



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

UNAUDITED CONDENSED INTERIM
FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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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		
		6 months ended		Increase/
		30-Jun-23	30-Jun-22	(Decrease)
		S\$'000	S\$'000	%
Revenue	E4	29,541	44,563	(33.7)
Cost of sales		(25,729)	(34,737)	(25.9)
Gross profit		3,812	9,826	(61.2)
Other operating income		762	1,204	(36.7)
Selling and distribution expenses		(742)	(1,023)	(27.5)
Administrative expenses		(2,496)	(3,064)	(18.5)
Finance expenses		(331)	(387)	(14.5)
Profit before tax	E6	1,005	6,556	(84.7)
Income tax expense	E7	(168)	(1,084)	(84.5)
Profit for the period attributable to owners of the Company		837	5,472	(84.7)
Other comprehensive Income				
<i>Items that may be reclassified to profit or loss in subsequent periods</i>				
Currency translation difference		(295)	(115)	156.5
Total comprehensive income for the period attributable to the owners of the Company		542	5,357	(89.9)
Earnings per share attributable to owners of the Company				
Basic and diluted (in cents)		0.203	1.325	(84.7)

B. Condensed interim statements of financial position

Note	Group		Company	
	As at		As at	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
	17,860	23,785	126	1,069
	16,647	16,431	38	48
E10	19,954	19,677	-	-
	<u>54,461</u>	<u>59,893</u>	<u>164</u>	<u>1,117</u>
Non-current assets				
	50,772	52,280	5	8
E11	11,292	11,292	-	-
E12	-	-	71,802	69,719
	10	6	10	6
	<u>62,074</u>	<u>63,578</u>	<u>71,817</u>	<u>69,733</u>
	116,535	123,471	71,981	70,850
LIABILITIES AND EQUITY				
Current liabilities				
E13	2,556	2,549	-	-
	10,080	15,868	1,660	1,468
	742	836	46	11
E13	420	515	-	-
	<u>13,798</u>	<u>19,768</u>	<u>1,706</u>	<u>1,479</u>
Non-current liabilities				
E13	17,086	18,361	-	-
E13	5,507	5,581	-	-
	4,426	4,585	-	-
	<u>27,019</u>	<u>28,527</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
	(613)	(318)	-	-
	<u>26,536</u>	<u>25,699</u>	<u>20,382</u>	<u>19,478</u>
	75,718	75,176	70,275	69,371
	116,535	123,471	71,981	70,850

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
2023						
Balance as at 1 January 2023	49,226	(203)	772	(318)	25,699	75,176
Profit for the year	-	-	-	-	837	837
<i>Other comprehensive loss</i>						
Currency translation difference	-	-	-	(295)	-	(295)
Total comprehensive income for the year	-	-	-	(295)	837	542
Balance as at 30 June 2023	49,226	(203)	772	(613)	26,536	75,718
2022						
Balance as at 1 January 2022	49,226	(203)	772	(45)	18,134	67,884
Profit for the year	-	-	-	-	5,472	5,472
<i>Other comprehensive loss</i>						
Currency translation difference	-	-	-	(115)	-	(115)
Total comprehensive income for the year	-	-	-	(115)	5,472	5,357
Balance as at 30 June 2022	49,226	(203)	772	(160)	23,606	73,241

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>2023</u>					
Balance as at 1 January 2023	49,226	(203)	870	19,478	69,371
Profit for the year	-	-	-	904	904
Total comprehensive income for the year	-	-	-	904	904
Balance as at 30 June 2023	49,226	(203)	870	20,382	70,275
<u>2022</u>					
Balance as at 1 January 2022	49,226	(203)	870	17,746	67,639
Profit for the year	-	-	-	803	803
Total comprehensive income for the year	-	-	-	803	803
Balance as at 30 June 2022	49,226	(203)	870	18,549	68,442

