



JEP HOLDINGS LIMITED
(Registration. No. 199401749E)
(Incorporated in Singapore)

UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS

For the six months and full year ended 31 December 2022

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This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor is:

Name : Ms. Bao Qing (Registered Professional, RHT Capital Pte. Ltd.)
Address : 36 Robinson Road #10-06, Singapore 068877
Email : sponsor@rhtqoc.com

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

		Group					
Note	6 months ended		Increase/ (Decrease)	12 months ended		Increase/ (Decrease)	
	31-Dec-22	31-Dec-21	%	31-Dec-22	31-Dec-21	%	
		S\$'000	S\$'000			%	
	E4	37,993	46,419	(18.2)	82,556	75,899	8.8
		(31,349)	(35,249)	(11.1)	(66,086)	(60,741)	8.8
		6,644	11,170	(40.5)	16,470	15,158	8.7
		(396)	594	N.M	808	2,166	(62.7)
		(922)	(1,031)	(10.6)	(1,945)	(1,866)	4.2
		(2,374)	(2,908)	(18.4)	(5,438)	(5,100)	6.6
		(352)	(409)	(13.9)	(739)	(834)	(11.4)
	E6	2,600	7,416	(64.9)	9,156	9,524	(3.9)
	E7	(507)	(1,396)	(63.7)	(1,591)	(1,670)	(4.7)
		2,093	6,020	(65.2)	7,565	7,854	(3.7)
Other comprehensive Income							
<i>Items that may be reclassified to profit or loss in subsequent periods</i>							
		(158)	(8)	N.M	(273)	(56)	387.5
		1,935	6,012	(67.8)	7,292	7,798	(6.5)
Total comprehensive income for the period attributable to the owners of the Company							
		0.507	1.456	(65.2)	1.832	1.899	(3.5)
Earnings per share attributable to owners of the Company							
		0.507	1.456	(65.2)	1.832	1.899	(3.5)
Basic and diluted (in cents)							

N.M denotes not meaningful

B. Condensed interim statements of financial position

Note	Group		Company	
	As at		As at	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
	23,785	19,618	1,069	359
	16,431	22,219	48	19
E10	19,677	18,799	-	-
	<u>59,893</u>	<u>60,636</u>	<u>1,117</u>	<u>378</u>
Non-current assets				
	52,280	48,472	8	14
E11	11,292	11,292	-	-
E12	-	-	69,719	68,648
	6	6	6	6
	<u>63,578</u>	<u>59,770</u>	<u>69,733</u>	<u>68,668</u>
	123,471	120,406	70,850	69,046
LIABILITIES AND EQUITY				
Current liabilities				
E13	2,549	3,101	-	-
	15,868	15,572	1,468	1,320
	836	307	11	87
E13	515	961	-	-
	<u>19,768</u>	<u>19,941</u>	<u>1,479</u>	<u>1,407</u>
Non-current liabilities				
E13	18,361	22,685	-	-
E13	5,581	6,111	-	-
	4,585	3,785	-	-
	<u>28,527</u>	<u>32,581</u>	<u>-</u>	<u>-</u>
Capital and reserves				
E14	49,226	49,226	49,226	49,226
E14	(203)	(203)	(203)	(203)
	772	772	870	870
	(318)	(45)	-	-
	25,699	18,134	19,478	17,746
	<u>75,176</u>	<u>67,884</u>	<u>69,371</u>	<u>67,639</u>
	123,471	120,406	70,850	69,046

C. Condensed interim statements of changes of equity

<u>Group</u>	Share capital	Treasury shares	Capital reserve	Translation reserve	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2022						
Balance as at 1 January 2022	49,226	(203)	772	(45)	18,134	67,884
Profit for the year	-	-	-	-	7,565	7,565
<i>Other comprehensive loss</i>						
Currency translation difference	-	-	-	(273)	-	(273)
Total comprehensive income for the year	-	-	-	(273)	7,565	7,292
Balance as at 31 December 2022	49,226	(203)	772	(318)	25,699	75,176
2021						
Balance as at 1 January 2021	49,226	-	772	11	10,280	60,289
Profit for the year	-	-	-	-	7,854	7,854
<i>Other comprehensive loss</i>						
Currency translation difference	-	-	-	(56)	-	(56)
Total comprehensive income for the year	-	-	-	(56)	7,854	7,798
Transactions with owners, recognised directly in equity						
Share buy back exercise	-	(203)	-	-	-	(203)
Balance as at 31 December 2021	49,226	(203)	772	(45)	18,134	67,884

