JEP Holdings Limited

NEW JOURNEY BEGINS

ANNUAL REPORT 2018

JEP HOLDINGS LTD

Corporate Profile

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

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

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

The Group has been listed on SGX Catalist since 2004.

Vision

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

Mission

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

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the accuracy, completeness, or correctness of any of the statements or opinions made, or reports contained in this Annual Report.

The detail of the contact person for the Sponsor is:
Name: Mr Shervyn Essex (Registered Professional, RHT Capital Pte. Ltd.)
Address: 9 Raffles Place, #29-01, Republic Plaza Tower 1, Singapore 048619
Telephone: 6381 6757

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors ("the Board") of JEP Holdings Ltd., I'm pleased to present the Annual Report of JEP Holdings Ltd. ("JEP" or "the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2018 ("FY2018").

FY2018 was an eventful one and it marks my first year with the Group. As we worked relentlessly to streamline our operations to strengthen the Group's cost competitiveness, we also took steps to grow our core Aerospace business. The SMART factory initiatives taken in our Seletar Aerospace Park facility and closer collaboration with the UMS Holdings Ltd. and its subsidiaries ("UMS Group") are beginning to bear fruit.

The Group succeeded to increase its Precision Machining business by 5% in FY2018 in comparison with FY2017. We did some rationalisation of our product portfolio and I am pleased to report that overall gross margin increased from 12% for financial year ended 31 December 2017 ("FY2017") to 15% in FY2018. In the first half of FY2018, the Group suffered an operating loss of S$0.3 million. We turned that around to an operating profit of S$2.5 million in the second half of FY2018. For the full year of FY2018, the Group recorded a net profit after tax of S$2.2 million, up by 166% from S$0.8 million in FY2017.

We also took careful steps to manage the cash flow of the Group. The Group generated a positive operating cash flow of S$10.1 million and free cash flow of S$6.7 million in FY2018, a vast improvement in comparison with FY2017, which generated positive operating cash flow of S$4.9 million and negative free cash flow of S$4.6 million.The Group's borrowings reduced by S$6.1 million during the year.

With the encouraging success and renewed confidence, the Group acquired the remaining 15% equity of our previously loss-making subsidiary, JEP Precision Engineering Pte Ltd, to better manage its operations and benefit more directly from its success.

Cost Optimization

JEP takes pride in its strong engineering capabilities, state of the art production machinery and SMART factory automation technologies in its Singapore facilities. To sharpen its competitive edge, it is important that the Group move towards operation model that can lower overall costs and bring stability to its work force.

During the year, the Group's Equipment Manufacturing business unit took the lead to move some labour-intensive work to Penang, Malaysia and came back with good results. We now plan to move some less complexity work of the Precision Manufacturing business unit to Penang. The Seletar Aerospace Park facility in Singapore will remain as its head office and focus on complex and high value-added work.

Outlook

The large orders backlog faced by major Aircraft makers such as Airbus and Boeing today signify the positive outlook of the aerospace parts and components manufacturing market. The growth potential of aero-manufacturing market is strong as the Aircraft makers and first tier suppliers consistently increase the amount of work that needs to be outsourced in order to reduce costs as well as to focus on their own core business and speed up the production to meet the demand. The Group aims to expand our product offering to existing and new first tier suppliers.

Even though, oil prices has made its gradual recovery, and the semiconductor equipment market still contain much uncertainties currently, the Group remains confident of their medium to longer term prospects and is optimistic that there are opportunities available in these segments and will continue to monitor closely.

Acknowledgements

I would like to thank our fellow Board members for their invaluable advice and guidance throughout the year. On behalf of the Board, I wish to express my heartfelt gratitude to our management and staff for their dedication and hard work in collectively nurturing the Group to where we are today, as well as our business associates, partners, suppliers and customers for their generous support over the years.

To our shareholders, we appreciate your support and belief in our business. We aim to continue to achieve better financial and operational performance.

"FY2018, the Group recorded a net profit after tax of S$2.2 million, up by 166% from S$0.8 million in FY2017."

Luong Andy
Executive Chairman and Chief Executive Officer
JEP Holdings Ltd.

2018 Business Highlights

$86 million
Revenue

$10.8 million
EBITDA

0.58 cents
Earnings
Per Share

$52 million
Group Total
Net Asset Value

13.2 cents
Net Asset Value
per Share

$2.2 million
Profit to Equity
Owners

Operational Review

In FY2018, the Group was posted a pre-tax profit of S$3.2 million and revenue was marginally decreased by 0.3% to S$85.9 million from S$86.1 million in FY2017.

The aerospace industry remains to be the main contributor of the Group's revenue, generating S$46.4 million in FY2018 compared to S$42.2 million in FY2017. The aerospace segment continues as the underlying revenue of the Group, the global aerospace industry experienced a solid year as passenger travel demand expected growth rate of 7% annually and aircraft order backlog remains at an all-time high, enticing manufacturers to ramp up production.

The oil and gas sector remains challenging due largely to a shortage of projects despites signs of recovering in oil prices. The Group is on the lookout for positive development opportunities in this sector and have received some small orders in FY2018.

The Group will continue to manage costs, actively look for and develop new potential market through strategic partnership to foster our competitiveness and enhancing shareholders' value.

Seletar Aerospace Park

The transition of the operation with full customers' certification was accomplished in the early part of 2018. JEP Precision Engineering Pte Ltd began realizing the benefits of the several Digital Manufacturing initiatives implemented in this new facility, namely, the Overall Equipment Effectiveness (OEE), Flexible Manufacturing System (FMS) and Robotics. The implementation successfully improved the overall utilization of the machineries and better use of operational resources.

Surface Engineering Hub

This facility, after acquiring the NADCAP certification for the shot peening and all other surface chemical treatment processes continues to provide excellent output to meet the customers' demand and stringent regulatory requirements. Fueled by the strong demand in the commercial aircraft sector, the facility demonstrated outstanding turnaround time backed by a committed special process team. The cost efficient facility is ready to venture into new equipment and processes to provide a comprehensive integrated solution to our customers.

Dolphin Engineering Pte Ltd

Dolphin Engineering Pte Ltd, the Group's subsidiaries, main revenue stream derive from semiconductor equipment and contract manufacturing sectors. The revenue in FY2018 contracted by 6% from S$17.5 million in FY2017 to S$16.4 million mainly attributed to a softened demand in both sectors. The Group remains positive on the prospects for these two sectors and confident to achieve growth largely due to our well-diversified customer bases.

JEP Industrades Pte Ltd

JEP Industrades Pte Ltd, the Group's subsidiary, has a principal activity of supplying and marketing cutting tools. The revenue in FY2018 decreased by 9% to S$18.3 million from S$20.0 million in FY2017 primarily due to U.S.-China trade war tension which caused a softened demand from China regions. The Group will continue to actively look for and develop new markets at the Middle East and European regions to diversify its trading segment's customer bases.

Financial Review

Financial Performance

For FY2018, the Group's revenue marginally decreased by 0.3% to S$85.9 million as compared to FY2017 revenue of S$86.1 million. This is resulted by the lower revenue posted from Equipment Manufacturing of S$1.1 million and Trading and others segment of S$1.7 million which were offset by the higher revenue from Precision Manufacturing segment of S$2.6 million.

Cost of sales decreased 3.8% or S$3.0 million from S$76.2 million in FY2017 to S$73.2 million in FY2018. The decrease in cost of sales was in tandem with lower revenue from Equipment Manufacturing, Trading and other segments and absence of the one-time expense in relation to leased premises surrendered in December 2017.

The Group's FY2018 gross profit increased by 26.8% or S$2.7 million to S$12.6 million in FY2018 as compared to S$9.9 million in FY2017. The gross margin in FY2018 improved by 3% to 15% from 12% in FY2017 primarily due to higher gross margin profit generated from Precision Manufacturing segment.

Other operating income for FY2018 decreased by S$0.9 million from S$2.1 million to S$1.2 million in FY2018. This was primarily caused by the decreased in gain on disposal of machinery of S$0.2 million in FY2018 due to a lower number of machine being disposed-off and the absence of a gain on sale leaseback of S$0.5 million and gain on foreign exchange difference of S$0.2 million posted in FY2017.

Selling and distribution expenses mainly comprise sales and marketing staff costs, outward freight, travelling and marketing expenses, and other related expenses. Selling and distributions expenses in FY2018 was decreased marginally by S$0.1 million to S$2.1 million from S$2.2 million in FY2017.

Administrative expenses decreased by S$2.4 million or 27.5%, from S$8.7 million in FY2017 to S$6.3 million in FY2018, mainly attributed to the absence of one-time expenses of S$2.2 million in relation to leased premises surrendered in December 2017 and amortisation of intangible assets of S$0.6 million which were partialy offset against retirement packages of S$0.5 million paid to the former Executive Chairman in FY2018.

Other operating expenses was S$0.7 million, this arose from forex exchange loss of S$0.5 million which was attributed to borrowings and finance leases denominated in United States Dollar ("USD") and Japanese Yen ("Yen") and S$0.2 million of reclassification adjustment of translation foreign exchange differences reserve due to completion of liquidation process of the Company's subsidiary incorporated in Thailand.

Finance costs increased by S$0.1 million from S$1.4 million in FY2017 to S$1.5 million in FY2018, mainly due to an increase in borrowings and finance leases and corresponding increased in the costs of finance.

The Group recorded a total income tax expense of S$0.9 million in FY2018 as compared to income tax credit of S$0.5 million in FY2017. This was mainly due to tax expenses arose from the origination and reversal of temporary differences.

Balance Sheet

Property, plant and equipment carrying amount decreased by S$2.9 million from S$54.1 million as at 31 December 2017 to S$51.2 million as at 31 December 2018. This decrease was mainly due to additions of S$3.6 million and depreciation charge of S$5.9 million in FY2018.

Intangible assets decreased by S$0.1 million from S$18.0 million as at 31 December 2017 to S$17.9 million as at 31 December 2018. The decrease was resulted by an amortisation costs incurred in FY2018.

Non-current other receivables comprised of government grants to be received in relation to the Productivity and Value Enhancement Scheme (PAVES) and Technology Innovation under Capability Development Grant (CGD) was reclassified to current asset - other receivables as at 31 December 2018.

Trade and other receivables decreased by S$1.6 million from S$24.3 million as at 31 December 2017 to S$22.7 million as at 31 December 2018. The reduction was mainly due to fluctuations arose from timing of payments made by customers.

Trade and other payables decreased by S$1.0 million, from S$16.5 million as at 31 December 2017 to S$15.5 million as at 31 December 2018. This reduction was mainly due to fluctuations arose from timing of payments made to creditors.

The Group's total obligation under finance lease decreased by S$1.0 million from S$7.6 million as at 31 December 2017 to S$6.6 million as at 31 December 2018. This was attributed to new finance leases of S$0.8 million for new machines and forex translation loss of S$0.2 million before offsetting with the repayment of S$2.0 million in FY2018.

The Group's total loans and borrowings decreased by S$5.2 million from S$41.8 million as at 31 December 2017 to S$36.6 million as at 31 December 2018. This reduction was due to a repayment of S$12.4 million which was partially offset by additional term loan of S$0.8 million, and revolving credit facilities of S$6.3 million and forex translation loss of S$0.1 million in FY2018. In FY2018, term loan increased S$0.8 million due to term loans drawdown of S$0.5 million to finance factory building and S$0.3 million for clean room facilities situated at Seletar Aerospace Park.

Contingent consideration of S$2.0 million in respect of the acquisition of JEP Industrades Pte Ltd in end August 2015 has been crystallized and paid for in FY2018.

Deferred tax liabilities increased S$0.8 million to S$1.3 million in FY2018 from S$0.5 million in FY2017 primarily due to deferred tax expenses arose from the origination and reversal of temporary differences.

Cash Flows

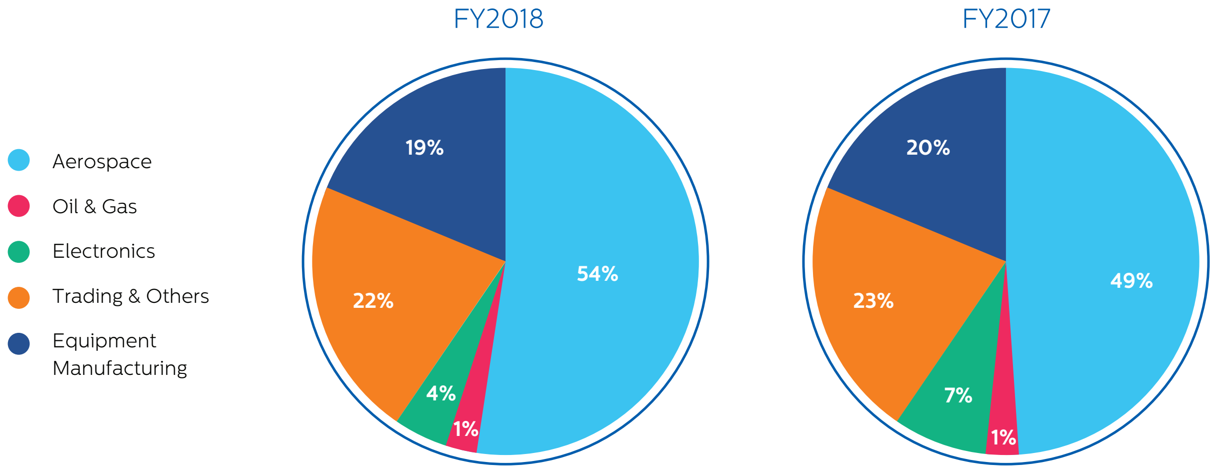
Net cash generated from operating activities of S$10.1 million in FY2018 was mainly due to the improvement in cash generated before movement in working capital by S$6.0 million as compared to FY2017.

Net cash used in investing activities amounted to S$7.2 million in FY2018 which comprised of payment of contingent consideration of S$2.0 million in respect of the acquisition of JEP Industrades Pte Ltd in August 2015, payments for the additions of property, plant and equipment of S$2.6 million, and S$1.8 million spent at an acquisition of subsidiary shares.

