ANNUAL REPORT
2012

JEP HOLDINGS LIMITED

Contents

02 Letter to Shareholders
04 Operational and Financial Review
06 Financial Highlights
07 Board of Directors
10 Key Executives
11 Corporate Information
13 Financial Contents
14 Corporate Governance
87 Distribution of Shareholdings
89 Notice of Annual General Meeting
Proxy Form

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LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of JEP Holdings Ltd., we are pleased to present to you the performance of the Group for the year ended 31 December 2012 ("FY2012").

FY2012 was a significant year for the Group. Against the challenging macroeconomic environment (including the declining USD and inflationary cost pressures) and very tight labour environment, the Group registered a net profit after tax of S$1.0 million as compared to a net loss after tax of S$2.4 million for the year ended 31 December 2011 ("FY2011"). After slightly more than two years of re-structuring and consolidation, the Group was in a stronger position for expansion. With the proceeds from the sale and leaseback of the property in 44/46 Changi South, Street 1, the operations expanded with the successful acquisition of Dolphin Engineering Pte Ltd ("DEPL").

At JEP Precision Engineering Pte Ltd ("JEPS"), there was significant increase in investment in high-end equipment to meet increased demand from especially the aerospace business. The increase in demand was noted in the latter half of FY2012. Presently, JEPS is in negotiation with certain international customers from both the aerospace, and oil and gas industries to manufacture complex components.

As the Group works towards achieving a stronger financial position, it aims to pay out annually part of the Group's after tax profits, after taking into account the Group's capital requirements and expansion plans.

The Group is delighted to, for the first time in its history, recommend for our shareholders' approval at the forthcoming Annual General Meeting a first and final cash dividend of $0.001 Singapore cent per ordinary share for FY2012. If approval is obtained, the dividend will be payable to shareholders sometime in May 2013.

Financial Performance

The Group reversed from a net loss position of S$2.4 million in FY2011 to a net profit after tax of S$1.0 million in FY2012. Revenue increased S$12.2 million or 50.9% from S$23.8 million in FY2011 to S$36 million in FY2012, which included revenue contribution of S$9.8 million from DEPL. The increase was also due to stronger aerospace orders and marginal increase from oil and gas business in the second half of FY2012.

For the period under review, the Group posted an increase of S$4.9 million or 432.8% in its gross profit from S$1.1 million in FY2011 to S$6.0 million in FY2012. Correspondingly, its gross profit margin also improved significantly from 4.8% in the previous year to 16.8% in FY2012 as a result of better performance in the aerospace segment during the latter half of FY2012 as well as contribution from DEPL.

The Group continues to adopt prudent management of its balance sheet by maintaining a low level of gearing of 6%, and monitoring its cash and cash equivalents and trade receivables closely.

Business Activities

As part of our on-going strategy of deepening our engagement in the Oil & Gas sector, the Group on 8 November 2012 inked a 5-year S$13.7 million agreement with Akers Solutions, a leading global oilfield products, systems and services company, to provide precision engineering and related services for the manufacture of CLIP Riser Connector. JEPS had also previously secured a similar 5-year agreement with Aker Solutions in 2007.

As for the aerospace sector, we had completed many new FA (First Article) last year and some had started production recently. Most of the products are for the new generation aircraft, like B787, A350 and A380 and this provides a strong foundation for the future growth of JEP. For example, we had started production and delivery of brake rods for the B787.

Our quality product and delivery have placed us in good stead with our customers. One major international aerospace company has made plans to increase its orders for landing gear components with us. Presently, we are negotiating with this customer to finalise a new package to be included in our long term agreement.

As a result of our growing reputation, we are also anticipating more businesses for JEPS from another U.S. based global corporation that provides a broad range of high-technology products and services to the global aerospace and building systems industries.

LETTER TO SHAREHOLDERS

Beyond FY2012

While FY2012 had been a positive year for the Group, we are cautiously optimistic on our outlook for the year ahead. The order momentum from the aerospace and the oil and gas industries have picked up since the second half of FY2012 and should continue into the first half of FY2013. With the likely increase in orders, the Group is making preparations to provide for increases in capital expenditures, such as investing in state-of-art equipment and secondary process capabilities.

DEPL will continue to contribute strategically towards the Group's long term growth. Besides enabling certain parts to be engineered in-house which enhances the Group's efficiency and results in cost-savings and better quality delivery, DEPL is an added vehicle which will allow the Group to penetrate into the wider market and increase its products and service offerings.

While the management remains committed to searching for growth opportunities, the relentless focus to keep our operating and business structures relevant and competitive remain our cornerstone strategy.

Acknowledgement

The Board would like to take this opportunity to express our gratitude to our staff and management for their continuous hard work and support through these difficult years. We hope that they will continue to be part of the team, and together, we will achieve greater heights in the years to come.

Additionally, we would like to welcome the management of DEPL. We are encouraged by the performance of DEPL and are confident that they will become a significant pillar of strength for the Group in the years to come.

Last but not least, we would like to thank our shareholders and business partners for their support as well as their kind patience and understanding over the last few years as we underwent a major transformation.

Joe Lau
Executive Chairman and CEO
JEP Holdings Ltd.

OPERATIONAL AND FINANCIAL REVIEW

Review of Financial Performance

The Group's revenue for FY2012 increased by S$12.2 million or 50.9% from S$23.8 million to S$36.0 million. The aerospace, and oil and gas sectors continued to be the main contributors to the Group's revenue. The revenue from these businesses accounted for S$23.6 million or 65.6% of total group revenue. The electronics business contributed 2.9% while precision machining and other sectors contributed 4.2% of the total revenue. A new business, equipment manufacturing, was introduced to the Group arising from the acquisition of the subsidiary, DEPL. It contributed 27.3% of the total group revenue in FY2012. Excluding revenue contribution from DEPL, overall group revenue has increased by S$2.3 million compared to the same period for FY2011.

Cost of Sales increased from S$22.7 million in FY2011 to S$29.9 million in FY2012. The increase of S$7.2 million was mainly due to the inclusion of S$7.6 million in Cost of Sales attributable to DEPL.

Gross profit margin increased from 4.8% in FY2011 to 16.8% in FY2012. The improvement was largely attributable to an increase in revenue, especially from the aerospace and equipment manufacturing businesses, savings in the cost of raw material, contribution from DEPL and a decrease in depreciation due to revision of the depreciation policy for heavy plant and machinery. Please refer to Note 2(a) of the financial statements for details of the change in depreciation.

Compared with FY2011, Other Operating Income for FY2012 has increased by S$0.9 million. The increase was mainly due to a gain in foreign exchange of S$0.5 million, fair value gain on additional cash consideration of S$0.4 million and an adjustment received from customers of S$0.3 million, and offset by a lower gain on disposal of property, plant and equipment of S$0.3 million in FY2012.

Selling and Distribution expenses increased by S$0.3 million mainly due to an increase in salary related costs of S$0.2 million.

General and Administrative expenses increased by S$0.5 million in FY2012 as compared to FY2011. The increase was largely due to an increase in related salaries and personnel cost of S$0.4 million, repair and maintenance of S$0.1 million, fair value loss in derivatives of S$0.1 million and provision of doubtful debts of S$0.06 million. This increase was partly offset by a decrease in amortisation of intangible assets of S$0.2 million.

Finance expenses remained relatively constant, albeit with marginal reduction of S$0.02 million, in FY2012 as compared to FY2011.

The decrease in tax credit of S$1.1 million was due to a deductible temporary difference of S$0.8 million and a tax recoverable from the tax authorities of S$0.3 million due to the prior years' over assessment of corporate tax liabilities for the subsidiary, JEP Precision Engineering Pte Ltd ("JEPS") in FY2011.

The Group has achieved a significant improvement of net profit of S$1.0 million as compared to net loss of S$2.4 million in FY2011. The Group's profitability was boosted by a contribution from DEPL of S$0.9 million.

Allowance for doubtful debts of S$0.04 million was recorded for FY2012. Allowance for obsolescence inventories no longer required of S$0.02 million was made in FY2012 for slow moving stock at net realisable value and stock that had become obsolete due to cancellation of orders. Amortisation of intangible assets decreased from S$1.59 million to S$1.40 million in FY2012 due to the diminishing value of related customer relationships for FY2012.

Gain on disposal of property, plant and equipment decreased by S$0.3 million due to exclusion of a net gain of S$0.3 million for a disposal of heavy machinery in FY2011. Fair value loss in derivatives of S$0.1 million was recorded for FY2012 upon full settlement of the balance of the UOB S$1.0 million convertible loan under the Convertible Loan Agreement on 30 April 2012. Fair value gain which resulted from the deferred additional cash consideration pertaining to the acquisition of DEPL in FY2012 was S$0.39 million.

Foreign exchange gain of S$0.5 million which was recorded in FY2012, as compared to a loss in foreign exchange of S$0.13 million in FY2011, is mainly attributable to an unrealised gain on Japanese Yen revaluation related to procurement of machinery. Interest on borrowings decreased by 6.1% due to the reduction in the Group's loan borrowings.

Depreciation of property, plant and equipment decreased by S$0.97 million and was mainly attributable to a revision in the depreciation policy for heavy plant and machinery.

Impairment loss on investment of S$0.5 million was recorded in FY2012. This was attributable to impairment loss on goodwill on consolidation of the subsidiary, JEPS.

Balance Sheet and Cash Flow

The Group's property, plant and equipment increased by S$13.0 million in FY2012. The increase due to the addition of a S$5.2 million leasehold of a factory building, and S$2.3 million worth of machinery equipment resulting from the acquisition of DEPL. Total capital expenditure of S$8.7 million for the procurement of machinery was recorded for the subsidiary, JEPS. A total depreciation charge of S$3.2 million was recorded for the financial year.

Goodwill increased from S$12.7 million to S$17.5 million in FY2012 due to goodwill of S$5.3 million arising from the acquisition of DEPL and an impairment loss on goodwill on consolidation of JEPS of S$0.5 million.

Intangible assets related to customer relationships arising from the acquisition of JEPS decreased by S$1.4 million due to amortisation costs incurred during FY2012.

Current Assets decreased by S$3.8 million. Compared to FY2011, Inventories increased by S$1.9 million. The increase in Inventories of S$1.9 million was mainly due to increase in work-in-progress of S$0.9 million, and increase in JEPS' raw material, finished goods and consumable tools of S$0.3 million each. Trade Receivables increased by S$3.6 million as compared with FY2011 due to inclusion in FY2012 of Trade Receivables of S$2.1 million from DEPL and S$1.4 million from JEPS. Other Receivables increased by S$0.02 million in FY2012 due to prepaid withholding income tax by the subsidiary, JEPT. Cash and Cash Equivalents decreased by S$8.1 million. The reduction in Cash and Cash Equivalents was mainly due to the net cash outflow of S$6.9 million on the acquisition of DEPL and the repayment of finance lease obligations. Deposit and Prepayment decreased by S$1.2 million mainly due to reduction in deposit placed for the procurement of machinery.

Total current liabilities for FY2012 were increased to S$12.6 million from S$5.7 million in FY2011. The increase of S$6.9 million was due to an increase in, (a) other payables and accruals totalling S$5.2 million, (b) trade payables totalling S$1.5 million, and (c) obligations under finance lease and loans and borrowings totalling S$0.3 million. The increase in other payables and accruals was mainly attributable to an amount payables related to procurement of machinery totalling S$3.3 million and an additional consideration of S$1.0 million payable to former shareholders of DEPL pursuant to the Sale and Purchase Agreement dated 9 January 2012 between JEP Holdings Ltd. and DEPL. Trade payables increase was largely attributable to the inclusion of DEPL's trade payables of S$0.9 million and JEPS' trade payment of S$0.5 million. Obligations under finance lease and loans borrowing increased by S$0.3 million mainly due to procurement of machinery by the subsidiary, JEPS.

Non-current liabilities recorded an increase of S$2.2 million in FY2012 compared to FY2011. The increase was mainly due to a deferred consideration payment of S$2.1 million pertaining to the acquisition of DEPL and an increase in the obligations under finance lease of S$0.8 million due to procurement of machinery. Deferred tax liabilities decreased by S$0.2 million.

Overall, total Group obligations under finance lease and borrowings as at 31 December 2012 increased by S$1.0 million to S$5.6 million compared to S$4.6 million as at 31 December 2011.

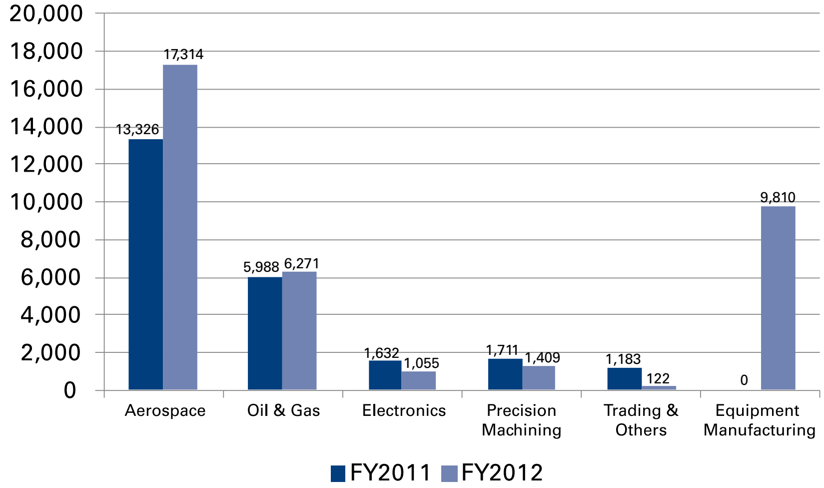
In FY2012, the Group generated a positive net cash flow of S$5.8 million from operating activities compared to a total of S$1.9 million in FY2011. This increase was mainly due to profit before tax of S$0.8 million, S$3.2 million in depreciation of property, plant and equipment as compared to the previous year of S$4.2 million and S$1.4 million in amortisation of intangible assets as compared to S$1.6 million in FY2011. Depreciation of property, plant and equipment of S$3.2 million and amortisation of intangible assets of S$1.4 million were adjusted as non-cash items, which resulted in the increase in net cash flow from operating activities notwithstanding that these items do not form part of the operating cash flow. Net cash used in investing activities amounted to S$9.1 million in relation to the acquisition of DEPL and the procurement of machinery. Net cash outflow from financing activities was S$2.7 million which arose from a repayment of finance lease obligations and bank loans. As a result, the Group recorded net cash outflow of S$8.1 million for FY2012.