D. Condensed interim consolidated statement of cash flows

	Group	
	6 months ended	
	30-Jun-23	30-Jun-22
	S\$'000	S\$'000
Operating activities		
Profit before income tax	1,005	6,556
Adjustment for:		
Depreciation of property, plant and equipment	3,081	2,987
Gain on disposal of property, plant and equipment	(369)	(60)
Property, plant and equipment written off	1	- *
Provision for inventory obsolescence	27	209
Unrealised foreign exchange gain	(348)	(358)
Interest income	(135)	(17)
Interest expense	331	387
Operating cash flow before movements in working capital	3,593	9,704
Inventories	(304)	1,105
Trade and other receivables	51	2,033
Trade and other payables	(5,699)	(31)
Cash (used in)/ generated from operations	(2,359)	12,811
Interest paid	(331)	(387)
Interest received	135	17
Income tax paid	(426)	(206)
Net cash (used in)/ generated from operating activities	(2,981)	12,235
Investing activities		
Purchase of property, plant and equipment (Note A)	(1,835)	(4,907)
Proceeds from disposal of property, plant and equipment (Note B)	481	98
Net cash used in investing activities	(1,354)	(4,809)
Financing activities		
Repayment of lease liabilities	(333)	(536)
Proceeds from term loans	-	14,917
Repayment of term loans	(1,267)	(16,422)
Net cash used in financing activities	(1,600)	(2,041)
Net (decrease)/ increase in cash and bank balances	(5,935)	5,385
Effect of exchange rate changes	10	(61)
Cash and bank balances at beginning of year	23,785	19,618
Cash and bank balances at end of year	17,860	24,942

* 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	
	30-Jun-23	30-Jun-22
	S\$'000	S\$'000
Note A		
<u>Purchase of property, plant and equipment</u>		
Total additions	1,990	3,046
Less: Acquired under lease liabilities	(155)	-
Add: Movement in downpayment to supplier of PPE	-	1,861
Net cash outflow	1,835	4,907
Note B		
<u>Proceed from disposal of property, plant and equipment</u>		
Total net book value of disposal	112	14
Add: Gain on disposal of PPE	369	60
Total sales proceeds	481	74
Add: Movement in receivables arising from disposal of PPE	-	24
Net cash inflow	481	98

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 2023 and for the six months and six months ended 30 June 2023 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 E12 to the interim consolidated financial statements.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2023 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 2022.

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 relevant standards applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these 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, 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 2022.

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 30 June of 2023 and 2022, respectively

6 months ended 30 June	Precision machining		Trading and others		Equipment manufacturing		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Revenue:</u>								
Total revenue	13,296	16,838	5,348	5,527	11,189	23,803	29,833	46,168
Inter-reporting unit sales	(80)	(991)	(207)	(610)	(5)	(4)	(292)	(1,605)
External customers	13,216	15,847	5,141	4,917	11,184	23,799	29,541	44,563
Segment results	269	2,720	687	613	456	4,274	1,412	7,607
<u>Unallocated expenses:</u>								
Unallocated corporate expenses							(76)	(664)
Finance costs							1,336	6,943
Profit before tax							(331)	(387)
Income tax expense							1,005	6,556
Net profit for the period after tax							(168)	(1,084)
							837	5,472

6 months ended 30 June	Precision machining		Trading and others		Equipment manufacturing		Group	
	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Other Segment Information</u>								
Capital expenditure	364	44	1,572	1	54	3,001	1,990	3,046
Depreciation of property, plant and equipment	2,006	2,069	88	29	987	889	3,081	2,987

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	
	2023	2022	2023	2022	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Revenue:								
Singapore	3,821	9,089	1,241	1,484	8,940	19,501	14,002	30,074
People's Republic of China	1,785	326	2,324	1,458	-	-	4,109	1,784
Malaysia	1,181	1,807	1,018	751	575	2,810	2,774	5,368
USA	4,391	3,438	84	96	1,616	1,471	6,091	5,005
Canada	1,293	595	-	-	-	-	1,293	595
Others	745	592	474	1,128	53	17	1,272	1,737
	13,216	15,847	5,141	4,917	11,184	23,799	29,541	44,563

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:

<u>Other Segment Information</u>	Segment assets		Segment liabilities	
	As at		As at	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
	S\$'000	S\$'000	S\$'000	S\$'000
Singapore	108,898	116,732	36,195	42,626
Malaysia	7,302	6,423	65	994
	116,200	123,155	36,260	43,620

	Group	
	As at	
	30-Jun-23	31-Dec-22
	S\$'000	S\$'000
Reportable segments' assets are reconciled to total assets as follows:		
Precision machining	67,800	67,621
Trading and others	17,633	19,243
Equipment manufacturing	30,767	36,291
Segment assets	116,200	123,155
GST input tax	325	310
Deferred tax assets	10	6
Total assets	116,535	123,471

Reportable segments' liabilities are reconciled to total liabilities as follows:

