JEP Holdings Limited

BUILDING MOMENTUM LOOKING AHEAD

ANNUAL REPORT 2016

HOLDINGS LTD

Corporate Profile

JEP Holdings Ltd. is a leading solution provider of precision machining and engineering services, with a primary focus on the aerospace industry. With over 30 years of operating history, we have built up a strong value chain to provide seamless manufacturing solutions to our clients. All of our operations are supported by an experienced and passionate workforce, strong networks of established customers and suppliers, and stringent quality systems.

The Group's main operating subsidiary, JEP Precision Engineering Pte Ltd ("JEPS"), was acquired by the Group in 2007. Accredited with AS9100, OHSAS, and NADCAP, JEPS has built a track record as a reliable sub-contractor for aerospace components since beginning operations in 1990, and is now part of the global supply chain for the world's leading aircraft manufacturers.

The Group is headquartered in Singapore, and operates out of four facilities equipped with state of the art machinery for manufacturing and the provision of secondary processes related to engineering services. The Group also owns a large format precision engineering company, Dolphin Engineering Pte Ltd, and a trading business, JEP Industrades Pte Ltd, which markets cutting tools used in manufacturing activities for various industries such as aerospace, mould and die, and oil and gas.

The Group has been listed on SGX Catalist since 2004, when it was known as Alantac Technology Ltd., and changed its name in May 2010.

Vision

To be a leader in seamless manufacturing solution and be an integrated part of our customers' success.

Mission

To be the foremost strategic partner to our customers who demand the highest standards in terms of efficiency and effectiveness.

Outlook

The Group's new facility at Seletar Aerospace Park was completed in November 2016, and equipment and operations are gradually being shifted over, and the move is expected to be fully completed by the third quarter of 2017.

"Aerospace will be our main revenue driver for the foreseeable future. We are currently receiving promising levels of enquiries from existing and potential customers, and our business development efforts will be aided by the completion of our new facilities, as it is a showcase of our technology and capabilities.

In the design of the new premises, we are also taking great care to streamline our production processes, building on the productivity and cost saving measures implemented in FY2016. This will allow us to become even more cost-effective and efficient."

Mr Joe Lau
Executive Chairman and CEO, JEP Holdings Ltd.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of JEP Holdings Ltd. (the "Group"), I am pleased to present our annual report for the financial year ended 31 December 2016 ("FY2016").

The past 3 years have seen us laying the foundations for the Group's future. I thank our loyal shareholders for their patience and the belief they have placed in us. In the last year, we have suffered some setbacks, mainly due to the collapse in crude oil prices, which has severely disrupted the entire sector's supply chain and resulted in a significant drop in our oil & gas segment activities. However, I remain positive and confident of the future growth of our operations.

The New Heart of Our Operations

We are in the process of moving our core operations over to Seletar Aerospace Park ("SAP"), where we finished construction of a new manufacturing facility in November 2016. Being right in the centre of Singapore's hub for aerospace activity combined with our state of the art premises, this allows us to strengthen our brand and foster stronger working relations with the OEMs. In addition to the significantly larger production floor which will give us headroom for continued growth, we will be implementing Smart Factory initiatives to increase our productivity and efficiency.

Moving of our operations from the premises at Changi to the new facility has been progressing smoothly. With a comprehensive relocation plan and dedicated team, quality assurance is ensured and there are minimal disruptions to our production activities. We expect the move to be completed by the third quarter of 2017, and once we have settled into the new premises, things should pick up significantly.

Aerospace and Semiconductor Orders Filling Up Capacity

In terms of business activity, we have been working hard to fill up the excess capacity left behind by the aforementioned drop in oil & gas orders. Aerospace continues to be the main pillar of our business, where we are receiving robust order flow from existing customers as well as enquiries from potential new customers. The semiconductor customers that we serve have also given us a steady flow of orders. JEP Industrades, which we acquired in August 2015, has continued performing well under our Trading & Others segment, providing a base of recurring income for the Group.

In FY2016 we made a small net loss of S$0.2 million, mostly due to expenses incurred particularly during the first half of the year, and the overhang from the drop in oil & gas activity. However, our revenue continued its upward growth trend, increasing by 22.4% compared to FY2015. Taking into consideration the capital expenditure for our new facilities, our balance sheet is still relatively healthy, with working capital of S$7.0 million as at 31 December 2016 (31 Dec 2015: S$8.6 million) and cash and cash equivalents stood at S$8.0 million (31 Dec 2015: S$3.1 million).

The Board is pleased to recommend a dividend of 0.03 cents per share to thank our shareholders for their support.

> *Our revenue continued its upward growth trend, increasing by 22.4% compared to FY2015.*

Taxiing for Take-off

Aerospace will continue being the main growth driver for the Group, fuelled by the growth of passenger carriers particularly in Asia and the Middle East. We are aiming to expand our product offering to existing customers, for the supply of different models of engine casings and a wider variety of landing gear components. While the oil & gas segment is not likely to make a significant recovery in foreseeable future, we are seeing order levels that are slightly better than expectations.

Our journey from Changi to SAP is a significant move as it equips us with production facilities that are more efficient, and also give us room to grow. Once the move is completed, we expect our overhead costs to be lowered, and with the capacity to take on more orders, we expect the business to take off in the later part of 2017.

Acknowledgements

As we prepare for the journey ahead, I am grateful to all our partners and stakeholders who have helped us get to where we are now. On behalf of my fellow directors, we thank our loyal shareholders, staff and management, customers and business associates, and the government agencies which have extended their valued support to us.

Joe Lau
Executive Chairman and CEO
JEP Holdings Ltd.

2016 Business Highlights

$71.93 million

REVENUE

$3.97 million

EBTIDA

0.03 cents

Dividend
per Share

$113.2 million

Group Total
Asset Value

3.2 cents

Net Asset Value
per Share

$0.2 million

Profit to Equity
Owner

Operational Review

Operational Review

The aerospace industry remains to be the main contributor of the Group's revenue, generating S$37.6 million in FY2016, compared to S$32.8 in FY2015. This segment continues to look positive and is expected to grow.

The conditions in the oil & gas sector were challenging, resulting in a drop in revenue by 66% from S$9.8 million to S$3.4 million in FY2016. This sector remains challenging but we are still receiving small volumes of orders and are ensuring strong customer ties are maintained.

Through the Group's continuous improvement efforts, we were able to achieve additional reductions in coolant usage and disposal, overtime and consumables for the second year running.

Seletar Aerospace Park

The Group received Temporary Occupation Permit (TOP) in November 2016 for this facility. We began transitioning the operations from Changi South to this facility in December 2016 and are on track for the transition to be completed by third quarter of 2017. JEP Precision Engineering, a subsidiary of the Group will also be embarking on several Smart Factory initiatives in the new facility. Through these initiatives, we will gradually transition into a data driven organization, improving the utilization and efficiency of our machineries and labour resources.

Surface Engineering Hub (Tanjong Kling)

At the Surface Engineering Hub in Tanjong Kling, the Group saw an increase in operational revenue in FY2016. Besides the Titanium Etch and Shot Peening process which commenced in January 2016, NADCAP certifications for other processes namely Sulfuric Anodise, Chemical Film and Passivation were obtained over the course of 2016 and are now fully operational. This allowed us to become more cost efficient which then translates into savings to our customers; shorten manufacturing lead time and consistent quality control.

Dolphin Engineering Pte Ltd (Loyang)

Our subsidiary, Dolphin Engineering Pte Ltd saw a strong growth in revenue contributed by contract manufacturing and semi-conductors segments. The Group is positive on the prospects for these two segments and expects continued growth in these segments.

JEP Industrades

JEP Industrades, the Group's subsidiary, increased marketing efforts as well as embarked on building their own brand of cutting tools which saw them exceed their forecasted revenue by 20%. The Group will continue to improve the synergy between all subsidiaries.

Financial Review

Financial Performance

For FY2016, the Group registered revenue of S$71.9 million, which is an increase of 22.4% or S$13.2 million, from S$58.8 million in FY2015. The increase was mainly contributed by an increase revenue from Trading & Others segment of S$12.2 million from S$6.3 million in FY2015 to S$18.5 million in FY2016 due to the acquisition of JEP Industrades Pte Ltd ("JEPI") in end August 2015, and an increase in revenue from Aerospace and Equipment Manufacturing segments of S$6.0 million collectively. This was partially offset by a decrease in revenue from Oil & Gas segment of S$6.4 million, from S$9.8 million in FY2015 to S$3.4 million in FY2016.

Cost of sales increased by 23.4% or S$12.2 million, from S$52.0 million in FY2015 to S$64.2 million in FY2016. The increase was mainly due to the increase of S$10.2 million in cost of sales from Trading & Others segment attributable to JEP Industrades Pte Ltd ("JEPI") as a result of the acquisition of JEPI in end August 2015.

Gross profit increased by 14.5% or S$ 1.0 million, from S$6.8 million in FY2015 to S$7.8 million in FY2016. The increase was largely due to higher gross profit from Trading & Others segment of S$2.3 million offset by the net loss generated from Oil & Gas and Aerospace segment of S$1.6 million collectively.

Other operating income for FY2016 increased by S$0.4 million compared to FY2015 from S$1.4 million to S$1.8 million. The increase was mainly contributed by dormitory occupancy fee.

Selling and distribution expenses for FY2016 increased by S$0.7 million compared to FY2015 from S$1.5 million to S$2.2 million, with the inclusion of the related staff payroll expenses of S$0.5 million from the acquisition of JEPI in end August 2015.

Administrative expenses increased by S$1.5 million, from S$5.9 million in FY2015 to S$7.4 million in FY2016 of which S$0.6 million was due to translation-related foreign exchange loss primarily from United States Dollar ("USD") and Japanese Yen ("Yen"). A higher director's remuneration of S$0.3 million also arose from the acquisition of JEPI in end August 2015.

Finance costs increased by S$0.5 million from S$0.5 million in FY2015 to S$1.0 million in FY2016, mainly due to an increase in loan borrowings and the corresponding increase in the cost of finance.

The Group recorded total income tax credit of S$1.0 million in FY2016 mainly due to the reduction of deferred tax liabilities arising from the excess of tax written down value over net book value of property, plant and equipment.

Financial Review (cont'd)

Balance Sheet

Property, plant and equipment increased by S$20.4 million, from S$30.5 million as at 31 December 2015 to S$50.9 million as at 31 December 2016. The increase was due mainly to additions amounting to S$20.1 million that was attributable to the Seletar Aerospace Park ("SAP"). The project completed in November 2016.

Intangible assets decreased by S$1.0 million from S$2.2 million as at 31 December 2015 to S$1.2 million as at 31 December 2016. The decrease was due mainly to amortisation costs incurred during FY2016.

Trade and other receivables increased by S$6.0 million, from S$15.2 million as at 31 December 2015 to S$21.2 million as at 31 December 2016. This was due mainly to the increase in trade receivables of S$1.8 million arising from Aerospace segment, and S$1.3 million and S$1.4 million arising from Trading & Others and Equipment Manufacturing segments respectively, which was in line with the abovementioned improvement in revenue in FY2016. Other receivables increased by S$1.7 million from S$1.8 million as at December 2015 to S$3.5 as at 31 December 2016. This was largely due to GST input tax receivables of S$0.6 million, and higher deposit and prepaid operating expenses of S$1.0 million mainly caused by higher deposit paid for purchase of machinery.

Trade and other payables increased by S$7.2 million, from S$13.9 million as at 31 December 2015 to S$21.1 million as at 31 December 2016. This was due mainly to S$7.0 million of accruals relating to the construction cost of the SAP factory building at year end.

The Group's total obligation under finance lease decreased by S$3.6 million, from S$5.6 million as at 31 December 2015 to S$2.0 million as at 31 December 2016. This was due mainly to the finance lease of S$3.6 million that was refinanced under a secured S$3.1 million 4-year term loan in May 2016.

The Group's total loans and borrowings had increased by S$20.5 million, from S$15.3 million as at 31 December 2015 to S$35.8 million as at 31 December 2016. This was largely due to:

(1) an increase in revolving credit facilities of S$5.8 million.

(2) a 10-year term loan up to an aggregate principle amount of S$20 million to finance 80% of the construction cost of S$25 million for the factory building at SAP, with total drawdown amount of S$13.1 million as at 31 December 2016.

(3) S$3.1 million for above mentioned finance lease refinanced under a 4-year term loan.

This was partially offset by repayment of term loan of S$1.3 million. The Group maintained a healthy gearing ratio of 1.3 as at 31 December 2016.

Contingent consideration and provision increased by S$0.3 million, from $3.8 million to S$4.1 million. This was due mainly to the re measurement of the fair value of contingent consideration arising from the acquisition from JEPI in end August 2015.

Deferred tax liabilities decreased by S$0.9 million, from S$2.0 million as at 31 December 2015 to S$1.1 million as at 31 December 2016. This was mainly due to tax credit arising from the excess of tax written down value over net book value of property, plant and equipment.

Cash Flows

The net cash outflow from operating activities amounted to S$0.1 million for FY2016. This was mainly due to cash outflow from working capital of S$3.7 million and payment of tax and interest of S$1.1 million collectively, which was offset by cash inflow from operating activities of S$4.6 million.

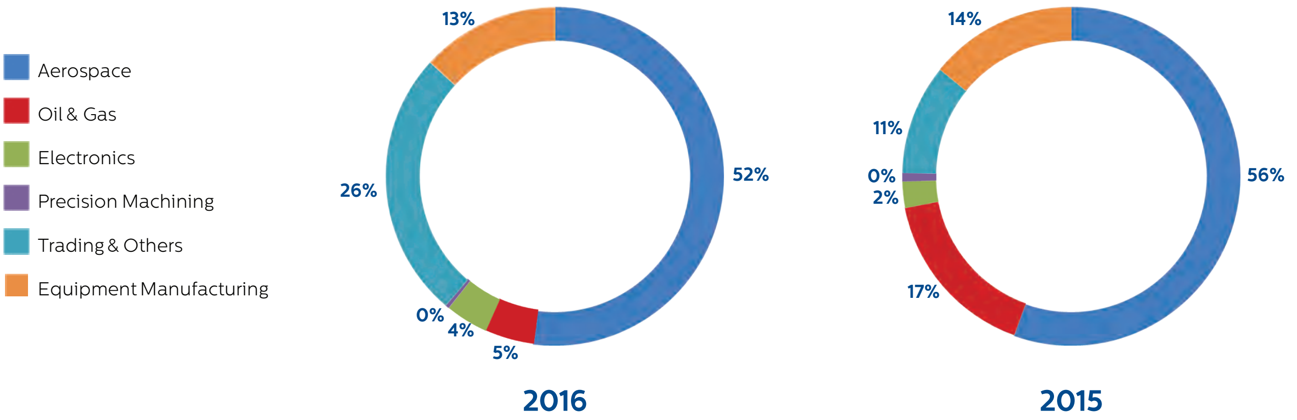
The net cash outflow from investing activities amounted to S$5.7 million for FY2016. S$3.3 million cash outflows related to the construction cost paid to the main contractor of the factory building at SAP. S$2.5 million related to the additional investment in machinery and equipment, which was offset by proceeds received from disposal of machinery of S$0.2 million in FY2016.

The net cash inflow from financing activities amounted to S$10.6 million. This was mainly due to net proceeds of S$8.1 million from the Rights cum Warrants Issue after deduction of issuance expenses of S$0.1 million, and the net cash inflow arising from net proceeds from borrowings of S$9.0 million. This was partially offset by repayment of term-loan of S$1.3 million, credit facilities of S$3.4 million and finance lease of S$1.8 million.

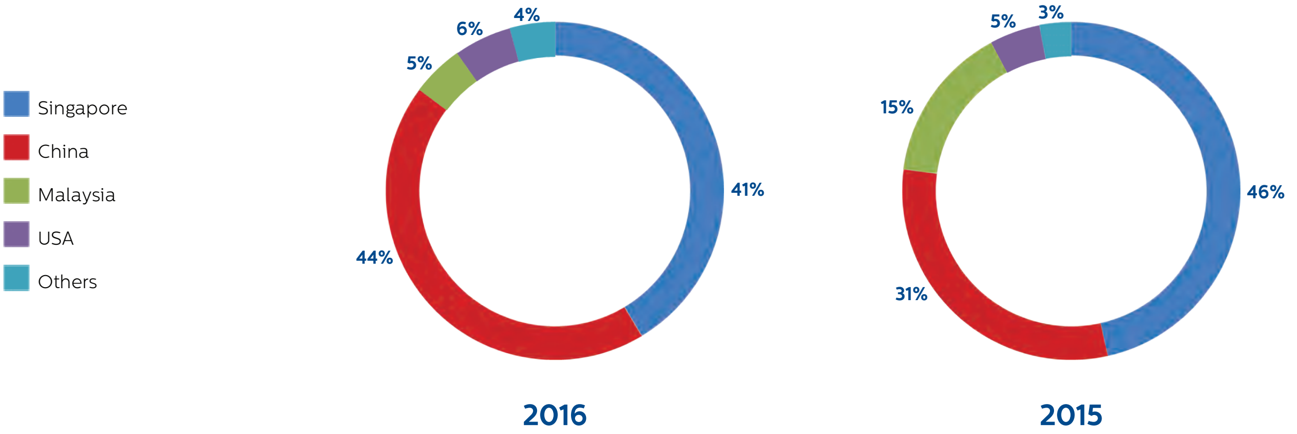
The utilisation of the net proceeds from the Rights cum Warrants Issue amounted to S$3.3 million as at 31 December 2016 for the SAP factory building, which is in accordance with the stated uses and the percentages allocated in the Offer Information Statement dated 29 November 2016.

Financial Highlights

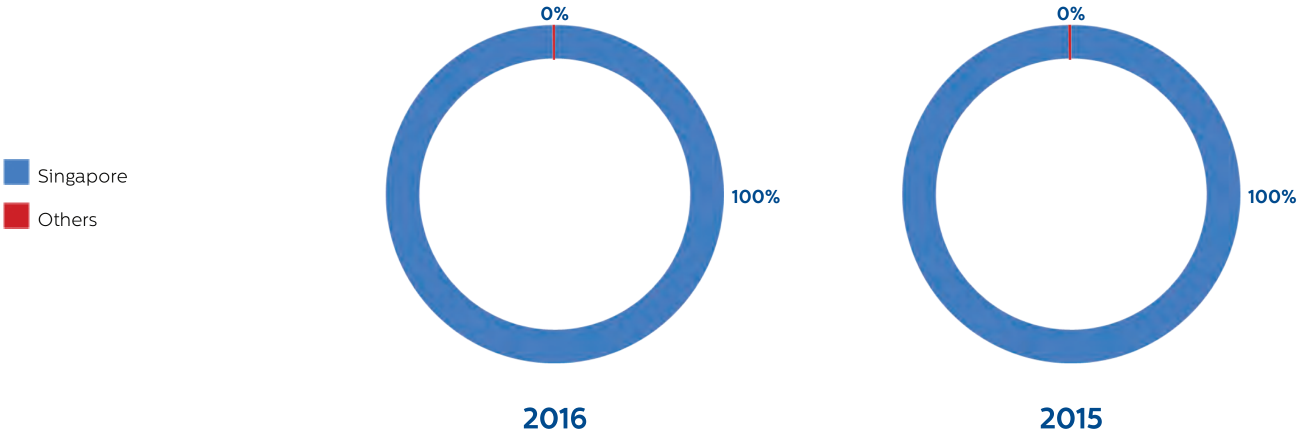
Revenue by Industry



Revenue by Region



Assets by Region



Board of **Directors**

Mr. Joe Lau
Executive Chairman and Chief Executive Officer

Chairman of Board of Directors
Member of Nominating Committee
Date of first appointment as a Director : 1 October 2007
Date of last re-election as a Director : 26 April 2016

Mr Joe Lau was appointed to the Board on 1 October 2007 and appointed as the Executive Chairman and Chief Executive Officer of the Company on 17 August 2009. He is also a Director of JEP Precision Engineering Pte. Ltd, Singapore, JEP Precision Engineering Co., Ltd, Thailand (in liquidation), JEP Industrades Pte Ltd and Dolphin Engineering Pte Ltd.

