



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

UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS

For the six months ended 30 June 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.

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

	Note	Group		Increase/ (Decrease) %
		6 months ended		
		30-Jun-22	30-Jun-21	
		S\$'000	S\$'000	
Revenue	E4	44,563	29,480	51.2
Cost of sales		(34,737)	(25,492)	36.3
Gross profit		9,826	3,988	146.4
Other operating income		1,204	1,572	(23.4)
Selling and distribution expenses		(1,023)	(835)	22.5
Administrative expenses		(3,064)	(2,192)	39.8
Finance expenses		(387)	(425)	(8.9)
Profit before tax	E6	6,556	2,108	211.0
Income tax expense	E7	(1,084)	(274)	295.6
Profit for the period attributable to owners of the Company		5,472	1,834	198.4
Other comprehensive Income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation differences		(115)	(48)	139.6
Total comprehensive income for the period attributable to the owners of the Company		5,357	1,786	199.9
Earnings per share attributable to owners of the Company				
Basic and diluted (in cents)		1.33	0.44	201.1

B. Condensed interim statements of financial position

Note	Group		Company	
	As at		As at	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
	24,942	19,618	208	359
	22,300	22,219	19	19
E11	17,485	18,799	-	-
	<u>64,727</u>	<u>60,636</u>	<u>227</u>	<u>378</u>
Non-current assets				
	48,463	48,472	11	14
E10	11,292	11,292	-	-
	-	-	68,648	68,648
	11	6	10	6
	<u>59,766</u>	<u>59,770</u>	<u>68,669</u>	<u>68,668</u>
	124,493	120,406	68,896	69,046
LIABILITIES AND EQUITY				
Current liabilities				
E12	2,812	3,101	-	-
	15,516	15,572	417	1,320
	756	307	37	87
E12	696	961	-	-
	<u>19,780</u>	<u>19,941</u>	<u>454</u>	<u>1,407</u>
Non-current liabilities				
E12	21,469	22,685	-	-
E12	5,785	6,111	-	-
	4,218	3,785	-	-
	<u>31,472</u>	<u>32,581</u>	<u>-</u>	<u>-</u>
Capital and reserves				
E13	49,226	49,226	49,226	49,226
E13	(203)	(203)	(203)	(203)
	772	772	870	870
	(160)	(45)	-	-
	23,606	18,134	18,549	17,746
	<u>73,241</u>	<u>67,884</u>	<u>68,442</u>	<u>67,639</u>
	124,493	120,406	68,896	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 period	-	-	-	-	5,472	5,472
<i>Other comprehensive loss</i>						
Foreign Currency Translation	-	-	-	(115)	-	(115)
Total comprehensive income for the period	-	-	-	(115)	5,472	5,357
Balance as at 30 June 2022	49,226	(203)	772	(160)	23,606	73,241
2021						
Balance as at 1 January 2021	49,226	-	772	11	10,280	60,289
Profit for the period	-	-	-	-	1,834	1,834
<i>Other comprehensive loss</i>						
Foreign Currency Translation	-	-	-	(48)	-	(48)
Total comprehensive income for the period	-	-	-	(48)	1,834	1,786
Transactions with owners, recognised directly in equity						
Share buy back exercise	-	(109)	-	-	-	(109)
Balance as at 30 June 2021	49,226	(109)	772	(37)	12,114	61,966

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 period	-	-	-	803	803
Total comprehensive income for the period	-	-	-	803	803
Balance as at 30 June 2022	49,226	(203)	870	18,549	68,442
<u>2021</u>					
Balance as at 1 January 2021	49,226	-	870	15,283	65,379
Profit for the period	-	-	-	2,355	2,355
Total comprehensive income for the period	-	-	-	2,355	2,355
Transactions with owners, recognised directly in equity Share buy back exercise	-	(109)	-	-	(109)
Balance as at 30 June 2021	49,226	(109)	870	17,638	67,625