Going Forward

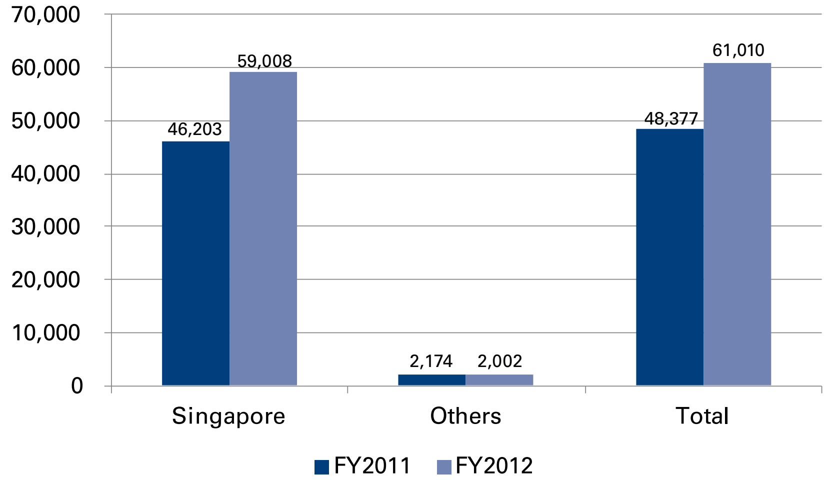
There are positive indications that the aerospace industry will continue to grow amidst mixed indications of the prospects of the oil and gas, and semiconductor industries in the next 12 months. The Group is committed to remaining nimble to respond to changes in the business environment. In recent months, the Group has increased its customer base in aerospace related businesses. Operation costs and staying competitive will remain as two key challenges to the Group's growth potential. No effort is spared towards keeping costs down, staying competitive, and diversifying and strengthening the customer base.

FINANCIAL HIGHLIGHTS

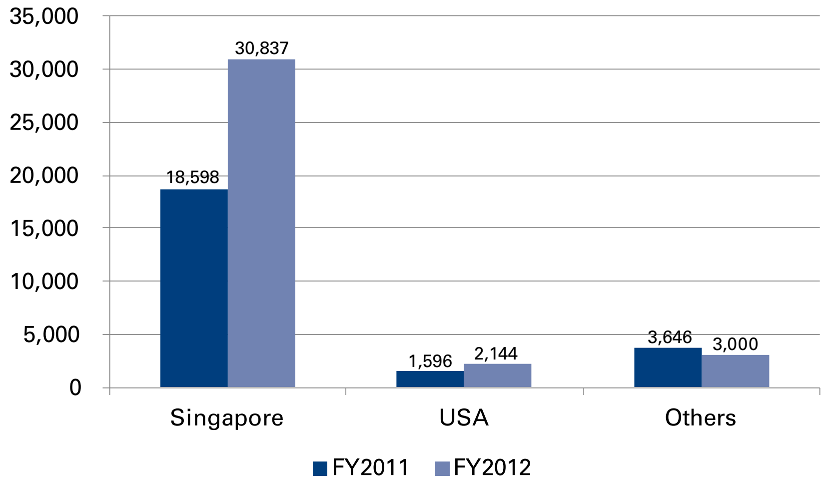
Revenue by Industry $'000



Asset by Region $'000



Revenue by Region $'000



BOARD OF DIRECTORS

BOARD OF DIRECTORS

Mr Joe Lau
Executive Chairman and Chief Executive Officer

Mr 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. Among 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 Limited, Ingram Micro and iNETest resources.

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

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 Soh Chee Siong
Chief Executive Officer, JEP Precision Engineering Pte Ltd.

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

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

Mr Soh joined Rolls Royce Singapore Pte Ltd as the Operations Director in April 2010. He led a new team and was responsible in setting up the new facility in Seletar Aerospace Park, which focuses in the manufacturing of Wide Chord Fan Blade for the Trent Engine.

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

Mr Daniel Lek Hang Liang
Managing Director, Dolphin Engineering Pte Ltd

Mr. Daniel Lek is the Managing Director of Dolphin Engineering Pte. Ltd. With three other shareholders, Mr Lek co-founded the company in 1984. For its humble beginning in 1984, the business which started as a hardware supplier to a handful local SMEs, the company grew and expanded into precision engineering industry. Within the next few years, the company had grown rapidly to be become known as one of Singapore's leading large format precision engineering and fabrication service providers today.

Under the leadership of Mr Lek for more than two decades now, Dolphin Engineering with its technology, dedicated, experienced and trained work force has attracted and served a diversified range of local and multi-national companies coming from different industries. The company currently serve industries in semiconductors, contract equipment manufacturing, aerospace, and oil and gas to name a few.

CORPORATE INFORMATION

Company Registration No. 199401749E

Board of Directors

Executive:

Joe Lau
(Executive Chairman and Chief Executive Officer)

Koh How Thim
(Executive Director)

Non-Executive:

Wong Gang
(Lead Independent Director)

Raymond Quek Hiong How
(Independent Director)

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

Audit Committee

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

Nominating Committee

Wong Gang (Chairman)
Raymond Quek Hiong How
Joe Lau

Remuneration Committee

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

Company Secretary

Jonathan Lee Tiong Hock

Registered Office

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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

Auditor

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Certified Public Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce &
Industry Building
Singapore 179365

Audit Partner-in-Charge

Yeo Boon Chye
(since financial year ended 31 December 2011)

JEP HOLDINGS LTD.

Financial Contents

14 Corporate Governance
25 Directors' Report
28 Statement by Directors
29 Independent Auditor's Report
30 Statements of Financial Position
31 Statements of Comprehensive Income
32 Statements of Changes in Equity
34 Consolidated Statement of Cash Flows
35 Notes to the Financial Statements
87 Distribution of Shareholdings
89 Notice of Annual General Meeting
Proxy Form

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 2012 (the "Code").

Principle 1 – The Board's Conduct of its Affairs

The Company is headed by the Board that leads and control the Company. The Board is collectively responsible for the long-term success of the Company and works with Management to achieve this objective and Management remains accountable to the Board.

The Board comprises the following members:

Executive Directors

Joe Lau
Koh How Thim

Non-Executive Directors

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

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 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 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.

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

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
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	2	2	2	-	-	1	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 and 10% shareholders. 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.

Even though the independent directors form less than half of the Board, the Board is still able to exercise objective judgement on business and corporate affairs, independent from management. This is because of the active participation and engagement between the nominee director of the substantial shareholder and the independent directors in often stimulating and dynamic discussions during board meetings and meetings of the board committees. As a result, proposed strategies and significant issues and matters are constructively analysed, debated and thoroughly discussed and considered, with the long-term interests of shareholders taken into consideration.

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.

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 corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independence business judgement. The NC has ascertained that for the period under review, all non-executive independent Directors are independent.

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.

CORPORATE GOVERNANCE

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. 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 setting the agenda for board meetings, ensuring that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and management and takes a lead role in promoting high standards of corporate governance.

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 and for which contact through the normal channels of the Chairman, CEO or the chief financial officer (or equivalent) 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);
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.

The NC shall be responsible for identifying and nominating candidates for the Board, determining annually, whether a director is independent in accordance with the guidelines set out in the Code, filling Board vacancies as well as to put in place plans for succession, in particular 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. The NC has ascertained that for the period under review, the directors have devoted sufficient time and attention to the Group's affairs.

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 Quek Hiong How 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 4 – Board Membership (cont'd)

Further Information on Board of Directors

Joe Lau
Executive Chairman and Chief Executive Officer
Date of first appointment as a director : 1 October 2007
Date of last re-election as a director : 28 April 2011

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Nominating Committee	JEP Precision Engineering Pte. Ltd. JEP Precision Engineering Co., Ltd. Dolphin Engineering Pte. Ltd.	Nil

Wong Gang
Lead Independent Director
Date of first appointment as a director : 1 November 2006
Date of last re-election as a director : 18 April 2012

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Remuneration Committee (Chairman) Nominating Committee (Chairman) Audit Committee	China Animal Healthcare Limited, Bermuda Tianjin Zhongxin Pharmaceutical Group Corporation Limited, PRC Fujian Zhenyun Plastics Industry Co., Ltd, PRC Renewable Energy Asia Group Limited, Bermuda Bowsprit Capital Corporation Limited	Nil

Quek Hiong How
Independent Director
Date of first appointment as a director : 3 August 2009
Date of last re-election as a director : 30 April 2010

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Audit Committee (Chairman) Nominating Committee Remuneration Committee	Nil	Nil

Principle 4 – Board Membership (cont'd)

Further Information on Board of Directors (cont'd)

Koh How Thim
Executive Director
Date of first appointment as a director : 7 May 2009
Date of last re-election as a director : 18 April 2012

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Nil	JEP Precision Engineering Pte. Ltd. Dolphin Engineering Pte. Ltd.	Nil

Chan Wai Leong
Non Executive Director
Date of first appointment as a director : 4 June 2010
Date of last re-election as a director : 28 April 2011

Board Committee(s) served	Current Directorship(s)	Directorship(s) over the past 3 years (April 2010 to April 2013)
Audit Committee Remuneration Committee	Ellipsiz Ltd Group of Companies	Nil

The NC also considers whether directors, who have multiple board representatives, are able to and have been devoting sufficient time to discharge their responsibilities adequately. The NC believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive. A sufficient safeguard, which already exists, is requiring each director annually, to confirm to the NC his ability to devote sufficient time and attention to Singapore Exchange's affairs, having regard to all his other commitments.

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 board committees 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 served on multiple boards.

As an integral element of the process of appointing new directors, the Chairman, in consultation with the NC, may act on the performance evaluation result and where appropriate, proposes new members to be appointed to the Board or seeks resignation of Directors.

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 Company Secretary attends most of the board meetings and is responsible to the Board for advising on the implementation of the Group's compliance requirement pursuant to the relevant statutes and regulations. The appointment and removal of the Company Secretary is subject to approval of the Board.

Principle 6 - Access to Information (cont'd)

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.

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 Non-Independent Director)

The RC reviews and recommends to the Board, in consultation with Management, a general framework of remuneration for Management and key management personnel 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. The Executive Directors' remuneration packages are based on service contracts. These include a profit sharing scheme that is performance related to align their interest with those of the shareholders.

Currently, the Company does not have any long-term incentive scheme for its Directors but is looking into this issue with its independent directors, into the possibility of adopting incentive schemes. Where appropriate, the Board will adopt such recommendations and modifications, if feasible and applicable. The RC may seek expert advice outside the Company on remuneration for the Directors and key management personnel. It ensures that in the event such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

Principle 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.

The independent and non-executive directors do not have any service agreements with the Company. Save for directors' fees, which have to be approved by the shareholders at every AGM, the independent and non-executive directors do not receive any remuneration from the Company.

Principle 9 – Disclosure on Remuneration

For competitive reasons, the Company is only disclosing the bands of remuneration for each Director for FY2012 under review.

Name of Director	Fees [(1)] S$'000	Salary [(2)] S$'000	Bonus [(2)] S$'000	Others[(3)] S$'000	Total S$'000
Directors					
Joe Lau	-	76%	7%	17%	100%
Koh How Thim	-	79%	7%	14%	100%
Wong Gang	100%	-	-	-	100%
Raymond Quek Hiong How	100%	-	-	-	100%
Chan Wai Leong	100%	-	-	-	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.

The Board is of the view that it is not in the interests of the Company to disclose the remuneration of the top five key managers (who are not Directors) of the Company in this Report due to the sensitive and confidential nature of such information and disadvantages that this might bring.

There is no termination, retirement and post-employment benefits granted to Directors, the CEO and the top five management personnel.

In the financial year ended 31 December 2012, the Group has no employee whose annual remuneration exceeds S$50,000 who is related to any Director.

The Company adopts a remuneration policy for employees comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Company and the Individual. The remuneration package of the Executive Chairman and CEO includes a variable performance bonus.

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 a balanced and clear assessment 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.

Principle 11 – Risk Management and Internal Controls

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

Management had engaged JF Virtus Pte Ltd ('JFV'), its internal auditor, to conduct a major exercise to identify and assess risks relevant to the Group with the objective of allocating the Group's resources to create and preserve value aligned to the Group's strategy. The risk assessment exercise highlighted certain pertinent risks in relation to strategic, operational, financial, regulatory compliance and IT areas which would form the subsequent basis of the Group's risk management framework and manual for managing risk across the Group. The guidelines for the risk management process would involve indentifying, analyzing, evaluating, monitoring, treating and reporting risks which are activities to be conducted by an in-house risk management function on a continuing basis. The Board had designated Mr Koh How Thim to be the Chief Risk Officer ("CRO"), to oversee the in-house risk management function.