With more than 20 years of experience in the precision engineering industry, he drives all operational matters of the Group. Mr Lau was the recipient of the 2005 Entrepreneur Award and the EYA Innovation Award 2006. He successfully built JEP Precision Engineering Pte Ltd to become an Enterprise 50 award winner in 2007. These awards clearly demonstrate his capability in building a successful business.

Mr. Zee Hoong Huay
Executive Director

Date of first appointment as a Director : 27 August 2015
Date of last re-election as a Director : 26 April 2016

Mr Zee Hoong Huay, the co-founder and Managing Director of JEP Industrades Pte Ltd ("JEPI") joined us as Executive Director on 27 August 2015.

Mr Zee is a veteran and proven personnel in the metal tooling and precision engineering industries with over 30 years of industrial experience and capabilities. He co-founded JEPI in 1986 as a trading company that markets cutting tools and spearheads its overall direction, sales and marketing strategies. JEPI is now a leading distributor for cutting tool solutions and distributes its manufactured products to the aerospace, mould & die, and oil and gas segments across the Southeast Asia Pacific regions.

Mr Zee holds a Diploma in Industrial Management, Manufacturing Engineering.

Mr Zee was appointed to the Board on 27 August 2015. He is also a Director of JEP Industrades Pte. Ltd., Singapore.

Mr. Soh Chee Siong
Executive Director

Date of first appointment as a Director : 10 January 2014
Date of last re-election as a Director : 22 April 2014

Mr Soh Chee Siong joined JEP Precision Engineering Pte Ltd, a subsidiary of the Group in October 2011 as Chief Executive Officer.

Mr Soh started his career with Hamilton Sundstrand Pacific Aerospace Pte Ltd, a fully owned subsidiary of United Technologies Corporation in 1975. He has more than 30 years of aerospace component manufacturing experience. Over the years, he rose through the ranks and his last held position was as the Plant Manager of Hamilton Sundstrand's Changi Plant. During his tenure in Hamilton Sundstrand, he was instrumental in setting up Plant 3 in Bedok and Changi Plant in 2000 & 2005 respectively, in support of their expansion plan.

Mr Soh joined Rolls-Royce Singapore Pte Ltd as the Operations Director in April 2010. He led a new team and was responsible for setting up the new facility in Seletar Aerospace Park, which focuses on the manufacturing of the wide chord fan blade for Rolls-Royce Trent engines.

Mr Soh holds a Bachelor of Science (Hons) in Business & Management Studies from University of Bradford. He also holds the Certified Diploma in Accounting & Finance (ACCA), Specialist Diploma in Supply Chain Management (NYP), and a Certified Quality Manager (SQI).

Mr Soh was appointed to the Board on 10 January 2014. He ia also a Director of JEP Precision Engineering Pte. Ltd. Singapore, JEP Precision Engineering Co., Ltd., Thailand (in liquidation) and Dolphin Engineering Pte. Ltd. Singapore.

Board of **Directors**

Mr. Wong Gang
Lead Independent Director

Chairman of Remuneration Committee
Chairman of Nominating Committee
Member of Audit Committee
Date of first appointment as a Director : 1 November 2006
Date of last re-election as a Director : 26 April 2016

Mr Wong Gang is a Partner in law firm, Shook Lin & Bok LLP since 2002, and joined us as an Independent Director in 1 November 2006. With more than 12 years of professional experience advising on a wide range of corporate finance and securities transactions, including stock market flotations, rights issue, securities regulation for public listed companies, mergers and acquisitions, joint ventures, as well as general corporate advisory work, he is also a member of Shook Lin & Bok LLP's China practice group and has advised multinational corporations and Singapore companies on cross border transactions in China, as well as on public offerings of securities in Singapore by companies from China. He has been cited by Chambers Asia as one of Singapore's leading corporate lawyers in the capital markets.

Mr Wong Gang was appointed to the Board on 1 November 2006. He also holds directorship in Shook Lin & Bok LLP, Renewable Energy Asia Group Limited, Bermuda and Bowsprit Capital Corporation Limited, Singapore.

Mr. Quek Hiong How
Independent Director

Chairman of Audit Committee
Member of Nominating Committee
Member of Remuneration Committee
Date of first appointment as a Director : 3 August 2009
Date of last re-election as a Director : 22 April 2015

Mr Quek has held several senior positions and directorships in finance and accounting over the past 30 years. Among the senior positions he has held, Mr Quek was the Finance Director for 2 subsidiaries of Boustead Singapore Limited (a company listed on the mainboard of the SGX-ST) as well as the Chief Financial Officer for Keppel Telecommunications and Transportation Ltd. Mr Quek was also the Vice President (Finance and Administration) for the then- Television Corporation of Singapore Pte Ltd.

Mr Quek has extensive experience in the areas of project feasibility studies, setting up of joint ventures, mergers and acquisitions and corporate governance and finance.

Mr Quek Hiong How, Raymond, was appointed an Independent Director of the Company on 3 August 2009. He also holds directorship in Mychinachannel Pte. Ltd., Singapore.

Board of **Directors**

Mr. Scully Kevin Norbert
Independent Director

Member of Audit Committee
Member of Nominating Committee
Member of Remuneration Committee
Date of first appointment as a Director : 1 May 2015
Date of last re-election as a Director : 26 April 2016

He has more than 30 years of experience in equities research and analysis, corporate advisory and related matters, having worked for more than 12 years in various positions in the Schroder Securities Group in Asia such as the head of research and managing director of Schroder Securities Singapore and a director of Schroder Asia Securities (Hong Kong) Limited. In 1999, he founded and is currently the executive chairman of the Net-research group of companies in Singapore and Malaysia. Mr Scully is currently also an independent director of PNE Micron Holdings Ltd, NTUC Income Insurance Co-operative in Singapore and Electro Optic Systems Ltd of Australia. He is currently a member of the Investment Committee of the SIM Group and an Adjunct Professor of SIM University School of Human Development & Social Services since March 2014.

Mr Scully was an advisor to two regulatory authorities of the Singapore Government for 16 years. Mr Scully holds a Bachelor of Social Science (Hons) in Economics & Statistics from the National University of Singapore.

Mr Scully Kevin Norbert was appointed as an Independent Director of the Company on 1 May 2015. He also holds directorship in Netresearch-asia Holdings Pte Ltd, Singapore, NRA Capital Pte Ltd, Singapore, Independent Investment Research Singapore Pte Ltd (formerly known as Hazelite Holdings Pte Ltd Singapore), Sen Yue Holdings Limited (Formerly known as PNE Micron Holdings Limited, Singapore), NTUC Income Insurance Cooperative Limited, Singapore and Electro Optic Systems Ltd, Australia.

Mr. Chan Wai Leong
Non-Executive Director &
Non-Independent Director

Member of Audit Committee
Member of Remuneration Committee
Date of first appointment as a Director : 4 June 2010
Date of last re-election as a Director : 22 April 2015

Mr Chan is the Chief Executive Officer of Ellipsiz Ltd, a company listed on the mainboard of the SGX-ST. Prior to his appointment as CEO of Ellipsiz Ltd, Mr Chan was the President of iNETest Resources, a wholly owned subsidiary of Ellipsiz. He has more than two decades of operational and business experience.

in the semiconductor and electronics manufacturing industries as well as working experience in the Asia Pacific region, Australia, New Zealand, China and India. He started his career as an engineer at Hewlett Packard and moved on to hold senior management positions at Electronic Resources Limited, Ingram Micro and iNETest resources.

Mr Chan holds a Bachelor's degree in Electrical Engineering and a Master of Business Administration degree from the National University of Singapore.

Mr Chan Wai Leong was appointed as Non- Executive Director on 4 June 2010. He also holds directorship in Ellipsiz Ltd Group of Companies, Singapore.

Key **Executives**

Zee Yu Liang Darren

Deputy Managing Director, *Dolphin Engineering Pte Ltd (appointed on 1 March 2017)*

Mr Zee joined JEP Industrades Pte Ltd, subsidiary of the Group in June 2011 as a Sales Engineer.

Mr Zee background is in the cutting tools industry selling tools to the manufacturing industry with 6 years' experience. His operational experience includes holding key roles in the sales and operational department in the company. He has worked in Japan with Mitsubishi Materials and visited various Japanese manufacturing companies and understands how manufacturing is done in Japan.

He holds a Bachelor of Business Studies (Hons) in Business from University College Dublin and a Diploma in Mechatronics.

Alan Tan Shee Tong

General Manager, *Production JEP Precision Engineering Pte Ltd*

Mr Alan Tan joined JEP Precision Engineering Pte Ltd, subsidiary of the Group in October 1987 as an engineering apprentice and currently holds the position of General Manager, Production.

Over the past 26 years of service, Mr Alan Tan has grown with the Company and has moved from engineering to a senior managerial position. He was seconded to Dolphin Engineering Pte Ltd in July 2013 for two years and has made much improvement in the area of 5S and implemented key performance indicators after the Group acquired Dolphin Engineering Pte Ltd. With his wealth of experience, he has contributed significantly to the company. He is also the certified Internal Auditor for AS9100:2009.

Adelene Lau

Deputy CEO, *JEP Precision Engineering Pte Ltd (appointed on 1 March 2017)*

Ms Adelene started in the marketing and advertising industry in Sydney, Australia managing accounts for established international brands. After two years, she joined JEP Precision Engineering Pte Ltd, subsidiary of the Group, in July 2012 as a Management Trainee. As part of her progression training, she was on rotation basis with the Production, Engineering and QA department for the first 8 months, after which, she was part of the Business Development team working with international aerospace and oil and gas customers for 2 years.

Ms Adelene moved on to the Finance department in March 2016 and is now the Deputy CEO of JEP Precision Engineering Pte Ltd, she will be assisting Mr Soh Chee Siong in overseeing operations and developing new businesses.

She holds a Masters in Communication from Royal Melbourne Institute of Technology (RMIT).

Christine Zhang

Group Financial Controller *(appointed on 1 March 2017)*

Ms Zhang joining JEP Holdings Ltd in September 2016. She is the Company's Group Financial Controller overseeing Finance and Corporate affairs of the Group.

Her previous experience in Philips Semiconductors China, KPMG Singapore and Mapletree Investments Pte Ltd involved in treasury, audits, managing accounts and finances.

She holds a Masters in Banking & Finance and a Masters in Professional Accounting. She is a member of Institute of Singapore Chartered Accountants (CA Singapore) and a fellow of the Association of Chartered Certified Accountants (ACCA).

Eddie Goh Kuan Teck

General Manager, *Manufacturing and Quality Engineering JEP Precision Engineering Pte Ltd*

Mr Eddie Goh joined JEP Precision Engineering Pte Ltd, subsidiary of the Group in May 2013 as General Manager.

Mr Eddie Goh's background is in precision machining, where he has more than 20 years' extensive experience, progressing from a craftsman to various managerial positions during his service in Singapore Aerospace Manufacturing Pte Ltd, a fully-owned subsidiary of Singapore Technology. His operational experience includes holding key roles in the shipping and logistics, supply chain management, production and engineering department within the organization. He led a project to redefine and implement the manufacturing processes of the aero-engine compressor vane and transferring the manufacturing technology to Suzhou in the late nineties as part of the group's expansion plan.

He holds a Bachelor of Science (Hons) in Business from University of London and a Diploma in Mechanical Engineering.

Edmund Low Koon Poo

Acting General Manager, *Dolphin Engineering Pte Ltd*

Mr Edmund Low joined JEP Precision Engineering Pte Ltd in May 2015 as Project Manager, and was seconded to Dolphin Engineering Pte Ltd, subsidiary of the Group as Acting General Manager.

Mr Edmund Low's background is in supply chain management, with more than 30 years' experience in logistics operations and management, order fulfilling, freight management, import and export control and trade compliance. Prior to joining the company, he was with Motorola Mobility Singapore Pte Ltd in a senior managerial position handling logistics operations and original design manufacturer operations. He is the Motorola Singapore representative in import and export control and trade compliance, and responsible for international shipping and freight management. He managed all the outsource vendor order processing and shipping operations.

He holds a Master in Business Administration from University of South Australia and a Bachelor of Business in Transport and Logistics Management from Royal Melbourne Institute of Technology, Australia.

Corporate **Information**

Company Registration No. 199401749E

Board of Directors

Executive:

Joe Lau
(Executive Chairman and Chief Executive Officer)

Zee Hoong Huay
(Executive Director)

Soh Chee Siong
(Executive Director)

Non-Executive:

Wong Gang
(Lead Independent Director)

Raymond Quek Hiong How
(Independent Director)

Scully Kevin Norbert
(Independent Director)

Chan Wai Leong
(Non-Executive and Non-Independent Director)

Audit Committee

Raymond Quek Hiong How (Chairman)
Wong Gang
Chan Wai Leong
Scully Kevin Norbert

Nominating Committee

Wong Gang (Chairman)
Raymond Quek Hiong How
Joe Lau
Scully Kevin Norbert

Remuneration Committee

Wong Gang (Chairman)
Raymond Quek Hiong How
Chan Wai Leong
Scully Kevin Norbert

Company Secretary

Cho Form Po

Registered Office

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Singapore 486762
Tel : +65 6545 4222
Fax : +65 6545 2823
Website: www.jep-holdings.com

Bankers

United Overseas Bank
Maybank
DBS Bank

Share Registrar

Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditor

Foo Kon Tan LLP
Chartered Accountants
24 Raffles Place
#07-03 Clifford Centre
Singapore 048621

Partner-in-charge
Ng Meow Ling
(since financial year ended 31 December 2015)

Sponsor

Stamford Corporate Service Pte Ltd
10, Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

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Financial **Contents**

JEP Holdings Ltd

Corporate **Governance**

Corporate Governance Statement

The Board of Directors of JEP Holdings Ltd (the "**Board**") is committed to upholding high standards of corporate governance and practises throughout JEP Holdings Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), as a fundamental part of its responsibilities to protect shareholders' interests, enhance shareholders' value and the financial performance of the Group.

This report describes the Group's corporate governance practices and structures with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**").

The Board confirms the Company has adhered to all principles and guidelines set out in the Code as set out in this report. Where there are deviations from the Code, appropriate explanations will be provided.

(A) BOARD MATTERS

The Board as at the date of this annual report comprises:

Joe Lau	(Executive Chairman and Chief Executive Officer)
Zee Hoong Huay	(Executive Director)
Soh Chee Siong	(Executive Director)
Wong Gang	(Lead Independent Non-Executive Director)
Raymond Quek Hiong How	(Independent Non-Executive Director)
Scully Kevin Norbert	(Independent Non-Executive Director)
Chan Wai Leong	(Non-Independent and Non-Executive Director)

The profiles of Directors, including the date of last re-election of each Director are set out under the "Board of Directors" section of this annual report.

Principle 1 – The Board's Conduct of its Affairs

The Board oversees the Company's business and its performance and is collectively responsible for the long-term success of the Company.

The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management system and internal control to safeguard shareholders' interests and the Group's assets. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct and ethics. The Board regularly reviews the Group's strategic business plans, the assessment of key risks by Management and the operational and financial performance of the Group to enable the Group to meet its objectives.

The Board objectively discharge its duties and responsibilities at all times and makes decision in the interests of the Group. The Board has delegated specific responsibilities to three sub-committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively known as the "**Board Committees**") and the Board Committees will in turn be monitored by the Board. Specific written terms of reference for the Board Committees set out the authority and duties of the Board Committees, which are reviewed on a regular basis.

The Company has internal guidelines on matters which require Board's approval, including but not limited to, the appointment of directors, the Company Secretary and the Sponsor, as well as major transactions such as, inter alia, capital funding, acquisitions and disposals of assets and the release of the Group's financial results announcements.

A formal letter is provided to each Director upon their appointment, setting out their relevant duties and obligations, to acquaint them with their responsibilities as directors of the Company.

The Company conducts orientation programme for new directors, and are briefed by Management to familiarise themselves with the Group's business and governance policies and practices. The orientation programme aims to provide the new directors with an understanding of the Group's businesses to enable them to assimilate into their new roles and to get acquainted with Management, thereby facilitating Board interaction and independent access to Management. The Company also provides training to first-time directors in areas such as accounting, legal and industry-specific knowledge as appropriate.

The Company's Constitution (the "**Constitution**") allows Directors to participate in Board meetings by way of teleconference.

Corporate **Governance**

Principle 1 – The Board's Conduct of its Affairs (cont'd)

The number of Board and Board Committees meetings held in the financial year ended 31 December 2016 ("**FY2016**") and the attendance of Directors during these meetings are as follows:

	Board Meeting		Audit Committee Meeting		Nominating Committee Meeting		Remuneration Committee Meeting	
Name of Director	Number Held	Attendance	Number Held	Attendance	Number Held	Attendance	Number Held	Attendance
Joe Lau	2	2	–	–	1	1	–	–
Zee Hoong Huay	2	1	–	–	–	–	–	–
Soh Chee Siong	2	2	–	–	–	–	–	–
Wong Gang	2	2	2	2	1	1	1	1
Raymond Quek Hiong How	2	2	2	2	1	1	1	1
Scully Kevin Norbert	2	2	2	2	1	1	1	1
Chan Wai Leong	2	2	2	2	–	–	1	1

To keep abreast with developments in the financial, legal and accounting sectors and to ensure that the Directors are kept informed of relevant new laws, regulations and changing commercial risks, the Company encourage its Directors to attend relevant instructional or training courses at the Company's expense. In particular, the Board is regularly kept informed and updated on courses and seminars offered by the Singapore Institute of Directors which are relevant to the training and professional development of the Directors. The Company Secretary or his representative attends Board meetings and ensures that Board procedures are followed and that the applicable rules and regulations are complied with.

Principle 2 – Board Composition and Guidance

Board Independence

The Board comprises seven members, of which, three are independent non-executive directors ("**INED**") i.e., they have no relationship with the Company, its related companies, its 10% shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group. No individual or small group of individuals dominates the Board's decision making.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board as and when it arises. Based on the evaluations conducted by the NC, the Board views that the INEDs of the Company are independent in character and judgement and that there are no relationships which are likely to affect or could appear to affect the Director's judgement in the course of discharging his fiduciary duties.

As and when directors serve beyond nine years, the NC performs a particularly rigorous review to assess the independence of the relevant directors. None of the independent Directors have served the Company for a period exceeding nine years, except Mr. Wong Gang. The Board is of the view that Mr. Wong Gang is considered independent, notwithstanding that he has been on the Board for more than nine years, because he has continued to demonstrate strong independence in character and judgement and has contributed effectively as Lead Independent Director by providing impartial and autonomous views. He is also subject to the same rigorous review and assessment as the other INEDs.

Board Composition and Size

The NC reviews the size and composition of the Board and Board Committees on an annual basis. The Board comprises business leaders and professionals with financial, legal and business management background. The Board, as a whole, possesses the necessary core competencies such as accounting or finance, business or management experience and industry knowledge, strategic planning experience and customer-based experience or knowledge.

In consideration of the current scope and nature of the operations of the Group's operations, the Board is satisfied that the current composition mix and size of the Board is appropriate and allows for effective decision making at the Board and the Board Committees meetings.

Role of non-executive Directors

Although all the Directors have an equal responsibility for the Group's operations, the role of non-executive directors ("**NED**") is particularly important in ensuring that the strategies proposed by Management are constructively challenged from an objective perspective, and at the same time take into account of the constructive suggestions that will shape the Company's policies. NEDs also aid in the review of Management's performance and monitor Management's reporting framework.

The NEDs meet regularly without presence of Management.

Corporate **Governance**

Principle 3 – Chairman and Chief Executive Officer

Role of Chairman and Chief Executive Officer

The Executive Chairman of the Group, Mr. Joe Lau, is also the Chief Executive Officer ("**CEO**"). Mr. Lau plays an instrumental role in the Company with strong leadership, assisting the board to develop corporate policies and strategies. The Board is of the view that based on the Company's current size and operations, it is in the best interests of the Group to adopt a single leadership structure, whereby the Executive Chairman and the CEO are the same person, so as to ensure that the decision-making process of the Group and the implementation of Boards corporate plans and policies would not be unnecessarily hindered.