C. Condensed interim statements of changes of equity (Cont'd)

<u>Company</u>	Share capital	Treasury shares	Capital reserve	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>2022</u>					
Balance as at 1 January 2022	49,226	(203)	870	17,746	67,639
Profit for the year	-	-	-	1,732	1,732
Total comprehensive income for the year	-	-	-	1,732	1,732
Balance as at 31 December 2022	49,226	(203)	870	19,478	69,371
<u>2021</u>					
Balance as at 1 January 2021	49,226	-	870	15,283	65,379
Profit for the year	-	-	-	2,463	2,463
Total comprehensive income for the year	-	-	-	2,463	2,463
Transactions with owners, recognised directly in equity					
Share buy back exercise	-	(203)	-	-	(203)
Balance as at 31 December 2021	49,226	(203)	870	17,746	67,639

D. Condensed interim consolidated statement of cash flows

	Group			
	6 months ended		12 months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
Operating activities				
Profit before income tax	2,600	7,416	9,156	9,524
Adjustment for:				
Depreciation of property, plant and equipment	2,975	3,051	5,962	5,952
Reversal of impairment loss recognised on trade receivables	(96)	(15)	(96)	(17)
Gain on disposal of property, plant and equipment	(127)	(66)	(187)	(69)
Property, plant and equipment written off	-	7	-	19
Provision for inventory obsolescence	53	26	262	404
Unrealized foreign exchange loss/ (gain)	611	174	253	(251)
Interest income	(26)	(20)	(43)	(47)
Interest expense	352	409	739	834
Operating cash flow before movements in working capital	6,342	10,982	16,046	16,349
Inventories	(2,245)	(2,213)	(1,140)	(5,910)
Trade and other receivables	4,093	(3,783)	6,126	(5,395)
Trade and other payables	161	7,330	130	8,103
Cash generated from operations	8,351	12,316	21,162	13,147
Interest paid	(352)	(409)	(739)	(834)
Interest received	26	20	43	47
Income tax paid	(55)	*	(261)	(2)
Net cash generated from operating activities	7,970	11,927	20,205	12,358
Investing activities				
Purchase of property, plant and equipment (Note A)	(5,961)	(3,445)	(10,868)	(5,034)
Proceeds from disposal of property, plant and equipment (Note B)	716	30	814	197
Net cash used in investing activities	(5,245)	(3,415)	(10,054)	(4,837)
Financing activities				
Acquisition of treasury shares	-	(94)	-	(203)
Repayment of lease liabilities	(461)	(564)	(997)	(1,240)
Proceeds from term loans	-	-	14,917	-
Repayment of term loans	(3,372)	(1,439)	(19,794)	(2,373)
Net cash used in financing activities	(3,833)	(2,097)	(5,874)	(3,816)
Net (decrease)/ increase in cash and bank balances	(1,108)	6,415	4,277	3,705
Effect of exchange rate changes	(49)	(5)	(110)	(37)
Cash and bank balances at beginning of year	24,942	13,208	19,618	15,950
Cash and bank balances at end of year	23,785	19,618	23,785	19,618

* Denotes less than S\$1,000

D. Condensed interim consolidated statement of cash flows (Cont'd)

The reconciliation of purchase of property, plant and equipment ("PPE") and proceeds from disposal of PPE are presented below:

	Group			
	6 months ended		12 months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
Note A				
<u>Purchase of property, plant and equipment</u>				
Total additions	7,472	2,843	10,518	3,797
Less: Acquired under lease liabilities	(45)	-	(45)	-
Less: Movement in liability owing to supplier of PPE	(41)	1	(41)	108
Less: Movement in downpayment to supplier of PPE	(1,425)	601	436	1,129
Net cash outflow	5,961	3,445	10,868	5,034
Note B				
<u>Proceed from disposal of property, plant and equipment</u>				
Total net book value of disposal	570	7	584	171
Add: Gain on disposal of PPE	127	66	187	69
Total sales proceeds	697	73	771	240
Add: Movement in receivables arising from disposal of PPE	19	(43)	43	(43)
Net cash inflow	716	30	814	197

E. Notes to the condensed interim consolidated financial statements

1. Corporate Information

The Company (Registration No. 199401749E) was incorporated in Singapore with its principal place of business and registered office at 16 Seletar Aerospace Crescent Singapore 797567. The Company is listed on the Catalist board of Singapore Exchange Securities Trading Limited. These condensed interim consolidated financial statements as at 31 December 2022 and for the six months and twelve months ended 31 December 2022 comprised the Company and its subsidiaries (collectively, Group).

The principal activities of the Company are that of investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note E4 to the interim consolidated financial statements.

2. Basis of Preparation

The condensed interim financial statements for the six months (second half ended 31 December 2022 or 2H2022) and twelve months ended 31 December 2022 (full year ended 31 December 2022 or FY2022) have been prepared in accordance with 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 Dollars (SGD or 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

The Group has adopted the revised SFRS(I) 16 Leases – COVID-19 Related Rent Concessions that amendments to Standards 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 this standard.