Management are responsible for ensuring that the risk identified across the aforementioned five areas are relevant to the business environment and that controls are either in place or required to be developed in order to mitigate these risks to the appropriate target risk levels. The Board of Directors reviews and approves policies and procedures for the management of these risks, which are executed by the CEO and the CRO. The AC provides independent oversight to the effectiveness of the risk management process.

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

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

In compliance with Rule 1204(10), the Board with the concurrence of the AC is of the opinion that the Company has a robust and effective internal control system and the system is adequate to address the financial, operational and compliance risks, based on the reports from the internal auditor, external auditors and the various management control put in place.

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

The Board had received assurance from the CEO and Mr Koh How Thim (who performs the role of a CFO) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

Principle 12 – 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)

Principle 12 – Audit Committee (cont'd)

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 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.

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

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

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

Principle 12 – Audit Committee (cont'd)

Foo Kon Tan Grant Thornton LLP was appointed as the Company's external auditors, to audit the accounts of the Company and its subsidiaries. The Company has accrued an aggregate amount of audit fees of S$124,000, comprising audit fees of S$110,000 and non-audit services fees of S$14,000 to the external auditors for the year under review.

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.

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

Principle 13 - Internal Audit

During the financial year, the Company outsourced its internal audit function to a professional firm Messrs JF Virtus Pte Ltd. The Internal Auditor ('IA') reports directly to the AC Chairman and administratively to the CEO. The main objective of the internal audit function is to assist the Group in evaluating and assessing the effectiveness of internal controls and consequently to highlight the areas where control weaknesses exist, if any, and thus improvement could be made. The Company continues to work with the IA to identify other scope of work which will help to further enhance the robustness of the Company.

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

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

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

Principle 14, 15 & 16 – Shareholder Rights And Responsibilities

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. Our corporate website at www.jep-holdings.com, where shareholders can access more information of the Company and the corporate profile of the Group.

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

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

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. The Articles allow a shareholder to appoint one or two proxies to attend and vote instead of the shareholder. The Articles currently do not allow a shareholder to vote in absentia.

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

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

Due to the high cost in employing electronic polling and relatively small number of shareholders who turn up for the general meetings, the voting process of the Company is done via a show of hands unless a poll is demanded.

Principle 14, 15 & 16 – Shareholder Rights And Responsibilities (cont'd)

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

SECURITIES TRANSACTIONS

In compliance with Rule 1204(19), 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

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 during the financial year.

The directors submit this annual report to the members together with the audited consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2012.

Names of directors

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

Joe Lau	-	Executive Chairman of the Board, Chief Executive Officer
Koh How Thim	-	Executive Director
Wong Gang	-	Lead Independent Director
Raymond Quek Hiong How	-	Independent Director
Chan Wai Leong	-	Non-Executive and Non-Independent Director

Arrangements to enable directors to acquire shares or debentures

During and at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the object was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body.

Directors' interest in shares or debentures

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

	Number of ordinary shares			
	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
The Company - JEP Holdings Ltd.	As at 1.1.2012	**As at 31.12.2012 and 21.1.2013#**	As at 1.1.2012	**As at 31.12.2012 and 21.1.2013#**
Joe Lau	135,240,950	**135,240,950**	30,000,000	**30,000,000**
Koh How Thim	175,000	**175,000**	-	**-**

\# There are no changes to the above shareholdings as at 21 January 2013.

Directors' benefits

Since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50, except for salaries, bonuses and fees and those benefits that are disclosed in Note 20 and Note 21 to the financial statements.

Share options

No options to take up unissued shares of the Company or any subsidiaries have been granted during the financial year.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries.

There were no unissued shares of the Company or any subsidiaries under option at end of the financial year.

Audit committee

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

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

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

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

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

(iii) the half yearly financial information and the consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2012 as well as the independent auditor's report thereon; and

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

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

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan Grant Thornton LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Foo Kon Tan Grant Thornton LLP, Certified Public Accountants, has expressed its willingness to accept re-appointment.

Other information required by the SGX-ST

Material information

There are no material contracts to which the Company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There was no interested person transactions as defined in Chapter 9 of SGX-ST Manual conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance" and on Note 25 to the financial statements.

On behalf of the Directors

Joe Lau

Koh How Thim

Dated: 15 March 2013

STATEMENT BY DIRECTORS
for the financial year ended 31 December 2012

In the opinion of the directors, the accompanying statements of financial position, statements of comprehensive income, statements of changes in equity and consolidated statement of cash flows, together with the notes thereon, 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 2012 and of 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 financial year ended on that date; and 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 Directors

Joe Lau

Koh How Thim

Dated: 15 March 2013

INDEPENDENT AUDITOR'S REPORT

to the members of JEP Holdings Ltd.

Report on the financial statements

We have audited the accompanying financial statements of JEP Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2012, the statements of comprehensive income and the statements of changes in equity of the Group and the Company and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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 (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.

Auditor's 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 judgement, 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 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 statement of financial position, 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 2012, and the results and changes in equity of the Group and the Company and cash flows of the Group for the financial year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Certified Public Accountants

Yeo Boon Chye
Partner-in-charge of the audit

Singapore, 15 March 2013

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

		The Group		The Company	
		31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	Note	**$'000**	$'000	**$'000**	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**24,324**	11,267	**56**	119
Investment in subsidiaries	5	**-**	-	**43,401**	29,468
Intangible assets	6	**21,533**	18,156	**-**	-
		45,857	29,423	**43,457**	29,587
Current assets					
Tax recoverable		**29**	-	**-**	-
Inventories	7	**3,988**	2,059	**-**	-
Trade and other receivables	8	**6,758**	4,378	**3**	48
Amounts due from subsidiaries	9	**-**	-	**151**	47
Pledged deposits	10	**965**	961	**-**	-
Cash and cash equivalents	10	**3,413**	11,556	**868**	8,660
		15,153	18,954	**1,022**	8,755
Total assets		**61,010**	48,377	**44,479**	38,342
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	11	**34,163**	33,473	**34,163**	33,473
Treasury shares	12	**-**	(1,553)	**-**	(1,553)
Capital reserve	13	**247**	-	**247**	-
Retained profits		**3,422**	2,572	**5,682**	5,225
Translation reserve		**(121)**	(147)	**-**	-
		37,711	34,345	**40,092**	37,145
Non-controlling interests		**2,615**	2,511	**-**	-
Total equity		**40,326**	36,856	**40,092**	37,145
Liabilities					
Non-current liabilities					
Other payables	17	**2,150**	-	**2,150**	-
Obligations under finance lease	14	**2,742**	1,926	**-**	-
Borrowings	15	**170**	287	**-**	-
Deferred tax liabilities	16	**1,114**	1,267	**-**	-
Deferred income	17	**1,847**	2,318	**-**	-
		8,023	5,798	**2,150**	-
Current liabilities					
Trade and other payables	17	**9,956**	3,285	**1,237**	275
Amount due to a subsidiary	9	**-**	-	**-**	23
Obligations under finance lease	14	**1,474**	1,286	**-**	-
Borrowings	15	**1,225**	1,135	**1,000**	894
Bank overdraft	10	**6**	12	**-**	-
Derivative	15	**-**	5	**-**	5
		12,661	5,723	**2,237**	1,197
Total equity and liabilities		**61,010**	48,377	**44,479**	38,342

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2012

		The Group		The Company	
		31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	Note	**$'000**	$'000	**$'000**	$'000
Revenue	3	**35,981**	23,840	**1,565**	6,752
Cost of sales		**(29,928)**	(22,704)	**-**	(162)
Gross profit		**6,053**	1,136	**1,565**	6,590
Other operating income	18	**2,118**	1,178	**424**	36
Selling and distribution expenses		**(1,193)**	(845)	**-**	-
Administrative expenses		**(5,425)**	(4,933)	**(1,502)**	(1,353)
Finance costs	19	**(245)**	(261)	**(30)**	(48)
Impairment loss on goodwill on consolidation	6	**(500)**	-	**-**	-
Profit/(loss) before taxation from operations	21	**808**	(3,725)	**457**	5,225
Tax credit	22	**177**	1,287	**-**	-
Profit/(loss) for the year, net of tax		**985**	(2,438)	**457**	5,225
Other comprehensive expense, net of tax					
Currency translation differences	23	**(5)**	(6)	**-**	-
Total comprehensive income/(expense) for the year		**980**	(2,444)	**457**	5,225
Profit/(loss) attributable to:					
Equity owners of the Company		**850**	(2,181)		
Non-controlling interests		**135**	(257)		
		985	(2,438)		
Total comprehensive income/(expense) attributable to:					
Equity owners of the Company		**876**	(2,157)		
Non-controlling interests		**104**	(287)		
		980	(2,444)		
Earnings/(loss) per share (cents)	24				
- basic		**0.09**	(0.24)		
- diluted		**0.09**	(0.24)		

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2012

The Group	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Translation reserve $'000	Retained profits/ (accumulated losses) $'000	Total attributable to equity holders of the parent $'000	Non-controlling interests $'000	Total $'000
	← Attributable to equity holders of the Company →							
Balance at 1 January 2011	74,950	-	-	(171)	(36,724)	38,055	3,848	41,903
Net loss for the year	-	-	-	-	(2,181)	(2,181)	(257)	(2,438)
Currency translation differences	-	-	-	24	-	24	(30)	(6)
Total comprehensive income/(expense) for the year	-	-	-	24	(2,181)	(2,157)	(287)	(2,444)
Dividends	-	-	-	-	(1,050)	(1,050)	-	(1,050)
Capital reduction	(41,477)	-	-	-	41,477	-	-	-
Purchase of treasury shares	-	(1,553)	-	-	-	(1,553)	-	(1,553)
Balance at 31 December 2011, as per reported	33,473	(1,553)	-	(147)	1,522	33,295	3,561	36,856
Restatement	-	-	-	-	1,050	1,050	(1,050)*	-
Balance at 31 December 2011, as per restated	**33,473**	**(1,553)**	**-**	**(147)**	**2,572**	**34,345**	**2,511**	**36,856**
Net profit for the year	**-**	**-**	**-**	**-**	**850**	**850**	**135**	**985**
Currency translation differences	**-**	**-**	**-**	**26**	**-**	**26**	**(31)**	**(5)**
Total comprehensive income for the year	**-**	**-**	**-**	**26**	**850**	**876**	**104**	**980**
Re-issuance of treasury shares (Note 12)	**-**	**1,553**	**247**	**-**	**-**	**1,800**	**-**	**1,800**
Issue of new ordinary shares	**700**	**-**	**-**	**-**	**-**	**700**	**-**	**700**
Shares issuance expenses	**(10)**	**-**	**-**	**-**	**-**	**(10)**	**-**	**(10)**
Balance at 31 December 2012	**34,163**	**-**	**247**	**(121)**	**3,422**	**37,711**	**2,615**	**40,326**

*** Note:**

Dividend represents the portion paid by a subsidiary to non-controlling interests.

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

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2012

The Company	Share capital $'000	Treasury shares $'000	Capital reserve $'000	(Accumulated losses)/ retained profits $'000	Total $'000
Balance at 1 January 2011	74,950	-	-	(41,477)	33,473
Total comprehensive income for the year	-	-	-	5,225	5,225
Capital reduction	(41,477)	-	-	41,477	-
Purchase of treasury shares	-	(1,553)	-	-	(1,553)
Balance at 31 December 2011	**33,473**	**(1,553)**	**-**	**5,225**	**37,145**
Total comprehensive income for the year	**-**	**-**	**-**	**457**	**457**
Re-issuance of treasury shares (Note 12)	**-**	**1,553**	**247**	**-**	**1,800**
Issue of new ordinary shares	**700**	**-**	**-**	**-**	**700**
Shares issuance expenses	**(10)**	**-**	**-**	**-**	**(10)**
Balance at 31 December 2012	**34,163**	**-**	**247**	**5,682**	**40,092**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2012

	Year ended 31 December 2012 $'000	Year ended 31 December 2011 $'000
Cash Flows from Operating Activities		
Profit/(loss) before taxation	**808**	(3,725)
Adjustments for:		
Allowance for impairment of trade receivables/(allowance for impairment of trade receivables no longer required)	**37**	(9)
Allowance for obsolete inventories no longer required	**(15)**	(12)
Depreciation of property, plant and equipment	**3,185**	4,157
Amortisation of intangible assets	**1,401**	1,586
Gain on disposal of property, plant and equipment	**(20)**	(315)
Impairment loss on goodwill on consolidation	**500**	-
Bad debts recovered	**(16)**	(9)
Interest income	**(6)**	(5)
Interest expense	**245**	261
Net fair value loss/(gain) on derivative	**101**	(20)
Net fair value gain on additional cash consideration for acquisition of a subsidiary	**(395)**	-
Operating cash flows before working capital changes	**5,825**	1,909
Increase in inventories	**(1,824)**	(425)
Decrease in operating receivables	**177**	3,337
Increase/(decrease) in operating payables	**185**	(2,170)
Cash generated from operations	**4,363**	2,651
Interest expense paid	**(245)**	(261)
Interest income received	**6**	5
Tax refund	**(495)**	(76)
Net cash generated from operating activities	**3,629**	2,319
Cash Flows from Investing Activities		
Net cash outflow on acquisition of a subsidiary (Note 5)	**(6,880)**	-
Purchase of property, plant and equipment (Note A)	**(2,259)**	(1,088)
Proceeds from disposal of property, plant and equipment	**47**	743
Net cash used in investing activities	**(9,092)**	(345)
Cash Flows from Financing Activities		
Increase in pledged deposit	**(4)**	(944)
Dividends paid to non-controlling interests	**-**	(1,050)
Repayment of obligations under finance lease	**(2,527)**	(2,670)
Repayment of bank term loans	**(133)**	(5,067)
Purchase of treasury shares	**-**	(1,553)
Share issuance expenses	**(10)**	-
Net cash used in financing activities	**(2,674)**	(11,284)
Net decrease in cash and cash equivalents	**(8,137)**	(9,310)
Cash and cash equivalents at beginning of year	**11,544**	20,854
Cash and cash equivalents at end of year (Note 10)	**3,407**	11,544

Note:

A. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $8,772,000 (2011 - $3,321,000) of which $3,098,000 (2011 - $2,233,000) was acquired by means of finance leases and $3,415,000 (2011 - $Nil) by means of non-trade payables. Cash payments of $2,259,000 (2011 - $1,088,000) were made to purchase property, plant and equipment.