All major Board decisions and/or Board decisions on matters in which Mr. Lau has an interest in are reviewed by the AC. Mr Lau's performance and appointment to the Board are reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

As the Executive Chairman and CEO, Mr. Lau encourages constructive relations within the Board and between the Board and Management, and takes a lead role in promoting high standards of corporate governance. He leads the Board to ensure its effectiveness on all aspects of its role including setting the agenda for Board meetings, ensuring that adequate time is available for the discussion of all agenda items at Board meetings, promoting a culture of openness and debate at the Board and effective communication with shareholders, encouraging the NEDs to contribute effectively, and exercising control over the complete, adequate and timely information flow between the Board and Management.

Lead Independent Director

Mr. Wong Gang was appointed to act as the Lead Independent Director ("**LID**") and is available to shareholders, where they have concerns and for which contact through the normal channels of the Executive Chairman and CEO or the Group Financial Controller (or equivalent) or the relevant Director has failed to resolve or for which such contact is inappropriate.

All NEDs, meet at least annually without the presence of the other Executive Directors to discuss matters of significance which are thereon reported to the Chairman accordingly.

Principle 4 – Board Membership

NC composition and Role

The NC comprises four members, of which three are INEDs and one an Executive Director.

Wong Gang (Chairman)
Raymond Quek Hiong How
Scully Kevin Norbert
Joe Lau

The principal role of the NC is to establish a formal and transparent process for appointments and reappointments to the Board and to review Board effectiveness, structure, size and composition. Other roles include reviewing the Board's succession plans, training needs and professional development programmes.

The NC is responsible for identifying and nominating candidates for the Board, determining annually, whether a Director is independent in accordance with the guidelines set out in the Code, filling board vacancies as well as to put in place plans for succession, in particular, for the positions of the Executive Chairman and CEO.

Directors' Time Commitments

The NC monitors and determines annually whether Directors who have multiple board representations and principal commitments, give sufficient time and attention to the affairs of the Company and adequately carry out his duties as a Director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual Director and his actual conduct on the Board, in making this determination.

The NC has ascertained that for the period under review, where a Director had other listed company board representations and/or other principal commitments, the Director was able to carry out and had been adequately carrying out, his duties as a Director of the Company. The Directors have expressed that they are committed to carrying out their roles and responsibilities to their best of efforts. The NC concluded that there is no need to impose a limit on the number of board representations at this stage.

The Company does not have any alternate directors.

Principle 4 – Board Membership (cont'd)

Re-nomination of Directors

The Constitution provides that at least a third of the Board retires by rotation at every Annual General Meeting ("**AGM**"), and all Directors will be required to submit themselves for re-nomination and re-election on a rotational basis and at least once every 3 years. All new Directors appointed by the Board shall hold office until the next AGM, and are eligible for re-election at the said AGM.

The Board has accepted NC's nomination of the retiring Directors, Mr. Soh Chee Siong and Mr. Chan Wai Leong for re-election as directors at the forthcoming AGM ("**2017 AGM**") and are to retire and will be subject to re-election at the 2017 AGM.

Process for Nomination and Selection of New Directors

The process for selection and appointment of new directors will be led by the NC in the following order: (i) determining the desirable competencies for the appointment, and after consultation with the Management, (ii) assessing the suitability of the candidates and conducting an open dialogue to ensure that each candidate is aware of his role and obligations and (iii) submitting a final shortlist for recommendation to the Board.

The search and nomination process for new directors, led by the NC, is as follows:

- the NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and key attributes that an incoming director should have.

- after endorsement by the Board of the key attributes required, the NC taps on the networking resources of the existing Directors and seeks recommendations from them in relation to the potential candidates, and goes through a short listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to aid in the search process.

- the NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.

- the NC recommends the most suitable candidate to the Board for appointment as Director.

A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

Principle 5 - Board Performance

Board Evaluation Process

Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Executive Chairman and individual Directors to the effectiveness of the Board.

Board Evaluation Criteria

Part of the evaluation process is through the review of the appraisal and evaluation forms, which considered an assessment of the following key performance criteria:

- Board size and composition of the Board
- Board independence
- Board processes
- Board information and accountability
- Board performance in discharging principal functions
- Board Committee performance
- Board time commitment
- Overall contribution

Principle 6 - Access to Information

Board Access to Information

The Company makes available to all Directors its half-year and full-year accounts and where required, other financial statements, budgets and forecasts, and other relevant information as necessary. Detailed reports and board papers are sent out to the Directors prior to Board meetings to enable the Directors to obtain a proper understanding of the issues. With regard to budgets whereby material variances exist between the actual and forecasted numbers, they are reviewed by the Board as well as disclosed and explained by the Management, where required by the Board.

The Directors are updated regularly on corporate governance requirements, changes in listing rules and regulations, and the performance of the Group. The Directors have separate and independent access to Management, including the CEO, the Group Financial Controller ("**GFC**") and other key Management, as well as the Group's internal and external auditors, at all times.

Principle 6 – Access to Information (cont'd)

Role of the Company Secretary

The Company Secretary or his representative attends all Board meetings and ensures the Board procedures and the performance of the Group's compliance obligations pursuant to the relevant statutes and regulations are followed. Under the direction of the Executive Chairman, the Company Secretary ensures good information flow within the Board and Board Committees and between senior management and NEDs, as well as facilitates orientation and assists with professional development as required. The appointment and removal of the Company Secretary can only be taken by the Board as a whole.

Professional Advice taken by the Board

The Directors, either individually or as a group, in the furtherance of their duties, may take independent professional advice, if necessary, at the Company's expense.

(B) REMUNERATION MATTERS

Principle 7– Procedures for Developing Remuneration Policies

RC Composition and Role

The RC comprises four members, of which three are INEDs and one is a NED.

Wong Gang	(Chairman)
Raymond Quek Hiong How	
Scully Kevin Norbert	
Chan Wai Leong	

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for determining the remuneration packages of individual Directors and senior Management.

The RC's principal responsibilities are:

- Reviewing and recommending to the Board for the endorsement, a general framework for computation of directors' fees of the Board and senior Management. For Executive Directors and other senior Management, the framework covers all aspects of executive remuneration. Such remuneration packages include but are not limited to director's fees, salaries, allowances, bonuses and benefits in kind; and

- Reviewing and recommending the specific remuneration packages for each Director and the Company's key management personnel.

The RC reviews the reasonableness of the contracts of service of Executive Directors and key management personnel to ensure that their compensation is commensurate with the responsibilities and risks involved in being a Director and that their remuneration packages are comparable within the industry and include a performance-related element with appropriate and meaningful measures of assessing performance.

Principle 8 – Level and Mix of Remuneration

Remuneration of Directors and key management personnel

The NEDs do not have any service agreements with the Company. Save for directors' fees, which have to be approved by the shareholders at every AGM, the NEDs do not receive any other remuneration from the Company. The RC also reviews the adequacy and form of remuneration for Directors to ensure that their compensation is commensurate with the responsibilities and risks involved in being a Director. No Director or member of the RC is involved in deciding his own remuneration.

The service contract for Executive Directors and KMPs comprise of a fixed component (in the form of basic salary, fixed allowance and other benefit-in-kind) and variable components (in the form of annual bonus) which is based on the Group's and individual performance. The service contracts of Executive Directors provide for a fixed appointment period, after which they are subject to re-election.

Currently, the Company does not have any long-term incentive scheme for its Directors but has been looking into this issue with its NEDs. The Company has decided not to proceed further at this stage. Where appropriate, the Board will adopt recommendations and modifications on adopting incentive schemes, if feasible and applicable. The RC may seek expert advice outside the Company on remuneration for the Directors and key members of the Management. It will ensure that in the event such advice is being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

Principle 9 – Disclosure on Remuneration

The remuneration of Directors and the top four key executives of the Company for FY2016 are set out below:

Name	Fees(1)	Salary(2)	Bonus(2)	Others(3)	Total
Directors					
S$250,000 – S$499,999					
Joe Lau	–	69%	18%	13%	100%
Zee Hoong Huay	–	87%	–	13%	100%
Soh Chee Siong	–	76%	13%	11%	100%
Below S$250,000					
Wong Gang	100%	–	–	–	100%
Raymond Quek Hiong How	100%	–	–	–	100%
Scully Kevin Norbert	100%	–	–	–	100%
Chan Wai Leong	100%	–	–	–	100%
Key Executives					
Below S$250,000					
Christine Zhang	–	74%	21%	5%	100%
Eddie Goh Kuan Teck	–	83%	7%	10%	100%
Alan Tan Shee Tong	–	91%	8%	1%	100%
Edmund Low Koon Poo	–	82%	6%	12%	100%

(1) These fees were approved by shareholders at the last AGM held on 26 April 2016.

(2) Salaries and bonuses include employer contributions to the Central Provident Fund.
Bonuses also include performance-related incentives.

(3) Benefits in kind such as use of company vehicles are included.

The Board is of the view that it is not in the interests of the Company to disclose the remuneration of each individual Director and the CEO on a named basis and the aggregate remuneration paid to the top four key management personnel (who are not Directors or the CEO) in this report as having considered the sensitive and confidential nature of such information and the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure may give rise to talent retention issues.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO and the top four key management personnel.

The table below shows annual remuneration (in incremental bands of S$50,000) of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2016:

Remuneration Band & name of executives
S$50,000 – S$99,999
Patrick Lau Fook Kong
Lau Adelene
Lee Pui Rong
Darren Zee Yu Liang

Mr. Patrick Lau Fook Kong and Ms. Lau Adelene are the younger brother and the eldest daughter of Mr. Joe Lau, the Executive Chairman and CEO, and a substantial shareholder of the Company respectively.

Ms. Lee Pui Rong and Mr. Darren Zee Yu Liang, are the spouse and eldest son of Mr. Zee Hoong Huay, the Executive Director and a substantial shareholder of the Company respectively.

(C) ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

Accountability of the Board and Management

The Board is collectively responsible for the success of the Company and works with the Management to achieve this. The Company reports its financial results half yearly.

Through these reports, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's financial performance, position and prospects.

The Management provides all members of the Board with sufficient and timely information on its financial performance and potential issues before all Board meetings.

In line with the continuous disclosure obligations of the Company and in accordance with the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Catalist Rules**") and the Companies Act, the Board adopts a policy whereby shareholders will be informed of all major developments of the Company.

Financial information and other price sensitive information are circulated in a timely manner to the shareholders through announcements via SGXNET, press releases, the Company's website, media and analysts' briefings. The Company's corporate information as well as annual reports are also available on the Company's website.

The Management makes available to all Directors its half-year and full-year management accounts and where required, such other necessary financial information for other periods, if applicable.

Principle 11 – Risk Management and Internal Controls

The Company does not have a risk management committee. The Board is overall responsible for the management of risk within the Group. It ensures that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic business objectives.

The Management had engaged JF Virtus Pte Ltd ("**JF**"), an internal auditor, to conduct a major review of the Group's operations and business to identify and assess risks relevant to the Group with the objective of mitigating the risks, and allocating the Group's resources to create and preserve value aligned to the Group's strategy. JF performed a facilitative role in the risk assessment process and conducted an enterprise risk assessment with the Management and relevant employees to identify key risks that would impact the achievement of the Group's business objectives. The risk assessment exercise highlighted pertinent risks in strategic, operational, financial, regulatory compliance and information technology areas. Identified risks formed a basis of the Group's risk management framework and the Enterprise Risk Management ("**ERM**") manual.

The risk management framework and ERM manual were developed to provide the architecture for managing risks across the Group. Identification, evaluation and reporting of risks are conducted by an in-house risk management team on a continuing basis.

The Management is responsible for ensuring that the risk identified is relevant to the business environment and that controls or mitigating factors are in place. The Board reviews and approves policies and procedures for managing identified risks. The AC provides independent oversight of the effectiveness of the risk management process.

Both the external auditors and the internal auditors conducted an annual review of the adequacy and effectiveness of the Group's key internal controls, including financial, operational, compliance and informational technology controls and risk management. Any material non-compliances or lapses in internal controls and recommendation for improvement are reported to the AC. All required corrective and preventive measures, and steps for improvement are closely monitored.

The effectiveness of the Group's system of internal controls are in place to address the key financial, operational, compliance and information technology risks affecting the operations are reviewed by the AC, together with the Board.

In compliance with Rule 1204 (10) of the Catalist Rules, the Board, with the concurrence of the AC, is of the opinion that the Company has a robust and effective internal control system. The system of internal controls is sufficiently adequate and effective to address the information technology controls and risk management systems, as well as the financial, operational, compliance and information technology risks based on the internal controls established and maintained by the Group and reports from the internal auditors and external auditors.

The Board notes that the system of internal controls provides reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

The Board had received assurance from the Executive Chairman and CEO, the Executive Director, the Group Financial Controller (who performs the role of a chief financial officer) and the internal auditors that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control systems are effective.

Principle 12 – Audit Committee

Composition of the AC

The AC comprises four members who all have accounting or related financial expertise or experience to discharge their responsibilities. It comprises three INEDs and one NED.

Raymond Quek Hiong How (Chairman)
Wong Gang
Scully Kevin Norbert
Chan Wai Leong

The Board is of the view that all the members of the AC are appropriately qualified to discharge their responsibilities.

Roles and Responsibilities of the AC

The principal responsibilities of the AC are:

a) to review with the external auditors their audit plan, audit report, management letter and the Management's response;
b) to review the half-year and full-year financial statements on significant financial reporting issues and judgments before submission to the Board for approval;
c) to review any formal announcements relating to the Company's financial performance;
d) to discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors;
e) to meet with the internal and external auditors without the presence of the Management, at least annually, to discuss any problems and concerns they may have;
f) to review the assistance given by the Management to external auditors;
g) to review and evaluate the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
h) to review the effectiveness of the Company's internal audit function;
i) to review annually the scope and results of the external audit and its cost-effectiveness as well as the independence and objectivity of the external auditors;
j) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters within its terms of reference;
k) to report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
l) to review interested person transactions ("**IPT**") falling within the scope of the Catalist Rules;
m) to undertake such other reviews and projects as may be requested by the Board; and
n) to consider the appointment/re-appointment of external auditors, the audit fee and matters relating to the resignation or dismissal of auditors.

The Company has put in place a whistle blowing policy, reviewed and endorsed by the AC, whereby the employees can, in confidence, raise concerns about improper conduct for investigation. The LID will lead in all queries as may be raised by the staff of the Company.

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment. The AC provides a channel of communication between the Board, the Management, and the internal and external auditors on audit matters.

The AC also has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any Director to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC meets with the internal and external auditors, without the presence of the Management, at least once a year.

Changes to accounting standards and issues which have a direct impact on financial statements will be highlighted to the AC from time to time by the external auditors. The external auditors will work with the Management to ensure that the Group complies with the new accounting standards, if applicable. The external auditors provide regular updates and briefings to the AC on changes or amendments to accounting standards and issues which have a direct impact on financial statements.

Financial Matters

In the review of the financial statements, the AC has discussed with management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditor and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decision were made
Impairment assessment for Goodwill; Property, plant and equipment	The AC considered the approach and methodology applied to the valuation model in goodwill impairment assessment as well as the assessment for indicators of impairment of Property, plant and equipment. It reviewed the reasonableness of cash flow forecasts, the long-term growth rate, gross margins and discount rate. The impairment review was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Refer to page 29 of this Annual Report.

The AC has considered the appropriateness of the external auditor's work and findings and concurs with the external auditor.

Corporate **Governance**

Interested Person Transactions ("IPT")

The AC reviewed the Group's IPT to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders.

In line with the rules set out in Chapter 9 of theCatalist Rules, a transaction which value is less than S$100,000 is not considered material and is not taken into account for the purpose of aggregation. The AC is satisfied that there were no material contracts of the Company and its subsidiaries involving the interest of the CEO or any Director or controlling shareholder subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

External Auditor

In assessing independence of external auditor, the AC reviewed the fees and expenses paid to external auditor, Foo Kon Tan LLP, including fees paid for non-audit services during the year. The AC has reviewed the non-audit services rendered by the external auditor for FY2016 as well as the fees paid, and is of the opinion that the external auditor's independence has not been impaired.

	S$'000
Audit Fees	176
Non-Audit Fees	30
Total Fees	206

During the year, the AC reviewed proposals from several reputable audit firms and made a recommendation to the Board for its proposal to shareholders. The AC nominated Deloitte & Touche LLP as auditor for the financial year ending 31 December 2017, and Deloitte & Touche LLP had expressed their willingness to accept the appointment.

The Group has also complied with Rules 712 and 715 of the Catalist Rules in relation to the engagement of its external auditors.

Principle 13 - Internal Audit

During the financial year, the Company appointed JF to conduct an internal audit of the Company. JF reports directly to the AC Chairman and administratively to the CEO. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls, and to highlight the areas where control weaknesses exist, if any. The Company continues to work with the internal auditor to identify other scope of work which will help to further enhance the robustness of the Company.

The internal auditor carried out its function according to the standards set by locally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC has reviewed the adequacy and effectiveness of the internal audit function at least annually and ensured that it is adequately resourced and has appropriate standing within the Company.

The AC approves the hiring, removal, evaluation and compensation of the internal auditor, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principles 14, 15 & 16 — Shareholder Rights and Responsibilities

Shareholder Rights

The Board is committed to being open and transparent in the conduct of the Company's affairs, while preserving the commercial interests of the Company. The Board is mindful of its obligations to provide timely and fair disclosure of material information in accordance with the Corporate Disclosure Policy of the SGX-ST Financial Results, annual reports and other material information are released via SGXNET. Announcements released via SGXNET are also uploaded promptly on the Company's corporate website. The Company's website: www.jep-holdings.com, contains regular up to date information and corporate profile of the Group. All shareholders and the public can access for more information of the Company through this website.

The Company is in full support of shareholder participation at AGMs. For those who hold their shares through nominee or custodial services, they are allowed, upon prior request through their nominee, to attend the AGM as observers without being constrained by the two-proxy rule.

The Company allows corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

All resolutions at AGM and Extraordinary General Meeting, if applicable, are voted on by electronic poll so as to better reflect shareholders' shareholding interests and ensure greater transparency. The poll voting results, in addition to the proxy voting results, are presented to the audience and subsequently released via SGXnet.

Principles 14, 15 & 16 – Shareholder Rights and Responsibilities (Cont'd)

Communication with Shareholders & Conduct of shareholder meetings

Shareholders are informed of shareholders' meeting through notices published in the newspapers and reports, or circulars sent to all shareholders.

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. The Constitution allows a shareholder to appoint one or two proxies to attend and vote in place of the shareholder. The Constitution contains provision for any shareholder to vote in absentia.

Each item of special business in the notices of the shareholders' general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for each distinct issue. All minutes of general meetings are available to shareholders upon request.

All Directors, including the Chairman of the AC, NC and RC are in attendance at the general meeting to allow shareholders the opportunity to air their views and ask Directors questions regarding the Company. In addition, external auditors are also invited to attend AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report.

All resolutions proposed at the AGM and at any adjournment thereof shall be put to the vote by way of poll.

The Company has also engaged an external investor relations firm to enhance its communication with shareholders and the investment community at large.

Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, operational and capital requirements, cash flow and financial conditions, as well as general business conditions and other factors which the Board may deem appropriate. The Board endeavours to maintain a balance between meeting shareholder's expectations and prudent capital management. The Board will review the dividend payment from time to time.

Additional Information Required by the Singapore Exchange Securities Trading Limited

1. Securities transactions

In compliance with Rule 1204 (19) of the Catalist Rules, the Company imposes a trading embargo on its Directors and employees from trading in its securities for the period of one month prior to the announcement of the half-year and full-year financial results, or when they are in possession of unpublished material price-sensitive information.

An internal memorandum was circulated informing all persons covered by the policy that they are prohibited from dealing in the securities of the Company during the 'closed window' period until after the release of the results. The Company's internal memorandum includes the clause whereby an officer of the Company is prohibited from dealing in the Company's securities on short-term considerations.

