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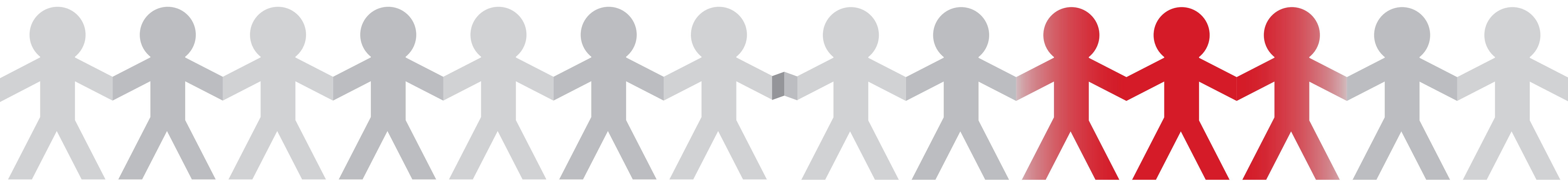
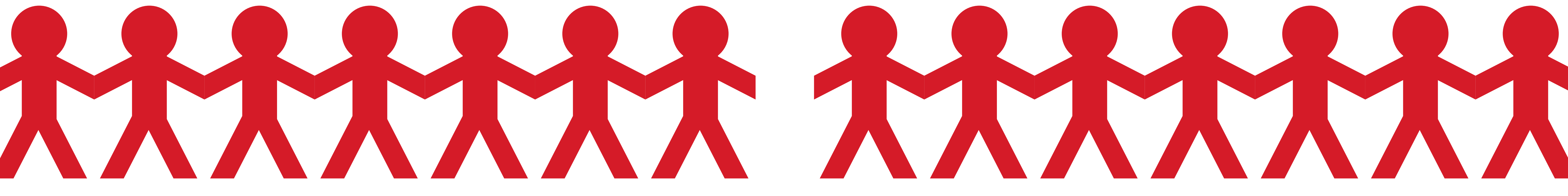


# STRENGTHENING CORE

JEP Holdings Ltd

ANNUAL REPORT 2014



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# Letter to Shareholders

## Dear Shareholders,

On behalf of the Board of Directors (the "Board") of JEP Holdings Ltd. (the "Group"), I am pleased to present our annual report for the financial year ended 31 December 2014 ("FY2014").

JEP has come a long way and there is still much further to go, although it is inevitable that there may be certain speed bumps along the way. We must continue to stay focused and build on our strengths, while seizing the right opportunities to grow and develop. We are mindful of the need to lay the groundwork for the future, and this is what we have focused our efforts on in FY2014. Most notably, in November 2014 we signed a lease agreement for a new plot of land in Seletar Aerospace Park, the hub of Singapore's bustling aerospace industry, where we will build a new manufacturing facility. Upon its expected completion by the second quarter of year 2017, the facility will have a production area 80% larger than our current premises at Changi, giving us the much-needed headroom to continue growing our business.

Over the course of 2014, we also took up space at the newly-opened Surface Engineering Hub ("SEH"), located at Tanjong Kling. The SEH, developed by JTC Corporation, is an innovative industrial facility which promotes the clustering of companies involved in similar industries or processes. The SEH's key feature is a centralised wastewater treatment plant, which enabled us to reduce our space requirements by 350 square metres and our upfront capital investment by S$0.3 million, and we also expect to save on our ongoing operating costs. We are proud to be one of the first tenants at SEH, and we will be using the facility mainly for non-destruct tests for titanium components and anodising and chromic processes for aluminium components.

We are also nearing the completion of a new 4-storey building in Loyang Way, next to the current premises of our subsidiary, Dolphin Engineering Pte Ltd. This will expand our manufacturing capabilities to cover small components for the aerospace business.

## Financial Performance

JEP's FY2014 financial performance was impacted by certain teething issues. The nature of our business is such that the initial product launch period will have some upfront costs as resources get tied up and inventory needs to be built, but this is more than made up for by the long-term contracts that we sign with our customers. In the early part of FY2014 we had two new product launches, a subsea actuator component and a landing gear product. We were able to clear the initial hurdles for these products and ramp up production in the second half of year 2014.

Although we made an operating profit before tax in the second half, this was not sufficient to make up for the losses in the first half of year 2014 resulting from the costs of launching the two new products. For the full year 2014, the Group made a net loss of S$1.3 million. On a more positive note, however, FY2014 revenue was S$49.8 million, an increase of 35.1% from FY2013. This is a testament to our strong order flow and we hope to continue this momentum. Aerospace continues to be the main contributor to Group revenue, making up 57.8%. The oil and gas segment contributed 22.8%, and 15.5% came from equipment manufacturing, with the remainder made up by electronics and precision machining.

Our balance sheet remains healthy, with total assets of S$71.9 million and total liabilities of S$34.1 million as at 31 December 2014. Net current assets was S$2.4 million. Net gearing stood at 35.7%, a very manageable level given that we are in expansion mode.

## Outlook

Having resolved the teething issues for the aforementioned new products, we expect them to generate more revenue for the Group in the financial year 2015. We have also been working to improve our capabilities in order to capture more orders from our existing customers. Shortly after our take-up of space at the SEH, we installed equipment for anodising and conversion coating for aluminium components, and an Acid Ti-Etch line for titanium, to fulfil special process requirements for our major aerospace customer, Messier-Bugatti-Dowty. Our subsidiary, JEP Precision Engineering Pte Ltd, has been officially added to their global supplier directory for the Acid Ti-Etch process as of 6 January 2015. With this approval, we expect to receive purchase orders related to this process in the first quarter of year 2015.

The outlook for our business is positive; we currently have an annual order book value of approximately S$41 million. Additionally, we have good visibility of order flow due to the long-term contracts with our customers, and we are still receiving a healthy level of order enquiries. However, we cannot afford to rest on our laurels, and the management is working hard to ensure that JEP remains competitive and can continue to gain market share. Given that our current level of production is already beginning to strain our manufacturing capacity, we need to start planning for future expansion, and this is why we have made several moves over the past two years to secure additional land and facilities. Once ready, these will enable us to capture additional orders and capitalise on our growing reputation as a leading provider of engineering solutions.

Aerospace remains a key focus and pillar of the Group's business. The outlook for 2015 is positive, and commercial airlines should benefit from the recent drop in oil prices. Both Boeing and Airbus are optimistic about their prospects, as Boeing expects strong demand in 2015, particularly for new fuel-efficient planes, and Airbus ended 2014 with an industry-record order backlog of 6,386 aircrafts. The healthy performance of these two leading manufacturers bodes well for the entire commercial aerospace sector, and this should trickle down into more orders for our aerospace products.

Oil and gas has also been a strong performing segment for the Group over the past couple of years, but we do expect

**Joe Lau**
Executive Chairman and CEO
JEP Holdings Ltd.

some inevitable slowdown in new orders during this highly challenging period for the industry. Nonetheless, we are assuaged by the fact that one of our major oil and gas contracts, with Aker Solutions, runs from 2013 to 2017.

On the domestic front, we continue to face challenges in the form of labour and rental issues. Singapore is working to promote itself as a regional aerospace hub, and with our leasing of premises at Seletar Aerospace Park, we will be cementing JEP's position as part of this exciting industry cluster. This move is a timely strategic decision which we are convinced will benefit our operations and bottom line in the long run.

On behalf of the Board, I would like to thank all our shareholders for their unwavering support. We are also grateful for the support of our staff and management, business partners, and all others who have made our success possible.

"The outlook for our business is positive; we currently have an annual order book value of approximately S$41 million. Additionally, we have good visibility of order flow due to the long-term contracts with our customers, and we are still receiving a healthy level of order enquiries."

# Operational and Financial Review

## Review of Financial Performance

Continuing operations

Group revenue for FY2014 increased S$12.9 million or 35.1% from S$36.9 million to S$49.8 million. The aerospace segment remains the group's main contributor for revenue, generating S$28.8 million in revenue in FY2014, comprising 57.8% of total top line. The oil and gas segment contributed S$11.4 million or 22.8% of total Group revenue. The other major contributor was the equipment manufacturing segment, which recorded S$7.7 million or 15.5% of total Group revenue. The other business segments, electronics and precision machining and others, contribute 3.9% of the total Group revenue.

Cost of sales increased by S$13.2 million from S$32.1 million in FY2013 to S$45.3 million in FY2014. The increase of S$13.2 million was mainly due to change in product mix as there was an increase in the procurement of non-consigned raw materials, sub-contract treatment service, labour costs and also the learning curve that resulted in more material and time spent in connection with the launch of new products. The Group recorded an operating profit before tax during the second half of FY2014, but it was not enough to make up for the losses incurred during the first half of FY2014 as most of the cost incurred in relation to the new products launch, namely the landing gear and subsea actuator components, was incurred during the first half of FY2014.

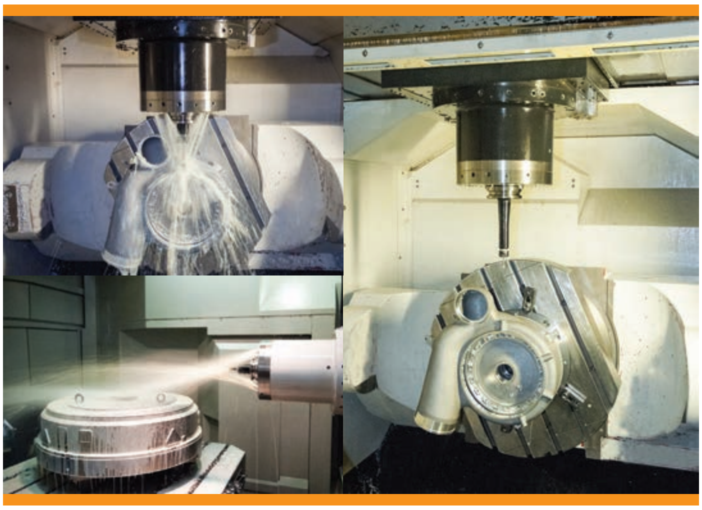
This increase in the cost of sales resulted in gross profit margin dropping from 12.9% in FY2013 to 9.1% in FY2014.

Compared with FY2013, other operating income for FY2014 decreased by S$1.9 million from S$3.3 million to S$1.4 million. The decrease was mainly due to the exclusion of a fair value gain on additional cash consideration of S$2.0 million in FY2013 relating to the acquisition of Dolphin Engineering Pte Ltd ("DEPL") and a decrease in foreign exchange gain of S$0.4 million in FY2014 as compared to FY2013. This was partly offset by an increase in grant income of S$0.3 million in FY2014 as compared to FY2013.

Selling and distribution expenses for FY2014 increased by S$0.2 million as compared to FY2013 from S$1.2 million to S$1.4 million. The increase was mainly due to an increase in staff payroll and outward freight expenses of S$0.1 million each.

Administrative expenses increased by S$0.6 million compared to FY2013 from S$4.5 million to S$5.1 million. The increase was mainly attributable to an increase in directors' remuneration by S$0.2 million, workshop repair and maintenance fees by S$0.2 million and bank charges by S$0.1 million in FY2014.

Finance expenses increased by approximate S$0.2 million from S$0.26 million in FY2013 to S$0.44 million in FY2014 was mainly due to an increase in loan borrowings and an increase in the cost of financing



The tax expense in FY2014 was S$0.5 million as compared to a tax credit of S$0.4 million in FY2013. The tax expense was mainly due to the provision for deferred tax liabilities movement for JEP Precision Engineering Pte Ltd ("JEPS") in FY2014.

Amortisation of intangible assets remained constant at S$0.85 million in both FY2014 and FY2013.

The gain on the disposal of property, plant and equipment of S$0.3 million in FY2014 was mainly attributable to the disposal of freehold land and a factory building by our Thai subsidiary, JEP Precision Engineering Co Ltd ("JEPT").

A foreign exchange gain of S$0.2 million was recorded in FY2014 as compared to the foreign exchange gain of S$0.6 million in FY2013. This was mainly due to the exclusion of an unrealised gain on the Japanese Yen revaluation arising from the procurement of machinery by JEPS in FY2013.

The depreciation of property, plant and equipment was recorded at S$3.2 million in FY2014 as compared with S$3.2 million in FY2013.

As a result of the above, a net loss from continuing operations of S$1.5 million was recorded in FY2014 as compared to a net profit of S$2.4 million in FY2013.

Discontinued operation

On 5 August 2013, the Company announced the decision of its board of directors to dissolve and liquidate JEPT, which is 99.99% owned by JEPS. The assets and liabilities of JEPT were classified as disposal group held-for-sale on the balance sheet, and the results from JEPT were presented separately on the statement of comprehensive income as "Discontinued operation". To facilitate a smooth dissolution and liquidation process,


JEPT will be dormant for a period of approximately 2 to 3 years before the commencement of such dissolution and liquidation process.

JEPT recorded profit from discontinued operation of S$0.186 million arising from net gain on disposal of freehold land and factory building less expenses for the financial year ended 31 December 2014, as below:

| | Financial Year Ended 31 December 2014 S$'000 (Unaudited) | Financial Year Ended 31 December 2013 S$'000 (Audited) |
|---|---|---|
| Discontinued operation | | |
| Revenue | - | 453 |
| Cost of sales | - | (592) |
| Gross profit | - | 139 |
| Other items of income | | |
| Other operating income | 376 | 336 |
| Other items of expense | | |
| Selling and distribution expenses | - | (2) |
| Administrative expenses | (190) | (284) |
| Finance costs | - | (31) |
| Impairment loss on goodwill on consolidation | - | (770) |
| Profit/(loss) before tax | 186 | (890) |
| Tax expenses | - | - |
| Profit/(loss) Loss from discontinued operation, net of tax | 186 | (890) |

Other operating income of S$0.376 million was mainly due to a gain on the disposal of freehold land and a factory building of S$0.37 million in FY2014.

The impairment loss on goodwill on consolidation of S$0.77 million represented the goodwill written off upon the winding down of the operations of JEPT in FY2013.

Taking into account the profit from the discontinued operation, the Group recorded a net loss of S$1.3 million in FY2014 compared to a net profit of S$1.6 million in FY2013.

## Balance Sheet

The Group's property, plant and equipment recorded S$27.9 million in FY2014 as compared to S$24.0 million in FY2013. The increase of S$3.9 million was due to assets under construction and procurement of machinery of S$7.2 million, offset by (a) depreciation charge of S$3.2 million and (b) disposal of machineries with a carrying amount of S$0.1 million during the year.

Goodwill on consolidation of S$16.7 million arose from the acquisition of JEPS and DEPL, of which S$11.4 million is attributable to JEPS and S$5.3 million to DEPL.

Intangible assets, related to customer relationships arising from the acquisition of JEPS, decreased by S$0.85 million due to amortisation costs incurred during FY2014.

Compared to FY2013, current assets increased by S$4.5 million. Inventories increased by S$5.1 million mainly due to the launch of new products related to the aerospace and oil and gas segments by JEPS, as well as the increase in procurement of non-consignment raw materials, and work-in-progress for key customers. The increase in the total inventories mainly comprised (a) work-in-progress of S$2.1 million, (b) raw materials of S$1.6 million and (c) finished goods of S$1.2 million.

Trade receivables increased by S$2.9 million as compared with FY2013, with the trade receivables increase of S$4.0 million in FY2014 recorded by JEPS which was offset by a decrease in trade receivables of S$1.1 million by DEPL in FY2014. Other receivables increased by S$0.2 million largely due to GST input tax receivables of S$0.3 million by JEPS in FY2014.

Deposit and prepaid operating expenses increased by S$0.2 million in FY2014 mainly due to S$0.2 million in advance payments paid to vendors for the procurement of raw materials by JEPS.

Cash and cash equivalents decreased by S$3.2 million in FY2014. The decrease in cash and cash equivalents was mainly due to the dividend payment of S$0.9 million declared in FY2013, a net cash outflow of S$0.9 million related to the 4-storey building construction by DEPL, and the procurement of machinery of S$1.6 million by JEPS and DEPL.

Current liabilities for FY2014 increased to S$22.6 million from S$19.2 million in FY2013. An increase in trade payables of S$1.9 million was attributable to an increase in the trade payables of JEPS of S$2.5 million and offset by a decrease in the trade payables of DEPL of S$0.6 million. The increase was mainly due to an increase in non-consignment material purchases made for the new product launches in both aerospace, oil and gas segments by JEPS.