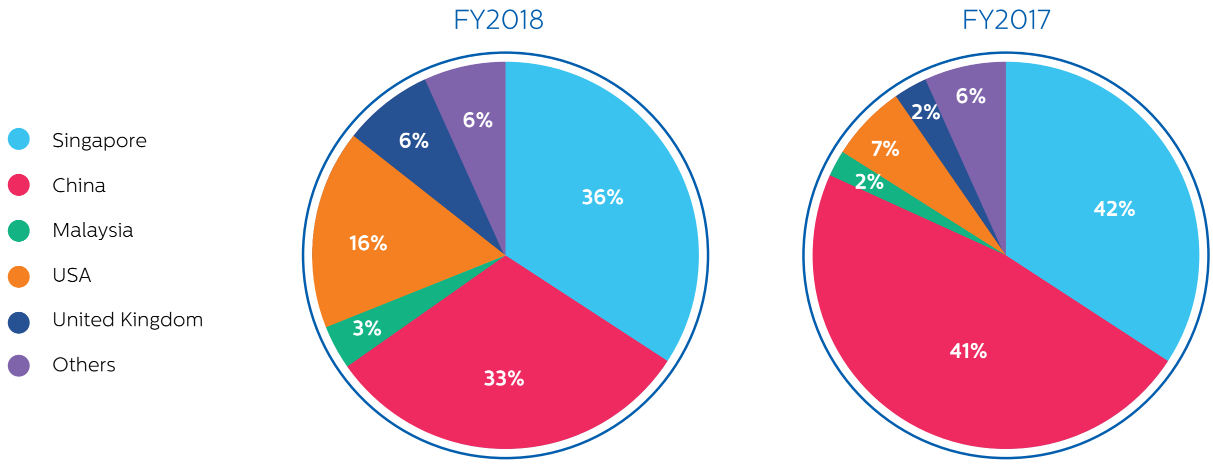
Net cash used in financing activities amounted to S$4.6 million in FY2018. This was mainly due to net borrowing repayments of S$5.2 million and finance lease repayments of S$2.0 million which was partially offset with proceeds from issue of share capital of S$2.6 million in FY2018.

Financial Highlights

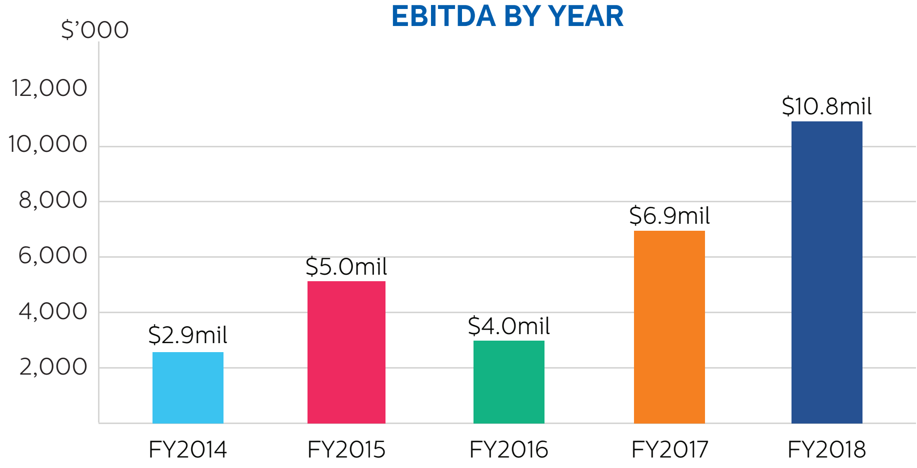
REVENUE BY INDUSTRY



REVENUE BY REGION



EBITDA BY YEAR



Board of **Directors**

Mr Luong Andy
Executive Chairman and Chief Executive Officer

Date of first appointment as a Director: 22 February 2018

Mr Luong Andy was appointed as Executive Chairman on 22 February 2018 and re-designated as Executive Chairman and Chief Executive Officer on 1 June 2018.

As the leader of the Group, he has more than 20 years of experience in manufacturing front-end semiconductor components. He acquired his machining skills through his experience in working in his family machining business in Vietnam. He emigrated to the USA from Vietnam in 1979 and shortly after college, he started a precision business called Long's Manufacturing, Inc.

Mr Luong Andy is also currently the Executive Chairman and Chief Executive Officer of the UMS Holdings Limited, a SGX Mainboard-listed company.

Mr Zee Hoong Huay
Executive Director

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

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

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

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

Board of **Directors**

Mr Wong Gang
Lead Independent Director

Chairman of Remuneration Committee
Chairman of Nominating Committee
Member of Audit Committee

Date of first appointment as a Director : 1 November 2006
Date of last re-election as a Director : 26 April 2016

Graduated from the National University of Singapore in 1995 with Bachelor of Law (Hons) and was admitted as advocate and solicitor to the Supreme Court of Singapore in 1996. Mr Wong Gang joined the Company as an Independent Director on 1 November 2006.

A partner since 2002 at Shook Lin & Bok LLP, a law firm in Singapore, with more than 20 years' experience advising on a wide range of corporate finance and securities transactions, stock market flotation, securities regulation, corporate governance and compliance for public listed companies, mergers and acquisitions, as well as general corporate legal advisory work.

Head 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, Hong Kong and South-East Asia.

He is currently also an Independent Director of Renewable Energy Asia Group Limited (listed on SGX Catalist).

Mr Kong Chee Keong
Independent Director

Chairman of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

Date of first appointment as a Director: 25 April 2018

Mr Kong is a Chartered Accountant with more than 25 years of experience in corporate strategy development, private equity investment and financial accounting. He previously worked with Ernst & Young LLP and the private equity arm of ING Barings, and as CFO of several companies including SGX listed Top Global Limited. He is now the Managing Director of a boutique corporate advisory company serving both private and public listed companies in sectors such as healthcare and renewable energy. He manages the development of a portfolio of renewable energy assets and is a joint venture partner of Engie, a Euro Stoxx 50 component French multinational electric utility conglomerate. He currently also serves on the board of Libra Group Limited (listed on SGX Catalist) as the lead independent director and Audit Committee Chairman, and member of both Remuneration and Nominating Committees.

Mr Kong holds a Masters of Business Administration from Manchester Business School and a Bachelor of Accountancy (Hons) from the National University of Singapore. He is a full member of the Institute of Singapore Chartered Accountants.

Mr Chung Chi-Te
Independent Director

Member of Audit Committee
Member of Remuneration Committee
Member of Nominating Committee

Date of first appointment as a Director: 25 July 2018

Mr Chung has more than 25 years of operational and business experience in an automotive industry. He started China Africa Motors in 1991 for a trading business in South Africa and established Beijing Automotive Works in 2012, a joint venture with Beijing Automotive Works Co Ltd and the Industrial Development Corp of South Africa to set up an automotive assembly plant located at Springs, South Africa. Mr Chung is also the founder of China Auto Manufacturers to market Chinese manufactured vehicles in South Africa. Currently, he is Executive Consultant of Beijing Automotive Works. Prior to that he was the Director and Chief Executive Officer of Beijing Automotive Works from 2012 to 2016.

Mr Chung holds a Bachelor's degree in Business Administration from National Taiwan University. He is Political Advisor of Chinese People's Political Consultative Conference since 2012.

Key **Executives**

Eddie Goh Kuan Teck
General Manager

Darren Zee
Managing Director

Ong Han Poh
Financial Controller

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 of 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.

Darren Zee
Managing Director
Dolphin Engineering Pte Ltd

Mr Zee joined JEP Industrades Pte Ltd, subsidiary of the Group in June 2011 as a Sales Engineer. He was promoted as Deputy Managing Director of Dolphin Engineering Pte. Ltd. in March 2017 and re-designated as Managing Director in January 2019.

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

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

Ong Han Poh
Financial Controller
JEP Holdings Ltd

Mr Ong joined JEP Holdings Limited in April 2016 as the Senior Finance Manager and was re-designated as the Financial Controller in July 2018. He is overseeing the Finance and Corporate Affairs of the Group. He has more than 15 years of working experiences in manufacturing and trading industries involved in treasury, internal controls and managing accounts and finances.

He hold a professional qualification accredited by the Chartered Institute of Management Accountants. He is member of Institute of Singapore Chartered Accountants (CA Singapore), Malaysian Institute of Accountants (CA, Malaysia) and an associate of Chartered Institute of Management Accountants.

Corporate **Information**

Company Registration No. 199401749E

Board of Directors

Executive:

Luong Andy
(Executive Chairman and Chief Executive Officer)

Zee Hoong Huay
(Executive Director)

Non-Executive:

Wong Gang
(Lead Independent Director)

Kong Chee Keong
(Independent Director)

Chung Chi-Te
(Independent Director)

Audit Committee

Kong Chee Keong (Chairman)
Wong Gang
Chung Chi-Te

Nominating Committee

Wong Gang (Chairman)
Kong Chee Keong
Chung Chi-Te

Remuneration Committee

Wong Gang (Chairman)
Kong Chee Keong
Chung Chi-Te

Company Secretary

Cho Form Po

Registered Office

16 Seletar Aerospace Crescent
Singapore 797567
Tel : +65 6545 4222
Fax : +65 6545 2823
Website: www.jep-holdings.com

Bankers

United Overseas Bank
Maybank

Share Registrar

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

Auditor

Deloitte & Touche LLP
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809

Partner-in-charge

Yang Chi Chih
(Date of appointment: 27 April 2017)

Financial **Contents**

JEP Holdings Ltd

CORPORATE **GOVERNANCE**

Corporate Governance Statement

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

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

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

(A) BOARD MATTERS

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

Luong Andy	(Executive Chairman and Chief Executive Officer)
Zee Hoong Huay	(Executive Director)
Wong Gang	(Lead Independent Non-Executive Director)
Kong Chee Keong	(Independent Non-Executive Director)
Chung Chi-Te	(Independent Non-Executive Director)

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

Principle 1 – The Board's Conduct of its Affairs

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

The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management system and internal control to safeguard shareholders' interests and the Group's assets and to take into account the interest of key stakeholder groups in its decision making.

All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct and ethics. The Board regularly reviews the Group's strategic business plans, the assessment of key risks by Management and the operational and financial performance of the Group to enable the Group to meet its objectives.

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

The Board of Directors is responsible for shaping the Company's strategic direction and has decided to integrate sustainability components into all the Company's business and operations. This integration involves the consideration of Environmental, Social and Governance (ESG) factors in the Company's business and operations. The Board will work alongside the management to advance sustainability efforts within the Company as such.

In year 2018, the Company has embarked on the development of sustainability report and set up a Sustainability Steering Team within the Group with members from senior management and across all business units to conducted a materiality assessment which allowed us to identify the Environmental, Social and Governance (ESG) factors which are significant and contribute to the Company's performance, business activities and its stakeholders. Since then, we have been setting performance indicators and monitoring processes are in place. The Company will be issuing its sustainability report by the second quarter of 2019 on the Company's website.

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

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

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

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

The number of Board and Board Committees meetings held in the financial year ended 31 December 2018 ("**FY2018**") and the attendance of Directors during these meetings are as follows:

	Board Meeting		**Audit Committee Meeting**		**Nominating Committee Meeting**		**Remuneration Committee Meeting**	
Name of Director	**Number Held[(1)]**	**Attendance[(1)]**	**Number Held[(1)]**	**Attendance[(1)]**	**Number Held[(1)]**	**Attendance[(1)]**	**Number Held[(1)]**	**Attendance[(1)]**
Luong Andy[(2)]	2	2	–	–	–	–	–	–
Zee Hoong Huay	2	2	–	–	–	–	–	–
Wong Gang	2	2	2	2	1	1	1	1
Kong Chee Keong[(3)]	2	1	2	1	n/a	n/a	n/a	n/a
Chung Chi-Te[(4)]	2	1	2	1	n/a	n/a	n/a	n/a
Soh Chee Siong[(5)]	2	1	–	–	–	–	–	–
Raymond Quek Hiong How[(6)]	2	1	2	1	1	1	1	1
Joe Lau[(7)]	2	1	–	–	1	1	–	–
Chan Wai Leong[(8)]	2	1	2	1	–	–	1	1
Leow Kim Keat[(9)]	2	1	2	1	1	1	1	1

(1) Number of meetings held/attended during the financial year/period from 1 January 2018 (or from date of appointment/resignation of Director, where applicable) to 31 December 2018
(2) Mr Luong Andy was appointed as Executive Chairman on 22 February 2018 and re-designated to Executive Chairman and CEO on 1 June 2018
(3) Mr Kong Chee Keong was appointed on 25 April 2018
(4) Mr Chung Chi-Te was appointed on 27 July 2018
(5) Mr Soh Chee Siong resigned on 19 March 2018
(6) Mr Raymond Quek Hiong How resigned on 25 April 2018
(7) Mr Joe Lau resigned on 1 June 2018
(8) Mr Chan Wai Leong resigned on 1 June 2018
(9) Mr Leow Kim Keat was appointed on 15 January 2018 and resigned on 1 June 2018

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 encourages 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 Directors are also briefed on the new requirements of the SGX-ST, Companies Act and other regulatory requirements from time to time by the Company Secretary, the auditors and the Sponsor. The Company Secretary or his representative attends Board and Board Committee meetings.

Principle 2 – Board Composition and Guidance

Board Independence

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

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

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

Board Composition and Size

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

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

Role of non-executive Directors

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

The NEDs meets regularly without presence of Management.

Principle 3 – Chairman and Chief Executive Officer

Role of Chairman and Chief Executive Officer

The position of Chairman and Chief Executive Officer ("**CEO**") are held by Mr Luong Andy.

Although the roles and responsibilities for the Executive Chairman and CEO are vested in Mr Luong Andy, major decisions are made in consultation with the Board which comprises a majority of independent non-executive directors. The Board believes that there are adequate measures in place against any uneven concentration of power and authority in one individual.

As the Executive Chairman and CEO, Mr Luong Andy is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. He encourages constructive relations within the Board and between the Board and Management, and takes a lead role in promoting high standards of corporate governance. This includes setting the agenda for Board meetings, ensuring that adequate time is available for the discussion of all agenda items at Board meetings, promoting a culture of openness and debate at the Board and effective communication with shareholders, encouraging the NEDs to contribute effectively, and exercising control over the complete, adequate and timely information flow between the Board and Management. He also has full executive responsibilities over the business directions and operational decisions in the day to day management of the Group and is responsible in assisting the Board to develop corporate policies and strategies.

Lead Independent Director

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

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

Principle 4 – Board Membership

NC composition and Role

The NC comprises three members, all of which are INEDs.

Wong Gang (Chairman)
Kong Chee Keong
Chung Chi-Te

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

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

Directors' Time Commitments

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

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

The Company does not have any alternate directors.

Re-nomination of Directors

The Constitution provides that at least a third of the Board retires by rotation at every Annual General Meeting ("**AGM**"), and in accordance to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of the Catalist ("**Catalist Rules**") all Directors will be required to submit themselves for re-nomination and re-election on a rotational basis and at least once every 3 years. All new Directors appointed by the Board shall hold office until the next AGM, and are eligible for re-elect at the said AGM.

The Board has accepted NC's nomination of the retiring Directors, Mr Wong Gang, Mr Kong Chee Keong and Mr Chung Chi-Te for re-election as directors at the forthcoming AGM ("**2019 AGM**") and are to retire and subject to re-election at the 2019 AGM.

Process for Nomination and Selection of New Directors

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

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

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

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

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

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

Principle 5 – Board Performance

Board Evaluation Process

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

Board Evaluation Criteria

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

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

Principle 6 – Access to Information

Board Access to Information

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

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

Role of the Company Secretary

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

Professional Advice taken by the Board

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

(B) REMUNERATION MATTERS

Principle 7– Procedures for Developing Remuneration Policies

RC Composition and Role

The RC comprises three members, all of which are INEDs.