In view of the policy in place, the Board is of the opinion that the Company has complied with the recommended best practices on dealings in securities under Rule 1204 (19) of the Catalist Rules.

2. Sponsor

During the financial year, there were no non-sponsor fees paid to the Sponsor during the financial year.

3. Use of proceeds from Rights cum Warrants issue

With reference to the Company's announcement dated 27 March 2017, as at 4 April 2017, the update on the utilisation of the Net Proceeds raised from the Rights cum Warrants Issue as set out below:

S/N	Intended Use of the Net Proceeds	Percentage Allocation (%)	Approximate Amount Allocated (S$'000)	Approximate amount utilised as at 4 April 2017	Approximate amount remaining as at 4 April 2017
1.	Seletar Project Financing	62.5	5,000	4,820	180
2.	General Working capital purposes	37.5	3,000	–	3,000
Total		100%	8,000	4,820	3,180

The utilisation of the Net Proceeds is in accordance with the stated uses and the percentages allocated in the Offer Information Statement dated 29 November 2016.

Directors' **Statement**

for the financial year ended 31 December 2016

The directors submit this statement to the members together with accompanying financial statements of JEP Holdings Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the audited consolidated financial statements of the Group for the financial year 31 December 2016 and statement of financial position of the Company as at financial year ended 31 December 2016 and a summary of significant accounting policies and other explanatory information.

In our opinion:

(a) the accompanying financial statements of the Group and the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this report are:

Joe Lau	–	Executive Chairman and Chief Executive Officer
Zee Hoong Huay	–	Executive Director
Soh Chee Siong	–	Executive Director
Wong Gang	–	Lead Independent Director
Raymond Quek Hiong How	–	Independent Director
Scully Kevin Norbert	–	Independent Director
Chan Wai Leong	–	Non-Executive and Non-Independent Director

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
Company JEP Holdings Ltd.	As at 1.1.2016	**As at 31.12.2016**	As at 1.1.2016	**As at 31.12.2016**
Joe Lau				
– Ordinary shares	105,240,950	**157,861,425**	30,000,000	**45,000,000**
– Warrants	–	**26,310,237**	–	**7,500,000**
Zee Hoong Huay				
– Ordinary shares	116,755,100	**213,384,650**	44,736,000	**78,604,000**
– Warrants	–	**46,730,775**	–	**16,934,000**
Soh Chee Siong				
– Ordinary shares	3,394,000	**7,000,000**	980,000	**1,600,000**
– Warrants	–	**1,803,000**	–	**310,000**
Scully Kevin Norbert				
– Ordinary shares	–	**–**	200,000	**300,000**
– Warrants	–	**–**	–	**50,000**

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and as at 21 January 2017.

Share options

During the financial year, there were:

(a) no options granted by the Company to any person to take up unissued shares of the Company or its subsidiaries; and

(b) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries.

Audit committee

The Audit Committee at the end of the financial year comprises the following members:

Raymond Quek Hiong How	-	Independent Director and Chairman
Wong Gang	-	Lead Independent Director
Scully Kevin Norbert	-	Independent Director
Chan Wai Leong	-	Non-Executive and Non-Independent Director

The Audit Committee performs the functions set out in Section 201B (5) of the Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange and the Code of Corporate Governance. In performing those functions, the Audit Committee:

(i) reviewed the overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) reviewed the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) reviewed the half yearly financial information and the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2016 as well as the independent auditor's report thereon;

(iv) reviewed the effectiveness of the Company's material internal controls, including financial, operational, compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vi) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xi) reviewed the interested person transactions as defined in Chapter 9 of the Listing Manual of the Singapore Exchange ("SGX-ST").

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee has recommended to the Board of Directors the appointment of Deloitte & Touche LLP as external auditor of the Company in place of the retiring auditor, Foo Kon Tan LLP, at the forthcoming Annual General Meeting.

In appointing our auditors for the Company and subsidiaries, the Group has complied with Rules 712 and 715 of the SGX Listing Manual.

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

Directors' **Statement**

for the financial year ended 31 December 2016

Independent auditor

The retiring auditor, Foo Kon Tan LLP, will not be seeking re-appointment. Deloitte & Touche LLP has expressed its willingness to accept appointment as auditor.

On behalf of the Board of Directors

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JOE LAU
Executive Chairman

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SOH CHEE SIONG
Executive Director

Dated: 4 April 2017

Independent **Auditor's Report**

to the members of JEP Holdings Ltd.

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of JEP Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities* for the *Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audit Matter	Risk	Our responses and work performed
Impairment assessment for Goodwill; Property, plant and equipment	(a) The Group's net carrying value of goodwill as at 31 December 2016 is disclosed in Note 6 Intangible Assets to the financial statement. Goodwill represents 15.5% of the Group's total assets. Under FRSs, the Group is required to test goodwill for impairment at least on an annual basis. The impairment assessment requires the exercise of significant judgement about future market conditions, including revenue growth rates, gross margins and discount rates. The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 6 to the financial statement. (b) In accordance with the requirements of the FRS, given the indication that the property, plant and equipment for a subsidiary may be impaired, the Group has performed an impairment assessment in estimating the recoverable amounts of the relevant property, plant and equipment. The impairment assessment requires the exercise of significant judgement about future market conditions, including revenue growth rates, gross margins and discount rates. The key assumptions to the impairment test are disclosed in Note 2.1 to the financial statement.	We have identified impairment assessment for goodwill and the Group's certain property, plant and equipment as key audit matters. We included in our team an auditor expert in order to assist us in evaluating the appropriateness of the assumptions, methodologies and data used by the Group. Our audit procedures focused on evaluating key assumptions used by management in conducting the impairment review. These procedures include: • Reviewing the appropriateness of the revenue growth rates, long-term growth rates, gross margins and discount rates; • Compare cashflow forecasts used to recent performance and trend analysis; • By reference to prior year's forecast, where relevant, assessing whether the Group has achieved them; • Performing an independent sensitivity analysis over key assumptions to determine the impact of the changes to those assumptions to the value-in-use of each cash generating unit, and hence identify if such changes would trigger a potential impairment; and • Assessing the adequacy and appropriateness of the disclosures made in the financial statements. • We have evaluated the competence, capabilities and objectivity of management expert, obtained an understanding of the work of that expert; and evaluated the appropriateness of that expert; and evaluated the appropriateness of that expert's work as audit evidence for the relevant assertion. • We have evaluated whether the auditor's expert has the necessary competence capabilities and objectivity for our purposes.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Ng Meow Ling.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Ng Meow Ling
Partner in charge of the audit

Singapore, 4 April 2017

Statements of **Financial Position**

As at 31 December 2016

	Note	Group 31 December 2016 $'000	Group 31 December 2015 $'000 (Restated)	Company 31 December 2016 $'000	Company 31 December 2015 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**50,857**	30,548	**–**	5
Investment in subsidiaries	5	**–**	–	**50,637**	50,637
Intangible assets	6	**18,753**	19,726	**–**	–
Amount due from subsidiaries	7	**–**	–	**5,000**	–
Deferred tax assets	18	**357**	306	**357**	306
		69,967	50,580	**55,994**	50,948
Current assets					
Inventories	8	**14,037**	13,459	**–**	–
Trade and other receivables	9	**21,160**	15,172	**12**	8
Amount due from subsidiaries	7	**–**	–	**1,663**	966
Cash and bank balances	10	**7,990**	3,139	**3,001**	287
		43,187	31,770	**4,676**	1,261
Assets of disposal group classified as held for sale	11	**38**	37	**–**	–
		43,225	31,807	**4,676**	1,261
Total assets		**113,192**	82,387	**60,670**	52,209
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	12	**45,186**	37,834	**45,186**	37,834
Warrants reserve	13	**623**	–	**623**	–
Capital reserve	13	**247**	247	**247**	247
Retained profits		**962**	808	**8,575**	7,653
Translation reserve	13	**(194)**	(195)	**–**	–
		46,824	38,694	**54,631**	45,734
Non-controlling interests		**2,242**	2,581	**–**	–
Total equity		**49,066**	41,275	**54,631**	45,734
LIABILITIES					
Non-current liabilities					
Contingent consideration	14	**1,791**	3,849	**1,791**	3,564
Obligations under finance leases	15	**1,148**	899	**–**	–
Borrowings	16	**23,849**	10,709	**–**	–
Amount due to subsidiary	17	**–**	–	**950**	1,851
Deferred tax liabilities	18	**1,112**	2,046	**–**	–
Deferred income	19	**–**	432	**–**	–
		27,900	17,935	**2,741**	5,415
Current liabilities					
Trade and other payables	19	**21,130**	13,900	**392**	204
Amount due to subsidiary	17	**–**	–	**901**	856
Obligations under finance leases	15	**803**	4,719	**–**	–
Borrowings	16	**11,996**	4,558	**–**	–
Contingent consideration and provision	14	**2,297**	–	**2,005**	–
		36,226	23,177	**3,298**	1,060
Total liabilities		**64,126**	41,112	**6,039**	6,475
Total equity and liabilities		**113,192**	82,387	**60,670**	52,209

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of **Profit or Loss and Other Comprehensive Income**

for the financial year ended 31 December 2016

	Note	**31 December 2016 $'000**	31 December 2015 $'000
Continuing operations			
Revenue	20	**71,934**	58,778
Cost of sales		**(64,199)**	(52,022)
Gross profit		**7,735**	6,756
Other operating income	21	**1,771**	1,379
Selling and distribution expenses		**(2,234)**	(1,463)
Administrative expenses		**(7,445)**	(5,910)
Finance costs	22	**(984)**	(532)
(Loss)/profit before tax from continuing operations	23	**(1,157)**	230
Tax credit	24	**972**	265
(Loss)/profit after tax from continuing operations for the year		**(185)**	495
Discontinued operation			
Loss from discontinued operation, net of tax	11	**–**	(2)
(Loss)/profit for the year, net of tax		**(185)**	493
Other comprehensive expense, net of tax			
Item that may be reclassified subsequently to profit or loss			
– Currency translation differences	25	**1**	(1)
Total comprehensive (expense) / income for the year		**(184)**	492
Profit attributable to:			
Equity owners of the Company			
Profit from continuing operations, net of tax		**154**	572
Loss from discontinued operation, net of tax		*****	(2)
Profit attributable to equity owners of the Company		**154**	570
Non-controlling interests			
Loss from continuing operations, net of tax		**(339)**	(77)
Loss from discontinued operation, net of tax		*****	*
Loss attributable to the non-controlling interests		**(339)**	(77)
		(185)	493
Total comprehensive income/(expense) attributable to:			
Equity owners of the Company		**155**	569
Non-controlling interests		**(339)**	(77)
		(184)	492
Earnings/(loss) per share [expressed in cents]	26		
From continuing operations attributable to equity owners of the Company – basic and diluted		**0.0146**	0.0590
From discontinued operation attributable to equity owners of the Company – basic and diluted		**–**	(0.0002)

* Represents amount less than $1,000

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of **Changes In Equity**

for the financial year ended 31 December 2016

		← Attributable to equity holders of the Company →							
	Note	Share capital $'000	Warrants reserve $'000	Capital reserve $'000	Translation reserve $'000	Retained profits $'000	Total attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total $'000
Balance as at 1 January 2015		34,163	–	247	(194)	238	34,454	2,658	37,112
Net profit/(loss) for the year		–	–	–	–	570	570	(77)	493
Currency translation differences		–	–	–	(1)	–	(1)	*	(1)
Total comprehensive income/ (expenses) for the year		–	–	–	(1)	570	569	(77)	492
Issue of new ordinary shares		3,672	–	–	–	–	3,672	–	3,672
Shares issuance expenses		(1)	–	–	–	–	(1)	–	(1)
Balance at 31 December 2015		**37,834**	**–**	**247**	**(195)**	**808**	**38,694**	**2,581**	**41,275**
Net profit/(loss) for the year		**–**	**–**	**–**	**–**	**154**	**154**	**(339)**	**(185)**
Currency translation differences		**–**	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Total comprehensive income/ (expenses) for the year		**–**	**–**	**–**	**1**	**154**	**155**	**(339)**	**(184)**
Issue of new ordinary shares	12	**7,473**	**–**	**–**	**–**	**–**	**7,473**	**–**	**7,473**
Issue of warrants	13	**–**	**623**	**–**	**–**	**–**	**623**	**–**	**623**
Shares issuance expenses		**(121)**	**–**	**–**	**–**	**–**	**(121)**	**–**	**(121)**
Balance at 31 December 2016		**45,186**	**623**	**247**	**(194)**	**962**	**46,824**	**2,242**	**49,066**

* Represents amount less than $1,000

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated Statement of **Cash Flows**

for the financial year ended 31 December 2016

	Note	**Year ended 31 December 2016 $'000**	Year ended 31 December 2015 $'000
Cash Flows from Operating Activities			
(Loss)/profit before tax from continuing operations		**(1,157)**	230
(Loss)/profit before tax from discontinued operation		**–**	(2)
before tax, total		**(1,157)**	228
Adjustments for:			
Allowance for impairment of trade receivables		**21**	–
Depreciation of property, plant and equipment		**3,700**	3,886
Amortisation of intangible assets		**973**	890
Gain on disposal of property, plant and equipment		**(175)**	(81)
Amortisation of gain on sale and leaseback		**(529)**	(529)
Property, plant and equipment written off		**9**	–
Inventories written off		**344**	100
Provision for inventory obsolescence		**450**	–
Interest income		**(1)**	(1)
Interest expense		**984**	532
Goodwill	6	**–**	12
Operating profit before working capital changes		**4,619**	5,037
Change in working capital			
Inventories		**(1,372)**	(124)
Trade and other receivables		**(4,921)**	640
Trade and other payables		**2,605**	(1,511)
Cash generated from operations		**931**	4,042
Interest expense paid		**(753)**	(532)
Interest income received		**1**	1
Income tax paid		**(303)**	(57)
Net cash (used in) / generated from operating activities		**(124)**	3,454
Cash Flows from Investing Activities			
Net cash inflow on acquisition of subsidiary	5	**–**	1,327
Purchase of property, plant and equipment [(1)]		**(5,871)**	(1,082)
Proceeds from disposal of property, plant and equipment		**216**	359
Net cash (used in) / generated from investing activities		**(5,655)**	604
Cash Flows from Financing Activities			
Proceeds from issue of ordinary shares	12	**7,473**	–
Proceeds from issue of warrants	13	**623**	–
Obligations under finance leases		**(1,844)**	(3,035)
Bank borrowings obtained		**9,075**	247
Repayment of bank borrowings		**(4,697)**	(1,082)
Share issuance expenses		**–**	(1)
Net cash generated from / (used in) financing activities		**10,630**	(3,871)
Net increase in cash and cash equivalents		**4,851**	187
Effect of exchange rate changes		**1**	(1)
Cash and cash equivalents at beginning of year		**3,176**	2,990
Cash and cash equivalents at end of year	10	**8,028**	3,176

[(1)] During the financial year, the Group acquired property, plant and equipment with an aggregated cost of $24,509,000 (2015: $6,578,000) of which $963,000 (2015: $2,486,000) are being acquired by means of finance lease, and $18,870,000 (2015: $2,734,000) remains unpaid.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the **Financial Statements**

for the financial year ended 31 December 2016

1 General information

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company is incorporated as a limited liability company and domiciled in Singapore and listed on the SGX-ST.

The registered office and the principal place of business of the Company is located at 44 Changi South Street 1, Singapore 486762.

The principal activities of the Company is that of an investment holding company and the provision of management services to its subsidiaries. The principal activities of its subsidiaries remain the same as disclosed in Note 5 to the financial statements.

2 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are prepared in Singapore dollar (SGD or $) which is the Company's functional currency. All financial information is presented in Singapore dollar.

2.1 Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below.

(a) ***Significant judgements made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amount recognised in the financial statements:

(i) Dismantlement, removal or restoration costs for property, plant and equipment (Note 4)

The agreements with Jurong Town Corporation ("JTC") indicate that if JTC requires the Group to restore the buildings to its original condition, the Group is obligated to do so. The Group has assumed that restoration cost is not required for two of its subsidiaries, JEP Precision Engineering Pte Ltd ("JEPS") and Dolphin Engineering Pte Ltd ("DEPL"), as based on the lease agreements with JTC, at the termination of lease agreements, JEPS and DEPL has to yield up the demised premises in good and tenantable condition. The Group has assessed the condition of the premises and concluded that it is not required to reinstate the premises and therefore has not provided for any cost of dismantlement, removal or restoration.

(b) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) <u>Depreciation of property, plant and equipment (Note 4)</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 3 to 30 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 is $50,857,000 (2015 - $30,548,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If depreciation on property, plant and equipment increases/decreases by 10% from management, the Group's results for the year will decrease/increase by approximately $370,000 (2015 - $389,000).

2.1 Significant accounting estimates and judgements (Cont'd)

(b) ***Key sources of estimation uncertainty (Cont'd)***

(ii) Impairment tests for non-financial assets - cash-generating units containing goodwill (Note 6) and property, plant and equipment (Note 4)

The recoverable amounts of the non-financial assets have been determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. Determining the recoverable amount requires management to make significant judgements, estimates and assumptions. While management believes that the estimates and assumptions are reasonable, these estimates and assumptions could have a significant impact on whether or not an impairment charge is recognised.

The results of an impairment analysis are as of a point in time. There is no assurance that the actual future earnings or cash flows of the cash-generating units will not decline significantly from the projections. Any significant decline in the operations could result in impairment charges in future periods, which could have a significant impact on the Group's operating results and financial condition.

A number of factors, many of which management has no ability to control, could affect the Group's financial condition, operating results and business prospects and could cause actual results to differ from estimates and assumptions management employed. These factors include: a prolonged economic slowdown; a significant decrease in the demand for the Group's products and services; a significant adverse change in the business climate; successful efforts by competitors to gain market share in the Group's markets; and a loss of key personnel.

The key assumptions applied in the determination of the value-in-use including sensitivity analysis, are disclosed and further explained in Note 6 to the financial statements.

The carrying amounts of goodwill and property, plant and equipment as at 31 December 2016 are disclosed in Note 6 and Note 4 to the financial statements.

An increase of two percentage points in the discount rate and a 5% decrease in budgeted gross margin would not result in an impairment loss of property, plant and equipment.

(iii) Impairment of loans and receivables (Note 9)

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

If the net present values of estimated future cash flows increase/decrease by 10% from management's estimates for all past due loans and receivables, the Group's allowance for impairment will decrease/increase by $462,000 (2015 - $517,000).

The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 9 to the financial statements.

(iv) Fair value measurement of contingent consideration on business combination (Note 5)

As part of the purchase price allocation for its acquisition of JEP Industrades Pte Ltd ("JEPI"), the Group identified an element of contingent consideration, resulting from business combination, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumption applied is the timing of JEPI meeting the performance target.

If the expected performance target increases/decreases by 10% from management's estimates, the carrying amount of the contingent consideration will increase/decrease by $9,000 and $5,000 respectively (2015 - $12,000).

The carrying amount of the contingent consideration on business combination at the end of the reporting period is disclosed in Note 5 to the financial statements.

2.1 Significant accounting estimates and judgements (Cont'd)

(b) ***Key sources of estimation uncertainty (Cont'd)***

(v) Allowance for inventory obsolescence (Note 8)

The Group reviews periodically for excess inventories, unsaleable, obsolescence and declines in net realisable value below cost. An allowance is recorded against the inventories balance for any such decline in values. These reviews require management to estimate future demand for the products. In any case, the realisable value represents the best estimate of recoverable amount less costs to sell and is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of allowance or write down include aging analysis and technical assessment. In general, such an evaluation process requires significant judgement and affects the carrying amount of inventories at reporting date.

If the net realisable values of the inventory increase/ decrease by 1% from management's estimates, the Group's profit will decrease/ increase by $140,000 (2015: $135,000).

2.2 Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRSs that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Group.

Reference	Description
- FRS 1	Presentation of Financial Statements

The adoption of the above amended standards does not have any impact on the financial performance or the financial position of the Group and Company.