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

1 General information

The financial statements of the Group and of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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

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

The principal activity of the Company is that of an investment holding company. In financial year 2011, the Company changed its principal activities from that of the provision of advance engineering services in precision machining and the manufacturing of critical parts and components used in the Aerospace, Oil and Gas industries to that of an investment holding company. The principal activities of its subsidiaries remain the same as disclosed in Note 5 to the financial statements.

2(a) Basis of preparation

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

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

Significant accounting estimates and judgements

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

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below:

(a) ***Judgements made in applying accounting policies***

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

(i) Income taxes (Note 16 and Note 22)

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.

2(a) Basis of preparation (cont'd)

Significant accounting estimates and judgements (cont'd)

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

(ii) Capitalisation of labour and overheads (Note 7)

The Group has adopted a system to quantify and capitalise direct labour and direct overheads to work-in-progress held at the end of reporting period. 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 inventories at year end and this is based on machine hours incurred for each product. On this basis, the total overheads capitalised is $641,000 (2011 - $334,000). The machine hours worked is based on best estimates by the production department. This estimation is approved by management.

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

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

(i) Useful lives of machinery and equipment (Note 4)

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 12 years (2011 - 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 reporting period is disclosed in Note 4 to the financial statements. A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 24% (2011 - 15%) variance in the Group's result for the financial year.

During the financial year, the Company revised the estimated useful life of property, plant and equipment to better reflect the estimated periods during which the property, plant and equipment will remain in effective service. The effect of this change in estimate was an increase in the net profit for the financial year and the net book value of property, plant and equipment by $1,288,000 and correspondence decrease in the accumulated depreciation account by the same amount.

(ii) Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 3 to 30 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2012 is $24,324,000 (2011 - $11,267,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of property, plant and equipment (Note 4)

The Group and the Company assess annually whether property, plant and equipment have any indications of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

(iv) Impairment in investment in subsidiaries (Note 5)

Determining whether investment in subsidiaries is impaired requires an estimation of the value-in-use of that investment. The value-in-use calculation requires the Company to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Management has evaluated the recoverability of the investment based on such estimates.

2(a) Basis of preparation (cont'd)

Significant accounting estimates and judgements (cont'd)

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

(v) Impairment tests for cash-generating units containing goodwill (Note 6)

Goodwill is allocated to the Group's cash-generating units ("CGU") identified as follows:

The Group	**2012** **$'000**	2011 $'000
JEP Precision Engineering Pte Ltd ("JEPS")	**12,220**	12,720
Dolphin Engineering Pte Ltd ("DEPL")	**5,278**	-
	17,498	12,720

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimate rates stated below:

	2012		2011	
	JEPS **%**	**DEPL** **%**	JEPS %	DEPL %
Gross margin	**23%**	**25%**	16%	-
Growth rate	**0%**	**0%**	3%	-
Discount rate	**9%**	**9%**	9%	-

The key assumptions for the value-in-use calculations are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate is based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The above estimates are particularly sensitive in the following areas:

- An increase of two percentage points in the discount rate used would have increased the impairment loss by $5,814,000 (2011 - $688,000) and $2,710,000 (2011 - $Nil) for JEPS and DEPL respectively.
- A 5% decrease in future gross margin would have increased the impairment loss by $12,220,000 (2011 - $4,730,000) and $4,641,000 (2011 - $Nil) for JEPS and DEPL respectively.

(vi) Allowance for inventory obsolescence (Note 7)

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realisable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

If the net realisable value of the inventories increase/decrease by 10% from management's estimates, the Group's results will decrease/increase by $399,000 (2011 - $206,000).

2(a) Basis of preparation (cont'd)

Significant accounting estimates and judgements (cont'd)

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

(vii) Allowance for impairment of receivables (Note 8)

Allowance for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

2(b) Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group and the Company adopted the amended FRS that are mandatory for application from that date. Changes to the Group's and the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRS which are relevant to the Group and the Company:

Reference	Description
Framework	The Conceptual Framework for Financial Reporting 2010 (Chapter 1 and 3)
FRS 12	Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets
FRS 101	Amendments to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
FRS 107	Amendments to FRS 107: Disclosures - Transfers of Financial Assets

The adoption of these amended FRS did not result in substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2(c) FRS and INT FRS issued but not yet effective

The following are the new or amended FRS and INT FRS issued in 2012 that are not yet effective but may be early adopted for the current financial year:

No.	Title	Effective dates - Annual periods Commencing
FRS 1	Amendments to FRS 1 - Presentation of Items of Other Comprehensive Income	1.7.2012
FRS 19	Employee Benefits	1.1.2013
FRS 27	Separate Financial Statements	1.1.2014
FRS 28	Investment in Associates and Joint Ventures	1.1.2014
FRS 32	Amendments to FRS 32: - Offsetting Financial Assets and Financial Liabilities	1.1.2014
FRS 101	Amendments to FRS 101 - Government Loans	1.1.2013
FRS 107	Amendments to FRS 107: Disclosures - Offsetting of Financial Assets and Financial Liabilities	1.1.2013
FRS 110	Consolidated Financial Statements	1.1.2014
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1.1.2014
FRS 111	Joint Arrangements	1.1.2014
FRS 112	Disclosure of Interests in Other Entities	1.1.2014
FRS 113	Fair Value Measurements	1.1.2013
INT FRS 120	Stripping Costs in the Production Phase of a Surface Mine	1.1.2013
General amendments	Improvements to FRSs 2012	1.1.2013

2(c) FRS and INT FRS issued but not yet effective (cont'd)

Except for the amendments to FRS 1, the directors do not anticipate that the adoption of the above FRS in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

The nature of the impending changes in accounting policy on adoption of the amendments to FRS 1 is described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* ("OCI") are effective for financial periods beginning on or after 1 July 2012.

The amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be classified to income statements at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentations of items that are already recognised in OCI, the Group and the Company do not expect any impact on its financial position or performance upon adoption of this standard.

2(d) Summary of significant accounting policies

Consolidation

The financial statements of the Group include the financial statements of the Company and its subsidiaries made up to the end of the financial year. Information on its subsidiaries is given in Note 5 to the financial statements.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of changes in equity and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

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

Consolidation (cont'd)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary resulted in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill were derecognised. Amounts previously recognised in other comprehensive income in respect of that entity were also reclassified to the consolidated income statement or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control was lost and its fair value was recognised in the consolidated income statement.

Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

Property, plant and equipment and depreciation

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

Freehold factory building	20 years
Leasehold factory building	30 years
Machinery and equipment	5 to 12 years
Electrical installations and renovations	3 to 10 years
Furniture, fittings and office equipment	5 to 10 years
Computers	3 years
Motor vehicles	5 to 6 years

No depreciation is provided on freehold land.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment, if any.

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

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

Property, plant and equipment and depreciation (cont'd)

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

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

Subsidiaries

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

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

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles, if any, are not amortised but are subject to annual impairment testing.

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

<u>Goodwill</u>

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

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

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

<u>Customer relationships</u>

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is accounted for as follows:

- Raw materials 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.

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

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

Financial assets

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

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

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

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

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

Loans and receivables

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

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

Financial asset at fair value through profit or loss

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statements.

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

Financial assets (cont'd)

Financial asset at fair value through profit or loss (cont'd)

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

Cash and cash equivalents

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

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

Share capital and treasury shares

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's and the Company's financial liabilities include borrowings, trade and other payables and amount due to a subsidiary.

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

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2012

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

Financial liabilities (cont'd)

Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statements over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the income statements when the liabilities are derecognised as well as through the amortisation process.

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

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

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

Financial guarantees

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 the income statements 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 the income statements.

Provisions

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

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Leases

Finance leases

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

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

Leases (cont'd)

Finance leases (cont'd)

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

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

Operating leases

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

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

Convertible term loan

Where equity conversion option was recognised as an equity component

When convertible term loan was drawn-down, the total proceeds were allocated to the liability component and the equity component (conversion option), which were separately presented on the statements of financial position.

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

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

Where equity conversion option exhibits characteristics of an embedded derivative

The equity conversion option of convertible note 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 instrument. The difference between total proceeds and the fair value of the equity conversion option is recognised as the liability component.

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in the income statements. 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 component and the equity conversion option are derecognised with a corresponding recognition of share capital.

Borrowing costs

Borrowing costs are recognised in the income statements using the effective interest method.

Income taxes

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

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

Income taxes (cont'd)

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

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

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

Group tax relief is available for the Singapore incorporated holding company and its Singapore incorporated subsidiary with at least 75% equity ownership, directly or indirectly (excluding any foreign shareholdings in the ownership chain) held by Singapore incorporated companies within the Group. Current year's unabsorbed tax losses and capital allowances are available to be set off against taxable profits of profitable subsidiary within the Group in accordance with the rules.

Current year unabsorbed capital allowances and trade losses of up to $100,000 incurred can be carried back and be set off against the assessable income of the year of assessment immediately preceding the year in which the capital allowance or trade loss arose. The loss carry-back will be given on due claim and subject to satisfaction of the substantial shareholding test and some business test.

Employee benefits

Pension obligations

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

- Singapore

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

- Thailand

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

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

Employee benefits (cont'd)

Employee leave entitlements

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

Key management personnel

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

Impairment of non-financial assets

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

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

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

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

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

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

With the exception of goodwill,

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

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

Impairment of non-financial assets (cont'd)

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

Revenue recognition

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

Sales of goods

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

Rendering of services

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

Interest income

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

Small and Medium Enterprise ("SME") Cash Grant

Cash grants received from the government in relation to the SME Cash Grant were recognised as income upon receipt.

Management fee

Management fee is recognised when services are rendered.

Dividend income

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

Functional currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, rounded to the nearest thousand ($'000), unless otherwise stated.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in the income statements, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

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

Functional currencies (cont'd)

Transactions and balances (cont'd)

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

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

Group entities

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

(i) Assets and liabilities are translated at the closing exchange rates at the end of reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the currency translation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the end of reporting period.

Operating segments

For management purposes, operating segments are organised 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 are directly accountable to the managing director who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Disclosures on financial risk management objectives and policies are provided in Note 29.

3 Revenue

The Group

Revenue represents the sale of goods in the normal course of business. Intra-group transactions have been excluded from Group revenue (see Note 32).

The Company

Revenue represents dividend income from its subsidiaries and management fee from services rendered to its subsidiaries.