Wong Gang	(Chairman)
Kong Chee Keong	
Chung Chi-Te	

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

The RC's principal responsibilities are:

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

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

Principle 8 – Level and Mix of Remuneration

Remuneration of Directors and key management personnel

The INEDs 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 INEDs do not receive any other remuneration from the Company. No Director or member of the RC is involved in deciding his own remuneration.

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

The Company has in place a performance incentive scheme ("**Scheme**"). The Scheme is to motivate eligible participants towards better performance through increase dedication and loyalty.

Principle 9 – Disclosure on Remuneration

The remuneration of Directors and the top key executives of the Company for FY2018 are set out below:

Name	Fees[1]	Salary[2]	Bonus[2]	Others[3]	Total
Directors					
S$500,000 – S$749,999					
Joe Lau[4]	–	25%	–	75%	100%
S$250,000 – S$499,999					
Luong Andy[5]	–	88%	12%	–	100%
Zee Hoong Huay	–	82%	6%	12%	100%
Soh Chee Siong[6]	–	82%	6%	12%	100%
Below S$250,000					
Wong Gang	100%	–	–	–	100%
Kong Chee Keong[7]	100%	–	–	–	100%
Chung Chi-Te[8]	100%	–	–	–	100%
Raymond Quek Hiong How[9]	100%	–	–	–	100%
Leow Kim Keat[10]	100%	–	–	–	100%
Chan Wai Leong[11]	100%	–	–	-	100%

Key Executives					
Below S$250,000					
Ong Han Poh[12]	–	86%	7%	7%	100%
Darren Zee Yu Liang	–	75%	16%	9%	100%
Eddie Goh Kuan Teck	–	83%	7%	10%	100%
Christine Zhang[13]	–	61%	14%	15%	100%
Lau Adelene[14]	–	78%	-	22%	100%
Alan Tan Shee Tong[15]	–	90%	5%	5%	100%

Notes

(1) These fees were approved by shareholders at the last AGM held on 25 April 2018.
(2) Salaries and bonuses include employer contributions to the Central Provident Fund. Bonuses also include performance-related incentives.
(3) Allowances and fringe benefits (included benefits in kind).
(4) Mr Joe Lau resigned on 1 June 2018
(5) Mr Luong Andy was appointed as Executive Chairman on 22 February 2018 and re-designated to Executive Chairman and CEO on 1 June 2018
(6) Mr Soh Chee Siong resigned on 19 March 2018
(7) Mr Kong Chee Keong was appointed on 25 April 2018
(8) Mr Chung Chi-Te was appointed on 27 July 2018
(9) Mr Raymond Quek Hiong How resigned on 25 April 2018
(10) Mr Leow Kim Keat was appointed on 15 January 2018 and resigned on 1 June 2018
(11) Mr Chan Wai Leong resigned on 1 June 2018
(12) Mr Ong Han Poh was appointed as Financial Controller on 26 July 2018
(13) Ms Christine Zhang resigned as Group Financial Controller on 26 July 2018
(14) Ms Lau Adelene resigned as Deputy CEO of JEP Precision Engineering Pte. Ltd. on 25 June 2018
(15) Mr Alan Tan Shee Tong resigned as General Manager, Production of JEP Precision Engineering Pte.Ltd. on 17 August 2018

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 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.

The table below shows annual remuneration (in incremental bands of S$50,000) of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during FY2018:

Remuneration Band & name of executives
S$100,000 – S$149,999
Darren Zee Yu Liang
S$50,000 – S$99,999
Lee Pui Rong
Lau Adelene

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

Ms Lau Adelene is the eldest daughter of the Mr Joe Lau, the former executive director and CEO of the Company.

(C) ACCOUNTABILITY AND AUDIT

Principle 10 - Accountability

Accountability of the Board and Management

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

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

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

In line with the continuous disclosure obligations of the Company and in accordance with the Catalist Rules and the Companies Act, the Board adopts a policy whereby shareholders will be informed of all major developments of the Company.

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

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

Principle 11 - Risk Management and Internal Controls

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

The Management had engaged Virtus Assure Pte Ltd ("**VA**"), 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. VA performed a facilitative role in the risk assessment process and conducted an enterprise risk assessment with the Management and relevant employees to identify key risks that would impact the achievement of the Group's business objectives. The risk assessment exercise highlighted pertinent risks in strategic, operational, financial, regulatory compliance and information technology areas. Identified risks formed a basis of the Group's risk management framework and the Enterprise Risk Management ("**ERM**") manual.

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

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

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

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

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

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

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

Principle 12 – Audit Committee

Composition of the AC

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

Kong Chee Keong (Chairman)
Wong Gang
Chung Chi-Te

None of the members of the AC is a former partner of the Company's external auditors, Deloitte & Touche LLP or has any financial interest in the audit firm.

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

Roles and Responsibilities of the AC

The principal responsibilities of the AC are:

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

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

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

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

Financial Matters

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

Significant matters	How the AC reviewed these matters and what decision were made
Impairment review of goodwill	The AC considered the approach and methodology applied to the valuation model in goodwill impairment assessment. It reviewed the reasonableness of cash flow forecasts, the terminal growth rate, budgeted gross margins and discount rate. The impairment review was also an area of focus of the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2018.

Interested Person Transactions ("IPT")

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

The AC also reviewed the possibility of IPT arising from the UMS being a Controlling Shareholder of the Company and viewed that there is no issue of conflict of interest based on the following:

a) Both JEP Holdings Ltd and its subsidiaries (JEP Group) and UMS Holdings Ltd and its subsidiaries (UMS Group) are in different industries as almost 100% of UMS Group's revenue is in semi-conductor equipment, while 75% of JEP Group's revenue is in aerospace and trading of cutting tools, which UMS Group does not participate in;
b) Although both groups have interest in the semi-conductor business, the product mix is different;
c) There are no competing customers as both groups are serving a different customer base; and
d) With the combined strength of both groups, JEP Group and UMS Group will complement each other and the synergistic effect allows the Company to strip out overlapping costs to achieve greater growth.

In line with the rules set out in Chapter 9 of the Catalist Rules, the aggregated value of transactions entered into by the Group with interested persons namely, UMS Group in FY2018 as shown in the table below, the aggregate value of all interested person transaction during the period was approximately 2.85% of the Group's audited net tangible assets as at 31 December 2017.

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
Name of interested person	**31 December 2018**	**31 December 2018**
UMS Holdings Limited & its subsidiaries	S$879,350	–

The AC is satisfied that there were no material contracts of the Company and its subsidiaries involving the interest of the Executive Chairman and 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. In the event that a member of AC is involved in any interested person transaction, they will abstain from reviewing that particular transaction.

The Group intends to seek Shareholders' approval for an adoption of Interested Person Transaction General Mandate pursuant to Catalist Rule 920 in the 2019 Annual General Meeting.

External Auditor

In assessing independence of external auditor, the AC reviewed the fees and expenses paid to external auditor, including fees paid for non-audit services during the year. The AC has reviewed the non-audit services rendered by the external auditor for FY2018 as well as the fees paid, and is of the opinion that the external auditor's independence has not been impaired.

	S$'000
Audit fees	183
Non-audit fees	33
Total fees	216

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

Principle 13 - Internal Audit

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

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

The AC has reviewed the adequacy and effectiveness of the internal audit function at least annually and ensured that it is adequately resourced and has appropriate standing within the Company. Based on the review, the AC was of the view that the internal audit function is independent, effective and adequately resourced.

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

(D) COMMUNICATION WITH SHAREHOLDERS

Principles 14, 15 & 16 – Shareholder Rights and Responsibilities

Shareholder Rights

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

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

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

All resolutions at general meetings are voted on by poll so as to better reflect shareholders' shareholding interests and ensure greater transparency. Shareholders are briefed by the appointed polling agent on the poll voting procedures at the AGM. The appointed scrutineer will ensure that the poll process is properly carried out and the counting of the votes is verified by the scrutineer. The poll voting results, in addition to the proxy voting results, are presented to the audience and subsequently released via SGXNET.

Communication with Shareholders

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

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

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

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

Dividend Policy

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

Additional Information Required by the Singapore Exchange Securities Trading Limited

1. Securities transactions

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

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

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

2. Sponsor

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

3. Use of proceeds from Rights cum Warrants issue

The Board wishes to update shareholders on the utilisation of the Net Proceeds raised from the Rights cum Warrants Issue as set out below:

S/N	Intended Use of the Net Proceeds	Percentage Allocation (%)	Approximate Amount Allocated (S$'000)	Approximate amount utilised as at 28 December 2018 (S$'000)	Approximate amount remaining as at 31 December 2018 (S$'000)
1.	Seletar Project Financing	62.5	5,000	5,000	0
2.	General Working capital purposes	37.5	3,000	3,000	0
	Total	100%	8,000	8,000	0

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

4. ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(5) of Section B of the Singapore Exchange Securities Trading Limited Listing Manual: Rules of Catalist ("Catalist Rules"), the information relating to the directors who are seeking re-appointment at the forthcoming Annual General Meeting of the Company, as set out in Appendix 7F to the Catalist Rules is set out below:

		Mr Wong Gang	Mr Kong Chee Keong	Mr Chung Chi-Te
Date of appointment		1 November 2006	25 April 2018	27 July 2018
Date of last re-appointment		26 April 2016	N/A	N/A
Age		48	51	55
Country of principal residence		Singapore	Singapore	South Africa
The Board's comments on the re-appointment		Based on the recommendation of the Nominating Committee, the Board (save for Mr Wong who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Wong as an independent director of the Company.	Based on the recommendation of the Nominating Committee, the Board (save for Mr Kong who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Kong as an independent director of the Company.	Based on the recommendation of the Nominating Committee, the Board (save for Mr Chung who abstain from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr Chung as an independent director of the Company.
Whether the appointment is executive, and if so, the area of responsibility		Non-Executive	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)		Independent Director, Chairman of the Nominating Committee and Remuneration Committee and member of the Audit Committee	Independent Director, Chairman of the Audit Committee and members of the Nominating Committee and Remuneration Committee	Independent Director, Members of the Audit Committee, Nominating Committee and Remuneration Committee
Working experience and occupation(s) in the past 10 years		**2002 – present** Shook Lin & Bok LLP Partner	**2013 – present** Libra Group Limited Director **2011 – present** Penvest Co Pte Ltd Director **2007 – 2010** HealthTrends Medical Investments Pte. Ltd. Chief Financial Officer & SVP, Corporate Development	**2016 – present** Beijing Automobile Works (BAW SA) & China Auto Rental Executive Consultant **2012 – 2016** China Africa Motors Chief Executive Officer, member of the Board **2005 – 2012** China Auto Manufacturers Chief Executive Officer
Shareholding interest in the listed issuer and its subsidiaries		No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries		No	No	No
Conflict of interest (including any competing business)		No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company		Yes	Yes	Yes

Other principal commitments including directorships					
Past (for the last 5 years)			Bowsprit Capital Corporation Limited Tianjin Zhongxin Pharmaceutical Group Corporation Limited China Animal Healthcare Limited	Nil	China Africa Motors
Present			Renewable Energy Asia Group Limited	Libra Group Limited Penvest Co Pte. Ltd. Arc Energy Pte Ltd Alef Advisory Pte Ltd	Beijing Automobile Works (BAW SA) & China Auto Rental
Information required pursuant to Listing Rule 704(7)					
a	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?		No	No	No
b	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?		No	No	No
c	Whether there is any unsatisfied judgment against him?		No	No	No
d	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?		No	No	No

Information required pursuant to Listing Rule 704(7)					
e	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?		No	No	No
f	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?		No	No	No
g	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?		No	No	No
h	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?		No	No	No
i	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?		No	No	No

Information required pursuant to Listing Rule 704(7)					
j	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		No	No	No
k	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?		No	No	No

DIRECTORS' **STATEMENT**

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 35 to 87 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Andy Luong	(Appointed on February 22, 2018)
Zee Hoong Huay	
Wong Gang	
Kong Chee Keong	(Appointed on April 25, 2018)
Chung Chi-Te	(Appointed on July 27, 2018)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital, debentures and warrants of the Company and related companies as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Names of directors and companies in which interests are held	Shareholdings registered in name of director			Shareholdings in which director is deemed to have an interest		
	As at February 22, 2018 (date of appointment)[1]	As at December 31, 2018	As at January 21, 2019	As at February 22, 2018 (date of appointment)[1]	As at December 31, 2018	As at January 21, 2019
<u>The Company</u>						
Andy Luong						
- Ordinary shares	–	–	–	429,864,300	111,466,075	111,748,275
- Warrants	–	–	–	–	–	–

Names of directors and companies in which interests are held	Shareholdings registered in name of director			Shareholdings in which director is deemed to have an interest		
	As at January 1, 2018 [1]	As at December 31, 2018	As at January 21, 2019	As at January 1, 2018 [1]	As at December 31, 2018	As at January 21, 2019
<u>The Company</u>						
Zee Hoong Huay						
- Ordinary shares[1]	213,384,650	50,778,855	53,653,855	78,604,000	6,401,000	6,401,000
- Warrants[1]	46,730,775	–	–	16,934,000	4,233,500	1,358,500

[1] On May 21, 2018 due to share consolidation and warrant adjustment exercise, four (4) existing ordinary shares have been consolidated into one (1) ordinary share and four (4) existing warrants consolidated into one (1) adjusted warrant.

By virtue of Section 7 of the Singapore Companies Act, Mr. Andy Luong and Mr. Zee Hoong Huay are deemed to have an interest in the shares of the Company and in all the related companies of the Company.

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

4 SHARE OPTIONS

(a) *Option to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT COMMITTEE

The Audit Committee compromises the following members:

Kong Chee Keong	(Chairman and Independent Director)
Wong Gang	(Lead Independent Director)
Chung Chi-Te	(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 December 31, 2018 as well as the independent auditor's report thereon;

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

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

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

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

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

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

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

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

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

The Audit Committee has recommended to the Board of Directors the nomination of Moore Stephens LLP as external auditor of the Group in place of the retiring auditor, Deloitte & Touche LLP, at the forthcoming Annual General Meeting.

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

6 AUDITORS

The auditors, Deloitte & Touche LLP, will not be seeking re-appointment. Moore Stephens LLP have expressed their willingness to accept appointment as auditor.

ON BEHALF OF THE DIRECTORS

....

Andy Luong

....