2.3 FRS issued but not yet effective

The following are the new or amended FRS and INT FRS which are relevant to the Group and the Company but are not yet effective and which the Group and the Company have not yet adopted:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 115	Revenue from Contracts with Customers	1 January 2018
Clarifications to FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 116	Leases	1 January 2019
Amendments to:		
- FRS 7	Statement of Cash Flows	1 January 2017
- FRS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The directors do not anticipate that the adoption of the above FRSs and INT FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except for the following:

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customer. The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estates*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

FRS 115 is effective for annual periods beginning on or after 1 January 2018. The Group have assessed that with the adoption of FRS 115, there is no implication on the revenue recognition policy/ process for the Group.

2.3 FRS issued but not yet effective (Cont'd)

FRS 109 *Financial Instruments*

FRS 109 *Financial Instruments* replaces FRS 39 and it is a package of improvements introduced by FRS 109 which include a logical model for:
- classification and measurement,
- a single forward-looking "expected loss" impairment model, and
- a substantially reformed approach to hedge accounting.

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact on the financial statements.

FRS 116 *Leases*

FRS 116 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 Leases that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. FRS 116 Leases will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted FRS 115. The Group is currently assessing the impact to the consolidated financial statements.

Amendments to FRS 7 Statement of Cash Flows

The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied.

3 Summary of significant accounting policies

Business Combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

3 Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:
- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the **Financial Statements**

for the financial year ended 31 December 2016

3 Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Building on leasehold land	Over the lease term
Machinery and equipment	5 to 12 years
Electrical installations and renovations	3 to 10 years
Furniture, fittings and office equipment	5 to 10 years
Computers	1 to 3 years
Motor vehicles	5 to 6 years

No depreciation is provided for assets under construction.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to a property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company and the cost can be reliably measured. All other subsequent expenditure is recognised as an expense in the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are being capitalized as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them. Capitalisation of the borrowing costs ceases on issue of Temporary Occupation Permit.

Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries are stated at cost less accumulated allowance impairment losses on an individual subsidiary basis.

Intangible assets

Intangible assets are accounted for using the cost model. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets that have an indefinite useful life are tested annually for impairment.

Intangible assets are written off where, in the opinion of the directors, no further future economic benefits are expected to arise.

3 Summary of significant accounting policies (Cont'd)

Intangible assets (Cont'd)

Goodwill

Goodwill on acquisition of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in consolidated income statement on disposal.

Customer relationships

The customer relationships are acquired in business combinations. The customer relationships are amortised over their estimated useful lives of 5 to 10 years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is accounted for as follows:
- Raw materials and consumables are determined on a first-in, first-out basis.
- Finished goods and work-in-progress comprise direct materials (cost is determined on a first-in, first-out basis) and labour and a proportion of manufacturing overheads based on normal operating capacity.

Allowance is made, where necessary, for obsolete, slow-moving or defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3 Summary of significant accounting policies (Cont'd)

Financial assets

Financial assets, other than hedging instruments, if any, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss upon initial recognition is not revocable.

All financial assets are recognised on their trade date - the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs, except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Other than loans and receivables and financial asset at fair value through profit or loss , the Group and the Company do not designate any available-for-sale financial assets or held-to-maturity investment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group and the Company provide money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables, and amount due from subsidiaries. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the profit or loss .

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss included financial assets that were either classified as held for trading or were designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that did not qualify for hedge accounting were classified as held for trading. Assets in this category were classified as current assets if they were either held for trading or were expected to be realised within 12 months of the end of reporting period.

Subsequent to initial recognition, the financial assets included in this category were measured at fair value with changes in fair value recognised in profit or loss.

Derivatives embedded in host contracts were accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks were not closely related to those of the host contracts and the host contracts were not held for trading or designated at fair value through profit or loss. These embedded derivatives were measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there was a change in the terms of the contract that significantly modified the cash flows that would otherwise be required.

3 Summary of significant accounting policies (Cont'd)

Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand and deposits with financial institutions, which are subject to an insignificant risk of change in value.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and bank deposits net of any pledged fixed deposits, which are repayable on demand and which form an integral part of cash management.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are deducted against the share capital account.

Warrants

Free detachable warrants are classified as equity. Warrants are measured at the fair value and the proceeds are being apportioned to warrants using the relative fair value approach.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Financial liabilities

The Group's and the Company's financial liabilities include borrowings, trade and other payables and obligations under finance leases.

Financial liabilities are recognised when the Group and the Company become a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the profit or loss. Financial liabilities are derecognised if the Group's and the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of reporting period are included in current liabilities in the statements of financial position even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of reporting period. Borrowings to be settled within the Group's and the Company's normal operating cycle are considered as current. Other borrowings due to be settled more than 12 months after the end of reporting period are included in non-current liabilities in the statements of financial position.

Provisions

Provisions are recognised when the Company and the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The provision for dismantlement and restoration is based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value of money. Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

3 Summary of significant accounting policies (Cont'd)

Provisions (Cont'd)

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see policy on "Leases - finance leases").

Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position.

Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Leases

Where the Group is the lessee,

Finance leases

When assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

For sale and finance leaseback, differences between sales proceeds and net book values are taken to the consolidated statement of financial position as deferred gain on sale and leaseback transactions, included under deferred account and amortised over the minimum lease terms.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment and depreciation".

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Where the Group is the lessor,

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rental income (net of incentives given to lessees) is recognised on a straight-line basis over the lease term.

3 Summary of significant accounting policies (Cont'd)

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:
(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The deductible temporary differences arising from the investment tax credits will qualify for the initial recognition exemption if the related asset was not acquired in a business combination and at the time of the initial recognition of the asset when the tax credit arises, affects neither accounting profit nor taxable profit. Accordingly, no deferred tax asset shall be recognized.

Employee benefits

The Group and the Company participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations.

- Singapore

  The Singapore incorporated companies in the Group contribute to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. Contributions to CPF or other defined contribution plans are charged to the profit or loss in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability of the unconsumed leave as a result of services rendered by employees up to the end of reporting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. Directors and certain general managers are considered key management personnel.

Impairment of non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group and the Company at which management controls the related cash flows.

3 Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Individual assets or cash-generating units that include goodwill and other intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged *pro rata* to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or end of reporting period.

Non-current assets held for sale and discontinued operation

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents:

- a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred or services rendered to the buyer. Revenue excludes goods and services taxes ("GST") and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

<u>Sales of goods</u>

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3 Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Rendering of services

Revenue from maintenance of precision machinery and precision engineering works is recognised when services are rendered.

Management fee

Management fee is recognised when services are rendered.

Other income

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Government Grants

Government grants are recognised when there is reasonable assurance that the applicable grant will be received and all attaching conditions are complied with.

Dividend income

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Rental income

Rental income is recognised on a straight-line basis over the lease term. The lease is for a term of three years.

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance costs". Foreign currency gains and losses are reported on a net basis as either other income or other operating expense depending on whether foreign currency movements are in a net gain or net loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

3 Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

Group entities

The results and financial positions of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the end of that statement of financial position;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing exchange rates at the end of that statement of financial position.

Operating segments

For management purposes, the Group has only one operating segment in precision engineering organised into six reporting units based on their products and services which are managed by the respective managers responsible for the performance of the respective units under their charge. The managers are accountable to the chief executive officer who regularly reviews the operating results in order to assess the respective reporting units' performances.

4 Property, plant and equipment

Group	Factory building on leasehold land $'000	Machinery and equipment $'000	Electrical installations and renovations $'000	Furniture, fittings and office equipment $'000	Computers $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Cost								
At 1 January 2015	5,200	44,162	1,715	519	775	302	4,062	56,735
Additions	–	1,683	358	16	35	137	4,349	6,578
Acquisition of a subsidiary	*	414	28	51	42	83	–	618
Disposals	*	(1,278)	(14)	(16)	(7)	(104)	–	(1,419)
Transferred in/(out)	3,499	1,437	–	–	–	–	(4,936)	–
At 31 December 2015	**8,699**	**46,418**	**2,087**	**570**	**845**	**418**	**3,475**	**62,512**
Additions	**17,404**	**3,098**	**2,702**	**500**	**285**	**70**	**–**	**24,059**
Disposals	**–**	**(1,287)**	**–**	**(7)**	*****	**–**	**–**	**(1,294)**
Written off during the year	**(8)**	**(217)**	**–**	**–**	**(43)**	**–**	**–**	**(268)**
Transferred in/(out)	**2,992**	**483**	**–**	**–**	**–**	**–**	**(3,475)**	**–**
At 31 December 2016	**29,087**	**48,495**	**4,789**	**1,063**	**1,087**	**488**	**–**	**85,009**
Accumulated depreciation								
1 January 2015	612	25,937	1,336	393	455	216	–	28,949
Acquisition of a subsidiary	–	144	15	33	35	43	–	*270*
Depreciation for the year	247	3,193	202	36	183	25	–	3,886
Disposals	–	(1,024)	(7)	(11)	(8)	(91)	–	(1,141)
At 31 December 2015	**859**	**28,250**	**1,546**	**451**	**665**	**193**	**–**	**31,964**
Written off during the year	*****	**(217)**	**–**	**–**	**(42)**	**–**	**–**	**(259)**
Depreciation for the year	**378**	**2,827**	**211**	**45**	**183**	**56**	**–**	**3,700**
Disposals	**–**	**(1,248)**	**–**	**(4)**	**(1)**	**–**	**–**	**(1,253)**
At 31 December 2016	**1,237**	**29,612**	**1,757**	**492**	**805**	**249**	**–**	**34,152**
Carrying amounts								
At 31 December 2016	**27,850**	**18,883**	**3,032**	**571**	**282**	**239**	**–**	**50,857**
At 31 December 2015	7,840	18,168	541	119	180	225	3,475	30,548

4 Property, plant and equipment (Cont'd)

Company	**Furniture, fittings and office equipment** $'000	**Computers** $'000	**Total** $'000
Cost			
Balance as at 1 January 2015 31 December 2015 and **31 December 2016**	**73**	**91**	**164**
Accumulated depreciation			
At 1 January 2015	63	90	153
Depreciation for the year	5	1	6
At 31 December 2015	**68**	**91**	**159**
Depreciation for the year	**5**	*	**5**
At 31 December 2016	**73**	**91**	**164**
Carrying amounts			
At 31 December 2016	–	–	–
At 31 December 2015	5	–	5

* Represents amount less than $1,000

Depreciation for the year was included in the following line items of the profit and loss:

	Group	
	2016	2015
	$'000	$'000
Cost of inventories	**3,205**	3,501
Selling and distribution expenses	**46**	25
Administrative expenses	**449**	360
	3,700	3,886

4 Property, plant and equipment (Cont'd)

Leased property, plant and equipment

As at 31 December 2016, the net carrying amount of machinery and equipment and motor vehicles under finance lease amounted to $2,850,000 (2015: $10,774,000) and $154,000 (2015: $200,000) (Note 14).

As at 31 December 2016, the properties on leasehold land comprise:

Location	Description	Tenure	Carrying amount ($'000)
No. 16 Seletar Aerospace Crescent Singapore 797567	Leasehold land with an elected 4-storey single-user industrial development factory	30 years commencing 1 February 2015	20,391
No. 2 Loyang Way 4 Singapore 507098	Leasehold land with an elected single-storey factory with a mezzanine level and a single-storey rear extension	30 years commencing 1 June 2007	4,181
	Leasehold land with an elected 4-storey factory building with provision of secondary workers' dormitory	23 years 10 months commencing 1 August 2013	3,278
			27,850

Security

As at 31 December 2016, the Group's factory buildings and machinery with carrying amounts of $27,850,000 (2015 - $10,831,000) and $6,016,000 (2015: $6,717,00) are pledged as security to secure 10-year term loan, construction loan and 4-year term loan (Note 16).

Property, plant and equipment under construction

In 2015, the Group leased a piece of land in Seletar with the intention of constructing a new factory on the site. During 2016, construction of the factory was completed and the Group had obtained a Temporary Occupation Permit for the factory on 14 November 2016 and costs incurred up to 31 December 2016 were transferred to the respective categories in Property, plant and equipment. The Group had incurred costs up to 31 December 2016 totalling $20,391,000 (2015 - $2,991,000). As at the end of reporting period, assets under construction were $Nil (2015: $3,475,000).

Restoration cost

In 2015, the subsidiary JEP Precision Engineering Pte. Ltd, recognised a restoration cost of $277,000, made in respect of the Group's obligation to restore its leasehold factory building located at 44 and 46 Changi South Street 1. During 2016, there were no additions nor utilisations of the provision already recognised.

The agreements with Jurong Town Corporation ("JTC") indicate that if JTC requires the Group to restore the buildings to its original condition, the Group is obligated to do so. The Group has assumed that restoration cost is not required for two of its subsidiaries, JEP Precision Engineering Pte Ltd ("JEPS") and Dolphin Engineering Pte Ltd ("DEPL"), as based on the lease agreements with JTC, at the termination of lease agreements, JEPS and DEPL has to yield up the demised premise in good and tenantable condition. The Group has assessed the condition of the premises and concluded that it is not required to reinstate the premises and therefore has not provided for any cost of dismantlement, removal or restoration.

5 Investment in subsidiaries

Company	2016 $'000	2015 $'000
Unquoted equity investments, at cost	**50,637**	50,637

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

Name	Country of incorporation/ principal place of business	Cost of investment		Proportion of ownership interest and voting rights held by the Group		Principal activities
		2016 $'000	2015 $'000	**2016 %**	2015 %	
Held by the Company						
JEP Precision Engineering Pte Ltd ("JEPS") [(1)]	Singapore	**29,468**	29,468	**85**	85	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works.
JEP Industrades Pte Ltd ("JEPI") [(1)]	Singapore	**7,236**	7,236	**100**	100	Manufacturer, importers and exporters, traders, agents, repairs of precision machineries, carbide cutting tools, hardware, industrial equipment and engineering works.
Dolphin Engineering Pte Ltd ("DEPL") [(1)]	Singapore	**13,933**	13,933	**100**	100	Large format precision engineering and equipment fabrication service.
		50,637	50,637			
Held through a subsidiary						
JEP Precision Engineering Co., Ltd ("JEPT") [(2)/(3)]	Thailand	**-**	-	**85**	85	Under liquidation (ceased operations in July 2013).
		50,637	50,637			

(1) Audited by Foo Kon Tan LLP, Singapore.

(2) JEPT had ceased operations on 31 July 2013 and had been classified as a discontinued operation since 2013. The liquidation process of JEPT commenced in February 2015. Accordingly, no audit has been carried out.

(3) Effectively owned 99.99% (2015 - 99.99%) by JEPS which excludes nominee shareholding.

5 Investment in subsidiaries (Cont'd)

Non-controlling interests

The following subsidiaries have non-controlling interests (NCI) that are material to the Group:

Name of subsidiary	Country of incorporation/ principal place of business	Profit/(Loss) allocated to non-controlling interest		Accumulated non-controlling interest		Dividends paid to non-controlling interest	
		2016	2015	**2016**	2015	**2016**	2015
		$'000	$'000	**$'000**	$'000	**$'000**	$'000
Held by the Company							
JEPS	Singapore	**(339)**	(77)	**2,242**	2,581	**–**	–

The following summarises the consolidated financial position and financial results of JEPS, prepared in accordance with FRS. The financial information presented below represents amounts before inter-company eliminations with other companies in the Group.

Summarised statement of financial position

	2016	2015
	$'000	$'000
Non-current assets	**42,800**	22,770
Current asset	**24,877**	18,959
Non-current liabilities	**(23,126)**	(2,705)
Current liabilities	**(29,384)**	(21,681)
Net assets	**15,167**	17,343

Summarised statement of comprehensive income

	2016	2015
	$'000	$'000
Revenue	**44,049**	44,424
Expenses	**(46,226)**	(44,636)
Loss and total comprehensive expense for the year	**(2,177)**	(212)

Summarised statement of financial position

	2016	2015
	$'000	$'000
Net cash (outflow)/inflow from operating activities	**(1,738)**	2,652
Net cash outflow from investing activities	**(5,293)**	(359)
Net cash (outflow)/inflow from financing activities	**9,256**	(3,178)
Net cash (outflow)/inflow	**2,225**	(885)

5 Investment in subsidiaries (Cont'd)

Acquisition of a subsidiary

On 27 August 2015 (the "acquisition date"), the Group acquired 100% of the issued share capital of JEP Industrades Pte Ltd ("JEPI"), a leading cutting tools marketing provider for metal cutting industries in Singapore. The fair value of the net assets acquired was identified, after a purchase price allocation exercise had been performed.

The Group acquired JEPI in order to add value through increase in customer base and diversification within the engineering sector, and to improve the Group's assets size, revenue as well as earnings. The acquisition is also expected to reduce costs through economics of scale.

As disclosed in Note 6, during the current financial year, the purchase price allocation in relation to the acquisition made and provisionally accounted for in the financial year ended 2015, was finalised, and the fair value of identifiable assets acquired and liabilities assumed of JEPI at acquisition date are now as follows:

	Fair value recognised on acquisition
	S$'000
Property, plant and equipment	348
Trade and other receivables	4,260
Inventories	3,316
Cash and cash equivalents	1,327
	9,251
Trade and other payables	(2,966)
Deferred tax liability	(194)
Income tax payable	(420)
Total net tangible identifiable assets	5,671
Customer relationship	739
Goodwill arising from acquisition (Note 6)	*826
	7,236

* With the finalisation of the purchase price allocation, the provisional goodwill of $913,000 (determined as at 31 December 2015) was adjusted accordingly to $826,000.

	Fair value recognised on acquisition
	S$'000
Consideration transferred for the acquisition of JEPI	
Equity instruments issued (120,000,000 ordinary shares of the Company)	3,672
Contingent consideration (to be paid in cash) recognised as at acquisition date	3,564
Total consideration transferred	7,236
Effect of the acquisition of JEPI on cash flows	
Total consideration for 100% equity interest acquired	–
Cash and cash equivalents of subsidiary acquired	1,327
Net cash inflow on acquisition	1,327

5 Investment in subsidiaries (Cont'd)

Acquisition of a subsidiary (Cont'd)

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 100% equity interest in JEPI, the Company issued 120,000,000 ordinary shares. The value of these shares was based on the fair value issue price of $0.034 per share at the acquisition date, which is subjected to a 10% marketability discount.

The attributable cost incurred of $1,000 for the issuance of the shares had been recognised directly in equity as deduction from share capital.

Contingent consideration in cash

As part of the purchase agreement with the previous owners of JEPI, an additional cash consideration has been agreed. Additional cash consideration shall be due to the previous owners of JEPI, based on the performance of JEPI in respect of each financial year ("FY") specified below:

(a) Additional cash consideration for each FY2016, FY2017 and FY2018 shall be based on the actual Net Profit after Tax ("NPAT') for the relevant FY based on the audited financial statements, up to a cumulative maximum amount of $4,000,000 for the three FYs, provided, inter alia, that the Company shall first receive from JEPI an aggregate of $1,000,000 in dividends before any additional cash consideration is paid to the previous owners of JEPI, and

(b) The additional cash consideration shall be paid not later than 1 month after the relevant audited financial statements of JEPI for the relevant FY have been issued.

In 2015, the fair value of the additional cash consideration was estimated at $3,564,000 and it has been included in other contingent consideration and provision as at 31 December 2015. As at 31 December 2016, the contingent consideration had been reassessed and increased to $3,796,000 (Note 14).

6 Intangible assets

Group	Goodwill on consolidation $'000	Customer relationship $'000	Total $'000
Cost			
Balance as at 1 January 2015	17,998	12,176	30,174
Addition for the year [(1)]	814	739	1,553
Balance as at 31 December 2015	**18,812**	**12,915**	**31,727**
Addition for the year	–	–	–
Balance as at 31 December 2016	**18,812**	**12,915**	**31,727**
Accumulated amortisation and impairment loss			
Balance as at 1 January 2015	1,270	9,841	11,111
Amortisation for the year	–	890	890
Balance as at 31 December 2015	**1,270**	**10,731**	**12,001**
Amortisation for the year	**–**	**973**	**973**
Balance as at 31 December 2016	**1,270**	**11,704**	**12,974**
Net book value			
Balance as at 31 December 2016	**17,542**	**1,211**	**18,753**
Balance as at 31 December 2015	17,542	2,184	19,726

(1) The acquisition date for JEPI is determined to be on 27 August 2015. However, in the Group's consolidated financial statements, JEPI's operating results is being consolidated with effect from 31 August 2015. Arising from the difference in the two dates, a difference in goodwill of $12,000 resulted, which is immaterial.