4 Property, plant and equipment

The Group	Freehold land $'000	Freehold factory building $'000	Leasehold factory building $'000	Machinery and equipment $'000	Electrical installations and renovations $'000	Furniture, fittings and office equipment $'000	Computers $'000	Motor vehicles $'000	Total $'000
Cost									
At 1 January 2011	381	1,026	-	32,958	1,528	539	567	461	37,460
Additions	-	-	-	3,195	9	7	110	-	3,321
Disposals	-	-	-	(662)	-	-	(1)	(72)	(735)
Reclassification	-	(43)	-	(4,915)	-	-	-	-	(4,958)
Translation difference	(16)	(40)	-	(74)	(2)	(2)	(2)	(4)	(140)
At 31 December 2011	**365**	**943**	**-**	**30,502**	**1,535**	**544**	**674**	**385**	**34,948**
Additions	**-**	**-**	-	**8,568**	**34**	**12**	**142**	**16**	**8,772**
Disposals	-	-	**-**	**(68)**	**(25)**	**(29)**	**(160)**	**(116)**	**(398)**
Acquisition of a subsidiary	**-**	**-**	**5,200**	**2,225**	**60**	**34**	**17**	**-**	**7,536**
Translation difference	**(5)**	**(14)**	**-**	**(41)**	**(1)**	*****	**(1)**	**3**	**(59)**
At 31 December 2012	**360**	**929**	**5,200**	**41,186**	**1,603**	**561**	**672**	**288**	**50,799**
Accumulated depreciation									
At 1 January 2011	-	184	-	22,472	920	360	495	410	24,841
Depreciation for the year	-	49	-	3,625	303	85	58	37	4,157
Disposals	-	-	-	(234)	-	-	(1)	(72)	(307)
Reclassification	-	34	-	(4,992)	-	-	-	-	(4,958)
Translation difference	-	(10)	-	(33)	(2)	(2)	(2)	(3)	(52)
At 31 December 2011	**-**	**257**	**-**	**20,838**	**1,221**	**443**	**550**	**372**	**23,681**
Depreciation for the year	**-**	**47**	**204**	**2,586**	**202**	**52**	**81**	**13**	**3,185**
Disposals	**-**	**-**	**-**	**(42)**	**(26)**	**(29)**	**(160)**	**(116)**	**(373)**
Translation difference	**-**	**(4)**	**-**	**(15)**	**(1)**	*****	*****	**2**	**(18)**
At 31 December 2012	**-**	**300**	**204**	**23,367**	**1,396**	**466**	**471**	**271**	**26,475**
Net book value									
At 31 December 2012	**360**	**629**	**4,996**	**17,819**	**207**	**95**	**201**	**17**	**24,324**
At 31 December 2011	365	686	-	9,664	314	101	124	13	11,267

* Represents amount less than $1,000

4 Property, plant and equipment (cont'd)

The Company	Electrical installations and renovations $'000	Furniture, fittings and office equipment $'000	Computers $'000	Total $'000
Cost				
At 1 January 2011	174	143	237	554
Additions	-	-	4	4
Disposals	-	-	(2)	(2)
At 31 December 2011	**174**	**143**	**239**	**556**
Disposals	**-**	**(1)**	**(150)**	**(151)**
At 31 December 2012	**174**	**142**	**89**	**405**
Accumulated depreciation				
At 1 January 2011	103	69	183	355
Depreciation for the year	35	14	34	83
Disposals	-	-	(1)	(1)
At 31 December 2011	**138**	**83**	**216**	**437**
Depreciation for the year	**35**	**14**	**14**	**63**
Disposals	**-**	**(1)**	**(150)**	**(151)**
At 31 December 2012	**173**	**96**	**80**	**349**
Net book value				
At 31 December 2012	**1**	**46**	**9**	**56**
At 31 December 2011	36	60	23	119

(a) Depreciation expense charged to:

The Group	**2012 $'000**	2011 $'000
Cost of sales	**2,836**	3,674
Selling and distribution expenses	**14**	37
Administrative expenses	**335**	446
	3,185	4,157

4 Property, plant and equipment (cont'd)

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

The Group	**2012 $'000**	2011 $'000
Machinery	**5,934**	5,563
Motor vehicles	**-**	12
	5,934	5,575

(c) In addition to the assets under finance leases, the Group's freehold land, freehold factory building, and machinery and equipment with carrying amount of $360,000 (2011 - $365,000), $629,000 (2011 - $686,000), and $58,000 (2011 - $89,000) respectively are also pledged as security for bank overdraft facility (Note 10) and certain loans (Note 15) of the Group.

(d) Freehold land belonging to a subsidiary comprises of 3,000 square metres ("sq m") located at 700/190 Moon 1, Amata Nakom Industrial Estate, Tambon Bankao, Amphur Panthong, Chonburi, 20160.

(e) Leasehold factory building belonging to a subsidiary comprises of a leasehold land of 5,017.5 sq m and an elected single-storey Jurong Town Corporation standard (Type D8) factory with a mezzanine level and a single-storey rear extension located at No. 2, Loyang Way 4, Singapore 507098, for a leasehold period of 30 years commencing 1 June 2007.

(f) Fully depreciated assets

The gross carrying amount of the Group's fully depreciated property, plant and equipment that is still in use amounted to $11,609,000 (2011 - $9,670,000).

5 Investment in subsidiaries

The Company	**2012 $'000**	2011 $'000
Unquoted equity investments, at cost	**43,401**	29,468

5 Investment in subsidiaries (cont'd)

The subsidiaries are:

Name	Country of Incorporation/ principal place of business	Cost of investments		Effective Percentage of equity held		Principal activities
		2012	2011	**2012**	2011	
		$'000	$'000	**%**	%	
Held by the Company						
JEP Precision Engineering Pte Ltd ("JEPS") (1)	Singapore	**29,468**	29,468	**85**	85	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works
Dolphin Engineering Pte Ltd ("DEPL") (1)	Singapore	**13,933**	-	**100**	-	Large format precision engineering and equipment fabrication service
		43,401	29,468			
Held through a subsidiary						
JEP Precision Engineering Co., Ltd ("JEPT") (2)/(3)	Thailand	**-**	-	**85**	85	Manufacturing of high-technology products
		43,401	29,468			

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

(2) Audited by member firm of Morison International in Thailand, the total assets only represent less than 5% of the Group's total assets.

(3) Effectively owned 99.99% (2011 - 99.99%) by JEP Precision Engineering Pte Ltd which includes nominee shareholding.

Acquisition of a subsidiary

On 9 January 2012 (the "acquisition date"), the Group acquired 100% equity interest in Dolphin Engineering Pte Ltd ("DEPL"), a large format precision engineering and equipment fabrication service provider in Singapore. Upon the acquisition, DEPL became a subsidiary of the Group.

The Group acquired DEPL in order to strengthen its position as a leading manufacturer of advanced precision engineering services for aerospace, and oil and gas components, and to enlarge the range of niche engineering products and services it can offer to its clients. The acquisition is also expected to reduce costs through economies of scale.

5 Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (cont'd)

The fair value of the identifiable assets and liabilities of DEPL as at the acquisition date were:

	Fair value recognised on acquisition $'000
Leasehold factory building	5,200
Property, plant and equipment	2,336
Trade and other receivables	2,543
Inventories	90
Cash and cash equivalents	1,053
	11,222
Trade and other payables	(1,644)
Finance lease obligations	(433)
Deferred tax liability	(24)
Income tax payable	(466)
Total identifiable net assets at fair value	8,655
Goodwill arising from acquisition (Note 6)	5,278
	13,933

Consideration transferred for the acquisition of DEPL

	$'000
Cash paid	7,933
Equity instruments issued (62,500,000 ordinary shares of the Company)	2,500
Contingent consideration in cash recognised as at acquisition date	3,500
Total consideration transferred	13,933

Effect of the acquisition of DEPL on cash flows

	$'000
Total consideration for 100% equity interest acquired	13,933
Less: Non-cash consideration	(6,000)
Consideration settled in cash	7,933
Less: Cash and cash equivalents of subsidiary acquired	(1,053)
Net cash outflow on acquisition	6,880

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 100% equity interest in DEPL, the Company issued 62,500,000 ordinary shares at value of $0.04 each. The value of these shares was based on the issue price of $0.04 per share at the acquisition date.

5 Investment in subsidiaries (cont'd)

Acquisition of a subsidiary (cont'd)

Equity instruments issued as part of consideration transferred (cont'd)

The attributable cost incurred of $10,000 for the issuance of the shares had been recognised directly in equity as deduction from share capital.

Contingent consideration in cash

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

a) Additional Cash Consideration for each FY2012 and FY2013 shall be based on the actual Net Profit after Tax ("NPAT") for the relevant FY based on the audited financial statements, up to a cumulative maximum amount of $3,500,000 for both FYs, and

b) The Additional Cash Consideration shall be paid not later than 1 month after the relevant audited financial statements of DEPL for the relevant FY have been issued.

As at the acquisition date, the fair value of the additional cash consideration was estimated at $3,500,000.

As of 31 December 2012, the key performance indicators of DEPL show that the achievement of target (a) is probable and will be achieved due to expansion of the business and synergies implemented. Accordingly, the fair value of the additional cash consideration has been adjusted to reflect this development and such change has been recognised through profit or loss.

The fair value of the additional cash consideration as at 31 December 2012 has been decreased by $395,000 to $3,105,000. The fair value of the additional cash consideration was calculated by applying the income approach using the probability-weighted payout method at a discount rate of 9.22%. This fair value adjustment of additional cash consideration is recognised in the "Other operating income" line item in the consolidated income statement for the year ended 31 December 2012.

Transaction costs

Transaction costs related to the acquisition of $128,000 have been recognised in "Administrative expenses" line item in the consolidated income statement for the year ended 31 December 2012.

Goodwill arising from acquisition

The goodwill of $5,278,000 comprises the value of strengthening the Group's market position in advanced precision engineering services for aerospace, and oil and gas components, and cost reduction synergies expected to arise from the acquisition. It also includes the value of a customer list, which has not been recognised separately. Due to the contractual terms imposed on the acquisition, the customer list is not separable and therefore does not meet the criteria for recognition as an intangible asset under FRS 38. None of the goodwill recognised is expected to be deductible for income tax purpose.

Impact of the acquisition on profit and loss

From the acquisition date, DEPL contributed revenue of $9,810,000 and net profit of $935,000 to the Group for the year.

Had DEPL been consolidated from 1 January 2012, consolidated revenue and consolidated profit for the year ended 31 December 2012 would have been $35,981,000 and $985,000 respectively.

Issuance of treasury shares and new shares

The Company reissued 45,001,000 (2011 – Nil) treasury shares and 17,499,000 new ordinary shares pursuant to acquisition of DEPL's consideration shares at issue price of $0.04 (2011 - $Nil) each.

6 Intangible assets

The Group	Goodwill on consolidation $'000	Customer relationship $'000	Total $'000
Cost			
Balance at 1 January 2011 and at 31 December 2011	12,720	12,176	24,896
Effect on acquisition of a subsidiary (Note 5)	**5,278**	**-**	**5,278**
Balance at 31 December 2012	**17,998**	**12,176**	**30,174**
Accumulated amortisation and impairment loss			
Balance at 1 January 2011	-	5,154	5,154
Amortisation for the year	-	1,586	1,586
Balance at 31 December 2011	**-**	**6,740**	**6,740**
Amortisation for the year	**-**	**1,401**	**1,401**
Impairment loss recognised	**500**	**-**	**500**
Balance at 31 December 2012	**500**	**8,141**	**8,641**
Net book value			
Balance at 31 December 2012	**17,498**	**4,035**	**21,533**
Balance at 31 December 2011	12,720	5,436	18,156

(a) Goodwill

Impairment test for goodwill

The recoverable amounts of goodwill arising on acquisition of JEP Precision Engineering Pte Ltd ("JEPS"), JEP Precision Engineering Co., Ltd and Dolphin Engineering Pte Ltd ("DEPL") are determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a 5-year period. 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 9% (2011 - 9%) and 0% (2011 - 0%) 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 average growth rates used were consistent with the forecasts included in industry reports.

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

Upon considering these factors, an impairment loss on goodwill on consolidation of $500,000 (2011 - $Nil) has been included in the consolidated income statement.

Changes to the assumptions used by management to determine the impairment required, particularly the discount rate, can significantly affect the results. A further increase in the discount rate by 1% and 0.5% would result in the recoverable amount of JEPS and DEPL to equal to its carrying amount respectively.

6 Intangible assets (cont'd)

(b) 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 is 5 years (2011 – range from 1 year to 6 years). The amortisation of customer relationship is included in the "Administrative expenses" line item in the consolidated income statement. In the opinion of the directors of the Group, there is no indication that the recorded book value cannot be recovered from the business operations in the future periods.

7 Inventories

The Group	2012 $'000	2011 $'000
Raw materials, at cost	660	224
Work-in-progress, at net realisable value	1,360	507
Finished goods, at net realisable value	627	263
Consumables, at cost	1,341	1,065
	3,988	2,059
Allowance for stock obsolescence		
Balance at beginning of year	58	70
Allowance for the year	19	7
Allowance no longer required	(34)	(19)
Balance at end of year	43	58
Cost of inventories included in cost of sales	8,278	7,893

In financial year 2012, a sum of $34,000 (2011 - $19,000) of the write-down of inventories has been reversed to the consolidated income statement due to the recovery of selling price upon subsequent sales of these inventories.

8 Trade and other receivables

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Corporate shareholder of a subsidiary	**1,418**	931	**-**	-
- Third parties	**5,157**	2,027	**-**	-
	6,575	2,958	**-**	-
Allowance for impairment of trade receivables				
Balance at beginning of year	**(28)**	(37)	**-**	-
Allowance for the year	**(64)**	-	**-**	-
Allowance no longer required	**27**	9	**-**	-
Balance at end of year	**(65)**	(28)	**-**	-
Net trade receivables	**6,510**	2,930	**-**	-
Other receivables				
Deposits	**46**	1,246	**-**	-
Prepayments	**167**	188	**2**	48
GST input tax	**3**	-	**1**	-
Other receivables	**32**	14	**-**	-
	248	1,448	**3**	48
	6,758	4,378	**3**	48

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Singapore dollar	**2,996**	1,685	**3**	-
United States dollar	**3,571**	1,586	**-**	23
Japanese Yen	**-**	978	**-**	25
Thai Baht	**191**	129	**-**	-
	6,758	4,378	**3**	48

Trade receivables are usually due within 30 to 90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group and the Company do not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

(i) Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially customers with a good collection track record with the Group.

	2012	2011
The Group	**$'000**	$'000
Current	**4,319**	2,590

8 Trade and other receivables (cont'd)

(ii) Financial assets that are past due but not impaired

The ageing analysis of trade receivables past due but not impaired is as follows:

The Group	**2012 $'000**	2011 $'000
Trade receivables past due:		
Less than 31 days	**1,268**	73
31 to 60 days	**458**	56
61 to 90 days	**252**	2
More than 90 days	**213**	209
	2,191	340

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

(iii) The ageing analysis of trade receivables past due and impaired is as follows:

The Group	**2012 $'000**	2011 $'000
Trade receivables past due:		
Less than 31 days	**-**	-
31 to 60 days	**-**	-
61 to 90 days	**-**	-
More than 90 days	**65**	28
	65	28

Impairment on trade receivables is made on specific debts for which the directors of the Group are of the opinion that these debts are not recoverable.