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, liabilities, income and expenses. 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 were 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.

Management is of the opinion that there were no significant judgements made in applying the accounting policies in the condensed interim financial statements.

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:

E. Notes to the condensed interim consolidated financial statements (Cont'd)

2. Basis of Preparation (Cont'd)

2.2 Use of judgements and estimates (Cont'd)

- Impairment review of goodwill
Goodwill arises from the Group's acquisition of Dolphin Engineering Pte Ltd ("DEPL"), JEP Precision Engineering Pte Ltd ("JEPS") and JEP Industrades Pte Ltd ("JEPI"). The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.
- Impairment review of property, plant and equipment
Where there are indications of impairment of its assets, the management estimates the recoverable amounts of these assets to determine the extent of the impairment loss, if any. The recoverable amounts of these assets are determined based on the higher of fair value less cost to sell and value-in-use.
- Useful lives of property, plant and equipment
Management exercises their judgement in estimating the useful lives of the depreciable assets which takes into consideration the physical conditions of the assets and their useful lives. Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method.
- Allowance for inventories
Management reviews the aging analysis of inventories at the end of each reporting period, and makes allowance for inventory items that are identified as obsolete and slow-moving, which have a market price that is lower than its carrying amount. Management estimates the net realisable value for finished goods based primarily on the latest selling prices and current market conditions.

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

Operating segments are aggregated into a single operating segment if they have similar economic characteristics. The Group's reportable operating segments under SFRS(I) 8 are as follows:

1. The precision machining segment is a provider of precision machining services for aerospace, oil and gas, electronics and automotive industry.
2. The trading and other segment is a provider of machine sales and customised cutting tools for our customers.
3. The equipment manufacturing segment is a provider of large format precision engineering and equipment fabrication service.

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

Management monitors the operating results of its reporting segments for the purpose of making decisions in order to assess the respective reporting segments' performances. This is evaluated based on operating profit or loss which in certain respects, as explained in the table below and is measured differently from operating profit or loss in the interim consolidated statement of comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to reporting units.

E. Notes to the condensed interim consolidated financial statements (Cont'd)

4.1. Reportable segments

The following table present revenue and profit information for the Group's business segments for the six months ended 31 December of 2022 and 2021, respectively

6 months ended 31 December	Precision machining		Trading and others		Equipment manufacturing		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Revenue:</u>								
Total revenue	13,452	23,741	7,004	5,642	18,299	18,460	38,755	47,843
Inter-reporting unit sales	(50)	(580)	(322)	(843)	(390)	(1)	(762)	(1,424)
External customers	13,402	23,161	6,682	4,799	17,909	18,459	37,993	46,419
Segment results	400	4,097	845	646	1,550	3,704	2,795	8,447
<u>Unallocated expenses:</u>								
Unallocated corporate expenses							157	(622)
Finance costs							2,952	7,825
Profit before tax							(352)	(409)
Income tax expense							2,600	7,416
Net profit for the period after tax							(507)	(1,396)
							2,093	6,020

6 months ended 31 December	Precision machining		Trading and others		Equipment manufacturing		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Other Segment Information</u>								
Capital expenditure	3,457	780	3,200	37	815	2,026	7,472	2,843
Depreciation of property, plant and equipment	1,986	2,227	32	33	957	791	2,975	3,051

E. Notes to the condensed interim consolidated financial statements (Cont'd)

4.1. Reportable segments (Cont'd)

The following table present revenue and profit information for the Group's business segments for the twelve months ended 31 December of 2022 and 2021, respectively

12 months ended 31 December	Precision machining		Trading and others		Equipment manufacturing		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Revenue:</u>								
Total revenue	30,290	38,956	12,531	11,020	42,103	27,708	84,924	77,684
Inter-reporting unit sales	(1,041)	(721)	(933)	(1,063)	(394)	(1)	(2,368)	(1,785)
External customers	29,249	38,235	11,598	9,957	41,709	27,707	82,556	75,899
Segment results	3,120	4,940	1,458	1,446	5,824	4,752	10,402	11,138
<u>Unallocated expenses:</u>								
Unallocated corporate expenses							(507)	(780)
Finance costs							9,895	10,358
Profit before tax							(739)	(834)
Income tax expense							9,156	9,524
Net profit for the year after tax							(1,591)	(1,670)
							7,565	7,854

12 months ended 31 December	Precision machining		Trading and others		Equipment manufacturing		Group	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Other Segment Information</u>								
Capital expenditure	3,501	1,576	3,201	50	3,816	2,171	10,518	3,797
Depreciation of property, plant and equipment	4,053	4,465	62	70	1,847	1,417	5,962	5,952

E. Notes to the condensed interim consolidated financial statements (Cont'd)

4.1. Reportable segments (Cont'd)

Revenue is based on the location of customers regardless of where the goods are produced. Non-current assets (exclude deferred tax assets) are based on the location of those assets.