6 Intangible assets (Cont'd)

(a) Goodwill

Impairment test for goodwill

The aggregate carrying amount of goodwill is allocated to the Group's cash-generating units ("CGU") identified as follows:

Group	2016 $'000	2015 $'000
JEP Precision Engineering Pte Ltd	**11,450**	11,450
JEP Industrades Pte Ltd	**814**	814
Dolphin Engineering Pte Ltd	**5,278**	5,278
	17,542	17,542

The recoverable amounts of goodwill arising on acquisition of JEP Precision Engineering Pte Ltd ("JEPS"), JEP Industrades Pte Ltd ("JEPI") and Dolphin Engineering Pte Ltd ("DEPL") are determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a 5-year period.

Key assumptions used in the calculation of recoverable amounts are revenue growth rate, budgeted gross margin, discount rate and terminal value growth rate. The values assigned to the key assumptions represent management's assessment of future trends in the industries the entities operate in and are based on both external and internal sources.

The key assumptions are as follows:

	2016			2015		
	JEPS	**JEPI**	**DEPL**	JEPS	JEPS	DEPL
Group	**%**	**%**	**%**	%	%	%
Revenue growth rate	**3.0 to 7.3**	**-13.0 to 3.9**	**5.0 to 10.3**	0.5 to 24.2	0.0 to 5.0	-3.4 to 11.7
Budgeted gross margin	**8 to 16**	**22**	**11.6 to 17.9**	9.4 to 16.7	26.9 to 27.0	17.7 to 22.7
Discount rate	**12.2**	**13.4**	**13.2**	12.6	12.7	13.8
Terminal value growth rate	**2.1**	**1.9**	**2.0**	1.5	1.5	1.5

Revenue growth rate

- the anticipated annual revenue growth of JEPS included in the cash flow projections for the years 2017 to 2021 is based on existing agreements with customers mainly from the aerospace industry

- the anticipated annual revenue growth of JEPI and DEPL included in the cash flow projections for the years 2017 to 2021 is projected with reference to growth levels experienced with existing customers;

The values assigned to the key assumptions represent management's assessment of future trends in the industries which the entities operate in and are based on external sources and internal sources.

Budgeted gross margin

The budgeted gross margin is based on past performances and the expectation of market developments.

Discount rate

For JEPS, JEPI and DEPL, the discount rate is a pre-tax measure based on the risk-free rate obtained from the yield on 10-year bonds issued by the Singapore government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the industries that the entities operate in.

6 Intangible assets (Cont'd)

(a) Goodwill (Cont'd)

Impairment test for goodwill (Cont'd)

Terminal value growth rate

Five years of cash flows are included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined with reference to GDP rates which management believes is consistent with the assumption that a market participant would make.

Sensitivity to changes in assumptions

JEPS

An increase of one percentage point in the discount rate and a 5% decrease in budgeted gross margin would not result in an impairment loss of goodwill.

A hypothetical zero percentage of terminal value growth rate would not result in an impairment loss of goodwill.

JEPI

An increase of two percentage points in the discount rate and a 5% decrease in budgeted gross margin would not result in an impairment loss of goodwill.

A hypothetical zero percentage of terminal value growth rate would not result in an impairment loss of goodwill.

DEPL

An increase of two percentage points in the discount rate and a 5% decrease in budgeted gross margin would not result in an impairment loss of goodwill.

A hypothetical zero percentage of terminal value growth rate would not result in an impairment loss of goodwill.

(b) Customer relationship

JEPS

This relates to customer relationship arising from the acquisition of JEP Precision Engineering Pte Ltd and its subsidiary. The remaining amortisation period of the customer relationship is one year (2015 - 2 years). The amortisation of customer relationship is included in the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income. In the opinion of the directors of the Group, there is no indication that the recorded book value cannot be recovered from the business operations in the future periods.

JEPI

This relates to customer relationship arising from the acquisition of JEP Industrades Pte Ltd. The remaining amortisation period of the customer is 5 years (2015 – 6 years). The amortisation of customer relationship is included in the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income. In the opinion of the directors of the Group, there is no indication that the recorded book value cannot be recovered from the business operations in the future periods.

7 Amount due from subsidiaries

Company	2016 $'000	2015 $'000
Non-current assets		
Loan to a subsidiary (Note a)	**5,000**	–
Current assets		
Loan to a subsidiary (Note b)	**1,450**	800
Amount due from subsidiaries (trade)	**213**	166
	1,663	966
Total amount due from subsidiaries	**6,663**	966

Note a: This loan is being extended to the subsidiary to fund the construction of its building. The loan is unsecured and interest rate is at COF +1.75%. In respect of the interest-bearing amount made to a subsidiary, in FY 2016, the interest rate charged range from 2.64% to 3.19% (2015: 3.21% to 3.36%) per annum. The carrying amount of the loan approximates its fair value.

Note b: This loan to a subsidiary is unsecured and repayable on demand

The Company's exposure to credit and interest rate risks related to loans to related corporations is disclosed in Note 31.

8 Inventories

Group	2016 $'000	2015 $'000
At cost,		
Raw materials	**1,809**	1,360
Work-in-progress	**5,136**	4,521
Finished goods	**4,300**	5,095
Consumables	**1,144**	1,467
Goods-in-transit	**2,098**	1,016
	14,487	13,459
Less: Allowance for inventory obsolescence	**(450)**	–
	14,037	13,459
Cost of inventories included in cost of sales	**41,735**	29,601

During the year, the Group made an allowance for inventory obsolescence of $450,000 (2015 - $Nil) based on current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market conditions.

The written-downs are included in 'cost of sales'.

9 Trade and other receivables

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade receivables				
- related corporations	**900**	964	**–**	–
- third parties	**16,788**	12,456	**–**	–
	17,688	13,420	**–**	–
Less: Impairment losses	**(64)**	(64)	**–**	–
Net trade receivables	**17,624**	13,356	**–**	–
Other receivables			**–**	–
Deposits	**200**	70	**–**	–
Advance payment to suppliers	**5**	507		
Down-payment to suppliers of property, plant and equipment	**1,163**	56	**–**	–
Prepayments	**363**	250	**12**	8
GST input tax	**1,341**	758	**–**	–
Recoverable from customer	**39**	81	**–**	–
Other receivables	**425**	94	**–**	–
	3,536	1,816	**12**	8
Total trade and other receivables	**21,160**	15,172	**12**	8

The Group has factored trade receivables with an aggregate carrying amount of $2,513,000 to a financial institution at the end of the reporting period. The transactions have been accounted for as secured borrowings (Note 16) as the bank have full recourse to the Group in the event of default by the debtors.

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables are disclosed in Note 31.

10 Cash and bank balances

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash on hand	**8**	8	**1**	1
Bank balances	**7,982**	3,131	**3,000**	286
	7,990	3,139	**3,001**	287

For the purpose of the consolidated statement of cash flows, the year-end cash and bank balances comprise the following:

	2016	2015
Group	**$'000**	$'000
Cash on hand and bank balances		
- continuing operations	**7,990**	3,139
- discontinued operation (Note 11)	**38**	37
Cash and cash equivalents	**8,028**	3,176

11 Discontinued operation and disposal group classified as held for sale

On 5 August 2013, the Company announced the decision of its Board of Directors to dissolve and liquidate the subsidiary, JEP Precision Engineering Co., Ltd ("JEPT"), which is 99.99% owned by JEP Precision Engineering Pte Ltd ("JEPS"). JEPS is 85% owned by the Company. Pending completion of the dissolution and liquidation process, JEPT will remain as a subsidiary company within the Group.

For the financial years ended from 31 December 2013 to 2016, the assets and liabilities related to JEPT had been presented in the statements of financial position as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale", and its results were presented separately on the consolidated statement of profit or loss and other comprehensive income as "Profit/(loss) from discontinued operation, net of tax". The liquidation process of JEPT commenced in February 2015. The dissolution and liquidation process is expected to be completed by the end of the financial year 2017. Upon completion of the dissolution and liquidation, JEPT will then cease to be a subsidiary of the Company.

Statements of financial position disclosures

The major classes of assets and liabilities of JEPT classified as held for sale as at 31 December are as follows:

Group	**2016** **$'000**	2015 $'000
Assets:		
Bank balance	**38**	37
Assets of disposal group classified as held for sale	**38**	37
Liabilities:		
Liabilities directly associated with disposal group classified as held for sale	**–**	–
Net assets directly associated with disposal group classified as held for sale	**38**	37

Consolidated statement of profit or loss and other comprehensive income disclosures

The results of JEPT for the years ended 31 December are as follows:

Group	**2016** **$'000**	2015 $'000
Other items of income		
Other operating income	**–**	7
Other items of expense		
Administrative expenses	**–**	(9)
(Loss)/profit before tax	**–**	(2)
Tax expenses	**–**	-
(Loss)/profit from discontinued operation, net of tax	**–**	(2)

Consolidated statement of cash flows

The impact of the discontinued operation on the cash flows of the Group is as follows:

Group	**2016** **$'000**	2015 $'000
Operating cash outflows	**–**	(3)
Investing cash inflows	**–**	–
Financing cash outflows	**–**	–
Total cash outflows	**–**	(3)

12 Share capital

	No. of shares		Amount	
	2016	2015	**2016**	2015
Company and Group			**$'000**	$'000
In issue at 1 January	**1,048,973,266**	928,973,266	**37,834**	34,163
Issued in business combination (Note 5)	**–**	120,000,000	**–**	3,672
Issued for cash	**404,784,605**	–	**7,473**	–
Share issuance expense	**–**	–	**(121)**	(1)
In issue at 31 December	**1,453,757,871**	1,048,973,266	**45,186**	37,834

All shares rank equally with regard to the Company's residual assets.

All issue shares are fully paid, with no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company.

Issue of ordinary shares

On 23 December 2016, the Company issued 404,784,605 new ordinary shares in the capital of the Company at $0.020 each and 202,392,299 free detachable warrants ("Rights cum Warrants Issue"). Each warrant carries a right to subscribe to one new ordinary share at an exercise price of S$0.020, exercisable during a three year period from the date of issue. The warrants will expire on 22 December 2019.

During 2016, no warrants were exercised pursuant to the Rights cum Warrants Issue. As at 31 December 2016, there were outstanding warrants of 202,392,299 (2015: Nil) for conversion into ordinary shares.

On 27 August 2015, the Company issued 120,000,000 new ordinary shares to the vendors of JEP Industrades Pte Ltd ("JEPI") at a fair value issue price of $0.034 per share at the acquisition date, which is subjected to a 10% marketability discount. This issue was made to fulfil part of the purchase consideration for the acquisition of the 100% equity interest in JEPI.

13 Reserves

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Warrants reserve	**623**	–	**623**	–
Capital reserve	**247**	247	**247**	247
Translation reserve	**(194)**	(195)	**–**	–
Balance at end of year	**676**	52	**870**	247

Warrants reserve

The warrants reserve represents the assigned fair value of the warrants issued by the Company, net of issue expenses. Each warrant carries the right to subscribe to one new ordinary share at an exercise price of S$0.020 for each new share within the period disclosed in Note 12 above. As and when the warrants are exercised, the related balance is transferred to the share capital account. At the expiry of the warrants, the balance in the warrants reserve will be transferred to retained earnings.

Capital reserve

The capital reserve pertained to a gain on reissuance of treasury shares in 2012. Capital reserve is non-distributable.

Translation reserve

The translation reserve comprise the foreign currency differences arising from the translation of the financial statements of foreign operations.

14 Contingent consideration and provision

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Contingent consideration in relation to Acquisition of JEPI (Note 5)				
- Non-current	**1,791**	3,564	**1,791**	3,564
- Current	**2,005**	–	**2,005**	–
	3,796	3,564	**3,796**	3,564
Provision for restoration Cost				
- Non-current	**–**	285	**–**	–
- Current	**292**	–	**–**	–
	292	285	**–**	–
Total contingent consideration and provision	**4,088**	3,849	**3,796**	3,564
Provision for restoration cost				
Balance at the beginning of the year	**285**	–	**–**	–
Provision during the year	**–**	277	**–**	–
Unwinding of interest	**7**	8	**–**	–
Balance at the end of the year	**292**	285	**–**	–

15 Obligations under finance leases

Finance lease liabilities are payable as follows:

Group	**2016** **$'000**	2015 $'000
Due not later than one year	**856**	5,018
Due later than one year and not later than five years	**1,196**	932
Due later than five years	**–**	4
Future minimum lease payments	**2,052**	5,954
Less: Finance charges allocated to future periods	**(101)**	(336)
Present value of minimum lease payments	**1,951**	5,618
Present value of minimum lease payments:		
Due not later than one year	**803**	4,719
Due later than one year and not later than five years	**1,148**	895
Due later than five years	**–**	4
	1,951	5,618

The Group has finance leases for certain items of property, plant and equipment. The range of discount rate implicit in the leases is 2.8% to 5.8% (2015 – 3.2% to 5.8%) per annum. The finance lease obligations are secured by the underlying assets (Note 4).

The carrying amounts of finance lease obligations approximate fair values as the average implicit discount rate approximates market interest rate.

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risk is included in Note 31.

16 Borrowings

Terms and conditions of outstanding borrowings are as follow:

Group	Currency		Nominal interest rate	2016 Principal amount	2016 Carrying amount	2015 Principal amount	2015 Carrying amount
			%	**$'000**	**$'000**	$'000	$'000
Secured							
4-year term loan	SGD	(a)	COF[1]+1.75%	**3,140**	**2,747**	–	–
SAP term loan	SGD	(b)	COF[1]+1.75%	**20,000**	**13,128**	–	–
10-year term loan	SGD	(c)	COF[1]+1.50%	**4,000**	**3,578**	4,000	3,844
15-year term loan	SGD	(d)	COF[1]+1.50%	**6,400**	**5,616**	6,400	5,977
Construction loan	SGD	(e)	COF[1]+1.50%	**2,100**	**1,523**	2,100	1,763
Accounts Receivable Factoring	USD	(f)	COF[1]+1.75%	**2,513**	**2,513**	–	–
Bills receivable purchasing	USD	–	–	**–**	**–**	171	171
Trust receipts	USD	(g)	COF[1]+2.00%	**6,740**	**6,740**	3,512	3,512
				44,893	**35,845**	16,183	15,267

[1] COF refers to bank's cost of fund for interest period of 1,2 or 3 months.

	Group 2016	Group 2015	Company 2016	Company 2015
	$'000	$'000	**$'000**	$'000
Amount repayable:				
Not later than one year	**11,996**	4,558	**–**	–
Later than one year but not later than 5 years	**10,608**	4,158	**–**	–
Later than 5 years	**13,241**	6,551	**–**	–
Total	**35,845**	15,267	**–**	–

The weighted average effective interest rates of total borrowings at the end of the reporting period are as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
4 year term loan	**2.60%**	–	**–**	–
SAP term loan	**2.61%**	–	**–**	–
10 year term loan	**2.74%**	2.64%	**–**	–
15 year term loan	**2.62%**	2.37%	**–**	–
Construction loan	**2.97%**	2.69%	**–**	–
Accounts receivable factoring	**2.94%**	–	**–**	–
Bills receivable purchasing	**–**	1.90%	**–**	–
Trust receipt	**2.78%**	2.52%	**–**	–

(a) A 4-year term loan was granted to a subsidiary during the financial year ended 31 December 2016. The secured term loan granted to the subsidiary is repayable by 16 quarterly instalments of amount $196,000 each.

(b) A term loan was granted to a subsidiary during the financial year ended 31 December 2016 for the construction of Seletar Aerospace Park building. The secured term loan granted to the subsidiary is repayable over 83 fixed monthly principal instalments of $98,000 and a final monthly principal instalment of $11,866,000.

(c) A ten-year term loan was granted to a subsidiary during the financial year ended 31 December 2015. The secured term loan granted to the subsidiary is repayable over 119 monthly principal instalments of $22,200 each and a final fixed principal instalment of $1,358,200.

(d) The secured money market loan granted to a subsidiary by a bank which was repayable on 28 April 2014 has been converted to a fifteen-year term loan during the financial year ended 31 December 2014. The secured term loan granted to the subsidiary is repayable over 180 monthly instalments over a period of 15 years from October 2014.

16 Borrowings (Cont'd)

(e) The secured 5-year construction loan granted to a subsidiary by a bank is repayable over 47 monthly principal instalments of $20,000 each and a final lump sum of $1,063,000 repayable on 31 December 2018.

(f) The factored receivables is repayable on 20 January 2017.

(g) The secured trust receipts granted to a subsidiary by a bank is repayable on various dates between 3 Jan 2017 (2015: 10 February 2016), being the earliest date and 23 May 2017 (2015: 17 May 2016), being the latest date.

Secured term loans

The SAP term loan, 10-year, 15-year secured term loans and construction loan are secured over buildings on leasehold land with carrying amount of $27,850,000 (2015: $10,831,000).

The 4-year secured tem loan is secured over machinery and equipment with carrying amount of $6,016,000 (2015:$ 6,717,000).

Secured bank facilities

The bills receivable purchase facilities and trust receipts are secured by a corporate guarantee provided by the Company (Note 30).

The Group has financial covenants attached to the above term loans and facilities which relates to restriction of limits imposed on the maintenance of the Group's certain ratios. As at the end of the reporting period, the Group has observed these financial covenants accordingly.

Information about the Group's and Company's exposure to interest rate, foreign currency and liquidity risk is included in Note 31

17 Amount due to a subsidiary

Company	**2016** **$'000**	2015 $'000
Non-current liabilities		
Loan from a subsidiary	**950**	1,851
Current liabilities		
Loan from a subsidiary	**901**	856
Total amount due to a subsidiary	**1,851**	2,707

The non-trade amounts due to subsidiary are unsecured with repayment of $1,000,000 annually and is interest free.

The carrying amount of the loan is $ 2,000,000 (2015 - $3,000,000) and the fair value of the financial liability has been estimated using discounted cash flow approach, which discounts the contractual cash flows using an interest rate of 5.32%. (2015: 5.32%). The carrying amount approximate its fair value.

The non-trade amounts due to subsidiary are denominated in Singapore dollar.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statements of financial position as follows:

(a) Deferred tax liabilities

Group	**2016** **$'000**	2015 $'000
Deferred tax liabilities		
Balance at beginning of year	**2,046**	2,058
Acquisition of a subsidiary	**–**	194
Transfer (to)/from consolidated income statement (note 24)		
– current year	**(968)**	(294)
– under provision in respect of prior years	**34**	88
Tax credit	**(934)**	(12)
Balance at end of year	**1,112**	2,046

The balance comprises tax on the following temporary differences:

Group	**Excess of net book value over tax written down value of property, plant and equipment** $'000	**Fair value adjustment on acquisitions of subsidiaries** $'000	**Provisions and others** $'000	**Total** $'000
Balance at 1 January 2015	1,663	413	(18)	2,058
Acquisition of a subsidiary	43	151	–	194
Transfer to consolidated income statement (Note 24)	(41)	(160)	(5)	(206)
Balance at 31 December 2015	**1,665**	**404**	**(23)**	**2,046**
Transfer to consolidated income statement (Note 24)	**(676)**	**(163)**	**(95)**	**(934)**
Balance at 31 December 2016	**989**	**241**	**(118)**	**1,112**

(b) Deferred tax assets

Group and Company	**Tax losses** $'000	**Total** $'000
Balance as at 1 January 2015, 31 December 2015 and 1 Jan 2016	**306**	**306**
Transfer from consolidated income statement (Note 24)	**51**	**51**
Balance as at 31 December 2016	**357**	**357**

19 Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade payables				
- Third parties	**8,298**	6,821	**–**	–
	8,298	6,821	**–**	–
Other payables	**680**	462	**69**	5
Liability owing to suppliers of property, plant and equipment and contractor of building	**8,240**	2,649	**–**	–
Accrued personnel costs	**1,297**	1,129	**204**	130
Other accrued operating expenses	**757**	595	**105**	43
Accruals for purchases	**1,092**	503	**–**	–
Accrual in relation to assets under construction	**–**	647	**–**	–
GST output tax	**68**	98	**14**	26
Deferred income	**432**	903	**–**	–
Deposits received	**145**	131	**–**	–
Provision for directors' fees	**90**	90	**–**	–
Provision for tax payables	**31**	304	**–**	–
	12,832	7,511	**392**	204
	21,130	14,332	**392**	204
Less: Non-current				
Deferred income	**–**	(432)	**–**	–
	–	(432)	**–**	–
	21,130	13,900	**392**	204

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the statements of financial position to be reasonable approximation of their fair value.