9 Amounts due from/to subsidiaries

The Company	**2012 $'000**	2011 $'000
Amounts due from subsidiaries (non-trade)	**151**	47
Amount due to a subsidiary (non-trade)	**-**	23

The non-trade amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand. The carrying amounts approximate the fair value of the amounts due. The non-trade amounts due from/to subsidiaries are denominated in Singapore dollar.

10 Cash and cash equivalents

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Cash on hand	**7**	3	**1**	-
Bank balances	**3,406**	11,553	**867**	8,660
Fixed deposits	**965**	961	**-**	-
	4,378	12,517	**868**	8,660
Less: Fixed deposits pledged [(1)]	**(965)**	(961)	**-**	-
	3,413	11,556	**868**	8,660

Fixed deposits are excluded from cash and cash equivalents because they may not be realisable as they are fully pledged to banks to secure banker's and performance guarantees which is in the ordinary course of business of these subsidiaries.

(1) The fixed deposit pledged of $949,000 of the subsidiary of the Company, JEP Precision Engineering Pte Ltd had been released on 7 January 2013. For further information on the release, please refer to Note 34 to the financial statements.

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

The Group	**2012** **$'000**	2011 $'000
Cash on hand	**7**	3
Bank balances	**3,406**	11,553
Bank overdraft	**(6)**	(12)
Cash and cash equivalents	**3,407**	11,544

The interest rates of pledged fixed deposits range from 0.250% to 0.625% (2011 - 0.10% to 0.75%) per annum and have an average maturity period of 18 days (2011 – 10 days) from the end of reporting period.

Fixed deposits are denominated in the following currencies:

The Group	**2012** **$'000**	2011 $'000
Singapore dollar	**949**	945
Thai Baht	**16**	16
	965	961

Bank overdraft is included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management. Bank overdraft facility of $200,000 (Baht5,000,000) is secured by a mortgage on the subsidiary's freehold land, freehold factory building, and machinery and equipment [(Note 4(c)], guaranteed by the subsidiary's directors, and bear interest of 9.75% to 10.00% (2011 – 9.00% to 10.00%) per annum. Interest rate of bank overdraft is re-priced monthly. Bank overdraft is denominated in Thai Baht.

10 Cash and cash equivalents (cont'd)

Cash and bank balances are denominated in the following currencies:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Singapore dollar	**1,642**	10,047	**862**	8,595
United States dollar	**1,766**	1,492	**6**	65
Japanese Yen	**5**	16	**-**	-
Thai Baht	**-**	1	**-**	-
	3,413	11,556	**868**	8,660

11 Share capital

	No. of shares		Amount	
The Company	**2012**	2011	**2012**	2011
			$'000	$'000
Issued and fully paid, with no par value:				
Balance at beginning of year	**911,474,266**	911,474,266	**33,473**	74,950
Issued for acquisition of a subsidiary (Note 5)	**17,499,000**	-	**700**	-
Share issuance expense	**-**	-	**(10)**	-
Capital reduction	**-**	-	**-**	(41,477)
Balance at end of year	**928,973,266**	911,474,266	**34,163**	33,473

The Company had on 15 June 2011, undertaken the Capital Reduction Exercise to reduce and cancel the issued and fully paid-up share capital which has been lost or was unrepresented by available assets amounted to $41,477,000 and reduced the retained profits by the corresponding amount. There was no change in the total number of issued shares in the Company held by the shareholders nor was there any payment made to any of the shareholders.

To fulfil part of the share consideration of 62,500,000 shares as part of the purchase consideration for the acquisition of the 100% equity share interest in Dolphin Engineering Pte Ltd ("DEPL"), on 9 January 2012, the Company issued 17,499,000 new ordinary shares to the vendors of DEPL at issue price of $0.04 per share which is the market price at the acquisition date.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

12 Treasury shares

	No. of shares		Amount	
	2012	2011	**2012**	2011
The Company and The Group			**$'000**	$'000
Balance at beginning of year	**45,001,000**	-	**1,553**	-
Repurchased during the year	**-**	45,001,000	**-**	1,553
Reissued during the year	**(45,001,000)**	-	**(1,553)**	-
Balance at end of year	**-**	45,001,000	**-**	1,553

Treasury shares related to ordinary shares of the Company that were held by the Company.

12 Treasury shares (cont'd)

In financial year 2011, by way of open market purchase, the Company acquired 45,001,000 of its own shares through purchase on the Singapore Exchange. The total amount paid to acquire the shares was $1,553,000 and has been deducted from the shareholders' equity. The shares are held as "treasury shares". The purpose of these treasury shares is for the issue and allotment of shares to acquire a target company as consideration shares.

The Company had on 9 January 2012, reissued the 45,001,000 treasury shares as part of the purchase consideration of 62,500,000 shares for the acquisition of the 100% equity interest in Dolphin Engineering Pte Ltd ("DEPL") at issue price of $0.04 each. The cost of treasury shares reissued amounted to $1,553,000. The total consideration for the treasury shares issued is as follows:

The Group and The Company	**2012** **$'000**	2011 $'000
Exercise price issued to DEPL	**1,800**	-
Total consideration	**1,800**	-
Less: Cost of treasury shares	**(1,553)**	-
Gain on reissuance of treasury shares	**247**	-

Accordingly, a gain on reissuance of treasury shares of $247,000 is recognised in the capital reserve (Note 13).

13 Capital reserve

The Group and The Company	**2012** **$'000**	2011 $'000
Balance at beginning of year	**-**	-
Gain on reissuance of treasury shares	**247**	-
Balance at end of year	**247**	-

14 Obligations under finance lease

The Group	**2012** **$'000**	2011 $'000
Minimum lease payments payable:		
Due not later than one year	**1,607**	1,386
Due later than one year and not later than five years	**2,851**	1,956
Due later than five years	**-**	64
	4,458	3,406
Less: Finance charges allocated to future periods	**(242)**	(194)
Present value of minimum lease payments	**4,216**	3,212
Present value of minimum lease payments:		
Due not later than one year	**1,474**	1,286
Due later than one year and not later than five years	**2,742**	1,862
Due later than five years	**-**	64
	4,216	3,212

14 Obligations under finance lease (cont'd)

The obligations under finance lease are denominated in the following currencies:

The Group	2012 $'000	2011 $'000
Singapore dollar	**4,195**	4,399
Thai Baht	**21**	59
	4,216	4,458

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 2.2% to 9.8% (2011 - 2.4% to 9.8%) per annum. The finance lease obligations are secured by the underlying assets [Note 4(b)].

15 Borrowings

		The Group		The Company	
	Maturity	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Current:					
Current portion of long term convertible term loan [(1)]	2012	**-**	894	**-**	894
Short-term SGD bank loan [(2)]	2013	**1,000**	-	**1,000**	-
Current portion of long term Thai Baht bank loan [(3)]	2013	**225**	241	**-**	-
	(i)	**1,225**	1,135	**1,000**	894
Non-current:					
Long term portion of Thai Baht bank loan [(3)]	2014	**170**	287	**-**	-
	(ii)	**170**	287	**-**	-
Total borrowings	(i)+(ii)	**1,395**	1,422	**1,000**	894

Borrowings are denominated in the following currencies:

	The Group		The Company	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
Singapore dollar	**1,000**	894	**1,000**	894
Thai Baht	**395**	528	**-**	-
	1,395	1,422	**1,000**	894

(1) The unsecured convertible term loan was denominated in SGD. The effective interest rate was 3.00% (2011 – 2.92%) per annum. This loan was fully repaid during the financial year. Please refer to Note A below for further details on the convertible term loan.

(2) The unsecured Multi-currency Money Market Loan is denominated in SGD. The effective interest rate is 2.88% per annum. The Company has financial covenants attached to the said bank loan facilities for which the Company has duly observed.

(3) The loan is repayable in monthly instalments over a period of 5 years from 30 April 2009. Interest rate range from 8.75% to 9.00% (2011 - 8.00% to 9.00%) per annum. The loan is secured by a mortgage of the subsidiary's freehold land, freehold factory building, and machinery and equipment [Note 4(c)] and a corporate guarantee provided by the Company. The loan is denominated in Thai Baht.

15 Borrowings (cont'd)

Note A - Unsecured convertible term loan

In FY2007, the Company drew down an unsecured convertible term loan ("convertible term loan") of $12,000,000 from the United Overseas Bank ("UOB"). The convertible term loan bore interest at 4.18% per annum and was repayable over 12 staggered quarterly instalments commencing 6 months from date of first drawdown, 28 September 2007.

In financial year 2010, the balance of the convertible term loan which had a carrying value of $7,200,000 as at 31 December 2009 was fully repaid on 7 April 2010.

On 7 April 2010, the Company entered into the following new arrangements with UOB:

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

(ii) $5,200,000 unsecured 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. As at 31 December 2011, the maximum number of shares that may be issued on conversion at a minimum floor price of $0.04 per Conversion Share is 25,000,000 Shares.

The effective interest rate was 3.00% (2011 – 2.92%) per annum.

The Company had previously repaid $1,000,000 of the convertible term loan. During the financial year, the Company repaid the balance of $1,000,000 of the convertible term loan through a Multi-currency Money Market Loan of $1,000,000 from UOB on 30 April 2012. As at 31 December 2012, the Company does not have any outstanding convertible term loan.

The Company had financial covenants attached to the said bank loan facilities for which the Company had duly observed.

15 Borrowings (cont'd)

Note A - Unsecured convertible term loan (cont'd)

The convertible term loan recognised in the statements of financial position is analysed as follows:

The Group and The Company	**2012** **$'000**	2011 $'000
Convertible term loan		
Face value of convertible term loan drawdown on 7 April 2010	**2,000**	2,000
Derivative	**(212)**	(212)
Liability component as at initial recognition, 7 April 2010	**1,788**	1,788
Less: Repayment made in - FY2011	**(894)**	(894)
- FY2012	**(894)**	-
Liability component at end of year	**-**	894
Derivative		
Derivative as at beginning of the year/initial recognition, 7 April 2010	**106**	212
Less: Repayment made	**(106)**	(106)
	-	106
Add: Fair value loss/(gain)		
- Balance at beginning of year	**(101)**	(81)
- Fair value loss/(gain) recognised during the year	**101**	(20)
- Balance at end of year	**-**	(101)
Derivative at end of year	**-**	5
Convertible term loan		
Current	**-**	894
Non-current	**-**	-
	-	894

The Group and the Company have unutilised banking facilities of $32,249,000 (2011 - $42,666,000) and $9,000,000 (2011 - $10,390,000) respectively.

15 Borrowings (cont'd)

Note A - Unsecured convertible term loan (cont'd)

Carrying amounts and fair values

The table below analyses the maturity profile of the Group's and the Company's borrowings based on contractual undiscounted cash flows:

	The Group		The Company	
	Carrying amounts	**Contractual cash flows**	**Carrying amounts**	**Contractual cash flows**
2012	**$'000**	**$'000**	**$'000**	**$'000**
Variable interest rate loans				
Current	**1,225**	**1,254**	**1,000**	**1,002**
Non-current	**170**	**175**	**-**	**-**
	1,395	**1,429**	**1,000**	**1,002**

	The Group		The Company	
	Carrying amounts	Contractual cash flows	Carrying amounts	Contractual cash flows
2011	$'000	$'000	$'000	$'000
Variable interest rate loans				
Current	1,135	1,177	894	899
Non-current	287	302	-	-
	1,422	1,479	894	899

The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

16 Deferred tax liabilities

The Group	**2012** **$'000**	2011 $'000
Deferred tax liabilities		
- To be settled within one year	**153**	253
- To be settled after one year	**961**	1,014
	1,114	1,267

The Group	**2012** **$'000**	2011 $'000
Balance at beginning of year	**1,267**	2,234
Acquisition of a subsidiary	**24**	-
Transfer from/(to) consolidated income statement (Note 22)		
- current	**(576)**	(1,021)
- under provision in respect of prior years	**399**	54
	(177)	(967)
Balance at end of year	**1,114**	1,267

16 Deferred tax liabilities (cont'd)

The balance comprises tax on the following temporary differences:

The Group	2012 $'000	2011 $'000
Excess of net book value over tax written down value of property, plant and equipment	**433**	333
Fair value adjustment on acquisition of subsidiaries	**681**	934
	1,114	1,267

17 Trade and other payables

	The Group 2012 $'000	The Group 2011 $'000	The Company 2012 $'000	The Company 2011 $'000
Trade payables to third parties	**2,978**	1,494	**-**	-
Other payables	**129**	63	**-**	13
Liability owing to suppliers of property, plant and equipment	**3,415**	-	**-**	-
Accrued personnel costs	**714**	554	**89**	86
Other accrued operating expenses	**865**	490	**61**	59
GST and other tax expenses	**244**	73	**22**	7
Deferred income (Note A)	**2,318**	2,789	**-**	-
Deferred additional cash consideration (Note B)	**3,105**	-	**3,105**	-
Provision for directors' fees	**185**	140	**110**	110
	13,953	5,603	**3,387**	275
Less: Non-current				
Deferred income (Note A)	**(1,847)**	(2,318)	**-**	-
Deferred additional cash consideration (Note B)	**(2,150)**	-	**(2,150)**	-
	(3,997)	(2,318)	**(2,150)**	-
	9,956	3,285	**1,237**	275