D. Condensed interim consolidated statement of cash flows

	Group	
	6 months ended	
	30-Jun-22	30-Jun-21
	S\$'000	S\$'000
Operating activities		
Profit before income tax	6,556	2,108
Adjustment for:		
Depreciation of property, plant and equipment	2,987	2,901
Reversal of impairment loss recognised on trade receivables	-	(2)
Gain on disposal of property, plant and equipment	(60)	(3)
Property, plant and equipment written off	-	12
Provision for inventory obsolescence	209	378
Unrealized foreign exchange gain	(358)	(425)
Interest income	(17)	(27)
Interest expense	387	425
Operating cash flow before movements in working capital	9,704	5,367
Inventories	1,105	(3,697)
Trade and other receivables	2,033	(1,612)
Trade and other payables	(31)	773
Cash generated from operations	12,811	831
Interest paid	(387)	(425)
Interest received	17	27
Income tax paid	(206)	(2)
Net cash generated from operating activities	12,235	431
Investing activities		
Purchase of property, plant and equipment (Note A)	(4,907)	(1,589)
Proceeds from disposal of property, plant and equipment (Note B)	98	167
Net cash used in investing activities	(4,809)	(1,422)
Financing activities		
Acquisition of treasury shares	-	(109)
Repayments of lease liabilities	(536)	(676)
Proceeds from term loans	14,917	-
Repayments of term loans	(16,422)	(934)
Net cash used in financing activities	(2,041)	(1,719)
Net increase/ (decrease) in cash and bank balances	5,385	(2,710)
Effect of exchange rate changes	(61)	(32)
Cash and bank balances at beginning of year	19,618	15,950
Cash and bank balances at end of period	24,942	13,208

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	
	30-Jun-22	30-Jun-21
	S\$'000	S\$'000
Note A		
<u>Purchase of property, plant and equipment</u>		
Total additions	3,046	954
Add: Movement in liability owing to supplier of PPE	-	107
Add: Movement in downpayment to supplier of PPE	1,861	528
Net cash outflow	4,907	1,589
Note B		
<u>Proceed from disposal of property, plant and equipment</u>		
Total net book value of disposal	14	164
Add: Gain on disposal of PPE	60	3
Total sales proceeds	74	167
Add: Movement in receivables arising from disposal of PPE	24	-
Net cash inflow	98	167

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 30 June 2022 and six months ended 30 June 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 ended 30 June 2022 (1H2022) 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)

2.2 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 30 June 2022 and 2021, respectively

6 months ended 30 June	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	16,838	15,214	5,527	5,378	23,803	9,248	46,168	29,840
Inter-reporting unit sales	(991)	(141)	(610)	(219)	(4)	-	(1,605)	(360)
External customers	15,847	15,073	4,917	5,159	23,799	9,248	44,563	29,480
Segment results	2,720	843	613	800	4,274	1,048	7,607	2,691
<u>Unallocated expenses:</u>								
Unallocated corporate expenses							(664)	(158)
Finance costs							6,943	2,533
Profit before tax							(387)	(425)
Income tax expense							6,556	2,108
Net profit for the period after tax							(1,084)	(274)
							5,472	1,834

6 months ended 30 June	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	44	796	1	13	3,001	145	3,046	954
Depreciation of property, plant and equipment	2,069	2,236	29	37	889	628	2,987	2,901

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 30 June	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	9,089	7,358	1,484	1,509	19,501	7,733	30,074	16,600
People's Republic of China	326	1,319	1,458	2,275	-	-	1,784	3,594
Malaysia	1,807	1,261	751	689	2,810	407	5,368	2,357
USA	3,438	3,962	96	73	1,471	995	5,005	5,030
Canada	595	647	-	-	-	-	595	647
Others	592	526	1,128	613	17	113	1,737	1,252
	15,847	15,073	4,917	5,159	23,799	9,248	44,563	29,480

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:

	Group			
	Segment assets		Segment liabilities	
	As at		As at	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Other Segment Information</u>				
Singapore	119,262	115,713	46,301	48,280
Malaysia	5,050	4,609	558	12
	124,312	120,322	46,859	48,292

	Group	
	As at	
	30-Jun-22	31-Dec-21
	S\$'000	S\$'000
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets	124,312	120,322
GST input tax	170	78
Deferred tax assets	11	6
Total assets	124,493	120,406
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities	46,859	48,292
GST output tax	175	445
Deferred tax liabilities	4,218	3,785
Total liabilities	51,252	52,522

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

5. Financial assets and financial liabilities

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

	Group		Company	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets				
At amortised cost:				
- Cash and bank balances	24,942	19,618	208	359
- Trade receivables	18,367	20,094	-	-
- Other receivables	186	253	-	-
Total	43,495	39,965	208	359
Financial liabilities				
At amortised cost:				
- Bank loans	24,281	25,786	-	-
- Trade and other payables	15,341	15,127	401	1,301
- Lease liabilities	6,481	7,072	-	-
Total	46,103	47,985	401	1,301

6. Profit before taxation

6.1 Significant items

	Group	
	30-Jun-22	30-Jun-21
	S\$'000	S\$'000
Other Operating Income		
Government grant	127	696
Foreign exchange gain	642	492
Gain on disposal of property, plant and equipment	60	3
Interest income	17	27
Expenses*		
Interest expenses	(387)	(425)
Reversal of impairment loss recognised on trade receivables	-	2
Depreciation of property, plant and equipment	(2,987)	(2,901)
Property, plant and equipment written off	-	(12)
Provision for inventory obsolescence	(209)	(378)

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

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

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:

	Group	
	6 months ended	
	30-Jun-22	30-Jun-21
	S\$'000	S\$'000
Sale of goods	3,948	753
Purchase of goods	2,231	1,131
Purchase of machinery	26	-
Sale of machinery	20	-
Rental expense	70	-

7. Taxation

	Group	
	6 months ended	
	30-Jun-22	30-Jun-21
	S\$'000	S\$'000
Current tax expense	(656)	(340)
Over provision for deferred tax in prior years	-	6
Deferred income tax expense relating to origination and reversal of temporary differences	(428)	60
Deferred tax charged to profit or loss	(428)	66
Income tax expense for the year	(1,084)	(274)

8. Dividend

No dividend has been declared or recommended for the financial period ended 30 June 2022 (30 June 2021: Nil). The available fund will be retained for working capital use.

9. Net Asset Value

	Group		Company	
	30-Jun-22	31-Dec-21	30-Jun-22	31-Dec-21
	S\$	S\$	S\$	S\$
Net assets per ordinary share	17.7 cents	16.4 cents	16.6 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 30 June 2022 (31 December 2021: 413,024,021 ordinary shares (excluding treasury shares)).

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

10. 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>
6 months ended 30 June 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 30 June 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 30 June 2022 based on the cash-generating units ("CGU") business performance. The Group performed its annual impairment test in December 2021. The key assumptions used to determine the recoverable amount for the CGU were disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

11. Inventories

As at 30 June 2022, the carrying amount of the Group's inventories, net of allowance for obsolescence of S\$3,319,000 (31 December 2021: S\$3,110,000) amounted to S\$17,485,000 (31 December 2021: S\$18,799,000), which represented 27% (31 December 2021: 31%) of its current assets.

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

	Group	
	30-Jun-22	31-Dec-21
	S\$'000	S\$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	3,164	3,705
Amount repayable after one year	<u>21,740</u>	<u>23,128</u>
	<u>24,904</u>	<u>26,833</u>
Unsecured borrowing		
Amount repayable in one year or less, or on demand	344	357
Amount repayable after one year	<u>5,514</u>	<u>5,668</u>
	<u>5,858</u>	<u>6,025</u>

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

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

Details of any collaterals

As at 30 June 2022 the Group's secured lease liabilities and bank term loans are secured as follows:

- a) Secured lease liabilities amounting to S\$0.6 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\$24.3 million (31 December 2021: S\$25.8 million) are secured by the property, plant and equipment of subsidiaries.