Deferred income

	2016	2015
Group	**$'000**	$'000
Cost		
Balance at beginning and at end of year	**3,300**	3,300
Accumulated amortisation		
Balance at beginning of year	**2,397**	1,925
Amortisation for the year	**471**	472
Balance at end of year	**2,868**	2,397
Net carrying amount		
Current	**432**	471
Non-current	**–**	432
	432	903

Deferred income relates to the sale and leaseback transaction for leasehold factory building located at 44 and 46 Changi South Street 1 carried out in the financial year 2010 entered by the subsidiary, JEP Precision Engineering Pte Ltd, where sales proceeds less fair value is amortised over the lease term of seven years.

20 Revenue

The principal activities of the Company consist that investment holding company, and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are as stated in Note 5.

Significant categories of revenue, excluding inter-company transactions and applicable goods and services tax, are detailed as follows:

Group	2016 $'000	2015 $'000
Sales of goods	57,348	44,350
Provision of services	14,586	14,428
	71,934	58,778

21 Other operating income

Group	2016 $'000	2015 $'000
Gain on disposal of property, plant and equipment	175	81
Amortisation of gain on sales and leaseback	529	529
Government grant	384	333
Sales of scrap waste metal	21	157
Dormitory occupancy fee	523	131
Exchange gain	67	63
Rental income	49	72
Interest income	1	1
Others	22	12
	1,771	1,379

22 Finance costs

Group	2016 $'000	2015 $'000
Change in fair value of contingent consideration (Note 14)	233	–
Interest expense		
- bank term loans	561	311
- finance leases	168	210
- bank overdraft	15	3
- restoration cost interest	7	8
	984	532

23 Profit/(loss) before tax from continuing operations

Group	2016 $'000	2015 $'000
Profit/(loss) before tax from continuing operations has been arrived at after charging/(crediting):		
Allowance for impairment of trade receivables	**21**	–
Amortisation of intangible assets	**973**	890
Depreciation of property, plant and equipment	**3,700**	3,886
Directors' fees	**270**	265
Exchange loss / (gain)	**643**	(63)
Employee benefit expenses	**14,923**	14,153
Inventories written off	**344**	100
Provision for stock obsolescence	**450**	–
Gain on disposal of property, plant and equipment	**(175)**	(81)
Operating lease expenses	**2,668**	2,638
Non-audit fees paid/payable to auditor of the Company	**30**	63
Audit fees paid/payable to		
-auditor of the Company	**176**	175
-other auditor	**–**	4

Employee benefit expenses for the year was included in the following line items of the profit and loss:

Group	2016 $'000	2015 $'000
Employee benefit costs charged to:		
Cost of sales	**10,713**	11,152
Selling and distribution expenses	**1,808**	1,162
Administrative expenses	**2,402**	1,839
	14,923	14,153

24 Taxation

Group	2016 $'000	2015 $'000
Continuing operations		
Current taxation	**–**	(59)
Deferred taxation (Note 18)	**(1,019)**	(294)
Under provision in respect of prior years		
- Current taxation	**13**	–
- Deferred taxation (Note 18)	**34**	88
	47	88
Taxation attributable to continuing operations	**(972)**	(265)
Taxation attributable to discontinued operation	**–**	–
Net tax credit	**(972)**	(265)

24 Taxation (Cont'd)

Reconciliation of effective tax rate

Group	2016 $'000	2015 $'000
(Loss)/profit from continuing operations	**(1,157)**	230
(Loss)/profit from discontinued operation	**–**	(2)
(Loss)/profit before tax, total	**(1,157)**	228
Tax at the domestic rate applicable to (loss)/profit in the countries concerned[1]	**(197)**	39
Tax effect on non-deductible expenses	**956**	814
Tax effect on non-taxable income	**(620)**	(661)
Tax incentives	**(840)**	(391)
Under provision in respect of prior years		
- Current taxation	**13**	–
- Deferred taxation	**34**	88
Benefits from previously unrecognised tax losses	**(227)**	(149)
Singapore statutory stepped income exemption	**–**	(9)
Others	**(91)**	4
Net tax credit	**(972)**	(265)

(1) This is prepared by aggregating separate reconciliations for each national jurisdiction.

The corporate tax rate applicable to the Company, JEP Precision Engineering Pte Ltd, JEP Industrades Pte Ltd and Dolphin Engineering Pte Ltd is 17% (2015: 17%). JEP Precision Engineering Co., Ltd is subject to tax at a rate of 30% (2015 - 30%).

Tax effect on non-deductible expenses and non-taxable income relates to disallowed expenditures incurred and non-taxable income occurred in the ordinary course of business.

Tax losses

At the end of reporting period, the Company has tax losses of approximately $2,098,000 (2015 - $3,130,000) that are available for offset against future taxable profits of the Company in which the losses arose, for which a deferred tax asset of $ 357,000 (2015 - $306,000 based on probable future taxable profit of $1,800,000) has been recognised of its recoverability in the financial statements.

Deferred income tax related to other comprehensive income

There is no income tax related to other comprehensive income for the financial years 2015 and 2016.

25 Other comprehensive expense, net of tax

		2016	
	Before tax	**Tax expense**	**Net of tax**
Group	$'000	$'000	$'000
Exchange translation difference	**1**	**–**	**1**

		2015	
	Before tax	Tax expense	Net of tax
Group	$'000	$'000	$'000
Exchange translation difference	(1)	–	(1)

26 Earnings per share

Basic earnings per share from continuing/discontinued operations are calculated by dividing the net profit from continuing/discontinued operations, net of tax, attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share from continuing/discontinued operations are calculated by dividing net profit from continuing/discontinued operations, net of tax, attributable to ordinary equity owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the consolidated income statement and share data used in the computation of basic earnings per share from continuing/discontinued operations for the financial years ended 31 December:

Profit attributable to ordinary shareholders

Group	**2016** **$'000**	2015 $'000
Net profit attributable to equity owners of the Company	**154**	570
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company	–	2
Profit from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings per share from continuing operations	**154**	572

Weighted-average number of ordinary shares

Group	**No. of shares** **2016**	2015
Issued ordinary shares at 1 January (Note 4)	**1,048,973,266**	928,973,266
Effect of share issued in August 2015		**41,753,425**
Effect of share issued in December 2016	**8,871,991**	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,057,845,257**	**970,726,691**
Basic and diluted earnings per share (cents)		
From continuing operations attributable to equity owners of the Company	**0.0146**	0.0590
From discontinued operation attributable to equity owners of the Company	–	(0.0002)

As at 31 December 2016, the conversion of 202,392,299 warrants (2015: Nil) was excluded from the calculation of diluted weighted average number of ordinary shares, as the effect would have been anti-dilutive.

As there are no dilutive potential ordinary shares that were outstanding at end of the reporting period, the basic earnings/(loss) per share is the same as the diluted earnings/(loss) per share.

27 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into between the Group and its related party at agreed rates:

Group	2016 $'000	2015 $'000
Sales to a subsidiary of the non-controlling shareholder	**8,540**	10,600
Purchases from a subsidiary of the non-controlling shareholder	**412**	445

Key management personnel compensation

Group	2016 $'000	2015 $'000
Directors		
Directors' remuneration other than directors fee	**1,062**	865
CPF contributions	**28**	25
Key management personnel (other than directors)	**567**	430
Salaries and related costs	**60**	39
CPF contributions	**1,717**	1,359

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors of the Company, directors of subsidiaries and members of the management team are considered as key management of the Group.

Annual remuneration of immediate family members of key management personnel or directors are set out in the "Disclosure on Remuneration" of Corporate Governance.

28 Operating lease commitments (non-cancellable)

Where the Group is the lessee

At the end of reporting period, the Group and the Company were committed to making the following lease rental payments under non-cancellable operating leases with a term of more than one year as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Not later than one year	**2,686**	2,739	**–**	–
Later than one year and not later than five years	**2,081**	4,278	**–**	–
Later than five years	**9,882**	11,177	**–**	–

The Group and the Company have various operating lease commitments in respect of rental of office premises, factory space and office equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 2 to 30 years with an option to renew the lease at market rate. There are no restrictions placed upon the Group or the Company by entering into these leases.

During the year, the Group recognised an amount of $2,668,000 (2015 - $2,638,000) as an expense in profit and loss in respect of operating leases.

28 Operating lease commitments (non-cancellable) (Cont'd)

Where the Group is the lessor

At the end of the reporting period, the Group had the following rental income and occupancy fee income under non-cancellable lease for office space and dormitory with term of more than one year:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Not later than one year	**523**	599	**–**	–
Later than one year and not later than five years	**392**	924	**–**	–
Later than five years	**–**	–	**–**	–

The lease on the Group's office space on which rental is received will expire on 9 February 2017 and dormitory on which occupancy fee is received will expire on 30 September 2018 respectively, with renewals at the then prevailing rates.

29 Capital commitment

	2016	2015
Group	**$'000**	$'000
Property, plant and equipment		
Capital expenditure contracted but not provided for in the financial statements	**6,263**	22,266
Capital expenditure approved but not contracted for	**–**	7,645
	6,263	29,911

30 Corporate guarantees

Intra-group financial guarantee comprises a guarantee given by the Company to a bank in respect of banking and hire purchase facilities amounting to $61,090,000 (2015: $76,095,000) granted to its subsidiaries.

31 Financial risk management objectives and policies

Overview

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

Financial risk management objectives and policies

The Board of Directors has overall responsibilities for establishment and oversight of the Group's risk management framework. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal audit undertakes regular reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

31 Financial risk management objectives and policies (Cont'd)

31.1 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's maximum exposure to credit risk.

Guarantee

The maximum exposure of the Company in respect of the intra-group financial guarantee (see Note 30) at the reporting date is if the facilities is drawn down by the subsidiaries in the amount of $41,206,000 (2015: $20,626,000).

At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee.

Trade and other receivables

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis.

At the end of reporting period, the Group's maximum exposure to credit risk for trade receivables by geographic region was follows:

	2016		2015	
	$'000	**% of total**	$'000	% of total
By country:				
Singapore	**7,429**	**42%**	5,169	38%
People's Republic of China*	**7,547**	**43%**	4,655	35%
Malaysia	**779**	**4%**	1,772	14%
USA	**881**	**5%**	1,149	8%
Others**	**988**	**6%**	611	5%
	17,624	**100%**	13,356	100%
By industry sectors:				
Aerospace	**7,038**	**40%**	5,019	38%
Oil and gas	**684**	**4%**	1,426	11%
Electronics	**549**	**3%**	183	1%
Precision machining	**14**	**0%**	14	0%
Trading and others	**6,040**	**34%**	4,767	35%
Equipment manufacturing	**3,299**	**19%**	1,947	15%
	17,624	**100%**	13,356	100%

* People's Republic of China includes countries such as Hong Kong and Taiwan.
** Others include countries such as Canada, Switzerland, France, Norway, Middle East countries and Southeast Asia.

31 Financial risk management objectives and policies (Cont'd)

31.1 Credit risk (Cont'd)

Impairment

The aging of trade receivables that were not impaired at the reporting date was:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Neither past due nor impaired	**12,999**	8,188	**–**	–
Past due 0 - 30 days	**2,783**	2,060	**–**	–
Past due 31 days – 60 days	**1,128**	1,342	**–**	–
Past due 61 days – 90 days	**312**	475	**–**	–
More than 90 days	**402**	1,291	**–**	–
	17,624	13,356	**–**	–

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due but not impaired. These receivables are mainly arising by customers that have a good credit record with the Group.

The movement in the allowance for impairment in respect of trade and other receivables during the year was follows:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Allowance for impairment of trade receivables				
Balance at beginning of year	**(64)**	(34)	**–**	–
Allowance resulting from acquisition of subsidiary	**–**	(30)	**–**	–
Allowance for the year	**(21)**	–	**–**	–
Allowance written off	**21**	–	**–**	–
Balance at end of year	**(64)**	(64)	**–**	–

At the end of reporting period, approximately 37% (2015 - 33%) of the Group's trade receivables are due from 3 major customers who are in the aerospace and trading industries.

<u>Financial assets that are neither past due nor impaired</u>

Trade and other receivables categorised as financial instruments that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

<u>Financial assets that are either past due and/or impaired</u>

There is no other class of financial assets that is past due and/or impaired except for trade receivables (Note 9).

31.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or rising damage to the Group's reputation .

The Group's liquidity risk management practice is that not more than 55% (2015 – 55%) of loans and borrowings should mature in the next one year period, and that to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. The Group's borrowings that mature in less than one year would be 36% (2015 – 33%).

In respect of the Company's borrowings, to the extent of its liability owing to the bank which is used to finance the operations of the subsidiaries, the exposure of liquidity risk is similar to that of the Group's practice.

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for the financial year ended 31 December 2016

31 Financial risk management objectives and policies (Cont'd)

31.2 Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of reporting period based on contractual undiscounted payments.

Group	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
31 December 2016					
Trade and other payables*	**(20,698)**	**(20,698)**	**(20,698)**	**–**	**–**
Obligations under finance leases	**(1,951)**	**(2,052)**	**(856)**	**(1,196)**	**–**
Borrowings	**(35,845)**	**(39,364)**	**(12,711)**	**(12,306)**	**(14,347)**
Provision for restoration cost	**(292)**	**(300)**	**(300)**	**–**	**–**
Contingent consideration in relation to acquisition of JEPI	**(3,796)**	**(4,000)**	**(2,058)**	**(1,942)**	**–**
	(62,582)	**(66,414)**	**(36,623)**	**(15,444)**	**(14,347)**
31 December 2015					
Trade and other payables*	(13,429)	(13,429)	(13,429)	–	–
Obligations under finance leases	(5,618)	(5,954)	(5,018)	(932)	(4)
Borrowings	(15,267)	(17,087)	(4,860)	(5,009)	(7,218)
Provision for restoration cost	(285)	(300)	–	(300)	–
Contingent consideration in relation to acquisition of JEPI	(3,564)	(4,000)	(4,000)	–	–
	(38,163)	(40,770)	(27,307)	(6,241)	(7,222)

Company	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
31 December 2016					
Amount due to subsidiary	**(1,851)**	**(2,000)**	**(1,000)**	**(1,000)**	**–**
Trade and other payables	**(392)**	**(392)**	**(392)**	**–**	**–**
Contingent consideration in relation to acquisition of JEPI	**(3,796)**	**(4,000)**	**(2,058)**	**(1,942)**	**–**
	(6,039)	**(6,392)**	**(3,450)**	**(2,942)**	**–**
31 December 2015					
Amount due to subsidiary	(2,707)	(3,000)	(1,000)	(2,000)	–
Trade and other payables	(204)	(204)	(204)	–	–
Contingent consideration in relation to acquisition of JEPI	(3,564)	(4,000)	(4,000)	–	–
	(6,475)	(7,204)	(5,204)	(2,000)	–

* Excluding deferred income

All the financial assets of the Group and the Company mature within one year from the end of reporting period.

31 Financial risk management objectives and policies (Cont'd)

31.2 Liquidity risk (Cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Company	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	After 1 year but within 5 years $'000	After 5 years $'000
31 December 2016					
Financial guarantees	**–**	**(41,206)**	**(13,466)**	**(13,393)**	**(14,347)**
31 December 2015					
Financial guarantees	–	(20,626)	(9.172)	(4.899)	(6.555)

For the financial year ended 31 December 2016, the Group recorded total comprehensive expenses of $184,000 and net cash outflows from operating activities of $124,000. Taking into consideration the unutilised credit facilities available to the Group (specifically the Group has access to unutilised credit facilities of $4,661,000 as at 31 December 2016 and an additional credit facilities was extended by a financial institution of $1,500,000 subsequent to balance sheet date), the Directors have assessed and concluded that the Group can meet its financial obligations as and when they fall due in the foreseeable future.

31.3 Market risk

Currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the respective functional currencies of Group entities, primarily United States Dollar ("USD"), Japanese Yen ("JPY") and Renminbi ("RMB"). Approximately 76% (2015: 63%) of the Group's sales and 45% (2015: 28%) of the Group's costs are denominated in foreign currencies other than the respective functional currencies of the Group entities.

The Group's and the Company's exposures to the various currencies are as follows:

	Group					Company	
	SGD	**USD**	**JPY**	**RMB**	**Others**	**SGD**	**USD**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2016							
Trade and other receivables	**5,342**	**10,695**	**1,087**	**3,984**	**52**	**12**	**–**
Amount due from subsidiary	**–**	**–**	**–**	**–**	**–**	**6,663**	**–**
Cash and cash equivalents	**6,874**	**694**	**220**	**–**	**240**	**2,994**	**7**
Trade and other payables*	**(12,018)**	**(5,011)**	**(3,570)**	**–**	**(99)**	**(392)**	**–**
Borrowings	**(26,656)**	**(9,189)**	**–**	**–**	**–**	**–**	**–**
Amount due to subsidiary	**–**	**–**	**–**	**–**	**–**	**(1,851)**	**–**
Obligations under finance lease	**(1,305)**	**(248)**	**(398)**	**–**	**–**	**–**	**–**
Contingent consideration in relation to acquisition of JEPI	**(3,796)**	**–**	**–**	**–**	**–**	**(3,796)**	**–**
Net exposure	**(31,559)**	**(3,059)**	**(2,661)**	**3,984**	**193**	**3,630**	**7**

31 Financial risk management objectives and policies (Cont'd)

31.3 Market risk (Cont'd)

Currency risk (cont'd)

	Group					Company	
	SGD	**USD**	**JPY**	**RMB**	**Others**	**SGD**	**USD**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Trade and other receivables	4,669	7,721	1,022	1,597	–	–	–
Amount due from subsidiary	–	–	–	–	–	966	–
Cash and cash equivalents	1,566	1,175	344	–	91	280	–
Trade and other payables*	(7,478)	(3,256)	(2,612)	–	(7)	(204)	7
Borrowings	(11,584)	(3,683)	–	–	–	–	–
Amount due to subsidiary	–	–	–	–	–	(2,707)	–
Obligations under finance lease	(5,618)	–	–	–	–	–	–
Contingent consideration in relation to acquisition of JEPI	(3,564)	–	–	–	–	(3,564)	–
Net exposure	(22,009)	1,957	(1,246)	1,597	84	(5,229)	7

* Excluding deferred income

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, JPY and RMB (against SGD), with all other variables held constant, of the Group's results net of tax.

		Group	
		2016	2015
		$'000	$'000
		Profit/(Loss)	Profit/(Loss)
USD	- strengthened 5% (2015 - 5%)	**(127)**	98
	- weakened 5% (2015 - 5%)	**127**	(98)
JPY	- strengthened 5% (2015 - 5%)	**(110)**	(62)
	- weakened 5% (2015 - 5%)	**110**	62
RMB	- strengthened 5% (2015 - 5%)	**165**	80
	- weakened 5% (2015 - 5%)	**(165)**	(80)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings.

31 Financial risk management objectives and policies (Cont'd)

31.3 Market risk (Cont'd)

Interest rate risk (cont'd)

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

		Group Nominal amount		Company Nominal amount	
	Note	**2016**	2015	**2016**	2015
		$'000	$'000	**$'000**	$'000
Fixed rate instruments					
Obligations under finance leases	15	**(1,951)**	(5,618)	**–**	–
Floating rate instruments					
Cash assets	10	**8,020**	3,131	**3,000**	287
Loan to a subsidiary	7	**–**	–	**5,000**	800
Borrowings	16	**(35,845)**	(15,267)	**–**	–
		(27,825)	(12,136)	**8,000**	1,087

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risks.