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

Trade and other payables are denominated in the following currencies:

	The Group 2012 $'000	The Group 2011 $'000	The Company 2012 $'000	The Company 2011 $'000
Singapore dollar	**9,177**	5,054	**3,387**	275
United States dollar	**1,256**	449	**-**	-
Japanese Yen	**3,423**	3	**-**	-
Thai Baht	**97**	97	**-**	-
	13,953	5,603	**3,387**	275

17 Trade and other payables (cont'd)

Note A: Deferred income

The Group	2012 $'000	2011 $'000
Cost		
Balance at beginning and at end of year	**3,300**	3,300
Accumulated amortisation		
Balance at beginning of year	**511**	39
Amortisation for the year	**471**	472
Balance at end of year	**982**	511
Net carrying amount		
Current	**471**	471
Non-current	**1,847**	2,318
	2,318	2,789

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

Note B: Deferred additional cash consideration

The Group	2012 $'000	2011 $'000
Cost		
Balance at beginning of year	**-**	-
Carrying amounts at fair value on 9 January 2012	**3,500**	-
Balance at end of year	**3,500**	-
Accumulated fair value adjustment		
Balance at beginning of year	**-**	-
Fair value gain recognised during the year	**395**	-
Balance at end of year	**395**	-
Net carrying amount		
Current	**955**	-
Non-current	**2,150**	-
	3,105	-

Deferred additional cash consideration relates to the acquisition of Dolphin Engineering Pte Ltd ("DEPL") carried out in the financial year ("FY") 2012 by the Company effectively on 9 January 2012, where additional cash consideration of up to a cumulative maximum amount of $3,500,000 based on the actual Net Profit after Tax of DEPL in respect of each FY2012 and FY2013 shall be due to the previous owners of DEPL, not later than one month after the relevant audited financial statements of DEPL for the relevant FY have been issued [Note 5].

The fair value gain of $395,000 is calculated by applying the income approach using the probability-weighted payout method at a discount rate of 9.22%.

18 Other operating income

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Bad debts recovered	**16**	9	**-**	-
Fair value gain in derivative	**-**	20	**-**	20
Gain on disposal of property, plant and equipment	**20**	315	**-**	5
Gain on sales & leaseback, and amortisation	**529**	529	**-**	-
Fair value gain on additional cash consideration	**395**	-	**395**	-
Interest income	**6**	5	**-**	4
Government grant	**29**	-	**10**	-
Rental income	**1**	1	**-**	-
Sales of scrap waste metal	**314**	254	**-**	5
Adjustment received from customers	**261**	-	**-**	-
Exchange gain	**526**	-	**-**	-
Service fee income	**17**	-	**17**	-
Others	**4**	45	**2**	2
	2,118	1,178	**424**	36

19 Finance costs

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Interest expense				
- bank term loans	**70**	103	**29**	48
- bank overdraft	**8**	*	**1**	-
- finance lease	**167**	156	**-**	-
- others	**-**	2	**-**	-
	245	261	**30**	48

* represents amount less than $1,000

20 Employee benefit expenses

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Directors				
Directors' remuneration other than fee				
- directors of the Company	**598**	586	**598**	586
- director of a subsidiary	**232**	-	**-**	-
- CPF contributions	**28**	21	**17**	21
Key management personnel (other than directors)				
- Salaries and related costs	**427**	416	**95**	92
- CPF contributions	**19**	26	**11**	10
Other than directors and key management personnel				
- Salaries and related costs	**9,625**	6,733	**103**	65
- CPF contributions	**584**	423	**8**	6
	11,513	8,205	**832**	780
Employee benefit costs charged to:				
Cost of sales	**9,156**	6,524	**-**	-
Selling & distribution expenses	**711**	443	**-**	-
Administrative expenses	**1,646**	1,238	**832**	780
	11,513	8,205	**832**	780

21 Profit/(loss) before taxation from operations

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):				
Allowance for obsolete inventories	**19**	7	**-**	-
Allowance for obsolete inventories no longer required	**(34)**	(19)	**-**	-
Allowance for impairment of trade receivables	**64**	-	**-**	-
Allowance for impairment of trade receivables no longer required	**(27)**	(9)	**-**	-
Amortisation of intangible assets	**1,401**	1,586	**-**	-
Depreciation of property, plant and equipment	**3,185**	4,157	**63**	83
Directors' fees	**185**	140	**110**	110
Exchange (gain)/loss	**(526)**	129	**-**	23
Gain on disposal of property, plant and equipment	**(20)**	(315)	**-**	(5)
Impairment loss on goodwill on consolidation	**500**	-	**-**	-
Operating lease expenses	**1,967**	1,833	**34**	34
Non-audit fees paid/payable to auditor of the Company	**25**	14	**25**	1
Audit fees paid/payable to auditor of the Company	**144**	117	**29**	35
Audit fees paid/payable to prior auditor of the Company	**-**	5	**-**	5
Fair value loss/(gain) in derivative	**101**	(20)	**101**	(20)

22 Taxation

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Current taxation	**-**	-	**-**	-
Deferred taxation (Note 16)	**(576)**	(1,021)	**-**	-
	(576)	(1,021)	**-**	-
Under/(over) provision in respect of prior years				
- Current taxation	**-**	(320)	**-**	-
- Deferred taxation	**399**	54	**-**	-
	399	(266)	**-**	-
Net tax credit	**(177)**	(1,287)	**-**	-

22 Taxation (cont'd)

The tax credit on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's and the Company's results as a result of the following:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Profit/(loss) from operations	**808**	(3,725)	**457**	5,225
Tax at the domestic rates applicable to profits in the countries concerned [1]	**134**	(637)	**78**	888
Tax effect on non-deductible expenses	**432**	332	**22**	19
Tax effect on non-taxable income	**(1,317)**	(829)	**(212)**	(1,020)
Under/(over) provision in respect of prior years				
- Current taxation	-	(320)	-	-
- Deferred taxation	**399**	54	**-**	-
Deferred tax assets on temporary differences not recognised	**175**	113	**112**	113
Net tax credit	**(177)**	(1,287)	**-**	-

[1] This is prepared by aggregating separate reconciliations for each national jurisdiction.

The corporate tax rate applicable to the Company, JEP Precision Engineering Pte Ltd and Dolphin Engineering Pte Ltd has been 17% for the year of assessment 2011 onwards. JEP Precision Engineering Co., Ltd is subject to tax at 30% (2011 - 30%).

Unrecognised tax losses and capital allowances

At the end of reporting period, the Group has tax losses and unutilised capital allowances of approximately $6,693,000 (2011 - $6,095,000) and $130,000 (2011 - $82,000) 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 and unabsorbed capital allowances is subject to agreement with the relevant tax authorities.

The related tax benefits of $1,160,000 (2011 - $1,050,000) have not been recognised in the financial statements.

Deferred income tax related to other comprehensive income

There is no deferred income tax related to other comprehensive income for the financial year (2011 - $Nil).

23 Other comprehensive expense, net of tax

	2012		
	Before tax	Tax expense	Net of tax
The Group	$'000	$'000	$'000
Exchange translation difference	**(5)**	**-**	**(5)**

	2011		
	Before tax	Tax expense	Net of tax
The Group	$'000	$'000	$'000
Exchange translation difference	(6)	-	(6)

24 Earnings/(loss) per share

Basic earnings/(loss) per share 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 financial year.

Diluted earnings/(loss) per share 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 financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

The Group	**2012** **$'000**	2011 $'000
Net profit/(loss) attributable to equity holders of the Group	**850**	(2,181)
Earnings/(loss) for the purposes of basic earnings per share from operations	**850**	(2,181)

The Group	No. of shares **2012**	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**927,603,403**	895,839,313
Effect of dilutive potential ordinary shares:		
- Convertible term loan	**-**	25,000,000
	927,603,403	920,839,313
Basic earnings/(loss) per share (cents)	**0.09**	(0.24)
Diluted earnings/(loss) per share (cents)	**0.09**	(0.24)

The convertible term loan has an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2011 and was ignored in the calculation of diluted earnings per share.

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

25 Significant related party transactions

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

The Group	**2012** **$'000**	2011 $'000
Sales to corporate shareholder of a subsidiary	**10,827**	9,058

26 Operating lease commitments (non-cancellable)

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

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Not later than one year	**2,022**	1,842	**7**	7
Later than one year and not later than five years	**8,280**	7,693	**20**	27
Later than five years	**2,082**	1,925	**-**	-

The Group and the Company have various operating lease commitments in respect of rental of office premises, factory space and office equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 4 to 25 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 income statement during the financial year amount to $1,967,000 (2011 - $1,833,000).

27 Capital commitment

The Group	**2012** **$'000**	2011 $'000
Capital expenditure contracted but not provided for in the financial statements	**-**	5,844

28 Contingent liabilities

Corporate guarantees

The Company

The Company has issued corporate guarantees to banks for banking and hire purchase facilities totalling $30,914,000 (2011 - $27,477,000) granted to the subsidiary, JEP Precision Engineering Pte Ltd for which the Company is exposed to liability which is capped at $29,314,000 (2011 - $25,877,000). As at the reporting date, the banking and hire purchase facilities utilised stood at $4,614,000 (2011 - $1,896,000) and $3,885,000 (2011 - $2,340,000) respectively.

The Company has issued a corporate guarantee to a bank for banking and hire purchase facility of $1,239,000 (Baht31,000,000) [(2011 - $1,116,000 (Baht27,500,000)] granted to the subsidiary, JEP Precision Engineering Co., Ltd for which the Company is exposed to liability which is capped at $1,239,000 (Baht31,000,000) [(2011 - $1,116,000 (Baht27,500,000)]. As at the reporting date, the banking and hire purchase facility utilised stood at $1,105,000 (2011 - $1,116,000) and $Nil (2011 - $174,000) respectively.

The Company has issued a corporate guarantee to a bank for banking and hire purchase facility of $1,509,000 (2011 - $Nil) granted to the subsidiary, Dolphin Engineering Pte Ltd for which the Company is exposed to liability which is capped at $836,000 (2011 - $Nil). As at the reporting date, the banking and hire purchase facility utilised stood at $Nil (2011 - $Nil) and $1,009,000 (2011 - $Nil) respectively.

There is no effect on the financial guarantees as to the interest cost as the variable interest rate debt obligations are at prevailing market interest rate.

29 Financial risk management objectives and policies

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

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.

29.1 Interest rate risk

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

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

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

29.1 Interest rate risk (cont'd)

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

The Group	Within 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	More than 5 years $'000	Total $'000
2012							
Fixed rate							
Fixed deposits	**965**	**-**	**-**	**-**	**-**	**-**	**965**
Obligations under finance lease	**(1,474)**	**(1,283)**	**(1,083)**	**(312)**	**(64)**	**-**	**(4,216)**
Borrowings	**(1,000)**	**-**	**-**	**-**	**-**	**-**	**(1,000)**
Floating rate							
Bank overdraft	**(6)**	**-**	**-**	**-**	**-**	**-**	**(6)**
Borrowings	**(225)**	**(170)**	**-**	**-**	**-**	**-**	**(395)**
Cash assets	**3,406**	**-**	**-**	**-**	**-**	**-**	**3,406**
2011							
Fixed rate							
Fixed deposits	961	-	-	-	-	-	961
Obligations under finance lease	(1,286)	(743)	(640)	(420)	(59)	(64)	(3,212)
Borrowings	(894)	-	-	-	-	-	(894)
Floating rate							
Bank overdraft	(12)	-	-	-	-	-	(12)
Borrowings	(241)	(262)	(25)	-	-	-	(528)
Cash assets	11,553	-	-	-	-	-	11,553
The Company							
2012							
Fixed rate							
Borrowings	**(1,000)**	**-**	**-**	**-**	**-**	**-**	**(1,000)**
Floating rate							
Cash assets	**867**	**-**	**-**	**-**	**-**	**-**	**867**
2011							
Fixed rate							
Borrowings	(894)	-	-	-	-	-	(894)
Floating rate							
Cash assets	8,660	-	-	-	-	-	8,660

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

29.1 Interest rate risk (cont'd)

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 reporting period, if SGD interest rates had been 20 (2011 - 20) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $9,000 (2011 - $7,000) 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.

29.2 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% (2011 - 55%) of loans and borrowings (including overdraft 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 reporting period, approximately 49% (2011 - 52%) 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.

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

The Group	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
31 December 2012				
Trade and other payables	**13,953**	**-**	**-**	**13,953**
Obligations under finance lease and borrowings	**2,861**	**3,026**	**-**	**5,887**
Bank overdraft	**6**	**-**	**-**	**6**
	16,820	**3,026**	**-**	**19,846**
31 December 2011				
Trade and other payables	5,603	-	-	5,603
Obligations under finance lease and borrowings	2,563	2,258	64	4,885
Bank overdraft	12	-	-	12
	8,178	2,258	64	10,500

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

29.2 Liquidity risk (cont'd)

The Company	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
31 December 2012				
Trade and other payables	**3,387**	**-**	**-**	**3,387**
Borrowings	**1,002**	**-**	**-**	**1,002**
	4,389	**-**	**-**	**4,389**
31 December 2011				
Trade and other payables	275	-	-	275
Amount due to a subsidiary	23	-	-	23
Borrowings	899	-	-	899
	1,197	-	-	1,197

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

29.3 Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the respective functional currencies of Group entities, primarily United States dollar ("USD") and Japanese Yen ("Yen"). Approximately 49% (2011 - 56%) of the Group's sales and 37% (2011 - 3%) 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 reporting period have similar exposures to foreign currency risk as disclosed in Notes 8 and 17.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of reporting period, such foreign currency balances (mainly in USD) amount to $1.8 million (2011 - $1.5 million).