Other payables and accruals decreased by S$1.1 million in FY2014 mainly due to lower payables to non-trade suppliers of S$2.2 million in FY2014. The decrease was partially offset by an increase in payables to suppliers of machinery of S$0.3 million, 13 procurement of raw material of S$0.2 million, payables to sub-contractors of S$0.2 million, an advance payment received from a major customer for S$0.4 million by JEPS, and GST output tax payable of S$0.1 million by DEPL.

Obligations under finance lease increased S$2.5 million in FY2014 due to the procurement of machinery by

JEPS. Loans and borrowings increased by S$0.3 million mainly due to the conversion of a money market loan of S$4.6 million from a current liabilities loan into a non-current liabilities loan by DEPL. This was offset by an increase in a trust receipt financing of S$2.1 million, fixed advanced facility of S$1.0 million and bills receivable purchase financing of S$0.7 million by JEPS, a money market loan of S$0.9 million by the Company, and a construction loan of S$0.1 million by DEPL. The money market loan of S$6.4 million taken by DEPL had been converted into a 15-year term loan on 16 September 2014.

Non-current liabilities recorded a net increase of S$6.4 million in FY2014 compared to FY2013. This was due to:

1. a decrease in obligations under a finance lease of S$1.3 million which was due to the reclassification from a non-current liabilities finance lease into a current liabilities finance lease of S$1.8 million by JEPS. The decrease was offset by an increase of S$0.5 million on the procurement of machinery by DEPL;

2. an increase in loan borrowings of S$7.7 million which was due to the conversion of a money market loan of S$4.6 million from a current liabilities loan into a noncurrent liabilities loan, a drawdown of 15-year term loan of S$1.4 million and a construction loan of S$1.7 million by DEPL;

3. a decrease in deferred income of S$0.5 million which was due to the recognition of deferred income gain on sales and leaseback of S$0.5 million by JEPS, in FY2014; and

4. an increase in deferred tax liabilities of S$0.5 million which was mainly due to provision for deferred tax liabilities movement of S$0.6 million for JEPS in FY2014. The increase was partly offset by a decrease in the recognition of customer's relationship of S$0.2 million by JEPS in FY2014.

Overall, total Group obligations under finance lease and borrowings as at 31 December 2014 increased by S$9.2 million to S$22.4 million compared to S$13.2 million as at 31 December 2013.

## Cash Flow

In FY2014, the Group generated a negative net cash flow of S$3.1 million and recorded S$2.9 million of cash and cash equivalents. Cash flow used during the year was attributed to operating activities of S$5.3 million, investing activities of S$0.5 million and net cash generated from financing activities of S$2.7 million.

Net cash flow from operating activities recorded a cash outflow of S$5.3 million in FY2014 and S$3.6 million in FY2013. The increased cash outflow was mainly due to loss before tax of S$0.9 million and adjustments for non-cash items comprising, (a) depreciation of property, plant and equipment of S$3.2 million, (b) amortisation of intangible assets of S$0.85 million, (c) gain on disposal of equipment of S$0.3 million and (d) gain on sales and leaseback and amortisation of S$0.5 million. This was offset by a net increase in working capital which comprised (a) inventories of S$5.1 million, (b) trade receivables of S$2.9 million, (c) other receivables, deposits and prepayments of S$0.4 million, (d) trade payables of S$1.9 million and (e) a net decrease in other payables and accruals of S$1.2 million.

Net cash used in investing activities was S$0.5 million in FY2014 as compared to S$0.4 million in FY2013, which was mainly due to the procurement of machinery by JEPS in FY2014.

Net cash inflow generated from financing activities was S$2.7 million in FY2014 as compared to S$6.7 million in FY2013. The decrease in net cash inflow of S$4.0 million was mainly due to (a) a pledged fixed deposit released by JEPS of S$1.0 million in FY2013, and (b) the repayment of finance lease obligation by JEPS and DEPL of S$2.5 million in FY2014 as compared with the drawdown of facilities of S$0.9 million in FY2013 and (c) a drawdown of net bank borrowings of S$0.6 million in FY2014. The cash inflow was offset by the dividends paid on ordinary shares for FY2013 which amounted to S$1.9 million as compared to FY2014 of S$0.9 million.

## Going Forward

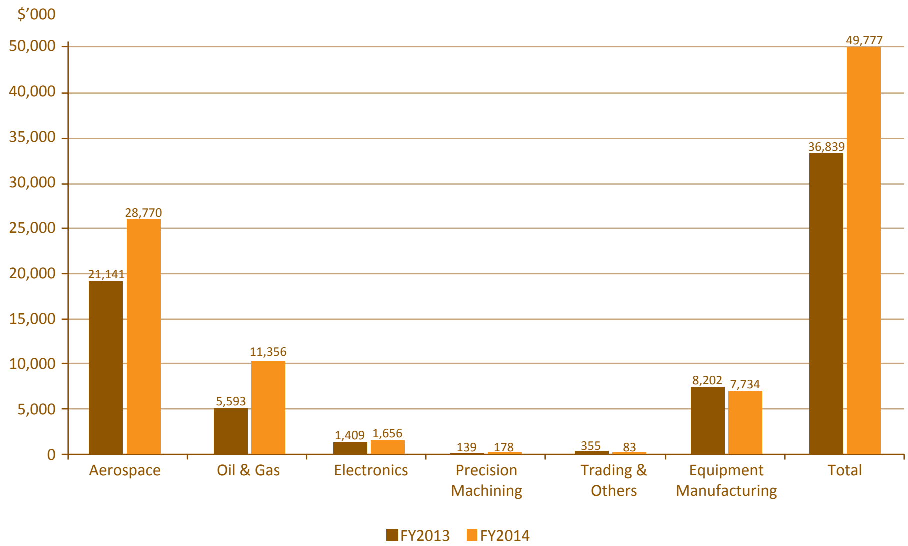
Aerospace remains a key focus and pillar of the Group's business. The outlook for 2015 is positive, and commercial airlines should benefit from the recent drop in oil prices. Both Boeing and Airbus are optimistic about their prospects, as Boeing expects strong demand in 2015, particularly for new fuel-efficient planes, and Airbus ended 2014 with an industry-record order backlog of 6,386 aircrafts. The healthy performance of these two leading manufacturers bodes well for the entire commercial aerospace sector, and this should trickle down into more orders for our aerospace products.

Oil and gas has also been a strong performing segment for the Group over the past couple of years. However, with the sharp decline in oil prices, which are now at below USD44 a barrel today, a drop of more than 50% from June 2014 to mid-March 2015. Nonetheless, we are assuaged by the fact that one of our major oil and gas contracts runs from 2013 to 2017.

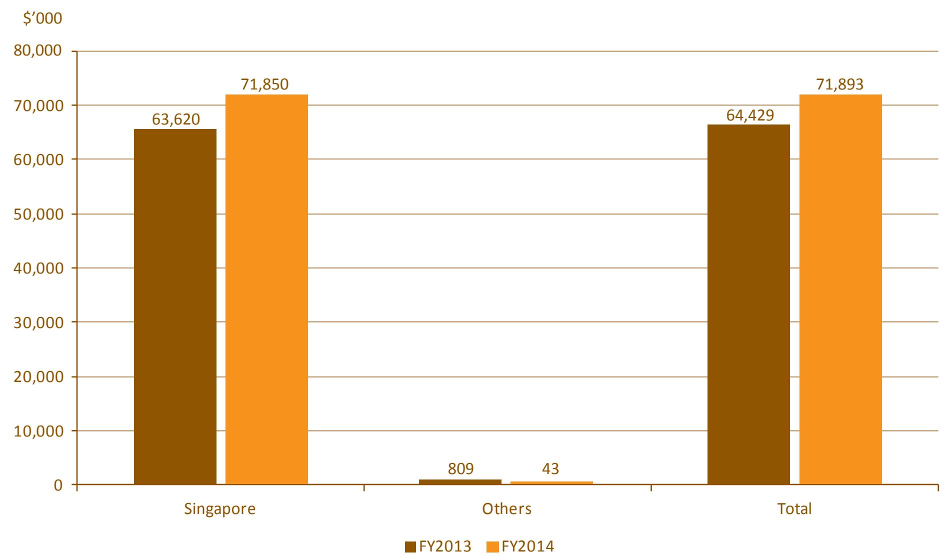
The Group continues to face competition from international players that offer manufacturing of parts at a competitive price. The Group is subject to the increasing cost of business as the government continues to push for a decreased dependency on foreign labour, and this will prove challenging in the short term. The Group will carefully manage its costs and continually improve productivity and efficiency.

# Financial Highlights

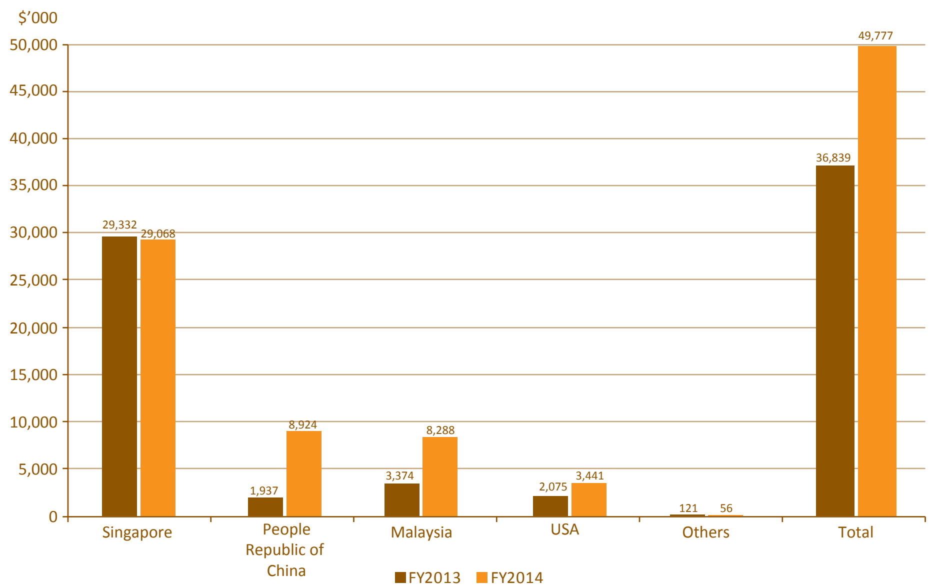
## Revenue by Industry $'000




## Asset by Region $'000




## Revenue by Region $'000



# Board of Directors

**Mr Joe Lau**

Executive Chairman and Chief Executive Officer

**Mr Soh Chee Siong**

Executive Director

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

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

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

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

**Mr Wong Gang**

Lead Independent Director

Mr Wong Gang is a Partner in law firm, Shook Lin & Bok LLP since 2002, and joined us as an Independent Director in 1 November 2006. With more than 12 years of professional experience advising on a wide range of corporate finance and securities transactions, including stock market flotations, rights issue, securities regulation for public listed companies, mergers and acquisitions, joint ventures, as well as general corporate advisory work, he is also a member of Shook Lin & Bok LLP's China practice group and has advised multinational corporations and Singapore companies on cross border transactions in China, as well as on public offerings of securities in Singapore by companies from China. He has been cited by Chambers Asia as one of Singapore's leading corporate lawyers in the capital markets, 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 3 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 (a company listed on the mainboard of the SGX-ST) as well as the Chief Financial Officer for Keppel Telecommunications and Transportation Ltd. Mr Quek was also the Vice President (Finance and Administration) for the then-Television Corporation of Singapore Pte Ltd.

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

**Mr 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 company listed on the mainboard of the SGX-ST. Prior to his appointment as CEO of Ellipsiz Ltd, Mr Chan was the President of iNETest Resources, a wholly owned subsidiary of Ellipsiz. He has more than two decades of operational and business experience in the semiconductor and electronics manufacturing industries as well as working experience in the Asia Pacific region, Australia, New Zealand, China and India. He started his career as an engineer at Hewlett Packard and moved on to hold senior management positions at Electronic Resources Limited, Ingram Micro and iNETest resources.

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

**Mr Kuek Tee Meng**

Group Financial Controller

Mr Kuek joined JEP Holdings Ltd. in May 2010 and is currently the Group Financial Controller. He has over 20 years of experience in accounting, auditing, taxation and financial management in diverse sectors including supply chain, fast moving consumer goods, manufacturing, agribusiness and financial consulting services, from privately owned enterprises to multinational corporations and listed companies, which operate in the region as well as globally.

Prior to this, he was the Vice-President, Finance of Neumind International Pte Ltd, a management services company. He has also held a number of senior executive appointments, including Deputy Chief Financial Officer of Wuhu Annto Logistics Co., Ltd, an associated company of an SGX-ST Mainboard listed conglomerate, Keppel Telecommunications & Transportation Ltd and Group Financial Controller of Tastyfood Holdings Ltd, a food and beverages company formerly listed on the SGX-ST Mainboard.

Mr Kuek holds a Master in Business Administration from the Southern New Hampshire University, Manchester, United States. He is a Fellow of the Chartered Institute of Management Accountants in the United Kingdom, a member of the Institute of Singapore Chartered Accountants, Malaysian Institute of Accountants and the Singapore Institute of Directors.

**Mr Eddie Goh Kuan Teck**

General Manager, JEP Precision Engineering Pte Ltd

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

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

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

**Mr Alan Tan Shee Tong**

General Manager, Dolphin Engineering Pte Ltd

Mr Alan Tan joined JEP Precision Engineering Pte Ltd, subsidiary of JEP Holdings Ltd in October 1987 as an engineering apprentice.

Over the past 26 years of service, Alan has grown with the Company and has moved from engineering to a senior managerial position. With his wealth of experience, he has contributed significantly to the company. He is also the certified Internal Auditor for AS9100:2009.

Shortly after the Group acquired Dolphin Engineering Pte Ltd, Alan was promoted to the position of General Manager with primary responsibilities to strengthen the manufacturing processes and capabilities at Dolphin. With Alan's leadership, Dolphin has made significant improvement in the operations, productivity and safety.

# Corporate Information

Company Registration No. 199401749E

## Board of Directors

**Executive:**
Joe Lau
*(Executive Chairman and Chief Executive Officer)*

Soh Chee Siong
*(Executive Director)*
(Appointed on 10 January 2014)

Koh How Thim
*(Executive Director)*
(Resigned on 26 January 2015)

**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

Cho Form Po

## Registered Office

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

## Bankers

United Overseas Bank
DBS Bank
OCBC Bank

## Share Registrar

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

## Auditor

Foo Kon Tan LLP
(formerly known as Foo Kon Tan Grant Thornton LLP)
Public Accountants and
Chartered 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)

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**Corporate Governance Statement**

The Board of Directors and the 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 which leads and controls the Company. The Board is collectively responsible for the long-term success of the Company and works with the Management to achieve this objective, and the Management remains accountable to the Board.

The Board comprises the following members:

**Executive Directors**

Joe Lau (Executive Chairman and Chief Executive Officer)
Soh Chee Siong

**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 also endeavours to enhance long-term value and returns for shareholders.

The Board's primary functions include:

- approving the Group's business objectives, strategic plans and key initiatives;
- overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- approving the nomination of Directors and the appointment of key management personnel;
- approving annual budgets, major capital expenditures and funding proposals, and major investment and divestment proposals; and
- approving half-year/full-year financial results 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 authority to the board committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), and these committees will in turn be monitored by the Board. Each board committee functions within defined terms of reference and operating procedures, which are reviewed on a regular basis.

The Company has guidelines which set out matters which require Board approval, including the appointment of the Directors, the Company Secretary and the Sponsor, as well as major transactions such as, *inter alia*, capital funding, acquisitions and disposals.

The Group conducts an orientation programme, which is presented by the CEO and senior members of the Management, to familiarise new Directors with the business and governance policies of the Group. The orientation programme aims to provide Directors with an understanding of the Group's businesses to enable them to assimilate into their new roles. The programme also allows the new Directors to get acquainted with senior members of the Management, thereby facilitating the Board interaction with and independent access to members of the senior Management.