Sensitivity analysis for variable rate interest instruments

A change of 20 basis point in interest rates at the reporting date would have increased (decreased) profit or loss net of tax by the amount shown below. This analysis assume that all other variables, in particular foreign currency exchange rates, remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

	Group Profit or loss, net of tax		Company Profit or loss, net of tax	
	20 bp increase	**20 bp decrease**	**20 bp increase**	**20 bp decrease**
Floating rate instruments	$'000	$'000	$'000	$'000
31 December 2016	**(46)**	**46**	**13**	**(13)**
31 December 2015	(20)	20	2	(2)

32 Financial instruments

(a) Fair values

FRS 113 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value-in-use in FRS 36 Impairment of Assets.

The carrying amount of financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Company and the Group do not anticipate that the carrying amounts recorded at the end of reporting year would be significantly different from the values that would eventually be received or settled.

32 Financial instruments (cont'd)

(b) Fair value measurement of financial instruments

For the financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 : unobservable inputs for the asset or liability

	Level 1	**Level 2**	**Level 3**	**Total**
Group	$'000	$'000	$'000	$'000
As at 31 December 2016				
Liabilities				
Contingent consideration in relation to acquisition of JEPI	**–**	**–**	**3,796**	**3,796**
Provision for restoration cost	**–**	**–**	**292**	**292**
	–	**–**	**4,088**	**4,088**
As at 31 December 2015				
Liabilities				
Contingent consideration in relation to acquisition of JEPI	–	–	3,564	3,564
Provision for restoration cost	–	–	285	285
	–	–	3,849	3,849
Company				
As at 31 December 2016				
Liabilities				
Amount due to subsidiary	**–**	**–**	**1,851**	**1,851**
As at 31 December 2015				
Liabilities				
Amount due to subsidiary	–	–	2,707	2,707

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, current bank loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently. The carrying amounts of finance lease obligations approximate fair values as the average implicit discount rate approximates market interest rate. The carrying amounts of non-current bank loans approximate fair values as they are repriced frequently.

Methods and assumptions used to determine fair values

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of leasing arrangements.

32 Financial instruments (Cont'd)

(c) Measurement of fair value

The valuation techniques used for instrument categorised in Level 3 are described below:

Group

Contingent consideration (Level 3)
As disclosed in Note 5, as part of the purchase agreement with the previous owner of JEP Industrades Pte Ltd, a contingent consideration has been agreed. Additional cash payments shall be payable to the previous owner of JEPI, dependent on the profit after tax in financial years ending 2016, 2017 and 2018. The aggregate amount of contingent consideration to be paid out shall not exceed $4,000,000. In arriving at the fair value of contingent consideration, the following estimates are applied:

(1) In respect of FY16, profit after tax of JEPI is $2.06 million, resulting in a consideration payable of $2.06 million in FY 2017.

(2) In respect of FY17, profit after tax is estimated to be $1.84 million, resulting in consideration payable of $1.84 million in FY 2018

(3) In respect of FY 18, the estimated pay out will be $100,000

A discount rate of 5.35% has been applied to the expected cash outflows, reflecting the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. As at 31 December 2016, the fair value of the contingent consideration is estimated at $3.796 million.

Provision for restoration costs (Level 3)

The fair value of the provision for restoration cost is estimated using discounted cash flow approach, which discounts the contractual cash flows using a discount rate of 2.72%. (Note 14)

Company

Amount due to subsidiary (Level 3)

The fair value of the amount due to subsidiary is estimated using discounted cash flow approach, which discounts the contractual cash flows using a discount rate of 5.32%.

(d) Financial instruments by category

The fair value of the different categories of financial instrument is as disclosed on the face of the statements of financial position except the following:

	Group		Company	
	2016	2015	**2016**	2015
Floating rate instruments	**$'000**	$'000	**$'000**	$'000
Loans and receivables, at amortised cost	**26,078**	16,740	**4,663**	1,253
Financial liabilities, at amortised cost	**62,483**	38,065	**6,026**	6,449

(e) Transferred financial assets that are not derecognised in their entirety

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Carrying amount of assets:				
Trade receivables (Note 9)	**21,160**	15,172	**12**	8
Carrying amount of associated liabilities				
Payable to banks (Note 16)	**2,516**	–	**–**	–

33 Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and to maintain an optimal capital structure to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loan. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

33 Capital management (Cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 30% and 55%. The Group includes within net debt, finance lease obligations and borrowings less cash and cash equivalents excluding discontinued operation.

Group	2016 $'000	2015 $'000
Obligations under finance leases (Note 15)	**1,951**	5,618
Borrowings (Note 16)	**35,845**	15,267
Less: Cash and cash equivalents (Note 10)	**(7,990)**	(3,139)
Net debt	**29,806**	17,746
Equity attributable to the equity holders of the Company	**46.824**	38,694
Total capital	**46.824**	38,694
Capital and net debt	**76,630**	56,440
Gearing ratio	**38.9%**	31.4%

There were no changes in the Group's approach to capital management during the financial year.

The Company and its subsidiaries are not subjected to externally imposed capital requirements.

34 Segment information

For management purposes, the Group which has one operating segment based on their products and services, is further organised into six reporting units as follows:

1. The aerospace unit is a provider of the manufacturing service for engine casings.
2. The oil and gas unit is a provider of manufacturing services to oil drilling equipment, in particular, body connectors for clip risers and related rigs.
3. The electronics unit is a provider of manufacturing and assembly services for parts used by the semiconductor, telecommunication and medical industries.
4. The precision engineering unit is a provider of precision machining services for automotive parts.
5. The trading and other unit is a provider of machine sales and customised cutting tools for our customers.
6. The equipment manufacturing unit 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 units for the purpose of making decisions in order to assess the respective reporting units' 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 consolidated statement of profit or loss and other comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to reporting units.

Allocation basis and transfer pricing

Segment results include items directly attributable to reporting units as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating income and expenses, financial income and expenses and income tax expense.

The allocation of the group assets and liabilities as well as the revenues and profits and other material reporting units item thereon attributable to individual reporting units is not presented as the information is not provided to the chief operating decision maker.

Transfer prices between reporting units are at terms agreed between the parties.

34 Segment information (Cont'd)

(a) By business

	Aerospace		Oil and gas		Electronics		Precision machining		Trading and others		Equipment manufacturing		Adjustments and eliminations		Group	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Continuing operations																
REVENUE:																
External customers	**37,589**	32,816	**3,380**	9,753	**2,940**	1,479	**8**	161	**18,488**	6,250	**9,529**	8,319	**–**	–	**71,934**	58,778
Inter-reporting unit sales	**–**	–	**–**	–	**–**	–	**131**	174	**3,463**	2,609	**463**	695	**(4,057)**	(3,478)	**–**	–
Total revenue	**37,589**	32,816	**3,380**	9,753	**2,940**	1,479	**139**	335	**21,951**	8,859	**9,992**	9,014	**(4,057)**	(3,478)	**71,934**	58,778
Results																
Segment results	**(427)**	975	**(945)**	(946)	**(48)**	124	**10**	(2)	**2,314**	854	**1,635**	1,413			**2,539**	2,418
Unallocated expenses:																
Unallocated corporate expenses															**(2,712)**	(1,657)
Profit/(loss) from continuing operations															**(173)**	761
Finance income															**–**	1
Finance costs															**(984)**	(532)
Profit/(loss) before tax from continuing operations															**(1,157)**	230
Tax credit															**972**	265
Net profit/(loss) for the year after tax from continuing operations															**(185)**	495
Discontinued operation																
(Loss)/profit from discontinued operation, net of tax															**–**	(2)
Net profit/(loss) for the year, net of tax															**(185)**	493

34 Segment information (Cont'd)

(a) By business (Cont'd)

	Aerospace		Oil and gas		Electronics		Precision machining		Trading and others		Equipment manufacturing		Group	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
OTHER INFORMATION:														
Continuing operations														
Capital expenditure	**23,600**	5,502*	**–**	66	**–**	39	**–**	31	**38**	392	**421**	548	**24.059**	6,578
Depreciation of property, plant and equipment	**2,001**	2,002	**424**	649	**223**	163	**127**	95	**51**	110	**874**	867	**3,700**	3,886
Amortisation of intangible assets	**850**	850	**–**	–	**–**	–	**–**	–	**123**	40	**–**	–	**973**	890

* Includes restoration cost of $277,000 for factory buildings at 44 & 46 Changi South Street 1.

34 Segment information (Cont'd)

(b) Geographical information

Revenue is based on the location of customers regardless of where the goods are produced. Non-current assets are based on the location of those assets.

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
Group	**$'000**	$'000	**$'000**	$'000
Continuing operations				
Singapore	**29,787**	27,353	**69,610**	50,274
People's Republic of China*	**31,559**	17,968	**–**	–
Malaysia	**3,556**	8,859	**–**	–
USA	**3,946**	2,840	**–**	–
Others**	**3,086**	1,758	**–**	–
	71,934	58,778	**69.610**	50,274

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	
	2016	2015	**2016**	2015
Group	**$'000**	$'000	**$'000**	$'000
Continuing operations				
Singapore	**112,175**	81,286	**62,964**	38,968
Discontinued operation				
Others**	**38**	37	**–**	–
	112,213	81,323	**62,964**	38,968

* People's Republic of China includes countries such as Hong Kong and Taiwan.
** Others include countries such as Canada, Switzerland, France, Norway, Middle East countries and Southeast Asia.

(c) Reconciliation of segments total assets and total liabilities

	2016	2015
Group	**$'000**	$'000
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets	**112,213**	81,323
GST input tax	**1,342**	758
Deferred tax assets	**357**	306
Total assets	**113,912**	82,387
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Segment liabilities	**62,946**	38,968
GST output tax	**68**	98
Deferred tax liabilities	**1,112**	2,046
Total liabilities	**64,126**	41,112

34 Segment information (Cont'd)

(c) Reconciliation of segments total assets and total liabilities (Cont'd)

Information about major customers

Revenue from transactions with three (2015 - three) external customers that each amount to 10% or more of the Group's revenue, attributable to sales in the following business units, is as follows:

Aerospace
- $17,915,000 (2015 - $ 13,241,000)
- $8,540,000 (2015 - $ 6,009,000)
- $7,832,000 (2015 - $ 9,897,000)

35 Comparative information

Arising from the finalization of the purchase price allocation report in 2016 (Note 5), the goodwill amount has been adjusted from $913,000 to $826,000. The restatement of each of the affected financial line items for the previous financial year ended 31 December 2015 are as follows:

	As previously stated	Adjustments	Restated
	$'000	$'000	$'000
31 December 2015			
Statements of financial position			
Intangible assets	19,813	(87)	19,726
Trade and other receivables	15,009	163	15,172
Trade and other payables	(13,824)	(76)	(13,900)

As the above amounts are reclassifications within the statements of financial position, the reclassifications did not have any effect on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

36 Events after end of reporting period

The Company

On 27 February 2017, the Group has recommended a final tax-exempt (one-tier) dividend in respect of the financial year ended 31 December 2016 of 0.03 Singapore cent per ordinary share for approval by the ordinary shareholders at forthcoming annual general meeting of the Company.

Statistics of **Shareholdings**
as at 15 March 2017

SHARE CAPITAL

Issued and fully paid up capital	:	$45,185,670.00
Number of shares	:	1,453,757,871
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	8	0.35	258	0.00
100 - 1,000	101	4.44	84,301	0.01
1,001 - 10,000	329	14.46	2,653,358	0.18
10,001 - 1,000,000	1,710	75.17	247,473,663	17.02
1,000,001 AND ABOVE	127	5.58	1,203,546,291	82.79
TOTAL	**2,275**	**100.00**	**1,453,757,871**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
ZEE HOONG HUAY(1)	213,384,650	14.68	78,604,000	5.40
ELLIPSIZ LTD	175,364,808	12.06	–	–
ADAM LAU FOOK HOONG @JOE LAU(2)	157,861,425	10.86	45,000,000	3.10
	546,610,883	**37.60**	**123,604,000**	**8.50**

Note:
(1) 53,000,000 shares are registered in the name of Philip Securities Pte Ltd and 25,604,000 are registered in the name of his spouse, Lee Pui Rong.
(2) 45,000,000 shares are registered in the name of Citibank Nominees Singapore Pte Ltd.

Statistics of **Shareholdings**

as at 15 March 2017

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO OF SHARES	%
1	ZEE HOONG HUAY	213,384,650	14.68
2	ELLIPSIZ LTD	175,364,808	12.06
3	ADAM LAU FOOK HOONG @JOE LAU	157,861,425	10.86
4	PHILLIP SECURITIES PTE LTD	82,626,820	5.68
5	LEE MUI GEK PAULINE	64,174,000	4.41
6	CITIBANK NOMINEES SINGAPORE PTE LTD	46,940,000	3.23
7	WANG LIANG HORNG	33,668,000	2.32
8	LEE PUI RONG	25,604,000	1.76
9	TAN ENG CHUA EDWIN	20,789,000	1.43
10	HL BANK NOMINEES (SINGAPORE) PTE LTD	19,500,000	1.34
11	UOB KAY HIAN PRIVATE LIMITED	15,499,500	1.07
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	13,723,208	0.94
13	OCBC SECURITIES PRIVATE LIMITED	13,195,950	0.91
14	KHOO YEE HOCK	11,800,000	0.81
15	LEE WEE NGAM	10,500,000	0.72
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	10,342,450	0.71
17	DBS NOMINEES (PRIVATE) LIMITED	9,713,750	0.67
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	9,610,350	0.66
19	LOW KOON POO EDMUND	9,450,000	0.65
20	NG LIAN SANG	8,728,000	0.60
	TOTAL	**952,475,911**	**65.51**

PERCENTAGE OF SHAREHOLDING HELD BY PUBLIC

Based on the information available to the Company as at 15 March 2017, approximately 53.90% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of Rules of Catalist has been complied with.

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of JEP Holdings Ltd. ("the Company") will be held at 44 Changi South Street 1, Singapore 486762 on Thursday, 27 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 0.03 cent per ordinary share for the year ended 31 December 2016 **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 91 of the Constitution of the Company:

   Mr. Soh Chee Siong **(Resolution 3)**
   Mr. Chan Wai Leong **(Resolution 4)**

   Mr. Chan Wai Leong will, upon re-election as Director, remain as a member of the Audit Committee and the Remuneration Committee, and will be considered non-independent.

4. To approve the payment of Directors' fees of up to S$200,000 for the financial year ending 31 December 2017, to be paid half yearly in arrears. (2016: S$200,000) **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **The proposed change of auditors**

   That:

   Deloitte & Touche LLP ("Deloitte") be and is hereby appointed as auditors of the Company in place of Foo Kon Tan LLP to hold office until the conclusion of the next annual general meeting ("**AGM**") of the Company at a remuneration and on such terms to be agreed between the Directors and Deloitte.

   The Directors and each of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary or expedient for the purposes of or in connection with and to give effect to this resolution.

   [See Explanatory Note (i)] **(Resolution 6)**

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual: Rules of Catalist (the "**Catalist Rules**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next AGM of the Company or (ii) the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

8. Proposed Renewal of Share Buy-Back Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) transacted on the SGX-ST through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalist Rules,

on the terms set out in the Appendix to the Annual Report, be and is hereby authorized and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next AGM is held or required by law to be held; and

(ii) the date on which the share buybacks are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days on which Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the market purchase or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five day period;

"**date of the making of the offer**" means the day on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Percentage**" means that number of issued Shares representing ten per cent (10%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, one hundred and five per cent (105%) of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and twenty per cent (120%) of the Average Closing Price of the Shares; and

(d) any Director be and is hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this Resolution.

[See Explanatory Note (iii)] **(Resolution 8)**

By Order of the Board

Cho Form Po
Company Secretary
Singapore, 11 April 2017

Notice of **Annual General Meeting**

Explanatory Notes:

(i) Ordinary Resolution 6 above is to approve the appointment of Deloitte & Touche LLP ("Deloitte") as auditors of the Company in place of the retiring auditors, Foo Kon Tan LLP ("**FKT**"), and to authorise the Directors to fix their remuneration.

FKT, the retiring auditors, has served as external auditors of the Company since the financial year ended 31 December 2011. The Board is of the view that the change of external auditors to Deloitte for the financial year ending 31 December 2017 is in the best interests of the Company (together with its subsidiaries, the "**Group**") and its shareholders as the operations of the Group continue to expand and the appointment of a bigger audit firm will provide better support to the Group.

The Audit Committee has reviewed and deliberated on the proposed change of auditors and has recommended that Deloitte be appointed in place of the retiring auditors, after taking into consideration the suitability of Deloitte and the requirements of Rules 712 and 715 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**").

The Directors have taken into account the Audit Committee's recommendation, and considered factors such as the adequacy of the resources and experience of Deloitte, and the persons to be assigned to the audit, Deloitte's audit engagements, the size and complexity of the Company and its subsidiaries and the number and experience of Deloitte's supervisory and professional staff to be assigned to the audit, and is satisfied that Deloitte will be able to meet the audit requirement of the Company. Accordingly, the Directors recommend the appointment of Deloitte as the auditors of the Company in place of the retiring auditors, FKT.

FKT has confirmed that it is not aware of any professional reasons why Deloitte should not accept the appointment as auditors of the Company.

The Company confirms that there were no disagreements with FKT on accounting treatments within the last 12 months. The Company confirms that it is not aware of any circumstances connected with the change of auditors that should be brought to the attention of the shareholders of the Company.

The Company confirms that is has complied with Rules 712 and 715 of the Catalist Rules in relation to the appointment of Deloitte as auditors of the Company.

(ii) Ordinary Resolution 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("**AGM**") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue , consolidation or subdivision of shares.

(iii) Ordinary Resolution 8 above, if passed, renews the Share Buy-Back Mandate and will authorise the Directors of the Company, from time to time, to purchase Shares subject to and in accordance with the Constitution of the Company, the Catalist Rules and such other laws and regulations as may for the time being be applicable. The Company may use internal sources of funds, external borrowings, or a combination of both to finance the Company's purchase or acquisition of the Shares.

The amount of funding required for the Company to purchase or acquire the Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, inter alia, the number of Shares to be purchased or acquired, the price at which such Shares are to be purchased or acquired, and whether the Shares to be purchased or acquired are cancelled or held as treasury shares. Based on certain assumptions, an illustration on the financial impact of a purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited financial statements of the Company for the financial year ended 31 December 2016 is set out in Section 6 of the Appendix dated 11 April 2017, which is enclosed together with the Company's Annual Report.

Notes

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the AGM. Where such member's form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a Member of the Company.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 44 Changi South Street 1, Singapore 486762 not less than forty-eight (48) hours before the time appointed for holding the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This Notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Stamford Corporate Services Pte Ltd (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor (whose effective date of appointment is 13 April 2009) has not independently verified the contents of this Notice.

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

The contact person for the Sponsor is Mr. Ng Joo Khin.

Telephone number: 6389 3000 Email: jookhin.ng@morganlewis.com

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JEP HOLDINGS LTD.
[Company Registration No. 199401749E]
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "Relevant Intermediary").
2. For investors who have used their CPF monies to buy JEP Holdings Ltd's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

I/We*, ...

of ....

being a member/members* of **JEP Holdings Ltd.** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 44 Changi South Street 1 Singapore 486762 on Thursday, 27 April 2017 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2	Proposed final dividend		
3	Re-election of Mr. Soh Chee Siong as a Director		
4	Re-election of Mr. Chan Wai Leong as a Director		
5	Approval of Directors' fees of up to S$200,000 for the financial year ending 31 December 2017, to be paid half yearly in arrears		
6	Proposed change of auditors		
7	Authority to issue shares		
8	Proposed Renewal of Share Buy-Back Mandate		

Dated this ________________ day of ____________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

PERSONAL DATA PRIVACY:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2017.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 44 Changi South Street 1, Singapore 486762 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at Seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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