# JEP HOLDINGS LTD

ANNUAL REPORT 2010

JEP HOLDINGS LIMITED Annual Report 2010

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# Contents



This annual report 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 SGX-ST. The Sponsor (whose effective date of appointment is 13 April 2009) has not independently verified the contents of this annual report.

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

The contact person for the Sponsor is Mr Ng Joo Khin.  Telephone number: 6389 3000 Email: jookhin.ng@stamfordlaw.com.sg

# LETTER TO SHAREHOLDERS

## Dear Shareholders,

I am pleased to present to you the Annual Report of JEP Holdings Ltd (“JEP” or “the Group”) for the financial year ended 31 December 2010 (“FY2010”).

FY2010 has been the year of turnaround for JEP in its financial performance. Factors contributed to the turnaround were, the improved economic environment which led to improved businesses, efforts undertaken by the Group to discontinue a loss-making operation, implementation of stringent control over operating cost, reduction of financial expenses as a result of reduction in bank borrowings and management of finance expenses.

Alantac Technology Ltd was renamed “JEP Holdings Ltd” on 6 May 2010 to better reflect the mainstay of its operations which is essentially in the field of advance precision engineering services and to leverage on its established name in the industry.

Overall, JEP has performed well, despite having to weather the difficulties of divesting certain underperforming segment of its operations. The Group’s revenue has grown while gross and operating margins have improved. Our fixed operating overheads have been streamlined to boost overall productivity and efficiencies. At the same time, our balance sheet is stronger with lower debt levels and a stronger cash position.

## Here are some brief highlights on financial performance:

The Group’s revenue of S$28.9 million in FY2010 represented an increase of 14.5% over FY2009. The aerospace, oil and gas, and electronics and semiconductor businesses made up 78.5% of the Group’s total revenue for FY2010. Gross profit margin also expanded from 14.2% in FY2009 to 26.5% in FY2010. The improvement was largely due to better demand and higher margin contribution from the oil and gas, and the electronics and semiconductor businesses.

The Group recorded a significant increase in Other Operating Income from S$0.6 million in FY2009 to S$7.5 million in FY2010, due to the profit of approximately S$6.3 million arising from the sale and leaseback of our premises located at 44/46 Changi South Street 1.

Net profit after tax from continuing operations stood at a healthy S$5.9 million in FY2010 compared to a loss of S$8.9 million in FY2009. Net profit attributable to shareholders was S$1.0 million for FY2010 compared to a loss of S$11.9 million in FY2009.

The positive outcomes in financial performance were the result of strategic priorities we had pursued for FY2010. Let me elaborate on these strategic priorities.

## Focusing on Core Strengths

Continuing from the momentum gained in FY2009, the Group maintained a strong focus on our core strengths in advanced precision engineering services for aerospace, and oil and gas components. These components require us to perform high precision machining, set stringent standards in quality control, deliver products on time and meet our customers' pricing requirement.

JEP's track records for quality, delivery and price continue to put us in a good stead with existing customers and attract new enquiries for businesses from companies located outside the region. Working relationships with customers and suppliers remained strong. We have streamlined and expanded our manufacturing capabilities to ride on the increased orders.

Our unflinching effort to maintain required quality, timely delivery and pricing, coupled with cultivating strong relationship with customers have bored fruits in terms of increased orders and customers' satisfaction.

While volatility remains in the broader economic landscape due to inflationary pressures, and barring any unforeseen circumstances, we believe that the aerospace, oil and gas sectors should remain stable.

## Capital Structure

As one of the first and key initiatives to address the liquidity situation and restructure its capital, the Group decided in early 2010 on a renounceable non-under-written Rights Issue of up to 390,631,828 shares. As announced on 21 April 2010, the Rights Issue received strong take up rate from shareholders. Valid acceptances and excess applications represented approximately 140.4% of the total number of the Rights Shares available under the Rights Issue. The Issue raised gross proceeds of S$11.7 million.

Further action was undertaken to strengthen the Group's financial position. A sale and leaseback of the factory property at 44/46 Changi South Street 1 was completed in December 2010.

The balance sheet improved significantly as a result of the concerted effort to restructure the capital. The Group's consolidated gearing ratio improved to 0.29 times in FY2010 as compared to 2.99 times in FY2009.

Cash and bank balances also recorded a significant improvement. The balances increased 4.5 times to S$20.9 million from S$3.8 million in FY2010.

Short term borrowings were decreased to S$7.3 million in FY2010 versus $18.7 million in FY2009, and over the same period in comparison, long term borrowings declined significantly to S$2.7 million from S$9.8 million a year ago.

While the reliance on bank borrowing has drastically reduced, the Company has been in discussion with the banks to review the bank facilities to prepare for the next phase of  development.

## Discontinued Operation of Alantac Technology (Suzhou) Co. Ltd ("ATSZ")

Even as the Group streamlined and focused on its advanced precision engineering services, raise capital to address the liquidity situation and restructure its capital, it was required to address the continuing loss-making subsidiary, Alantac Technology (Suzhou) Co., Ltd ("ATSZ"). On 23 April 2010, the Group entered into a conditional sale and purchase agreement with Compart Asia Pte Ltd, a wholly owned subsidiary of Broadway Industrial Group Ltd (a SGX main board listed company), for the sale by the Group of its entire equity interest in ATSZ for a cash consideration of S$3.8 million, subject to any adjustment to be made pursuant to the terms of the sales and purchase agreement. The sale was completed on 31 August 2010.

Aside from reducing future overheads and expenses, this move enabled us to recover some capital and channel these financial resources to better use.

## Looking Ahead

Although the Company recorded an improvement in the revenue contribution from the electronics sector in FY2010, the management remained committed to focusing on the more specialised fields of aerospace, and oil and gas as our advanced precision engineering services are highly sought-after, barriers to entry are relatively high and engineering value-add is also well-recognised.

This strategy has enabled the Group to consolidate and place itself in a stronger position to compete and grow.

The higher level of business generated, particularly from the oil and gas sector, during the last quarter of FY2010 has boosted capacity utilisation. In order to support the expected continued growth, higher investments in fixed assets have been provided to meet the demand.

Looking ahead, we believe the economic climate remains uncertain, amidst rising operation cost and potential volatile oil price due to unrest in the Middle East. These factors could adversely impact the overall growth and profitability.

The Company will remain nimble and flexible, enabling timely decisions and prompt implementations of decision made, continue to implement measures to control cost in spite of the fact that such measures have their limits, while maintaining the efficiency of the business operations and build on its existing strengths in the aerospace, and oil and gas businesses.

## A Special Word of Thanks

I would like to extend a warm welcome to Mr Melvin Chan, CEO of Ellipsiz Ltd (a company listed on the SGX main board) to the Board and thank him for his valuable contribution to the Company.

I wish to express my heartfelt gratitude to our, business partners, associates, management and staff for staying united and committed to the Company during the recent difficult times. To our shareholders, we value your continued support as we continue to work hard towards raising our financial and operational performances to higher levels in the coming years.

**Adam Lau Fook Hoong @ Joe Lau**
*Executive Chairman and CEO*
**JEP Holdings Ltd**

# **OPERATIONAL** AND **FINANCIAL REVIEW**

## Review of Financial Performance

FY2010 was a significant year for the Group. The overall financial performance of the Group improved significantly. Effort to transform and consolidate the operations in the recent two years had bored results. The focus on aerospace, and oil and gas businesses have undoubtedly put the Group on firm ground in spite of challenging operating conditions.

## Continuing operations

The Group' revenue of S$28.9 million represented an increase of 14.5% over FY2009. The increase reflected the positive impact, particularly in the electronic and semiconductor sector resulting from the recovery of the global economy. Revenue contribution from the sector rose from 13.9% to 19.5%. The aerospace, oil and gas, and the electronic sectors remained the overall key revenue contributors making up 78.5% of the total revenue for FY2010. This reflected a marginal increase of 1.6% as compared to 76.9% in FY2009.

Gross profit margin increased from 14.2% in FY2009 to 26.5% in FY2010. The improvement was largely due to higher margin contribution from the oil and gas, and the electronic and semiconductor businesses.

Other operating income recorded a significant increase from S$0.6 million in FY2009 to S$7.5 million in FY2010. The increase was mainly due to the profit of approximately S$6.3 million arising from the sale and leaseback of the building located at 44/46 Changi South Street 1.

Selling and Distribution expenses maintained at S$0.5 million in FY2010 as compared to S$0.5 million in FY2009.

General and Administration expenses decreased substantially to S$8.3 million in FY2010 from S$11.0 million in FY2009. This represented a drop of 24.5% or a reduction of S$2.6 million. The decrease was mainly attributed to reduction in term of allowance of stock obsolescence of S$0.3 million, impairment of property, plant & equipment of S$1.0 million, loss on liquidation of subsidiary of S$0.9 million and depreciation of S$1.2 million. The decrease was offset by an increase of utilities charges of S$0.5 million, and legal and professional fees of S$0.3 million.

Financial expenses were reduced by 49%. The reduction of S$0.8 million in FY2010 was the result of significant repayment of the Group's borrowings and effort to keep financing cost down.

A net profit of S$1.0 million was recorded for the Group for FY2010. The profit represented a significant improvement over the corresponding period in FY2009 which recorded a net loss of S$11.9 million.

## Discontinued operation

The sale of the Group's wholly-owned subsidiary, Alantac Technology (Suzhou) Co., Ltd ("ATSZ") was completed on 31 August 2010.

Accordingly, the results of ATSZ was shown as "Discontinued operation" in the statement of comprehensive income in FY2010 and prior year income statement has been reclassified accordingly.

## Balance Sheet and Cash Flow

The Group's property, plant and equipment was S$12.6 million in FY2010 as compared to S$31.8 million in FY2009. The decrease of S$19.2 million was mainly due to depreciation expenses of S$6.3 million, and disposal amounting to S$13.9 million pertaining to property at 44 / 46 Changi South Street 1 (S$6.3 million), ATSZ's assets (S$6.6 million) and disposal of machines of S$1.0 million. The decrease was partly offset by purchase of equipment amounting to S$1.0 million.

Total current assets increased from S$13.2 million in FY2009 to S$30.1 million in FY2010. Other receivables, deposits and prepayments increased by S$1.0 million. Cash and bank balances increased significantly by S$17.0 million due to the proceeds from sale and leaseback of the factory building. The increase in current assets was offset by a decrease in inventory level and trade receivables of S$0.8 million and S$0.3 million respectively.

Total liabilities decreased from S$37.8 million in F2009 to S$20.6 million in FY2010. The reduction of the total liabilities of S$17.2 million was due to repayment of bank loans and finance lease borrowings of S$18.8 million. The trade payables and other accruals increased by S$1.6 million.

In FY2010, the Group generated a positive cash flow of S$7.1 million from its operating activities and S$16.8 million from investing activities. These were partly offset by cash outflow of S$6.7 million for its financing activities. The overall cash flow for FY2010 recorded a net positive of S$17.3 million.

The Group completed its Rights Issue in April 2010 with the issuance of 390,631,828 Shares for gross proceeds of S$11.7 million. As at 24 February 2011, approximately 81% of the proceeds have since been utilised for repayment of bank loans and the balance used for working capital.

## Going Forward

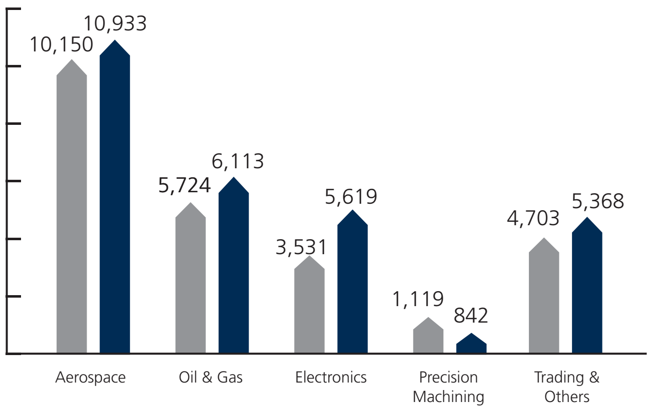
The higher level of business generated, particularly from the oil and gas sector, during the last quarter of FY2010 has boosted capacity utilisation. To support the growth, higher investments in fixed assets have been provided to meet the demand.

Although we have in FY2010 seen an improvement in the semiconductor businesses, the management remained committed to business strategy focusing on the sought-after high value added revenue base in aerospace, and oil and gas businesses.

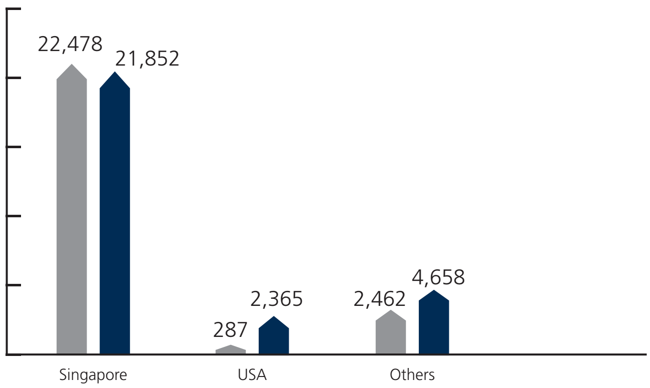
Looking ahead, the economic climate remains uncertain, amidst rising operation cost and unrest in the Middle East. The Group will look to capitalise on pockets of growth opportunities and remained focused on deepening market penetration in our key markets and customer segments. Measures to control cost will be implemented when necessary while maintaining the efficiency of the business operations.

# FINANCIAL HIGHLIGHTS

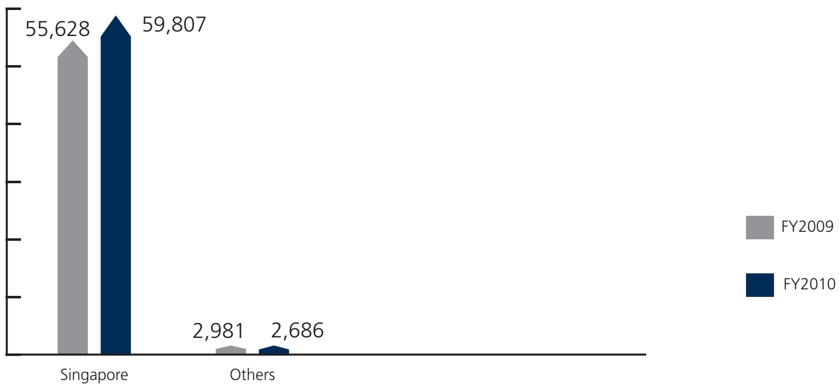
## REVENUE BY INDUSTRY $'000




## REVENUE BY REGION $'000




## ASSETS BY REGION $'000



# **BOARD** OF **DIRECTORS**

## Mr Adam Lau Fook Hoong @ Joe Lau

### Executive Chairman and Chief Executive Officer

Mr Adam Lau Fook Hoong @ Joe Lau was appointed as the Executive Chairman and Chief Executive Officer of the company on 17 August 2009. Mr Lau, the founder of JEP Precision Engineering Pte Ltd joined us as Executive Vice Chairman on 1 October 2007. With more than 20 years of experience in the precision engineering industry, he drives all operational matters for the Group. Mr Lau was the recipient of the 2006 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 Koh How Thim

### Executive Director

Mr Koh How Thim, prior to his re-designation as the Executive Director in 14 December 2009, was a Non-Executive Director with the Company since May 2009.