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

The orientation programme for newly appointed Directors will include a tour of the Company's operational facilities and a meeting with the Management to familiarise them with the Company's business and governance policies. The Company would also be happy to open this orientation session to seasoned Directors as a refresher. To keep abreast with developments in the financial, legal and accounting sectors and to ensure that the Directors are kept informed of relevant new laws, regulations and changing commercial risks, the Company will encourage its Directors to attend relevant instructional or training courses at the Company's expense. In particular, the Board is regularly kept informed and updated on courses and seminars offered by the Singapore Institute of Directors which are relevant to the training and professional development of the Directors.

The Company Secretary or his representative attends Board meetings and ensures that Board procedures are followed and that the applicable rules and regulations are complied with.

The Company's Articles of Association ("Articles") 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 whole, possesses the necessary competencies to lead and govern the Company effectively.

The number of Board and board 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 | - | - |
| Soh Chee Siong | 2 | 2 | - | - | - | - | - | - |
| Koh How Thim | 2 | 1* | - | - | - | - | - | - |
| Wong Gang | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Raymond Quek Hiong How | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Chan Wai Leong | 2 | 2 | 2 | 2 | - | - | 1 | 1 |

* Mr Koh How Thim resigned as a Director of the Company on 26 January 2015.

**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 the criteria of independence as stated in the Code. The Directors are not related to one another.

Even though the Group's Executive Chairman, Mr. Joe Lau, assumes the role of both the Chairman and Chief Executive Officer, and 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 the Management. This is because of the active participation of and engagement between the nominee Director appointed by Ellipsiz Ltd, a substantial shareholder of the Company, and the Independent Directors, which results in stimulating and dynamic discussions during board meetings and board committee meetings. 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 the Board, taking into account the current Board size and the mix of expertise and experience of its members as a whole, possesses the core competencies necessary to meet the Company's requirements.

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

The independence of each Director is reviewed annually by the NC based on the criteria of independence as 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 the Management from an objective perspective, and at the same time, allowing for constructive suggestions that will shape the Company's policies. The Independent Directors also aid in the review of the Management's performance and monitor the Management's reporting framework.

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

The Code stipulates that the roles of the 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 operations, it is in the best interests of the Group to adopt a single leadership structure, whereby the Executive Chairman and the CEO are the same person, so as to ensure that the decision-making process of the Group and the implementation of 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 the 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 the Management, and takes a lead role in promoting high standards of corporate governance.

All major Board decisions and/or Board decisions on matters in which Mr. Joe Lau has an interest 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 NC comprises three members, of which two are Independent Directors and one is an 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. Other roles include reviewing the Board's succession plans, training needs and professional development programmes.

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, for the positions of Chairman and CEO.

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

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

The NC has ascertained that for the period under review, where a Director had other listed company board representations and/or other principal commitments, the Director was able to carry out and had been adequately carrying out, his duties as a Director of the Company.

NC will oversee and ensure that at least a third of the Board retires by rotation at every Annual General Meeting ("AGM"), and all Directors will be required to submit themselves for re-nomination and re-election on a rotational basis and at least once every 3 years. 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 the selection and appointment of new Directors will be led by the NC in the following order: (i) determining the desirable competencies for the appointment, and after consultation with the Management, (ii) assessing the suitability of the candidates and conducting an open dialogue to ensure that each candidate is aware of his role and obligations and (iii) submitting a final shortlist for recommendation to the Board.

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

- the NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and key attributes that an incoming Director should have.
- after endorsement by the Board of the key attributes required, the NC taps on the networking resources of the existing Directors and seeks recommendations from them in relation to the potential candidates, and goes through a short listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to aid in the search process.
- the NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- the NC recommends the most suitable candidate to the Board for appointment as Director.

The NC has discussed the maximum number of listed company board representations which Directors may hold, and has concluded that there is no need to impose a limit on the number of board representations at this stage. The Directors have expressed that they are committed to carrying out their roles and responsibilities to their best of efforts.

**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 : 22 April 2014

| Board Committee(s) served | Current Directorship(s) | Directorship(s) over the past 3 years (March 2012 to March 2015) |
|---|---|---|
| Nominating Committee | JEP Precision Engineering Pte. Ltd., Singapore<br>JEP Precision Engineering Co., Ltd., Thailand<br>Dolphin Engineering Pte. Ltd., Singapore | Nil |

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

**Further Information on Board of Directors (cont'd)**

**Soh Chee Siong**
Executive Director
Date of first appointment as a Director : 10 January 2014
Date of last re-election as a Director : 22 April 2014

| Board Committee(s) served | Current Directorship(s) | Directorship(s) over the past 3 years (March 2012 to March 2015) |
|---|---|---|
| Nil | JEP Precision Engineering Pte. Ltd., Singapore<br>JEP Precision Engineering Co., Ltd., Thailand<br>Dolphin Engineering Pte. Ltd., Singapore | Nil |

**Wong Gang**
Lead Independent Director
Date of first appointment as a Director : 1 November 2006
Date of last re-election as a Director : 22 April 2014

| Board Committee(s) served | Current Directorship(s) | Directorship(s) over the past 3 years (March 2012 to March 2015) |
|---|---|---|
| Remuneration Committee (Chairman)<br>Nominating Committee (Chairman)<br>Audit Committee | Renewable Energy Asia Group Limited, Bermuda<br>Bowsprit Capital Corporation Limited, Singapore | Fujian Zhenyun Plastics Industry Co., Ltd, PRC<br>China Animal Heathcare Limited, Bermuda<br>Tianjin Zhongxin Pharmaceutical Group Corporation Limited, PRC |

**Quek Hiong How**
Independent Director
Date of first appointment as a Director : 3 August 2009
Date of last re-election as a Director : 22 April 2013

| Board Committee(s) served | Current Directorship(s) | Directorship(s) over the past 3 years (March 2012 to March 2015) |
|---|---|---|
| Audit Committee (Chairman)<br>Nominating Committee<br>Remuneration Committee | Nil | 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 : 22 April 2013

| Board Committee(s) served | Current Directorship(s) | Directorship(s) over the past 3 years (March 2012 to March 2015) |
|---|---|---|
| Audit Committee<br>Remuneration Committee | Ellipsiz Ltd Group of Companies, Singapore | Nil |

**Principle 5 - Board Performance**

Based on the recommendations by the NC, the Board has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and the effectiveness of individual Directors. Part of the process is through the review of the appraisal and evaluation forms, which include 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 results and where appropriate, propose new members to be appointed to the Board or seek the resignation of certain Directors.

**Principle 6 - Access to Information**

The Directors are updated regularly on corporate governance requirements, changes in listing rules and regulations, and the performance of the Group. The Directors have separate and independent access to senior members of the Management, including the Company Secretary of the Group, at all times. The Company Secretary or his representative attends Board meetings and is responsible for advising the Board on the performance of the Group's compliance obligations pursuant to the relevant statutes and regulations. The appointment and removal of the Company Secretary is subject to the approval of the Board.

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

The Company makes available to all Directors its half-year and full-year management accounts and where required, other financial statements, budgets and forecasts, and other relevant information as necessary. Detailed reports and board papers are sent out to the Directors before Board 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 RC comprises three members, of which two are Independent Directors and one is a Non-Executive Director.

| | |
|---|---|
| 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 the Management, a general framework of remuneration for the Board and key members of the Management.

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 which include a profit sharing scheme that is performance-related to align their interests with those of the shareholders.

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

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

The RC is responsible for reviewing and approving specific remuneration packages and terms of employment of the Directors and employees related to the 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 is commensurate with the responsibilities and risks involved in being a Director and that their remuneration packages are comparable within the industry and include a performance-related element with appropriate and meaningful measures of assessing performance. Such remuneration packages include but are not limited to director's fees, salaries, allowances, bonuses and benefits in kind. The service contracts of the Executive Directors provide for a fixed appointment period, 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 other remuneration from the Company.

**Principle 9 – Disclosure on Remuneration**

The remuneration of Directors and the top five key executives of the Company for the year ended 31 December 2014 are set out below:

| Name of Director | Fees(1) | Salary(2) | Bonus(2) | Others(3) | Total |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| **S$250,000 – S$499,999** | | | | | |
| Joe Lau | - | 79% | 6% | 15% | 100% |
| Soh Chee Siong | - | 75% | 13% | 12% | 100% |
| Koh How Thim (Resigned on 26 January 2015) | - | 70% | 18% | 12% | 100% |
| **Below S$250,000** | | | | | |
| Wong Gang | 100% | - | - | - | 100% |
| Raymond Quek Hiong How | 100% | - | - | - | 100% |
| Chan Wai Leong | 100% | - | - | - | 100% |
| **Key Executives** | | | | | |
| **Below S$250,0000** | | | | | |
| Kuek Tee Meng | - | 87% | 8% | 5% | 100% |
| Eddie Goh Kuan Teck | - | 83% | 7% | 10% | 100% |
| Alan Tan Shee Tong | - | 91% | 8% | 1% | 100% |

(1) These fees were approved by shareholders during the last AGM on 22 April 2014.

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

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

**Principle 9 – Disclosure on Remuneration (cont'd)**

The Board is of the view that it is not in the interests of the Company to disclose the remuneration of each individual Director and the CEO on a named basis and the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO) in this Report due to the sensitive and confidential nature of such information and disadvantages that this might bring.

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

In the financial year ended 31 December 2014, the Group has one employee, Lau Adelene, whose annual remuneration exceeds S$50,000 and who is related to a Director or the CEO.

Lau Adelene is the eldest daughter of Mr. Joe Lau, the Executive Chairman and Chief Executive Officer, and a substantial shareholder of the Company.

As at 31 December 2014, the Company does not have any short-term or long-term incentive schemes or any employee share schemes in force during the year.

**Principle 10 – Accountability**

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

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

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

In line with the continuous disclosure obligations of the Company and in accordance with the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("the Catalist Rules") and the Companies Act, the Board adopts a policy whereby shareholders 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 management of risk within the Group. It ensures that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic business objectives.

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

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

**Principle 11 - Risk Management and Internal Controls (cont'd)**

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

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

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

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

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

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

**Principle 12 – Audit Committee**

The AC comprises three members who all have accounting or related financial expertise or experience to discharge their responsibilities. It comprises two Independent Directors and one Non-Executive Director.

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

The duties of the AC shall be:

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

b) to review the half-year and full-year financial statements on significant financial reporting issues and judgments before submission to the Board for approval.

c) to review any formal announcements relating to the Company's financial performance.

d) to discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors.

e) to meet with the external auditors without the presence of the Management, at least annually, to discuss any problems and concerns they may have.

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

g) to review and evaluate the adequacy 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.

**Principle 12 – Audit Committee (cont'd)**

i) to review annually the scope and results of the external audit and its cost-effectiveness as well as the independence and objectivity of the external auditors.

j) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters within its terms of reference.

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

l) to review interested person transactions (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 Company has put in place a whistle blowing policy, reviewed and endorsed by the AC, whereby the employees can, in confidence, raise concerns about improper conduct for investigation. The Lead Independent Director will lead in all queries as may be raised by the staff of the Company.

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

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

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

Foo Kon Tan LLP ("FKT") is the Company's external auditors. FKT audit the accounts of the Company and its subsidiaries. The Company has accrued an aggregate amount of audit fees of S$187,000, comprising audit fees of S$155,000 and non-audit services fees of S$32,000 to the external auditors for the year under review. The AC has undertaken a review of all non-audit services provided by FKT and is of the opinion that they would not affect their independence. Being satisfied with the independence of FKT, the AC, with the concurrence of the Board, has recommended the re-appointment of FKT as external auditors at the forthcoming AGM of the Company.

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

The internal auditor carried out its function according to the standards set by 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 internal auditor, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

**Principles 14, 15 & 16 – Shareholder Rights and Responsibilities**

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

The Company has also engaged an external investor relations firm to enhance its communication with shareholders and the 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 contain provision for any 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.

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 AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report.

The Board of Directors of the Company did not recommend the payment of a dividend for the financial year ended 31 December 2014 as the Group intends to conserve cash resources to finance its operations and the future development of the Group's business.

## SECURITIES TRANSACTIONS

In compliance with Rule 1204 (19) of the Catalist Rules, 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 from dealing in the Company's securities on short-term considerations.

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

## 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 one interested person transaction ("IPT") between the Company's 85%-owned subsidiary, JEP Precision Engineering Pte Ltd ("JEPS") and Synersys Pte Ltd ("Synersys") during the financial year under review.

Synersis is 51% owned by Mr. Chan Wai Leong, a Non-Executive and Non-Independent Director of the Company, as well as the Chief Executive Officer of a substantial shareholder of the Company, Ellipsiz Ltd (which holds a direct interest of 18.88% in the Company). The aggregate value of the IPT is as follows:

| Name of Interested Person | Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules) | Aggregate value of all IPTs conducted during the financial year under review under the shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000) |
|---|---|---|
| Mr. Chan Wai Leong | S$767,567.00* | Not applicable – The Company does not have a shareholders' mandate. |

*The value of the transaction to the Company is based on the Company's 85% equity interest in JEPS.

## SPONSOR

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 of the Company for the financial year ended 31 December 2014.

**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 |
| Soh Chee Siong | - | 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, other than as disclosed in this report.

**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 1.1.2014 or date of appointment, if later | **As at 31.12.2014 and 21.1.2015#** | As at 1.1.2014 or date of appointment, if later | **As at 31.12.2014 and 21.1.2015#** |
| Joe Lau | 135,240,950 | **135,240,950** | 30,000,000 | **30,000,000** |
| Soh Chee Siong *(appointed on 10.1.2014)* | 1,394,000 | **3,394,000** | 980,000 | **980,000** |
| Koh How Thim *(resigned on 26.1.2015)* | 175,000 | **175,000** | - | **-** |

# There are no changes to the above shareholdings as at 21 January 2015.

**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 Notes 21 and 22 to the financial statements.

**Share options**

The Company does not have any employee share option schemes in force during the financial year.

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:

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

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

(iii) reviewed the half yearly financial information and the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014 as well as the independent auditor's report thereon; and

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

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

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

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

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

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

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

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

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

The Audit Committee 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 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 LLP, Chartered Accountants, has expressed its willingness to accept re-appointment.

**Other information required by the SGX-ST**

**Material information**

No material contracts of the Company and/or its subsidiaries involving the interest of the CEO or any Director or controlling Shareholder subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

**Interested person transactions**

Particulars of Interested person transactions ("IPTs") for the financial year ended 2014 as required under Rule 907 of SGX-ST Listing Manual.

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate[2] pursuant to Rule 920) | Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate[2] pursuant to Rule 920 (excluding transactions less than $100,000) |
|---|---|---|
| Synersys Pte Ltd[1]<br>- installed a chemical line, a De-ionized water system and a scrubber and exhaust system for a subsidiary of the Company, JEP Precision Engineering Pte. Ltd. | $767,567* | Nil |

Notes:

1. Synersys Pte Ltd is 51% owned by Mr. Chan Wai Leong, a Non-Executive and Non-Independent Director of the Company, as well as the Chief Executive Officer of a substantial shareholder of the Company, Ellipsiz Ltd (which holds a direct interest of 18.88% in the Company).

2. There was no shareholders' IPT mandate obtained during the financial year under review.

*The value of the transaction to the Company is based on the Company's 85% equity interest in JEP Precision Engineering Pte Ltd.