Zee Hoong Huay

March 26, 2019

INDEPENDENT **AUDITOR'S REPORT**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of JEP Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2018, and the 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 and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 87.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	Our audit performed and responses thereon
Impairment review of goodwill	
Goodwill arises from the Group's acquisition of Dolphin Engineering Pte Ltd ("DEPL"), JEP Precision Engineering Pte Ltd ("JEPS") and JEP Industrades Pte Ltd ("JEPI"). As of December 31, 2018, the carrying amount of the Group's goodwill is $17,542,000. Goodwill is required to be tested annually for impairment or more frequently if there are indications that goodwill might be impaired. Value-in-use is estimated based on management's forecast of future cash flows discounted to present value using the pre-tax discount rate. Significant estimates and assumptions such as discount rate and terminal growth rate are required in determining value-in-use. The key assumptions of the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 12 to the financial statements.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in their impairment review of goodwill. We performed the following procedures: • Obtained and reviewed management's impairment assessment of goodwill by evaluating and challenging assumptions such as revenue growth rates and gross margins; • Engaged valuation specialist to review key assumptions such as the discount rate and the terminal growth rate used by the management in their impairment assessment; • Performed an independent review of the appropriateness of the cash-generating units used by management; and • Performed sensitivity analysis on key assumptions. We considered the adequacy of the disclosures in the consolidated financial statements in respect of the impairment review of goodwill.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT **AUDITOR'S REPORT**

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yang Chi-Chih.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

March 26, 2019

STATEMENTS OF **FINANCIAL POSITION**

December 31, 2018

	Note	Group			Company		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31,2018	December 31, 2017	January 1, 2017
		$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Current assets							
Cash and bank balances	6	4,541	6,196	7,990	556	2,046	3,001
Trade and other receivables	7	22,713	24,252	21,160	11	19	12
Amount due from subsidiaries	8	–	–	–	–	1,700	1,663
Inventories	9	15,741	13,775	14,037	–	–	–
		42,995	44,223	43,187	567	3,765	4,676
Assets of disposal group classified as held for sale	10	–	38	38	–	–	–
Total current assets		42,995	44,261	43,225	567	3,765	4,676
Non-current assets							
Property, plant and equipment	11	51,185	54,056	50,857	21	22	–
Intangible assets	12	17,869	17,992	18,753	–	–	–
Subsidiaries	13	–	–	–	64,040	50,637	50,637
Amount due from subsidiaries	8	–	–	–	–	5,000	5,000
Club membership		–	48	–	–	48	–
Other receivables	7	–	649	–	–	–	–
Deferred tax assets	19	91	160	357	91	160	357
Total non-current assets		69,145	72,905	69,967	64,152	55,867	55,994
Total assets		112,140	117,166	113,192	64,719	59,632	60,670
LIABILITIES AND EQUITY							
Current liabilities							
Bank loans	14	11,105	14,323	11,996	–	–	–
Trade and other payables	15	15,487	16,466	21,099	571	284	392
Income tax payable		–	–	31	–	–	–
Amount due to subsidiaries	16	–	–	–	1,667	1,006	901
Finance leases	17	2,003	1,850	803	–	–	–
Contingent consideration and provision	18	–	2,000	2,297	–	2,000	2,005
Total current liabilities		28,595	34,639	36,226	2,238	3,290	3,298
Non-current liabilities							
Bank loans	14	25,551	27,498	23,849	–	–	–
Amount due to subsidiary	16	–	–	–	1,660	–	950
Finance leases	17	4,572	5,706	1,148	–	–	–
Contingent consideration and provision	18	–	–	1,791	–	–	1,791
Deferred tax liabilities	19	1,295	478	1,112	–	–	–
Total non-current liabilities		31,418	33,682	27,900	1,660	–	2,741
Capital, reserves and non-controlling interests							
Share capital	20	47,811	45,218	45,186	47,811	45,218	45,186
Warrants reserve	21	219	618	623	219	618	623
Capital reserve	21	553	252	247	651	252	247
Translation reserve	21	–	(194)	(194)	–	–	–
Retained earnings		3,544	1,351	962	12,140	10,254	8,575
Equity attributable to owners of the Company		52,127	47,245	46,824	60,821	56,342	54,631
Non-controlling interests		–	1,600	2,242	–	–	–
Total equity		52,127	48,845	49,066	60,821	56,342	54,631
Total liabilities and equity		112,140	117,166	113,192	64,719	59,632	60,670

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Year ended December 31, 2018

	Note	Group 2018	Group 2017
		$'000	$'000
Revenue	22	85,865	86,093
Cost of sales		(73,274)	(76,160)
Gross profit		12,591	9,933
Other operating income	23	1,165	2,134
Selling and distribution expenses		(2,094)	(2,241)
Administrative expenses		(6,270)	(8,653)
Other operating expenses		(680)	–
Finance costs	24	(1,531)	(1,427)
Profit (Loss) before tax		3,181	(254)
Income tax (expense) credit	25	(886)	437
Profit for the year	26	2,295	183
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		194	*
Total comprehensive income for the year		2,489	183
Profit (Loss) attributable to:			
Owners of the Company		2,193	825
Non-controlling interests		102	(642)
		2,295	183
Total comprehensive income (expense) attributable to:			
Owners of the Company		2,387	825
Non-controlling interests		102	(642)
		2,489	183
Earnings per share (expressed in cents)			
Basic	28	0.578	0.227
Diluted		0.530	0.199

* Denotes less than $1,000.

See accompanying notes to financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

Year ended December 31, 2018

	Note	Share capital	Warrants reserve	Capital reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Balance as at January 1, 2017		45,186	623	247	(194)	962	46,824	2,242	49,066
Total comprehensive income for the year									
Profit (Loss) for the year		–	–	–	–	825	825	(642)	183
Currency translation differences		–	–	–	*	–	*	*	*
Total		–	–	–	*	825	825	(642)	183
Transactions with owners, recognised directly in equity									
Issue of new ordinary shares	20	32	(5)	5	–	–	32	–	32
Dividends	27	–	–	–	–	(436)	(436)	–	(436)
Total		32	(5)	5	–	(436)	(404)	–	(404)
Balance as at December 31, 2017		45,218	618	252	(194)	1,351	47,245	1,600	48,845
Total comprehensive income for the year									
Profit for the year		–	–	–	194	2,193	2,387	102	2,489
Total		–	–	–	194	2,193	2,387	102	2,489
Transactions with owners, recognised directly in equity									
Effects of acquiring non-controlling interests in a subsidiary	13	–	–	(98)	–	–	(98)	(1,702)	(1,800)
Issue of new ordinary shares	20	2,593	(399)	399	–	–	2,593	–	2,593
Total		2,593	(399)	301	–	–	2,495	(1,702)	793
Balance as at December 31, 2018		47,811	219	553	–	3,544	52,127	–	52,127

* Denotes less than $1,000.

STATEMENTS OF **CHANGES IN EQUITY**

Year ended December 31, 2018

	Note	Share capital	Warrants reserve	Capital reserve	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000
Company						
Balance as at January 1, 2017		45,186	623	247	8,575	54,631
Total comprehensive income for the year						
Profit for the year		–	–	–	2,115	2,115
Total		–	–	–	2,115	2,115
Transactions with owners, recognised directly in equity						
Issue of new ordinary shares	20	32	(5)	5	–	32
Dividends	27	–	–	–	(436)	(436)
Total		32	(5)	5	(436)	(404)
Balance as at December 31, 2017		45,218	618	252	10,254	56,342
Total comprehensive income for the year						
Profit for the year		–	–	–	1,886	1,886
Total		–	–	–	1,886	1,886
Transactions with owners, recognised directly in equity						
Issue of new ordinary shares	20	2,593	(399)	399	–	2,593
Total		2,593	(399)	399	–	2,593
Balance as at December 31, 2018		47,811	219	651	12,140	60,821

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

Year ended December 31, 2018

	Group	
	2018	2017
	$'000	$'000
Operating activities		
Profit (Loss) before income tax	3,181	(254)
Adjustments for:		
Impairment loss recognised on trade receivables	10	9
Depreciation of property, plant and equipment	5,933	5,518
Amortisation of intangible assets	123	761
Gain on disposal of property, plant and equipment	(54)	(276)
Amortisation of gain on sale and leaseback	–	(496)
Property, plant and equipment written off	3	45
Club membership written off	48	–
Unrealised exchange loss (gain)	386	(193)
Provision for (Reversal of) inventory obsolescence	1,354	(35)
Interest income	(2)	(7)
Interest expense	1,531	1,427
Operating cash flows before movements in working capital	12,513	6,499
Inventories	(3,320)	297
Trade and other receivables	2,734	(3,390)
Trade and other payables	(269)	2,750
Cash generated from operations	11,658	6,156
Interest paid	(1,531)	(1,215)
Interest received	2	7
Income tax paid	–	(31)
Net cash from operating activities	10,129	4,917
Investing activities		
Purchase of property, plant and equipment (Note A)	(3,475)	(9,946)
Proceeds from disposal of property, plant and equipment	77	415
Payment of contingent consideration	(2,000)	(2,000)
Purchase of club membership	–	(48)
Acquisition of non-controlling interests in subsidiary	(1,800)	–
Net cash used in investing activities	(7,198)	(11,579)
Financing activities		
Proceeds from issue of ordinary shares	2,593	32
Repayment of finance leases	(1,966)	(1,060)
Proceeds from term loans	766	6,367
Repayments of term loans	(3,809)	(1,666)
Proceeds from trade financing loans	7,619	8,592
Repayments of trade financing loans	(8,592)	(6,482)
Net repayments of factoring loans	(1,235)	(358)
Dividend paid to shareholders	–	(436)
Share issuance expenses	–	(121)
Net cash (used in) from financing activities	(4,624)	4,868
Net decrease in cash and bank balances	(1,693)	(1,794)
Effect of exchange rate changes	*	*
Cash and bank balances at beginning of year	6,234	8,028
Cash and bank balances at end of year (Note 6)	4,541	6,234

Note A

In 2018, the Group acquired property, plant and equipment with an aggregate cost of $3,577,000 (2017 : $8,901,000) of which $738,000 (2017 : $7,135,000) was acquired by means of finance leases. Cash payments amounting to $119,000 (2017: $1,703,000) were paid to purchase property, plant and equipment. This amount was deducted from the carrying value of the qualifying assets and was reimbursed by grants from government agencies.

* Denotes less than $1,000.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 199401749E) is incorporated in Singapore with its principal place of business and registered office at 16 Seletar Aerospace Crescent Singapore 797567. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are that of investment holding and the provision of management services to its subsidiaries.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2018 were authorised for issue by the Board of Directors on March 26, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 33.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. 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 *share-based payment* transactions that are within the scope of SFRS(I) 2 Share-based Payment, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

The Company 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 Company has less than a majority of 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the Company 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to any non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and any non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

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 Company.

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 interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

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

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

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) *2 Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

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

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

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

<u>Amortised cost and effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other operating income” or “other operating expenses” line item.

Impairment of financial assets

The Group performs an assessment for loss allowance for expected credit losses (“ECL”) on investments in debt instruments that are measured at amortised cost or at FVTOCI, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group performs an assessment for lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group performs an assessment for lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Refer to Note 7 for details of the Group’s assessment.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

<u>Definition of default</u>

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

<u>Credit-impaired financial assets</u>

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

<u>Write-off policy</u>

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

<u>Measurement and recognition of expected credit losses</u>

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Amounts due from subsidiaries are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other operating income" or "other operating expense" line item in profit or loss (Note 26) for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE - Non-current assets and disposal groups are classified as held for sale if their carrying amount 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS - Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The intangible assets pertain to customer relationships acquired through acquisitions in prior years. These intangible assets are amortised on a straight-line basis over their useful lives. Management has assessed the appropriate useful lives to be 5 to 10 years. The estimated useful lives and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants related to assets shall be presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the assets.

REVENUE RECOGNITION - The Group recognises revenue from the following major sources:

- Sale of goods
- Rendering of services
- Rental income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells precision engineering works, engineering parts, cutting tools and equipment fabrication services. Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Rendering of services

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

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

INTEREST INCOME - Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

DIVIDEND INCOME - Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

MANAGEMENT FEE - Management fee is recognised when services are rendered.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND BANK BALANCES IN THE STATEMENT OF CASH FLOWS - Cash and bank balances in the statement of cash flows comprise cash on hand and bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

<u>Dismantlement, removal or restoration costs for property, plant and equipment (Note 11)</u>

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

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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:

<u>Impairment review of property, plant and equipment</u>

Where there are indications of impairment of its assets, the management estimates the recoverable amounts of these assets to determine the extent of the impairment loss, if any. The recoverable amounts of these assets are determined based on the higher of fair value less cost to sell and value-in-use. The carrying amounts of the property, plant and equipment of the Group and the Company at the end of the reporting period are disclosed in Note 11 to the financial statements.

Useful lives of property, plant and equipment

Management exercises their judgement in estimating the useful lives of the depreciable assets which takes into consideration the physical conditions of the assets and their useful lives. Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The carrying amounts of the property, plant and equipment of the Group and the Company at the end of the reporting period are disclosed in Note 11 to the financial statements.

Impairment review of goodwill

Goodwill arises from the Group's acquisition of Dolphin Engineering Pte Ltd ("DEPL"), JEP Precision Engineering Pte Ltd ("JEPS") and JEP Industrades Pte Ltd ("JEPI"). Goodwill is required to be tested annually for impairment or more frequently if there are indications that goodwill might be impaired. Value-in-use is estimated based on management's forecast of future cash flows discounted to present value using the pre-tax discount rate. Significant estimates and assumptions such as discount rate and terminal growth rate are required in determining value-in-use. The key assumptions of the impairment test, the sensitivity of changes in these assumptions to the risk of impairment and the carrying amount of the goodwill at the end of the reporting period are disclosed in Note 12 to the financial statements.

Allowance for inventories

Management reviews the aging analysis of inventories at the end of each reporting period, and makes allowance for inventory items that are identified as obsolete and slow-moving, which have a market price that is lower than its carrying amount. Management estimates the net realisable value for finished goods based primarily on the latest selling prices and current market conditions. The carrying amounts of inventories for the Group is disclosed in Note 9 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
At amortised cost:						
- Cash and bank balances	4,541	6,234	8,028	556	2,046	3,001
- Trade receivables	19,818	20,618	17,624	–	–	–
- Other receivables	1,620	1,900	664	–	6	–
- Amount due from subsidiaries	–	–	–	–	6,700	6,663
Total	25,979	28,752	26,316	556	8,752	9,664
Financial liabilities						
At amortised cost:						
- Bank loans	36,656	41,821	35,845	–	–	–
- Trade and other payables	15,363	16,295	20,599	556	272	378
- Amount due to subsidiaries	–	–	–	3,327	1,006	1,851
- Finance leases	6,575	7,556	1,951	–	–	–
Contingent consideration	–	2,000	3,796	–	2,000	3,796
Total	58,594	67,672	62,191	3,883	3,278	6,025

(b) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

There has been no change to the Group's exposure 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.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States Dollar ("USD"), Japanese Yen ("JPY"), Chinese Yuan ("CNY") and Euro ("EUR") and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group					
	Liabilities			Assets		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
USD	12,848	16,114	14,448	13,823	16,426	11,389
JPY	8,878	9,351	3,968	1,428	1,435	1,307
CNY	–	–	–	3,365	4,127	3,984
EUR	1,366	27	65	251	54	254

	Company					
	Liabilities			Assets		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
USD	–	–	–	37	977	7

Foreign currency sensitivity

The following table details the sensitivity to a 5% (December 31, 2017: 5%; January 1, 2017 : 5%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's profit or loss.