Mr Koh has extensive experience in the banking and finance industry for more than 20 years. Prior to his appointment in the Company, Mr Koh was a Director, Head of Compliance with a Swiss-based private bank. His banking and finance experience included holding positions as Director of Corporate/Relationship Banking and Director of Treasury of an American bank, Manager, Finance and Administration of a Swiss-based private banking and asset management subsidiary. He has also worked with Agilent Technologies, an American MNC in Singapore where he held the position of Asia Pacific Treasury Manager overseeing cash and financial management functions, and the Treasury operations of all the entities located in more than 10 of the Asia Pacific countries. His other experiences in MNC and financial institutions included M&A activities, financial structuring, management of treasury risk and operations, and cross-border business activities and projects.

He holds a Bachelor of Arts, Hons (Accounting and Finance) from the University of Northumbria in Newcastle, United Kingdom and Master of Business Administration from University of Leicester, United Kingdom. He is also a member of the Singapore Institute of Directors.

## Mr Wong Gang

### Lead Independent Director

Mr Wong Gang is a Partner in law firm, Shook Lin & Bok LLP since 2002, joined us as an Independent Director. 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, and is currently also an Independent Director of several other companies listed on the SGX-ST.

## Mr Quek Hiong How, Raymond

### Independent Director

Mr Quek Hiong How, Raymond, was appointed an Independent Director on 6 August 2009. Mr Quek has held several senior positions and directorships in finance and accounting over the past 30 years. Amongst the senior positions he has held, Mr Quek was the Finance Director for 2 subsidiaries of Boustead Singapore Limited (an SGX main board listed company) as well as the Chief Financial Officer for Keppel Telecommunications and Transportation Ltd ("Keppel T&T"). Mr Quek was also the Vice President (Finance and Administration) for the then-Television Corporation of Singapore Pte Ltd ("TCS").

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 Chan Wai Leong

### Non-Executive Director

Mr Chan Wai Leong was appointed as Non-Executive Director on 4 June 2010. Mr Chan is the Chief Executive Officer of Ellipsiz Ltd, a main board listed company on the SGX. 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 Ltimited, 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.

# KEY EXECUTIVES

## Mr Kuek Tee Meng
### Senior Finance Manager, Group

Mr Kuek joined JEP Holdings Ltd in May 2010 and is presently the Senior Finance Manager of the Group. Mr Kuek had wide ranging work experiences and had served in different Finance management positions spanned over a few industries which included supply chain, fast moving consumer goods, manufacturing and management services.

Prior to joining the Company, Mr Kuek was the Vice-President, Finance of a local management services company overseeing the company's finance function. He has held a number of management appointments. He was the Financial Controller of a SGX-listed company which specialized in manufacturing and distribution of food and beverage products and Deputy Chief Financial Officer of an associate company of a listed company.

Mr Kuek is a fellow of the Chartered Institute of Management Accountants, United Kingdom, and a member of the Institute Certified Public Accountant of Singapore. He holds a Masters in Business Administration degree from Southern New Hampshire University, U.S.A.

## Mr Tan Hung Heng
### General Manager, subsidiary of JEP Precision Engineering Pte Ltd

Mr Tan joined JEP Precision Engineering Pte Ltd ("JEP") in Jan 2005 as a General Manager. He has more than 20 years experience in various management positions in aerospace component manufacturing industry. Started career as a Training Officer in the Industrial Training Board (now known as Institute of Technical Education or "ITE") and later graduated from the Teachers' Training College with Certificate in Pedagogy, and Singapore Polytechnic with Certificate in Industrial Management.

Prior to joining JEP, Mr Tan held the positions of a Manufacturing Engineer, Section Manager and Business Unit Lead Advisor with an American MNC, Hamilton Sundstrand Pacific Aerospace Pte Ltd, a fully-owned subsidiary of United Technologies Corporation. The initial period following joining Hamilton Sundstrand in Singapore, Mr Tan spent a year in the United States manufacturing facilities. On his return to Singapore, Mr Tan was a key person involved in the pioneering the aerospace facilities in the Singapore plant.

Mr Tan's major achievements while working with Hamilton Sundstrand included having led two Supply Chain Management teams to re-engineer part flow to achieve reduced manufacturing lead time. Mr Tan's other work experiences included being appointed Change Management Advocate, and conducted training on Leadership, Change Management and Teambuilding.

## Mr Loh Wai Cheong

### Chief Operating Officer, subsidiary of JEP Precision Engineering Pte Ltd.

Mr Loh Wai Cheong joined JEP Precision Engineering Pte Ltd, the main subsidiary of the Group in 2010 as the Chief Operating Officer. He currently assists the CEO and Chairman of the Group to oversee its operations in Singapore and Thailand.

Mr Loh started his career with Hamilton Sundstrand in Singapore as a Manufacturing Engineer in 1992. He joined Singapore Aerospace Manufacturing in 1998 and rose through the ranks from Senior Engineer to Deputy General Manager. In 2003, Mr Loh joined Smiths Aerospace Engine Components (later known as Unison Engine Components) as its General Manager to start and manage the state-of-the-art manufacturing plant in Suzhou, China.

Mr Loh attended Bradley University of Peoria Illinois and graduated with a Bachelor of Science degree (Summa Cum Lauder) in Manufacturing Engineering under the Sundstrand-EDB Scholarship Scheme. While working with Hamilton Sundstrand, he received his Master of Science degree in Computer Integrated Manufacturing from Nanyang Technological University.

# CORPORATE INFORMATION

## Board of Directors

Adam Lau Fook Hoong @ Joe Lau
*Executive Chairman and Chief Executive Officer*

Koh How Thim
*Executive Director*

Wong Gang
*Lead Independent Director*

Raymond Quek Hiong How
*Independent Director*

Chan Wai Leong
*Non-Executive Director*

## Company Secretary

Cecelia Ong Sulin

## Registered Office

44 Changi South Street 1
Singapore 486762
Tel: +65 6545 4222
Fax: +65 6545 2823
Website: www.jep-holdings.com

## Bankers

United Overseas Bank
DBS Bank
OCBC Bank

## Share Registrar

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

## Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

## Partner in charge

Tan Peck Yen
(since financial year ended
31 December 2006)

# Financial Contents

# CORPORATE GOVERNANCE

**Corporate Governance Statement**

The Board of Directors and Management of JEP Holdings Ltd. (the "Company") are committed to observing high standards of corporate governance and transparency and the protection of shareholders' interests. This report describes the processes and measures adopted, where feasible and; the principles set out in the Code of Corporate Governance 2005 (the "Code").

**Principle 1 - The Board's Conduct of its Affairs**

The Company is headed by the Board that leads and oversees its operations and affairs.

The Board comprises the following members:

**Executive Directors**
Adam Lau Fook Hoong @ Joe Lau
Koh How Thim

**Non-Executive Directors**

| | |
|---|---|
| Wong Gang | (Lead Independent Director) |
| Raymond Quek Hiong How | (Independent Director) |
| Chan Wai Leong | (Non-Independent Director)(Appointed on 4 June 2010) |

The Board is responsible for the Company's system of corporate governance, and is ultimately responsible for the Group's activities, strategies and financial performance. It endeavours to enhance long-term value and return for shareholders.

The Board's primary functions include:

- Approving Group business objectives, strategic plans, and key initiatives,
- Overseeing the processes for evaluating adequacy of internal controls, risk management, financial reporting and compliance,
- Approving nomination of directors and appointment of key personnel,
- Approving annual budgets, major capital expenditures and funding proposals, major investment and divestment proposals,
- Approving half-year / full-year result announcements and all other announcements.

In carrying out his duties, each director is expected to consider, at all times, the interest of the Company.

The Board delegates certain decision making authorities to the Audit Committee, the Nominating Committee and the Remuneration Committee, and these committees will in turn be monitored by the Board.

The Board has adopted internal guidelines that require Board's approval, including appointment of directors, company secretary and appointment of Catalist Sponsor and as well as major transactions, *inter alia*, capital funding, acquisitions and disposals.

There will be an orientation of the Company's operational facilities and a meeting with the management staff for newly appointed Directors to familiarise them with the Company's business and governance policies. The

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

Company would also be happy to open this orientation as a refresher for seasoned directors. To keep abreast with developments in financial, legal and accounting requirements, the Company will encourage its directors to attend relevant instructional/training courses at the Company's expense.

The Company Secretary attends most of the Board meetings and ensures that Board procedures are followed and that applicable rules and regulations are complied with.

To discharge its duties effectively and efficiently, the Board has established three committees, namely, the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), each of which functions within the defined terms of reference and operating procedures which are reviewed on a regular basis.

The Company's Articles of Association allow a board meeting to be conducted by way of teleconference and a resolution in writing signed by the majority of directors.

The Board, as a Group, possesses the necessary competencies to lead and govern the Company effectively.

The number of Board and other committee meetings held in the year and the attendance of each director, where relevant, is set out 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 |
| Adam Lau Fook Hoong @ Joe Lau | 2 | 2 | - | - | 1 | 1 | - | - |
| Wong Gang | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Koh How Thim | 2 | 2 | - | - | - | - | - | - |
| Raymond Quek Hiong How | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Chan Wai Leong | 2 | 1 | - | - | - | - | - | - |

**Principle 2 - Board Composition and Balance**

The Board comprises five directors, of whom two are independent directors. There is a strong and independent element on the Board that enables it to exercise objective judgment on corporate affairs independently, in particular, from the management. No individual or small group of individuals are allowed to dominate the Board's decision making. The independence of each director is reviewed annually by the NC based on guidelines on criteria of independence stated in the Code. The directors are not related to one another.

The NC is of the opinion that its current Board size and mix of expertise and experience of its members, as a group, provide core competencies necessary to meet the Company's requirements.

# CORPORATE GOVERNANCE

**Principle 2 - Board Composition and Balance (cont'd)**

The independence of each director will be reviewed annually by the NC, based on the guidelines on criteria of independence stated in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement.

The Independent Directors provide an independent and professional element to the Board, enabling the Board to challenge management from an objective perspective, and at the same time, allow for constructive suggestions that will shape the Company's policies. The Independent Directors also aid in the review of management performance and monitor the management reporting framework.

**Principle 3 - Chairman and Chief Executive Officer**

The Code stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should, in principle, be separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Group's Executive Chairman, Mr. Adam Lau Fook Hoong @ Joe Lau, assumes the role of both the Chairman and CEO. The Board is of the view that based on the Company's current size and operation, it is in the best interests of the Group to adopt a single leadership structure, whereby the Executive Chairman and the CEO is the same person, so as to ensure that the decision-making process of the Group and implementation of Board's corporate plans and polices would not be unnecessarily hindered.

The role of the Chairman includes ensuring the Board meetings are held when necessary and sets the Board meeting agenda in consultation with the Company Secretary and ensuring that the Board is provided with adequate and timely information.

All major decisions are reviewed by the AC. The CEO'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. The Lead Independent Director is also available to shareholders, where they have concerns which contact through the normal channels of the Chairman, CEO or the relevant director has failed to resolve or for which such contact is inappropriate.

**Principle 4 - Board Membership**

The Nominating Committee ("NC"), comprises three members; two are Independent Directors and one Executive Director.

| | |
|---|---|
| Wong Gang | (Lead Independent Director and Chairman); |
| Raymond Quek Hiong How | (Independent Director); |
| Adam Lau Fook Hoong @ Joe Lau | (Executive Director) |

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.

**Principle 4 - Board Membership (cont'd)**

The NC shall be responsible for identifying and nominating candidates for the Board, determining annually, whether a director is independent, filling Board vacancies as well as to put in place plans for succession, in particular the positions of Chairman and Chief Executive Officer.

In addition, the NC will make recommendations to the Board concerning the continuation of the services of any Director who has reached the age of seventy (70) years. Should a director have multiple board representations, the NC has to decide whether he has been adequately carrying out his duties as a director of the Company.

NC will oversee and ensure that at least a third of the Board retires by rotation at every Annual General Meeting ("AGM"), and every director will be required to submit themselves for re-nomination and re-election on a rotational basis and at least once every 3 years.

At the forthcoming AGM, Mr Adam Lau Fook Hoong @ Joe Lau and Mr Chan Wai Leong shall retire and being eligible, agree to be re-elected.

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 management, (ii) Assessment of suitability of candidates and an open dialogue to ensure the candidate is aware of his role and obligation and (iii) a final shortlist for recommendation to the Board.

**Principle 5 - Board Performance**

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 the effectiveness of individual directors. Part of the process is through the review of the appraisal/evaluation forms, which included an assessment of the size and composition of the Board, the Board's access to information, the Board's performance in relation to discharging its key responsibilities and the time commitment of directors who serve on multiple boards.

**Principle 6 - Access to Information**

The Directors are updated regularly on corporate governance, changes in listing rules and regulations and performance of the Group. The Directors have separate and independent access to the senior management, including the Company Secretary of the Group, at all times. The Directors, either individually or as a group, in the furtherance of their duties, can take independent professional advice, if necessary, at Company's expense.

The Company makes available to all Directors its half-year and full-year management accounts and where required, other financials statements, budgets and forecasts and other relevant information as necessary. Detailed reports and board papers are sent out to the Directors before the meetings so that the Board can have 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.

# CORPORATE GOVERNANCE

**Principle 7- Procedures for Developing Remuneration Policies**

The Remuneration Committee ("RC"), comprises three members, two of whom are Independent Directors.

| | |
|---|---|
| Wong Gang | (Lead Independent Director and Chairman) |
| Raymond Quek Hiong How | (Independent Director) |
| Chan Wai Leong | (Non-Executive and Non-Independent Director) |

The RC reviews and recommends to the Board, in consultation with Management, a framework of remuneration for Management and key executives in the Company.

Independent and Non-Executive Directors receive directors' fees as determined by the RC, who takes into account their level of contribution and responsibilities.

Currently, the Company does not have any long-term incentive scheme for its Directors. However, the Company is currently looking into this issue with its independent directors with the possibility of adopting incentive schemes. Where appropriate, the board will adopt such recommendations and modifications, if feasible and applicable.

**Principle 8 - Level and Mix of Remuneration**

The RC is responsible for reviewing and approving specific remuneration packages and terms of employment of Directors and employees related to Executive Directors and controlling shareholders of the Company. The RC also reviews the adequacy and form of remuneration for Directors to ensure that their compensation commensurate with the responsibilities and risks involved in being a Director and the remuneration packages are comparable within the industry and include a performance-related element with appropriate and meaningful measures of assessing performance. Such remuneration packages include but are not limited to director's fees, salaries, allowances, bonuses and benefits in kind. In case of service contracts, there is a fixed appointment period for all directors, after which they are subject to re-election. No Director or member of the RC shall be involved in deciding his own remuneration.

**Principle 9 - Disclosure on Remuneration**

The remuneration of Directors and the top 3 senior executives of the Company for the year ended 31 December 2010 are set out below:

| Remuneration band and name | Fees (1) | Salary (2) | Bonus (2) | Others(3) | Total |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| **S$250,000 to S$499,999** | | | | | |
| Adam Lau Fook Hoong @ Joe Lau | - | 56% | 30% | 14% | 100% |
| **Below S$250,000** | | | | | |
| Koh How Thim | - | 76% | 14% | 10% | 100% |
| Wong Gang | 100% | - | - | - | 100% |
| Raymond Quek Hiong How | 100% | - | - | - | 100% |
| Chan Wai Leong | 100% | - | - | - | 100% |
| Andy Luong | 100% | - | - | - | 100% |
| (Resigned on 30 April 2010) | | | | | |

| Remuneration band and name | Fees [1] | Salary [2] | Bonus [2] | Others[3] | Total |
|---|---|---|---|---|---|
| **Key Executives** | | | | | |
| **S$250,000 to S$499,999** | | | | | |
| NIL | - | - | - | - | - |
| **Below S$250,000** | | | | | |
| Kuek Tee Meng | - | 89% | 8% | 3% | 100% |
| Tan Hung Heng | - | 92% | 8% | - | 100% |
| Loh Wai Cheong | - | 79% | 7% | 14% | 100% |
| Leong Weng Cheong (Resigned on 2 July 2010) | - | 91% | - | 9% | 100% |

(1) These fees are subject to approval by shareholders as a lump sum at the forthcoming AGM.
(2) Salaries and bonuses include employer contributions to the Central Provident Fund.
(3) Benefits in kind such as use of company vehicles are included.