On behalf of the Directors

Joe Lau

Soh Chee Siong

Dated: 24 March 2015

# Statement By Directors for the financial year ended 31 December 2014

In the opinion of the directors, the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement 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 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date; and at the date of this statement, after considering the measures taken by the Group with respect to the Company's ability to continue as a going concern as described in Note 2 to the financial statements, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Joe Lau

Soh Chee Siong

Dated: 24 March 2015

**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 2014, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 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 2014, and the results, changes in equity 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 LLP
Public Accountants and
Chartered Accountants

Yeo Boon Chye
Partner-in-charge of the audit

Singapore, 24 March 2015

# Statements of Financial Position as at 31 December 2014

| | Note | The Group 31 December 2014 $'000 | The Group 31 December 2013 $'000 | The Company 31 December 2014 $'000 | The Company 31 December 2013 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | **27,886** | 24,009 | **11** | 20 |
| Investment in subsidiaries | 6 | **-** | - | **43,401** | 43,401 |
| Intangible assets | 7 | **19,063** | 19,913 | **-** | - |
| | | **46,949** | 43,922 | **43,412** | 43,421 |
| **Current assets** | | | | | |
| Inventories | 8 | **10,119** | 5,028 | **-** | - |
| Trade and other receivables | 9 | **11,827** | 8,561 | **24** | 7 |
| Amount due from subsidiaries | 10 | **-** | - | **1,313** | 6 |
| Derivative financial instrument | 11 | **5** | - | **-** | - |
| Cash and cash equivalents | 12 | **2,950** | 6,109 | **117** | 1,232 |
| | | **24,901** | 19,698 | **1,454** | 1,245 |
| Assets of disposal group classified as held for sale | 24 | **43** | 809 | **-** | - |
| | | **24,944** | 20,507 | **1,454** | 1,245 |
| **Total assets** | | **71,893** | 64,429 | **44,866** | 44,666 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 13 | **34,163** | 34,163 | **34,163** | 34,163 |
| Capital reserve | 14 | **247** | 247 | **247** | 247 |
| Retained profits | | **748** | 2,957 | **6,238** | 6,974 |
| Translation reserve | | **(194)** | (180) | **-** | - |
| | | **34,964** | 37,187 | **40,648** | 41,384 |
| **Non-controlling interests** | | **2,812** | 2,871 | **-** | - |
| **Total equity** | | **37,776** | 40,058 | **40,648** | 41,384 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Obligations under finance leases | 15 | **1,785** | 3,108 | **-** | - |
| Borrowings | 16 | **7,688** | - | **-** | - |
| Deferred tax liabilities | 17 | **1,188** | 725 | **-** | - |
| Deferred income | 18 | **903** | 1,375 | **-** | - |
| | | **11,564** | 5,208 | **-** | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | **9,656** | 8,822 | **218** | 182 |
| Obligations under finance leases | 15 | **4,479** | 2,000 | **-** | - |
| Borrowings | 16 | **8,415** | 8,100 | **4,000** | 3,100 |
| | | **22,550** | 18,922 | **4,218** | 3,282 |
| Liabilities directly associated with disposal group classified as held for sale | 24 | **3** | 241 | **-** | - |
| | | **22,553** | 19,163 | **4,218** | 3,282 |
| **Total liabilities** | | **34,117** | 24,371 | **4,218** | 3,282 |
| **Total equity and liabilities** | | **71,893** | 64,429 | **44,866** | 44,666 |

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

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2014

| | Note | 31 December 2014 $'000 | 31 December 2013 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **49,777** | 36,839 |
| Cost of sales | | **(45,252)** | (32,081) |
| Gross profit | | **4,525** | 4,758 |
| Other operating income | 19 | **1,421** | 3,342 |
| Selling and distribution expenses | | **(1,419)** | (1,215) |
| Administrative expenses | | **(5,146)** | (4,537) |
| Finance costs | 20 | **(443)** | (264) |
| (Loss)/profit before tax from continuing operations | 22 | **(1,062)** | 2,084 |
| Taxation | 23 | **(463)** | 361 |
| (Loss)/profit after tax from continuing operations for the year | | **(1,525)** | 2,445 |
| | | | |
| **Discontinued operation** | | | |
| Profit/(loss) from discontinued operation, net of tax | 24 | **186** | (890) |
| (Loss)/profit for the year, net of tax | | **(1,339)** | 1,555 |
| **Other comprehensive (expense)/income after tax** | | | |
| Item that will be reclassified subsequently to profit or loss | | | |
| - Currency translation differences | 25 | **(14)** | 35 |
| Total comprehensive (expense)/income for the year | | **(1,353)** | 1,590 |
| | | | |
| **Profit attributable to:** | | | |
| **Equity owners of the Company** | | | |
| (Loss)/profit from continuing operations, net of tax | | **(1,438)** | 2,150 |
| Profit/(loss) from discontinued operation, net of tax | | **158** | (757) |
| (Loss)/profit attributable to equity owners of the Company | | **(1,280)** | 1,393 |
| | | | |
| **Non-controlling interests** | | | |
| (Loss)/profit from continuing operations, net of tax | | **(87)** | 295 |
| Profit/(loss) from discontinued operation, net of tax | | **28** | (133) |
| (Loss)/profit attributable to the non-controlling interests | | **(59)** | 162 |
| | | **(1,339)** | 1,555 |
| | | | |
| **Total comprehensive (expense)/income attributable to:** | | | |
| Equity owners of the Company | | **(1,294)** | 1,423 |
| Non-controlling interests | | **(59)** | 167 |
| | | **(1,353)** | 1,590 |
| | | | |
| **(Loss)/earnings per share (cents)** | 26 | | |
| From continuing operations attributable to equity owners of the Company | | | |
| - basic and diluted | | **(0.155)** | 0.231 |
| From discontinued operation attributable to equity owners of the Company | | | |
| - basic and diluted | | **0.017** | (0.081) |

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

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2014

| | Note | Share capital $'000 | Capital reserve $'000 | Translation reserve $'000 | Retained profits $'000 | Total attributable to equity holders of the Company $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to equity holders of the Company → | | | | | | |
| Balance at 1 January 2013 | | 34,163 | 247 | (121) | 3,422 | 37,711 | 2,615 | 40,326 |
| Net profit for the year | | - | - | - | 1,393 | 1,393 | 162 | 1,555 |
| Currency translation differences | | - | - | 30 | - | 30 | 5 | 35 |
| Total comprehensive income for the year | | - | - | 30 | 1,393 | 1,423 | 167 | 1,590 |
| Dividends | 35 | - | - | - | (1,858) | (1,858) | - | (1,858) |
| Transfer to translation reserve | | - | - | (89) | - | (89) | 89 | - |
| Balance at 31 December 2013 | | **34,163** | **247** | **(180)** | **2,957** | **37,187** | **2,871** | **40,058** |
| Net loss for the year | | **-** | **-** | **-** | **(1,280)** | **(1,280)** | **(59)** | **(1,339)** |
| Currency translation differences | | **-** | **-** | **(14)** | **-** | **(14)** | ***** | **(14)** |
| Total comprehensive expenses for the year | | **-** | **-** | **(14)** | **(1,280)** | **(1,294)** | **(59)** | **(1,353)** |
| Dividends | 35 | **-** | **-** | **-** | **(929)** | **(929)** | **-** | **(929)** |
| **Balance at 31 December 2014** | | **34,163** | **247** | **(194)** | **748** | **34,964** | **2,812** | **37,776** |

* Represents amount less than $1,000

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

# Consolidated Statement of Cash Flows for the financial year ended 31 December 2014

| | Year ended 31 December 2014 $'000 | Year ended 31 December 2013 $'000 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| (Loss)/profit before tax from continuing operations | **(1,062)** | 2,084 |
| Profit/(loss) before tax from discontinued operation | **186** | (890) |
| (Loss)/profit before tax, total | **(876)** | 1,194 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **3,243** | 3,198 |
| Amortisation of intangible assets | **850** | 850 |
| Gain on disposal of property, plant and equipment | **(343)** | (385) |
| Amortisation of gain on sales and leaseback | **(529)** | (529) |
| Impairment loss on goodwill on consolidation | **-** | 770 |
| Interest income | **(1)** | (3) |
| Interest expense | **443** | 295 |
| Fair value gain on derivative financial instrument | **(5)** | - |
| Net fair value gain on settlement of cash consideration for acquisition of a subsidiary | **-** | (1,956) |
| Operating cash flows before working capital changes | **2,782** | 3,434 |
| Increase in inventories | **(5,092)** | (1,040) |
| Increase in operating receivables | **(3,295)** | (1,785) |
| Increase/(decrease) in operating payables | **711** | (3,959) |
| Cash used in operations | **(4,894)** | (3,350) |
| Interest expense paid | **(443)** | (295) |
| Interest income received | **1** | 3 |
| Net cash used in operating activities | **(5,336)** | (3,642) |
| **Cash Flows from Investing Activities** | | |
| Purchase of property, plant and equipment (Note A) | **(1,653)** | (1,017) |
| Proceeds from disposal of property, plant and equipment | **1,172** | 638 |
| Net cash used in investing activities | **(481)** | (379) |
| **Cash Flows from Financing Activities** | | |
| Increase in pledged deposit | **15** | 950 |
| Dividends paid on ordinary shares | **(929)** | (1,858) |
| Obligations under finance leases | **(2,455)** | 891 |
| Bank borrowings obtained | **8,003** | 6,705 |
| Repayment of bank borrowings | **(1,923)** | - |
| Net cash generated from financing activities | **2,711** | 6,688 |
| Net (decrease)/increase in cash and cash equivalents | **(3,106)** | 2,667 |
| Exchange differences on translation of cash and bank balances at beginning | **(14)** | 36 |
| Cash and cash equivalents at beginning of year | **6,110** | 3,407 |
| Cash and cash equivalents at end of year (Note 12) | **2,990** | 6,110 |

Note:

A. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $7,188,000 (2013 - $3,947,000) of which $5,535,000 (2013 - $2,930,000) was acquired by means of finance leases. Cash payments of $1,653,000 (2013 - $1,017,000) 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 2014 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 activities of the Company are those that of an investment holding company and provision of management services to its subsidiaries. The principal activities of its subsidiaries remain the same as disclosed in Note 6 to the financial statements.

## 2 Going concern

The Group

Although the Group suffered total comprehensive expenses of $1,353,000 (2013 - total comprehensive income of $1,590,000) and net cash used in operations of $5,336,000 (2013 - $3,642,000) for the financial year ended 31 December 2014, the Group's financial statements have been prepared on a going concern basis as the Group is in a net asset position as at 31 December 2014 and has available unutilised credit facilities of $16,577,000.

The Company

Although the Company's current liabilities exceeded the Company's current assets by $2,764,000 (2013 - $2,037,000), the Company's financial statements have been prepared on a going concern basis which is dependent on the Group's resources. It assumes the realisation of the Group's assets and satisfaction of liabilities in the ordinary course of business and for the subsidiaries to upstream cash as necessary.

In view of the Company's net current liabilities position as at 31 December 2014, the management has prepared its subsidiaries' cash flow forecasts for the next twelve months. In these forecasts, to meet its liabilities when and if they fall due, the Company is currently negotiating with the bank to term its bank loan into a long term loan [Note 16(c)], in particularly, the availability of the unutilised credit facilities of $16,577,000 which the Group has as at 31 December 2014.

Therefore, the directors consider that the Company can meet its financial obligations as and when they fall due in the foreseeable future and believe that the Company will continue as a going concern and consequently has prepared the financial statements on a going concern basis.

## 3(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 $) which is the Company's functional currency. All financial information is presented in Singapore dollar, rounded to the nearest thousand ($'000), unless otherwise stated.

**3(a) Basis of preparation (cont'd)**

**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) ***Significant 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 17 and Note 23)

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.

(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 5)

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 (2013 - 5 to 12 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 5 to the financial statements.

A 10% difference in the expected useful lives of these assets from management's estimates would result in approximately 18% (2013 - 11%) variance in the Group's results for the financial year.

3(a) **Basis of preparation (cont'd)**

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

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

(ii) Depreciation of property, plant and equipment (Note 5)

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 2014 is $27,886,000 (2013 - $24,009,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If depreciation on property, plant and equipment increases/decreases by 10% from management, the Group's results for the year will decrease/increase by approximately $324,000 (2013 - $320,000).

(iii) Capitalisation of labour and overheads (Note 8)

The Group has adopted a system to quantify and capitalise direct labour and direct overheads to work-in-progress held at the end of the reporting period. Direct labour, depreciation of property, plant and equipment and other directly attributable production costs form a pool of the qualifying costs 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 $1,002,000 (2013 - $811,000). The machine hours worked is based on best estimates by the production department. This estimation is approved by management.

If estimation of machine hours increases/decreases by 10% from management, the Group's results for the year will decrease/increase by approximately $100,000 (2013 - $81,000).

The carrying amount of inventories as at 31 December 2014 is disclosed in Note 8 to the financial statements.

(iv) Impairment tests for cash-generating units containing goodwill (Note 7)

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

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

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

The key assumptions applied in the determination of the value-in-use including sensitivity analysis, are disclosed and further explained in Note 7 to the financial statements.

The carrying amount of goodwill as at 31 December 2014 is disclosed in Note 7 to the financial statements.

**3(a) Basis of preparation (cont'd)**

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

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

(v) Allowance for inventory obsolescence (Note 8)

The Group reviews the ageing analysis of inventories at each reporting date, and makes allowance 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 $1,012,000 (2013 - $503,000).

The carrying amount of the inventories as at 31 December 2014 is disclosed in Note 8 to the financial statements.

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

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

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

If the net present values of estimated future cash flows increase/decrease by 10% from management's estimates for all past due loans and receivables, the Group's allowance for impairment will decrease/increase by $383,000 (2013 - $297,000).

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

**3(b) Interpretations and amendments to published standards effective in 2014**

On 1 January 2014, the Group adopted the new or amended FRSs and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. This includes the following FRSs which are relevant to the Group.

| **Reference** | **Description** |
|---|---|
| Revised FRS 27 | Separate Financial Statements |
| FRS 110 | Consolidated Financial Statements |
| FRS 112 | Disclosure of Interests in Other Entities |

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

**3(b) Interpretations and amendments to published standards effective in 2014 (cont'd)**

FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements*

FRS 110 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 110 will require management to exercise significant judgement to determine whether entities are controlled and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements.

The Group has reassessed of which entities the Group controls and there are no resulting changes required.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is a new standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements.

As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when applied.

The adoption of the above amended standards does not have any material impact on the basic and fully diluted EPS of the Group.

**3(c) FRS issued but not yet effective**

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

| **Reference** | **Description** | **Effective date (Annual periods beginning on or after)** |
|---|---|---|
| FRS 115 | Revenue from Contracts with Customers | 1 January 2017 |
| FRS 109 | Financial Instruments | 1 January 2018 |
| Amendments to: | | |
| - FRS 27 | Equity Method in Separate Financial Statements | 1 January 2016 |
| - FRS 16, FRS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Improvements to FRSs: | | |
| - FRS 16 | Property, Plant and Equipment | 1 July 2014 |
| - FRS 24 | Related Party Disclosures | 1 July 2014 |
| - FRS 38 | Intangible Assets | 1 July 2014 |
| - FRS 108 | Operating Segments | 1 July 2014 |
| - FRS 113 | Fair Value Measurement | 1 July 2014 |
| - FRS 19 | Employee Benefits | 1 January 2016 |
| - FRS 105 | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2016 |
| - FRS 107 | Financial Instruments: Disclosures | 1 January 2016 |

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

**3(c) FRS issued but not yet effective (cont'd)**

FRS 115 *Revenue from Contracts with Customers*

FRS 115 Revenue from Contracts with Customers requires the entity to recognise revenue which depicts transfer of promised goods or services to customers in an amount that reflects the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. FRS 115 is effective for annual periods beginning on or after 1 January 2017. The Group is currently assessing the impact on the financial statements.

FRS 109 *Financial Instruments*

FRS 109 Financial Instruments replaces FRS 39 and it is a package of improvements introduced by FRS 109 includes a logical model for classification and measurement, a single forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact on the financial statements.

Improvements to FRSs (January 2014) *Related Party Disclosures*

Improvements to FRSs (January 2014) Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRSs (January 2014) FRS 24 Related Party Disclosures are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Company when implemented.

Improvements to FRS (January 2014) *Operating Segments*

The Improvements to FRS - Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial statements.

**3(d) Summary of significant accounting policies**

**Consolidation**

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

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

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

**3(d) Summary of significant accounting policies (cont'd)**

**Consolidation (cont'd)**

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

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

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

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights or variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

**3(d) Summary of significant accounting policies (cont'd)**

**Consolidation (cont'd)**

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

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

Transactions with Non-Controlling Interest

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

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

**Property, plant and equipment and depreciation**

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

| | |
|---|---|
| Factory building on leasehold land | 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 assets under construction.

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

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 standard of performance of the asset before the expenditure was made, will flow to the Group and the Company and the cost can be reliably measured. All other subsequent expenditure is recognised as an expense in the financial year which it is incurred.

**3(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.

**Investment in subsidiaries**

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.

Goodwill

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

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

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

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

Customer relationships

The customer relationships are acquired in business combinations. The customer relationships are amortised over their estimated useful lives of 5 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 and consumables are determined on a first-in, first-out basis.
- Finished goods and work-in-progress comprise direct materials (cost is determined on a first-in, first-out basis) and labour and a proportion of manufacturing overheads based on normal operating capacity.