If the relevant foreign currencies strengthen by 5% (December 31, 2017: 5%; January 1, 2017 : 5%) against the functional currency of each Group entity, profit or loss will increase (decrease) by:

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Impact arising from						
USD	49	16	(153)	2	49	–
JPY	(373)	(396)	(133)	–	–	–
CNY	168	206	199	–	–	–
EUR	(56)	1	9	–	–	–

If the relevant foreign currencies weaken by 5% (December 31, 2017: 5%; January 1, 2017 : 5%) against the functional currency of each Group entity, profit or loss will be vice versa.

(ii) Interest rate risk management

The Group has exposure to interest rate risk through the impact of floating interest rate on borrowings. The Group obtained financing through bank loans and the details of the Group's interest rate exposure are disclosed in Note 14.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit before tax for the year ended December 31, 2018 would increase or decrease by $183,280 (2017 : $209,105). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Company's profit before tax for the year ended December 31, 2018 would increase or decrease by $16,635 (2017 : $5,030). This is mainly attributable to the Company's exposure to interest rates on its loan due to a subsidiary.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management regularly.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its trading records to rate its major customers and other debtors. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

Further details of credit risks on trade and other receivables are disclosed in Note 7 to the financial statements.

The tables below detail the credit quality of the Group's and the Company's financial assets, as well as maximum exposure to credit risk by credit rating grades:

	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					$'000	$'000	$'000
Group							
December 31, 2018							
Trade receivables	7	n.a	(i)	Lifetime ECL (simplified approach)	19,882	(64)	19,818
Other receivables	7	n.a	Performing	12-month ECL	1,620	–	1,620
						(64)	
December 31, 2017							
Trade receivables	7	n.a	(i)	Lifetime ECL (simplified approach)	20,672	(54)	20,618
Other receivables	7	n.a	Performing	12-month ECL	1,900	–	1,900
						(54)	
January 1, 2017							
Trade receivables	7	n.a	(i)	Lifetime ECL (simplified approach)	17,688	(64)	17,624
Other receivables	7	n.a	Performing	12-month ECL	664	–	664
						(64)	

	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					$'000	$'000	$'000
Company							
December 31, 2018							
Trade receivables	7	n.a	n.a.	Lifetime ECL (simplified approach)	–	–	–
Other receivables	7	n.a	n.a	12-month ECL	–	–	–
Amount due from subsidiaries	8	n.a	n.a.	12-month ECL	–	–	–
						–	
December 31, 2017							
Trade receivables	7	n.a	n.a.	Lifetime ECL (simplified approach)	–	–	–
Other receivables	7	n.a	Performing	12-month ECL	6	–	6
Amount due from subsidiaries	8	n.a	Performing	12-month ECL	6,700	–	6,700
						–	
January 1, 2017							
Trade receivables	7	n.a	n.a.	Lifetime ECL (simplified approach)	–	–	–
Other receivables	7	n.a	Performing	12-month ECL	–	–	–
Amount due from subsidiaries	8	n.a	Performing	12-month ECL	6,663	–	6,663
						–	

(i) For trade and other receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items estimated based on historical credit loss experience based on past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Note 7 includes further details on the loss allowance for these receivables.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

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

	2018	2018	2017	2017
	$'000	% of total	$'000	% of total
By country:				
Singapore	6,988	35%	7,944	39%
People's Republic of China*	6,390	32%	8,923	43%
Malaysia	390	2%	341	2%
United States	4,600	23%	1,482	8%
United Kingdom	118	1%	903	4%
Others**	1,332	7%	1,025	4%
	19,818	100%	20,618	100%

	2018	2018	2017	2017
	$'000	% of total	$'000	% of total
By industry sectors:				
Aerospace	8,407	42%	8,091	39%
Oil and gas	346	2%	76	#
Electronics	448	2%	864	4%
Precision machining	–	–	11	#
Trading and others	6,333	32%	6,061	30%
Equipment manufacturing	4,284	22%	5,515	27%
	19,818	100%	20,618	100%

* People's Republic of China includes Hong Kong.

** Others include countries such as Canada, Switzerland, France, Norway, Middle East countries and Southeast Asia.

# Denotes less than 1%.

Other than 6 major customers amounting to $13,123,973 (December 31, 2017 : 5 major customers amounting to $11,495,470; January 1, 2017 : 3 major customers amounting to $6,520,880) that individually represented more than 5% of the Group's gross monetary assets, the Group does not have any significant credit risk exposure to any other single counterparty or any other group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities or if they operate within the same industry. There is no significant concentration of credit risk except for the credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

As at year end, the maximum amount the Company could be forced to settle under the financial guarantee contract in Note 31, if the full guaranteed amount is claimed by the counterparty to the guarantee is $43,231,001 (December 31, 2017 : $49,240,432; January 1, 2017 : $37,705,398). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. Management has performed an assessment and has determined that the financial guarantee contract are subject to immaterial loss allowance.

(iv) Liquidity risk management

The Group finances its operations by a combination of bank borrowings and internally generated cash flows. The Group minimises liquidity risk by keeping committed credit lines available.

Liquidity and interest risk analyses

Non-derivative financial assets

The Group's non-derivative financial assets of $25,979,000 (December 31, 2017 : $28,752,000; January 1, 2017 : $26,316,000) are either repayable on demand or due within one year from the end of the reporting period, except for non-current other receivables amounting to $Nil (December 31, 2017 : $649,000; January 1, 2017 : $Nil). All the Group's non-derivative financial assets are non-interest bearing.

The Company's non-derivative financial assets of $556,000 (December 31, 2017 : $8,752,000; January 1, 2017: $9,664,000) are either repayable on demand or due within one year from the end of the reporting period and non-interest bearing other than the amount from subsidiaries (Note 8).

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

	Weighted average effective interest rate % p.a.	On Demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
December 31, 2018						
Non-interest bearing	–	15,363	–	–	–	15,363
Finance lease liabilities (fixed rate)	3.10%	2,175	4,751	–	(351)	6,575
Variable interest rate instruments	3.59%	12,155	10,936	18,385	(4,820)	36,656
		29,693	15,687	18,385	(5,171)	58,594
December 31, 2017						
Non-interest bearing	–	18,295	–	–	–	18,295
Finance lease liabilities (fixed rate)	3.12%	2,052	5,970	47	(513)	7,556
Variable interest rate instruments	2.92%	15,228	11,164	20,067	(4,638)	41,821
		35,575	17,134	20,114	(5,151)	67,672
January 1, 2017						
Non-interest bearing	–	22,657	1,942	–	(204)	24,395
Finance lease liabilities (fixed rate)	3.50%	856	1,196	–	(101)	1,951
Variable interest rate instruments	2.92%	12,711	12,306	14,347	(3,519)	35,845
		36,224	15,444	14,347	(3,824)	62,191

	Weighted average effective interest rate % p.a.	On Demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company						
December 31, 2018						
Non-interest bearing	–	556	–	–	–	556
Amount due to subsidiaries	3.31%	1,749	1,562	222	(206)	3,327
		2,305	1,562	222	(206)	3,883
December 31, 2017						
Non-interest bearing	–	2,272	–	–	–	2,272
Amount due to subsidiaries	5.00%	1,057	–	–	(51)	1,006
		3,329	–	–	(51)	3,278
January 1, 2017						
Non-interest bearing	–	2,436	1,942	–	(204)	4,174
Amount due to subsidiaries	5.32%	1,000	1,000	–	(149)	1,851
		3,436	2,942	–	(353)	6,025

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances (Note 6), trade and other receivables (Note 7), amount due from subsidiaries (Note 8), bank loans (Note 14), trade and other payables (Note 15), amount due to subsidiaries (Note 16), finance leases (Note 17) and contingent consideration (Note 18) approximate their respective fair values due to the relatively short-term maturity of these financial instruments, except for bank loans (Note 14), finance leases (Note 17), contingent consideration (Note 18) and other receivables (Note 7). The fair values of the financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as follows:

Financial instruments measured at fair value

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Group				
December 31, 2018				
Financial liabilities				
Contingent consideration in relation to acquisition of JEPI	–	–	–	–
December 31, 2017				
Financial liabilities				
Contingent consideration in relation to acquisition of JEPI	–	–	2,000	2,000
January 1, 2017				
Financial liabilities				
Contingent consideration in relation to acquisition of JEPI	–	–	3,796	3,796

The valuation technique used for instruments categorised in Level 3 for the Group is disclosed in Note 18.

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of debt, which includes the bank loans and finance leases as disclosed in Notes 14 and 17 to the financial statements respectively and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings. The Group is required to maintain the required gearing in order to comply with covenants in loan agreements with banks and financial institutions.

Management also ensures that the Group maintains certain security ratios of outstanding term loans over the value of the properties in order to comply with the loan covenants imposed by banks and financial institutions.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant related party transactions as follows:

	Group	
	December 31, 2018	December 31, 2017
	$'000	$'000
Subsidiary of the non-controlling shareholder [1]		
Sale of goods	5,067	6,729
Purchases of goods	–	228
Related parties [2]		
Sale of goods	739	–
Purchases of goods	140	–

[1] On December 20, 2018, the Group purchased the remaining 15% stake of JEP Precision Engineering Pte Ltd from the non-controlling shareholder and hence this company has ceased to be a related party of the Group. Amount disclosed pertains to transactions for the period from January 1, 2018 to December 19, 2018.

[2] The transactions with the related parties disclosed above were with one of the Group's major shareholders and its subsidiaries.

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Short-term benefits	2,257	1,973	1,629
Post-employment benefits	102	95	88
	2,359	2,068	1,717

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

6 CASH AND BANK BALANCES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash on hand	8	8	8	1	1	1
Cash at banks	4,533	6,188	7,982	555	2,045	3,000
Cash and bank balances in the statements of financial position	4,541	6,196	7,990	556	2,046	3,001
Add: Cash and bank balances included in a disposal group held for sale (Note 10)	–	38	38	–	–	–
Cash and bank balances in the statement of cash flows	4,541	6,234	8,028	556	2,046	3,001

7 TRADE AND OTHER RECEIVABLES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables:						
- related parties	141	705	900	–	–	–
- outside parties	19,741	19,967	16,788	–	–	–
	19,882	20,672	17,688	–	–	–
Less: Loss allowance	(64)	(54)	(64)	–	–	–
Net trade receivables	19,818	20,618	17,624	–	–	–

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Other receivables						
Deposits	154	159	200	–	6	–
Advance payment to suppliers	25	479	5	–	–	–
Downpayment to suppliers of property, plant and equipment	10	374	1,163	–	–	–
Receivable arising from disposal of property, plant and equipment	489	–	–	–	–	–
Prepayments	220	201	363	11	13	12
GST input tax	1,020	1,329	1,341	–	–	–
Recoverable from customer	43	–	39	–	–	–
Government grant	879	1,675	–	–	–	–
Other receivables	55	66	425	–	–	–
	2,895	4,283	3,536	11	19	12
Total trade and other receivables	22,713	24,901	21,160	11	19	12
Less: Non-current portion - Government grant	–	(649)	–	–	–	–
Trade and other receivables presented as current assets	22,713	24,252	21,160	11	19	12

Trade receivables

The general credit period on sale of goods is 30 to 150 days (December 31, 2017 : 30 to 180 days; January 1, 2017 : 30 to 180 days). No interest is charged on the overdue trade receivables. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly.

Trade receivables amounting to $834,000 (December 31, 2017 : $2,056,000; January 1, 2017 : $2,513,000) are assigned to secure the factoring loan facilities (Note 14).

Loss allowance for trade receivables are measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at reporting date.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The Group has performed a risk profile of trade receivables based on the Group's credit risk grading framework, and has determined that the trade receivables are subject to immaterial credit loss.

The table below is an analysis of trade receivables:

	Group Trade receivables – days past due					
December 31, 2018	Not past due	<30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Estimated total gross carrying amount at default	14,030	4,093	910	426	423	19,882
Lifetime ECL	–	–	–	–	(64)	(64)
						19,818

	Group Trade receivables – days past due					
December 31, 2017	Not past due	<30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Estimated total gross carrying amount at default	16,660	3,117	586	72	237	20,672
Lifetime ECL	–	–	–	–	(54)	(54)
						20,618

	Group Trade receivables – days past due					
January 1, 2017	Not past due	<30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Estimated total gross carrying amount at default	12,999	2,783	1,128	312	466	17,688
Lifetime ECL	–	–	–	–	(64)	(64)
						17,624

The table below shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in SFRS(I) 9:

Group	Lifetime ECL – credit impaired $'000
Balance at January 1, 2017	64
Change in loss allowance due to new trade receivables originated	9
Amounts written off during the year	(19)
Balance as at December 31, 2017	54
Change in loss allowance due to new trade receivables originated	10
Balance as at December 31, 2018	64

Other receivables

Loss allowance for other receivables are measured at an amount equal to 12-months ECL. For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. The Group has determined that the other receivables are subject to immaterial credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The management estimate the fair value of the Group's long-term other receivables to approximate the carrying amount as the difference is assessed to be immaterial.

8 AMOUNT DUE FROM SUBSIDIARIES

	Company		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Current assets			
Loan to a subsidiary (Note A)	–	1,700	1,450
Amount due from subsidiary	–	–	213
	–	1,700	1,663
Non-current assets			
Loan to a subsidiary (Note B)	–	5,000	5,000
Total amount due from subsidiaries	–	6,700	6,663

Note A

As at December 31, 2017 and January 1, 2017, this loan to a subsidiary was unsecured and repayable on demand. The loan was repaid during the year.

Note B

As at December 31, 2017 and January 1, 2017, this loan was extended to the subsidiary to fund the construction of its building. The loan was unsecured and carried interest at 1.5% plus the bank's Cost of Fund per annum ("COF") (December 31, 2017 : 1.5%+COF; January 1, 2017 : 1.75%+COF). The loan was repaid during the year.