In the financial year ended 31 December 2010, the Group has no employee whose annual remuneration exceeds S$150,000 who is related to any Director.

**Principle 10 - Accountability**

The Board is collectively responsible for the success of the Company and works with management to achieve this. The Company reports its results once every six months.

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

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

In line with continuous disclosure obligations of the Company and in accordance to 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 shall 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.

# CORPORATE GOVERNANCE

**Principle 11 - Audit Committee**

The Audit Committee ("AC"), comprises three members who have accounting or related financial expertise or experience to discharge the responsibilities. It comprises of two Independent Directors and one non-executive director.

| | |
|---|---|
| Raymond Quek Hiong How | (Independent Director and Chairman) |
| Wong Gang | (Lead Independent Director) |
| Chan Wai Leong | (Non-Executive Non-Independent Director) |

The duties of the AC shall be:

a) to review with the external auditors their audit plan, audit report, management letter and Management's response.

b) to review the half-year announcement and annual 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 external auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have.

f) to review the assistance given by Management to external auditors.

g) to review and evaluate the adequacy of the Company's internal controls systems by reviewing reports from internal and external auditors.

h) to review the effectiveness of the Company's internal audit function.

i) to review annually the scope and results of the 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. A lead independent director will lead in all queries as may be raised by the staff of the Company. The AC will have full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings. The AC also has reasonable resources to enable it to discharge its functions properly.

   The Company has put in place a whistle blowing policy, reviewed and endorsed by the AC, where the employees can, in confidence, raise concerns about improper conduct for investigation.

k) to report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

**Principle 11 - Audit Committee (cont'd)**

l) to review interested person transactions (IPTs) falling within the scope of the Catalist Rules.

m) to undertake such other reviews and projects as may be requested by the Board.

n) to consider the appointment/re-appointment of external auditors, the audit fee and matters relating to the resignation or dismissal of auditors.

The AC has reviewed the non-audit services provided by the external auditors and is of the opinion that the provision of such services does not affect the independence of the external auditors.

**Principle 12 - Internal Controls**

The Management has put in place and maintained internal control measures intended to manage business risks. These measures provide reasonable, but not absolute assurance, to the integrity and reliability of the financial information and to safeguard the accountability of the assets.

The AC had reviewed the effectiveness of the measures taken by the Management based on the recommendations made by the external auditors.

**Principle 13 - Internal Audit**

The Board has appointed Horwath First Trust Risk Advisory Pte Ltd to perform the internal audit functions of the Group. The Internal Auditor's primary line of reporting is to the Chairman of the AC. The AC ensures that the internal audit functions is adequately resourced and has appropriate standing within the Group. The adequacy of the internal audit function is determined at least annually by the AC.

**Principle 14 - Communication with Shareholders**

The Board is committed to being open and transparent in the conduct of the Company's affairs, whilst 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.

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

**Principle 15 - Shareholders' Participation**

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. Shareholders may appoint proxies to attend and vote on their behalf.

# CORPORATE GOVERNANCE

**Principle 15 - Shareholders' Participation (cont'd)**

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.

The Chairman of the AC, RC and NC is required to be present during the general meeting to address shareholders' queries. In addition, external auditors are also present at such meetings to assist the Directors in addressing the queries, if required.

**Securities Transactions**

In compliance with Rule 1207(18), the Company has issued a policy to its Directors and key officers / employees that there must be no dealings in the securities of the Company one month before the release 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 to deal in the Company's securities on short-term considerations.

In view of the process in place, the Board is of the opinion that the Company has complied with the principal corporate governance recommendations.

**Material Contracts**

No material contracts of the Company and its subsidiary 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.

**Interested Person Transactions**

Save as disclosed in note 27 to the financial statements on page 86 of the Annual Report, there was no interested person transaction during the financial year under review.

**Sponsors**

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

# DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of JEP Holdings Ltd. (the Company) and its subsidiaries (collectively, the Group) and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2010.

**Directors**

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

| | | |
|---|---|---|
| Adam Lau Fook Hoong @ Joe Lau | - | Executive Chairman of the Board, Chief Executive Officer |
| Koh How Thim | - | Executive Director |
| Wong Gang | - | Lead Independent Director |
| Quek Hiong How (Raymond) | - | Independent Director |
| Chan Wai Leong | - | Non-Executive and Non-Independent Director |

**Arrangements to enable directors to acquire shares and debentures**

Except for the subscription of shares under the rights issue of the Company, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

**Directors' interests in shares and debentures**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| | **Direct interest** | | **Deemed interest** | |
|---|---|---|---|---|
| **Name of director** | **At the beginning of financial year or date of appointment** | **At the end of financial year** | **At the beginning of financial year or date of appointment** | **At the end of financial year** |
| *Ordinary shares of the Company* | | | | |
| Adam Lau Fook Hoong @ Joe Lau | 73,837,686 | 129,215,950 | - | - |
| Koh How Thim | 100,000 | 175,000 | - | - |

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2011.

### Directors' interests in shares and debentures (Cont'd)

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

### Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### Options

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2010, there were no options on the unissued shares of the Company or its subsidiaries which were outstanding.

### Audit committee

The audit committee (AC) carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Reviews the half yearly unaudited results announcement and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;

- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviews 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;

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;

**Audit committee (Cont'd)**

- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and

- Reviews interested person transactions in accordance with the requirements of the Catalist Listing Manual of the Singapore Exchange Securities Trading Limited.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year attended by all members. The AC has also met with external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the audit committee are disclosed in the Report on Corporate Governance.

**Auditors**

The auditors, Ernst & Young LLP, will not be seeking re-appointment.

On behalf of the board of directors:

Adam Lau Fook Hoong @ Joe Lau
Director

Koh How Thim
Director

Singapore
31 March 2011

# STATEMENT BY DIRECTORS

We, Adam Lau Fook Hoong @ Joe Lau and Koh How Thim, being two of the directors of JEP Holdings Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, statements of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results of the business and changes in equity of the Group and of the Company and the cash flows of the Group for the year ended on that date, and

(ii) 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.

On behalf of the board of directors:

Adam Lau Fook Hoong @ Joe Lau
Director

Koh How Thim
Director

Singapore
31 March 2011

# INDEPENDENT AUDITORS' REPORT
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010
## TO THE MEMBERS OF JEP HOLDINGS LTD.
## (FORMERLY KNOWN AS ALANTAC TECHNOLOGY LTD.)

**Report on the Financial Statements**

We have audited the accompanying financial statements of JEP Holdings Ltd. (the Company) and its subsidiaries (collectively, the Group) set out on pages 29 to 102, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of comprehensive income and the statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility 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 Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

# INDEPENDENT AUDITORS' REPORT
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**
**TO THE MEMBERS OF JEP HOLDINGS LTD.**
**(FORMERLY KNOWN AS ALANTAC TECHNOLOGY LTD.)**

**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 the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
31 March 2011

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

(In Singapore dollars)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2010 | 2009 | 2010 | 2009 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Continuing Operations** | | | | | |
| **Revenue** | 4 | 28,875 | 25,227 | 4,646 | 3,735 |
| Cost of sales | | (21,219) | (21,653) | (4,915) | (4,505) |
| **Gross profit** | | 7,656 | 3,574 | (269) | (770) |
| **Other items of income** | | | | | |
| Financial income | 8 | 1 | 3 | 1 | 2 |
| Other operating income | 5 | 7,474 | 644 | 2,796 | 1,147 |
| **Other items of expense** | | | | | |
| Selling and distribution expenses | | (535) | (584) | (60) | (73) |
| Administrative expenses | | (8,262) | (10,958) | (1,834) | (7,363) |
| Financial expenses | 8 | (844) | (1,650) | (178) | (794) |
| Other financial charges | 8 | (9) | (138) | (9) | (138) |
| Impairment loss on investment | | - | - | (5,056) | (6,900) |
| **Profit/(loss) before tax from continuing operations** | 6 | 5,481 | (9,109) | (4,609) | (14,889) |
| Tax credit/(expense) | 9 | 460 | 227 | 40 | (69) |
| **Profit/(loss) after tax from continuing operations for the year** | | 5,941 | (8,882) | (4,569) | (14,958) |
| | | | | | |
| **Discontinued operation** | | | | | |
| Loss after tax from discontinued operation | | (4,963) | (3,052) | - | - |
| **Profit/(loss) for the year, net of tax** | | 978 | (11,934) | (4,569) | (14,958) |
| | | | | | |
| **Attributable to:** | | | | | |
| **Owners of the parent** | | | | | |
| Profit/(loss) from continuing operations, net of tax | | 5,090 | (8,759) | | |
| Loss from discontinued operation, net of tax | | (4,963) | (3,052) | | |
| Profit/(loss) for the year attributable to owners of the parent | | 127 | (11,811) | | |
| | | | | | |
| **Non-controlling interests** | | | | | |
| Profit/(loss) from continuing operations, net of tax | | 851 | (123) | | |
| Loss from discontinued operation, net of tax | | - | - | | |
| | | 851 | (123) | | |
| | | | | | |
| **Other comprehensive income:** | | | | | |
| Currency translation differences | | 810 | 21 | - | - |
| **Other comprehensive income for the year, net of tax** | | 810 | 21 | - | - |
| **Total comprehensive income for the year** | | 1,788 | (11,913) | (4,569) | (14,958) |

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

(In Singapore dollars)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2010 | 2009 | 2010 | 2009 |
| | | $'000 | $'000 | $'000 | $'000 |
| **Total comprehensive income for the year attributable to:** | | | | | |
| Owners of the parent | | 967 | (11,794) | | |
| Non-controlling interests | | 821 | (119) | | |
| | | 1,788 | (11,913) | | |
| **Attributable to:** | | | | | |
| **Owners of the parent** | | | | | |
| Total comprehensive income from continuing operations, net of tax | | 5,090 | (9,433) | | |
| Total comprehensive income from discontinued operation, net of tax | | (4,123) | (2,361) | | |
| Total comprehensive income for the year attributable to owners of the parent | | 967 | (11,794) | | |
| **Earnings/(loss) per share (cents per share)** | | | | | |
| Basic | 10 | 0.02 | (2.80) | | |
| Diluted | 10 | 0.02 | (2.80) | | |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# BALANCE SHEETS
## AS AT 31 DECEMBER 2010

(In Singapore dollars)

| | Note | Group 2010 | Group 2009 | Company 2010 | Company 2009 |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 12,619 | 31,806 | 199 | 2,205 |
| Investment in subsidiaries | 12 | - | - | 29,468 | 34,697 |
| Goodwill on consolidation | 13 | 12,720 | 12,720 | - | - |
| Intangible assets | 14 | 7,022 | 8,608 | - | - |
| | | 32,361 | 53,134 | 29,667 | 36,902 |
| **Current assets** | | | | | |
| Inventories | 15 | 1,622 | 2,402 | - | 1,156 |
| Trade receivables | 16 | 5,200 | 5,518 | 327 | 1,330 |
| Other receivables | 17 | 824 | 646 | - | - |
| Deposits and prepaid operating expenses | 18 | 1,615 | 804 | 24 | 89 |
| Amount due from subsidiaries | 19 | - | - | 2,980 | 137 |
| Pledged deposits | 20 | 17 | 17 | - | - |
| Cash and cash equivalents | 20 | 20,854 | 3,821 | 5,293 | 882 |
| | | 30,132 | 13,208 | 8,624 | 3,594 |
| **Total assets** | | 62,493 | 66,342 | 38,291 | 40,496 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | 21 | 1,888 | 2,653 | 136 | 561 |
| Other payables and accruals | 22 | 3,121 | 3,525 | 426 | 1,667 |
| Tax payable | | 396 | 125 | - | - |
| Amount due to subsidiaries | 19 | - | - | 37 | 1,051 |
| Finance lease obligations | 23 | 2,374 | 3,710 | - | 544 |
| Loans and borrowings | 24 | 4,944 | 14,952 | 3,194 | 8,700 |
| Bank overdrafts | 20 | - | 207 | - | - |
| Derivative | | 131 | - | 131 | - |
| | | 12,854 | 25,172 | 3,924 | 12,523 |
| **Non-current liabilities** | | | | | |
| Finance lease obligations | 23 | 1,275 | 3,190 | - | 246 |
| Other payables and accruals | 22 | 2,788 | - | - | - |
| Loans and borrowings | 24 | 1,439 | 6,627 | 894 | 1,258 |
| Deferred tax liabilities | 9 | 2,234 | 2,811 | - | - |
| | | 7,736 | 12,628 | 894 | 1,504 |
| **Total liabilities** | | 20,590 | 37,800 | 4,818 | 14,027 |
| **Net current assets/(liabilities)** | | 17,278 | (11,964) | 4,700 | (8,929) |
| **Net assets** | | 41,903 | 28,542 | 33,473 | 26,469 |

# BALANCE SHEETS
## AS AT 31 DECEMBER 2010

(In Singapore dollars)

| | Note | Group 2010 | Group 2009 | Company 2010 | Company 2009 |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 25 | 74,950 | 63,377 | 74,950 | 63,377 |
| Equity component of convertible term loan | 24 | - | 993 | - | 993 |
| Accumulated losses | | (36,724) | (37,844) | (41,477) | (37,901) |
| Translation reserve | | (171) | (1,011) | - | - |
| | | 38,055 | 25,515 | 33,473 | 26,469 |
| **Non-controlling interests** | | 3,848 | 3,027 | - | - |
| **Total equity** | | 41,903 | 28,542 | 33,473 | 26,469 |
| **Total equity and liabilities** | | 62,493 | 66,342 | 38,291 | 40,496 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

(In Singapore dollars)

| Group | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital (Note 25) | Equity component of convertible term loan | Translation reserve | Accumulated losses | Equity attributable to owners of the parent, total | Non-controlling interests | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| At 1 January 2009 | 57,077 | 993 | (1,028) | (26,033) | 31,009 | 3,146 | 34,155 |
| Net loss for the year | - | - | - | (11,811) | (11,811) | (123) | (11,934) |
| Currency translation differences | - | - | 17 | - | 17 | 4 | 21 |
| Total comprehensive loss for the year | - | - | 17 | (11,811) | (11,794) | (119) | (11,913) |
| Share placement during the year | 6,300 | - | - | - | 6,300 | - | 6,300 |
| Closing balance at 31 December 2009 | 63,377 | 993 | (1,011) | (37,844) | 25,515 | 3,027 | 28,542 |
| At 1 January 2010 | 63,377 | 993 | (1,011) | (37,844) | 25,515 | 3,027 | 28,542 |
| Net profit for the year | - | - | - | 127 | 127 | 851 | 978 |
| Currency translation differences | - | - | 840 | - | 840 | (30) | 810 |
| Total comprehensive profit for the year | - | - | 840 | 127 | 967 | 821 | 1,788 |
| Transfer of equity component of convertible loan derecognised | - | (993) | - | 993 | - | - | - |
| Proceeds from rights issue | 11,718 | - | - | - | 11,718 | - | 11,718 |
| Rights issue expenses | (145) | - | - | - | (145) | - | (145) |
| Closing balance at 31 December 2010 | 74,950 | - | (171) | (36,724) | 38,055 | 3,848 | 41,903 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