**3(d) Summary of significant accounting policies (cont'd)**

**Inventories (cont'd)**

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

**Related parties**

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**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.

**3(d) Summary of significant accounting policies (cont'd)**

**Financial assets (cont'd)**

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

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in 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, amount 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 consolidated income statement.

Financial asset at fair value through profit or loss

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

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

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

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

**Share capital**

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

**3(d) Summary of significant accounting policies (cont'd)**

**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 obligations under finance leases.

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

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

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the consolidated income statement 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 consolidated income statement 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 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 "Leases - finance leases").

<u>Financial guarantees</u>

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

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

**3(d) Summary of significant accounting policies (cont'd)**

**Financial liabilities (cont'd)**

Financial guarantees (cont'd)

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

**Leases**

*Where the Group is the lessee,*

Finance leases

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

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

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

Operating leases

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

Rentals on operating leases are charged to the consolidated income statement 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 consolidated income statement when incurred.

*Where the Group is the lessor,*

Operating leases

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

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

**Income taxes**

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

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

**3(d) Summary of significant accounting policies (cont'd)**

**Income taxes (cont'd)**

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

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

Deferred income tax is measured:

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

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

Current and deferred income taxes are recognised as income or expense in the consolidated 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.

**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 consolidated income statement in the period to which the contributions relate.

- Thailand

  The subsidiary which is registered and was operating in Thailand, was required to make contribution to the Social Security Fund. This was an authorised defined contribution plan under the Thailand law and costs were recognised as an expense in the period in which the related service was performed. The Group has ceased its business in Thailand in the financial year ended 31 December 2013.

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.

**3(d) Summary of significant accounting policies (cont'd)**

**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 consolidated income statement 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 consolidated income statement, a reversal of that impairment loss is recognised as income in the consolidated income statement.

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

**Non-current assets held for sale and discontinued operation**

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

**3(d) Summary of significant accounting policies (cont'd)**

**Non-current assets held for sale and discontinued operation (cont'd)**

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

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

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

**Revenue recognition**

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

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.

Productivity and Innovation Credit ("PIC") and Special Employment Credit ("SEC") Cash Grant

Cash grants received from the government in relation to the PIC and SEC Cash Grant are 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.

Rental income

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

**3(d) Summary of significant accounting policies (cont'd)**

**Functional currencies**

Functional and presentation currency

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

**Conversion of foreign currencies**

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences 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 consolidated income statement. However, in the consolidated financial statement, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

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

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

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

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

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 for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in equity.

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

**Operating segment**

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

## 4 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 34).

The Company

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

## 5 Property, plant and equipment

| The Group | Freehold land $'000 | Factory building on freehold land $'000 | Factory building on leasehold land $'000 | Machinery and equipment $'000 | Electrical installations and renovations $'000 | Furniture, fittings and office equipment $'000 | Computers $'000 | Motor vehicles $'000 | Assets under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| At 1 January 2013 | 241 | 855 | 5,200 | 41,379 | 1,603 | 561 | 672 | 288 | - | 50,799 |
| Additions | - | - | - | 510 | 62 | 72 | 231 | - | 3,072 | 3,947 |
| Disposals | - | - | - | - | (229) | (138) | (138) | (84) | - | (589) |
| Written off | - | - | - | (2,117) | - | - | - | - | - | (2,117) |
| Attributable to discontinued operation | (233) | (826) | - | - | - | - | - | - | - | (1,059) |
| Translation difference | (8) | (29) | - | (59) | (2) | (2) | (1) | (3) | - | (104) |
| At 31 December 2013 | **-** | **-** | **5,200** | **39,713** | **1,434** | **493** | **764** | **201** | **3,072** | **50,877** |
| Additions | **-** | **-** | **-** | **2,619** | **282** | **52** | **214** | **101** | **3,920** | **7,188** |
| Disposals | **-** | **-** | **-** | **(568)** | **-** | **-** | **-** | **-** | **-** | **(568)** |
| Written off | **-** | **-** | **-** | **(341)** | **(1)** | **(26)** | **(203)** | **-** | **-** | **(571)** |
| Transferred in/(out) | **-** | **-** | **-** | **2,930** | **-** | **-** | **-** | **-** | **(2,930)** | **-** |
| **At 31 December 2014** | **-** | **-** | **5,200** | **44,353** | **1,715** | **519** | **775** | **302** | **4,062** | **56,926** |
| **Accumulated depreciation** | | | | | | | | | | |
| At 1 January 2013 | - | 300 | 204 | 23,367 | 1,396 | 466 | 471 | 271 | - | 26,475 |
| Depreciation for the year | - | 11 | 204 | 2,725 | 87 | 37 | 131 | 3 | - | 3,198 |
| Disposals | - | - | - | - | (226) | (118) | (132) | (71) | - | (547) |
| Written off | - | - | - | (1,906) | - | - | - | - | - | (1,906) |
| Attributable to discontinued operation | - | (298) | - | - | - | - | - | - | - | (298) |
| Translation difference | - | (13) | - | (34) | (2) | (2) | (1) | (2) | - | (54) |
| At 31 December 2013 | **-** | **-** | **408** | **24,152** | **1,255** | **383** | **469** | **201** | **-** | **26,868** |
| Depreciation for the year | **-** | **-** | **204** | **2,717** | **82** | **36** | **189** | **15** | **-** | **3,243** |
| Disposals | **-** | **-** | **-** | **(500)** | **-** | **-** | **-** | **-** | **-** | **(500)** |
| Written off | **-** | **-** | **-** | **(341)** | **(1)** | **(26)** | **(203)** | **-** | **-** | **(571)** |
| **At 31 December 2014** | **-** | **-** | **612** | **26,028** | **1,336** | **393** | **455** | **216** | **-** | **29,040** |
| **Net book value** | | | | | | | | | | |
| **At 31 December 2014** | **-** | **-** | **4,588** | **18,325** | **379** | **126** | **320** | **86** | **4,062** | **27,886** |
| At 31 December 2013 | - | - | 4,792 | 15,561 | 179 | 110 | 295 | - | 3,072 | 24,009 |

5 **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 2013 | 174 | 142 | 89 | 405 |
| Additions | - | - | 2 | 2 |
| Disposals | (174) | (69) | - | (243) |
| **At 31 December 2013 and 31 December 2014** | **-** | **73** | **91** | **164** |
| **Accumulated depreciation** | | | | |
| At 1 January 2013 | 173 | 96 | 80 | 349 |
| Depreciation for the year | 1 | 13 | 9 | 23 |
| Disposals | (174) | (54) | - | (228) |
| At 31 December 2013 | **-** | **55** | **89** | **144** |
| Depreciation for the year | **-** | **8** | **1** | **9** |
| **At 31 December 2014** | **-** | **63** | **90** | **153** |
| **Net book value** | | | | |
| **At 31 December 2014** | **-** | **10** | **1** | **11** |
| At 31 December 2013 | - | 18 | 2 | 20 |

(a) Depreciation expense charged to:

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Cost of sales | **2,921** | 2,940 |
| Selling and distribution expenses | **16** | 2 |
| Administrative expenses | **306** | 256 |
| | **3,243** | 3,198 |

(b) As at 31 December 2014, the net book value of machinery and equipment, and a motor vehicle under finance leases of the Group amounted to $12,577,000 (2013 - $9,052,000) and $86,000 (2013 - Nil) respectively.

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

(c) Certain of the Group's assets were pledged as securities for certain loans of the Group [(Note 16(a) and 16(b)] as follows:

| | Net book value | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Factory building on leasehold land | **4,588** | 4,792 |
| 4-storey factory building on leasehold land (assets under construction) | **3,066** | - |
| | **7,654** | 4,792 |

(d) The freehold land comprised:

| Location | Description | Land area (sq. metres) | Tenure |
|---|---|---|---|
| 700/190 Moon 1, Amata Nakom Industrial Estate, Tambon Bankao, Amphur Panthong, Chonburi, 20160 Thailand | Land | 3,000 | Freehold |

The property on freehold land comprised:

| Location | Description | Land area (sq. metres) | Tenure | Net book value ($'000) |
|---|---|---|---|---|
| 700/190 Moon 1, Amata Nakom Industrial Estate, Tambon Bankao, Amphur Panthong, Chonburi, 20160 Thailand | Factory building with mezzanine and guard house | 1,720 | 20 years commencing July 2006 | - |

A subsidiary of the Company, JEP Precision Engineering Co., Ltd entered into a sale and purchase agreement with a third party, Thai Felt Consultant and Service Co., Ltd. to sell the freehold land and factory building on 26 November 2013 for an aggregate consideration of approximately $1,133,000 (Baht 29,000,000). This transaction resulted in a gain on disposal of $372,000 included in profit from discontinued operation for the financial year ended 31 December 2014.

The Group has received the said consideration in full by 28 January 2014 and completed the sale and purchase transaction upon completion of the registration of the transfer of ownership.

The freehold land and factory building on freehold land were classified under assets of disposal group classified as held for sale in the statements of financial position as at 31 December 2013.

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

(e) The properties on leasehold land comprise:

| Location | Description | Land area (sq. metres) | Tenure | Net book value ($'000) |
|---|---|---|---|---|
| No.2 Loyang Way 4 Singapore | Existing building<br>Leasehold land with an elected single-storey Jurong Town Corporation standard (Type D8) factory with a mezzanine level and a single-storey rear extension | 5,017.5 | 30 years commencing 1 June 2007 | 4,588 |
| | Assets under construction<br>Leasehold land with an elected 4-storey factory building with provision of secondary workers' dormitory | 1,216.05 | 23 years 10 months commencing 1 August 2013 | 3,066 |
| | | | | 7,654 |

(f) Fully depreciated assets

The cost of the Group's fully depreciated property, plant and equipment that is still in use amounted to $10,757,000 (2013 - $10,514,000).

(g) As at the end of reporting period, assets under construction relate to:

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| 4-storey factory building with provision of secondary workers' dormitory | **3,066** | 142 |
| Machinery and equipment* | **972** | 2,930 |
| Others | **24** | - |
| | **4,062** | 3,072 |

* under commissioning and not ready for use

**6 Investment in subsidiaries**

| The Company | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Unquoted equity investments, at cost | **43,401** | 43,401 |

6 **Investment in subsidiaries (cont'd)**

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

The subsidiaries are:

| **Name** | **Country of incorporation/ principal place of business** | **Cost of investments** | | **Proportion of ownership interest and voting rights held by the Group** | | **Principal activities** |
|---|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 | |
| | | **$'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** | 13,933 | **100** | 100 | Large format precision engineering and equipment fabrication service |
| | | **43,401** | 43,401 | | | |
| Held through a subsidiary | | | | | | |
| JEP Precision Engineering Co., Ltd ("JEPT") [(2)/(3)] | Thailand | **-** | - | **85** | 85 | Inactive (ceased operations in July 2013) |
| | | **43,401** | 43,401 | | | |

(1) Audited by Foo Kon Tan 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. JEPT had ceased operations on 31 July 2013 and had been classified as discontinued operation for the financial year ended 31 December 2013, and 31 December 14.

(3) Effectively owned 99.99% (2013 - 99.99%) by JEPS which excludes nominee shareholding.

Details of non-wholly subsidiary that have material non-controlling interests - JEPS

The table below shows details of a non-wholly subsidiary of the Group that has material non- controlling interests:

| Name of subsidiary | Country of incorporation/ principal place of business | (Loss)/profit allocated to non-controlling interest | | Accumulated non-controlling interest | | Dividends paid to non-controlling interest | |
|---|---|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Held by the Company | | | | | | | |
| JEPS | Singapore | **(15)** | 50 | **2,564** | 2,579 | **-** | - |

## 6 Investment in subsidiaries (cont'd)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

*Summarised statement of financial position*

| | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| Non-current assets | **19,326** | 20,898 |
| Current asset | **21,482** | 12,120 |
| Non-current liabilities | **(2,997)** | (6,852) |
| Current liabilities | **(20,719)** | (8,975) |
| Equity attributable to owners of the Company | **17,092** | 17,191 |

*Summarised statement of comprehensive income*

| | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| Revenue | **43,269** | 30,613 |
| Expenses | **(43,368)** | (30,277) |
| Profit for the year | **(99)** | 336 |
| (Loss)/profit attributable to owners of the Company | **(84)** | 286 |
| (Loss)/profit attributable to the non-controlling interests | **(15)** | 50 |
| (Loss)/profit for the year | **(99)** | 336 |
| Other comprehensive income attributable to owners of the Company | **-** | - |
| Other comprehensive income attributable to the non-controlling interests | **-** | - |
| Other comprehensive income for the year | **-** | - |
| Total comprehensive (expense)/income attributable to owners of the Company | **(84)** | 286 |
| Total comprehensive (expense)/income attributable to the non-controlling interests | **(15)** | 50 |
| Total comprehensive (expense)/income for the year | **(99)** | 336 |

*Other summarised information*

| | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| Net cash inflow/(outflow) from operating activities | **3,596** | (2,276) |
| Net cash outflow from investing activities | **(408)** | (517) |
| Net cash (outflow)/inflow from financing activities | **(2,407)** | 1,848 |
| Net cash inflow/(outflow) | **781** | (945) |

## 7 Intangible assets

| The Group | Goodwill on consolidation $'000 | Customer relationship $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| Balance as at 1 January 2013, 31 December 2013 and **31 December 2014** | **17,998** | **12,176** | **30,174** |
| **Accumulated amortisation and impairment loss** | | | |
| Balance as at 1 January 2013 | 500 | 8,141 | 8,641 |
| Amortisation for the year | - | 850 | 850 |
| Impairment loss recognised under discontinued operation (Note 24) | 770 | - | 770 |
| Balance as at 31 December 2013 | **1,270** | **8,991** | **10,261** |
| Amortisation for the year | **-** | **850** | **850** |
| **Balance as at 31 December 2014** | **1,270** | **9,841** | **11,111** |
| **Net book value** | | | |
| **Balance as at 31 December 2014** | **16,728** | **2,335** | **19,063** |
| Balance as at 31 December 2013 | 16,728 | 3,185 | 19,913 |

(a) Goodwill

***Impairment test for goodwill***

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

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| JEP Precision Engineering Pte Ltd | **11,450** | 11,450 |
| Dolphin Engineering Pte. Ltd. | **5,278** | 5,278 |
| | **16,728** | 16,728 |

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

Key assumptions used in the calculation of recoverable amounts are budgeted gross margin, discount rate, terminal value growth rate and the budgeted Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") growth rate. The values assigned to the key assumptions represent management's assessment of future trends in the industries the entities operate in and are based on both external and internal sources.

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

(a) Goodwill (cont'd)

***Impairment test for goodwill (cont'd)***

The key assumptions are as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **JEPS** | **DEPL** | JEPS | DEPL |
| | % | % | % | % |
| Budgeted gross margin | **15.7** | **13.4** | 17.6 | 20.4 |
| Discount rate | **13.2** | **13.2** | 14.0 | 14.0 |
| Terminal value growth rate | **1.5** | **1.5** | 1.5 | 1.5 |
| Budgeted EBITDA growth rate (average of next five years) | **5.7** | **11.6** | 29.7 | 26.2 |

Budgeted gross margin

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

Discount rate

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

Terminal value growth rate

Five years of cash flows are included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal Singapore GDP rates and the long-term compound annual growth rate in EBITDA which management believes is consistent with the assumption that a market participant would make.

The growth rate did not exceed the long-term average growth rate in which the CGU operates.

Budgeted EBITDA growth rate

Budgeted EBITDA is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing and has been based on expectations of future outcomes, taking into account past experience adjusted for the following:

- the anticipated annual revenue growth of JEPS included in the cash flow projections for the years 2015 to 2019 is based on existing and highly potential long-term agreements with customers mainly from aerospace and oil and gas business units;
- the anticipated annual revenue growth of DEPL included in the cash flow projections for the years 2015 to 2019 is based on existing regular customers with reference to growth levels experienced with these customers;
- operating costs are assumed to increase in line with inflation for the next five years.