Precision machining	25,465	25,268
Trading and others	2,342	5,445
Equipment manufacturing	8,453	12,907
Segment liabilities	36,260	43,620
GST output tax	131	90
Deferred tax liabilities	4,426	4,585
Total liabilities	40,817	48,295

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 2023 and 31 December 2022:

	Group		Company	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets				
At amortised cost:				
- Cash and bank balances	17,860	23,785	126	1,069
- Trade receivables	13,772	12,845	-	-
- Other receivables	465	654	24	-
Total	32,097	37,284	150	1,069
Financial liabilities				
At amortised cost:				
- Bank loans	19,642	20,910	-	-
- Trade and other payables	9,906	15,778	1,628	1,402
- Lease liabilities	5,927	6,096	-	-
Total	35,475	42,784	1,628	1,402

6. Profit before taxation

6.1 Significant items

	Group	
	30-Jun-23	30-Jun-22
	S\$'000	S\$'000
Other operating (expenses)/ income		
Government grant	60	127
Foreign exchange (loss)/ gain (net)	(27)	642
Gain on disposal of property, plant and equipment	369	60
Interest income	135	17
Expenses*		
Interest expenses	(331)	(387)
Depreciation of property, plant and equipment	(3,081)	(2,987)
Property, plant and equipment written off	1	-
Provision for inventory obsolescence	(27)	(209)

* 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:

	The Group	
	6 months ended	
	30-Jun-23	30-Jun-22
	S\$'000	S\$'000
Sale of goods	3,480	3,948
Purchase of goods	1,569	2,231
Purchase of machinery	-	26
Sale of plant and equipment	18	20
Rental expenses	-	70

7. Taxation

	Group	
	6 months ended	
	30-Jun-23	30-Jun-22
	S\$'000	S\$'000
Current tax expense	(168)	(656)
Deferred income tax expense relating to origination and reversal of temporary differences	-	(428)
Deferred tax charged to profit or loss	-	(428)
Income tax expense for the period	(168)	(1,084)

8. Dividend

No dividend has been declared or recommended for the financial year ended 30 June 2023 (30 June 2022: Nil). The available fund will be retained for working capital use.

9. Net Asset Value

	Group		Company	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
	S\$	S\$	S\$	S\$
Net assets per ordinary share	18.3 cents	18.2 cents	17.0 cents	16.8 cents

Note:

Net assets per ordinary share based on number of issued 413,024,021 ordinary shares (excluding treasury shares) as at 30 June 2023 (31 December 2022: 413,024,021 ordinary shares (excluding treasury shares)).

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

10. Inventories

As at 30 June 2023, the carrying amount of the Group's inventories, net of allowance for obsolescence of S\$3,399,000 (31 December 2022: S\$3,372,000) amounted to S\$19,954,000 (31 December 2022: S\$19,677,000), which represented 37% (31 December 2022: 33%) of its current assets.

11. Intangible assets

<u>Group</u>	Goodwill on consolidation S\$'000
Balance as at 31 December 2022	
Cost	18,812
Accumulated amortisation and impairment	7,520
Net book value	11,292
6 months ended 30 June 2023	
Opening net book amount	11,292
Additions	-
Amortisation and Impairment charges	-
Closing net book amount	11,292
Balance as at 30 June 2023	
Cost	18,812
Accumulated amortisation and impairment	7,520
Net book value	11,292

No impairment indicators were identified as at 30 June 2023 based on the cash-generating units ("CGU") business performance. The Group performed its annual impairment test in December 2022. 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 2022.

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.

Name of subsidiary	Country of incorporation (or residence)	Proportion of ownership Interest and voting rights held by the Group		Principal activities	Cost of investment	
		30 Jun 2023	31 Dec 2022		30 Jun 2023	31 Dec 2022
		%	%		S\$'000	S\$'000
<u>Held by the Company</u>						
JEP Precision Engineering Pte Ltd	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⁾	Malaysia	100	100	Steel structure fabrication and high precision machining for aerospace and semiconductor.	7,762	5,679
					71,802	69,719

⁽¹⁾ On 28 June 2023, the Group's wholly-owned subsidiary JEP Precision Engineering (M) Sdn Bhd increased its paid-up share capital from RM17,600,000 to RM24,700,000 (S\$5,678,778 to S\$7,762,266) for its capital expenditure and the transaction was funded through internal source.

