax rate	One-tier tax exempt

(b) (ii) Previous corresponding period (cents)

Name of dividend	Proposed interim dividend
Dividend type	Cash
Dividend amount (SGD)	0.5 cents per ordinary share
Tax rate	One-tier tax exempt

(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).

Refer to Section 11(a) and (b) above.

(d) The date the dividend is payable.

The proposed payment date is 9 September 2022.

(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.

Notice is hereby given that the Transfer Books and the Register of Members will be closed on 26 August 2022 for the preparation of the interim dividend.

Duly completed registrable transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), 80 Robinson Road #02-00 Singapore 068898, up to 5.00 pm on 25 August 2022 will be registered to determine shareholders' entitlement to the one-tier tax exempt interim dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 pm on 25 August 2022 will be entitled to the interim dividend.

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

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Nature of relationship	Transaction	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000
Novo Tellus Capital Partners Pte Ltd	Affiliate shareholder	Advisory fee	*

* Amount is less than S\$100,000

The Group does not have a general mandate for interested person transactions.

14 **Negative confirmation pursuant to Rule 705(5).**

We, Lee Tiam Nam and Ng Wai Yuen Julian, being two directors of the Company, do hereby confirm on behalf of the Board of Directors of the Company that to the best of our knowledge, nothing has come to the attention of the Directors of the Company which may render the unaudited half year financial statements for the six months ended 30 June 2022 to be false or misleading, in any material respect.

On behalf of the Board of Directors

Lee Tiam Nam
Director

Ng Wai Yuen Julian
Director

15 **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of Listing Manual Section A: Rules of Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (the “Listing Manual”).

16 Use of proceeds

The Company has raised net proceeds from placement of new shares amounting to S\$27.6 million (the “**September Placement**”) in September 2021. As at the date of this announcement, the net proceeds as disclosed in announcements dated 3 September 2021 and 31 May 2022 have been utilised as follows:

Use of proceeds	%	Allocated S\$'000	Utilised S\$'000	Balance S\$'000
Expansion via mergers and acquisitions, joint ventures and partnerships	40-45	11,000 to 12,400	4,500	6,500 ⁽¹⁾
Investing and enhancing operational and engineering capabilities	40-45	11,000 to 12,400	11,000	-
General working capital ⁽²⁾	10-20	2,783 to 5,583	5,583 ⁽²⁾	-
Total	100	27,583	21,083	6,500

(1) The Company intends to utilise S\$2.0 million from the balance to fund the remaining Cash Consideration on the respective Withholding Payment Dates of the Transactions. In the event of any claims for indemnification by the Company under the SPA, such amount claimed shall first be set-off proportionally against the remaining Cash Consideration payable to the Vendors.

(2) Details of working capital used:

	S\$'000
Staff cost	4,803
Directors' fees	100
Professional fees, including M&A due diligence costs	170
Rental, office expenditure and other operating expenses	510
Total	<u>5,583</u>

BY ORDER OF THE BOARD

LEE TIAM NAM

Deputy Executive Chairman
10 August 2022