Amount due from subsidiaries

For purpose of impairment assessment, amounts due from subsidiaries are considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in the risk of default on the amounts due from subsidiaries since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

9 INVENTORIES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Raw materials	3,674	2,309	1,809
Work-in-progress	7,391	6,812	5,136
Finished goods	5,155	3,707	4,300
Consumables	1,180	1,165	1,144
Goods-in-transit	110	197	2,098
	17,510	14,190	14,487
	(1,769)	(415)	(450)
	15,741	13,775	14,037
Cost of inventories included in cost of sales	48,251	49,700	41,735

Movement in the allowance for inventory:

Group	Allowance for inventory $'000
Balance at January 1, 2017	450
Decrease in allowance recognised in profit or loss	(35)
Balance as at December 31, 2017	415
Increase in allowance recognised in profit or loss	1,354
Balance as at December 31, 2018	1,769

10 ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

For the financial years ended from December 31, 2013 to 2017, the assets and liabilities related to JEPT were presented in the consolidated 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". The liquidation process of JEPT was completed on October 24, 2018 and JEPT ceased 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 prior to the disposal on October 24, 2018 were as follows:

	Group	
	December 31, 2017	January 1, 2017
	$'000	$'000
Assets		
Cash and bank balances	38	38
Assets of disposal group classified as held for sale	38	38
Liabilities		
Liabilities directly associated with disposal group classified as held for sale	–	–
Net assets directly associated with disposal group classified as held for sale	38	38

11 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on leasehold land $'000	Machinery and equipment $'000	Electrical installations and renovations $'000	Furniture, fittings and office equipment $'000	Computers $'000	Motor vehicles $'000	Total $'000
Cost:							
At January 1, 2017	28,925	48,391	5,085	1,153	1,120	579	85,253
Additions	198	7,746	197	207	457	96	8,901
Disposals	–	(2,437)	–	–	–	(87)	(2,524)
Written off	–	(640)	(1,434)	(435)	(116)	–	(2,625)
At December 31, 2017	29,123	53,060	3,848	925	1,461	588	89,005
Additions	2	3,285	87	25	178	–	3,577
Disposals	–	(1,933)	–	(22)	–	–	(1,955)
Written off	–	(113)	(277)	(1)	(15)	–	(406)
At December 31, 2018	29,125	54,299	3,658	927	1,624	588	90,221
Accumulated depreciation:							
At January 1, 2017	1,227	29,508	1,901	581	838	341	34,396
Depreciation for the year	985	3,579	506	151	214	83	5,518
Disposals	–	(2,298)	–	–	–	(87)	(2,385)
Written off	–	(601)	(1,434)	(429)	(116)	–	(2,580)
At December 31, 2017	2,212	30,188	973	303	936	337	34,949
Depreciation for the year	1,099	3,908	398	160	284	84	5,933
Disposals	–	(1,434)	–	(9)	–	–	(1,443)
Written off	–	(110)	(277)	(1)	(15)	–	(403)
At December 31, 2018	3,311	32,552	1,094	453	1,205	421	39,036
Carrying amount:							
At December 31, 2018	25,814	21,747	2,564	474	419	167	51,185
At December 31, 2017	26,911	22,872	2,875	622	525	251	54,056
At January 1, 2017	27,698	18,883	3,184	572	282	238	50,857

Company	Furniture, fittings and office equipment $'000	Computers $'000	Total $'000
Cost:			
Balance as at January 1, 2017	73	91	164
Additions	–	23	23
Written off	(68)	(55)	(123)
At December 31, 2017	5	59	64
Additions	–	5	5
At December 31, 2018	5	64	69
Accumulated depreciation:			
At January 1, 2017	73	91	164
Depreciation for the year	–	1	1
Written off	(68)	(55)	(123)
At December 31, 2017	5	37	42
Depreciation for the year	–	6	6
At December 31, 2018	5	43	48
Carrying amount:			
At December 31, 2018	–	21	21
At December 31, 2017	–	22	22
At January 1, 2017	–	–	–

Leased property, plant and equipment

As at December 31, 2018, the net carrying amount of machinery and equipment and motor vehicles under finance lease of the Group amounted to $9,876,000 (December 31, 2017 : $10,020,000; January 1, 2017 : $2,850,000) and $128,200 (December 31, 2017 : $189,700; January 1, 2017 : $154,000) respectively (Note 17).

As at December 31, 2018, the buildings on leasehold land comprise:

Location	Description	Tenure	Carrying amount December 31, 2018	Carrying amount December 31, 2017	Carrying amount January 1, 2017
			$'000	$'000	$'000
No. 16 Seletar Aerospace Crescent Singapore 797567	Leasehold land with an elected 4-storey single-user industrial development factory	30 years commencing February 1, 2015	19,128	19,859	20,391
No. 2 Loyang Way 4 Singapore 507098	Leasehold land with an elected single-storey factory with a mezzanine level and a single-storey rear extension	30 years commencing June 1, 2007	3,773	3,976	4,181
	Leasehold land with an elected 4-storey factory building with provision of secondary workers' dormitory	23 years 10 months commencing August 1, 2013	2,913	3,076	3,126
			25,814	26,911	27,698

Security

As at December 31, 2018, the Group's factory buildings and machinery with carrying amounts of $25,814,000 (December 31, 2017 : $26,911,000; January 1, 2017 : $27,698,000) and $4,302,000 (December 31, 2017 : $5,315,000; January 1, 2017 : $6,016,000) respectively are pledged as security to certain banking facilities granted to the Group (Note 14).

12 INTANGIBLE ASSETS

Group	Goodwill on consolidation	Customer relationship	Total
	$'000	$'000	$'000
Cost:			
Balance as at January 1, 2017, December 31, 2017 and December 31, 2018	18,812	12,915	31,727
Accumulated amortisation:			
At January 1, 2017	–	11,704	11,704
Amortisation for the year	–	761	761
At December 31, 2017	–	12,465	12,465
Amortisation for the year		123	123
At December 31, 2018	–	12,588	12,588
Impairment:			
Balance as at January 1, 2017, December 31, 2017 and December 31, 2018	1,270	–	1,270
Carrying amount:			
Balance as at December 31, 2018	17,542	327	17,869
Balance as at December 31, 2017	17,542	450	17,992
Balance as at January 1, 2017	17,542	1,211	18,753

(a) Goodwill on consolidation

Impairment tests for goodwill

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

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Precision machining	11,450	11,450	11,450
Trading and Others	814	814	814
Equipment manufacturing	5,278	5,278	5,278
	17,542	17,542	17,542

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and thereafter budget a perpetual growth rate of 2% (December 31, 2017 : 2%; January 1, 2017 : 1.9% to 2.1%). This rate does not exceed the average long term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Group			
Precision machining	12.3%	9.5%	12.2%
Trading and Others	14.9%	13.1%	13.4%
Equipment manufacturing	15.3%	13.0%	13.2%

As at December 31, 2018, any reasonably possible change to the key assumptions applied not likely to cause the recoverable amounts to be below the carrying amounts of the CGUs.

(b) Customer relationship

JEP Precision Engineering Pte Ltd

This relates to customer relationship arising from the acquisition of JEP Precision Engineering Pte Ltd and its subsidiary. The amortisation of customer relationship has been fully amortised in the current reporting period and is included in the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

JEP Industrades Pte Ltd

This relates to customer relationship arising from the acquisition of JEP Industrades Pte Ltd. The remaining amortisation period of the customer is 3 years (December 31, 2017 : 4 years; January 1, 2017 : 5 years) . The amortisation of customer relationship is included in the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income. In the opinion of the directors of the Group, there is no indication that the recorded book value cannot be recovered from the business operations in the future periods.

13 SUBSIDIARIES

	Company		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Unquoted equity investments, at cost	64,040	50,637	50,637

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

Name of subsidiary	Country of incorporation (or residence)	Proportion of ownership interest and voting rights held by the Group			Principal activities
		December 31, 2018	December 31, 2017	January 1, 2017	
		%	%	%	
Held by the Company					
JEP Precision Engineering Pte Ltd [(1)(4)]	Singapore	100	85	85	Precision engineering works for parts used mainly in the aerospace, oil and gas industries, and other general engineering and machinery works.
JEP Industrades Pte Ltd [(1)]	Singapore	100	100	100	Manufacturer, importers and exporters, traders, agents, repairs of precision machineries, carbide cutting tools, hardware, industrial equipment and engineering works.
Dolphin Engineering Pte Ltd [(1)]	Singapore	100	100	100	Large format precision engineering and equipment fabrication service.
JEP China Holdings Pte Ltd [(2)]	Singapore	100	100	–	Dormant
Held through a subsidiary					
JEP Precision Engineering Co., Ltd [(3)]	Thailand	-	85	85	Liquidation completed on October 24, 2018.

[(1)] Audited by Deloitte & Touche LLP, Singapore in 2018 and 2017 and Foo Kon Tan LLP, Singapore in 2016.

[(2)] JEP China Holdings Pte Ltd was struck off on February 4, 2019.

[(3)] JEP Precision Engineering Co., Ltd was liquidated on October 24, 2018.

[(4)] On December 20, 2018, the Group acquired the remaining 15% shares in JEP Precision Engineering Pte Ltd from the non-controlling shareholder. As at December 31, 2018, JEP Precision Engineering Pte Ltd is a wholly-owned subsidiary of the Company.

The following subsidiary had non-controlling interests ("NCI") that were material to the Group:

Name of subsidiary	Country of incorporation (or residence)	Profit (Loss) allocated to non- controlling interest			Accumulated non-controlling interest		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		$'000	$'000	$'000	$'000	$'000	$'000
Held by the Company							
JEP Precision Engineering Pte Ltd	Singapore	102	(642)	(339)	–	1,600	2,242

Non-controlling interests

The following summarises the comparative financial position and financial results of JEPS as at December 31, 2017 and January 1, 2017. The financial information presented below represents amounts before inter-company eliminations with other companies within the Group.

Summarised statement of financial position

	December 31, 2017	January 1, 2017
	$'000	$'000
Non-current assets	45,808	42,800
Current asset	23,681	24,877
Non-current liabilities	(32,142)	(23,126)
Current liabilities	(26,419)	(29,384)
Net assets	10,928	15,167

Summarised statement of profit or loss and other comprehensive income

	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Revenue	51,955	49,214	44,049
Expenses	(51,656)	(53,453)	(46,226)
Profit (Loss) for the year	299	(4,239)	(2,177)

Summarised statement of cash flows

	December 31, 2017	January 1, 2017
	$'000	$'000
Net cash inflow (outflow) from operating activities	203	(1,773)
Net cash outflow from investing activities	(9,263)	(18,698)
Net cash inflow from financing activities	7,301	22,696
Net cash (outflow) inflow	(1,759)	2,225

14 BANK LOANS

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Secured - at amortised cost:			
- Term loan	28,249	30,009	25,069
- Construction loan	–	1,283	1,523
- Accounts receivable factoring (Note A)	834	2,056	2,513
- Trust receipts	7,573	8,473	6,740
	36,656	41,821	35,845
Less: Amount due for settlement within 12 months (shown under current liabilities)	(11,105)	(14,323)	(11,996)
Amount due for settlement after 12 months	25,551	27,498	23,849

The management estimate the fair value of the Group's long-term bank loan to approximate the carrying amount as the effective interest rates approximate current market interest rates on or near the end of the reporting period.

Note A

The accounts receivable factoring with recourse relates to credit facilities granted by the financial institution for approved trade receivables.

Terms and conditions of outstanding borrowings are as follows:

			December 31, 2018		December 31, 2017		January 1, 2017	
	Currency	Nominal interest rate	Principal amount	Carrying amount	Principal amount	Carrying amount	Principal amount	Carrying amount
Group		%	$'000	$'000	$'000	$'000	$'000	$'000
Secured								
4-year term loan	SGD	COF[1]+1.75%	3,140	1,177	3,140	1,962	3,140	2,747
Seletar Aerospace Park (SAP) term loan	SGD	COF[1]+1.75%	20,000	18,919	20,000	19,495	20,000	13,128
3-year term loan	SGD	COF[1]+1.75%	264	243	–	–	–	–
10-year term loan	SGD	COF[1]+1.50%	4,000	3,045	4,000	3,312	4,000	3,578
15-year term loan	SGD	COF[1]+1.50%	6,400	4,865	6,400	5,240	6,400	5,616
Construction loan	SGD	COF[1]+1.50%	2,100	–	2,100	1,283	2,100	1,523
Accounts receivable factoring	USD	COF[1]+1.50%	834	834	2,056	2,056	2,513	2,513
Trust receipts	USD	COF[1]+1.50%	6,869	6,869	8,473	8,473	6,740	6,740
Trust receipts	EUR	COF[1]+0.05%	704	704	–	–	–	–
			44,311	36,656	46,169	41,821	44,893	35,845

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

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

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
4-year term loan	3.55%	2.90%	2.60%
SAP term loan	3.52%	2.90%	2.61%
3-year term loan	3.72%	–	–
10-year term loan	3.43%	2.65%	2.74%
15-year term loan	3.18%	2.65%	2.62%
Construction loan	3.33%	2.65%	2.97%
Accounts receivable factoring	4.60%	3.54%	2.94%
Trust receipt	4.00%	3.13%	2.78%

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

(b) A term loan was granted to a subsidiary in 2015 for the construction of Seletar Aerospace Park building. The secured term loan granted to the subsidiary is repayable over 83 fixed monthly principal instalments of $98,000 and a final principal instalment of $11,862,000.

(c) A 3-year term loan was granted to a subsidiary in 2018. The secured term loan granted to the subsidiary is repayable over 36 monthly instalments over a period of 3 years.

(d) A 10-year term loan was granted to a subsidiary in 2015. The secured term loan granted to the subsidiary is repayable over 119 monthly principal instalments of $22,200 each and a final fixed principal instalment of $1,358,200.

(e) The 15-year secured term loan granted to a subsidiary in 2014 is repayable over 180 monthly instalments over a period of 15 years.

(f) The secured 5-year construction loan granted to a subsidiary by a bank in 2015 is repayable over 47 monthly principal instalments of $20,000 each and a final lump sum of $1,043,000 was repaid during the year.

(g) The factored receivables is repayable up to January 31, 2019 (December 31, 2017 : February 23, 2018; January 1, 2017 : January 20, 2017).

(h) The secured trust receipts granted to a subsidiary by a bank is repayable on various dates between January 10, 2019 (December 31, 2017 : January 2, 2018; January 1, 2017 : January 3, 2017), being the earliest date and May 28, 2019 (December 31, 2017 : June 4, 2018; January 1, 2017 : May 23, 2017), being the latest date.

Secured term loans

The SAP term loan, construction loan, 3-year, 10-year and 15-year secured term loans are secured over buildings on leasehold land with carrying amount of $25,814,000 (December 31, 2017 : $26,911,000; January 1, 2017 : $27,698,000).

The 4-year secured term loan is secured over machinery and equipment with carrying amount of $4,302,000 (December 31, 2017 : $5,315,000; January 1, 2017 : $6,016,000).

Secured bank facilities

The accounts receivable factoring and trust receipts are secured by a corporate guarantee provided by the Company (Note 31).

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

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	January 1, 2018	Financing cash flow [i]	Purchase of property, plant and equipment [ii]	Non-cash changes Foreign Exchange Movement	December 31, 2018
	$'000	$'000	$'000	$'000	$'000
Bank loans (Note 14)	41,821	(5,251)	–	86	36,656
Finance leases (Note 17)	7,556	(1,966)	738	247	6,575
	49,377	(7,217)	738	333	43,231

	January 1, 2017	Financing cash flow (i)	Purchase of property, plant and equipment [ii]	Non-cash changes Foreign Exchange Movement	December 31, 2017
	$'000	$'000	$'000	$'000	$'000
Bank loans (Note 14)	35,845	6,453	–	(477)	41,821
Finance leases (Note 17)	1,951	(1,060)	7,135	(470)	7,556
	37,796	5,393	7,135	(947)	49,377

[i] The cash flows make up the net amount of proceeds and repayments of borrowings and finance leases in the statement of cash flows.
[ii] Purchase of property, plant and equipment by means of finance leases.