Sensitivity analysis for foreign currency risk

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

The Group		**2012 $'000**	2011 $'000
USD	- strengthened 5% (2011 - 5%)	**169**	111
	- weakened 5% (2011 - 5%)	**(169)**	(111)
YEN	- strengthened 5% (2011 - 5%)	**(142)**	41
	- weakened 5% (2011 - 5%)	**142**	(41)

29.4 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.

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

29.4 Credit risk (cont'd)

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 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 statements of financial position.

There are no credit enhancements for trade and other receivables.

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 reporting period is as follows:

	2012		2011	
The Group	**$'000**	**% of total**	$'000	% of total
By country:				
Singapore	**6,358**	**98%**	2,833	97%
Thailand	**152**	**2%**	97	3%
	6,510	**100%**	2,930	100%
By industry sectors:				
Aerospace	**2,129**	**33%**	1,243	42%
Oil and gas	**1,845**	**28%**	1,147	39%
Electronics	**198**	**3%**	113	4%
Precision machining	**253**	**4%**	320	11%
Trading & others	**-**	**-**	107	4%
Equipment manufacturing	**2,085**	**32%**	-	-
	6,510	**100%**	2,930	100%

At the end of reporting period, approximately 61% (2011 - 81%) of the Group's trade receivables are due from customers in the Aerospace and Oil and Gas industries. The Group's single customer reported 30% of the Group's revenue.

Financial assets that are neither past due nor impaired

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.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 8 (Trade and other receivables).

30 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 2012, the Group has $Nil (2011 - $5,000) 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.

31 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 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 30% and 55%. The Group includes within net debt, finance lease obligations, borrowings and bank overdraft less cash and cash equivalents. Capital includes convertible term loan of the Company of gross amount of $Nil (2011 - $1,000,000) convertible into equity.

31 Capital management (cont'd)

The Group	2012 $'000	2011 $'000
Obligations under finance lease (Note 14)	**4,216**	3,212
Borrowings (Note 15)	**1,395**	1,422
Bank overdraft (Note 10)	**6**	12
Less: Cash and cash equivalents (Note 10)	**(3,413)**	(11,556)
Convertible term loan	**-**	(1,000)
Net debts/(assets)	**2,204**	(7,910)
Equity attributable to the equity holders of the Company	**37,711**	34,345
Add: Convertible term loan	**-**	1,000
Total capital	**37,711**	35,345
Capital and net debt	**39,915**	27,435
Gearing ratio	**6%**	N.M.

N.M.= Not Meaningful

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

The Company has observed its covenant obligations, including maintaining capital ratios since the inception of the loan in 2007 (Note 15).

32 Segment information

For management purposes, the Group is organised into business units based on their products and services, and has six 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 a 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 a provider of machine sales and customised cutting tools for our customers.
6. The equipment manufacturing segment is a provider of large format precision engineering and equipment fabrication service.

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

32 Segment information (cont'd)

Allocation basis and transfer pricing

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 as well as the revenues and profits and other material segmental items thereon 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)

(a) By business

	Aerospace		Oil and gas		Electronics		Precision machining		Trading and others		Equipment Manufacturing		Adjustments and eliminations		The Group	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
REVENUE:																
External customers	**17,314**	13,326	**6,271**	5,988	**1,055**	1,632	**1,409**	1,711	**122**	1,183	**9,810**	-	**-**	-	**35,981**	23,840
Inter-segment sales	**610**	-	**-**	-	**-**	168	**155**	711	**1,565**	630	**-**	-	**(2,330)**	(1,509)	**-**	-
Total revenue	**17,924**	13,326	**6,271**	5,988	**1,055**	1,800	**1,564**	2,422	**1,687**	1,813	**9,810**	-	**(2,330)**	(1,509)	**35,981**	23,840
Results																
Segment results	**540**	(1,616)	**115**	(1,044)	**89**	119	**63**	(813)	**(69)**	(16)	**922**	-	**-**	-	**1,660**	(3,370)
Unallocated expenses:																
Unallocated corporate expense															**(113)**	(99)
Profit/(loss) from operations															**1,547**	(3,469)
Finance income															**6**	5
Finance expense															**(245)**	(261)
Impairment loss on goodwill on consolidation															**(500)**	-
Profit/(loss) before taxation from operations															**808**	(3,725)
Tax credit															**177**	1,287
Net profit/(loss) for the year after taxation															**985**	(2,438)

32 Segment information (cont'd)

(a) By business (cont'd)

	Aerospace		Oil and gas		Electronics		Precision machining		Trading and others		Equipment Manufacturing		The Group	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
OTHER INFORMATION:														
Capital expenditure	**7,433**	2,391	**767**	673	**251**	201	**239**	28	**30**	28	**52**	-	**8,772**	3,321
Depreciation of property, plant and equipment	**1,228**	2,136	**474**	993	**99**	285	**375**	585	**108**	158	**901**	-	**3,185**	4,157
Amortisation of intangible assets	**850**	850	**551**	736	**-**	-	**-**	-	**-**	-	**-**	-	**1,401**	1,586

32 Segment information (cont'd)

(b) 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		Non-current assets	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Singapore	**30,837**	18,598	**44,210**	27,505
USA	**2,144**	1,596	**-**	-
Others*	**3,000**	3,646	**1,647**	1,918
	35,981	23,840	**45,857**	29,423

* Others include countries in the Southeast Asia.

Information about major customers

Revenue from two major customers amounted to $10,827,000 and $3,676,000 (2011 - $9,058,000 and $3,405,000), arising from sales by the aerospace and oil and gas segments respectively.

33 Dividends

At the Annual General Meeting on 22 April 2013, a final tax-exempt (one-tier) dividend of $0.001 per ordinary share amounting to $928,973 will be proposed. These financial statements do not reflect these dividends payable, which will be accounted for as a reduction in equity as a distribution of retained profits in the financial year ending 31 December 2013.

34 Event occurring after the end of reporting period

The Group
Fixed deposit pledged

The fixed deposit pledged of $949,000 of the subsidiary of the Company, JEP Precision Engineering Pte Ltd with United Overseas Bank Limited in connection with Hongkong and Shanghai Banking Corporation ("HSBC") Institutional Trust Services (Singapore) Limited [as trustee of Mapletree Logistics Trust] Security Deposit Amount for Performance Guarantee facility in respect of the subsidiary's sale and leaseback of 44 & 46 Changi South Street 1 property has been released on 7 January 2013.

35 Comparative figures

The following comparative figures have been reclassified to reflect the error made in recognising the dividend declared by JEP Precision Engineering Pte Ltd, the subsidiary, in the financial year 2011 thereby causing the non-controlling interests of the group to be decreased by $1,050,000 and the retained profits to be increased correspondingly by the said amount.

	The Group	
	Restated 31 December 2011 S$'000	Reported 31 December 2011 S$'000
Consolidated statement of financial position		
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	33,473	33,473
Treasury shares	(1,553)	(1,553)
Retained profits	2,572	1,522
Translation reserve	(147)	(147)
	34,345	33,295
Non-controlling interests	2,511	3,561
Total equity	36,856	36,856

The above reclassification has no impact on the consolidated statement of financial position as at 1 January 2011. Accordingly, the consolidated statement of financial position as at 1 January 2011 is not presented.

36 Authorisation of financial statements

The financial statements for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 15 March 2013.

DISTRIBUTION OF SHAREHOLDINGS
as at 15 March 2013

SHARE CAPITAL

Issued and fully paid-up capital	:	$34,162,962
Number of Shares	:	928,973,266
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Treasury shares	:	Nil

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	24	0.92	11,209	0.00
1,000 - 10,000	471	18.01	3,204,666	0.34
10,001 - 1,000,000	2,048	78.32	260,935,133	28.09
1,000,001 AND ABOVE	72	2.75	664,822,258	71.57
TOTAL	**2,615**	**100.00**	**928,973,266**	**100.00**

SUBTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
Ellipsiz Ltd	175,364,808	18.88	-	-
Joe Lau [(1)]	135,240,950	14.56	30,000,000	3.23
TOTAL	**310,605,758**	**33.44**	**30,000,000**	**3.23**

Note:
(1) 30,000,000 Shares are registered in the name of Bank of Singapore Nominees Pte Ltd

DISTRIBUTION OF SHAREHOLDINGS
as at 15 March 2013

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO OF SHARES	%
1	ELLIPSIZ LTD	175,364,808	18.88
2	JOE LAU	135,240,950	14.56
3	OCBC SECURITIES PRIVATE LTD	30,851,000	3.32
4	BANK OF SINGAPORE NOMINEES PTE LTD	30,100,000	3.24
5	TAN ENG CHUA EDWIN	17,405,000	1.87
6	LEK HANG LIANG	17,348,000	1.87
7	LEE MUI GEK PAULINE	17,049,000	1.84
8	PHILLIP SECURITIES PTE LTD	16,900,370	1.82
9	STEPHEN YEO MAH AI	16,468,000	1.77
10	HL BANK NOMINEES (S) PTE LTD	14,310,000	1.54
11	ERIC YONG HAN KEONG	12,695,000	1.37
12	MAYBANK KIM ENG SECURITIES PTE LTD	12,299,250	1.32
13	ANG AI KENG	11,589,000	1.25
14	TAN ENG HUAT	10,073,000	1.08
15	NG LIAN SANG	7,248,000	0.78
16	LOW KOON POO EDMUND	7,177,750	0.77
17	UNITED OVERSEAS BANK NOMINEES PTE LTD	6,921,245	0.75
18	CIMB SECURITIES (SINGAPORE) PTE LTD	6,437,750	0.69
19	LING KIM CHYE	5,913,000	0.64
20	YEO SENG BUCK	5,075,250	0.55
	TOTAL	**556,466,373**	**59.91**

PERCENTAGE OF SHAREHOLDING HELD BY PUBLIC

63.33% 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 Monday, 22 April 2013 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 financial year ended 31 December 2012 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a first and final 1-tier tax exempt dividend of 0.001 Singapore Cent per ordinary share in the capital of the Company for the financial year ended 31 December 2012.

(Resolution 2)

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

Mr Quek Hiong How **(Resolution 3)**
Mr Chan Wai Leong **(Resolution 4)**

Mr Quek Hiong How will, upon re-election as Director, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent.

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

4. To approve the payment of Directors' fees of S$110,000 for the financial year ended 31 December 2012. (2011: S$110,000).

(Resolution 5)

5. To approve the payment of Directors' fees of up to S$150,000 for the financial year ending 31 December 2013, to be paid half yearly in arrears.

(Resolution 6)

6. To re-appoint Foo Kon Tan Grant Thornton LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 7)

7. 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:

8. **Authority to issue shares**

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

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

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

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

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

provided that:

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

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

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

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

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

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

(Resolution 8)

9. **Proposed Renewal of Share Buy-Back Mandate**

That:

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

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

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalist Rules, on the terms set out in the Appendix to the Annual Report, be and is hereby authorized and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

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

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

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

(c) in this Resolution:

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

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

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

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

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

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

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

[See Explanatory Note (ii)]

(Resolution 9)

By Order of the Board

Lee Tiong Hock
Company Secretary
Singapore, 1 April 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 8 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.

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.

(ii) The Ordinary Resolution 9 in item 9 above, if passed, renews the Share Buy-Back Mandate and will authorise the Directors of the Company, from time to time, to purchase Shares subject to and in accordance with the Articles of Association of the Company, the Listing Manual (Section B: Rules of Catalist) and such other laws and regulations as may for the time being be applicable. The Company may use internal sources of funds, external borrowings, or a combination of both to finance the Company's purchase or acquisition of the Shares.

The amount of funding required for the Company to purchase or acquire the Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, *inter alia*, the number of Shares to be purchased or acquired, the price at which such Shares are to be purchased or acquired, and whether the Shares to be purchased or acquired are cancelled or held as treasury shares. Based on certain assumptions, an illustration on the financial impact of a purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited financial statements of the Company for the financial year ended 31 December 2012 is set out in Section 6 of the Appendix dated 1 April 2013, which is enclosed together with the Company's Annual Report.

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 the appointment is13 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)

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.

PROXY FORM

(Please see notes overleaf before completing this Form)

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 486762 on Monday, 22 April 2013 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 financial year ended 31 December 2012		
2	Payment of proposed first and final 1-tier tax exempt dividend of 0.001 Singapore Cent per ordinary share in the capital of the Company.		
3	Re-election of Mr Quek Hiong How as a Director		
4	Re-election of Mr Chan Wai Leong as a Director		
5	Approval of Directors' fees amounting to S$110,000 for the financial year ended 31 December 2012		
6	Approval of Directors' fee of up to S$150,000 for the financial year ending 31 December 2013, to be paid half yearly in arrears		
7	Re-appointment of Foo Kon Tan Grant Thornton LLP as Auditors		
8	Authority to allot and issue new shares		
9	Proposed Renewal of Share Buy-Back Mandate		

Dated this ________ day of ______________ 2013

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.

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