(In Singapore dollars)

| | Share capital (Note 25) | Equity component of convertible term loan | Accumulated losses | Equity, total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Company** | | | | |
| At 1 January 2009 | 57,077 | 993 | (22,943) | 35,127 |
| Net loss for the year represents total comprehensive loss for the year | - | - | (14,958) | (14,958) |
| Total comprehensive loss for the year | - | - | (14,958) | (14,958) |
| Share placement during the year | 6,300 | - | - | 6,300 |
| Closing balance at 31 December 2009 | 63,377 | 993 | (37,901) | 26,469 |
| At 1 January 2010 | 63,377 | 993 | (37,901) | 26,469 |
| Net loss for the year represents total comprehensive loss for the year | - | - | (4,569) | (4,569) |
| Total comprehensive loss for the year | - | - | (4,569) | (4,569) |
| Transfer of equity component of convertible loan derecognised | - | (993) | 993 | - |
| Proceeds from rights issue | 11,718 | - | - | 11,718 |
| Rights issue expenses | (145) | - | - | (145) |
| Closing balance at 31 December 2010 | 74,950 | - | (41,477) | 33,473 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

(In Singapore dollars)

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | | |
| Profit/(loss) before tax from continuing operations | | 5,481 | (9,109) |
| Loss before tax from discontinued operation | | (4,963) | (3,052) |
| Profit/(loss) before tax, total | | 518 | (12,161) |
| Adjustments for: | | | |
| Allowance for doubtful receivables | | 205 | 164 |
| Allowance for obsolete inventory | | 70 | 397 |
| Depreciation of property, plant and equipment | 11 | 6,255 | 8,072 |
| Amortisation of intangible assets | 14 | 1,586 | 1,586 |
| Gain on disposal of property, plant and equipment | | (6,281) | (322) |
| Impairment of property, plant and equipment | | - | 962 |
| Inventories written off | | 255 | 491 |
| Interest income | | (1) | (3) |
| Interest expense | | 1,007 | 1,836 |
| Net fair value gain on derivative | | (81) | - |
| Translation difference | | 252 | (512) |
| Loss on disposal/liquidation of subsidiaries | 26(a) | 3,154 | 910 |
| Total adjustments | | 6,421 | 13,581 |
| Operating cash flows before changes in working capital | | 6,939 | 1,420 |
| Changes in working capital | | | |
| Decrease/(increase) in: | | | |
| Trade receivables | | (57) | (102) |
| Other receivables, deposits and prepaid operating expenses | | (1,037) | (574) |
| Inventories | | 455 | 2,263 |
| Increase/(decrease) in: | | | |
| Trade payables | | (765) | (1,731) |
| Other payables and accruals | | 2,462 | 528 |
| Total changes in working capital | | 1,058 | 384 |
| Cash generated from operations | | 7,997 | 1,804 |
| Interest and other financial charges paid | | (1,007) | (1,836) |
| Interest income received | | 1 | 3 |
| Tax refund/(paid) | | 154 | (111) |
| Net cash generated from/(used in) operating activities | | 7,145 | (140) |
| **Cash flows from investing activities** | | | |
| Net cash inflow from disposal of subsidiary | 26(b) | 3,446 | - |
| Purchase of property, plant and equipment (Note A) | | (921) | (1,339) |
| Proceeds from disposal of property, plant and equipment | | 14,249 | 702 |
| Net cash generated from/(used in) investing activities | | 16,774 | (637) |

# CONSOLIDATED CASH FLOW STATEMENT

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

(In Singapore dollars)

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from financing activities** | | | |
| Repayment of finance lease obligations | | (3,251) | (4,942) |
| Repayment of bank term loans | | (14,984) | (3,721) |
| Proceeds from rights issue | | 11,718 | - |
| Rights issue expenses | | (145) | - |
| Proceeds from share placement | | - | 6,300 |
| Net cash used in financing activities | | (6,662) | (2,363) |
| **Net increase/(decrease) in cash and cash equivalents** | | 17,257 | (3,140) |
| **Cash and cash equivalents at beginning of year** | | 3,614 | 6,754 |
| **Cash and cash equivalents at end of year (Note 20)** | | 20,871 | 3,614 |

**Notes to the Consolidated Cash Flow Statement**

**A. Purchase of property, plant and equipment**

| | 2010 | 2009 |
|---|---|---|
| | $'000 | $'000 |
| Aggregate cost of property, plant and equipment acquired (Note 11) | 1,015 | 1,339 |
| Less: | | |
| Financed by finance lease obligations | (94) | - |
| Cash payments to acquire property, plant and equipment | 921 | 1,339 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## 1. Corporate information

JEP Holdings Ltd. (the Company) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

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

With effect from 6 May 2010, the name of the Company was changed from Alantac Technology Ltd. to JEP Holdings Ltd.

The principal activities of the Company are in the provision of advanced engineering services in precision machining and manufacturing of critical parts and components used mainly in the Aerospace, Oil and Gas industries. The principal activities of its subsidiaries are as disclosed in Note 12 to the financial statements.

## 2. Summary of significant accounting policies

### *2.1 Basis of preparation*

The consolidated financial statements of the Group and the balance sheet, statement of comprehensive income and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

### *2.2 Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

*FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)*

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

**2. Summary of significant accounting policies (cont'd)**

2.2 ***Changes in accounting policies (cont'd)***

*FRS 103 Business Combinations (revised)*

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

*FRS 27 Consolidated and Separate Financial Statements (revised)*

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

## 2. Summary of significant accounting policies (cont'd)

### *2.3 Standards issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendments to FRS 32 Financial Instruments: Presentation - Classification of Rights Issues | 1 February 2010 |
| INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |
| Improvements to FRSs issued in 2010: | |
| - Transition requirements for amendments arising as a result of FRS 27 Consolidated and Separate Financial Statements | 1 July 2010 |
| - Amendments to FRS 103 Business Combinations | 1 July 2010 |
| - Amendments to FRS 1 Presentation of Financial Statements | 1 January 2011 |
| - Amendments to FRS 34 Interim Financial Reporting | 1 January 2011 |
| - Amendments to FRS 101 First-time Adoption of Financial Reporting Standards | 1 January 2011 |
| - Amendments to FRS 107 Financial Instruments: Disclosures | 1 January 2011 |
| - Amendments to INT FRS 113 Customer Loyalty Programmes | 1 January 2011 |
| Revised FRS 24 Related Party Disclosures | 1 January 2011 |
| Amendments to INT FRS 114 Prepayments of a Minimum Funding Requirement | 1 January 2011 |
| INT FRS 115 Agreements for the Construction of Real Estate | 1 January 2011 |
| Amendments to FRS 107 Financial Instruments: Disclosures - Transfers of Financial Assets | 1 July 2011 |
| Amendments to FRS 32 Income Taxes - Deferred Tax: Recovery of Underlying Assets | 1 January 2012 |

**2. Summary of significant accounting policies (cont'd)**

*2.3* ***Standards issued but not yet effective (cont'd)***

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

*Revised FRS 24 Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

*2.4* ***Basis of consolidation***

*Business combinations from 1 January 2010*

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 are eliminated in full.

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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

**2. Summary of significant accounting policies (cont'd)**

*2.4* ***Basis of consolidation (cont'd)***

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.8(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

*Business combinations before 1 January 2010*

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

## 2. Summary of significant accounting policies (cont'd)

### *2.5 Transactions with non-controlling interests*

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 comprehensive income and within equity in the consolidated balance sheet, separate from equity attributable to owners of the Company.

Changes in the Company owners' 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 parent.

### *2.6 Foreign currency*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) ***Group companies***

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Foreign currency (cont'd)*

(b) ***Group companies (cont'd)***

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

### 2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

**2. Summary of significant accounting policies (cont'd)**

2.7 ***Property, plant and equipment (cont'd)***

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | | **Years** |
|---|---|---|
| Freehold factory building | - | 20 |
| Leasehold factory buildings | - | 30 |
| Machinery and equipment | - | 5 to 8 |
| Electrical installations and renovations | - | 3 to 5 |
| Furniture, fittings and office equipment | - | 5 to 10 |
| Computers | - | 3 |
| Motor vehicles | - | 5 |

Construction-in-progress is not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

*2.8* ***Intangible assets***

(a) ***Goodwill***

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

**2. Summary of significant accounting policies (cont'd)**

2.8 ***Intangible assets (cont'd)***

(a) ***Goodwill (cont'd)***

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(b) ***Other intangible assets***

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

**2. Summary of significant accounting policies (cont'd)**

2.8 ***Intangible assets (cont'd)***

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceed and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Customer relationships

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

*2.9* ***Impairment of non-financial assets***

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

## 2. Summary of significant accounting policies (cont'd)

### *2.10* ***Subsidiaries***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### *2.11* ***Financial assets***

***Initial recognition and measurement***

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

(a) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

## 2. Summary of significant accounting policies (cont'd)

### *2.11 Financial assets (cont'd)*

(a) ***Financial assets at fair value through profit or loss (cont'd)***

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

(b) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

***Derecognition***

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

### *2.12 Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

**2. Summary of significant accounting policies (cont'd)**

(a) ***Financial assets carried at amortised cost (cont'd)***

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

*2.13* ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and at banks, unsecured fixed deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and short-term deposits carried in the balance sheets are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is stated in Note 2.11(b).

**2. Summary of significant accounting policies (cont'd)**

*2.14* ***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 are determined on a weighted average basis.
- 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.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*2.15* ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*2.16* ***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

**2. Summary of significant accounting policies (cont'd)**

*2.16* ***Financial liabilities (cont'd)***

***Subsequent measurement***

The measurement of financial liabilities depends on their classification as follows:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

***Other financial liabilities***

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

***Derecognition***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

*2.17* ***Financial guarantee***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

**2. Summary of significant accounting policies (cont'd)**

*2.18* ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

*2.19* ***Employee benefits***

(a) *Defined contribution plans*

Singapore

The Group makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as an expense in the period in which the related service is performed.

Thailand

The subsidiary which is registered and operating in Thailand is required to make contribution to the Social Security Fund. This is an authorised pension scheme under the Thailand law and costs are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

*2.20* ***Convertible term loan***

(i) Where equity conversion option is recognised as an equity component

When convertible term loan is drawndown, the total proceeds are allocated to the liability component and the equity component (conversion option), which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible term loan. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the term loan.

**2. Summary of significant accounting policies (cont'd)**

*2.20* ***Convertible term loan (cont'd)***

(i) Where equity conversion option is recognised as an equity component (cont'd)

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in current liability. Interest expense and fair value adjustment on derivative financial liability is recognised in financial expenses. Upon conversion of the convertible loan, the carrying amount of the liability component and derivative financial liability are derecognised and recorded in share capital.

(ii) Where equity conversion option exhibits characteristics of an embedded derivative

The equity conversion option of convertible notes exhibits characteristics of an embedded derivative and is separated from its liability component. On initial recognition, the embedded equity conversion option is measured at its fair value and presented as part of derivative financial instruments. The difference between total proceeds and the fair value of the equity conversion option is recognized as the liability component.

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in the statement of comprehensive income. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability components and the equity conversion option are derecognised with a corresponding recognition of share capital.

*2.21* ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

***As lessee***

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

**2. Summary of significant accounting policies (cont'd)**

*2.21* ***Leases (cont'd)***

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

*2.22* ***Discontinued operation***

In profit or loss of the current reporting period, and of the comparative period, all income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, 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 the statement of comprehensive income.

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

*2.23* ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk 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.

(b) ***Interest income***

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

**2. Summary of significant accounting policies (cont'd)**

*2.24* ***Taxes***

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## 2. Summary of significant accounting policies (cont'd)

### 2.24 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 2.25 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2. Summary of significant accounting policies (cont'd)**

***2.26 Share capital and share issue expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

***2.27 Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

***2.28 Related parties***

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

(i) controls, is controlled by, or is under common control with, the Group;

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

**2. Summary of significant accounting policies (cont'd)**

*2.28* ***Related parties (cont'd)***

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

*2.29* ***Jobs Credit Scheme***

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

**3. Significant accounting judgements and estimates**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 ***Judgements made in applying accounting policies***

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

(i) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payable and deferred tax liabilities at 31 December 2010 were $396,000 (2009: $125,000) and $2,234,000 (2009: $2,811,000) respectively.

## 3. Significant accounting judgements and estimates (cont'd)

### 3.1 *Judgements made in applying accounting policies (cont'd)*

(ii) Capitalisation of labour and overheads

The Group has adopted a system to quantify and capitalise direct labour and direct overheads to work-in-progress held at the end of the financial year. Direct labour, depreciation of property, plant and equipment and other directly attributable production costs form a pool of the qualifying cost from which these costs are allocated to be included in the total cost of the inventory at year end and this is based on machine hours incurred for each product. Based on the above, the total overheads capitalised is $238,000 (2009: $384,000). The machine hours worked is based on best estimates by the production department. This estimation is approved by the management.

### 3.2 *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.

(a) Useful lives of machinery and equipment

Machinery and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these assets to be within 5 to 8 years. 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. The carrying amount of the Group's machinery and equipment at the end of the reporting period is disclosed in Note 11 to the financial statements. A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 64% (2009: 7%) variance in the Group's profit/(loss) for the year.

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 13 to the financial statements.

**3. Significant accounting judgements and estimates (cont'd)**

3.2 ***Key sources of estimation uncertainty (cont'd)***

(b) Impairment of non-financial assets (cont'd)

Based on assessment carried out, the Group has recognised impairment loss on property, plant and equipment and intangible assets of $Nil (2009: $962,000) and $Nil (2009: $Nil) respectively. At the Company level, the Company recognised impairment loss on investment in subsidiaries of $1,343,000 (2009: $6,900,000).

(c) Impairment of loans and receivables

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. The carrying amount of the Group's loans and receivable at the end of the reporting period is disclosed in Note 16 to the financial statements.

**4. Revenue**

Revenue represents the sale of goods in the normal course of business. Intra-group transactions have been excluded from Group revenue.