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

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

(a) Goodwill (cont'd)

***Impairment test for goodwill (cont'd)***

Sensitivity to changes in assumptions

JEPS

The estimated recoverable amount of goodwill allocated to JEPS exceeds its carrying amount by approximately $28.2 million (2013 - $10.6 million). Management has identified a key assumption for which a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that this assumption is required to change in order for the estimated recoverable amount to be equal to the carrying amount.

| | Change required for carrying amount to equal the recoverable amount | |
|---|---|---|
| | **2014** | 2013 |
| | **%** | % |
| Pre-tax discount rate | **6.7** | 4.5 |

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

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

DEPL

The estimated recoverable amount of goodwill allocated to DEPL exceeds its carrying amount by approximately $3.6 million (2013 - $15.4 million). With regards to the assessment of value-in-use in 2014, management has identified a key assumption for which a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The table below shows the amount that this assumption is required to change in order for the estimated recoverable amount to be equal to the carrying amount.

| | Change required for carrying amount to equal the recoverable amount | |
|---|---|---|
| | **2014** | 2013 |
| | **%** | % |
| Pre-tax discount rate | **5.4** | n/a |

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

With regards to the assessment of value-in-use in 2013, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

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

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

(a) Goodwill (cont'd)

***Impairment test for goodwill (cont'd)***

Sensitivity to changes in assumptions

JEPT

Following the cessation of operations of JEPT in July 2013, an impairment loss on goodwill on consolidation of $770,000 had been included in the consolidated income statement and had been recognised under the line item "Loss from discontinued operation, net of tax" for the financial year ended 31 December 2013 (Note 24). The impairment is made on a net cash on disposal basis.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value to materially exceed its recoverable amount.

(b) Customer relationship

This relates to customer relationship arising from the acquisition of JEP Precision Engineering Pte Ltd and its subsidiary. The remaining amortisation period of the customer relationship is 3 years (2013 - 4 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.

**8 Inventories**

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| At cost, | | |
| Raw materials | **2,356** | 782 |
| Work-in-progress | **4,198** | 2,120 |
| Finished goods | **1,611** | 483 |
| Consumables | **1,434** | 1,331 |
| Goods-in-transit | **520** | 312 |
| | **10,119** | 5,028 |
| Less: Allowance for inventory obsolescence | | |
| Balance at beginning of year | **-** | (43) |
| Allowance for the year | **-** | - |
| Allowance no longer required | **-** | 43 |
| Balance at end of year | **-** | - |
| | **10,119** | 5,028 |
| Cost of inventories included in cost of sales | **22,484** | 11,013 |

During the financial year ended 31 December 2013, a sum of $43,000 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.

## 9 Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade receivables | | | | |
| - Corporate shareholder of a subsidiary | **1,169** | 1,128 | **-** | - |
| - Third parties | **9,557** | 6,701 | **-** | - |
| | **10,726** | 7,829 | **-** | - |
| Allowance for impairment of trade receivables | | | | |
| Balance at beginning of year | **(62)** | (65) | **-** | - |
| Allowance for the year | **(2)** | (2) | **-** | - |
| Allowance no longer required | **-** | 5 | **-** | - |
| Allowance written off | **30** | - | **-** | - |
| Balance at end of year | **(34)** | (62) | **-** | - |
| Net trade receivables | **10,692** | 7,767 | **-** | - |
| | | | | |
| Other receivables | | | | |
| Deposits | **97** | 89 | **-** | - |
| Down-payment for property, plant and equipment | **5** | 142 | **-** | - |
| Prepayments | **698** | 331 | **24** | 7 |
| GST input tax | **310** | 155 | **-** | - |
| Recoverable from customers | **-** | 75 | **-** | - |
| Other receivables | **25** | 2 | **-** | - |
| | **1,135** | 794 | **24** | 7 |
| | **11,827** | 8,561 | **24** | 7 |

Trade and other receivables are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **4,596** | 3,283 | **24** | 7 |
| United States dollar | **7,231** | 5,276 | **-** | - |
| Pound Sterling | **-** | 2 | **-** | - |
| | **11,827** | 8,561 | **24** | 7 |

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.

## 9 Trade and other receivables (cont'd)

The credit risk for trade receivables based on the information provided to key management is as follows:

(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.

| The Group | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Current | **6,866** | 4,799 |

Other receivables categorised as financial assets as disclosed in this report, are considered current and not past due.

(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 | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Trade receivables past due: | | |
| Less than 31 days | **2,779** | 1,549 |
| 31 to 60 days | **588** | 717 |
| 61-90 days | **127** | 598 |
| More than 90 days | **332** | 104 |
| | **3,826** | 2,968 |

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 | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Trade receivables past due: | | |
| More than 90 days | 34 | 62 |

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.

## 10 Amount due from subsidiaries

| The Company | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Amount due from subsidiaries (non-trade) | | |
| - interest-bearing | **1,303** | - |
| - interest-free | 10 | 6 |
| | 1,313 | 6 |

The non-trade amounts due from subsidiaries are unsecured and repayable on demand. In respect of the interest-bearing amount made to a subsidiary, interest is charged at rates ranging from 2.87% to 3.21% per annum.

The carrying amounts approximate the fair value of the amount due. The non-trade amounts due from subsidiaries are denominated in Singapore dollar.

## 11 Derivative financial instrument

| The Group | 2014 Contract notional amount $'000 | 2014 Fair value asset $'000 | 2013 Contract notional amount $'000 | 2013 Fair value asset $'000 |
|---|---|---|---|---|
| Non-hedging instrument | | | | |
| - currency forward contract | **328** | **5** | - | - |

During the financial year ended 31 December 2014, a subsidiary has entered into a currency forward contract for a highly probable forecast purchase of a plant and equipment denominated in Japanese Yen. The currency forward contract matures on 31 July 2015 which will coincide within the expected occurrence of this transaction.

The Group does not designate its currency forward contract as hedging instrument and the fair value gain of $5,000 has been recognised in the consolidated income statement.

## 12 Cash and cash equivalents

| | The Group 2014 $'000 | The Group 2013 $'000 | The Company 2014 $'000 | The Company 2013 $'000 |
|---|---|---|---|---|
| Cash on hand | **7** | 7 | **1** | 1 |
| Bank balances | **2,943** | 6,102 | **116** | 1,231 |
| | **2,950** | 6,109 | **117** | 1,232 |

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

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Cash on hand and bank balances | | |
| - continuing operations | **2,950** | 6,109 |
| - discontinued operation (Note 24) | **40** | 16 |
| Bank balances | **2,990** | 6,125 |
| Less: | | |
| Fixed deposits pledged | **-** | *(15) |
| Cash and cash equivalents | **2,990** | 6,110 |

* included in discontinued operation

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Fixed deposit that matured after 3 months | | |
| - 30 September 2014 | - | 15 |

The interest rate of pledged fixed deposits was 0.5% per annum.

The fixed deposits were denominated in Thai Baht.

## 12 Cash and cash equivalents (cont'd)

Cash and bank balances are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **2,353** | 5,674 | **110** | 1,225 |
| United States dollar | **592** | 414 | **7** | 7 |
| Japanese Yen | **5** | 20 | **-** | - |
| Thai Baht | **-** | 1 | **-** | - |
| | **2,950** | 6,109 | **117** | 1,232 |

## 13 Share capital

| | No. of shares | | Amount | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| The Company | | | **$'000** | $'000 |
| **Issued and fully paid, with no par value** | | | | |
| **Balance at beginning and end of year** | **928,973,266** | 928,973,266 | **34,163** | 34,163 |

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

## 14 Capital reserve

| | **2014** | 2013 |
|---|---|---|
| The Group and the Company | **$'000** | $'000 |
| **Balance at beginning and end of year** | **247** | 247 |

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

## 15 Obligations under finance leases

| | **2014** | 2013 |
|---|---|---|
| The Group | **$'000** | $'000 |
| Minimum lease payments payable: | | |
| Due not later than one year | **4,729** | 2,150 |
| Due later than one year and not later than five years | **1,829** | 3,208 |
| Due later than five years | **20** | - |
| | **6,578** | 5,358 |
| Less: Finance charges allocated to future periods | **(314)** | (250) |
| Present value of minimum lease payments | **6,264** | 5,108 |
| Present value of minimum lease payments: | | |
| Due not later than one year | **4,479** | 2,000 |
| Due later than one year and not later than five years | **1,766** | 3,108 |
| Due later than five years | **19** | - |
| | **6,264** | 5,108 |

## 15 Obligations under finance leases (cont'd)

The obligations under finance leases are denominated Singapore dollar.

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 5.5% (2013 - 2.2% to 5.5%) per annum. The finance lease obligations are secured by the underlying assets [Note 5(b)].

Included in the Group's finance leases of $6,264,000 is a sum of $5,360,000 for subsidiaries' machinery and equipment which is subject to financial covenants that are tested annually. The Group has informed its lender that a subsidiary had failed to meet one of the financial covenants for the financial year ended 31 December 2014. As a result of these financial covenant breaches, the related finance leases have technically become repayable on demand and an aggregate amount of $1,792,000 has been reclassified from non-current to current as at 31 December 2014.

The Group has received notice in writing from the said lender on 23 March 2015 that it has waived the breaches on the financial covenants.

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

## 16 Borrowings

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | Note | **$'000** | $'000 | **$'000** | $'000 |
| Secured | | | | | |
| Money market loan | (a) | - | 5,000 | **-** | - |
| Term loan | (a) | **6,339** | - | **-** | - |
| Construction loan | (b) | **1,923** | - | **-** | - |
| Money market loan | (c) | **4,000** | 3,100 | **4,000** | 3,100 |
| Bills receivable purchase | (d) | **729** | - | **-** | - |
| Trust receipts | (e) | **2,112** | - | **-** | - |
| Unsecured | | | | | |
| Fixed advance facility | (f) | **1,000** | - | **-** | - |
| | | **16,103** | 8,100 | **4,000** | 3,100 |
| Amount repayable: | | | | | |
| Not later than one year | | **8,415** | 8,100 | **4,000** | 3,100 |
| Later than one year and not later than five years | | **3,290** | - | **-** | - |
| Later than five years | | **4,398** | - | **-** | - |
| | | **16,103** | 8,100 | **4,000** | 3,100 |

16 **Borrowings (cont'd)**

Borrowings are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **13,533** | 8,100 | **4,000** | 3,100 |
| United States dollar | **2,281** | - | **-** | - |
| Pound sterling | **289** | - | **-** | - |
| | **16,103** | 8,100 | **4,000** | 3,100 |

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

The loan is secured by:
- the factory building on leasehold land and the 4-storey factory building on leasehold land under construction [Note 5(c)];
- charges on all rights, title and interests in the construction contract, insurance policies, performance bonds, tenancy agreements and sale and purchase agreements; and
- a corporate guarantee provided by the Company.

The effective interest rate is 1.9% (2013 - 1.9%) per annum. The loan is denominated in Singapore dollar.

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

(b) The secured five-year construction loan granted to a subsidiary by a bank is repayable over 47 monthly instalments of $20,000 each and a final lump sum of $983,000 repayable on 31 December 2018.

The loan is secured by:
- the factory building on leasehold land and the 4-storey factory building on leasehold land under construction [Note 5(c)];
- charges on all rights, title and interests in the construction contract, insurance policies, performance bonds, tenancy agreements and sale and purchase agreements; and
- a corporate guarantee provided by the Company.

The effective interest rate is 1.95% per annum. The loan is denominated in Singapore dollar.

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

(c) The secured money market loan granted to the Company by a bank is repayable on 24 March 2015 and was rolled over to 24 April 2015. The Company is currently negotiating with the bank to term its bank loan into a long term loan.

The loan is secured by a corporate guarantee provided by the Company.

The effective interest rate is 3.21% (2013 - 2.92%) per annum. The loan is denominated in Singapore dollar.

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

**16 Borrowings (cont'd)**

(d) The secured bills receivable purchase facilities granted to a subsidiary by a bank is repayable on various dates between 25 February 2015, being the earliest date and 2 April 2015, being the latest date.

The bills receivable purchase facilities are secured by a corporate guarantee provided by the Company.

The effective interest rate is 1.81% per annum. Bills receivable purchase totalling $458,000 is denominated in United States dollar and the remaining balance of $271,000 is denominated in Singapore dollar.

The Group has financial covenants attached to the said bills receivable purchase facilities which relates to restriction of limits imposed on the maintenance of the Group's certain ratios which the Group has informed its lender that it had failed to meet a financial covenant for the financial year to 31 December 2014. As a result of these financial covenant breaches, these borrowings have technically become repayable on demand.

The Group has received notice in writing from the said lender on 23 March 2015 that it has waived the breaches on the financial covenants.

(e) The secured trust receipts granted to a subsidiary by a bank is repayable on various dates between 3 February 2015, being the earliest date and 28 April 2015, being the latest date.

The trust receipts are secured by a corporate guarantee provided by the Company.

The effective interest rate is 2.38% per annum. Trust receipts totalling $1,823,000 is denominated in United States dollar and the remaining balance of $289,000 is denominated in Pound sterling.

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

(f) The unsecured fixed advanced facility granted to a subsidiary by a bank is repayable on 30 January 2015 and has been fully repaid on the said due date.

The effective interest rate is 2.30% per annum. The loan is denominated in Singapore dollar.

The Group and the Company have unutilised banking facilities of $16,577,000 (2013 - $23,330,000) and $2,000,000 (2013 - $5,900,000) respectively.

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** |
| **2014** | **$'000** | **$'000** | **$'000** | **$'000** |
| Variable interest rate loans | | | | |
| Less than one year | **8,415** | **8,588** | **4,000** | **4,011** |
| Between one to five years | **3,290** | **3,770** | **-** | **-** |
| More than five years | **4,398** | **4,826** | **-** | **-** |
| | **16,103** | **17,184** | **4,000** | **4,011** |
| 2013 | | | | |
| Variable interest rate loans | | | | |
| Less than one year | 8,100 | 8,116 | 3,100 | 3,108 |
| Between one to five years | - | - | - | - |
| More than five years | - | - | - | - |
| | 8,100 | 8,116 | 3,100 | 3,108 |

16 **Borrowings (cont'd)**

Interest is repriced at least once in every three months.

The carrying amounts of the Group's borrowings approximate their fair values.

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.

17 **Deferred tax liabilities**

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

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| **Deferred tax liabilities** | | |
| - To be settled within one year | **153** | 76 |
| - To be settled after one year | **1,035** | 649 |
| | **1,188** | 725 |

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Balance at beginning of year | **725** | 1,114 |
| Transfer (to)/from consolidated income statement (Note 23) | | |
| - current | **(276)** | (433) |
| - under provision in respect of prior years | **739** | 44 |
| | **463** | (389) |
| **Balance at end of year** | **1,188** | 725 |

The balance comprises tax on the following temporary differences:

| | Excess of net book value over tax written down value of property, plant and equipment $'000 | Fair value adjustment on acquisitions of subsidiaries $'000 | Tax losses $'000 | Provisions and others $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance as at 1 January 2013 | 1,354 | 681 | (821) | (100) | 1,114 |
| Transfer from/(to) consolidated income statement (Note 23) | 1,048 | (153) | (1,307) | 23 | (389) |
| Balance as at 31 December 2013 | **2,402** | **528** | **(2,128)** | **(77)** | **725** |
| Transfer from/(to) consolidated income statement (Note 23) | **(36)** | **(153)** | **649** | **3** | **463** |
| Balance as at 31 December 2014 | **2,366** | **375** | **(1,479)** | **(74)** | **1,188** |

## 18 Trade and other payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade payables | | | | |
| - Third parties | **5,707** | 3,670 | **-** | - |
| - Corporate shareholder of a subsidiary | **-** | 90 | **-** | - |
| | **5,707** | 3,760 | **-** | - |
| Other payables | **276** | 193 | **25** | 1 |
| Liability owing to suppliers of property, plant and equipment | **325** | 2,300 | **-** | - |
| Accrued personnel costs | **1,083** | 857 | **125** | 122 |
| Other accrued operating expenses | **1,252** | 586 | **55** | 50 |
| Accruals for purchases | **371** | 524 | **-** | - |
| GST output tax | **95** | 56 | **13** | 9 |
| Deferred income (Note A) | **1,375** | 1,846 | **-** | - |
| Provision for directors' fees | **75** | 75 | **-** | - |
| Advance received from customer | **4,852** | 6,437 | **218** | 182 |
| | **10,559** | 10,197 | **218** | 182 |
| Less: Non-current | | | | |
| Deferred income (Note A) | **(903)** | (1,375) | **-** | - |
| | **(903)** | (1,375) | **-** | - |
| | **9,656** | 8,822 | **218** | 182 |

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 | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Singapore dollar | **6,299** | 5,544 | **218** | 182 |
| United States dollar | **3,832** | 2,218 | **-** | - |
| Japanese Yen | **325** | 2,300 | **-** | - |
| Pound Sterling | **103** | 135 | **-** | - |
| | **10,559** | 10,197 | **218** | 182 |

**Note A: Deferred income**

| | **2014** | 2013 |
|---|---|---|
| The Group | **$'000** | $'000 |
| **Cost** | | |
| **Balance at beginning and at end of year** | **3,300** | 3,300 |
| **Accumulated amortisation** | | |
| Balance at beginning of year | **1,454** | 982 |
| Amortisation for the year | **471** | 472 |
| **Balance at end of year** | **1,925** | 1,454 |
| **Net carrying amount** | | |
| Current | **472** | 471 |
| Non-current | **903** | 1,375 |
| | **1,375** | 1,846 |

**18 Trade and other payables (cont'd)**

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.