6 months ended 31 December	Group							
	Precision machining		Trading and others		Equipment manufacturing		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue:								
Singapore	5,246	16,284	1,514	1,232	14,716	15,110	21,476	32,626
People's Republic of China	1,166	1,522	3,958	2,401	-	-	5,124	3,923
Malaysia	2,099	1,179	1,041	443	1,612	1,987	4,752	3,609
USA	3,830	2,995	115	114	1,461	1,352	5,406	4,461
Canada	469	738	-	-	-	-	469	738
Others	592	444	54	608	120	10	766	1,062
	13,402	23,162	6,682	4,798	17,909	18,459	37,993	46,419

12 months ended 31 December	Group							
	Precision machining		Trading and others		Equipment manufacturing		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue:								
Singapore	14,335	23,642	2,998	2,741	34,217	22,843	51,550	49,226
People's Republic of China	1,492	2,841	5,416	4,676	-	-	6,908	7,517
Malaysia	3,905	2,440	1,792	1,132	4,422	2,394	10,119	5,966
USA	7,268	6,957	211	187	2,932	2,347	10,411	9,491
Canada	1,064	1,385	-	-	-	-	1,064	1,385
Others	1,185	970	1,182	1,221	137	123	2,504	2,314
	29,249	38,235	11,599	9,957	41,708	27,707	82,556	75,899

E. Notes to the condensed interim consolidated financial statements (Cont'd)

4.1. Reportable segments (Cont'd)

The following table shows the carrying amount of the segment assets and segment liabilities by geographical areas in which the assets and liabilities are located:

	Segment assets		Segment liabilities	
	as at 31 December		as at 31 December	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Other Segment Information</u>				
Singapore	116,668	115,713	42,626	48,280
Malaysia	6,423	4,609	994	12
	123,091	120,322	43,621	48,292

	Group	
	as at 31 December	
	2022	2021
	S\$'000	S\$'000
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets	123,091	120,322
GST input tax	374	78
Deferred tax assets	6	6
Total assets	123,471	120,406

Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities	43,621	48,292
GST output tax	90	445
Deferred tax liabilities	4,585	3,785
Total liabilities	48,295	52,522

E. Notes to the condensed interim consolidated financial statements (Cont'd)

4.2 A breakdown of sales

	Group		
	FY2022 S\$'000	FY2021 S\$'000	% increase/ (decrease)
a) Sales reported for first half year	44,563	29,480	51.2
b) Operating profit after tax before deducting non-controlling interests reported for first half year	5,472	1,834	198.4
c) Sales reported for the second half year	37,993	46,419	(18.2)
d) Operating profit after tax before deducting non-controlling interests reported for second half year	2,093	6,020	(65.2)

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2022 and 31 December 2021:

	Group		Company	
	31-Dec-22 S\$'000	31-Dec-21 S\$'000	31-Dec-22 S\$'000	31-Dec-21 S\$'000
<u>Financial assets</u>				
At amortised cost:				
- Cash and bank balances	23,785	19,618	1,069	359
- Trade receivables	12,844	20,094	-	-
- Other receivables	654	253	-	-
Total	37,283	39,965	1,069	359
<u>Financial liabilities</u>				
At amortised cost:				
- Bank loans	20,910	25,786	-	-
- Trade and other payables	15,778	15,127	1,402	1302
- Lease liabilities	6,096	7,072	-	-
Total	42,784	47,985	1,402	1,302

E. Notes to the condensed interim consolidated financial statements (Cont'd)

6. Profit before taxation

6.1 Significant items

	Group			
	6 months ended		12 months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Other operating (expenses)/ income</u>				
Government grant	19	194	146	890
Foreign exchange (loss)/ gain (net)	(974)	(20)	(332)	472
Gain on disposal of property, plant and equipment	127	66	187	69
Interest income	26	20	43	47
Reversal of impairment loss recognised on trade receivables	96	15	96	17
<u>Expenses*</u>				
Interest expenses	(352)	(409)	(739)	(834)
Depreciation of property, plant and equipment	(2,975)	(3,051)	(5,962)	(5,952)
Property, plant and equipment written off	-	(7)	-	(19)
Provision for inventory obsolescence	(53)	(26)	(262)	(404)

* Includes Selling and distribution expenses, Administrative expenses and Finance expenses

6.2 Related party transactions

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant related party transactions as follows:

	The Group			
	6 months ended		12 months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
Sale of goods	4,503	1,931	8,451	2,684
Purchase of goods	3,052	1,631	5,283	2,762
Purchase of machinery	-	1,338	26	1,338
Sale of machinery	14	74	34	74
Rental expenses	30	-	100	-

E. Notes to the condensed interim consolidated financial statements (Cont'd)

7. Taxation

	Group			
	6 months ended		12 months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
Current tax expense	(198)	32	(854)	(308)
Over provision for tax in prior years	146	-	146	-
(Under) / over provision for deferred tax in prior years	(97)	8	(97)	14
Deferred income tax expense relating to origination and reversal of temporary differences	(358)	(1,436)	(786)	(1,376)
Deferred tax charged to profit or loss	(455)	(1,428)	(883)	(1,362)
Income tax expense for the year	(507)	(1,396)	(1,591)	(1,670)

8. Dividend

No dividend has been declared or recommended for the financial year ended 31 December 2022 (31 December 2021: Nil). The available fund will be retained for working capital use.

9. Net Asset Value

	Group		Company	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	S\$	S\$	S\$	S\$
Net assets per ordinary share	18.2 cents	16.4 cents	16.8 cents	16.4 cents

Note:

Net assets per ordinary share based on number of issued 413,024,021 ordinary shares (excluding treasury shares) as at 31 December 2022 (31 December 2021: 413,024,021 ordinary shares (excluding treasury shares)).

10. Inventories

As at 31 December 2022, the carrying amount of the Group's inventories, net of allowance for obsolescence of S\$3,372,000 (31 December 2021: S\$3,110,000) amounted to S\$19,677,000 (31 December 2021: S\$18,799,000), which represented 33% (31 December 2021: 31%) of its current assets.

E. Notes to the condensed interim consolidated financial statements (Cont'd)

11. Intangible assets

<u>Group</u>	Goodwill on consolidation S\$'000
Balance as at 31 December 2021	
Cost	18,812
Accumulated amortization and impairment	<u>7,520</u>
Net book value	<u>11,292</u>
12 months ended 31 December 2022	
Opening net book amount	11,292
Additions	-
Amortization and Impairment charges	<u>-</u>
Closing net book amount	<u>11,292</u>
Balance as at 31 December 2022	
Cost	18,812
Accumulated amortization and impairment	<u>7,520</u>
Net book value	<u>11,292</u>

No impairment indicators were identified as at 31 December 2022 based on the cash-generating units ("CGU") business performance. The Group performed its annual impairment test in December 2022.

(a) Goodwill on consolidation

Impairment tests for goodwill

The aggregate carrying amount of goodwill is allocated to the Group's CGU identified as follows:

	Group	
	31-Dec-22	31-Dec-21
	S\$'000	S\$'000
Precision machining - JEPS	5,200	5,200
Trading and others - JEPI	814	814
Equipment manufacturing - DEPL	<u>5,278</u>	<u>5,278</u>
	<u>11,292</u>	<u>11,292</u>

The recoverable amount of the CGU was based on its value in use.

Value in use was determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use as at 31 December 2022 was determined based on the following key assumptions:

	Gross margin		Discount rate	
	2022	2021	2022	2021
Group				
Precision machining - JEPS	14%	15%	13.80%	12.51%
Trading and others - JEPI	23%	23%	16.50%	15.93%
Equipment manufacturing - DEPL	21%	23%	16.90%	12.06%

As at 31 December 2022, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

E. Notes to the condensed interim consolidated financial statements (Cont'd)

12. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below.

<u>Name of subsidiary</u>	<u>Country of incorporation (or residence)</u>	<u>Proportion of ownership Interest and voting rights held by the Group</u>		<u>Principal activities</u>	<u>Cost of investment</u>	
		<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>
		<u>%</u>	<u>%</u>		<u>S\$'000</u>	<u>S\$'000</u>
<u>Held by the Company</u>						
JEP Precision Engineering Pte Ltd ⁽¹⁾	Singapore	100	100	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works.	42,870	42,870
JEP Industrades Pte Ltd	Singapore	100	100	Manufacturer, importers and exporters, traders, agents, repairs of precision machineries, carbide cutting tools, hardware, industrial equipment and engineering works.	7,236	7,236
Dolphin Engineering Pte Ltd	Singapore	100	100	Large format precision engineering and equipment fabrication service	13,934	13,934
JEP Precision Engineering (M) Sdn Bhd ^{(1) (2)}	Malaysia	100	100	Steel structure fabrication and high precision machining for Aerospace, Semiconductor and Oil and Gas industries	5,679	4,608
					69,719	68,648

(1) On 15 September 2022, Dolphin Manufacturing Solutions Sdn Bhd, has changed its name to JEP Precision Engineering (M) Sdn Bhd.