**5. Other operating income**

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Gain on disposal of property, plant and equipment | 6,452 | 74 | 408 | - |
| Gain on investment in subsidiary | - | - | - | 988 |
| Gain on redemption of convertible loan | 481 | - | 481 | - |
| Sale of scrap waste metal | 263 | 240 | 19 | 21 |
| Jobs credit subsidy | 48 | 260 | 7 | 53 |
| Rental income | 55 | 2 | 157 | 85 |
| Others | 175 | 68 | 244 | - |
| Management fee | - | - | 1,480 | - |
| | 7,474 | 644 | 2,796 | 1,147 |

## 6. Profit/(loss) before tax from continuing operations

This is determined after charging/(crediting) items in Notes 5 and 8 and the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Allowance for obsolete inventories | 70 | 397 | - | 397 |
| Allowance for doubtful receivables | 37 | 138 | - | 94 |
| Allowance for doubtful intercompany balances | - | - | - | 2,224 |
| Amortisation of intangible assets | 1,586 | 1,586 | - | - |
| Depreciation of property, plant and equipment | 5,232 | 6,406 | 590 | 982 |
| Directors' remuneration | 678 | 738 | 685 | 699 |
| Directors' fees | 137 | 100 | 107 | 100 |
| Foreign exchange loss/(gain), net | 166 | (77) | (132) | 94 |
| Impairment of property, plant and equipment | - | 962 | - | 900 |
| Impairment of investment in subsidiaries | - | - | 1,343 | 6,900 |
| Write-off amounts due from subsidiary | - | - | 3,713 | - |
| Inventories written off | 255 | 491 | 255 | 491 |
| Gain on disposal of property, plant and equipment | (6,452) | (74) | (408) | - |
| Loss on disposal/liquidation of subsidiary | 3,154 | 910 | - | - |
| Operating lease expenses | 293 | 539 | 39 | 80 |
| Non-audit fees paid/payable to auditor of the Company | 39 | 32 | 26 | 20 |
| Personnel expenses (non-directors) | 6,642 | 6,326 | 828 | 1,386 |
| Gain on redemption of convertible loan | (481) | - | (481) | - |
| Fair value gain in derivative | (81) | - | (81) | - |

## 7. Personnel expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries and bonus | 5,253 | 5,735 | 1,430 | 1,932 |
| Central Provident Fund and other pension contributions | 382 | 355 | 58 | 68 |
| Other personnel costs | 1,685 | 974 | 25 | 85 |
| | 7,320 | 7,064 | 1,513 | 2,085 |

Personnel expenses include directors' remuneration as disclosed in Note 6.

## 8. Financial expenses/financial income/other financial charges

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial expenses** | | | | |
| Interest expense | | | | |
| - bank term loans | 506 | 1,033 | 174 | 686 |
| - bank overdrafts | 8 | 43 | - | 14 |
| - finance lease | 301 | 535 | 40 | 94 |
| - factoring charges | 38 | 32 | - | - |
| - others | 72 | 7 | 45 | - |
| - fair value gain in derivative | (81) | - | (81) | - |
| | 844 | 1,650 | 178 | 794 |
| **Financial income** | | | | |
| Interest income | (1) | (3) | (1) | (2) |
| **Other financial charges** | | | | |
| Bank charges | 9 | 138 | 9 | 138 |

## 9. Tax (credit)/expense

Major components of income tax (credit)/expense were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Current tax | | | | |
| - Current financial year | 279 | - | - | - |
| - (Over)/underprovision in respect of prior year | (162) | 186 | (40) | - |
| Deferred tax | | | | |
| - Current financial year | (285) | (365) | - | 69 |
| - (Over)/underprovision in respect of prior years | (292) | (48) | - | - |
| | (460) | (227) | (40) | 69 |

## 9. Tax (credit)/expense (cont'd)

A reconciliation between tax expense and the product of profit/(loss) before tax multiplied by the applicable tax rate for the year ended 31 December 2010 and 2009 was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Profit/(loss) before tax from continuing operations | 5,481 | (9,109) | - | - |
| Loss before tax from discontinued operations | (4,963) | (3,052) | (4,609) | (14,889) |
| Accounting profit/(loss) before tax | 518 | (12,161) | (4,609) | (14,889) |
| Tax at the domestic rates applicable to profits in the countries concerned [(1)] | (235) | (2,288) | (784) | (2,531) |
| Adjustments: | | | | |
| Effect of reduction in tax rate | - | (79) | - | - |
| Non-deductible expenses | 1,970 | 702 | 969 | 1,814 |
| Income not subject to tax | (1,561) | (44) | (243) | (177) |
| (Over)/underprovision in respect of prior years | | | | |
| - Current tax | (162) | 186 | (40) | - |
| - Deferred tax | (292) | (48) | - | 69 |
| Benefits from previously unrecognised tax losses | (156) | - | (289) | - |
| Deferred tax assets not recognised | - | 1,396 | - | 680 |
| Group tax relief | - | - | 347 | 214 |
| Effect of partial tax exemption | (26) | (27) | - | - |
| Others | 2 | (25) | - | - |
| | (460) | (227) | (40) | 69 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| **Deferred tax liabilities** | | | | |
| Excess of net book value over tax written down value of property, plant and equipment | (1,015) | (1,306) | - | - |
| Fair value adjustments on acquisition of subsidiaries | (1,219) | (1,505) | - | - |
| | (2,234) | (2,811) | - | - |

The corporate tax rate applicable to the Company and JEP Precision Engineering Pte Ltd was at 17% for the year of assessment 2010 onwards. JEP Precision Engineering Co., Ltd is subject to tax at 30% (2009: 25%).

**9. Tax (credit)/expense (cont'd)**

JEP Precision Engineering Pte Ltd has been granted the Development and Expansion Incentive ("DEI") Status for 7 years commencing from 1 January 2007. The base income under the DEI will be taxed at 17% while qualifying income in excess of the income base will be taxed at 10% concessionary rate.

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses and unutilised capital allowances of approximately $5,567,000 (2009: $15,127,000) and $736,000 (2009: $1,195,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. As at 31 December 2009, tax losses of approximately $7.9 million related to a subsidiary had expiry periods ranging from 2 to 5 years.

Deferred income tax related to other comprehensive income

There is no deferred income tax related to other comprehensive income for the current financial year (2009: Nil).

Group tax relief

The Company intends to transfer unabsorbed trade losses of $2,041,962 (2009: $1,260,000) to the subsidiary in Singapore under the Group relief system, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

## 10. Earnings/(Loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing net profit/(loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the 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 income statement and share data used in the computation of basic earnings/(loss) per share for the years ended 31 December:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| Profit/(loss) for the year attributable to ordinary equity holders of the Company ($'000) | 127 | (11,811) |
| Weighted average number of ordinary shares for basic earnings per share computation ('000) | 791,609 | 421,881 |

The convertible term loan has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2010 and were ignored in the calculation of diluted earnings per share.

Accordingly, diluted loss per share is the same as basic loss per share.

## 11. Property, plant and equipment

| Group | Freehold Land | Freehold factory building | Leasehold factory buildings | Machinery and equipment | Electrical installations and renovations | Furniture, fittings and office equipment | Computers | Motor vehicles | Construction-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | | | | | |
| At 1 January 2009 | 287 | 1,006 | 6,594 | 67,272 | 2,464 | 1,070 | 1,431 | 680 | 410 | 81,214 |
| Additions | - | - | 811 | 218 | 133 | 30 | 2 | - | 145 | 1,339 |
| Disposals | - | - | - | (4,980) | (243) | (1) | (2) | (58) | - | (5,284) |
| Liquidation of a subsidiary | - | - | - | (7,867) | - | (304) | (229) | (34) | - | (8,434) |
| Translation difference | - | - | 21 | (371) | (12) | (17) | 8 | - | - | (371) |
| Reclassification | - | - | 406 | - | 3 | - | - | - | (409) | - |
| At 31 December 2009 | 287 | 1,006 | 7,832 | 54,272 | 2,345 | 778 | 1,210 | 588 | 146 | 68,464 |
| Additions | - | - | 305 | 640 | 26 | 2 | 42 | - | - | 1,015 |
| Disposals | - | - | (7,704) | (2,914) | - | (9) | (718) | (40) | - | (11,385) |
| Disposal of a subsidiary | - | - | (305) | (19,097) | (1,039) | (254) | (82) | (88) | - | (20,865) |
| Translation difference | 94 | (123) | 15 | 46 | (2) | 60 | 140 | 1 | - | 231 |
| Reclassification | - | 143 | (143) | 11 | 198 | (38) | (25) | - | (146) | - |
| At 31 December 2010 | 381 | 1,026 | - | 32,958 | 1,528 | 539 | 567 | 461 | - | 37,460 |
| **Accumulated depreciation and impairment loss** | | | | | | | | | | |
| At 1 January 2009 | - | 84 | 460 | 35,605 | 1,029 | 328 | 1,083 | 314 | - | 38,903 |
| Charge for the year | - | 49 | 230 | 6,887 | 366 | 199 | 251 | 90 | - | 8,072 |
| Disposals | - | - | - | (4,617) | (243) | (1) | (2) | (41) | - | (4,904) |
| Liquidation of a subsidiary | - | - | - | (5,831) | (216) | (32) | (167) | - | - | (6,246) |
| Impairment loss | - | - | - | 962 | - | - | - | - | - | 962 |
| Translation difference | - | - | 1 | (116) | (8) | (5) | (2) | 1 | - | (129) |
| At 31 December 2009 | - | 133 | 691 | 32,890 | 928 | 489 | 1,163 | 364 | - | 36,658 |
| Charge for the year | - | 51 | 235 | 5,260 | 340 | 160 | 133 | 76 | - | 6,255 |
| Disposals | - | - | (882) | (1,772) | - | (8) | (715) | (40) | - | (3,417) |
| Disposal of a subsidiary | - | - | - | (13,848) | (379) | (254) | (82) | - | - | (14,563) |
| Translation difference | - | - | (44) | (58) | - | - | - | 10 | - | (92) |
| Reclassification | - | - | - | - | 31 | (27) | (4) | - | | - |
| At 31 December 2010 | - | 184 | - | 22,472 | 920 | 360 | 495 | 410 | - | 24,841 |
| **Net carrying amount** | | | | | | | | | | |
| At 31 December 2010 | 381 | 842 | - | 10,486 | 608 | 179 | 72 | 51 | - | 12,619 |
| At 31 December 2009 | 287 | 873 | 7,141 | 21,382 | 1,417 | 289 | 47 | 224 | 146 | 31,806 |

**11. Property, plant and equipment (cont'd)**

| Company | Machinery and equipment | Electrical installations and renovations | Furniture, fittings and office equipment | Computers | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | |
| At 1 January 2009 | 10,187 | 417 | 146 | 914 | 40 | 11,704 |
| Additions | - | - | 6 | 1 | - | 7 |
| Disposals | (3,871) | (243) | (1) | - | - | (4,115) |
| At 31 December 2009 | 6,316 | 174 | 151 | 915 | 40 | 7,596 |
| Additions | - | - | - | 40 | - | 40 |
| Disposals | (6,316) | - | (8) | (718) | (40) | (7,082) |
| At 31 December 2010 | - | 174 | 143 | 237 | - | 554 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2009 | 6,563 | 272 | 44 | 641 | 36 | 7,556 |
| Impairment loss | 900 | - | - | - | - | 900 |
| Charge for the year | 755 | 38 | 16 | 171 | 2 | 982 |
| Disposals | (3,803) | (243) | (1) | - | - | (4,047) |
| At 31 December 2009 | 4,415 | 67 | 59 | 812 | 38 | 5,391 |
| Charge for the year | 449 | 36 | 18 | 87 | - | 590 |
| Disposals | (4,864) | - | (8) | (716) | (38) | (5,626) |
| At 31 December 2010 | - | 103 | 69 | 183 | - | 355 |
| **Net carrying amount** | | | | | | |
| At 31 December 2010 | - | 71 | 74 | 54 | - | 199 |
| At 31 December 2009 | 1,901 | 107 | 92 | 103 | 2 | 2,205 |

## 11. Property, plant and equipment (cont'd)

The carrying amounts of property, plant and equipment purchased under finance leases were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Machinery and equipment | 6,842 | 11,620 | - | 807 |
| Motor vehicles | 28 | 84 | - | - |
| | 6,870 | 11,704 | - | 807 |

Assets under finance leases

In addition to the assets under finance leases, the Group's freehold land, building and machinery and equipment with carrying amount of $381,000 (2009: $287,000), $842,000 (2009: $8,014,000), and $263,000 (2009: $2,048,000) are pledged as security to secure certain loans of the Group (Note 24).

Fully depreciated assets

The gross carrying amount of the Group's fully depreciated property, plant and equipment that is still in use amounted to $4,319,000 (2009: $6,171,000).

Idle Machinery

The carrying amount of the Group's idle machinery is $Nil (2009: $11,314,000).

Impairment of Machinery

During the financial year ended 31 December 2009, a review of recoverable amount of machinery which was idle was undertaken, resulting in an impairment loss of $962,000 being recognised in profit and loss account under "Other Expenses" (Note 6). The recoverable amount of the machinery was used as its fair value less cost to sell.

## 12. Investment in subsidiaries

| | Company | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| **Cost of investment** | | |
| As at 1 January | 49,482 | 45,828 |
| Add: Capital injection: | | |
| - via injection of property, plant and machinery | - | 1,066 |
| - via cash | - | 2,588 |
| Disposal of subsidiary | (20,014) | - |
| As at 31 December | 29,468 | 49,482 |
| **Accumulated impairment loss** | | |
| As at 1 January | (14,785) | (7,885) |
| Impairment loss for current year | (1,343) | (6,900) |
| Reversal on disposal of subsidiary | 16,128 | - |
| As at 31 December | - | (14,785) |
| Net carrying amount as at 31 December | 29,468 | 34,697 |

# NOTES TO THE FINANCIAL STATEMENTS
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

## 12. Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

| Name of subsidiary | Principal activities | Country of incorporation and place of business | Effective equity interest held by the Group 2010 % | Effective equity interest held by the Group 2009 % |
|---|---|---|---|---|
| *Held by the Company* | | | | |
| Alantac Technology (Suzhou) Co., Ltd ("ATS") (1) | Contract manufacture of precision machining parts and components, assembly and integration of equipment/ automated assembly lines | The People's Republic of China | - | 100 |
| Getech Industries Pte Ltd ("Getech Industries") (2) | Industries dealing in mechanical engineering works | Singapore | - | - |
| JEP Precision Engineering Pte Ltd ("JEP") (3) | Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works | Singapore | 85 | 85 |
| *Held through subsidiaries* | | | | |
| Ningbo Getech Precision Industries Co., Ltd. ("Ningbo Getech") (2) | Industries dealing in mechanical engineering works | The People's Republic of China | - | - |
| Getech Mold & Tooling (Shanghai) Co., Ltd. (2) | Industries dealing in mechanical engineering works (dormant) | The People's Republic of China | - | - |
| JEP Precision Engineering Co., Ltd ("JEP Thailand") (4)/(5) | Manufacturing of high-technology products | Thailand | 85 | 85 |

## 12. Investment in subsidiaries (cont'd)

(1) The sale of ATSZ was completed on 31 August 2010. Accordingly, the results of ATSZ was shown as "Discontinued operation" in the statement of comprehensive income in FY2010 and prior year comparatives have been reclassified accordingly.

(2) The Group has placed Getech Industries under voluntary winding up on 10 March 2009 (i.e. date of appointment of liquidators). The Group has considered that with the appointment of liquidators, the Company has lost control of Getech Industries. Accordingly, Getech Industries has been deconsolidated from that date.

(3) Audited by Ernst & Young LLP, Singapore.

(4) Audited by member firm of Ernst and Young Global in Thailand.

(5) Held as to 99.99% (2009: 99.99%) by JEP Precision Engineering Pte Ltd.

## 13. Goodwill on consolidation

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| **Goodwill on consolidation arising on:** | | |
| - acquisition of 100% equity interest in Getech Industries Pte Ltd ("Getech Industries") | - | 4,225 |
| - acquisition of 85% equity interests in JEP Precision Engineering Pte Ltd | 12,335 | 12,335 |
| - acquisition of an additional 48.7% equity interest in JEP Precision Engineering Co. Ltd by JEP Precision Engineering Pte Ltd | 385 | 385 |
| Liquidation of Getech Industries | - | (4,225) |
| | 12,720 | 12,720 |
| **Accumulated impairment loss:** | | |
| At 1 January | - | 4,225 |
| Liquidation of Getech Industries | - | (4,225) |
| | - | - |
| **Net carrying amount:** | | |
| At 31 December | 12,720 | 12,720 |

## 13. Goodwill on consolidation (cont'd)

**Impairment testing of goodwill (cont'd)**

***JEP Precision Engineering Pte Ltd***

The recoverable amount of goodwill arising on acquisition of JEP Precision Engineering Pte Ltd and JEP Precision Engineering Co., Ltd 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. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the 5-years period are 10% and 3% respectively.