15 TRADE AND OTHER PAYABLES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables						
Related party	42	–	–	–	–	–
Outside parties	10,563	10,707	8,298	–	–	–
	10,605	10,707	8,298	–	–	–
Other payables						
Outside parties	612	1,325	680	2	7	69
Liability owing to suppliers of property, plant and equipment and contractor of building	93	974	8,240	–	5	–
Accrued personnel costs	2,113	1,635	1,297	338	203	204
Other accrued operating expenses	1,387	1,101	757	143	57	105
Accruals for purchases	310	297	1,092	–	–	–
GST output tax	124	171	68	15	12	14
Deferred income	–	–	432	–	–	–
Deposits received	140	136	145	–	–	–
Provision for directors' fees	103	120	90	73	–	–
	4,882	5,759	12,801	571	284	392
	15,487	16,466	21,099	571	284	392

Deferred income

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Cost:			
Balance at beginning and at end of the year	–	3,300	3,300
Accumulated amortisation:			
Balance at beginning of the year	–	2,868	2,397
Amortisation for the year	–	432	471
Balance at end of the year	–	3,300	2,868
Net carrying amount	–	–	432

As at January 1, 2017, 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 over fair value is amortised over the lease term of seven years.

16 AMOUNT DUE TO SUBSIDIARIES

	Company		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Loan from a subsidiary (Note A)	3,327	950	1,851
Amount due to a subsidiary (non-trade)	–	56	–
	3,327	1,006	1,851
Less: Non-current portion			
Amount due to subsidiaries	(1,660)	–	(950)
Amount due to subsidiaries presented as current liabilities	1,667	1,006	901

Note A

Loan from a subsidiary are unsecured with interest rates ranging from 3.18% to 3.43% per annum (December 31, 2017 : 5.00% per annum; January 1, 2017 : 5.00% per annum).

The fair value of the amount due to subsidiaries approximate its carrying amount.

17 FINANCE LEASES

Finance lease liabilities are payable as follows:

	Group					
	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Amounts payable under finance leases:						
- Within one year	2,175	2,052	856	2,003	1,850	803
- In the second to fifth years inclusive	4,751	5,970	1,196	4,572	5,660	1,148
- After five years	–	47	–	–	46	–
	6,926	8,069	2,052	6,575	7,556	1,951
Less: Future finance charges	(351)	(513)	(101)	–	–	–
Present value of lease obligations	6,575	7,556	1,951	6,575	7,556	1,951
Less: Amount due for settlement within 12 months (shown under current liabilities)				(2,003)	(1,850)	(803)
Amount due for settlement after 12 months				4,572	5,706	1,148

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 to 5 years. In 2018, the average effective borrowing rate was 2.8% to 5.8% per annum (December 31, 2017 : 1.4% to 5.8% per annum; January 1, 2017 : 2.8% to 5.8% per annum). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The management estimate the fair value of the Group's long-term finance leases to approximate the carrying amount as the effective interest rates approximate current market interest rates on or near the end of the reporting period.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (Note 11) and a corporate guarantee by the Company (Note 31).

18 CONTINGENT CONSIDERATION AND PROVISION

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Contingent consideration (Note A)	–	2,000	3,796	–	2,000	3,796
Provision for restoration cost (Note B)	–	–	292	–	–	–
	–	2,000	4,088	–	2,000	3,796
Less: Non-current portion contingent consideration	–	–	(1,791)	–	–	(1,791)
Contingent consideration and provision presented as current liabilities	–	2,000	2,297	–	2,000	2,005
Movement of provision for restoration cost:						
- Balance at beginning of the year	–	292	285	–	–	–
- Utilisation of provision	–	(300)	–	–	–	–
- Unwinding of discount	–	8	7	–	–	–
Balance at end of the year	–	–	292	–	–	–

Note A

As part of the purchase agreement with the previous owners of JEP Industrades Pte Ltd ("JEPI") in 2015, an additional cash consideration has been agreed. The additional cash consideration shall be due to the previous owners of JEPI, based on the performance of JEPI in respect of each financial year ("FY") specified below:

(a) Additional cash consideration for each financial year 2016, 2017 and 2018 shall be based on the actual net profit after tax ("NPAT") for the relevant financial year based on the audited financial statements, up to a cumulative maximum amount of $4,000,000 for the three financial years, provided, inter alia, that the Company shall first receive from JEPI an aggregate of $1,000,000 in dividends before any additional cash consideration is paid to the previous owners of JEPI; and

(b) The additional cash consideration shall be paid no later than 1 month after the relevant audited financial statements of JEPI for the relevant financial year have been issued.

(c) The determination of the fair value is based on discounted cash flows. The key assumption applied is the timing of JEPI meeting the performance target.

Note B

In 2016, the fair value of the provision for restoration cost was estimated using discounted cash flow approach, which discounted the contractual cash flows using a discounted rate of 2.72% per annum.

19 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and the Company, and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation	Fair value adjustment on acquisitions of subsidiaries	Others	Tax losses	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Balance as at January 1, 2017	989	241	(118)	(357)	755
(Credited) Charged to profit or loss (Note 25)	(539)	(158)	65	195	(437)
Balance as at December 31, 2017	450	83	(53)	(162)	318
Charged (Credited) to profit or loss (Note 25)	905	39	(127)	69	886
Balance as at December 31, 2018	1,355	122	(180)	(93)	1,204
Company					
Balance as at January 1, 2017	–	–	–	(357)	(357)
Charged to profit or loss	2	–	–	195	197
Balance as at December 31, 2017	2	–	–	(162)	(160)
Charged to profit or loss	–	–	–	69	69
Balance as at December 31, 2018	2	–	–	(93)	(91)

Certain deferred tax liabilities and assets have been offset in accordance with the Group's and Company's accounting policy. The following is the analysis of the deferred tax balances for statement of financial position purposes:

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities	1,295	478	1,112	–	–	–
Deferred tax assets	(91)	(160)	(357)	(91)	(160)	(357)
	1,204	318	755	(91)	(160)	(357)

20 SHARE CAPITAL

	Group and Company					
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	Number of ordinary shares			$'000	$'000	$'000
Issued and paid-up:						
- At the beginning of the year	1,455,358,471	1,453,757,871	1,048,973,266	45,218	45,186	37,834
- Issued for cash [(2)]	63,228,237	1,600,600	404,784,605	1,264	32	7,473
- Effect of shares consolidation [(1)]	(1,138,940,053)	–	–	–	–	–
- Issued for cash [(3)]	16,609,411	–	–	1,329	–	–
- Share issuance expense	–	–	–	–	–	(121)
- At the end of the year	396,256,066	1,455,358,471	1,453,757,871	47,811	45,218	45,186

(1) On May 21, 2018 due to share consolidation exercise, four (4) existing ordinary shares have been consolidated into one (1) ordinary share.

(2) Prior to share consolidation exercise on May 21, 2018.

(3) Subsequent to share consolidation exercise on May 21, 2018.

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

Issue of ordinary shares

In 2016, the Company issued 404,784,605 new ordinary shares in the capital of the Company at $0.020 each and 202,392,299 free detachable warrants ("Rights cum Warrants Issue"). Each warrant carries a right to subscribe to one new ordinary share at an exercise price of $0.020, exercisable during a three year period from the date of issue. The warrants will expire on December 22, 2019. As at January 1, 2017, there were outstanding warrants of 202,392,299 for conversion into ordinary shares.

In 2017, 1,600,600 warrants were exercised at $0.020 pursuant to the Rights cum Warrants Issue. As at December 31, 2017, there were outstanding warrants of 200,791,699 for conversion into ordinary shares.

During the current reporting period, 63,228,237 warrants were exercised at $0.02 pursuant to the Rights cum Warrants Issue and 16,609,411 warrants were exercised at S$0.08 pursuant to the Rights cum Warrants Issue subsequent to the share consolidation and warrant adjustment exercise on May 21, 2018. As at December 31, 2018, there were outstanding warrants of 17,781,439 for conversion into ordinary shares.

21 RESERVES

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

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Warrants reserve	219	618	623	219	618	623
Capital reserve	553	252	247	651	252	247
Translation reserve	–	(194)	(194)	–	–	–
	772	676	676	870	870	870

Warrants reserve

The warrants reserve represents the assigned fair value of the warrants issued by the Company, net of issue expenses. Each warrant carries the right to subscribe to one new ordinary share at an exercise price of $0.020 prior to the share consolidation and warrant adjustment exercise on May 21, 2018 and $0.080 subsequent to share consolidation and warrant adjustment on May 21, 2018 for each new share within the period disclosed in Note 20 above. As and when the warrants are exercised, the related balance is transferred to the share capital account. At the expiry of the warrants, the balance in the warrants reserve will be transferred to retained earnings.

Capital reserve

The capital reserve pertains to a gain on reissuance of treasury shares in 2012 and acquisition of non-controlling interest in a subsidiary in 2018. Capital reserve is non-distributable.

Translation reserve

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

22 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8. (See Note 32)

	Group	
	2018	2017
	$'000	$'000
Segment revenue		
Precision machining	51,204	48,621
Trading and Others	18,294	19,980
Equipment manufacturing	16,367	17,492
	85,865	86,093

23 OTHER OPERATING INCOME

	Group	
	2018	2017
	$'000	$'000
Gain on disposal of property, plant and equipment	54	276
Amortisation of gain on sales and leaseback	–	496
Government grant	333	339
Sales of scrap waste metal	101	24
Dormitory occupancy fee	434	523
Foreign exchange gain	–	134
Rental income	72	7
Interest income	2	7
Bad debts recovered	2	35
Penalty income	–	275
Cash surrender value of insurance policies	102	–
Others	65	18
	1,165	2,134

24 FINANCE COSTS

	Group 2018 $'000	Group 2017 $'000
Interest expense:		
- bank term loans	1,314	1,096
- finance leases	210	110
- bank overdraft	7	10
Unwinding of discount:		
- provision of restoration cost	–	8
- contingent consideration	–	203
	1,531	1,427

25 INCOME TAX

	Group 2018 $'000	Group 2017 $'000
Underprovision for deferred tax in prior years	421	541
Deferred tax	465	(978)
Income tax expense (benefit) for the year	886	(437)

Domestic income tax is calculated at 17% (2017 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total tax charge (credit) for the year can be reconciled to the accounting profit (loss) as follows:

	Group 2018 $'000	Group 2017 $'000
Profit (Loss) before tax	3,181	(254)
Income tax expenses (benefit) at statutory rate	541	(43)
Effect of expenses that are not deductible for tax purpose	516	412
Effect of tax exempt income	(56)	(351)
Effect of tax incentives	(506)	(1,042)
Underprovision for deferred tax in prior years	421	541
Others	(30)	46
Total income tax charge (credit)	886	(437)

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $547,000 (2017 : $953,000) available for offset against future profits. A deferred tax asset of $93,000 (2017 : $162,000) has been recognised in respect of such losses.

The realisation of the future income tax benefits from tax losses carry forward is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

26 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2018	2017
	$'000	$'000
Impairment loss recognised on trade receivables	10	9
Amortisation of intangible assets	123	761
Amortisation of gain on sales and leaseback	–	(496)
Club membership written off	48	–
Depreciation of property, plant and equipment	5,933	5,518
Property, plant and equipment written off	3	45
Foreign exchange loss (gain)	487	(134)
Gain on disposal of property, plant and equipment	(54)	(276)
Provision for (Reversal of) inventory obsolescence	1,354	(35)
Directors' remuneration:		
- of the Company	155	190
- of the subsidiaries	30	90
Employee benefits expense (including directors' remuneration)	18,080	17,173
Audit fees paid/payable to auditors of the Company	183	150
Non-audit fees paid/payable to auditors of the Company	33	23

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

	Group	
	2018	2017
	$'000	$'000
Employee benefit costs charged to:		
Cost of sales	13,108	12,700
Selling and distribution expenses	1,433	1,593
Administrative expenses	3,539	2,880
	18,080	17,173

27 DIVIDENDS

In April 27, 2017, a final dividend of 0.03 cents per share (total dividends of $436,000) was paid to shareholders in respect of previous financial year. There is no dividend declared in respect of the current financial year.

28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the profit for the year attributable to 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 reflects the income and share data used in the basic and diluted earnings per share computation for the financial year ended December 31:

	Group	
	2018	2017
Profit for the year attributable to owners of the Company	$2,193,000	$825,000
Weighted average number of ordinary shares for the purpose of basic earnings per share	379,346,652	363,595,626
Weighted average number of ordinary shares for the purpose of diluted earnings per share	414,037,505	414,037,505

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the date of these financial statements.

29 CAPITAL COMMITMENTS

	Group	
	2018	2017
	$'000	$'000
Commitments for the acquisition of property, plant and equipment	21	1,040

30 OPERATING LEASE COMMITMENTS

The Group as lessee

	Group	
	2018	2017
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense during the year	498	2,344

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	2017
	$'000	$'000
Within one year	834	496
In the second to fifth years inclusive	1,803	1,962
After five years	7,385	8,029
	10,022	10,487

Operating lease payments represent rentals payable by the Group for certain of its rental of office premises, factory space and office equipment. Leases are negotiated for an average term of 3 to 30 years (2017 : 2 to 30 years) with an option to renew the lease at market rate.

The Group as lessor

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

	Group	
	2018	2017
	$'000	$'000
Not later than one year	414	392
Later than one year and not later than five years	759	–
	1,173	392

31 CORPORATE GUARANTEES

Intra-group financial guarantee comprises a guarantee given by the Company to a bank in respect of banking and hire purchase facilities amounting to $64,894,000 (December 31, 2017 : $64,628,000; January 1, 2017 : $61,090,000) granted to its subsidiaries. The fair value of the corporate guarantees were assessed by management to be insignificant as the banking and hire purchase facilities were secured by property, plant and equipment.

32 SEGMENT INFORMATION

Operating segments are aggregated into a single operating segment if they have similar economic characteristics. The Group's reportable operating segments under SFRS(I) 8 are as follows:

1. The precision machining segment is a provider of precision machining services for aerospace, oil and gas, electronics and automotive industry.

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

3. The equipment manufacturing segment is a provider of large format precision engineering and equipment fabrication service.

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

Management monitors the operating results of its reporting segments for the purpose of making decisions in order to assess the respective reporting segments' performances. This is evaluated based on operating profit or loss which in certain respects, as explained in the table below and is measured differently from operating profit or loss in the 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 segments 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 segments item thereon attributable to individual reporting segments is not presented as the information is not provided to the chief operating decision maker.