(2) On 29 December 2022, the Group's wholly-owned subsidiary JEP Precision Engineering (M) Sdn Bhd increased its paid-up share capital from RM14,100,000 to RM17,600,000 for its capital expenditure and the transaction was funded through internal source.

13. Loans and borrowings consist of bank loans and lease liabilities

	<u>Group</u>	
	<u>31-Dec-22</u>	<u>31-Dec-21</u>
	<u>S\$'000</u>	<u>S\$'000</u>
Secured borrowing		
Amount repayable in one year or less, or on demand	2,779	3,705
Amount repayable after one year	18,523	23,128
	21,302	26,833
Unsecured borrowing		
Amount repayable in one year or less, or on demand	285	357
Amount repayable after one year	5,419	5,668
	5,704	6,025

E. Notes to the condensed interim consolidated financial statements (Cont'd)

13. Loans and borrowings consist of bank loans and lease liabilities (Cont'd)

Details of any collaterals

As at 31 December 2022 the Group's secured lease liabilities and bank term loans are secured as follows:

- a) Secured lease liabilities amounting to S\$0.4 million (31 December 2021: S\$1.0 million) are secured by the production equipment and motor vehicles of subsidiaries; and
- b) Bank term loan amounting to S\$20.9 million (31 December 2021: S\$25.8 million) are secured by the property, plant and equipment of subsidiaries.

14. Share Capital

	Group and Company			
	31-Dec-22		31-Dec-21	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid				
At 31 December 2022 and 31 December 2021	413,944,721	49,226	413,944,721	49,226

The total number of issued shares excluding treasury shares as at 31 December 2022 was 413,024,021 shares (31 December 2021: 413,024,021 shares).

(i) Treasury Shares

The total of number of treasury shares as at 31 December 2022 was 920,700 (31 December 2021: 920,700).

The treasury shares held by the Company as at 31 December 2022 represent 0.222% (31 December 2021: 0.222%) of the total number of issued shares (excluding treasury shares).

There were no sales, transfers, cancellation and/or use of treasury shares as at 31 December 2022 (31 December 2021: Nil).

(ii) Subsidiary holdings

There is no subsidiary holdings as at 31 December 2022 (31 December 2021: Nil).

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 31 December 2022 (31 December 2021: Nil).

15. Subsequent events

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

F. Other Information Required by Appendix 7C of the Catalist Rules

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

The condensed interim statements of financial position of JEP Holdings Ltd and its subsidiaries as at 31 December 2022 and the related condensed interim consolidated statement of profit or loss and other comprehensive income, condensed interim statements of changes in equity and condensed interim consolidated statement of cash flows for the twelve months period then ended and certain explanatory notes have not been audited or reviewed.

1A. 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

2. 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**

Revenue and cost of sales

Group revenue in FY2022 improved 8.8% to S\$82.6 million from \$75.9 million in FY2021, while net attributable profit eased slightly by 3.7% to S\$7.6 million from S\$7.9 million in FY2021.

This performance was achieved on the back of stronger performance from its Equipment Manufacturing segment which reported a 50.5% increase in sales due to the higher demand for semiconductors and industrial manufacturing equipment globally. Trading and Others segment revenue rose 16.5% while sales in the Precision Machining segment fell 23.5% from S\$38.2 million in FY2021 to S\$29.2 million in FY2022 due to lower electronic component sales amidst a slow recovery in the aviation sector.

Other than China and Canada, all of the Group's key markets recorded higher sales. Malaysia sales registered the strongest performance, reporting a 69.6% rise in sales to S\$10.1 million in FY2022 from S\$6.0 million in FY2021.

Cost of sales increased 8.8% from S\$60.7 million in FY2021 to S\$66.1 million in FY2022. Gross margins for the year remained stable. In 2H2022, gross margin decreased 6.6% compared to 24.1% in FY2021. The decrease was due to the Group's product mix, with lower higher-margin component sales and increase in input costs.

The core business segments of the Group remain profitable despite a slight decrease in profit before tax which declined 4% to S\$9.2 million in FY2022 from S\$9.5 million in FY2021.

The Group lower profitability was also due to the foreign exchange losses arising from a weaker USD during the period.

The Equipment Manufacturing segment was the star performer - increasing profit to S\$5.8 million from S\$4.8 million in the previous year. Trading and Others segment's results remains constant as compared to FY2021. The Precision machining segment however reported a drop in profit to S\$3.1 million from S\$4.9 million in FY2021.