Management has considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performances and the expectation of market developments for each entity.

The discount rate applied to the cash flow projections is derived from the borrowing rate plus a reasonable risk premium.

Upon considering these factors, no impairment has been included in the profit and loss account for the financial year ended 31 December 2010.

Changes to the assumptions used by the management to determine the impairment required, particularly the discount rate, can significantly affect the results.

## 14. Intangible assets

| | Group |
|---|---|
| | $'000 |
| **Cost** | |
| At 1 January 2008, 31 December 2008 and 1 January 2009 | 12,362 |
| Liquidation of Getech Industries | (186) |
| At 31 December 2009 and 1 January 2010 | 12,176 |
| | |
| **Accumulated amortisation and impairment** | |
| At 1 January 2009 | (2,168) |
| Amortisation | (1,586) |
| Liquidation of Getech Industries | 186 |
| At 31 December 2009 and 1 January 2010 | (3,568) |
| Amortisation | (1,586) |
| At 31 December 2010 | (5,154) |
| | |
| **Net carrying amount** | |
| At 31 December 2010 | 7,022 |
| At 31 December 2009 | 8,608 |

## 14. Intangible assets (cont'd)

Customer relationship

This relates to customers relationship arising from the acquisition of JEP Precision Engineering Pte Ltd and its subsidiary. The useful life and remaining amortisation period of the customer relationship range from 2 years to 6 years (2009: 3 years to 7 years).

Amortisation expense

The amortisation of customer relationship is included in the "Administrative expenses" line items in the statement of comprehensive income.

Impairment loss recognised

During the financial year, no impairment loss was recognised (2009: $Nil).

## 15. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Raw materials | 257 | 775 | - | 769 |
| Work-in-progress | 385 | 718 | - | 300 |
| Finished goods | 64 | 216 | - | 87 |
| Consumables | 916 | 693 | - | - |
| | 1,622 | 2,402 | - | 1,156 |
| **Income statement:** | | | | |
| Administrative expenses include the following charge: | | | | |
| - Inventories written off | (255) | (491) | (255) | (491) |
| - Write-back of overprovision | 586 | - | 586 | - |
| - Allowance for obsolete inventories | (70) | (397) | - | (397) |

## 16. Loans and receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 5,237 | 5,854 | 327 | 1,425 |
| Less: Allowance for doubtful receivables | (37) | (336) | - | (95) |
| | 5,200 | 5,518 | 327 | 1,330 |
| Other receivables | 824 | 646 | - | - |
| Deposits | 1,160 | 602 | 24 | 24 |
| Amount due from subsidiaries | - | - | 2,980 | 137 |
| Cash and bank balances | 20,888 | 3,838 | 5,293 | 882 |
| | 28,072 | 10,604 | 8,624 | 2,373 |

Trade receivables denominated in foreign currencies at 31 December are as follows:

| | | | | |
|---|---|---|---|---|
| United States dollar | 2,917 | 3,419 | 327 | 1,244 |
| Japanese Yen | - | 13 | - | - |

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $4,784,000 (2009: $1,843,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Trade receivables past due: | | |
| Less than 30 days | 2,422 | 979 |
| 30 to 60 days | 1,606 | 428 |
| 61-90 days | 391 | 152 |
| 91-120 days | 119 | 256 |
| More than 120 days | 246 | 28 |
| | 4,784 | 1,843 |

**16. Loans and receivables (cont'd)**

***Receivables that are impaired***

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

| | Group Individually impaired | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Trade receivables -nominal amounts | 37 | 336 |
| Less: Allowance for impairment | (37) | (336) |
| | - | - |
| Movement in allowance account: | | |
| At 1 January | 336 | 413 |
| Charge for the year | 37 | 164 |
| Liquidation of Getech Industries | - | (239) |
| Written off | (336) | (2) |
| At 31 December | 37 | 336 |

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

**17. Other receivables**

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| GST Input Tax | 166 | 537 | - | - |
| Other receivables | 658 | 109 | - | - |
| | 824 | 646 | - | - |

## 18. Deposits and prepaid operating expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Deposits | 1,160 | 602 | 24 | 24 |
| Prepaid operating expenses | 455 | 202 | - | 65 |
| | 1,615 | 804 | 24 | 89 |

## 19. Amount due from/(to) subsidiaries

The amount due from/(to) subsidiaries is unsecured, interest-free and repayable within the next twelve months.

| | Company | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| **Due from subsidiaries** | | |
| Non-trade | 2,752 | 2,246 |
| Trade | 228 | 115 |
| | 2,980 | 2,361 |
| Allowance for doubtful receivables | - | (2,224) |
| | 2,980 | 137 |
| **Due to subsidiaries** | | |
| Non-trade | 5 | 506 |
| Trade | 32 | 545 |
| | 37 | 1,051 |

## 20. Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, unpledged fixed deposits and bank overdrafts which are short term liquid investments readily convertible to cash. Certain fixed deposits are excluded from cash and cash equivalents because they may not be realisable as they are fully pledged to banks for banking facilities granted to a subsidiary.

For the purpose of the consolidated cash flows statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Cash and bank balances | 20,871 | 3,338 |
| Fixed deposits | 17 | 500 |
| | 20,888 | 3,838 |
| Bank overdrafts | - | (207) |
| | 20,888 | 3,631 |
| Less: Fixed deposits pledged | (17) | (17) |
| Cash and cash equivalents | 20,871 | 3,614 |

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management. Bank overdrafts are repayable on demand and bear interest at a range of 5.75% to 8.25% (2009: 5.5% to 5.75%) per annum. Interest rates of bank overdrafts are re-priced every month.

Cash and bank balances have an effective interest rate of between 0.10% to 0.33% (2009: 0.10% to 0.33%) per annum in the financial year ended 31 December 2010.

Fixed deposits bear interest rates at 0.1% (2009: 0.1%) per annum and have an average maturity period of 1 month (2009: 1 month).

Cash and bank balances denominated in foreign currencies at 31 December are as follow:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| United States dollar | 847 | 402 | 112 | - |
| Japanese Yen | 96 | 7 | - | - |

### 21. Trade payables

Trade payables are non-interest bearing and are normally settled on 60 to 120 days terms.

Trade payables denominated in foreign currencies as at 31 December are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| United States dollar | 315 | 699 | 11 | 403 |
| Japanese Yen | 218 | 54 | - | - |
| Swiss franc | - | 37 | - | 37 |
| Euro | - | 5 | - | 5 |

Financial liabilities at amortised cost comprise:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | 1,888 | 2,653 | 136 | 561 |
| Other payables and accruals | 5,909 | 3,525 | 426 | 1,667 |
| Amounts due to subsidiaries | - | - | 37 | 1,051 |
| Finance lease obligations | | | | |
| - current | 2,374 | 3,710 | - | 544 |
| - non-current | 1,275 | 3,190 | - | 246 |
| Bank overdrafts | - | 207 | - | - |
| Loans and borrowings | | | | |
| - current | 4,944 | 14,952 | 3,194 | 8,700 |
| - non-current | 1,439 | 6,627 | 894 | 1,258 |
| | 17,829 | 34,864 | 4,687 | 14,027 |

### 22. Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| **Current** | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Other payables | 812 | 547 | 10 | 295 |
| Accrued personnel costs | 474 | 410 | 31 | 37 |
| Other accrued operating expenses | 1,077 | 1,811 | 183 | 610 |
| VAT and other tax expenses | 53 | 50 | - | 18 |
| Deferred income (Note A) | 473 | 607 | - | 607 |
| Provision for directors' fee | 232 | 100 | 202 | 100 |
| | 3,121 | 3,525 | 426 | 1,667 |
| **Non-current** | | | | |
| Deferred income (Note A) | 2,788 | - | - | - |

## 22. Other payables and accruals (cont'd)

| | 2010 | 2009 |
|---|---|---|
| | $'000 | $'000 |
| **Note A: Deferred income** | | |
| **Cost:** | | |
| At 1 January | - | - |
| Received during the year | 3,300 | - |
| | 3,300 | - |
| **Accumulated amortisation:** | | |
| At 1 January | - | - |
| Amortisation | 39 | - |
| At 31 December | 39 | - |
| **Net carrying amount:** | | |
| Current | 473 | - |
| Non-current | 2,788 | - |
| | 3,261 | - |

Deferred income arose through the sale and leaseback transaction entered by the subsidiary where sales proceeds less fair value is amortised over the lease term of seven years.

Other payables are non-interest bearing and are due within 30 to 365 days.

## 23. Finance lease obligations

The Group has finance leases for certain items of property, plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease. The range of discount rate implicit in the leases is 2.6% to 4.9% (2009: 2.6% to 4.9%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Total minimum payments 2010 | Present value of payments 2010 | Total minimum payments 2009 (Reclassified) | Present value of payments 2009 (Reclassified) |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 2,485 | 2,374 | 3,998 | 3,710 |
| Later than one year but not later than five years | 1,194 | 1,153 | 3,320 | 3,190 |
| Later than five years | 122 | 122 | - | - |
| Total minimum lease payments | 3,801 | 3,649 | 7,318 | 6,900 |
| Less: Amounts representing finance charges | (152) | - | (418) | - |
| Present value of minimum lease payments | 3,649 | 3,649 | 6,900 | 6,900 |

| | Company | | | |
|---|---|---|---|---|
| | Total minimum payments 2010 | Present value of payments 2010 | Total minimum payments 2009 | Present value of payments 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | - | - | 584 | 544 |
| Later than one year but not later than five years | - | - | 254 | 246 |
| Total minimum lease payments | - | - | 838 | 790 |
| Less: Amounts representing finance charges | - | - | (48) | - |
| Present value of minimum lease payments | - | - | 790 | 790 |

## 24. Loans and borrowings

| | Maturity | Group 2010 | Group 2009 | Company 2010 | Company 2009 |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Current:** | | | | | |
| Current portion of SGD factoring loan [1] | 2010 | - | 500 | - | 500 |
| Current portion of SGD factoring loan [1.1] | 2011 | 484 | - | - | - |
| Current portion of long term SGD convertible term loan (Note a) [2] | 2011 | 894 | 7,200 | 894 | 7,200 |
| Current portion of long term USD bank loan [3] | 2010 | - | 2,715 | - | - |
| Current portion of long term SGD bank term loan [4] | 2010 | - | 94 | - | - |
| Current portion of long term SGD bank term loan [5] | 2021 | - | 134 | - | - |
| Current portion of long term SGD bank term loan [6] | 2022 | - | 134 | - | - |
| Current portion of long term SGD bank term loan [7] | 2010 | - | 10 | - | - |
| Current portion of long term SGD bank term loan [8] | 2010 | - | 55 | - | - |
| Current portion of USD factoring loan [9] | 2011 | 1,028 | 1,101 | - | - |
| Short-Term SGD bank loan [10] | 2011 | 2,300 | 1,000 | 2,300 | 1,000 |
| Current portion of long term SGD bank term loan [11] | 2011 | - | 631 | - | - |
| Current portion of long term SGD bank term loan [12] | 2010 | - | 1,245 | - | - |
| Current portion of long term Thai Baht bank loan [13] | 2014 | 238 | 133 | - | - |
| | | 4,944 | 14,952 | 3,194 | 8,700 |
| **Non-current:** | | | | | |
| Long term portion of SGD convertible notes (Note a) | 2012 | 894 | - | 894 | - |
| Long term portion of SGD convertible notes(Note b) | 2012 | - | 1,258 | - | 1,258 |
| Long term portion of long term SGD bank term loan [5] | 2021 | - | 1,915 | - | - |
| Long term portion of long term SGD bank term loan [6] | 2022 | - | 2,011 | - | - |
| Long term portion of long term SGD bank term loan [11] | 2011 | - | 542 | - | - |
| Long term portion of Thai Baht bank loan [13] | 2014 | 545 | 901 | - | - |
| | | 1,439 | 6,627 | 894 | 1,258 |

## 24. Loans and borrowings (cont'd)

(1) The factoring loan bears a charge of 0.25% per annum below the Bank's prime lending rate for advances less than $500,000 for financial year 2009. This loan is fully repaid during the current financial year.

(1.1) The factoring loan bears a charge of 0.75% per annum above DBS prevailing prime lending rate.

(2) The convertible term loan bears interest at 2.5% per annum over the Bank's Cost of Funds or over the Bank's Swap Offer Rate whichever is higher and is repayable in equal instalments on 30 April 2011 and 30 April 2012. Please refer to Note a below for further details on the convertible term loan.

(3) The term loan bears interest at 6.54-7.06% per annum and is repayable over 36 equal instalments commencing October 2007. The term loan is secured against certain machinery of a subsidiary. The term loan is fully repaid during the current financial year.

(4) The loan is repayable in monthly instalment over a period of 5 years from 20 July 2005 and interest is charged at the bank's prevailing commercial financial rate. The loan is fully repaid during the current financial year.

(5) The loan is repayable in monthly instalments over a period of 15 years from 17 October 2006.

The interest is charged at a 3.25% per annum for the first year, 4.00% per annum for the second year and 0.50% per annum below the enterprise financing rate for the subsequent years. The loan is fully repaid during the current financial year.

(6) The loan is repayable in monthly instalments over a period of 15 years from 14 February 2007.

Interest is charged at 3.68% per annum for the first year, 4.10% per annum for the second year and enterprise financing rate for the subsequent years. The loan is fully repaid during the current financial year.

(7) The loan is repayable in monthly instalments over a period of 3 years from 17 October 2006.

Interest is charged at 3.25% per annum for the first year, 4.00% per annum for the second year and 0.50% per annum below the enterprise financing rate for the subsequent years. The loan is fully repaid during the current financial year.

(8) The loan is repayable in monthly instalments over a period of 3 years from 13 March 2007. Interest is charged at 0.25% per annum above prevailing prime rate. The loan is fully repaid during the current financial year.

(9) The factoring loan bears interest at 1.50% per annum above the bank's prevailing Los Angeles prime lending rate for advances less than US$150,000 and interest is charged at a 2.00% per annum above the bank's prevailing Los Angeles prime lending rate for advances more than US$150,000. The facility is repayable on demand and the bank has a right of recourse in the event of non-payment by customers.

**24. Loans and borrowings (cont'd)**

This comprise of two short term SGD bank loans:

(10) - Prior year balance relates to a loan bearing interest at 1.5% per annum over the Bank's Cost of Funds. The Company is allowed to roll over at the Bank's discretion.

- Current year balance relates to both the above loan bearing interest at 1.5% per annum over the Bank's Cost of Funds as well as a second loan bearing interest at 2.5% per annum over the Bank's Cost of Funds. The second loan is repayable by 30 April 2011. Both term loans are unsecured. Please refer to note A below.

(11) The loan is repayable in monthly instalment over a period of 3 years from 30 November 2008 and interest is charged at prevailing Prime Lending Rate. The loan is fully repaid during the current financial year.

(12) The loan bears interest at 3% per annum above the Cost of Funds and is repayable by end of 2010. The facility is secured by a corporate guarantee from the Company. The loan is fully repaid during the current financial year.