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

(a) By business

	Precision machining		Trading and others		Equipment manufacturing		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
REVENUE:								
Total revenue	51,955	49,215	20,512	21,985	16,430	17,715	88,897	88,915
Inter-reporting unit sales	(751)	(594)	(2,218)	(2,005)	(63)	(223)	(3,032)	(2,822)
External customers	51,204	48,621	18,294	19,980	16,367	17,492	85,865	86,093
Results								
Segment results	1,991	(4,100)	1,980	2,502	2,177	3,544	6,148	1,946
Unallocated expenses:								
Unallocated corporate expenses							(1,436)	(773)
							4,712	1,173
Finance costs							(1,531)	(1,427)
Profit (Loss) before tax							3,181	(254)
Income tax (expense) credit							(886)	437
Net profit for the year, net of tax							2,295	183

	Precision machining		Trading and others		Equipment manufacturing		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
OTHER INFORMATION:								
Capital expenditure	2,108	7,442	67	109	1,402	1,350	3,577	8,901
Depreciation of property, plant and equipment	4,868	4,749	81	61	984	708	5,933	5,518
Amortisation of intangible assets	–	638	123	123	–	–	123	761

(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.

Group	Revenue		Non-current assets		
	2018	2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000
Singapore	31,224	35,881	68,989	72,745	69,610
People's Republic of China*	28,221	35,578	–	–	–
Malaysia	2,522	1,276	65	–	–
USA	13,575	6,308	–	–	–
United Kingdom	5,190	2,044	–	–	–
Others**	5,133	5,006	–	–	–
	85,865	86,093	69,054	72,745	69,610

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:

Group	Segment assets			Segment liabilities		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	110,920	115,639	111,456	58,594	67,672	62,946
Malaysia	109	–	–	–	–	–
Others**	–	38	38	–	–	–
	111,029	115,677	111,494	58,594	67,672	62,946

* People's Republic of China includes Hong Kong.

** Others include countries such as Canada, Switzerland, France, Norway, Middle East countries and Southeast Asia.

(c) Reconciliation of segments total assets and total liabilities

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Reportable segments' assets are reconciled to total assets as follows:			
Segment assets	111,029	115,677	111,494
GST input tax	1,020	1,329	1,341
Deferred tax assets	91	160	357
Total assets	112,140	117,166	113,192
Reportable segments' liabilities are reconciled to total liabilities as follows:			
Segment liabilities	58,594	67,672	62,946
GST output tax	124	171	68
Deferred tax liabilities	1,295	478	1,112
Total liabilities	60,013	68,321	64,126

Information about major customers

Revenue from transactions with two external customers accounted to $35,321,000 (2017 : three external customers accounted to $30,194,000), where each individual external customer contributes to 10% or more of the Group's revenue.

33 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for the financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts are not presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017) as there were no changes compared to the amounts previously reported.

There is no change to the Group's and the Company's previous accounting policies and disclosures under FRS or material adjustments on the initial transition to the new framework, other than the changes in accounting policies and enhanced disclosures arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time.

Management has elected the following transition exemption:

a) SFRS(I) 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

   SFRS(I) 1 also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets).

b) As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed using the transition provisions of SFRS(I) 15.

Management has not elected the transition exemption under SFRS(I) 9 and full retrospective application and disclosures have been made. The transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 have not had a material impact on the consolidated financial statements.

34 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) that are relevant to the Group and the Company were issued but not effective:

- SFRS(I) 16 *Leases*[1]

[1] *Applies to annual periods beginning on or after January 1, 2019, with early application permitted if SFRS(I) 15 is adopted.*

Management anticipates that the adoption of the above SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

<u>SFRS(I) 16 *Leases*</u>

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor SFRS(I) 1-17.

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists.

As at December 31, 2018, the Group has non-cancellable operating lease commitments with a term of more than one year totalling to $10,022,000. SFRS(I) 1-17 does not require the recognition of any right-of-use assets or lease liability for future payments of these leases; instead certain information is disclosed as operating lease commitments in Note 30 to the financial statements. Management anticipates that the initial application of the new SFRS(I) 16 will result in changes to the accounting policies relating to operating leases, where the Group is a lessee. A right-of-use asset will be recognised in its statement of financial position, representing the Group's right to use the leased asset over the lease term and, recognise a corresponding lease liability representing its obligation to make lease payments. Additional disclosures may be made with respect of right-of-use assets and lease liabilities. Management has commenced an assessment of the possible impact of implementing SFRS(I) 16. It is currently impracticable to disclose any information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as management has yet to complete its detailed assessment.

35 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

As a result, certain line items have been amended in the consolidated statement of cash flow and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The material reclassifications were as follows:

	Group 2017	
	Previously reported	After reclassification
	$'000	$'000
Consolidated statement of cash flows		
Unrealised foreign exchange loss (gain)	–	(193)
Trade and other receivables	(2,836)	(3,390)
Trade and other payables	2,683	2,750
Repayments of finance lease	(1,263)	(1,060)
Proceeds from term loans	14,839	6,367
Repayments of term loans	(8,863)	(1,666)
Proceeds from trade financing loans	–	8,592
Repayments of trade financing loans	–	(6,482)
Net repayments of factoring loans	–	(358)

STATISTICS OF **SHAREHOLDINGS**

as at 26 March 2019

SHARE CAPITAL

Issued and fully paid up capital	:	S$48,160,236
Numbers of shares	:	400,621,516
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	38	1.62	1,300	#
100 - 999	125	5.33	44,055	0.01
1,000 - 10,000	879	37.48	4,453,994	1.11
10,001 - 1,000,000	1,271	54.20	91,995,918	22.96
1,000,001 AND ABOVE	32	1.37	304,126,249	75.92
TOTAL	**2,345**	**100.00**	**400,621,516**	**100.00**

# Denotes less than 0.01%

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		DEEMED INTEREST	
NAME OF SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES	%
Luong Andy[(1)]	–	–	111,748,275	27.89
UMS Holdings Limited[(1)]	111,748,275	27.89	–	–
Zee Hoong Huay[(2)]	53,653,855	13.39	6,401,000	1.60
Ellipsiz Limited[(3)]	43,841,202	10.94	–	–
Bevrian Limited[(3)]	–	–	43,841,202	10.94
David Lum Kok Seng[(3)]	–	–	43,841,202	10.94

Notes:

(1) Mr. Luong Andy holds 20.58% of the issued share capital of UMS Holdings Limited, which in turn holds 27.89% of the issued share capital of the Company. Mr. Luong Andy is therefore deemed to be interested in all the Shares held by UMS Holdings Limited in the Company.

(2) Mr Zee Hoong Huay is deemed interested in 6,401,000 ordinary shares registered in the name of his spouse, Ms Lee Pui Rong.

(3) Mr. David Lum Kok Seng is the sole shareholder of Bevrian Pte.Ltd., which in turn holds 60.11% of the issued share capital of Ellipsiz Ltd. Mr. David Lum Kok Seng and Bevrian Pte. Ltd. are therefore deemed to be interested in all the Shares held by Ellipsiz Ltd in the Company.

STATISTICS OF **SHAREHOLDINGS**

as at 26 March 2019

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO OF SHARES	%
1	UMS HOLDINGS LIMITED	111,748,275	27.89
2	ZEE HOONG HUAY	50,778,855	12.68
3	ELLIPSIZ LTD	43,841,202	10.94
4	SEVEN CREEK PTE LTD	15,400,000	3.84
5	CITIBANK NOMINEES SINGAPORE PTE LTD	13,420,000	3.35
6	PHILLIP SECURITIES PTE LTD	6,607,505	1.65
7	LEE PUI RONG	6,401,000	1.60
8	DBS NOMINEES (PRIVATE) LIMITED	4,853,987	1.21
9	TAN TAI SIM	4,686,500	1.17
10	OCBC SECURITIES PRIVATE LIMITED	3,694,987	0.92
11	WONG HIN YET OR LEE KENG LAN	3,320,300	0.83
12	CHONG GEORGE	3,229,900	0.81
13	WANG LIANG HORNG	2,900,000	0.72
14	SAN TAI CONSTRUCTION (S) PTE LTD	2,890,000	0.72
15	HSBC (SINGAPORE) NOMINEES PTE LTD	2,313,500	0.58
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,233,812	0.56
17	SOH CHEE SIONG	2,200,750	0.55
18	NG LIAN SANG	2,178,800	0.54
19	NG KOW TENG	2,134,825	0.53
20	HENG YONG SENG	2,080,000	0.52
	TOTAL	**286,914,198**	**71.61**

PERCENTAGE OF SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 26 March 2019, approximately 46.18% of the total issued ordinary shares of the Company are held by public and therefore, Rule 723 of Catalist Rules has been complied with.

STATISTICS OF **WARRANTHOLDINGS**

as at 26 March 2019

Numbers of warrants outstanding : 13,415,989

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1 - 99	8	5.23	248	#
100 - 999	9	5.88	5,262	0.04
1,000 - 10,000	56	36.60	215,933	1.61
10,001 - 1,000,000	74	48.37	4,095,596	30.53
1,000,001 AND ABOVE	6	3.92	9,098,950	67.82
TOTAL	**153**	**100.00**	**13,415,989**	**100.00**

# Denotes less than 0.01%

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME OF WARRANTHOLDERS	NO OF WARRANTS	%
1	PHILLIP SECURITIES PTE LTD	2,270,375	16.92
2	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,690,175	12.60
3	QUEK JIAN LIANG	1,514,425	11.29
4	LEE PUI RONG	1,358,500	10.13
5	LEE NAI MING	1,140,475	8.50
6	ANG CHIN SHENG	1,125,000	8.39
7	GOH LAI PENG	715,050	5.33
8	WONG POH HWA @ KWAI SENG	326,250	2.43
9	LOON RI SHENG ESMOND (LUN RISHENG)	236,000	1.76
10	OCBC SECURITIES PRIVATE LIMITED	200,000	1.49
11	TAN AIK HIN	178,000	1.33
12	OOI CHEE MENG	162,500	1.21
13	EIO HOCK CHUAR	150,000	1.12
14	NEO THUA TEE	134,375	1.00
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	120,500	0.90
16	LOW CHIN YEE	112,000	0.83
17	LOON CHOH TUCK OR HO LENG LENG	110,000	0.82
18	LOON CHOH TUCK OR LOON RI SHENG ESMOND	108,000	0.81
19	HO LENG LENG OR LOON RI SHENG ESMOND (LUN RISHENG)	100,100	0.75
20	NG SOON HOON	66,000	0.49
	TOTAL	**11,817,725**	**88.10**

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of JEP Holdings Ltd. (the "**Company**") will be held at Carlton Hotel Singapore, Level 2, Empress Ballroom 4, 76 Bras Basah Road, Singapore 189558 on Tuesday, 23 April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the audited Financial Statements for the financial year ended 31 December 2018 together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company (refer page 25 to 28 of Annual Report 2018):
   Mr. Wong Gang – Article 91 **(Resolution 2)**
   Mr. Kong Chee Keong – Article 97 **(Resolution 3)**
   Mr. Chung Chi-Te – Article 97 **(Resolution 4)**

   Mr. Wong Gang will, upon re-election as Director, remain as Chairman of the Remuneration Committee and Nominating Committee and a member of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Limited ("**Catalist Rules**").

   Mr. Kong Chee Keong will, upon re-election as Director, remain as Chairman of the Audit Committee and members of the Remuneration Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

   Mr. Chung Chi-Te will, upon re-election as Director, remain as members of the Audit Committee, Remuneration Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

3. To approve the payment of Directors' fees of up to S$200,000 for the financial year ending 31 December 2019, to be paid half yearly in arrears. (2018: S$200,000) **(Resolution 5)**

4. 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:

5. **The proposed change of auditors**

   That:

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

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

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

6. **Authority to issue shares**

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

   (a) (i) issue shares in the capital of 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 that 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 and subsidiary holdings) 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 existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 Instruments or any convertible securities;

(b) new Shares arising from exercising of 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), all applicable legal requirements under the Act and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force 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, whichever is earlier.

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

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 and subsidiary holding as at that date); and

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

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

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

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

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

By Order of the Board

Cho Form Po
Company Secretary
Singapore, 5 April 2019

Explanatory Notes:

(i) The Ordinary Resolution 6 in item 5 above is to approve the appointment of Moore Stephens LLP ("**Moore Stephens**") as auditors of the Company in place of the retiring auditors, Deloitte & Touche LLP ("**Deloitte**"), and to authorise the Directors to fix their remuneration.

Deloitte, the retiring auditors, has served as external auditors of the Company since the financial year ended 31 December 2017. The Board is of the view that the change of external auditors to Moore Stephens for the financial year ending 31 December 2019 is in the best interests of the Company (together with its subsidiaries, the "**Group**") and its shareholders as part of the Group's ongoing efforts to streamline its costs amidst a challenging business environment. The Proposed Change of Auditors is expected to result in cost savings on audit fees for the Group whereas the scope of audit services to be provided by Moore Stephens will be largely comparable to the services currently provided by Deloitte for the financial year ended 31 December 2018.

The Audit Committee has reviewed and deliberated on the proposed change of auditors and has recommended that Moore Stephens be appointed in place of the retiring auditors, after taking into consideration the suitability of Moore Stephens and the requirements of Rules 712 and 715 of the Catalist Rules.

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

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

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

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

(ii) The Ordinary Resolution 7 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 and subsidiary holding) 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 and subsidiary holding) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holding) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 8 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 Constitution of the Company, the Catalist Rules and such other laws and regulations as may for the time being be applicable. The Company may use internal sources of funds, external borrowings, or a combination of both to finance the Company's purchase or acquisition of the Shares.

The amount of funding required for the Company to purchase or acquire the Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, inter alia, the number of Shares to be purchased or acquired, the price at which such Shares are to be purchased or acquired, and whether the Shares to be purchased or acquired are cancelled or held as treasury shares. Based on certain assumptions, an illustration on the financial impact of a purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited financial statements of the Company for the financial year ended 31 December 2018 is set out in Section 6 of the Appendix dated 5 April 2019, which is enclosed together with the Company's Annual Report.

Notes

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

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

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

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

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 16 Seletar Aerospace Crescent, Singapore 797567 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, RHT Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.

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

The details of the contact person for the Sponsor is:
Name: Mr. Shervyn Essex (Registered Professional, RHT Capital Pte. Ltd.)
Address: 9 Raffles Place, #29-01, Republic Plaza Tower 1, Singapore 048619
Telephone: 6381 6757

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

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

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 Carlton Hotel Singapore, Level 2, Empress Ballroom 4, 76 Bras Basah Road, Singapore 189558 on Tuesday, 23 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr. Wong Gang as a Director		
3	Re-election of Mr. Kong Chee Keong as a Director		
4	Re-election of Mr. Chung Chi-Te as a Director		
5	Approval of Directors' fees of up to S$200,000 for the financial year ending 31 December 2019, to be paid half yearly in arrears		
6	Proposed change of auditor		
7	Authority to issue shares		
8	Proposed Renewal of Share Buy-Back Mandate		

Dated this ________________ day of ____________________ 2019

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 5 April 2019.

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 16 Seletar Aerospace Crescent, Singapore 797567 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at Seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

JEP
HOLDINGS LTD

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