Reflecting the Group's performance, earnings per share ("EPS") for FY2022 edged down 3.5% to 1.832 cents from 1.899 cents in FY2021. Group net asset value ("NAV") per share increased to 18.2 cents at the end of December 2022 compared to 16.4 cents as of 31 December 2021.

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

2. 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:- (Cont'd)

- 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 (Cont'd)**

The Group's 2H2022 performance saw overall revenue declining 18.2% to S\$38.0 million from S\$46.4 million in the corresponding second half of last year ("2H2021"). Revenue from Precision Machining and Equipment Manufacturing segments decreased by 42.1% and 3.0% respectively as compared to 2H2021 while Trading and Others increased 39.3%.

The lower sales reflected the slowdown in the global semiconductor industry in the last quarter of FY2022. The Group however, recorded improved sales from its aerospace business arising from the increase in global travel while its trading business benefitted from higher sales to China as the country reopened its borders during the period.

The Group remained profitable reporting a net attributable profit of S\$2.1 million for 2H2022 and S\$6 million in 2H2021.

Other operating (expenses) / income

In FY2022, other operating income decreased to S\$0.8 million from S\$2.2 million in FY2021 mainly attributed to lesser grant amount received and registering foreign exchange loss instead of gain.

Selling and distribution expenses

Selling expenses mainly comprise staff costs of the Group's sales and marketing staff, outward freight, travelling and marketing expenses, and other related expenses. The expenses in FY2022 remained relatively constant as compared to FY2021. In 2H2022, the decrease of 10.6% was mainly due to lower production volume during the period.

Administrative expenses

Administrative expenses mainly comprise of staff costs, Directors' fee and compensation, depreciation charge in relation to non-production assets, amortisation of intangible assets, professional fees, foreign exchange and other office expenses. In FY2022, the administrative expenses remained relatively constant as compared to FY2021. In 2H2022, the decrease of 18.4% was mainly due lower production volume during the period.

Finance expenses

Finance costs decreased by S\$0.1 million from S\$0.8 million in FY2021 to S\$0.7 million in FY2022, mainly due to lesser borrowings made and repayment loan during the year.

Income tax expenses

The Group recorded a total income tax expense of S\$1.6 million in FY2022 compared to S\$1.7 million in FY2021, the decrease in the income tax expenses was due to lower profits made during the year.

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

- 2. 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:- (Cont'd)**

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on. (Cont'd)

Non- current assets

The increase in total non-current assets of S\$3.8 million was mainly due to a net increase of S\$4.2 million in property, plant, and equipment, partially offset by S\$0.4 million in amortisation of right-of-use assets.

Trade and other receivables

Trade and other receivables decreased by S\$5.8 million from S\$22.2 million as at 31 December 2021 to S\$16.4 million as at 31 December 2022. The reduction was mainly due to lower sales volume made by customers in the fourth quarter of FY2022.

Inventories

Inventories remained relatively constant as compared to FY2021.

Trade and other payables

Trade and other payables remained relatively constant as compared to FY2021.

Lease liabilities

The Group total lease liabilities decreased by S\$1.0 million from S\$7.1 million as at 31 December 2021 to S\$6.1 million as at 31 December 2022. The reduction was due to a repayment in relation of leased property, plant and equipment.

Bank Loans

The Group total loans and borrowings decreased by S\$4.9 million from S\$25.8 million as at 31 December 2021 to S\$20.9 million as at 31 December 2022. This decrease was due to term loans repayment of S\$4.9 million.

Deferred tax liabilities

Deferred tax liabilities increased by S\$0.8 million to S\$4.6 million in FY2021 from S\$3.8 million in FY2021 primarily due to deferred tax expenses arising from the origination and reversal of temporary differences.

Statement of cash flows of the Group

Net cash generated from operating activities increased S\$7.8 million from S\$12.4 million in FY2021 to S\$20.2 million in FY2022 mainly due to higher income generated from operating activities. The Group's free cash flow also went up 35.0% to S\$10.2 million from S\$7.5 million in FY2021.

Net cash used in investing activities was mainly related to capital expenditure incurred for the purchase of equipment and new factory progressive construction cost in Penang, Malaysia.

Net cash used in financing activities was for the repayment of term loans and lease liabilities.

The Group's financial position remained healthy.

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

Not applicable

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

4. 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.

The Group's resilient performance in 2022, notwithstanding a slower 2H2022 performance, is in line with its long-term strategy to sustain stable growth amid global market challenges and industry risks.

While uncertainties remain - due to the slowdown in electronics/semiconductor demand, recessionary fears and the ongoing Ukraine-Russia crisis, longer term prospects are becoming brighter.