(13) The loan is repayable in monthly instalments over a period of 5 years from 30 April 2009. Interest is charged at MRR +1% per annum. The loan is secured by a mortgage of the subsidiary's freehold land, building and machinery.

***Note A - Convertible term loan***

In FY2009, the Company drew down a convertible term loan ("convertible term loan") of $12,000,000 from the United Overseas Bank. The convertible term loan bears interest at 4.18% per annum and is repayable over 12 staggered quarterly instalments commencing 6 months from date of first drawdown, 28 September 2007. The convertible term loan which had a carrying value of $7,200,000 as at 31 December 2009 was derecognised on 7 April 2010.

At the same time, the Company entered into the following new arrangements with United Overseas Bank.

(i) $2,000,000 convertible term loan agreement ("convertible term loan") and

(ii) $5,200,000 one year term loan repayable in 4 quarterly instalments beginning 30 April 2010.

Under the new convertible loan agreement, UOB shall make available to the Company the convertible loan, in respect of which up to the entire convertible loan may be converted by UOB into new ordinary shares of the Company in repayment of the convertible loan. The conversion right shall only be exercisable between the periods from 1 May 2010 to 30 April 2012. The conversion price of each convertible share shall be at a 10% discount to the average traded closing day price per Share for the five consecutive market days immediately preceding the date of conversion subject to a minimum floor price of $0.04 per Conversion Share.

## 24. Loans and borrowings (cont'd)

***Note A - Convertible term loan (cont'd)***

Both loans bears interest at 2.5% per annum over the bank's cost of funds or over the bank's SWAP offer rate, whichever is higher, as the Bank may determine prevailing from time to time, quoted on the day of transaction and each subsequent roll-over.

The convertible term loan recognised in the balance sheet is analysed as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Face value of convertible term loan drawdown on 7 April 2010/28 September 2007 | 2,000 | 12,000 |
| Embedded equity conversion option | - | (993) |
| Derivative | (212) | - |
| Liability component as at initial recognition, 7 April 2010/28 September 2007 | 1,788 | 11,007 |
| Less: Repayment made during the financial year | - | (4,800) |
| Embedded equity conversion option: | | |
| - Opening balance at 1 January | 993 | 642 |
| - Interest expense recognised during the financial year | - | 351 |
| - Redemption during the year | (993) | - |
| - Closing balance at 1 January | - | 993 |
| Liability component at end of financial year | 1,788 | 7,200 |
| | | |
| Derivative as at initial recognition, 7 April 2010 | 212 | - |
| Fair value gain on derivative | (81) | - |
| Derivative at end of financial year | 131 | - |

| | **2010** | **2009** |
|---|---|---|
| | $'000 | $'000 |
| **Convertible term loan** | | |
| Current | 894 | 7,200 |
| Non-current | 894 | - |
| | 1,788 | 7,200 |
| | | |
| **Short-term SGD bank loan** | | |
| Term loan 1 | 1,000 | 1,000 |
| | | |
| Term loan 2 | 5,200 | - |
| Repayments during the year | (3,900) | - |
| | 2,300 | 1,000 |

**24. Loans and borrowings (cont'd)**

***Note B - Convertible notes***

On 27 April 2007, the Company entered into a subscription agreement with Pacific Capital Investment Management Limited ("Pacific Capital") to issue up to $27,000,000 0% equity linked structured convertible notes in nine equal tranches of $3,000,000 each at an issue price of 100% of the principal amount of the convertible notes.

Pacific Capital undertook to subscribe for Tranche 1-6 convertible notes of $18,000,000 provided the closing share price on any day during the tenure is at least $0.14. The Company likewise undertook to issue a minimum of $18,000,000 convertible notes.

For Tranche 7-9 convertible notes, the Company shall have the call option to call upon the remaining $9,000,000 convertible notes at anytime from and including the completion of conversion of the preceding tranches.

The convertible notes are convertible into a variable number of shares. The price at which each share shall be issued upon conversion (the "Conversion Price") shall be either:

(a) *Fixed Conversion Price*

125% of the average of the traded Closing Day Price per Share for the 30 Business Days immediately prior to (i) in respect of the 1st tranches of the Tranche 1-6 convertible notes, the date of the Agreement; or (ii) in respect of the subsequent tranches of the Tranche 1-6 convertible notes and the Tranche 7-9 convertible notes, the respective Closing Date.

(b) *Floating Conversion Price*

90% of the average of the Closing Day Price per Share on any 5 consecutive Business Days during the 30 Business Days immediately preceding the relevant Conversion Date.

Pacific Capital has the discretion anytime from and including the respective Closing Dates of the tranches up to the close of business on the day falling one week prior to the final maturity date, to decide on the dates to convert the convertible notes.

Upon entering into the agreement, a commitment fee is recognised. This is an option given as a consideration of the commitment. The commitment fee is amortised over the period of the commitment.

As of 31 December 2009, the Company has drawdown $18,000,000 of convertible notes and converted $16,550,000 to equity. The remaining undiscounted convertible notes of $1,450,000 cannot be converted as the maximum number of shares which the convertible notes can be converted into has been reached. The maximum number of shares was based on 50% of existing issued shares of the Company prior to issuance of the convertible notes.

## 24. Loans and borrowings (cont'd)

(b) *Floating Conversion Price (cont'd)*

On 24 September 2010, the Company had entered into a Settlement Agreement with Pacific Capital to settle the outstanding debt of $1,450,000 at maturity at a mutually agreed amount of $950,000. The convertible loan was fully repaid during the current financial year.

## 25. Share capital

| | Group and Company | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | Number of shares | $'000 | Number of shares | $'000 |
| At 1 January | 520,842,438 | 63,377 | 415,839,438 | 57,077 |
| Placement of shares | - | - | 105,003,000 | 6,300 |
| Rights issue | 390,631,828 | 11,718 | - | - |
| Rights issue expenses | - | (145) | - | - |
| At end of year | 911,474,266 | 74,950 | 520,842,438 | 63,377 |

The Company had on 23 April 2010, undertaken a renounceable non-underwritten Rights Issue of 390,631,828 ordinary shares, at issue price of $0.03 for each Rights Issue share, on the basis of three Rights Shares for every four existing ordinary shares in the capital of the Company, The Rights Issue was fully subscribed and the gross proceeds arising from the Rights Issue was S$11,718,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

## 26. Discontinued operation

The Group has on 23 April 2010 entered into a sale and purchase agreement with Compart Asia Pte Ltd, a wholly-owned subsidiary of Broadway Industrial Group Limited, for the sale by the Group at its entire equity interest in its wholly-owned subsidiary Alantac Technology (Suzhou) Co Ltd. The sale of ATSZ was completed on 31 August 2010. The results relating to ATSZ have been presented as "discontinued operation" in the consolidated statement of comprehensive income with corresponding reclassification of prior year comparatives.

## 26. Discontinued operation (cont'd)

Statement of comprehensive income disclosures

The financial results of discontinued group for the financial year ended 31 December are as follows:

| | 2010 | 2009 |
|---|---|---|
| | $'000 | $'000 |
| Revenue | 349 | 651 |
| Cost of sales | (1,409) | (1,898) |
| Gross loss | (1,060) | (1,247) |
| Other operating expenses | (178) | (11) |
| Selling and distribution expenses | (2) | (85) |
| General and administrative expenses | (487) | (1,523) |
| Financial expenses | (82) | (186) |
| | (1,809) | (3,052) |
| Loss on disposal of discontinued operation (Note A) | (3,154) | – |
| Net loss from discontinued operation | (4,963) | (3,052) |

Note A: Loss on disposal of discontinued operation

The following is the assets, liabilities and reserves of the ATSZ as at the date of disposal of subsidiary, and the loss on disposal arising thereon:

| | 2010 |
|---|---|
| | $'000 |
| Consideration on disposal of discontinued operation | 3,800 |
| Add/(less): | |
| Property, plant and equipment | (6,802) |
| Trade receivables | (170) |
| Other receivables | (48) |
| Cash and cash equivalents | (354) |
| Other payables and accruals | 78 |
| Tax payable | 23 |
| Translation reserve | 319 |
| Loss on disposal of discontinued operation | (3,154) |

Note B: Net cash outflows on disposal of discontinued operation

| | 2010 |
|---|---|
| | $'000 |
| Discontinued operation | |
| Cash and cash equivalents of discontinued operation | 354 |
| Less: Consideration on disposal of discontinued operation | (3,800) |
| Net cash inflow from disposal of subsidiary | 3,446 |

## 27. Related party disclosure

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subject to common control or common significant influence.

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

(a) ***Sale and purchase of services***

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Rental and utilities paid to a subsidiary | - | - | 149 | 274 |
| Subcontract fees received from a subsidiary | - | - | 194 | 610 |
| Sale of spare parts to a subsidiary | - | - | 287 | 109 |
| Sales to a director-related company | - | 78 | - | - |
| Purchase of spare parts from subsidiaries | - | - | 657 | 1,067 |
| Capital injection to a subsidiary via injection of property, plant and equipment | - | - | - | 1,066 |

(b) ***Compensation of key management personnel***

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries and bonus | 939 | 938 | 694 | 899 |
| Central Provident Fund contributions and other pension contributions | 38 | 42 | 24 | 42 |
| Other personnel expenses | 115 | 153 | 91 | 153 |
| Total compensation paid to key management personnel | 1,092 | 1,133 | 809 | 1,094 |
| **Comprise amounts paid to:** | | | | |
| Directors of the Company | 678 | 738 | 685 | 699 |
| Other key management personnel | 414 | 395 | 124 | 395 |
| | 1,092 | 1,133 | 809 | 1,094 |

## 28. Commitments and contingencies

(a) ***Operating lease commitments***

The Group and the Company have various operating lease commitments in respect of rental of office premises and factory space. These non-cancellable leases have remaining non-cancellable lease terms of between 1 to 5 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. Operating lease payments recognised in the consolidated statement of comprehensive income during the year amount to $293,000 (2009: $539,000).

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Future minimum lease payments | | | | |
| - within 1 year | 1,624 | 636 | 9 | 14 |
| - after 1 year but not more than 5 years | 6,528 | 2,509 | 26 | 22 |
| More than 5 years | 3,322 | 5,983 | 13 | - |
| | 11,474 | 9,128 | 48 | 36 |

(b) ***Capital commitments***

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Capital commitments in respect of property, plant and equipment | 696 | 394 | - | - |

## 29. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. 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.

## 29. Financial risk management objectives and policies (cont'd)

The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above mentioned and financial risks and the objectives, policies and processes for the management of these risks.

***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 loans and borrowings.

The following tables sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

| **31 December 2010 Group** | **Within 1 year** | **1 -2 years** | **2 -3 years** | **3 -4 years** | **4 -5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Fixed rate*** | | | | | | | |
| Obligations under finance leases | (2,374) | (788) | (214) | (93) | (58) | (122) | (3,649) |
| Loans and borrowings | (4,944) | (1,151) | (277) | (11) | - | - | (6,383) |
| ***Floating rate*** | | | | | | | |
| Cash assets | 20,868 | - | - | - | - | - | 20,868 |

| **31 December 2010 Company** | **Within 1 year** | **1 -2 Years** | **2 -3 Years** | **3 -4 years** | **4 -5 years** | **More than 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Fixed rate*** | | | | | | | |
| Loan and borrowings | (3,194) | (894) | - | - | - | - | (4,088) |
| ***Floating rate*** | | | | | | | |
| Cash assets | 5,293 | - | - | - | - | - | 5,293 |

**29. Financial risk management objectives and policies (cont'd)**

The following tables sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

| 31 December 2009 Group (Reclassified) | Within 1 year | 1 -2 years | 2 -3 years | 3 -4 years | 4 -5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Fixed rate*** | | | | | | | |
| Obligations under finance leases | (3,710) | (3,028) | (70) | (56) | (36) | - | (6,900) |
| Loans and borrowings | (14,952) | (2,489) | (702) | (721) | (634) | (2,081) | (21,579) |
| Fixed deposits | 500 | - | - | - | - | - | 500 |
| ***Floating rate*** | | | | | | | |
| Cash assets | 3,331 | - | - | - | - | - | 3,331 |
| Bank overdrafts | (207) | - | - | - | - | - | (207) |

| 31 December 2009 Company | Within 1 year | 1 -2 Years | 2 -3 Years | 3 -4 years | 4 -5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Fixed rate*** | | | | | | | |
| Obligations under finance leases | (544) | (246) | - | - | - | - | (790) |
| Loan and borrowings | (8,700) | (1,258) | - | - | - | - | (9,958) |
| Fixed deposits | 500 | - | - | - | - | - | 500 |
| ***Floating rate*** | | | | | | | |
| Cash assets | 380 | - | - | - | - | - | 380 |

## 29. Financial risk management objectives and policies (cont'd)

***Interest rate risk***

Interest on financial instruments subject to floating interest rates is contractually repriced at intervals of less than 6 months. Interest on financial instruments at fixed rates is fixed until the maturity of the instrument. 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 interest rate risk*

At the end of the reporting period, if SGD interest rates had been 20 (2009: 20) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $20,000 (2009: $54,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, lower/higher interest income from bank balances. 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.

***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that not more than 55% (2009: 55%) of loans and borrowings (including overdrafts and convertible term loan) 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. At the end of the reporting period, approximately 73% (2009: 72.5%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements, based on the contractual maturity profile.

## 29. Financial risk management objectives and policies (cont'd)

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

| | 2010 | | | | 2009 (Reclassified) | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 year or less | 1 to 5 years | Over 5 years | Total | 1 year or less | 1 to 5 years | Over 5 years | Total |
| **Group** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trade and other payables | 7,797 | - | - | 7,797 | 6,178 | - | - | 6,178 |
| Finance lease obligations, loans and borrowings | 7,560 | 2,633 | 122 | 10,315 | 19,010 | 7,998 | 2,081 | 29,089 |
| | 15,357 | 2,633 | 122 | 18,112 | 25,188 | 7,998 | 2,081 | 35,267 |
| **Company** | | | | | | | | |
| Trade and other payables | 562 | - | - | 562 | 2,228 | - | - | 2,228 |
| Due to subsidiaries | 37 | - | - | 37 | 1,051 | - | - | 1,051 |
| Finance lease obligations, loans and borrowings | 3,325 | 894 | - | 4,219 | 9,284 | 1,704 | - | 10,988 |
| | 3,924 | 894 | - | 4,818 | 12,563 | 1,704 | - | 14,267 |

## 29. Financial risk management objectives and policies (cont'd)

The table below shows the contractual expiry by maturity of the Group and 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.

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 year or less | 1 to 5 years | Over 5 years | Total | 1 year or less | 1 to 5 years | Over 5 years | Total |
| **Group** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Financial Guarantees | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |
| **Company** | | | | | | | | |
| Financial Guarantees | - | - | - | - | 2,300 | - | - | 2,300 |
| | - | - | - | - | 2,300 | - | - | 2,300 |

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

## 29. Financial risk management objectives and policies (cont'd)

***Foreign currency risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD. These transactions which are mainly denominated in foreign currencies amount to $16,911,000 (2009: $35,484,000), approximately 62% (2009: 62%) of the Group's sales and 12% (2009: 50%) of the Group's costs are denominated in foreign currencies other than the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures to foreign currency risk as disclosed in Notes 16 and 21.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD) amount to $0.9 million.

*Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant, of the Group's profit net of tax.

| | | Group | |
|---|---|---|---|
| | | **2010** | **2009** |
| | | $'000 | $'000 |
| USD | - strengthened 5% (2009: 5%) | (172) | (167) |
| | - weakened 5% (2009: 5%) | 172 | 167 |

***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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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.