13. Share Capital

	Group and Company			
	30-Jun-22		31-Dec-21	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid				
At 30 June 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 30 June 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 30 June 2022 was 920,700 (31 December 2021: 920,700).

The treasury shares held by the Company as at 30 June 2022 represent 0.222% (31 December 2021: 0.222%) of the total number of issued shares (excluding treasury shares).

	Number of treasury shares
Balance as at 1 January 2022	-
No. of treasury shares held	920,700
Balance as at 30 June 2022	920,700

There were no sales, transfers, cancellation and/or use of treasury shares as at 30 June 2022 (31 December 2021: Nil).

(ii) Subsidiary holdings

There is no subsidiary holdings as at 30 June 2022 (31 December 2021: Nil).

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 June 2022 (31 December 2021: Nil).

14. 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 Limited and its subsidiaries as at 30 June 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 six 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, Cost of sales and Profitability

For 1HFY2022, the Group revenue edged up 51.2% to S\$44.6 million buoyed by a stronger performance in the first half of the year, while net attributable profit shot up 198.4% to S\$5.5 million from S\$1.8 million in 1HFY2021. This record performance was achieved on the back of stronger performance from its Equipment Manufacturing segment which reported sales surge of 157.3% due to higher demand during the period. Its Precision Machining segment revenue edged up 5.1% while sales in the Group's Trading and others segment however dipped by 4.7% due to the pandemic-driven weakness in the global aviation sector.

The Group's 1HFY2022 performance was 58.7% and 69.7% of its full year revenue and net profit in FY2021.

Singapore and Malaysia sales registered the strongest performance. Singapore sales almost doubled to S\$30.1 million in 1HFY2022 from S\$16.6 million in 1HFY2021 while Malaysia reported a 127.7% rise in sales to S\$5.4 million from S\$2.4 million.

Cost of sales for 1HFY2022 increased by 36.3% from S\$25.4 million in 1HFY2021 to S\$34.7 million. The gross margin edged up to 22.0% compared to 13.5% in 1HFY2021. The increase was due to the Group's product mix, with more higher-margin component sales.

Group profit before tax increased 211% to S\$6.6 million in 1HFY2022 from S\$2.1 million in 1HFY2021.

Other operating income

In 1HFY2022, other operating income decreased to S\$1.2 million from S\$1.6 million in 1HFY2021 mainly attributed to lesser grant amount received in relation to the COVID-19 support funds from government agencies.

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. Compared to 1HFY2021, the expenses increase of 22.5% from S\$0.8 million to S\$1.0 million, this was mainly due to higher production volume during the period.

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)**

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 1HFY2022, the increase of 39.8% was mainly due to higher staff costs provision as a result of higher revenue generated during the period.

Finance expenses

Finance costs slightly decrease as compared to 1HFY2021, mainly due to lesser borrowings made during the period.

Income tax expenses

The Group recorded a total income tax expense of S\$1.1 million in 1HFY2022 compared to S\$0.3 million in 1HFY2021, the increase in the income tax expenses was due to higher profits made during the period.

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

Inventories

Inventories decreased by S\$1.3 million from S\$18.8 million as at 31 December 2021 to S\$17.5 million as at 30 June 2022. The decrease was mainly due to lower purchases was made during the period.

Lease liabilities

The Group total lease liabilities decreased by S\$0.6 million from S\$7.1 million as at 31 December 2021 to S\$6.5 million as at 30 June 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\$1.5 million from S\$25.8 million as at 31 December 2021 to S\$24.3 million as at 30 June 2022. This decrease was due to term loans repayment of S\$1.5 million.