**19 Other operating income**

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Bad debts recovered | **-** | 6 |
| Gain on disposal of property, plant and equipment | **-** | 35 |
| Amortisation of gain on sales and leaseback | **529** | 529 |
| Fair value gain on derivative financial instrument | **5** | - |
| Fair value gain on settlement of cash consideration | **-** | 1,956 |
| Interest income | **1** | 3 |
| Government grant | **392** | 77 |
| Sales of scrap waste metal | **110** | 143 |
| Exchange gain | **231** | 591 |
| Rental income | **67** | - |
| Handling fee income | **49** | - |
| Others | **37** | 2 |
| | **1,421** | 3,342 |

**20 Finance costs**

| The Group | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Interest expense | | |
| - bank term loans | **214** | 53 |
| - finance leases | **228** | 211 |
| - bank overdraft | **1** | - |
| | **443** | 264 |

## 21 Employee benefit expenses

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Directors | | |
| Directors' remuneration other than fee | | |
| - directors of the Company | **984** | 727 |
| - director of a subsidiary | **-** | 54 |
| - CPF contributions | **28** | 26 |
| Key management personnel (other than directors) | | |
| - Salaries and related costs | **441** | 550 |
| - CPF contributions | **28** | 30 |
| Other than directors and key management personnel | | |
| - Salaries and related costs | **11,816** | 10,553 |
| - CPF contributions | **893** | 714 |
| | **14,190** | 12,654 |
| Employee benefit costs charged to: | | |
| Cost of sales | **11,189** | 9,947 |
| Selling and distribution expenses | **1,065** | 1,000 |
| Administrative expenses | **1,936** | 1,707 |
| | **14,190** | 12,654 |

Details on directors' remuneration are disclosed in the Corporate Governance Report.

## 22 (Loss)/profit before tax from continuing operations

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| (Loss)/profit before tax from continuing operations has been arrived at after charging/(crediting): | | |
| Allowance for impairment of trade receivables | **2** | 2 |
| Allowance for impairment of trade receivables no longer required | **-** | 5 |
| Allowance for inventory obsolescence no longer required | **-** | (43) |
| Amortisation of intangible assets | **850** | 850 |
| Depreciation of property, plant and equipment | **3,243** | 3,098 |
| Directors' fees | **220** | 185 |
| Exchange gain | **(231)** | (591) |
| Fair value gain on derivative financial instrument | **(5)** | - |
| Inventories written off | **16** | - |
| Loss/(gain) on disposal of property, plant and equipment | **29** | (35) |
| Operating lease expenses | **2,152** | 2,063 |
| Non-audit fees paid/payable to auditor of the Company | **32** | 32 |
| Audit fees paid/payable to | | |
| - auditor of the Company | **155** | 135 |
| - other auditor | **3** | 5 |

## 23 Taxation

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Continuing operations | | |
| Deferred taxation (Note 17) | (276) | (433) |
| Under provision in respect of prior years | | |
| - Current taxation | - | 28 |
| - Deferred taxation (Note 17) | 739 | 44 |
| | 739 | 72 |
| Taxation attributable to continuing operations | 463 | (361) |
| Taxation attributable to discontinued operation | - | - |
| Net tax expense/(credit) | 463 | (361) |

The tax expense/(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 | 2014 $'000 | 2013 $'000 |
|---|---|---|
| (Loss)/profit from continuing operations | (1,062) | 2,084 |
| Profit/(loss) from discontinued operation | 186 | (890) |
| (Loss)/profit before tax, total | (876) | 1,194 |
| Tax at the domestic rate applicable to (loss)/profits in the countries concerned[(1)] | (61) | 142 |
| Tax effect on non-deductible expenses | 557 | 1,054 |
| Tax effect on non-taxable income | (451) | (948) |
| Tax incentives | (177) | (571) |
| Under provision in respect of prior years | | |
| - Current taxation | - | 28 |
| - Deferred taxation | 739 | 44 |
| Utilisation of deferred tax assets on temporary differences not recognised | (144) | (101) |
| Singapore statutory stepped income exemption | - | (7) |
| Others | - | (2) |
| Net tax expense/(credit) | 463 | (361) |

(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. is 17%. JEP Precision Engineering Co., Ltd is subject to tax at 30% (2013 - 30%).

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

Unrecognised tax losses

At the end of reporting period, the Company has tax losses of approximately $4,006,000 (2013 - $4,819,000) and a subsidiary has unutilised capital allowances of $Nil (2013 - $32,000) that are available for offset against future taxable profits of the Company in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to agreement with the relevant tax authorities.

The related tax benefits of $681,000 (2013 - $825,000) 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 years 2013 and 2014.

## 24 Discontinued operation and disposal group classified as held for sale

On 5 August 2013, the Company announced the decision of its Board of Directors to dissolve and liquidate the subsidiary, JEP Precision Engineering Co., Ltd ("JEPT"), which is 99.99% owned by JEP Precision Engineering Pte Ltd ("JEPS"). JEPS is 85% owned by the Company. The dissolution and liquidation of JEPT will not be commencing in the immediate future. To facilitate a smooth dissolution and liquidation process, JEPT will be dormant for a period of approximately 2 to 3 years before the commencement of such dissolution and liquidation process. Pending completion of the dissolution and liquidation process, JEPT will remain as a subsidiary company within the Group.

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

Statements of financial position disclosures

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

| The Group | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| **Assets:** | | |
| Property, plant and equipment | **-** | 761 |
| Trade and other receivables | **3** | 32 |
| Bank balance and short-term fixed deposits | **40** | 16 |
| Assets of disposal group classified as held for sale | **43** | 809 |
| **Liabilities:** | | |
| Trade and other payables | **(3)** | (241) |
| Liabilities directly associated with disposal group classified as held for sale | **(3)** | (241) |
| Net assets directly associated with disposal group classified as held for sale | **40** | 568 |

Details of assets in non-current asset classified as held for sale are as follows:

| The Group | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| Property, plant and equipment | **-** | 761 |

**24 Discontinued operation and disposal group classified as held for sale (cont'd)**

Consolidated statement of profit or loss and other comprehensive income disclosures

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

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Revenue | - | 453 |
| Cost of sales | - | (592) |
| **Gross loss** | - | (139) |
| **Other items of income** | | |
| Other operating income | 376 | 336 |
| **Other items of expense** | | |
| Selling and distribution expenses | - | (2) |
| Administrative expenses | (190) | (284) |
| Finance costs | - | (31) |
| Impairment loss on goodwill on consolidation (Note 7) | - | (770) |
| **Profit/(loss) before tax** | 186 | (890) |
| Tax expenses | - | - |
| **Profit/(loss) from discontinued operation, net of tax** | 186 | (890) |

Immediately before the classification of JEPT as a discontinued operation, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the reclassification, an impairment loss on goodwill on consolidation of $770,000 [Note 7(a)] was recognised to reduce the carrying amount of the assets in the disposal group classified as held for sale. This amount was included as part of the "Loss from discontinued operation, net of tax" for the financial year ended 31 December 2013.

Consolidated statement of cash flows

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

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Operating cash (outflows)/inflows | (395) | 100 |
| Investing cash inflows | 1,133 | 560 |
| Financing cash outflows | (698) | (416) |
| Total cash inflows | 40 | 244 |

**25 Other comprehensive (expense)/income after tax**

| The Group | | **2014** | |
|---|---|---|---|
| | **Before tax $'000** | **Tax expense $'000** | **Net of tax $'000** |
| Exchange translation difference | (14) | - | (14) |

| The Group | | 2013 | |
|---|---|---|---|
| | Before tax $'000 | Tax expense $'000 | Net of tax $'000 |
| Exchange translation difference | 35 | - | 35 |

## 26 (Loss)/earnings per share

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

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

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

| The Group | **2014**<br>**$'000** | 2013<br>$'000 |
|---|---|---|
| Net (loss)/profit attributable to equity owners of the Company | **(1,280)** | 1,393 |
| Add back: (Profit)/loss from discontinued operation, net of tax, attributable to owners of the Company | **(158)** | 757 |
| (Loss)/profit from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings per share from continuing operations | **(1,438)** | 2,150 |

| The Group | No. of shares<br>**2014** | <br>2013 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **928,973,266** | 928,973,266 |

| | | |
|---|---|---|
| Basic and diluted (loss)/earnings per share (cents) | | |
| From continuing operations attributable to equity owners of the Company | **(0.155)** | 0.231 |
| From discontinued operation attributable to equity owners of the Company | **0.017** | (0.081) |

As there are no dilutive potential ordinary shares that were outstanding during the financial year, the basic (loss)/earnings per share is the same as the diluted (loss)/earnings per share.

## 27 Significant related party transactions

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

| The Group | **2014**<br>**$'000** | 2013<br>$'000 |
|---|---|---|
| Sales to corporate shareholder of a subsidiary | **10,958** | 11,967 |
| Purchases from corporate shareholder of a subsidiary | **198** | 384 |

**28 Operating lease commitments (non-cancellable)**

Where the Group is the lessee

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Not later than one year | **2,578** | 2,102 | **-** | - |
| Later than one year and not later than five years | **6,300** | 6,640 | **-** | - |
| Later than five years | **11,610** | 2,817 | **-** | - |

The Group and the Company have various operating lease commitments in respect of rental of office premises, factory space and office equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 2 to 30 years with an option to renew the lease at market rate and the current rent payable on the leases totalled approximately $193,000 (2013 - $181,000) per month. There are no restrictions placed upon the Group or the Company by entering into these leases.

Operating lease expenses of the Group charged to the consolidated income statement during the financial year ended 31 December 2014 amounted to $2,152,000 (2013 - $2,063,000).

Where the Group is the lessor

At the end of the reporting period, the Group had the following rental income under noncancellable lease for office space with term of more than one year:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Lease which expires: | | | | |
| Not later than one year | **76** | - | **-** | - |
| Later than one year and not later than five years | **84** | - | **-** | - |
| Later than five years | **-** | - | **-** | - |

The lease on the Group's office space on which rental is received will expire on 9 February 2017 with renewals at the then prevailing rates.

**29 Capital commitment**

Capital expenditures contracted for at the statement of financial position date but not recognised in the financial statements are as follows:

| | **2014** | 2013 |
|---|---|---|
| The Group | **$'000** | $'000 |
| Property, plant and equipment | **27,611** | 3,131 |

**30 Corporate guarantees**

The Company

The Company has provided corporate guarantees to banks for banking and hire purchase facilities totalling $30,555,000 (2013 - $27,215,000) granted to the subsidiary, JEP Precision Engineering Pte Ltd for which the Company is exposed to liability which is capped at $30,555,000 (2013 - $27,215,000). As at the reporting date, the banking and hire purchase facilities utilised stood at $5,102,000 (2013 - $2,929,000) and $5,360,000 (2013 - $4,665,000) respectively.

The Company has provided a corporate guarantee to a bank for banking and hire purchase facilities of $10,116,000 (2013 - $6,900,000) granted to the subsidiary, Dolphin Engineering Pte. Ltd. for which the Company is exposed to liability which is capped at $10,116,000 (2013 - $6,900,000). As at the reporting date, the banking and hire purchase facilities utilised stood at $8,261,000 (2013 - $5,000,000) and $624,000 (2013 - $Nil) respectively.

As at 31 December 2014 and at 31 December 2013, the fair values of the corporate guarantees determined based on the expected loss arising from the risk of default are insignificant.

**31 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 has not used any derivatives or other instruments for hedging purposes. The Group and the Company does not hold or issue derivative financial instruments for trading purposes.

As at financial year ended 31 December 2014, the Group's and the Company's financial instruments mainly consisted of cash and cash equivalents, receivables and payables.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

**31.1 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.

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 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| **Fixed rate** | | | | | | | |
| Obligations under finance leases | **(4,479)** | **(1,065)** | **(470)** | **(216)** | **(15)** | **(19)** | **(6,264)** |
| **Floating rate** | | | | | | | |
| Cash assets | **2,943** | **-** | **-** | **-** | **-** | **-** | **2,943** |
| Borrowings | **(8,415)** | **(621)** | **(628)** | **(635)** | **(1,406)** | **(4,398)** | **(16,103)** |
| 2013 | | | | | | | |
| **Fixed rate** | | | | | | | |
| Obligations under finance leases | (2,000) | (1,827) | (1,082) | (199) | - | - | (5,108) |
| **Floating rate** | | | | | | | |
| Cash assets | 6,102 | - | - | - | - | - | 6,102 |
| Borrowings | (8,100) | - | - | - | - | - | (8,100) |

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

**31.1 Interest rate risk (cont'd)**

| The Company | Within 1 year $'000 | 1 - 2 years $'000 | 2 - 3 years $'000 | 3 - 4 years $'000 | 4 - 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| **Floating rate** | | | | | | | |
| Cash assets | **116** | **-** | **-** | **-** | **-** | **-** | **116** |
| Interest-bearing amount due from subsidiaries | **1,303** | **-** | **-** | **-** | **-** | **-** | **1,303** |
| Borrowings | **(4,000)** | **-** | **-** | **-** | **-** | **-** | **(4,000)** |
| 2013 | | | | | | | |
| **Floating rate** | | | | | | | |
| Cash assets | 1,231 | - | - | - | - | - | 1,231 |
| Borrowings | (3,100) | - | - | - | - | - | (3,100) |

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 (2013 - 20) basis points lower/higher with all other variables held constant, the Group's results net of tax would have been $45,000 (2013 - $26,000) 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.

**31.2 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 liquidity risk management practice is that not more than 55% (2013 - 55%) of loans and borrowings should mature in the next one year period, and that to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks. At the end of reporting period, the reclassification of finance lease obligations of $1,792,000 from non-current liabilities to current liabilities (Note 15) resulted the Group's borrowings that mature in less than one year to be approximately 56% (2013 - 76%), based on the carrying amount reflected in the financial statements, on contractual maturity profile basis. Had not been the reclassification, the Group's borrowings that mature in less than one year would be approximately 48% instead.

In respect of the Company's borrowings, to the extent of its liability owing to the bank which is used to finance the operations of the subsidiaries, the exposure of liquidity risk is similar to that of the Group's practice. However, for the current financial year under review, please refer to Note 2 to the financial statements for disclosure on going concern.

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

**31.2 Liquidity risk (cont'd)**

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

| The Group | 1 year or less $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **31 December 2014** | | | | |
| Trade and other payables | **9,089** | **-** | **-** | **9,089** |
| Obligations under finance leases | **4,729** | **1,829** | **20** | **6,578** |
| Borrowings | **8,588** | **3,770** | **4,826** | **17,184** |
| | **22,406** | **5,599** | **4,846** | **32,851** |
| 31 December 2013 | | | | |
| Trade and other payables | 8,295 | - | - | 8,295 |
| Obligations under finance leases | 2,150 | 3,208 | - | 5,358 |
| Borrowings | 8,116 | - | - | 8,116 |
| | 18,561 | 3,208 | - | 21,769 |
| The Company | | | | |
| **31 December 2014** | | | | |
| Trade and other payables | **205** | **-** | **-** | **205** |
| Borrowings | **4,011** | **-** | **-** | **4,011** |
| Financial guarantees | **10,024** | **4,905** | **4,418** | **19,347** |
| | **14,240** | **4,905** | **4,418** | **23,563** |
| 31 December 2013 | | | | |
| Trade and other payables | 173 | - | - | 173 |
| Borrowings | 3,108 | - | - | 3,108 |
| Financial guarantees | 9,767 | 2,827 | - | 12,594 |
| | 13,048 | 2,827 | - | 15,875 |

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

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

**31.3 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"), Japanese Yen ("YEN") and Pound Sterling ("GBP"). Approximately 56% (2013 - 64%) of the Group's sales and 10% (2013 - 14%) 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 9 and 18.