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

	Group	
	30-Jun-23	31-Dec-22
	S\$'000	S\$'000
Secured borrowing		
Amount repayable in one year or less, or on demand	2,730	2,779
Amount repayable after one year	17,146	18,523
	19,876	21,302
Unsecured borrowing		
Amount repayable in one year or less, or on demand	246	285
Amount repayable after one year	5,447	5,419
	5,693	5,704

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 30 June 2023 the Group's secured lease liabilities and bank term loans are secured as follows:

- a) Secured lease liabilities amounting to S\$0.2 million (31 December 2022: S\$0.4 million) are secured by the production equipment and motor vehicles of subsidiaries; and
- b) Bank term loan amounting to S\$19.7 million (31 December 2022: S\$20.9 million) are secured by the property, plant and equipment of subsidiaries.

14. Share Capital

	Group and Company			
	30-Jun-23		31-Dec-22	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid				
At 30 June 2023 and 31 December 2022	413,944,721	49,226	413,944,721	49,226

The total number of issued shares excluding treasury shares as at 30 June 2023 was 413,024,021 shares (31 December 2022: 413,024,021 shares).

(i) Treasury Shares

The total of number of treasury shares as at 30 June 2023 was 920,700 (31 December 2022: 920,700).

The treasury shares held by the Company as at 30 June 2023 represent 0.222% (31 December 2022: 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 30 June 2023 (31 December 2022: Nil).

(ii) Subsidiary holdings

There is no subsidiary holdings as at 30 June 2023 (31 December 2022: Nil).

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 June 2023 (31 December 2022: 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 30 June 2023 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 1HFY2023, the Group revenue decreased by 33.7% to S\$29.5 million compared from S\$44.6 million in 1HFY2022. The decrease in revenue was primarily attributed to a weaker performance from its Equipment Manufacturing and Precision Machining segments, which were impacted by the lower global demand for semiconductors. The Equipment Manufacturing segment's revenue declined by 53.0% from S\$23.8 million in 1HFY2022 to S\$11.2 million in 1HFY2023. Sales in the Precision Machining segment dipped 16.6% from S\$15.8 million in 1HFY2022 to S\$13.2 million in 1HFY2023, primarily due to lower electronic component sales. These declines were partially offset by improved sales from the Trading & Others segment which edged up 4.6% from S\$4.9 million in 1HFY2022 to S\$5.1 million in 1HFY2023.

The Trading & Others segment posted an improved segment result of S\$0.7 million in the current half year compared to S\$0.6 million in the same period last year. Both the Equipment Manufacturing and Precision Machining segments reported lower segment results of S\$0.5 million and S\$0.3 million respectively in 1HFY2023.

Sales in China, USA and Canada reported improved results. China sales soared by 130.3% from S\$1.8 million in 1HFY2022 to S\$4.1 million in 1HFY2023 with increased sales in both the Precision Machining and Trading & Others segments. Canada sales grew by 117.3% from S\$0.6 million in 1HFY2022 to S\$1.3 million in 1HFY2023 with sales growth in the Precision Machining segment. The USA sales reported a 21.7% increase to S\$6.1 million from S\$5.0 million, largely attributable to the increase in sales from the Precision Machining and Equipment Manufacturing segments, partially offset by the fall in sales in the Trading & Others segment. Sales in these three geographical markets were lifted by the robust recovery of the Aerospace industry during the period under review.

Sales in Singapore, Malaysia and Other markets declined due mainly to the slowdown in semiconductor demand.

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)

Cost of sales decreased by 25.9%, from S\$34.7 million in 1HFY2022 to S\$25.7 million in 1HFY2023. The gross margin decreased 9.1% compared 22.0% in 1HFY2022. The decrease was due to the Group's product mix, with lower higher-margin components sales, and an increase in input costs.

Despite the decrease in sales, all of the Group's core business segments remained profitable. The Group profit before tax dropped by 84.7% to S\$1.0 million from S\$6.6 million in 1HFY2022.

Reflecting the Group's performance, earnings per share ("EPS") for 1HFY2023 fell 84.7% to 0.203 cents from 1.325 cents in 1HFY2022. Group net asset value ("NAV") per share edged up to 18.3 cents at the end of June 2023 compared to 18.2 cents as of 31 December 2022.