Deferred tax liabilities

Deferred tax liabilities increased by S\$0.4 million to S\$4.2 million as at 30 June 2022 from S\$3.8 million as at 31 December 2021 primarily due to deferred tax expenses arising from the origination and reversal of temporary differences.

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)

Statement of cash flows of the Group

Net cash generated from operating activities increased S\$11.8 million from S\$0.4 million in 1HFY2021 to S\$12.2 million in 1HFY2022 mainly due to higher income generated from operating activities. The Group also generated S\$7.4 million in free cash flow.

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.

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

Not applicable

- 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 hit new highs in the first half of FY2022 reflecting the Group's successful pivot towards the semiconductor equipment segment, whilst awaiting the recovery of its core aerospace component manufacturing business which is predicted to be in 2023.

While the aerospace sector is still facing uncertainties caused by geopolitical conflicts, rising costs and manpower issues, its pace of recovery is improving.

International Air Transport Association (IATA) announced an upgrade to its outlook for the airline industry's 2022 financial performance as the recovery from the COVID-19 crisis quickens.¹

Market research reports have also predicted a global aerospace market rebound at a modest pace - growing from US\$328 billion in 2021 to US\$430.9 billion in 2025 at a rate of about 7%. It is forecast to expand further at a CAGR of 5.9% from 2025 and reach US\$573.6 billion in 2030.²

While leading aviation giants such as Boeing had trimmed its 20-year industry wide outlook for planes, it sees strong near-term demand for aircraft despite recession risks. It has also expressed optimism as the long-term fundamentals of the sector remain intact.

Boeing still projects the global airline fleet to nearly double by 2041 as it expects worldwide aviation demand to recover by 2024. Its view of medium-term recovery - when the industry gets back to 2019 levels of global airline traffic - is largely unchanged. Overall, Boeing expects to see late 2023, early 2024 as the time where the industry recovers to full or at least the level of pre-pandemic traffic.³

There will be more clarity and visibility in the Group's aerospace business in the second half of 2023.

Going forward, the Group, which became a 71.39% owned subsidiary of SGX-listed UMS Holdings Ltd ("UMS") in 2QFY2021, will continue to seek new growth opportunities and strengthen operational synergies with UMS.

Our FY2022 outlook will be positive on strong demand for manufacturing equipment due to post-pandemic accelerated digitalization, chips and cloud expansion trends worldwide.

¹Source: Travel recovery hints at profitability in 2023 - <https://airlines.iata.org/analysis/travel-recovery-hints-at-profitability-in-2023>

²Source: Global Aerospace Outlook - <https://finance.yahoo.com/news/global-aerospace-market-outlook-2021-080800824.html> and Global aerospace markets expect to grow from US\$328 billion in 2021 to US\$431 billion in 2025 – https://www.researchandmarkets.com/reports/5240238/aerospace-global-market-report-2021-covid-19?utm_source=GNOM&utm_medium=PressRelease&utm_code=z1749j&utm_campaign=1586062+-+Global+Aerospace+Market+Outlook+20212030%3a+Growing+Demand+for+Commercial+Use+of+Drones%2c+Emerging+Economies+and+Rapid+Technological+Advances&utm_exec=cari18prd

³Source: Boeing cuts 20-year industrywide outlook for planes <https://www.channelnewsasia.com/business/boeing-cuts-20-year-industrywide-outlook-planes-2816061#:~:text=LONDON%3A%20US%20airplane%20maker%20Boeing,stable%20excluding%20the%20Russian%20market.>

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

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 period ended 30 June 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 11.1% 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 <u>Rule 920</u>)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	30 June 2022	30 June 2022
UMS Holdings Limited & its subsidiaries	S\$115,274	S\$6,179,069

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. **Confirmation by the Board pursuant to Rule 705 (5) of the Listing Manual**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the condensed interim financial statements for the six months period ended 30 June 2022 to be false or misleading in any material aspect.

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
12 August 2022**