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 $0.6 million (2013 - $0.4 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 results net of tax.

| The Group | | | **2014** **$'000** | 2013 $'000 |
|---|---|---|---|---|
| USD | - | strengthened 5% (2013 - 5%) | **71** | 144 |
| | - | weakened 5% (2013 - 5%) | **(71)** | (144) |
| YEN | - | strengthened 5% (2013 - 5%) | **(13)** | (95) |
| | - | weakened 5% (2013 - 5%) | **13** | 95 |
| GBP | - | strengthened 5% (2013 - 5%) | **(16)** | (5) |
| | - | weakened 5% (2013 - 5%) | **16** | 5 |

**31.4 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.

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.

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

**31.4 Credit risk (cont'd)**

*Exposure to credit risk (cont'd)*

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:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| The Group | **$'000** | **% of total** | $'000 | % of total |
| **By country:** | | | | |
| Singapore | **3,535** | **33%** | 5,364 | 69% |
| People Republic of China | **2,370** | **22%** | 546 | 7% |
| Malaysia | **3,134** | **29%** | 1,077 | 14% |
| USA* | **1,653** | **16%** | 766 | 10% |
| Others** | **-** | **-** | 14 | 0% |
| | **10,692** | **100%** | 7,767 | 100% |
| **By industry sectors:** | | | | |
| Aerospace | **5,617** | **53%** | 3,313 | 43% |
| Oil and gas | **3,149** | **29%** | 1,406 | 18% |
| Electronics | **111** | **1%** | 154 | 2% |
| Precision machining | **64** | **1%** | 59 | 1% |
| Trading and others | **2** | **0%** | - | - |
| Equipment manufacturing | **1,749** | **16%** | 2,835 | 36% |
| | **10,692** | **100%** | 7,767 | 100% |

* USA includes countries such as Canada, Switzerland, France and Norway.

** Others include countries in Southeast Asia.

At the end of reporting period, approximately 82% (2013 - 61%) of the Group's trade receivables are due from customers in the aerospace and oil and gas industries.

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 and/or impaired

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

**32 Financial instruments**

**(a) Fair values**

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

**32 Financial instruments (cont'd)**

**(a) Fair values (cont'd)**

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

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

**(b) Fair value measurement of financial instruments**

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

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

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| The Group | | | | |
| **As at 31 December 2014** | | | | |
| Assets | | | | |
| Derivative financial instrument | **-** | **5** | **-** | **5** |
| As at 31 December 2013 | | | | |
| Assets | | | | |
| Derivative financial instrument | - | - | - | - |

Financial instruments whose carrying amount approximate fair value

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

Methods and assumptions used to determine fair values

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

**(c) Financial instruments by category**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014**<br>**$'000** | 2013<br>$'000 | **2014**<br>**$'000** | 2013<br>$'000 |
| Loans and receivables, at amortised cost | **13,764** | 14,042 | **1,430** | 1,238 |
| Financial liabilities, at amortised cost | **31,456** | 21,503 | **4,205** | 3,273 |

## 33 Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or convertible loan. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

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 excluding discontinued operation.

| The Group | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| Obligations under finance leases (Note 15) | **6,264** | 5,108 |
| Borrowings (Note 16) | **16,103** | 8,100 |
| Less: Cash and cash equivalents (Note 12) | **(2,950)** | (6,109) |
| Net debt | **19,417** | 7,099 |
| Equity attributable to the equity holders of the Company | **34,964** | 37,187 |
| Total capital | **34,964** | 37,187 |
| Capital and net debt | **54,381** | 44,286 |
| Gearing ratio | **35.7%** | 16.0% |

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

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

## 34 Segment information

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

1. The aerospace unit is a provider of the manufacturing service for engine casings.
2. The oil and gas unit is a provider of manufacturing services to oil drilling equipment, in particular, body connectors for clip risers and related rigs.
3. The electronics unit is a provider of manufacturing and assembly services for parts used by the semiconductor, telecommunication and medical industries.
4. The precision engineering unit is a provider of precision machining services for automotive parts.
5. The trading and other unit is a provider of machine sales and customised cutting tools for our customers.
6. The equipment manufacturing unit is a provider of large format precision engineering and equipment fabrication service.

**34 Segment information (cont'd)**

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

Management monitors the operating results of its reporting units for the purpose of making decisions in order to assess the respective reporting units' performances. This is evaluated based on operating profit or loss which in certain respects, as explained in the table below and is measured differently from operating profit or loss in the consolidated statement of profit or loss and other comprehensive income. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to reporting units.

Allocation basis and transfer pricing

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

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

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

## 34 Segment information (cont'd)

### (a) By business

| | Aerospace | | Oil and gas | | Electronics | | Precision machining | | Trading and others | | Equipment manufacturing | | Adjustments and eliminations | | The Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Continuing operations** | | | | | | | | | | | | | | | | |
| **REVENUE:** | | | | | | | | | | | | | | | | |
| External customers | **28,770** | 21,141 | **11,356** | 5,593 | **1,656** | 1,409 | **178** | 139 | **83** | 355 | **7,734** | 8,202 | **-** | - | **49,777** | 36,839 |
| Inter-reporting unit sales | **-** | - | **-** | - | **2** | 238 | **16** | 219 | **1,961** | 2,816 | **670** | 136 | **(2,649)** | (3,409) | **-** | - |
| Total revenue | **28,770** | 21,141 | **11,356** | 5,593 | **1,658** | 1,647 | **194** | 358 | **2,044** | 3,171 | **8,404** | 8,338 | **(2,649)** | (3,409) | **49,777** | 36,839 |
| **Results** | | | | | | | | | | | | | | | | |
| Segment results | **920** | 849 | **(418)** | 103 | **198** | 99 | **25** | (46) | **159** | 530 | **197** | 315 | **-** | - | **1,081** | 1,850 |
| **Unallocated expenses:** | | | | | | | | | | | | | | | | |
| Fair value gain on settlement of cash consideration | | | | | | | | | | | | | | | **-** | 1,956 |
| Unallocated corporate expenses | | | | | | | | | | | | | | | **(1,701)** | (1,461) |
| (Loss)/profit from continuing operations | | | | | | | | | | | | | | | **(620)** | 2,345 |
| Finance income | | | | | | | | | | | | | | | **1** | 3 |
| Finance costs | | | | | | | | | | | | | | | **(443)** | (264) |
| (Loss)/profit before tax from continuing operations | | | | | | | | | | | | | | | **(1,062)** | 2,084 |
| Tax (expense)/credit | | | | | | | | | | | | | | | **(463)** | 361 |
| Net (loss)/profit for the year after tax from continuing operations | | | | | | | | | | | | | | | **(1,525)** | 2,445 |
| **Discontinued operation** | | | | | | | | | | | | | | | | |
| Impairment loss on goodwill on consolidation | | | | | | | | | | | | | | | **-** | (770) |
| Unallocated corporate income/(expenses) | | | | | | | | | | | | | | | **186** | (120) |
| Proft/(loss) from discontinued operation, net of tax | | | | | | | | | | | | | | | **186** | (890) |
| Net (loss)/profit for the year, net of tax | | | | | | | | | | | | | | | **(1,339)** | 1,555 |

34 **Segment information (cont'd)**

(a) **By business (cont'd)**

| | Aerospace | | Oil and gas | | Electronics | | Precision machining | | Trading and others | | Equipment manufacturing | | The Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **OTHER INFORMATION:** | | | | | | | | | | | | | | |
| **Continuing operations** | | | | | | | | | | | | | | |
| Capital expenditure | **2,158** | 240 | **940** | 3,163 | **76** | 38 | **99** | 38 | **76** | 40 | **3,839** | 424 | **7,188** | 3,943 |
| Depreciation of property, plant and equipment | **1,466** | 1,549 | **679** | 439 | **140** | 155 | **58** | 60 | **56** | 59 | **844** | 836 | **3,243** | 3,098 |
| Amortisation of intangible assets | **850** | 850 | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **850** | 850 |
| **Discontinued operation** | | | | | | | | | | | | | | |
| Capital expenditure | **-** | - | **-** | - | **-** | - | **-** | 4 | **-** | - | **-** | - | **-** | 4 |
| Depreciation of property, plant and equipment | **-** | - | **-** | - | **-** | - | **-** | 100 | **-** | - | **-** | - | **-** | 100 |

**34 Segment information (cont'd)**

**(b) Geographical information**

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

| The Group | Revenue 2014 $'000 | Revenue 2013 $'000 | Non-current assets 2014 $'000 | Non-current assets 2013 $'000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Singapore | **29,068** | 29,332 | **46,949** | 43,922 |
| People's Republic of China | **8,924** | 1,937 | **-** | - |
| Malaysia | **8,288** | 3,374 | **-** | - |
| USA* | **3,441** | 2,075 | **-** | - |
| Others** | **56** | 121 | **-** | - |
| | **49,777** | 36,839 | **46,949** | 43,922 |
| **Discontinued operation** | | | | |
| Singapore | **-** | 216 | **-** | - |
| Others** | **-** | 237 | **-** | 761 |
| | **-** | 453 | **-** | 761 |
| | **49,777** | 37,292 | **46,949** | 44,683 |

The following table shows the carrying amount of the segment assets and segment liabilities by geographical areas in which the assets and liabilities are located:

| The Group | Segment assets 2014 $'000 | Segment assets 2013 $'000 | Segment liabilities 2014 $'000 | Segment liabilities 2013 $'000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Singapore | **71,540** | 63,465 | **32,831** | 23,349 |
| **Discontinued operation** | | | | |
| Others** | **43** | 809 | **3** | 241 |
| | **71,583** | 64,274 | **32,834** | 23,590 |

* USA includes countries such as Canada, Switzerland, France and Norway.

** Others include countries in Southeast Asia.

**(c) Reconciliation of segments total assets and total liabilities**

| The Group | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Reportable segments' assets are reconciled to total assets as follows: | | |
| Segment assets | **71,583** | 64,274 |
| GST input tax | **310** | 155 |
| Total assets | **71,893** | 64,429 |
| Reportable segments' liabilities are reconciled to total liabilities as follows: | | |
| Segment liabilities | **32,834** | 23,590 |
| GST output tax | **95** | 56 |
| Deferred tax liabilities | **1,188** | 725 |
| Total liabilities | **34,117** | 24,371 |

**34 Segment information (cont'd)**

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

Information about major customers

Revenue from transactions with three (2013 - one) external customers that each amount to 10% or more of the Group's revenue, attributable to sales in the following business units, is as follows:

Aerospace
- $10,919,000 (2013 - $11,979,000)
- $8,924,000

Oil and Gas
- $7,696,000

**35 Dividends**

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| Interim tax-exempt (one-tier) dividend in respect of current financial year of $0.001 (2013 - $0.001) per share | **-** | 929 |
| Final tax-exempt (one-tier) dividend in respect of the previous financial year of $0.001 (2013 - $0.001) per share | **929** | 929 |
| | **929** | 1,858 |

No dividend has been declared or recommended for the financial year ended 31 December 2014.

**36 Events occurring after the end of reporting period**

The Group

Construction loan facility for a 3-storey building at Seletar Aerospace Park

A subsidiary of the Company, JEP Precision Engineering Pte. Ltd., has on 18 February 2015 received a proposed Indicative Principal Terms and Conditions ("Term Sheet") from a financial institution to finance up to 80% of a proposed construction of a 3-storey building at Seletar Aerospace Park. The loan tenure is for a period of 20 years. As at the date of this report, the parties are in preliminary negotiation as to the terms and conditions of the proposed construction loan facility. The commitment of the proposed construction has yet to be finalised.

The Company

Terming of an existing loan of $4,100,000 as a long term loan

On 16 March 2015, the Company has received a notification in writing from the bank indicating that a review is in progress to term an existing loan of $4,100,000 as at 31 December 2014 as a long term loan.

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# Distribution of Shareholdings as at 16 March 2015

**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 - 99 | 6 | 0.24 | 158 | 0.00 |
| 100 - 1,000 | 99 | 4.02 | 88,501 | 0.01 |
| 1,001 - 10,000 | 374 | 15.19 | 3,005,758 | 0.32 |
| 10,001 - 1,000,000 | 1,880 | 76.33 | 255,929,283 | 27.55 |
| 1,000,001 AND ABOVE | 104 | 4.22 | 669,949,566 | 72.12 |
| **TOTAL** | **2,463** | **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

**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 | BANK OF SINGAPORE NOMINEES PTE. LTD. | 30,000,000 | 3.23 |
| 4 | LEE MUI GEK PAULINE | 24,633,000 | 2.65 |
| 5 | OCBC SECURITIES PRIVATE LIMITED | 20,233,850 | 2.18 |
| 6 | HONG LEONG FINANCE NOMINEES PTE LTD | 13,000,000 | 1.40 |
| 7 | HL BANK NOMINEES (SINGAPORE) PTE LTD | 12,000,000 | 1.29 |
| 8 | PHILLIP SECURITIES PTE LTD | 9,817,120 | 1.06 |
| 9 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 9,074,245 | 0.98 |
| 10 | KOH CHIN CHAI | 9,000,000 | 0.97 |
| 11 | NG LIAN SANG | 8,248,000 | 0.89 |
| 12 | DBS NOMINEES (PRIVATE) LIMITED | 8,196,250 | 0.88 |
| 13 | KHOO YEE HOCK | 7,000,000 | 0.75 |
| 14 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 6,752,058 | 0.73 |
| 15 | WONG POH HWA @ KWAI SENG | 6,500,000 | 0.70 |
| 16 | LOH WING WAH | 5,781,000 | 0.62 |
| 17 | OU YONG CHUL YEN | 5,700,000 | 0.61 |
| 18 | CHUA MUI THOE | 5,043,000 | 0.54 |
| 19 | LIM BOON HOCK BERNARD | 5,000,000 | 0.54 |
| 20 | EE SIEW BUAY | 4,650,000 | 0.50 |
| | **TOTAL** | **501,234,281** | **53.96** |

**PERCENTAGE OF SHAREHOLDERS 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 Wednesday, 22 April 2015 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 2014 together with the Auditors' Report thereon.

   **(Resolution 1)**

2. 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 2)**
   Mr Chan Wai Leong **(Resolution 3)**

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

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

3. To approve the payment of Directors' fees of up to S$200,000 for the financial year ending 31 December 2015, to be paid half yearly in arrears. (2014: S$200,000)

   **(Resolution 4)**

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

   **(Resolution 5)**

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

**AS SPECIAL BUSINESS**

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

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B of the 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 6)**

7. **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 7)**

By Order of the Board

Cho Form Po
Company Secretary
Singapore, 30 March 2015

**Explanatory Notes:**

(i) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

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 7 in item 7 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 2014 is set out in Section 6 of the Appendix dated 30 March 2015, 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.

**Personal data privacy:**

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

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

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

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

*Telephone number: 6389 3000 Email: jookhin.ng@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*

| 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 Wednesday, 22 April 2015 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 2014 | | |
| 2 | Re-election of Mr Quek Hiong How as a Director | | |
| 3 | Re-election of Mr Chan Wai Leong as a Director | | |
| 4 | Approval of Directors' fees of up to S$200,000 for the financial year ending 31 December 2015, to be paid half yearly in arrears | | |
| 5 | Re-appointment of Foo Kon Tan LLP as Auditors | | |
| 6 | Authority to issue shares | | |
| 7 | Proposed Renewal of Share Buy-Back Mandate | | |

Dated this .................... day of .............................. 2015

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

..........................................................................................

*Signature of Shareholder(s)*
*or, Common Seal of Corporate Shareholder*

*Delete where inapplicable

**PERSONAL DATA PRIVACY:**
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 March 2015.

**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.