*Exposure to credit risk*

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets as well as a nominal amount of $Nil (2009: $2,300,000) relating to corporate guarantee provided by the Company to a bank on loans extended to a subsidiary.

There are no credit enhancements for trade and other receivables.

## 29. Financial risk management objectives and policies (cont'd)

***Credit risk***

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

| | Group | | | |
|---|---|---|---|---|
| | **2010** | | **2009** | |
| | $'000 | % of total | $'000 | % of total |
| **By country:** | | | | |
| Singapore | 5,073 | 98% | 5,081 | 92% |
| People's Republic of China | - | - | 180 | 3% |
| Thailand | 127 | 2% | 257 | 5% |
| | 5,200 | 100% | 5,518 | 100% |
| **By industry sectors:** | | | | |
| Electronics | 643 | 12% | 1,634 | 29% |
| Aerospace | 1,950 | 38% | 1,692 | 31% |
| Oil and gas | 1,890 | 36% | 1,592 | 29% |
| Others | 717 | 14% | 600 | 11% |
| | 5,200 | 100% | 5,518 | 100% |

At the end of the reporting period, approximately 74% (2009: 60%) of the Group's trade receivables were due from customers in the Aerospace and Oil and Gas industries. Approximately 90% (2009: 77%) of the Company's recoverable were due from customers in the Electronics industry.

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

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

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

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade receivables).

## 30. 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 2010 and 31 December 2009.

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, loans and borrowings and finance lease obligations, less cash and cash equivalents. Capital includes convertible term loan of the Company of $2,000,000 (2009: $6,000,000) convertible into equity.

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Loans and borrowings (Note 24) | 6,383 | 21,579 |
| Finance lease obligations (Note 23) | 3,649 | 6,900 |
| Less: - Cash and cash equivalents | (20,871) | (3,614) |
| - Convertible term loan | (2,000) | (6,000) |
| Net (assets)/debt | (12,839) | 18,865 |
| Equity attributable to the equity holders of the Company | 38,055 | 25,515 |
| Add: Convertible term loan | 2,000 | 6,000 |
| Total capital | 40,055 | 31,515 |
| **Capital and net debt** | 27,216 | 50,380 |
| **Gearing ratio** | (47%) | 37% |

## 31. Fair value of financial instruments

***Fair values***

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

As at 31 December 2010, the Group has S$131,000 (2009: $Nil) financial instruments that are classified as derivative financial instrument, which is carried at its respective fair value as required by FRS 39.

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, bank overdrafts, 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.

Alantac Technology (Suzhou) Co., Ltd

The results relating to ATSZ have been presented as "discontinued operation" in the consolidated statement of comprehensive income.

**32. Segment information**

For management purposes, the Group is organised into business units based on their products and services, and has 5 reportable operating segments as follows:

1. The aerospace segment is a provider of the manufacturing service for engine casings.

2. The oil and gas segment is a provider of manufacturing services to oil drilling equipment, in particular, body connectors for clip risers and related rigs.

3. The electronics segment is provider of manufacturing and assembly services for parts used by the semiconductor, telecommunication and medical industries.

4. The precision engineering segment is a provider of precision machining services for automotive parts.

5. The trading and other segment is provider of machine sales and customised cutting tools for our customers.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated statement of comprehensive income. Group financing (including finance cost) and income taxes are managed on a group basis and are not allocated to operating segments.

<u>Allocation basis and transfer pricing</u>

Segment results include items directly attributable to a segment 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 attributable to individual segments is not presented as the information is not provided to the chief operating decision maker.

Transfer prices between operating segments are at terms agreed between the parties.

## 32. Segment information (cont'd)

| | Aerospace | | Oil and Gas | | Electronics | | Precision Machining | | Trading & Others | | Adjustments and eliminations | | Notes | Per consolidated financial statements | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | | $'000 | $'000 |
| **Continuing operations** | | | | | | | | | | | | | | | |
| **Revenue:** | | | | | | | | | | | | | | | |
| External customers | 10,933 | 10,150 | 6,113 | 5,724 | 5,619 | 3,531 | 842 | 1,119 | 5,368 | 4,703 | - | - | | 28,875 | 25,227 |
| Inter-segment | - | - | 156 | - | 944 | 1,185 | 313 | - | - | - | (1,413) | (1,185) | | - | - |
| Total revenue | 10,933 | 10,150 | 6,269 | 5,724 | 6,563 | 4,716 | 1,155 | 1,119 | 5,368 | 4,703 | (1,413) | (1,185) | | 28,875 | 25,227 |
| **Results:** | | | | | | | | | | | | | | | |
| Segment result | 538 | (712) | (1,100) | (1,397) | (8) | (2,236) | (611) | (1,696) | 9,335 | 82 | (1,733) | (1,305) | | 6,421 | (7,264) |
| **Unallocated Expenses:** | | | | | | | | | | | | | | | |
| Unallocated corporate expenses | | | | | | | | | | | | | | (88) | (60) |
| Profit/(loss) from operations | | | | | | | | | | | | | | 6,333 | (7,324) |
| Finance income | | | | | | | | | | | | | | 1 | 3 |
| Finance expense | | | | | | | | | | | | | | (844) | (1,650) |
| Other financial changes | | | | | | | | | | | | | | (9) | (138) |
| Profit/(loss) before tax from continuing operations | | | | | | | | | | | | | | 5,481 | (9,109) |
| Tax credit | | | | | | | | | | | | | | 460 | 227 |
| Profit/(loss) after tax from continuing operations | | | | | | | | | | | | | | 5,941 | (8,882) |
| **Discontinued operation** | | | | | | | | | | | | | | | |
| Loss from discontinued operation after tax | | | | | | | | | | | | | | (4,963) | (3,052) |
| Net profit/(loss) for the year after tax | | | | | | | | | | | | | | 978 | (11,934) |

**32. Segment information (cont'd)**

**Geographical Information**

Revenue is based on the location of customers regardless of where the goods are produced. Assets and capital expenditure are based on the location of those assets.

| | Revenue | | Assets | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| **Continuing operations** | | | | |
| Singapore | 21,852 | 22,478 | 59,807 | 55,628 |
| USA | 2,365 | 287 | - | - |
| Others | 4,658 | 2,462 | 2,686 | 2,981 |
| | 28,875 | 25,227 | 62,493 | 58,609 |
| **Discontinued operation** | | | | |
| PRC | 349 | 651 | - | 7,733 |
| | 29,224 | 25,878 | 62,493 | 66,342 |

* Others include countries in the Southeast Asia.

<u>Information about major customers</u>

Revenue from two major customers amounted to $11,030,000 and $2,908,000 (2009: $10,189,000 and $3,454,000), arising from sales by the aerospace and oil and gas segments respectively.

**33. Comparative figures and prior year reclassification**

In presenting the current year's consolidated financial statements, prior year's comparative figures for finance lease obligations of $1,948,000 had been reclassified from current liabilities to non-current liabilities. This amount pertained to finance leases of a subsidiary for which certain covenant requirements were breached but the banks had granted formal waiver of the breaches on 14 December 2009. However, the balances were inadvertently classified as current liabilities in prior year's financial statements.

## 33. Comparative figures and prior year reclassification (cont'd)

As a result, the following comparative figures have been reclassified for financial year 2009:

| | 2009<br>As previously reported<br>$'000 | Reclassi-fication<br>$'000 | 2009<br>Reclassified<br>$'000 |
|---|---|---|---|
| **Balance sheet** | | | |
| **Group** | | | |
| **Current liability** | | | |
| Finance lease obligations | 5,658 | (1,948) | 3,710 |
| **Non-current liability** | | | |
| Finance lease obligations | 1,242 | 1,948 | 3,190 |

There is no impact on the opening consolidated balance sheet as at 1 January 2009 and accordingly, no opening consolidated balance sheet is presented.

## 34. Guarantees

The Company has provided a corporate guarantee to a bank that amounted $2,300,000 in 2009 for a loan taken by a subsidiary.

## 35. Events occurring after the end of the reporting period

***Change of principal activities***

The Company changed its principal activities from the provision of advanced engineering services in precision machining and manufacturing of critical parts and components used in the Aerospace, Oil and Gas industries to that of an investment holding company after the year end.

***Corporate Guarantee***

The Company has passed a board resolution after the year end to provide a corporate guarantee for $3,550,000 to a bank for the provision of banking facilities to one of its subsidiary.

## 36. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 31 March 2011.

# DISTRIBUTION OF SHAREHOLDINGS

**AS AT 22 MAR 2011**

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 999 | 18 | 0.66 | 8,249 | 0.00 |
| 1,000 - 10,000 | 532 | 19.57 | 3,580,368 | 0.39 |
| 10,000 - 1,000,000 | 2,105 | 77.42 | 248,245,933 | 27.24 |
| 1,000,001 AND ABOVE | 64 | 2.35 | 659,639,716 | 72.37 |
| **TOTAL** | **2,719** | **100.00** | **911,474,266** | **100.00** |

**Share Capital**

| | |
|---|---|
| Issued and fully paid-up capital | : $74,950,000 |
| Number of Shares | : 911,474,266 |
| Class of shares | : Ordinary shares |
| Voting rights | : One vote per ordinary share |
| Treasury shares | : Nil |

**SUBSTANTIAL SHAREHOLDERS**

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Adam Lau Fook Hoong @ Joe Lau | 129,215,950 | 14.18 | - | - |
| Ellipsiz Ltd | 125,417,250 | 13.76 | - | - |
| AMS Capital Pte Ltd | 70,947,558 | 7.78 | - | - |
| Tan Ngee Teck(1)(2) | - | - | 70,947,558 | 7.78 |

**Notes:**

(1) 8,000,000 Shares have been pledged pursuant to a securities lending agreement dated 12 July 2007 between AMS Capital Pte. Ltd. and Pacific Investment Management Limited and are held through HSBC (Singapore) Nominees Pte. Ltd.

(2) Mr Tan Ngee Teck is deemed interested in all the Shares by virtue of Section 7 of the Companies Act.

# DISTRIBUTION OF SHAREHOLDINGS
**AS AT 22 MAR 2011**

### TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | Adam Lau Fook Hoong @Joe Lau | 129,215,950 | 14.18 |
| 2 | Ellipsiz Ltd | 125,417,250 | 13.76 |
| 3 | AMS Capital Pte Ltd | 70,947,558 | 7.78 |
| 4 | Koh Pang An | 41,650,000 | 4.57 |
| 5 | Lim Boon Hock Bernard | 37,416,000 | 4.10 |
| 6 | OCBC Securities Private Ltd | 27,251,750 | 2.99 |
| 7 | Phillip Securities Pte Ltd | 21,650,378 | 2.38 |
| 8 | HL Bank Nominees (S) Pte Ltd | 17,050,000 | 1.87 |
| 9 | Lee Mui Gek Pauline | 16,577,000 | 1.82 |
| 10 | Tan Eng Chua Edwin | 14,122,000 | 1.55 |
| 11 | Low Koon Poo Edmund | 9,380,750 | 1.03 |
| 12 | Lim & Tan Securities Pte Ltd | 8,730,250 | 0.96 |
| 13 | CIMB Securities (Singapore) Pte Ltd | 7,928,500 | 0.87 |
| 14 | Chua Keng Loy | 7,750,000 | 0.85 |
| 15 | Ng Lian Sang | 7,048,000 | 0.77 |
| 16 | United Overseas Bank Nominees Pte Ltd | 5,821,995 | 0.64 |
| 17 | Yeo Yong Kian | 5,000,000 | 0.55 |
| 18 | Citibank Nominees Singapore Pte Ltd | 4,760,000 | 0.52 |
| 19 | DBS Nominees Pte Ltd | 4,752,250 | 0.52 |
| 20 | Kee Seok Khim Sharon | 4,742,000 | 0.52 |
| | **Total** | **567,211,631** | **62.23** |

### PERCENTAGE OF SHAREHOLDING HELD BY PUBLIC

64.28% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Rules of Catalist.

# 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, 28 April 2011 at 10.00 a.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 91 and 97 of the Articles of Association of the Company:

   Mr Adam Lau Fook Hoong @ Joe Lau - Retiring under Article 91 **(Resolution 2)**
   Mr Chan Wai Leong - Retiring under Article 97 **(Resolution 3)**

   Mr Adam Lau Fook Hoong @ Joe Lau will, upon re-election as Director, remain as a member of the Nominating Committee and will be considered non-independent.

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

3. To approve the payment of Directors' fees of S$107,084 for the year ended 31 December 2010. (2009: S$110,000). **(Resolution 4)**

4. To appoint Foo Kon Tan Grant Thornton LLP in place of the retiring external Auditors, Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(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. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"): 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 and convertible securities 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 SGX-ST) and the Articles of Association 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 Annual General Meeting ("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 (i) below) **(Resolution 6)**

By Order of the Board

Cecelia Ong Su Lin
Secretary
Singapore, 6 April 2011

**Explanatory Notes:**

(i) Resolution 5 in item 4 above, is to approve the appointment of Foo Kon Tan Grant Thornton LLP as the external auditors in place of the retiring auditors, Ernst & Young LLP and to authorise the Directors to fix their remuneration.

Ernst & Young LLP, the retiring auditors have served as the external auditors for the Company since 2004. As part of the Company's on-going efforts to procure cost-effective services, the Directors have sought quotations for the audit of the accounts of the Company for the financial year ending 31 December 2011 from various audit firms. The Directors have determined, following the review of the credentials, services and fee proposals from these audit firms in consultation with the Audit Committee, that the proposal given by Foo Kon Tan Grant Thornton LLP ("FKT") is best suited to the needs of the Company. As a matter of good corporate governance, the Board and management are also of the view that external auditors should be rotated and would like to propose that Foo Kon Tan Grant Thornton LLP be appointed in place of Ernst & Young LLP for the financial year ending 31 December 2011.

The Directors and Audit Committee have also considered various factors, including the adequacy of the resources of FKT, their experience and audit engagements, the number and expertise of the supervisory and professional staff who will be assigned to the audit of the Company and FKT's proposed audit arrangements of the Company and that Rule 712 of the Listing Manual has been complied with.

In accordance with the requirements of Rule 712(2) of the Listing Manual, Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited:

(a) the outgoing auditors, Ernst & Young LLP have confirmed that they are not aware of any professional reasons why the new auditors should not accept appointment as auditors of the Company;

(b) the Company confirms that there were no disagreements with the outgoing auditors, Ernst & Young LLP, on accounting treatments within the last 12 months;

(c) 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; and

(d) the specific reasons for the change of auditors are as disclosed above.

(ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next 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.

# NOTICE OF ANNUAL GENERAL MEETING

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.

**Notes**

1. A Member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. 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.

*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 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@stamfordlaw.com.sg*

## 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. 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.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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 (delete as appropriate)

| 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 486782 on Thursday, 28 April 2011 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' Report and Audited Accounts for the year ended 31 December 2010 | | |
| 2 | Re-election of Mr Adam Lau Fook Hoong @ Joe Lau as a Director | | |
| 3 | Re-election of Mr Chan Wai Leong as a Director | | |
| 4 | Approval of Directors' fees amounting to S$107,084 | | |
| 5 | Appointment of Foo Kon Tan Grant Thornton LLP as auditors in place of Ernst & Young LLP | | |
| 6 | Authority to allot and issue new shares | | |

Dated this _____________ day of _____________ 2011

| 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

**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 130A of the Companies Act, Chapter 50 of Singapore), 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. 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.

5. 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.

6. 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.

7. 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 forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.