Other operating income

In 1HFY2023, other operating income decreased to S\$0.7 million from S\$1.2 million in 1HFY2022 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. Compared to 1HFY2022, the expenses decreased by 27.5% from S\$1.0 million to S\$0.7 million, 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 1HFY2023, the decrease in administrative expenses of 18.5% was mainly due lower production volume during the period as compared to 1HFY2022.

Finance expenses

Finance costs decreased slightly by S\$0.1 million from S\$0.4 million in 1HFY2022 to S\$0.3 million in 1HFY2023, mainly due to lesser borrowings made and repayment loan during the period.

Income tax expenses

The Group recorded a total income tax expense of S\$0.2 million in 1HFY2023 compared to S\$1.1 million in 1HFY2022, the decrease in the income tax expenses was due to lower profits made 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)

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

Non- current assets

The decrease in total non-current assets of S\$1.5 million was mainly due to a net decrease of S\$1.5 million in property, plant, and equipment.

Trade and other receivables

Trade and other receivables remained relatively constant as compared to FY2022.

Inventories

Inventories remained relatively constant as compared to FY2022.

Trade and other payables

Trade and other payables decreased by S\$5.8 million from S\$15.9 million as at 31 December 2022 to S\$10.1 million as at 30 June 2023. This reduction was mainly due to fluctuations arising from the timing of payments made to creditors and lower purchases during the period.

Lease liabilities

The Group total lease liabilities decreased by S\$0.2 million from S\$6.1 million as at 31 December 2022 to S\$5.9 million as at 30 June 2023. 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\$1.3 million from S\$20.9 million as at 31 December 2022 to S\$19.6 million as at 30 June 2023. This decrease was due to term loans repayment of S\$1.3 million.

Deferred tax liabilities

Deferred tax liabilities decreased by S\$0.2 million to S\$4.4 million as at 30 June 2023 from S\$4.6 million as at 31 December 2022 primarily due to deferred tax expenses arising from the origination and reversal of temporary differences.

Statement of cash flows of the Group

The Group's financial position remained healthy with cash and bank balances of S\$17.9 million at the end of June 2023.

Approximately S\$1.8 million was used as capital expenditure to purchase equipment and to fund the progressive construction cost of a new factory in Penang, Malaysia.

The Group also pared down its loans and lease liabilities during the period under review.

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 global slowdown in demand for semiconductors and the economic challenges such as recession led to the Group's lower 1H2023 performance. Despite this, the Group remained profitable with a healthy financial position. This reflects our resilience and strength to withstand global market challenges and industry risks.

Looking ahead, we will continue to focus on our twin growth engines in the Semiconductor industry and the Aerospace industry.

While near-term uncertainties remain, longer-term prospects are more optimistic.

Market research reports have forecasted a continuous growth of the global aerospace market with a CAGR of 12.9%, reaching a market size of US\$442.25 billion by 2026.¹

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.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 by the end of this year. It also projected that 2024 air passenger demand would be four per cent above the level in 2019.³

Near term challenges for the semiconductor industry will persist as there is an oversupply due to uncertain economic conditions and weakening consumer demand.

However, the longer-term prospects of the semiconductor industry remain strong. According to the World Semiconductor Trade Statistics (WSTS), the Global Semiconductor Market is predicted to experience a downturn of 10.3% in 2023. However, this is anticipated to be followed by a robust recovery in 2024 when the global semiconductor market is forecasted to surge by 11.8%, amounting to US\$576 billion.⁴

In view of the positive outlook, we expect continued recovery of our aerospace business in the second half of 2023 which will be supported by volume production of new complex and high value-added parts from our strategic customers. The Group's new factory in Penang, Malaysia is also scheduled for completion in the second half of 2023.

With a healthy financial position, the Group is well-placed to seize new market opportunities in all of its core business segments to drive growth and profitability.

Going forward, the Group which is a 73.85% owned subsidiary of SGX-listed UMS Holdings Limited ("UMS"), will continue to maximise operational synergies with UMS to improve overall performance and seek new growth opportunities.

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: *WSTS Semiconductor Market Forecast Spring 2023* - <https://www.wsts.org/76/Recent-News-Release>

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

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 2023. 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 the e-AGM held on 19 April 2023.

As shown in the table below, the aggregate value of all interested person transactions during the period was approximately 7.93% of the group's latest audited net tangible assets as at 31 December 2022.

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)
UMS Holdings Limited & its subsidiaries	30 June 2023	30 June 2023
	S\$17,978	S\$5,049,303

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

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 2023 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
11 AUGUST 2023**