Despite ongoing concerns about financial losses due to the pandemic, inflation and cost pressures, the global airline industry is projected to attain profitability again in 2023. This growth is attributed to companies rebounding from the effects of the historic losses due to the pandemic and travel restrictions, which caused disruptions due to containment measures such as social distancing, remote working and the shutdown of commercial activities. Market research forecasts indicate that the global aerospace market is projected to reach US\$442.25 billion by 2026, growing at a CAGR of 12.9%.¹

The International Air Transport Association (IATA) expects the industry to become profitable in 2023, marking the fastest recovery in the industry's history given the depth of the downturn. The IATA predicts that the industry will have a profit of US\$4.6 billion on revenues of US\$779 billion in 2023, with an operating margin of 0.4% and a per passenger profit of USD 1.1.²

The UN's aviation body - International Civil Aviation Organization (ICAO) also expects the aviation industry to make a full recovery in 2023, with volumes exceeding the 2019 level at the end of the year. It also projected that 2024 air passenger demand would be four per cent above the level in 2019.³

Riding on the industry's robust rebound, the Group expects more noticeable recovery of its aerospace business in the second half of 2023, supported by volume production of new complex and high value-added parts from its strategic customers.

The near-term outlook for the overall semiconductor industry remains soft with revenue expected to decline. Some experts are predicting oversupply due to worsening economic conditions and weakening consumer demand. According to market reports, global semiconductor revenue is projected to decline by 3.6% in 2023.⁴

Despite the short-term weakness the longer-term prospects remain strong. According to Fortune Business Insights, the global market for semiconductor manufacturing equipment is estimated to expand from US\$101.6 billion in 2022 to US\$196.7 billion by 2029, with a compounded annual growth rate of 9.9%.⁵

With its healthy financial position, the Group is well-poised to capture new market opportunities to drive growth and profitability.

It will proceed with its production expansion plan and optimize production mix to boost performance.

The Group's new factory in Penang, Malaysia is scheduled for completion in the second half of 2023 which will enable it to take on more customer orders and increase production output.

Moving forward, the Group will continue to maximize operational synergies with UMS to improve overall performance and seek new business opportunities.

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

4. 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.

¹Source: How Global Aerospace Market Players Should Strategize For 2022-2031-
<https://www.thebusinessresearchcompany.com/press-release/aerospace-market-2022>

²Source: A return to industry profitability in 2023 - <https://www.iata.org/en/iata-repository/publications/economic-reports/a-return-to-industry-profitability-in-2023/#:~:text=We%20expect%20the%20industry%20to,profit%20of%20just%20USD%201.1.>

³Source: UN aviation body sees recovery to pre-pandemic air travel in 2023 -
<https://www.businesstimes.com.sg/international/un-aviation-body-sees-recovery-pre-pandemic-air-travel-2023>

⁴Source: Global semiconductor revenue to shrink by 4% in 2023, the first contraction since 2019-
<https://techwireasia.com/2022/12/global-semiconductor-revenue-to-shrink-by-4-in-2023-the-first-contraction-since-2019/>

⁵Source: The global semiconductor manufacturing equipment market is projected to grow from \$101.6 billion in 2022 to \$196.7 billion by 2029, at a CAGR of 9.9%-
<https://www.fortunebusinessinsights.com/semiconductor-manufacturing-equipment-market-101964>

5. Dividend

**a) Current Financial Period Reported on
Whether an interim (final) ordinary dividend has been declared (recommended):**

None

**b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?**

None

c) Date payable

Not applicable

d) 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

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

Not applicable

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

6. If no dividend has been declared/recommended, 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. The available fund will be retained for working capital use.

7. If the group has obtained a general mandate from shareholders for Interested Parties Transactions (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.

The Group has obtained a general mandate from its shareholders for IPTs at e-AGM held on 26 April 2022.

As shown in the table below, the aggregate value of all interested person transactions during the period was approximately 24.6% of the group's latest audited net tangible assets as at 31 December 2021.

Name of interested person	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)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	31 December 2022	31 December 2022
UMS Holdings Limited & its subsidiaries	S\$184,342	S\$13,709,542

8. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

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

9. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

For detailed review of performance, please refer to item 2 in Section F above.

F. Other Information Required by Appendix 7C of the Catalist Rules (Cont'd)

10. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there is no such persons, the issuer must make an appropriate negative statement.

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
Darren Zee Yu Liang	35	The eldest son of Mr. Zee Hoong Huay, the Executive Director of the Company	Managing Director of Dolphin Engineering Pte Ltd ("DEPL") Responsible for overseeing the operations and developing new businesses for DEPL.	N.A.

On behalf of the Board of Directors

Andy Luong
Executive Chairman

Zee Hoong Huay
Executive Director

**BY ORDER OF THE BOARD
ANDY LUONG
EXECUTIVE CHAIRMAN
28 FEBRUARY 2023**